

PUBLIC DISCLOSURE

August 7, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**BankFirst Financial Services
RSSD #914648**

**3055 Jefferson Street
Macon, Mississippi 39341**

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.

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INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY.

The Lending Test is rated:

Satisfactory

The Community Development Test is rated:

Satisfactory

BankFirst Financial Services meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending and community development activities. The factors supporting the institution's rating include:

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment areas.
- A majority of loans and other lending-related activities are in the assessment areas.
- Geographic distribution of loans reflects a reasonable dispersion throughout the assessment areas.
- Distribution of loans to borrowers reflects reasonable penetration among individuals of different income levels (including low- and moderate-income (LMI)) and businesses of different revenue sizes.
- There were no CRA-related complaints filed against the bank since the previous CRA evaluation.
- The bank's overall community development performance demonstrates adequate responsiveness to the community development needs of its assessment areas, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment areas. The bank has responded to these needs through community development loans, qualified investments, and community development services.

SCOPE OF EXAMINATION

The bank's CRA performance was reviewed using the Federal Financial Institutions Examination Council's (FFIEC's) intermediate small bank procedures. 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 and state levels. The bank maintains operations in four delineated assessment areas in two states: Mississippi and Alabama. All four of the assessment areas were analyzed using full-scope review procedures. The Mississippi portion of the bank's assessment area is contained in two noncontiguous nonmetropolitan statistical areas (nonMSAs) and the Jackson, Mississippi MSA (Jackson MSA). The Alabama portion of the bank's assessment area is contained entirely within the Tuscaloosa, Alabama MSA (Tuscaloosa MSA). In light of these characteristics, the bank received three sets of ratings: overall institution ratings, ratings for the state of Mississippi, and ratings for the state of Alabama.

The following table details the number of branch offices, breakdown of deposits, and the CRA review procedures applicable to each assessment area completed as part of this evaluation. Deposit information in the following table and throughout this evaluation is taken from the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2016.

State	Offices		Deposits on June 30, 2016		Assessment Area Reviews		
	#	%	\$ (000s)	%	Full Scope	Limited Scope	TOTAL
Mississippi	16	94.1%	\$805,167	98.2%	3	0	3
Alabama	1	5.9%	\$14,668	1.8%	1	0	1
OVERALL	17	100%	\$819,835	100%	4	0	4

In light of branch structure, loan and deposit activity, and the bank's CRA evaluation history, CRA performance in the state of Mississippi was given primary consideration, as it contains the majority of the bank's loan and deposit activity.

Furthermore, residential real estate, small business, and consumer motor vehicle loans were used to evaluate the bank's lending performance, as these loan categories are considered the bank's core business lines based on lending volume and the bank's stated business strategy. Therefore, the 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 lending and commercial lending, performance based on the Home Mortgage Disclosure Act (HMDA) loan category and the small business loan category carried equal significance toward the bank's overall performance conclusions, followed by consumer motor vehicle loans. The following table details the performance criterion and the corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	September 30, 2013 – June 30, 2017
Assessment Area Concentration	January 1, 2015 – December 31, 2015
Geographic Distribution of Loans	January 1, 2015 – December 31, 2015
Loan Distribution by Borrower's Profile	January 1, 2015 – December 31, 2015
Response to Written CRA Complaints	September 30, 2013 – August 6, 2017
Community Development Activities	September 30, 2013 – August 6, 2017

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on HMDA and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2010 U.S. Census data; certain business geodemographics are based on 2015 Dun & Bradstreet data. When analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is generally placed on the aggregate lending data, because it is expected to incorporate many factors affecting lenders in an assessment area. Aggregate lending datasets are also updated annually and are, therefore, expected to predict comparisons that are more relevant. In addition, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating in the same general region. Four other banks were identified as similarly situated peers, with asset sizes ranging from \$594.5 million to \$1.3 billion as of June 30, 2017.

As part of the Community Development Test, the bank's performance was evaluated using the following criteria, 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 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 still outstanding as of this review date, were also considered.

To augment this evaluation, nine community contact interviews were conducted with members of the local community 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 Assessment Area* section, applicable to the assessment area in which they were conducted.

DESCRIPTION OF INSTITUTION

BankFirst Financial Services is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by BankFirst Capital Corporation, Inc., a one-bank holding company. The bank and its holding company are both headquartered in Macon, Mississippi.

The bank currently operates in four CRA assessment areas, as detailed below.

Mississippi

- Golden Triangle assessment area – All of Clay, Lowndes, Noxubee, and Oktibbeha Counties.
- East Central assessment area – All of Jasper, Newton, and Scott Counties.
- Jackson assessment area – All of Hinds, Madison, and Rankin Counties in Mississippi (three of six counties that make up the Jackson, Mississippi MSA).

Alabama

- Tuscaloosa assessment area – All of Tuscaloosa County (one of three counties that make up the Tuscaloosa, Alabama MSA).

During this review period, the bank experienced asset growth through the acquisition of Bank of Newton County, which increased the bank's branching footprint by six branch offices. In addition, the bank opened three new branch offices. Two of the new branches were opened in Mississippi: one in Hattiesburg in April 2015 and the other in Jackson in July 2015. The third new branch in Tuscaloosa, Alabama, was originally opened as a loan production office in April 2014 and was converted to a full-service branch in September 2014. It currently is the bank's only branch in Alabama. Further, the bank closed three branch offices since its previous CRA examination. The branch office located in Ridgeland, Mississippi, was closed in December 2014. The Gluckstedt branch located in Madison, Mississippi, was closed in June 2014. Lastly, the Hattiesburg branch office that opened April 29, 2015, was subsequently closed on December 31, 2016. The following table shows the branching activity for the bank since the previous CRA evaluation on September 30, 2013.

Change in BankFirst Financial Services' Offices During the Review Period September 30, 2013 through August 7, 2017					
Assessment Area	Office # (Previous Examination)	Closed Offices	New Office Openings	New Office Acquisitions	Current # of Offices
Golden Triangle	7	0	0	0	7
East Central	0	0	0	6	6
Jackson	4	2	1	0	3
Tuscaloosa	0	0	1	0	1
Hattiesburg Mississippi MSA	0	1	1	0	0
TOTAL	11	3	3	6	17

The bank's branch network consists of 14 full-service offices (including the main office) and 3 limited-service branches. The bank also has a stand-alone, drive-through only facility near the main office. Of the 14 full-service offices, 12 have full-service automated teller machines (ATMs) on site, and 11 have drive-up accessibility. Of the three limited-service offices, one offers a full-service ATM and drive-up accessibility.

Based on this branch network and other service delivery systems, such as extended banking hours of operation and full-service online banking capabilities, the bank is adequately positioned to deliver financial services to the entirety of its assessment areas.

For this review period, no legal impediments or financial constraints were identified that would have hindered the bank from serving the credit needs of its customers, and the bank appeared capable of meeting the credit needs of its assessment areas based on its available resources and financial products. On June 30, 2017, the bank reported total assets of \$944.9 million. On that same date, loans and leases outstanding were \$743.7 million (78.7 percent of total assets), and deposits totaled \$841.4 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans on June 30, 2017		
Credit Category	Amount (\$000s)	Percentage of Total Loans
Construction and Development	\$68,562	9.2%
Commercial Real Estate	\$264,672	35.6%
Multifamily Residential	\$52,693	7.1%
1–4 Family Residential	\$184,429	24.8%
Farmland	\$45,881	6.2%
Farm Loans	\$15,421	2.1%
Commercial and Industrial	\$92,352	12.4%
Loans to Individuals	\$13,767	1.9%
Total Other Loans	\$5,929	0.8%
TOTAL	\$743,706	100%

As indicated in the preceding table, a significant portion of the bank's lending resources is directed to commercial real estate loans, loans secured by 1–4 family residential properties, and commercial and industrial loans. The bank also originates and subsequently sells a significant volume of loans related to residential real estate. Since these loans are sold on the secondary market shortly after origination, this activity is not captured in the table.

While not reflected in the previous table, it is also worth noting that, by number of loans originated, loans to individuals (such as consumer motor vehicle loans) represent a significant product offering for the bank. Consumer loans not related to residential real estate are typically made in smaller dollar amounts relative to other credit products.

The bank received a Satisfactory rating at its previous CRA evaluation conducted by this Reserve Bank on September 30, 2013.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Rated Area	Lending Test Rating
Mississippi	Satisfactory
Alabama	Satisfactory
OVERALL	Satisfactory

BankFirst Financial Services meets the standards for a satisfactory Lending Test rating under the intermediate small bank procedures, which evaluate bank performance under the following five criteria, as applicable.

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 ratio in comparison to those of regional peers. The average LTD ratio represents a 16-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	Headquarters	Asset Size (\$000s) on June 30, 2017	Average LTD Ratio
BankFirst Financial Services	Macon, Mississippi	\$944,927	86.6%
Regional Banks	Meridian, Mississippi	\$1,346,168	76.2%
	Philadelphia, Mississippi	\$1,017,186	54.0%
	Forest, Mississippi	\$837,970	74.8%
	Reform, Alabama	\$594,491	66.2%

Based on data in the previous table, the bank's level of lending is above that of other banks in the region. During the review period, the bank's quarterly LTD ratio generally experienced an increasing trend, with a 16-quarter average of 86.6 percent. In comparison, the average LTD ratios for the regional peers were all lower and the quarterly LTD ratios ranged from 49.2 percent to 82.0 percent throughout the 16-quarter period. Therefore, compared to data from regional banks, the bank's average LTD ratio is reasonable given the bank's size, financial condition, and credit needs of its assessment areas.

Assessment Area 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						
January 1, 2015 through December 31, 2015						
Loan Type	Inside Assessment Area		Outside Assessment Area		TOTAL	
HMDA	547	85.7%	91	14.3%	638	100%
	\$91,469	86.0%	\$14,837	14.0%	\$106,306	100%
Small Business	136	84.5%	25	15.5%	161	100%
	\$11,685	86.9%	\$1,758	13.1%	\$13,443	100%
Consumer	138	83.6%	27	16.4%	165	100%
	\$1,166	85.9%	\$192	14.1%	\$1,358	100%
TOTAL LOANS	821	85.2%	143	14.8%	964	100%
	\$104,319	86.1%	\$16,787	13.9%	\$121,106	100%

A majority of loans and other lending-related activities were made in the bank's assessment areas. As shown in the previous table, 85.2 percent of the total loans were made inside the assessment areas, accounting for 86.1 percent of the dollar volume of total loans.

Geographic and Borrower Distribution

As displayed in the following table, the bank's overall distribution of lending by income level of census tract reflects reasonable penetration throughout the bank's rated areas subject to review, with the greatest emphasis on the state of Mississippi.

Rated Area	Geographic Distribution of Loans
Mississippi	Reasonable
Alabama	Reasonable
OVERALL	Reasonable

Overall, performance by borrower's income/revenue profile is reasonable, based on the analyses of lending in Mississippi and Alabama, as displayed in the following table.

Rated Area	Loan Distribution by Borrower's Profile
Mississippi	Reasonable
Alabama	Reasonable
OVERALL	Reasonable

Responses to Complaints

No CRA-related complaints were filed against the bank during this review period (September 30, 2013 through August 6, 2017).

COMMUNITY DEVELOPMENT TEST

BankFirst Financial Services' performance under the Community Development Test is rated satisfactory. The bank demonstrates adequate responsiveness to the community development needs of the Mississippi and Alabama assessment areas, considering the bank's capacity and the need and availability of such opportunities for community development in the assessment areas.

Rated Area	Community Development Test Rating
Mississippi	Satisfactory
Alabama	Satisfactory
OVERALL	Satisfactory

During the review period, the bank made 31 qualifying loans in its assessment areas totaling approximately \$9.1 million. Of those loans, 13 were for revitalization or stabilization, 13 were to community service organizations, and 5 were for affordable housing.

The bank also made community development investments and donations in its assessment areas totaling \$1.9 million. This amount included 12 new qualified investments totaling \$1.2 million, 3 continuing investments made in a prior review period totaling \$680,000, and 114 qualified donations totaling \$110,390. The investments included municipal bonds issued by qualifying school districts for community services and general bonds to qualifying counties for revitalization or stabilization. Furthermore, the 114 donations were to 50 separate organizations having a community development purpose.

During the review period, 37 bank personnel used financial expertise to log 41 service activities to 36 different community development organizations in the bank's assessment areas. Service activities included delivering financial education in schools that primarily serve LMI families and providing financial expertise to community service and economic development organizations as board members. The bank provided 4,799 hours of community development services.

In addition to adequately meeting the community development needs of its own assessment areas, the bank received CRA credit, at the institution level, for its community development activities outside of its assessment areas. The bank extended six community development loans, totaling \$2.9 million, outside of its assessment areas. One loan, totaling \$1.3 million, provided affordable housing in Verona (Tupelo), Mississippi. Another loan, totaling \$1.2 million, provided affordable housing in Pineville, Louisiana. The four remaining loans provided funds for revitalization and stabilization efforts in LMI geographies of Aliceville, Alabama, and Pickens County, Alabama, totaling \$368,256. The bank also invested in four general bonds totaling approximately \$2.2 million that serve areas in Mississippi, and two bonds totaling \$360,000 to school districts containing a majority of students from LMI families in Alabama. Lastly, the bank

invested in six certificates of deposit (CDs) to three community development financial institutions (CDFIs). The CDFI investments included four CDs in Mississippi totaling \$429,336, one CD in Wisconsin totaling \$250,000, and one CD in New York totaling \$250,000. The bank also made \$23,500 in qualified donations to various community development organizations outside of its assessment areas. Because these activities serve a broader area than the bank's assessment areas, they are discussed at the institutional level rather than for each individual assessment area.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Based on 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.

MISSISSIPPI

CRA RATING FOR MISSISSIPPI:

The Lending Test is rated:

Satisfactory

The Community Development Test is rated:

Satisfactory

Satisfactory

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

- Overall, the geographic distribution of loans reflects reasonable dispersion throughout the Mississippi assessment areas.
- The distribution of loans in the Mississippi assessment areas reflects reasonable penetration among individuals of different income levels (including LMI 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 for such opportunities for community development in the bank's Mississippi assessment areas.

SCOPE OF EXAMINATION

Scoping 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. The bank's ratings in the state of Mississippi reflect a composite of the bank's performance in all three of its assessment areas throughout the state. Two of the bank's Mississippi assessment areas are located in nonMSA geographies, while the third is located in the Jackson, Mississippi MSA. The bank's CRA performance in all three of its Mississippi assessment areas was evaluated using full-scope review procedures.

Although analyses for each nonMSA assessment area were completed individually, the conclusions for nonMSA Mississippi are presented together. In such cases, performance in the Golden Triangle assessment area received primary consideration when making nonMSA Mississippi and statewide performance conclusions, in light of branch structure, loan/deposit activity, and the bank's CRA evaluation history.

The bank's consumer motor vehicle loan activity is not addressed in the full-scope review for the Jackson MSA assessment area. Due to the high level of pricing competition in the Jackson assessment area from automobile dealers and large regional banks for consumer motor vehicle loans, the bank focuses primarily on HMDA and small business lending in the Jackson MSA assessment area. As a result, the bank's consumer motor vehicle loan activity is de minimis in this assessment area and did not play a material role in the evaluation of lending performance in this assessment area.

To augment the evaluation of the full-scope assessment area reviews in Mississippi, six community contact interviews were conducted to ascertain specific community credit needs, community development opportunities, and local economic conditions. Three of the interviews were with representatives from local housing authorities, and three interviews were with representatives specializing in economic development. Details from these interviews are included in the *Description of Institution's Operations* sections, as applicable to the assessment areas in which the community contacts were conducted.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MISSISSIPPI

BankFirst Financial Services operates 16 offices (94.1 percent of its total branches) within the three CRA assessment areas in the state of Mississippi. The following table gives additional detail regarding the bank's operations within Mississippi.

Assessment Area	Offices		Deposits on June 30, 2016		Review Procedures
	#	%	\$	%	
Golden Triangle	7	43.8%	\$483,149	60.2%	Full Scope
East Central	6	37.5%	\$147,642	18.4%	Full Scope
Jackson	3	18.8%	\$172,414	21.5%	Full Scope
TOTAL	16	100%	\$803,205	100%	3 – Full Scope

During the review period, the bank closed two branches and opened one new branch in the Jackson assessment area. In addition, the bank acquired six branches in the East Central assessment area through acquisition activity in the state. Additionally, the bank operated a branch office in the Hattiesburg, Mississippi MSA from April 2015 through the end of December 2016; however, the Hattiesburg, Mississippi MSA is not an assessment area for this evaluation, because the bank no longer operates a branch office in this area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MISSISSIPPI

LENDING TEST

BankFirst Financial Services' Lending Test rating for the state of Mississippi is Satisfactory. The bank's overall geographic distribution of loans reflects reasonable penetration throughout Mississippi assessment areas. Furthermore, the overall distribution of loans by borrower's income and revenue profile reflects reasonable penetration among borrowers of different income levels and businesses of different sizes.

Geographic and Borrower Distribution

As displayed in the following table, the bank's overall geographic distribution of loans reflects reasonable penetration throughout Mississippi.

Full-Scope Review Areas	Geographic Distribution of Loans
NonMSA Mississippi	Excellent
Jackson	Reasonable
OVERALL	Reasonable

Overall, the bank's performance by borrower's income and revenue profile is reasonable in Mississippi, as is displayed in the following table:

Full-Scope Review Areas	Loan Distribution by Borrower's Profile
NonMSA Mississippi	Reasonable
Jackson	Reasonable
OVERALL	Reasonable

COMMUNITY DEVELOPMENT TEST

BankFirst Financial Services' 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 its Mississippi assessment areas, considering the bank's capacity and the need/availability of such opportunities for community development. The bank has addressed the community development needs of its assessment areas through community development loans, qualified investments, and community development services.

Full-Scope Review Areas	Community Development Performance
NonMSA Mississippi	Adequate
Jackson	Adequate
OVERALL	Adequate

The bank extended 30 community development loans totaling \$7.3 million within its Mississippi assessment areas. Of these loans, 13 were community service, 13 were revitalization/stabilization, and 4 were affordable housing efforts. In addition, the bank made \$1.2 million in new community development investments and 110 donations totaling \$107,590 in the Mississippi assessment areas. The bank also had three qualified investments carried over from the previous examination period totaling \$680,000. The majority of investment and donation dollars provided community services to children from LMI families and benefitted revitalization and stabilization efforts in LMI and distressed middle-income areas in the Mississippi assessment areas. Lastly, bank personnel provided 40 services to 35 different community development organizations in the Mississippi assessment areas, totaling 4,579 hours of service.

NONMETROPOLITAN MISSISSIPPI STATEWIDE AREA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE GOLDEN TRIANGLE ASSESSMENT AREA

Bank Structure

As shown in the following table, the bank operates 7 of its 17 offices (41.2 percent) in the Golden Triangle assessment area. Of the seven offices, two are located in moderate-income census tracts, and four are located in distressed, middle-income census tracts; the middle-income tracts in which the branches are located are designated as distressed due to poverty and/or unemployment. One branch is located in an upper-income census tract. The bank also operates a stand-alone drive-through facility near its main office that is located in a moderate-income census tract. Since the last examination, the bank did not open or close any branches in this assessment area. Based on its branch network and other service delivery systems, the bank is well positioned to deliver financial services to substantially all of the assessment area.

Office Distribution – Golden Triangle Assessment Area				
Assessment Area Office Name	Office Type	Census Tract	Census Tract Income Level	Opened or Closed Since Last Examination
Crossgates	Full Service	9507.00	Upper	No
Highway 45 North	Full Service	9501.00	Distressed Middle	No
Lehmberg Road	Full Service	0004.01	Distressed Middle	No
Main Office	Full Service	9503.00	Moderate	No
Main Street	Full Service	0007.00	Moderate	No
Russell Street	Full Service	9504.00	Distressed Middle	No
University Mall	Full Service	0009.00	Distressed Middle	No

General Demographics

The assessment area is comprised of Clay, Lowndes, Noxubee, and Oktibbeha Counties in their entirety. This is the bank's primary assessment area and is located in the far eastern portion of central Mississippi, bordering western Alabama. As of the 2010 U.S. Census, the assessment area population was 139,629. Of the 11 FDIC-insured depository institutions with a branch presence in this assessment area, the bank ranked second in deposit market share, encompassing 20.9 percent of total deposit dollars.

Credit needs in the assessment area include a mix of consumer and business loan products. Other particular credit needs in the assessment area, as noted primarily from community contacts, include affordable housing, down payment assistance for first-time homebuyers, and specialized

or “microloans” for small businesses. Due to the number of LMI and distressed middle-income geographies in this assessment area, there are opportunities for community development activities.

Income and Wealth Demographics

The following table summarizes the distribution of assessment area census tracts by income level and the family population in those tracts.

Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Census Tracts	1	7	11	11	0	30
	3.3%	23.3%	36.7%	36.7%	0.0%	100%
Family Population	825	5,842	13,682	13,626	0	33,975
	2.4%	17.2%	40.3%	40.1%	0.0%	100%

As shown in the preceding table, 26.6 percent of the census tracts in the assessment area are LMI geographies, with 19.6 percent of the total family population residing in these tracts. In addition, 40.3 percent of the family population resides in middle-income census tracts, all of which are distressed geographies due to poverty and/or unemployment. Although this assessment area has urban areas in Columbus (Lowndes County) and Starkville (Oktibbeha County), the majority of the census tracts in this assessment area are rural.

Based on 2010 U.S. Census data, the median family income for the assessment area was \$45,077, which is above the median family income for nonMSA Mississippi of \$40,980. More recently, the FFIEC estimates the 2015 median family income for nonMSA Mississippi to be \$44,800. The following table displays the distribution of assessment area families by income level compared to all nonMSA Mississippi families.

Family Population by Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Assessment Area	7,925	4,894	5,343	15,813	33,975
	23.3%	14.4%	15.7%	46.5%	100%
NonMSA Mississippi	100,379	69,806	72,272	177,033	419,490
	23.9%	16.6%	17.2%	42.2%	100%

While the first table in this section shows that 19.6 percent of families reside in LMI geographies, the table above shows that a large percentage of families in the assessment area are LMI. The LMI family percentage of the assessment area (37.7 percent) is below the 40.5 percent of LMI families in nonMSA Mississippi.

Additionally, the percentage of families living below the poverty level in the assessment area,

19.3 percent, is also slightly below the 19.5 percent residing in nonMSA Mississippi; however, Noxubee County and Clay County exceed the percentage of nonMSA Mississippi residents living below the poverty level, at 29.6 and 21.4 percent, respectively. Considering these factors, the assessment area appears slightly more affluent than nonMSA Mississippi.

Housing Demographics

Based on the housing demographics displayed in the following table, housing in the assessment area is less affordable compared to nonMSA Mississippi.

Housing Demographics			
Dataset	Median Housing Value	Affordability Ratio	Median Gross Rent (monthly)
Clay County	\$74,500	42.6%	\$571
Lowndes County	\$104,200	36.1%	\$586
Noxubee County	\$55,900	39.7%	\$477
Oktibbeha County	\$106,900	28.4%	\$632
Assessment Area	\$92,345	35.6%	\$596
NonMSA Mississippi	\$78,984	41.0%	\$559

As the previous table shows, housing in Lowndes County and Oktibbeha County is less affordable than in nonMSA Mississippi, while housing values in Clay County and Noxubee County are lower than in nonMSA Mississippi. Additionally, with the exception of Noxubee County, rental property is less affordable than nonMSA Mississippi. Further, housing appears to be less affordable than nonMSA Mississippi based on affordability ratios for each of the counties except Clay County. According to a community contact, there is a need for affordable housing, and a large portion of affordable housing in the area is in fair to poor condition. Even in those areas in which housing and/or rent values are lower, housing is still likely out of reach for a significant portion of the assessment area's LMI population.

Additional data that supports this conclusion is shown in the following table:

Other Housing Demographics			
Dataset	Owner Occupancy	Vacant Units	Rental Units
Assessment Area	54.2%	13.3%	32.6%
NonMSA Mississippi	61.0%	15.0%	24.0%

As shown, housing in the assessment area has a lower owner-occupancy rate than nonMSA Mississippi and a higher percentage of rental units. The assessment area also has a lower percentage of vacant units. Further, the housing stock in the assessment area is slightly older, with a median age of 32 years compared to 30 years in nonMSA Mississippi. This data further supports the conclusion that homeownership may be more difficult to achieve in the assessment area compared to nonMSA Mississippi.

Industry and Employment Demographics

The assessment area economy is diverse and is supported by a mixture of service- and industry-oriented sectors. The U.S. Census Bureau 2015 County Business Patterns indicate that there are 39,320 paid employees in the assessment area. By number of paid employees, the three largest job categories in the assessment area are retail trade (7,079), manufacturing (6,423), and accommodation and food services (5,879). These figures are driven primarily by business patterns from Lowndes County; 54.5 percent of all employees in the assessment area work in Lowndes County. Retail trade is the largest industry in Clay County, while manufacturing prevails in Lowndes and Noxubee County. Oktibbeha County's largest industry is accommodation and food services.

The following table details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for each county of the assessment area, the assessment area as a whole, and the state of Mississippi.

Unemployment Levels for the Assessment Area				
Dataset	Time Period (Annual Average)			
	2013	2014	2015	2016
Clay County	15.5%	13.3%	9.5%	8.1%
Lowndes County	9.4%	8.8%	7.0%	6.2%
Noxubee County	13.4%	12.4%	9.8%	8.3%
Oktibbeha County	8.0%	7.2%	6.1%	5.5%
Assessment Area Average	10.0%	9.1%	7.2%	6.3%
Mississippi	8.6%	7.6%	6.4%	5.8%

As the previous table shows, unemployment levels have consistently declined during the review period for each county in the assessment area and for the state of Mississippi. While unemployment in Oktibbeha County was consistently below the levels in Mississippi over the time period of 2014 through 2016, the other three counties were consistently above the Mississippi percentage of unemployment.

Community Contact Information

Information from two community contact interviews was used to help shape the performance context in which the bank's activities in this assessment area were evaluated. The interviews were conducted with local economic development and housing professionals.

Both of the community contact interviewees categorized the local economy as positive when comparing the assessment area to other areas across the region. Starkville was described as a "white collar city" in which the majority of the population is employed with well-paying, professional jobs; however, there is high unemployment in other areas of the assessment area due

to a workforce population that is less skilled. One of the contacts stated that some of the population is leaving the assessment area due to a lack of jobs that pay a living wage.

As previously noted, affordable housing is a need in this assessment area, as contacts noted that affordable housing is aging and is in poor condition. According to the contact, students attending Mississippi State University generally rent housing that is in better condition, leaving the remainder of the affordable housing to LMI individuals and families. It was also noted that there is a need for affordable mortgage products, down payment assistance for first-time homebuyers, and home improvement loans.

Furthermore, one of the contacts noted concerns that portions of the LMI residents of the assessment area are unbanked or underbanked, even though there are many financial institutions in the area. The contact cited a need for individual development accounts (IDAs), an asset-building tool designed to enable low-income families to save towards a targeted amount, as well as a need for affordable deposit products. Other banking services that were cited include specialized loans or microloans for small businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE GOLDEN TRIANGLE ASSESSMENT AREA

LENDING TEST

The bank's overall geographic distribution of loans reflects excellent penetration throughout the Golden Triangle 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 of different revenue sizes.

Geographic Distribution of Loans

As noted previously, the assessment area includes one low- and seven moderate-income census tracts, representing 26.7 percent of all assessment area census tracts. The dispersion of loans throughout the LMI geographies is reasonable, with heavier concentration of lending around the bank's branch offices. Overall, the bank's geographic distribution of loans in this assessment area reflects excellent penetration throughout the LMI census tracts, based on the loan categories reviewed with primary emphasis on the bank's HMDA lending.

The following table displays the geographic distribution of HMDA loans compared to owner-occupied housing demographics for the assessment area and aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	1	1.0%	15	14.3%	42	40.0%	47	44.8%	0	0.0%	105	100%
Refinance	2	1.0%	49	25.4%	82	42.5%	60	31.1%	0	0.0%	193	100%
Home Improvement	1	2.2%	15	33.3%	19	42.2%	10	22.2%	0	0.0%	45	100%
Multifamily	0	0.0%	2	40.0%	3	60.0%	0	0.0%	0	0.0%	5	100%
TOTAL HMDA	4	1.1%	81	23.3%	146	42.0%	117	33.6%	0	0.0%	348	100%
Owner-Occupied Housing	1.9%		16.4%		38.7%		43.0%		0.0%		100%	
2015 HMDA Aggregate	0.7%		11.7%		38.8%		48.8%		0.0%		100%	

The analysis of HMDA loans revealed reasonable lending performance to borrowers in the low-income geography. The bank's total penetration of the low-income census tract by number of loans (1.1 percent) is slightly below the percentage of owner-occupied housing units in the low-income census tract (1.9 percent); however, it is slightly above the performance of aggregate lenders (0.7 percent). Further, the bank's penetration of moderate-income census tracts (23.3 percent) is well above both the percentage of owner-occupied housing units in moderate-income census tracts (16.4 percent) and the performance of aggregate lenders (11.7 percent). The bank's lending performance in moderate-income census tracts is excellent. Overall, the bank's HMDA

lending performance in LMI tracts (24.4 percent) exceeds the percentage of owner-occupied housing units in LMI geographies (18.3 percent), as well as the performance of aggregate lenders (12.4 percent). Therefore, the bank's performance for HMDA lending in this assessment area is excellent.

Second, the bank's geographic distribution of small business loans was reviewed. The following table displays small business loan activity by geography income level compared to the location of businesses throughout this assessment area and small business aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	1	1.1%	22	25.0%	36	40.9%	29	33.0%	0	0.0%	88	100%
Business Institutions	2.7%		18.7%		39.5%		39.1%		0.0%		100%	
2015 Small Business Aggregate	2.4%		16.9%		38.6%		39.6%		2.5%		100%	

The bank's percentage of small business loans in the low-income census tract (1.1 percent) is slightly below both the percentage of business institutions in the low-income geography and the aggregate lending percentage. While performance is below data used for comparison purposes, the bank's performance is reasonable because environmental concerns in the low-income census tract limits small business lending opportunities. In addition, the bank's penetration of moderate-income census tracts (25.0 percent) is above both the percentage of business institutions in moderate-income geographies (18.7 percent) and the aggregate lending percentage (16.9 percent). Therefore, the bank's small business lending in moderate-income census tracts is excellent. Furthermore, all 11 middle-income census tracts in this assessment area are distressed due to poverty and/or unemployment, and the bank has the majority of its small business lending in these geographies and exceeds the demographic and aggregate comparison data in the middle-income census tracts. Overall, the bank's percentage of small business lending in LMI census tracts (26.1 percent) is excellent, as it is above the demographic (21.4 percent) and aggregate data used for comparison (19.3 percent).

As with the previous two categories, the bank's geographic distribution of consumer motor vehicle loans was reviewed. The following table displays the results of this review, along with the percentage of household population located in each geographical income category for comparison purposes.

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography												
January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	0	0.0%	6	37.5%	2	12.5%	8	50.0%	0	0.0%	16	100%
Household Population	2.6%		17.2%		42.7%		37.6%		0.0%		100%	

The bank did not originate any consumer motor vehicle loans in the low-income census tract, while 2.6 percent of the household population resides in the low-income geography. Therefore, the bank's lending performance in the low-income census tract is poor. Conversely, the bank's penetration of moderate-income census tracts (37.5 percent) is excellent, as it was significantly above the percentage of household population in moderate-income geographies (17.2 percent). Overall, the bank's lending performance in LMI census tracts (37.5 percent) is well above the demographic (19.8 percent) comparisons for LMI geographies and is excellent.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is reasonable, based on performance from all loan categories reviewed. As previously stated, greater emphasis is placed on performance in the HMDA loan category given the bank's emphasis on HMDA lending in this assessment area.

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 the FFIEC (\$44,800 for nonMSA Mississippi during 2015). The following table shows the distribution of HMDA-reported loans by borrower income level compared to family population income demographics for the assessment area. Additionally, aggregate data for the assessment area is displayed.

Distribution of Loans Inside Assessment Area by Borrower Income												
January 1, 2015 through December 31, 2015												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	5	4.8%	6	5.7%	16	15.2%	65	61.9%	13	12.4%	105	100%
Refinance	8	4.1%	10	5.2%	30	15.5%	110	57.0%	35	18.1%	193	100%
Home Improvement	5	11.1%	8	17.8%	13	28.9%	17	37.8%	2	4.4%	45	100%
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	5	100.0%	5	100%
TOTAL HMDA	18	5.2%	24	6.9%	59	17.0%	192	55.2%	55	15.8%	348	100%
Family Population	23.3%		14.4%		15.7%		46.5%		0.0%		100%	
2015 HMDA Aggregate	3.7%		8.5%		16.2%		52.6%		18.9%		100%	

As shown in the preceding table, the bank's percentage of HMDA lending to low-income borrowers (5.2 percent) is well below the low-income family population figure (23.3 percent); however, the bank's performance exceeds the aggregate lending level to low-income borrowers (3.7 percent). Additionally, a community contact noted the need for home improvement loans; 27.8 percent of the bank's HMDA loans to low-income borrowers were for home improvement. This reflects reasonable lending performance to low-income borrowers. The bank's level of lending to moderate-income borrowers (6.9 percent) is below the moderate-income family population percentage (14.4 percent), as well as the aggregate lending levels (8.5 percent), reflecting poor performance. Combined, the bank's total HMDA lending to LMI borrowers (12.1 percent) is significantly below the LMI family population of 37.7 percent but is similar to the combined aggregate (12.2 percent). Therefore, the overall distribution of HMDA loans by borrower's income profile is reasonable.

Next, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Distribution of Loans Inside Assessment Area by Business Revenue								
January 1, 2015 through December 31, 2015								
Gross Revenue	Loan Amounts in \$000s						TOTAL	
	≤\$100		>\$100 and ≤\$250		>\$250 and ≤\$1,000			
\$1 Million or Less	68	77.3%	4	4.5%	6	6.8%	78	88.6%
Greater Than \$1 Million/Unknown	6	6.8%	3	3.4%	1	1.1%	10	11.4%
TOTAL	74	84.1%	7	8.0%	7	8.0%	88	100%
Dun & Bradstreet Businesses ≤ \$1MM							91.5%	
Small Business Aggregate ≤ \$1MM							56.8%	

The bank's level of lending to small businesses is reasonable. The bank originated the majority of its small business loans (88.6 percent) to businesses with revenues of \$1 million or less. In comparison, assessment area demographics estimate that 91.5 percent of businesses in the assessment area had annual revenues of \$1 million or less, and the aggregate lending level to small businesses was 56.8 percent. Further, 87.2 percent of the loans to small businesses were in amounts less than \$100,000, indicating the bank's willingness to lend to small businesses in this assessment area.

The distribution of consumer motor vehicle loans was also analyzed by borrower's income profile. The following table shows the distribution of consumer motor vehicle loans by borrower income level compared to the household population demographics for the assessment area.

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower												
January 1, 2015 through December 31, 2015												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	1	6.3%	4	25.0%	1	6.3%	10	62.5%	0	0.0%	16	100%
Household Population	28.5%		14.0%		13.7%		43.9%		0.0%		100%	

The bank's level of lending to low-income borrowers (6.3 percent) is significantly below the household population of 28.5 percent, reflecting poor performance. In contrast, the bank's level of lending to moderate-income borrowers (25.0 percent) is considerably higher than the household population of 14.0 percent and reflects excellent performance. Combined, 31.3 percent of the bank's motor vehicle loans were made to LMI borrowers in this assessment area, which is lower than the LMI household population of 42.5 percent; however, the origination of one additional loan to an LMI borrower would place the bank in a comparable position to the household population demographics. Therefore, the bank's overall lending to LMI borrowers is reasonable.

In addition, through a grant from the CDFI Fund, the bank tested a special loan program exclusively to LMI individuals in April 2015. This loan program was offered only at the bank's main office in Macon (Noxubee County). The program included financial education, targeted to increasing financial skills of the participants, and extension of a small-dollar unsecured loan to help participants build or repair their credit history. Of the 204 participants in this program, the bank originated 152 loans totaling \$118,000. The bank is considering testing this program in its other assessment areas in the future. As noted previously, community contacts stated that there are segments of the area's population that are unbanked or underbanked, as well as a need for IDAs. Through this special loan program, the bank is addressing some of these needs in the Noxubee County area.

COMMUNITY DEVELOPMENT TEST

The bank demonstrates adequate responsiveness to community development needs within the Golden Triangle assessment area, considering the bank's capacity and the need and availability of such opportunities for community development. The bank addressed these needs through community development loans, qualified investments, and community development services. The number and dollar of these activities are shown in the following table, with noteworthy activities described below the table.

Community Development Activities Golden Triangle Assessment Area			
Community Development Component	#		\$
Loans	18		\$3,609,587
Investments, Current and Prior	4		\$850,000
Current Period	2		\$420,000
Prior Period, Still Outstanding	2		\$430,000
Donations	73		\$49,455
Services	29 Services	3,663 Hours	

Of the 18 community development loans, 13 were for the purpose of providing community services and 5 were for revitalization or stabilization efforts in the assessment area. The following is a brief description of notable community development loans in the assessment area.

- The bank originated and/or renewed seven loans, totaling \$2.4 million, for providing funds for the construction and operation expenses of a daycare center in Noxubee County serving primarily children from LMI families.
- The bank originated five loans, totaling \$60,000, for the construction of a community center in Clay County, located in a moderate-income census tract, for use by residents of the county.
- The bank also originated two loans to Noxubee County, totaling \$373,500, for working

capital and county services that revitalized and stabilized moderate- and distressed middle-income census tracts in the county.

Of the four qualified investments, three were for the purpose of providing community services and one was for revitalization or stabilization efforts in the assessment area.

- Two of the investments provided capital improvements to Oktibbeha General Hospital that serves a distressed middle-income census tract in the form of capital improvement bonds. One of the bonds (\$230,000) was from the prior review period but still outstanding, and the other was a new investment of \$320,000.
- One of the investments from the prior review period but still outstanding was for a municipality for essential infrastructure projects that revitalized or stabilized the low- and distressed middle-income geographies in Lowndes County, totaling \$200,000.
- One of the investments, totaling \$100,000, provided funds to a school district in Lowndes County serving primarily children from LMI families.

The bank also made 73 qualified community development donations totaling \$49,455 in the assessment area. The majority of the donations were provided to organizations with a community development purpose and provision of affordable housing to LMI families. The following is a brief description of notable qualified investments in the assessment area.

- Nine qualified donations, totaling \$19,000, were made to Habitat for Humanity organizations located in the assessment area.
- Two qualified donations, totaling \$10,000, were made to a school primarily serving children from LMI families.

Finally, 30 bank employees, including members of management, used their financial expertise to provide 29 services to 25 different organizations in this assessment area, totaling 3,663 hours. Services qualified as affordable housing, community service, and economic development for LMI families and businesses throughout the assessment area.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE EAST CENTRAL ASSESSMENT AREA

Bank Structure

As displayed in the following table, the bank operates 6 of its 17 offices (35.3 percent) in the East Central assessment area. Of the six offices, four are located in distressed middle-income census tracts; the middle-income tracts in which the branches are located are designated as distressed due to poverty. Two branches are located in upper-income census tracts. The bank did not operate in this assessment area at its previous examination but entered the assessment area as part of the Bank of Newton County acquisition in September 2015. No other branches were opened or closed in this assessment area since the previous examination. Based on its branch network and other service delivery systems, the bank is adequately positioned to deliver financial services to substantially all of the assessment area.

Office Distribution – East Central Assessment Area				
Assessment Area Office Name	Office Type	Census Tract	Census Tract Income Level	Change Since Last Examination
Hickory	Limited Service	0504.00	Upper	Acquired September 1, 2015
Highway 15	Full Service	0505.00	Distressed Middle	Acquired September 1, 2015
Lake	Limited Service	0206.00	Upper	Acquired September 1, 2015
Louin	Full Service	9501.00	Distressed Middle	Acquired September 1, 2015
Newton	Full Service	0505.00	Distressed Middle	Acquired September 1, 2015
Scanlan Street	Limited Service	0505.00	Distressed Middle	Acquired September 1, 2015

General Demographics

The assessment area is comprised of Jasper, Newton, and Scott Counties in their entireties and is located in the eastern portion of central Mississippi. As of the 2010 U.S. Census, the assessment area population was 67,046. Of the 12 FDIC-insured depository institutions with a branch presence in this assessment area, the bank ranked third in deposit market share, encompassing 15.1 percent of total deposit dollars.

Credit needs in the assessment area include a mix of consumer and business loan products. Other particular needs in the assessment area, as noted primarily from community contacts, include more rental properties for LMI individuals and families and economic development activities that would attract employers to the area. Due to the presence of distressed middle-income geographies in this assessment area, there are many opportunities for community development activities.

Income and Wealth Demographics

The following table reflects the number of census tracts by geography income level and the family population of those census tracts in the assessment area.

Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Census Tracts	0	0	11	4	0	15
	0.0%	0.0%	73.3%	26.7%	0.0%	100%
Family Population	0	0	12,494	4,731	0	17,225
	0.0%	0.0%	72.5%	27.5%	0.0%	100%

As shown in the preceding table, this assessment area does not contain any LMI census tracts. The assessment area contains 11 middle- and 4 upper-income census tracts. All of the middle-income census tracts, located throughout the three counties in this assessment area, are designated as distressed due to poverty. Data show that the majority of families (72.5 percent) reside in the distressed middle-income census tracts. Further, a large portion of the assessment area's census tracts covers large geographical areas and encompasses rural portions of Mississippi.

Based on 2010 U.S. Census data, the median family income for the assessment area was \$41,242. At the same time, median family income for nonMSA Mississippi was \$40,980. More recently, the FFIEC estimates the 2015 median family income for nonMSA Mississippi to be \$44,800. The following table displays the distribution of assessment area families by income level compared to all nonMSA Mississippi families.

Family Population by Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Assessment Area	3,484	3,288	3,382	7,071	17,225
	20.2%	19.1%	19.6%	41.1%	100%
NonMSA Mississippi	100,379	69,806	72,272	177,033	419,490
	23.9%	16.6%	17.2%	42.2%	100%

Based on the data in the preceding table, the assessment area is slightly more affluent than nonMSA Mississippi as a whole. The first table in this section showed that the majority of the assessment area families reside in distressed middle-income census tracts. This table shows that 39.3 percent of assessment area families are considered LMI, which is slightly below the family population figure for nonMSA Mississippi (40.5 percent). Lastly, the level of assessment area families living below the poverty level (14.6 percent) is well below that of all nonMSA Mississippi families (19.5 percent).

Housing Demographics

As previously discussed, income levels in the assessment area are higher than nonMSA Mississippi. Housing costs in the assessment area appear more affordable than nonMSA comparisons. Housing demographics are shown in the following table.

Housing Demographics			
Dataset	Median Housing Value	Affordability Ratio	Median Gross Rent (monthly)
Assessment Area	\$65,829	51.7%	\$559
NonMSA Mississippi	\$78,984	41.0%	\$559

The median housing value for the assessment area is below the figure for nonMSA Mississippi, and the median gross rent is the same for the assessment area and nonMSA Mississippi. Housing appears to be more affordable considering income levels, as the affordability ratio is above the nonMSA Mississippi figure. Although housing in the assessment area appears more affordable compared to nonMSA Mississippi, a community contact noted that there was a need for affordable housing for LMI individuals, specifically rental properties. Overall, the assessment area appears to be slightly more affluent than nonMSA Mississippi but, despite housing being more affordable, homeownership may still be out of reach for certain families in the assessment area, particularly those living below the poverty level.

Industry and Employment Demographics

The assessment area economy is diverse and is supported by a mixture of service- and industry-oriented sectors. The U.S. Census Bureau 2015 County Business Patterns indicate that there are 16,684 paid employees in the assessment area. By number of paid employees, the three largest job categories in the assessment area are manufacturing (7,574), retail trade (2,237), and health care and social assistance (1,803). These figures are driven primarily by business patterns from Scott County; 59.6 percent of all employees in the assessment area work in Scott County. Manufacturing is the largest industry in all three counties.

The following table details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for each county of the assessment area, the assessment area as a whole, and the state of Mississippi.

Unemployment Levels for the Assessment Area				
Dataset	Time Period (Annual Average)			
	2013	2014	2015	2016
Jasper County	10.0%	8.5%	7.8%	7.7%
Newton County	7.6%	6.7%	6.1%	6.0%
Scott County	6.7%	5.5%	4.8%	4.6%
Assessment Area Average	7.7%	6.6%	5.9%	5.7%
Mississippi	8.6%	7.6%	6.4%	5.8%

As the previous table shows, unemployment levels have consistently declined during the review period for each county in the assessment area and the state of Mississippi. Although Jasper County has shown higher levels of unemployment from 2013 through 2016, the average unemployment levels in the assessment area remained consistently below the state of Mississippi percentage for the same time period.

Community Contact Information

Information from two community contact interviews was used to help shape the performance context in which the bank's activities in this assessment area were evaluated. The interviews were conducted with local housing and economic development professionals.

The community contact interviewees described the local economy of the assessment area as not faring as well as larger regional or national areas. The assessment area was described as predominantly rural, with a high level of poverty. As previously noted, the assessment area includes distressed middle-income geographies, which one of the contacts attributed to unemployment and the level of education of the residents. The contact stated that the most common level of education attained in the area is a high school diploma; however, it was noted that the trend is starting to change, and more individuals are entering advanced two-year programs. One of the contacts described the supply of affordable rental properties as low. Manufacturing was cited as the primary industry for the area; however, 2,000 employees were recently laid off from a major employer in the area.

Additionally, both of the interviewees consider the assessment area to have a sufficient level of banking institutions. Economic development and workforce development were cited as needs of the assessment area. One of the contacts stated that the primary barriers to accessing credit by small businesses are insufficient collateral, cash flow deficiencies, and weak business plans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE EAST CENTRAL ASSESSMENT AREA

LENDING TEST

The assessment area does not contain any LMI census tracts; therefore, an analysis of geographic distribution of loans was not conducted. The bank's overall distribution of loans by borrower's income/revenue profile reflects excellent penetration among borrowers of different income levels and businesses of different revenue sizes throughout the East Central assessment area.

As previously mentioned, the bank entered this assessment area after its acquisition of the Bank of Newton County in September 2015. The Bank of Newton County was not a HMDA-reporter at the time of the acquisition, and no HMDA data was collected in 2015; therefore, the bank's performance of HMDA lending was not conducted.

Geographic Distribution of Loans

As noted previously, the assessment area includes no LMI census tracts; therefore, an analysis of the geographic distribution of the bank's loans was not conducted. The dispersion of loans throughout the distressed middle-income geographies is reasonable, with a heavier concentration of lending around the bank's branch offices. Based on its branch network and other service delivery systems, the bank is adequately positioned to deliver financial services to substantially all of the assessment area.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is excellent, based on performance from the small business and consumer motor vehicle loan categories reviewed.

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 the FFIEC (\$44,800 for nonMSA Mississippi as of 2015). The following table shows the distribution of small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data for this assessment area.

Distribution of Loans Inside Assessment Area by Business Revenue								
January 1, 2015 through December 31, 2015								
Gross Revenue	Loan Amounts in \$000s						TOTAL	
	≤\$100		>\$100 and ≤\$250		>\$250 and ≤\$1,000			
\$1 Million or Less	14	82.4%	2	11.8%	1	5.9%	17	100.0%
Greater Than \$1 Million/Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL	14	82.4%	2	11.8%	1	5.9%	17	100%
Dun & Bradstreet Businesses ≤ \$1MM							91.5%	
Small Business Aggregate ≤ \$1MM							44.9%	

The bank's level of lending to small businesses is excellent. The bank originated all of its small business loans to businesses with revenues of \$1 million or less. In comparison, assessment area demographics estimate that 91.5 percent of businesses in the assessment area had annual revenues of \$1 million or less, and the aggregate lending level to small businesses was 44.9 percent. Additionally, 82.4 percent of the bank's loans to small businesses was originated in amounts of \$100,000 or less and further illustrates the bank's willingness to lend to small businesses.

The distribution of consumer motor vehicle loans was also analyzed by borrower's income profile. The following table shows the distribution of consumer motor vehicle loans by borrower income level compared to the household population of the assessment area.

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower										
January 1, 2015 through December 31, 2015										
	Borrower Income Level									
	Low-		Moderate-		Middle-		Upper-		Unknown	
Consumer Loans	30	24.8%	25	20.7%	26	21.5%	40	33.1%	0	0.0%
Household Population	22.7%		17.6%		16.2%		43.5%		0.0%	
									100%	

The bank's level of lending to low-income borrowers (24.8 percent) exceeds the household population of 22.7 percent and is considered excellent performance. Likewise, the bank's level of lending to moderate-income borrowers (20.7 percent) exceeds the household population of 17.6 percent and is also considered excellent performance. Overall, the bank's consumer motor vehicle lending performance is excellent.

COMMUNITY DEVELOPMENT TEST

The bank demonstrates adequate responsiveness to community development needs within the East Central assessment area, considering the bank's capacity and the need and availability of

such opportunities for community development. The bank addressed these needs through community development loans, qualified investments, and community development services. The number and dollar amount of these activities are shown in the following table, with noteworthy activities described below the table.

Community Development Activities East Central Assessment Area		
Community Development Component	#	\$
Loans	7	\$2,568,750
Investments, Current and Prior	10	\$795,000
Current Period	10	\$795,000
Prior Period, Still Outstanding	0	\$0
Donations	8	\$2,075
Services	3 Services	127 Hours

During the review period, the bank originated seven community development loans, totaling \$2.6 million, in the assessment area. The bank also made \$795,000 in new investments and eight donations totaling \$2,075 in the assessment area. Finally, bank personnel provided three services to two different organizations in the assessment area totaling 127 hours.

Of the seven community development loans, three were for the purpose of providing affordable housing and four were for revitalization or stabilization efforts in the assessment area. The following is a brief description of notable community development loans in the assessment area.

- The bank originated three loans, totaling \$1.5 million, for providing funds to a housing authority for affordable housing to LMI individuals.
- The bank also originated three loans, totaling \$1 million, for health and medical services that revitalized and stabilized distressed-middle income census tracts in the assessment area.

Of the ten qualified investments, one was for the purpose of providing community services and nine were for revitalization or stabilization efforts in the assessment area.

- Nine of the investments were general obligations bonds, totaling \$620,000, for capital and infrastructure improvements in Jasper and Newton Counties.
- One of the investments, totaling \$175,000, provided funds to a school district in Newton County serving primarily children from LMI families.

The bank also made eight qualified donations totaling, \$2,075, in the assessment area. The majority of the donations (seven) were provided to organizations with a community development purpose, and one donation was for economic development purposes. The following is a brief description of notable qualified investments in the assessment area.

- Four qualified donations, totaling \$650, were made to school organizations serving primarily children from LMI families.
- One qualified donation, totaling \$1,000, was made to the city of Newton to promote economic development.

Finally, three bank employees, including members of management, used their financial expertise to provide three services to two different organizations in this assessment area, totaling 127 hours. Services qualified as community service and economic development for LMI families and businesses throughout the assessment area.

JACKSON, MISSISSIPPI PARTIAL METROPOLITAN STATISTICAL AREA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE JACKSON ASSESSMENT AREA

Bank Structure

As shown in the following table, the bank operates 3 of its 17 offices (17.6 percent) in the Jackson assessment area. All three offices are located in upper-income census tracts. Since the last examination, the bank closed two branches in this assessment area. Both branches were located in Madison County. One of the branches was in an upper-income census tract, and the other was located in a middle-income census tract. In addition, the bank opened one new branch, located in an upper-income census tract, in this assessment area since the last examination. Based on its branch network and other service delivery systems, the bank is adequately positioned to deliver financial services to substantially all of the assessment area.

Office Distribution – Jackson Assessment Area				
Assessment Area Office Name	Office Type	Census Tract	Census Tract Income Level	Opened or Closed Since Last Examination
Flowood	Full Service	0202.06	Upper	No
Gluckstedt	Full Service	0302.04	Upper	Closed June 16, 2014
Madison	Full Service	0302.04	Upper	No
Northeast Jackson	Full Service	0014.00	Upper	Opened July 20, 2015
Ridgeland	Full Service	0301.06	Middle	Closed December 24, 2014

General Demographics

The assessment area is comprised of Hinds, Madison, and Rankin Counties in their entireties, which are three of the six counties that make up the Jackson, Mississippi MSA (Jackson MSA). The assessment area is located in southwest Mississippi and represents a mix of urban and rural areas. As of the 2010 U.S. Census, the total population of this assessment area was 482,105, representing 85 percent of the Jackson MSA's total population.

The banking market in this assessment area is highly competitive, with 29 FDIC-insured depository institutions operating 199 branch offices in these three counties. Two institutions dominate this market with 54.8 percent of the deposit market share combined. Of the FDIC-insured depository institutions with a branch presence in this assessment area, the bank ranked tenth in deposit market share, encompassing only 1.5 percent of total deposit dollars.

The population of this area is diverse, and credit needs in the area vary and include a mix of consumer and business loan products. Other particular credit needs in the assessment area, as noted primarily from community contacts, include down payment assistance for first-time homebuyers, banking products targeted to LMI individuals and small businesses, and financial education. Due to the presence of LMI geographies and a diverse population, there are many opportunities for community development activities in this assessment area.

Income and Wealth Demographics

The following table reflects the number of census tracts by geography level and the family population of those census tracts in the assessment area.

Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Census Tracts	19	20	40	33	0	112
	17.0%	17.9%	35.7%	29.5%	0.0%	100%
Family Population	11,597	16,243	48,705	42,692	0	119,237
	9.7%	13.6%	40.8%	35.8%	0.0%	100%

As shown in the preceding table, the assessment area has 19 low- and 20 moderate-income census tracts, where 23.3 percent of the family population resides. The largest percentage (40.8 percent) of families reside in middle-income census tracts, followed by 35.8 percent of families in upper-income tracts. The middle- and upper-income census tracts represent 65.2 percent of the assessment area's geography.

According to 2010 U.S. Census data, the median family income for the assessment area was \$57,088, which is well above the \$47,031 median family income for the state of Mississippi. More recently, the FFIEC estimates the median family income for the state of Mississippi to be \$44,800. The following table displays the distribution of assessment area families by income level compared to all Mississippi families.

Family Population by Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Assessment Area	26,666	18,704	21,616	52,251	119,237
	22.4%	15.7%	18.1%	43.8%	100%
Mississippi	174,672	124,467	135,559	314,576	749,274
	23.3%	16.6%	18.1%	42.0%	100%

While the table in the previous section shows that 23.3 percent of families reside in LMI census tracts, the table above shows that a significant percentage of families in the assessment area are LMI. Nevertheless, the LMI family percentage of the assessment area (38.1 percent) is slightly below the 39.9 percent of LMI families in Mississippi. Additionally, 13.3 percent of families in the assessment area live below the poverty level, which is below the 16.7 percent of families

living below the poverty level in the state of Mississippi. This data indicates that this assessment area is slightly more affluent than the state of Mississippi.

Housing Demographics

While income levels in the assessment area are above that of the state of Mississippi, housing in the assessment area appears less affordable than state comparisons. Housing demographics are shown in the following table:

Housing Demographics			
Dataset	Median Housing Value	Affordability Ratio	Median Gross Rent (monthly)
Hinds County	\$105,000	37.4%	\$756
Madison County	\$181,100	32.9%	\$803
Rankin County	\$142,400	37.9%	\$826
Assessment Area	\$132,936	35.1%	\$781
Mississippi	\$96,500	39.3%	\$648

As the previous table shows, housing in each of the three counties is less affordable than in the state of Mississippi, and the assessment area's median housing value of \$132,936 is considerably higher than the \$96,500 median housing value in the state of Mississippi. Additionally, rental property is less affordable than the state of Mississippi. Further, based on affordability ratios, each of the counties, and the assessment area as a whole, show housing as less affordable than the state of Mississippi. According to a community contact, there is a tremendous need for affordable housing in the assessment area. Consequently, housing in the assessment area is less affordable when compared to the state of Mississippi, and housing is likely out of reach for a significant portion of the assessment area's LMI population.

Industry and Employment Demographics

The assessment area economy is diverse and is supported by a strong mixture of service-oriented sectors. The U.S. Census Bureau 2015 County Business Patterns indicate that there are 201,195 paid employees in the assessment area. By number of paid employees, the three largest job categories in the assessment area are health care and social assistance (42,331), retail trade (28,153), and accommodation and food services (21,790). These figures are driven primarily by business patterns from Hinds County; 48.8 percent of all employees in the assessment area work in Hinds County. Also worth noting is that 31.2 percent of employees in Hinds County work in the areas of health care and social assistance. The city of Jackson is the area's hub for medical/health care and is home to the University of Mississippi Medical Center, Mississippi Baptist Medical Center, and St. Dominic-Jackson Memorial Hospital. Retail trade is the largest industry in Rankin County, while manufacturing is the largest in Madison County.

The following table details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for each county of the assessment area, the assessment area as a whole, and state of Mississippi.

Unemployment Levels for the Assessment Area				
Dataset	Time Period (Annual Average)			
	2013	2014	2015	2016
Hinds County	8.5%	7.3%	6.0%	5.4%
Madison County	5.9%	5.3%	4.6%	4.3%
Rankin County	5.3%	4.7%	4.1%	4.0%
Assessment Area Average	7.0%	6.0%	5.1%	4.7%
Mississippi	8.6%	7.6%	6.4%	5.8%

As the previous table shows, unemployment levels have consistently declined during the review period for each county in the assessment area and the state of Mississippi. Unemployment in each of the three counties, as well as the unemployment average of the assessment area, was consistently below the state of Mississippi percentage of unemployment for 2013 through 2016.

Community Contact Information

Information from two community contact interviews was used to help shape the performance context in which the bank's activities in this assessment area were evaluated. The interviews were conducted with housing and small business/entrepreneurial professionals.

Both of the community contact interviewees categorized the local economy as improving. One contact noted that, over the past couple of years, there has been an increase in construction in the Jackson MSA, most notably in the suburbs surrounding Jackson, Mississippi. It was also noted that, while unemployment rates are dropping, wages are stagnant and are not keeping pace with the rising cost of living figures.

One of the contacts stated that the need for affordable housing in this assessment area is "tremendous." Also noted is a need for home improvement loans, especially for elderly people on fixed incomes. Housing stock in the \$120,000 to \$150,000 range is good; however, it is out of reach for many LMI individuals and families. One of the interviewees stated that there is a need for down payment assistance for first-time homebuyers, as there are individuals with good credit histories, but their wages are low and make it difficult for them to save towards a down payment.

Small businesses and entrepreneurs in the area are also facing barriers to accessing credit. One of the contacts noted that poor credit history and low income levels are persistent, indicating a need for financial education and credit counseling. Microloan programs to assist entrepreneurs and small business owners were also identified as a credit need in the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE JACKSON ASSESSMENT AREA

LENDING TEST

The bank's overall geographic distribution of loans reflects reasonable penetration throughout the Jackson 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 of different revenue sizes.

Geographic Distribution of Loans

As noted previously, the assessment area includes 19 low- and 20 moderate-income census tracts, representing 34.9 percent of all assessment area census tracts. The dispersion of loans throughout the LMI geographies is reasonable, with a heavier concentration of lending around the bank's branch offices. Based on its branch network and other service delivery systems, the bank is adequately positioned to deliver financial services to substantially all of the assessment area. Overall, the bank's geographic distribution of loans in this assessment area reflects reasonable penetration throughout the LMI census tracts in the assessment area based on activity analyzed for HMDA and small business lending. The bank's product focus in this assessment area is equally weighted between HMDA and small business lending.

The following table displays the geographic distribution of HMDA loans compared to owner-occupied housing demographics for the assessment area and aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	2	4.9%	1	2.4%	10	24.4%	28	68.3%	0	0.0%	41	100%
Refinance	0	0.0%	1	2.1%	16	34.0%	30	63.8%	0	0.0%	47	100%
Home Improvement	3	37.5%	1	12.5%	2	25.0%	2	25.0%	0	0.0%	8	100%
Multifamily	0	0.0%	0	0.0%	2	100.0%	0	0.0%	0	0.0%	2	100%
TOTAL HMDA	5	5.1%	3	3.1%	30	30.6%	60	61.2%	0	0.0%	98	100%
Owner-Occupied Housing	5.9%		11.7%		42.1%		40.3%		0.0%		100%	
2015 HMDA Aggregate	1.3%		4.4%		35.2%		59.0%		0.0%		100%	

The analysis of HMDA loans revealed excellent lending performance in low-income census tracts. The bank's penetration of low-income census tracts by number of loans (5.1 percent) is slightly below the percentage of owner-occupied housing units in low-income census tracts (5.9 percent) but exceeds the performance of aggregate lenders (1.3 percent). Although the bank's lending performance in moderate-income census tracts (3.1 percent) is considerably below the

percentage of owner-occupied housing in the moderate-income census tracts (11.7 percent), the bank's lending performance is similar to that of aggregate lenders (4.4 percent). Information gained from community contacts points out that poor credit history, stagnant wages, and lack of funds for down payments create barriers to individuals in the assessment area. Therefore, the bank's penetration of moderate-income census tracts is reasonable. Overall, the bank's HMDA lending performance by geographic distribution is reasonable.

The bank's geographic distribution of small business loans was also reviewed. The following table displays small business loan activity by geography income level compared to the location of businesses throughout this assessment area and small business aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	2	8.0%	0	0.0%	4	16.0%	19	76.0%	0	0.0%	25	100%
Business Institutions	10.8%		10.2%		39.8%		39.3%		0.0%		100%	
2015 Small Business Aggregate	8.4%		7.4%		37.1%		45.3%		1.8%		100%	

The bank's percentage of loans to small businesses in low-income census tracts (8.0 percent) is below the percentage of small businesses in low-income census tracts (10.8 percent) but is similar to the aggregate lending percentage in low-income census tracts (8.4 percent). Therefore, the bank's lending performance to small businesses in low-income census tracts is reasonable. Conversely, the bank's lending performance to small businesses in moderate-income census tracts is very poor, as the bank did not originate any loans to small businesses in moderate-income census tracts. In comparison, 10.2 percent of assessment area business institutions are located in moderate-income geographies, and 7.4 percent of the aggregate small business loans were made in moderate-income geographies.

Overall, the bank's combined lending performance to small businesses in LMI geographies (8.0 percent) is significantly below the percentage of businesses located in LMI census tracts in the assessment area (21.0 percent). Similarly, the bank's performance is below the performance of other lenders in the assessment area (15.8 percent), based on small business aggregate data. Therefore, the bank's overall small business lending performance by geographic distribution is poor.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is reasonable, based on performance from the two loan categories reviewed. As previously stated, HMDA and small business lending are weighted equally, given the bank's lending focus in this MSA assessment area. 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 the FFIEC (\$44,800 for the state of Mississippi as of 2015). The following table shows the distribution of HMDA loans by borrower income level compared to family population income characteristics for the assessment area. Additionally, aggregate data for the assessment area is displayed.

Distribution of Loans Inside Assessment Area by Borrower Income												
January 1, 2015 through December 31, 2015												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	1	2.4%	4	9.8%	2	4.9%	27	65.9%	7	17.1%	41	100%
Refinance	1	2.1%	2	4.3%	3	6.4%	30	63.8%	11	23.4%	47	100%
Home Improvement	3	37.5%	1	12.5%	0	0.0%	3	37.5%	1	12.5%	8	100%
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	2	100.0%	2	100%
TOTAL HMDA	5	5.1%	7	7.1%	5	5.1%	60	61.2%	21	21.4%	98	100%
Family Population	22.4%		15.7%		18.1%		43.8%		0.0%		100%	
2015 HMDA Aggregate	4.4%		12.7%		16.4%		35.0%		31.4%		100%	

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (5.1 percent) is substantially below the low-income family population figure (22.4 percent). However, performance is slightly above the aggregate lending level to low-income borrowers (4.4 percent), reflecting reasonable performance. Conversely, the bank's level of lending to moderate-income borrowers (7.1 percent) is below both the moderate-income family population percentage (15.7 percent) and aggregate lending levels (12.7 percent), reflecting poor performance. Combined, the bank's total HMDA lending to LMI borrowers (12.2 percent) is well below the LMI family population of 38.1 percent, and is below the combined aggregate percentage of 17.1 percent. Therefore, the overall distribution of HMDA loans by borrower's income profile is poor.

Next, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Distribution of Loans Inside Assessment Area by Business Revenue								
January 1, 2015 through December 31, 2015								
Gross Revenue	Loan Amounts in \$000s						TOTAL	
	≤\$100		>\$100 and ≤\$250		>\$250 and ≤\$1,000			
\$1 Million or Less	12	48.0%	4	16.0%	1	4.0%	17	68.0%
Greater Than \$1 Million/Unknown	3	12.0%	4	16.0%	1	4.0%	8	32.0%
TOTAL	15	60.0%	8	32.0%	2	8.0%	25	100%
Dun & Bradstreet Businesses ≤ \$1MM							91.9%	
Small Business Aggregate ≤ \$1MM							51.6%	

The bank's level of lending to small businesses is reasonable. The bank originated the majority of its small business loans (68.0 percent) to businesses with revenues of \$1 million or less. In comparison, assessment area demographics estimate that 91.9 percent of businesses in the assessment area had annual revenues of \$1 million or less, and the aggregate lending level to small businesses was 51.6 percent.

COMMUNITY DEVELOPMENT TEST

The bank demonstrates adequate responsiveness to community development needs in the Jackson assessment area, considering the bank's capacity and the need and availability of such opportunities for community development. The bank addressed these needs through community development loans, qualified investments, and community development services. The number and dollar amount of these activities are shown in the following table, with noteworthy activities described below the table.

Community Development Activities Jackson Mississippi MSA Assessment Area		
Community Development Component	#	\$
Loans	5	\$1,127,840
Investments, Current and Prior	1	\$250,000
Donations	29	\$56,060
Services	8 Services	789 Hours

During the review period, the bank originated or renewed five community development loans totaling \$1.1 million in this assessment area. Four of the loans were to revitalize/stabilize a moderate-income census tract by providing a grocery store in an area in which other grocery shopping options were not available. One loan provided funds for affordable housing to an organization, totaling \$25,000, for LMI individuals.

In addition, the bank has one qualified investment, from the prior review period but still outstanding, of \$250,000 that provided funds to a school district in Madison County serving primarily children from LMI families. The bank also made 29 donations totaling \$56,060 in this assessment area, of which 15 were for community services, 13 were for affordable housing, and 1 was for the purpose of economic development.

Finally, seven bank employees, including members of management, used their financial expertise to provide eight services to eight different organizations in this assessment area, totaling 789 hours. Services qualified as affordable housing, community service, and economic development for LMI families and businesses throughout the assessment area.

ALABAMA

CRA RATING FOR ALABAMA:

The Lending Test is rated:

Satisfactory

The Community Development Test is rated:

Satisfactory

Satisfactory

Major factors supporting the institution's Alabama rating include the following:

- The geographic distribution of loans reflects reasonable dispersion throughout the Alabama assessment area.
- The borrower's distribution of loans in its Alabama assessment area reflects reasonable penetration among individuals of different income levels, including LMI 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 for such opportunities for community development in the bank's Alabama assessment area.

SCOPE OF EXAMINATION

Scoping considerations applicable to the review of the Alabama assessment area are consistent with the overall CRA examination scope as presented in the *Institution, Scope of Examination* section. The bank's ratings in the state of Alabama reflect the bank's performance in its sole assessment area in the state. The bank's Alabama assessment area is located in the Tuscaloosa MSA and was evaluated using full-scope review procedures.

The bank's consumer motor vehicle loan activity is not addressed in the full-scope review for the Tuscaloosa MSA assessment area. Due to the high level of pricing competition in the Tuscaloosa area from automobile dealers and large regional banks for consumer motor vehicle loans, the bank focuses primarily on HMDA and small business lending in the Tuscaloosa assessment area. As a result, the bank's consumer motor vehicle loan activity is de minimis in this assessment area and did not play a material role in the evaluation of lending performance in this assessment area.

To augment the evaluation of the full-scope review assessment area in Alabama, three community contact interviews were conducted to ascertain specific community credit needs, community development opportunities, and local economic conditions. Two of the interviews were with representatives specializing in economic development, and one was with a representative from a local housing authority. Details from these interviews are included in the *Description of Institution's Operations* section of the assessment area.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ALABAMA

BankFirst Financial Services operates only one office (5.9 percent of its total branches) in the state of Alabama. This branch is new since the previous examination; the bank opened the Tuscaloosa branch office in September 2014.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ALABAMA

LENDING TEST

BankFirst Financial Services' Lending Test rating for the state of Alabama is Satisfactory. The bank's overall geographic distribution of loans reflects reasonable penetration throughout the Alabama assessment area. Furthermore, the overall distribution of loans by borrower's income and revenue profile reflects reasonable penetration among borrowers of different income levels and businesses of different sizes.

COMMUNITY DEVELOPMENT TEST

BankFirst Financial Services' Community Development Test rating in the state of Alabama is satisfactory. The bank's overall community development performance demonstrates adequate responsiveness to the community development needs of the Alabama assessment area, considering the bank's capacity and the need/availability of such opportunities for community development. The bank has addressed the community development needs of its assessment area through community development loans, qualified investments, and community development services.

The bank extended one community development loan for \$1.8 million in its Alabama assessment area for affordable housing efforts in the Alabama assessment area. In addition, the bank made four qualified donations totaling \$2,800 in the Alabama assessment area. The donations qualified for community service and economic development purposes. Lastly, the bank provided one service to a community development organization within the Alabama assessment area, totaling 220 hours of service.

In addition to adequately meeting the community development needs of its Alabama assessment area, the bank also participated in several community development activities benefitting Alabama communities outside the bank's Alabama assessment area. During the review period, the bank extended four community development loans. Two of the loans, totaling \$149,156, provided self-service laundromat services for revitalization and stabilization efforts in a low-income census tract in Aliceville, Alabama. The remaining two loans, totaling \$219,100, provided water tank maintenance in LMI geographies of Pickens County, Alabama, which support revitalization and stabilization efforts. In addition, the bank made two investments for school bonds, totaling \$360,000, to benefit schools serving primarily children from LMI families in the Alabama counties of St. Clair and Cherokee. One of the investments (\$100,000) was from a prior period but still outstanding.

TUSCALOOSA, ALABAMA PARTIAL METROPOLITAN STATISTICAL AREA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE TUSCALOOSA ASSESSMENT AREA

Bank Structure

The bank operates only one office in Alabama; the remaining 16 offices are operated in the Mississippi assessment areas. The Tuscaloosa branch office is located in a moderate-income census tract. The bank did not operate in this assessment area at its previous examination. The bank originally opened this location as a loan production office in April 2014 but later converted it to a full-service branch office in September 2014. Other than this branch office opening, there was no other branching activity in this assessment area. Based on its branch network and other service delivery systems, the bank is adequately positioned to deliver financial services to substantially all of the assessment area.

General Demographics

The assessment area is comprised of Tuscaloosa County in its entirety, one of three counties in the Tuscaloosa MSA. This assessment area is located in west central Alabama. As of the 2010 U.S. Census, the assessment area population was 194,656. Of the 20 FDIC-insured depository institutions with a branch presence in this assessment area, the bank ranked 15th in deposit market share, encompassing only 0.5 percent of total deposit dollars.

Credit needs in the assessment area include a mix of consumer and business loan products. Other particular credit needs in the assessment area, as noted primarily from community contacts, include small business loans and loans to start-up businesses, as well as mortgage loans, first-time homebuyers' loans, and home improvement loans. Due to the LMI geographies in the assessment area, there are many opportunities for community development activities.

Income and Wealth Demographics

The following table summarizes the distribution of assessment area census tracts by income level and the family population in those tracts.

Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Census Tracts	6	11	17	13	0	47
	12.8%	23.4%	36.2%	27.7%	0.0%	100%
Family Population	2,429	7,032	17,000	16,654	0	43,115
	5.6%	16.3%	39.4%	38.6%	0.0%	100%

As shown in the preceding table, 36.2 percent of the census tracts in the assessment area are LMI geographies, with 21.9 percent of the total family population residing in these tracts. The majority of the population lives in middle- and upper-income census tracts, with 39.4 percent of family population residing in middle-income census tracts and 38.6 percent in upper-income tracts.

Based on 2010 U.S. Census data, the median family income for the assessment area was \$58,737, which is above the median family income for the state of Alabama of \$52,863. More recently, the FFIEC estimates the 2015 median family income for the state of Alabama to be \$47,000. The following table displays the distribution of assessment area families by income level compared to all Alabama families.

Family Population by Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Assessment Area	8,556	6,965	8,526	19,068	43,115
	19.8%	16.2%	19.8%	44.2%	100%
Alabama	279,984	212,162	239,311	509,046	1,240,503
	22.6%	17.1%	19.3%	41.0%	100%

While the first table in this section shows that 21.9 percent of families reside in LMI geographies, the table above shows that a larger percentage of families in the assessment area are LMI; however, the LMI family percentage of the assessment area (36.0 percent) is still below the 39.7 percent of LMI families in the state of Alabama.

Additionally, the percentage of families living below the poverty level in the assessment area, 11.3 percent, is also slightly below the 13.0 percent residing in the state of Alabama. Considering these factors, the assessment area appears slightly more affluent than the state of Alabama.

Housing Demographics

Housing demographics are shown in the following table:

Housing Demographics			
Dataset	Median Housing Value	Affordability Ratio	Median Gross Rent (monthly)
Tuscaloosa County	\$148,409	28.5%	\$702
Alabama	\$117,600	35.8%	\$644

The assessment area's median housing value of \$148,409 is considerably higher than the \$117,600 median housing value in the state of Alabama. In addition, rental property is less affordable than the state of Alabama. Further, based on affordability ratios, housing in Tuscaloosa is less affordable than the state of Alabama. According to a community contact, there is a need for affordable housing, especially for LMI families, non-students, and senior citizens. Overall, housing in the assessment area is less affordable when compared to the state of Alabama, and housing is likely out of reach for a significant portion of the assessment area's LMI population.

Industry and Employment Demographics

The assessment area economy is diverse and is supported by a mixture of service- and industry-oriented sectors. The U.S. Census Bureau 2015 County Business Patterns indicate that there are 76,274 paid employees in the assessment area. By number of paid employees, the four largest job categories in the assessment area are manufacturing (14,332), health care and social assistance (11,968), retail trade (10,277), and accommodation and food services (9,989).

The following table details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for the single county comprising the assessment area and the state of Alabama.

Unemployment Levels for the Assessment Area				
Dataset	Time Period (Annual Average)			
	2013	2014	2015	2016
Tuscaloosa County	6.4%	5.9%	5.5%	5.8%
Alabama	7.2%	6.8%	6.1%	6.0%

As the previous table shows, unemployment levels in the assessment area have experienced a downward trend from 2013 through 2015, with a slight increase in 2016, while unemployment in Alabama has steadily declined from 2013 through 2016.

Community Contact Information

Information from three community contacts interviews was used to help shape the performance context in which the bank's activities in this assessment area were evaluated. The interviews were conducted with local housing, economic development, and industrial development professionals.

The community contact interviewees described the local economy as one of the better economies in Alabama and faring well in comparison to other regional and national economies. One of the contacts attributed this to the stability provided by the local automobile industry. Unemployment figures are also improving, with one of the interviewees stating that there are jobs available in the area for anyone that wants to work. The major industries in the area were identified as education, health care, and manufacturing. It was also noted, however, that there has been a loss of retail merchants, largely due to an increase in online shopping by consumers.

The contacts noted that there are areas within the Tuscaloosa assessment area where much of the housing is in poor condition, located in neighborhoods primarily populated with LMI residents of the community. Overall, there is a shortage of affordable housing available to families, non-students, and senior citizens; however, there is an ample supply of affordable student housing. Further, the tornado that struck the Tuscaloosa area in 2011 destroyed some of the affordable housing in the LMI neighborhoods. While the area has been rebuilt to a certain degree, many of the new structures are for student housing or commercial properties.

Some of the credit needs of the community, cited by the contacts, include small business loans and mortgage loans, including loans for first-time homebuyers and home improvements. One of the contacts also identified a need for financing of foreign-owned start-up businesses associated with the automobile industry. While a couple of the interviewees stated that there are plenty of banking institutions in the area, one of the contacts stated there has been a decrease in the number of community banks as compared to previous years.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE TUSCALOOSA ASSESSMENT AREA

LENDING TEST

The bank's overall geographic distribution of loans reflects reasonable penetration throughout the Tuscaloosa 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 of different revenue sizes.

Geographic Distribution of Loans

As noted previously, the assessment area includes 6 low- and 11 moderate-income census tracts, representing 36.2 percent of all assessment area census tracts. The dispersion of loans throughout the LMI geographies is reasonable, with the heavier concentration of lending around the bank's branch office, which is located in the center of the assessment area. Overall, the bank's geographic distribution of loans in this assessment area reflects reasonable penetration throughout the LMI census tracts, based on the loan categories reviewed. Equal emphasis was considered for the bank's HMDA and small business lending.

The following table displays the geographic distribution of HMDA loans compared to owner-occupied housing demographics for the assessment area and aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	3	4.8%	4	6.5%	21	33.9%	34	54.8%	0	0.0%	62	100%
Refinance	3	10.7%	2	7.1%	11	39.3%	12	42.9%	0	0.0%	28	100%
Home Improvement	3	100.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	3	100%
Multifamily	3	42.9%	2	28.6%	2	28.6%	0	0.0%	0	0.0%	7	100%
TOTAL HMDA	12	12.0%	8	8.0%	34	34.0%	46	46.0%	0	0.0%	100	100%
Owner-Occupied Housing	4.1%		12.9%		41.6%		41.4%		0.0%		100%	
2015 HMDA Aggregate	2.5%		8.3%		35.1%		54.2%		0.0%		100%	

The analysis of HMDA loans revealed excellent lending performance to borrowers in low-income geographies. The bank's total penetration of the low-income census tract by number of loans (12.0 percent) is considerably above the percentage of owner-occupied housing units in the low-income census tract (4.1 percent) and the performance of aggregate lenders (2.5 percent). Conversely, the bank's penetration of moderate-income census tracts (8.0 percent) is below the percentage of owner-occupied housing units in moderate-income census tracts (12.9 percent); however, the bank's performance is similar to the performance of aggregate lenders (8.3

percent). The bank's lending performance in moderate-income census tracts is reasonable. Overall, the bank's HMDA lending performance in LMI tracts (20.0 percent) exceeds the percentage of owner-occupied housing units in LMI geographies (17.0 percent), as well as the performance of aggregate lenders (10.8 percent). Therefore, the bank's performance for HMDA lending in this assessment area is excellent.

The bank's geographic distribution of small business loans was also reviewed. The following table displays small business loan activity by geography income level compared to the location of businesses throughout this assessment area and small business aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	0	0.0%	2	33.3%	2	33.3%	2	33.3%	0	0.0%	6	100%
Business Institutions	6.6%		23.0%		36.1%		34.3%		0.0%		100%	
2015 Small Business Aggregate	6.4%		24.6%		33.8%		33.6%		1.6%		100%	

The bank did not originate any small business loans in low-income census tracts. In comparison, the percentage of business institutions in low-income geographies was 6.6 percent, and the aggregate lending percentage was 6.4 percent. Although the bank is new to this market area as of September 2014 and the University of Alabama is located in one of the low-income census tracts, the bank's lending performance in low-income geographies is poor. Conversely, the bank's percentage of loans to small businesses in moderate-income census tracts (33.3 percent) is above the percentage of business institutions in moderate-income geographies (23.0 percent), as well as the aggregate lending percentage in moderate-income geographies (24.6 percent); however, it is notable that the bank originated only six small business loans in this assessment area in 2015. Therefore, the bank's lending performance to small businesses in moderate-income census tracts is reasonable.

Overall, the bank's combined lending performance to small businesses in LMI geographies (33.3 percent) is slightly above the percentage of businesses located in LMI census tracts in the assessment area (29.6 percent) and is also slightly above the aggregate percentage of loans to small businesses in LMI geographies (31.0 percent). However, due to the low volume of lending to small businesses in this assessment area, the bank's overall small business lending performance by geographic distribution is reasonable.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is reasonable, based on performance from the two loan categories reviewed. As previously stated, HMDA and small business lending is weighted equally, given the bank's lending focus in this assessment area.

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 the FFIEC (\$47,000 for the state of Alabama as of 2015). The following table shows the distribution of HMDA loans by borrower income level compared to family population income characteristics for the assessment area. Additionally, aggregate data for the assessment area is displayed.

Distribution of Loans Inside Assessment Area by Borrower Income												
January 1, 2015 through December 31, 2015												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	1	1.6%	10	16.1%	18	29.0%	27	43.5%	6	9.7%	62	100%
Refinance	2	7.1%	2	7.1%	3	10.7%	10	35.7%	11	39.3%	28	100%
Home Improvement	0	0.0%	0	0.0%	0	0.0%	2	66.7%	1	33.3%	3	100%
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	7	100.0%	7	100%
TOTAL HMDA	3	3.0%	12	12.0%	21	21.0%	39	39.0%	25	25.0%	100	100%
Family Population	19.8%		16.2%		19.8%		44.2%		0.0%		100%	
2015 HMDA Aggregate	4.2%		14.6%		18.7%		36.0%		26.6%		100%	

As shown in the preceding table, the bank's percentage of HMDA lending to low-income borrowers (3.0 percent) is well below the low-income family population figure (19.8 percent); however, the bank's performance is similar to the aggregate lending level to low-income borrowers (4.2 percent). This reflects reasonable lending performance to low-income borrowers. The bank's level of lending to moderate-income borrowers (12.0 percent) is also below the moderate-income family population percentage (16.2 percent) but is similar to the aggregate lending levels (14.6 percent), also reflecting reasonable performance. Combined, the bank's total HMDA lending to LMI borrowers (15.0 percent) is significantly below the LMI family population of 36.0 percent but is similar to the combined aggregate lending performance (18.8 percent). Therefore, the overall distribution of HMDA loans by borrower's income profile is reasonable.

Small business loans were also reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Distribution of Loans Inside Assessment Area by Business Revenue								
January 1, 2015 through December 31, 2015								
Gross Revenue	Loan Amounts in \$000s						TOTAL	
	≤\$100		>\$100 and ≤\$250		>\$250 and ≤\$1,000			
\$1 Million or Less	1	16.7%	1	16.7%	2	33.3%	4	66.7%
Greater Than \$1 Million/Unknown	2	33.3%	0	0.0%	0	0.0%	2	33.3%
TOTAL	3	50.0%	1	16.7%	2	33.3%	6	100%
Dun & Bradstreet Businesses ≤ \$1MM							91.8%	
Small Business Aggregate ≤ \$1MM							45.7%	

The bank's level of lending to small businesses is reasonable. The bank originated the majority of its small business loans (66.7 percent) to businesses with revenues of \$1 million or less. In comparison, assessment area demographics estimate that 91.8 percent of businesses in the assessment area had annual revenues of \$1 million or less, and the aggregate lending level to small businesses was 45.7 percent.

COMMUNITY DEVELOPMENT TEST

The bank demonstrates adequate responsiveness to community development needs within the Tuscaloosa assessment area, considering the bank's capacity and the need and availability of such opportunities for community development. The bank addressed these needs through community development loans, qualified investments, and community development services.

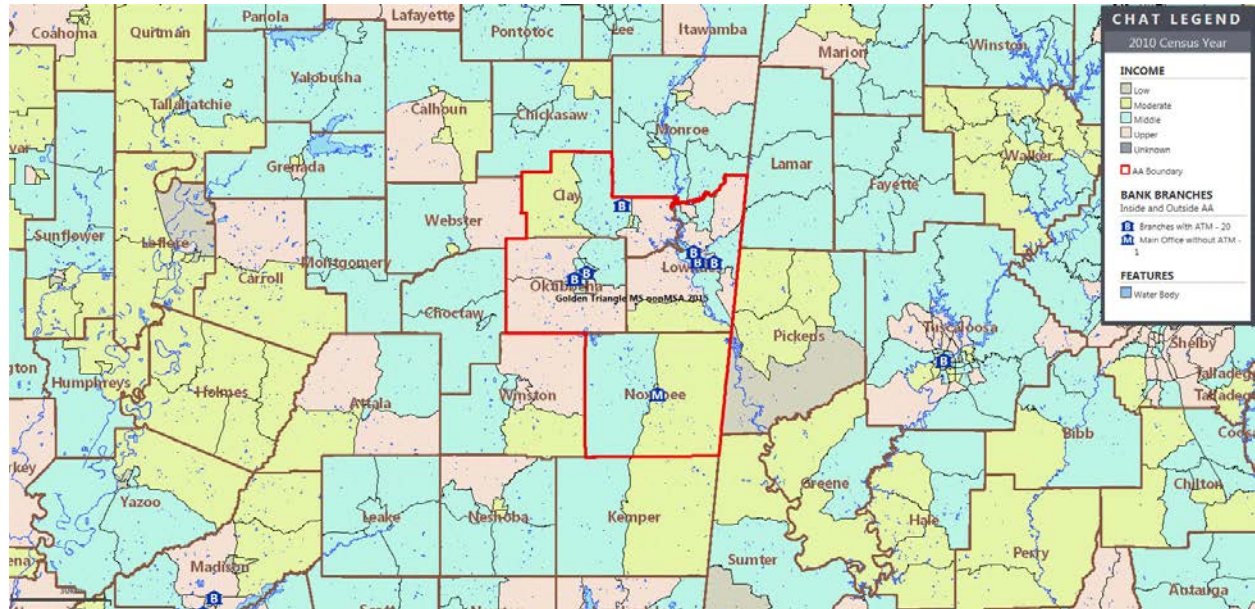
During the review period, the bank originated one community development loan, totaling \$1,763,750, to fund affordable housing to LMI individuals in the assessment area. Further, the bank made four donations in the assessment area totaling \$2,800. In addition, one bank employee provided one service to an organization providing community service in the assessment area totaling 220 hours.

SCOPE OF EXAMINATION TABLES

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	January 1, 2015 – December 31, 2015 for HMDA, small business, and consumer motor vehicle lending. September 30, 2013 – August 6, 2017 for community development loans, investment, and service activities		
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
BankFirst Financial Services			HMDA Small Business Consumer Motor Vehicle
AFFILLIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
N/A	N/A		N/A

ASSESSMENT AREA – EXAMINATION SCOPE DETAILS					
Assessment Area	Rated Area	# of Offices	Deposits (\$000s) (on June 30, 2016)	Branches Visited	CRA Review Procedures
Golden Triangle	Mississippi	7	\$483,149	1	Full Scope
East Central	Mississippi	6	\$147,642	0	Full Scope
Jackson	Mississippi	3	\$172,414	0	Full Scope
Tuscaloosa	Alabama	1	\$14,668	0	Full Scope
OVERALL		17	\$819,835	1	4 Full Scope

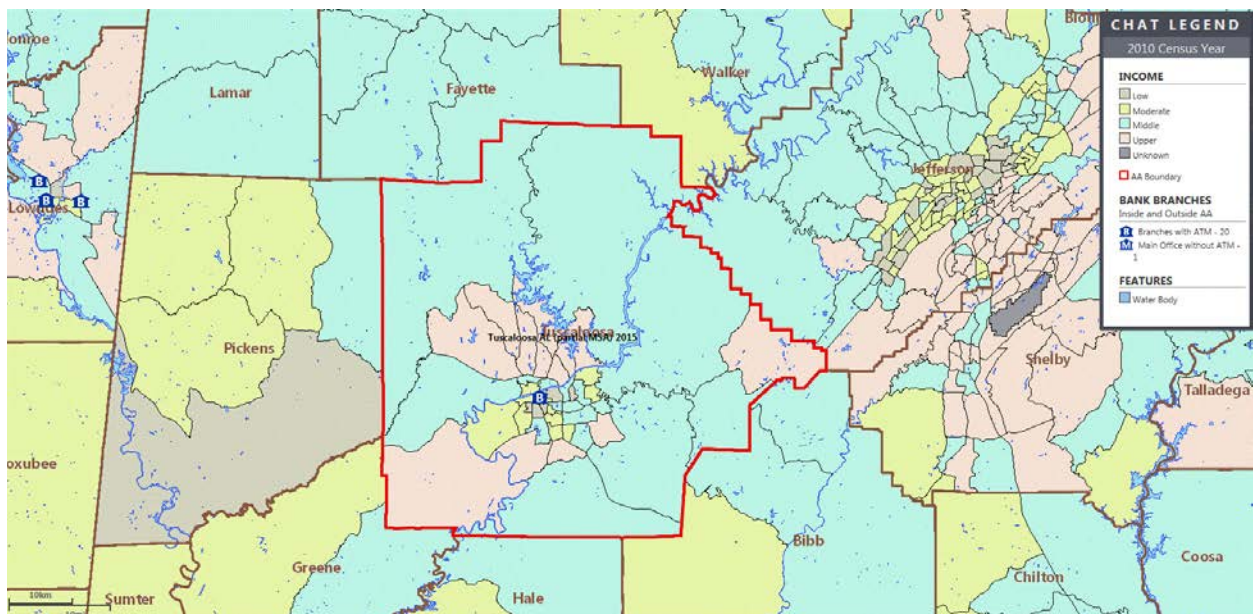
Golden Triangle NonMSA Mississippi Assessment Area



East Central NonMSA Mississippi Assessment Area

Jackson Mississippi Partial MSA Assessment Area

Tuscaloosa Alabama Partial MSA Assessment Area



SUMMARY OF STATE RATINGS

State or Multistate MSA	Lending Test Rating	Community Development Test Rating	Overall Rating
State of Mississippi	Satisfactory	Satisfactory	Satisfactory
State of Alabama	Satisfactory	Satisfactory	Satisfactory

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

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.

Census tract: A small subdivision of metropolitan and non-metropolitan 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 (e.g., 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: One or more persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

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) is measured. The criteria relate to lending, investment, retail service, 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 Reports 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 Reports 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.