PUBLIC DISCLOSURE

June 1, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Eagle Bank and Trust Company
RSSD # 123440

650 South Shackleford Road, Suite 150
Little Rock, Arkansas 72211

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

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

In consideration of assessment area credit needs and opportunities and safe and sound banking practices, Eagle Bank and Trust Company meets the criteria for a satisfactory CRA rating. The majority of the lending activity reviewed was found to be located within the bank's designated assessment area and the bank's loan-to-deposit (LTD) ratio is considered adequate. The loan activity analysis reveals good penetration among businesses of different revenue sizes and individuals of different income levels, including low- and moderate-income (LMI) borrowers. However, the geographic distribution of the bank's lending reflects a poor penetration across LMI geographies in the assessment area. Lastly, no Community Reinvestment Act (CRA) related complaints were filed against the bank for this review period

SCOPE OF THE EXAMINATION

The bank's CRA performance was evaluated using the small bank examination procedures issued by the Federal Financial Institutions Examination Council. The loan products reviewed were small business loans,[1] consumer motor vehicle-secured loans, and Home Mortgage Disclosure Act (HMDA)[2] real estate loans. These loan categories are considered the bank's primary lines of business, based upon lending volume by number and dollar amount, and are considered indicative of the overall lending performance by the bank.

The lending analysis involved an evaluation of the bank's lending within the bank's assessment area, lending volume relative to bank deposits, distribution of loans by business revenues and borrower income, and distribution of loans among different census tracts. The analysis of the bank's lending performance was based on a judgmental sample of small business and motor vehicle-secured loans originated during the period from January 1, 2007, through March 31, 2009. In addition, the bank's lending performance was evaluated based upon analysis of data from HMDA loans. As geographic information and income levels are included in the bank's reportable HMDA data, the entire universe for 2007 and 2008 was used for the assessment area lending, borrower distribution, and geographic distribution analyses for HMDA loans.

When arriving at conclusions for the performance factors discussed below, more weight was placed on the bank's performance in commercial lending due to management's lending focus and the significant portion of the portfolio that this loan category represents (66.2 percent of the bank's total loan portfolio as of March 31, 2009).

To augment the evaluation, one community contact interview was conducted with members of the local community to ascertain the specific credit needs, opportunities, and local market conditions within the assessment area the bank serves, and to evaluate the bank's responsiveness in helping to meet such needs. Specific comments from the community contact are addressed in the applicable section relating to the assessment area.

[1] Under CRA, a small business is considered to be one in which gross annual revenues for the preceding year were $1 million or less.
[2] HMDA data covers applications for home purchase, refinancing, and home improvement loans.

DESCRIPTION OF INSTITUTION[3]

Eagle Bank and Trust Company is a full-service financial institution offering both commercial and consumer loan and deposit products. The bank is a wholly-owned subsidiary of State Holding Company, a multi-bank holding company headquartered in Little Rock, Arkansas. The bank's branch network consists of six full-service branches all located within Pulaski County, Arkansas. The bank's main office is located in Little Rock. It also has three offices in the city of Sherwood, one in the city of Gravel Ridge, and one in the city of Maumelle, Arkansas, in North Little Rock. Each facility has a full-service drive-up automated teller machine (ATM) (cash dispensing and deposit accepting), except for the Gravel Ridge office. The bank has three branches located in middle-income census tracts and two branches located in upper-income census tracts as shown in Appendix A.

As of March 31, 2009, the bank reported total assets of $130.8 million. As of the same date, gross loans and leases outstanding were $65.3 million (50.0 percent of total assets), and deposits totaled $107.4 million. The bank has the ability to meet the credit needs of its assessment area based on its asset size, financial condition, and other resources. The bank's loan portfolio composition, by credit product type, is summarized in the table that follows.[4]

[3] Any percentage row or column "TOTAL" figure displayed throughout this evaluation that does not equal exactly 100 percent is strictly due to rounding differences, which are considered immaterial to the overall performance conclusion.

[4] For purposes of this table, total loan information is derived from gross loans and leases data reported on the Consolidated Reports of Condition and Income as of March 31, 2009.

Distribution of Total Gross Loans and Leases as of March 31, 2009		
Credit Product Type	**Amount in $000s**	**Percentage of Total Loans**
1-4 Residential Real Estate Construction Loans	$ 2,082	3.2%
Other Construction, Land Development Loans	12,580	19.3%
Loans Secured by Owner Occupied Non-Farm, Non-Residential Real Estate	19,920	30.5%
Loans Secured by Other Non-Farm Non-Residential Real Estate	6,756	10.3%
Multifamily Residential	1,592	2.4%
1-4 Family Residential - Revolving	1,384	2.1%
1-4 Family Residential – First Liens	10,591	16.2%
1-4 Family Residential – Junior Liens	2,137	3.3%
Farmland	330	0.5%
Agricultural	0	0.0%
Commercial and Industrial	4,003	6.1%
Loans to Individuals	3,093	4.7%
Total Other Loans & Leases	851	1.3%
TOTAL Gross Loans and Leases	**$ 65,319**	**100%**

As indicated by the financial data in the preceding table, a significant portion of the bank's lending resources, by dollar amount, is directed to commercial real estate, construction and development, and 1-4 family residential real estate loans. In addition, by number of loans originated, consumer non-real estate loan activity represents a major product offering of the bank.

As part of this evaluation under the CRA, the bank's performance was considered in relation to the performance of its regional bank competitors. Two financial institutions were identified as similarly situated competitors with asset sizes ranging from $167.7 million to $203.5 million.

There are no apparent legal or financial impediments that prevent the bank from meeting assessment area credit needs. The bank received a satisfactory rating at its previous CRA evaluation conducted as of May 16, 2005, by this Reserve Bank.

DESCRIPTION OF ASSESSMENT AREA[5]

The bank's assessment area is defined as all of Pulaski County which is comprised of 83 census tracts in the Little Rock-North Little Rock-Conway Arkansas metropolitan statistical area #30780 (Little Rock MSA). Appendix A contains a listing of the census tracts within the assessment area. The following table reflects the number of census tracts within the assessment area by each income category and the corresponding family population within those census tracts.[6]

2000 Census Data	Low-	Moderate-	Middle-	Upper-	TOTAL
Assessment Area Census Tracts	7 8.4%	28 33.7%	31 37.3%	17 20.5%	**83** **100%**
Family Population	3,789 3.9%	24,653 25.6%	37,973 39.4%	30,006 31.1%	**96,421** **100%**

Based on the 2000 census data, the assessment area contains 7 low-income, 28 moderate-income, 31 middle-income, and 17 upper-income census tracts. As the table indicates, 3.9 percent of the family population resides in low-income census tracts, and 25.6 percent reside in the moderate-income census tracts. The remaining 70.5 percent of the family population reside in census tracts defined as middle- or upper-income. According to 2000 census data, the total population of the assessment area was 361,474.

Based upon 2000 census data, the median family income for the assessment area was $46,498 which is consistent with the median family income of $46,412 for the entire Little Rock MSA. Currently, the Department of Housing and Urban Development (HUD) estimates the 2009 Little Rock MSA median family income to be $60,700, which represents a 30.5 percent increase from 2000.

The following table displays the distribution of assessment area families by income level, compared to the state of Arkansas, and the Little Rock MSA.

[5] Statistical/demographic information cited in this evaluation is taken from 2000 United States Census Bureau data, unless stated otherwise.
[6] See the glossary in Appendix B for the definitions of the low-, moderate-, middle-, and upper-income categories.

Assessment Area Family Population by Income Level					
2000 Census Data	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	20,202 21.0%	16,884 17.5%	20,211 21.0%	39,124 40.6%	**96,421** **100%**
Pulaski County, Arkansas	20,202 21.0%	16,884 17.5%	20,211 21.0%	39,124 40.6%	**96,421** **100%**
State of Arkansas	148,233 20.1%	131,570 17.9%	163,567 22.2%	292,693 39.8%	**736,063** **100%**
Arkansas MSA #30780	32,824 19.7%	30,091 18.1%	37,372 22.5%	66,105 39.7%	**166,392** **100%**

As shown in the preceding table, the distribution of family population by income in the assessment area is consistent with the AR MSA #3080 as a whole. Of the assessment area families, 38.5 percent are considered LMI regardless of the income category of the census tract in which they live. In comparison, middle- and upper-income families make up 21.0 percent and 40.6 percent of the assessment area. The census data also shows that there are 148,032 households within the assessment area and that 12.4 percent of those households live below the poverty level. The assessment area level of poverty is lower than the state of Arkansas (15.8 percent) and slightly higher than the entire Little Rock MSA (11.8 percent).

As of 2000 census data, the assessment area included a total of 161,135 housing units of which only 55.9 percent are owner-occupied. This percentage of owner-occupied housing units is lower than the state of Arkansas at 61.7 percent and the Little Rock MSA at 61.3 percent. The median housing value in the assessment area is $82,163, which is more than the state of Arkansas of $67,000 and the Little Rock MSA of $80,791, and therefore housing within the assessment area is more expensive relative to the state of Arkansas and the entire Little Rock MSA. This conclusion is based upon an affordability ratio[7] for the assessment area of 45.0 percent, compared to 47.0 percent for the state of Arkansas and 48.0 percent for the Little Rock MSA. The 2000 median gross monthly rent for the assessment area was $539, which is more than the Little Rock MSA figure of $527 and significantly more than the state of Arkansas figure of $453. Lastly, the median age of housing stock in the assessment area is 28 years, which is older than the state of Arkansas and the Little Rock MSA of 24 years.

The assessment area economy is diverse and supported by multiple industry categories. According to the U.S. Census Bureau 2006 county business patterns, the largest industry sectors within the assessment area are the healthcare and social assistance and retail trade. According to

[7] This figure 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.

the community contact this would include Baptist Health Medical Center, Arkansas Cancer Research Center, University of Arkansas for Medical Sciences, Alltel Corporation, Acxiom Corporation, and the headquarters for Dillard's Department Stores. As of March 2009, the not-seasonally adjusted unemployment rate was 5.4 percent for Pulaski County, which was below the not-seasonally adjusted state of Arkansas figure of 6.7 percent.

The community contact revealed pertinent information regarding the credit needs of the assessment area's residents and businesses, as well as opportunities in which financial institutions can participate in community outreach. These comments were useful in determining the context in which to evaluate the bank's performance for this assessment area. The community contact for this examination categorized the economy's growth as relatively stable; however, the contact did mention recent layoffs in the area, including Alltel, Dillard's Department Stores, and Acxiom. The contact believes that although the housing market as a whole has declined, the house prices in Pulaski County have not been significantly affected and is not aware of a significant amount of foreclosures.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Overall, Eagle Bank and Trust Company meets the criteria for a satisfactory rating based upon its lending performance as measured by the CRA small bank performance standards. The bank's lending performance was based upon judgmental samples of small business, motor vehicle loans, and HMDA real estate loans. The analyses of the loan samples were conducted within the context of the assessment area's economy, credit needs, and competition among financial institutions. The CRA small bank performance standards evaluate the following five loan criteria, as applicable:

- The bank's level of lending within the assessment area.
- The bank's average LTD ratios.
- The bank's distribution of loans by borrower income or by business revenue.
- The bank's geographic distribution of loans within the census tracts in the assessment area.
- A review of written complaints received concerning the bank's CRA performance.

The remaining sections of this evaluation analyze the bank's lending performance under these five performance criteria. The loans products are presented in their order of importance in evaluating this institution's borrower and geographic distribution criteria.

<u>Lending in the Assessment Area</u>

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

Lending Inside and Outside of Assessment Area				
Loan Type		Inside Assessment Area	Outside Assessment Area	TOTAL
2007-2008 HMDA	#	47 50.5%	46 49.5%	**93** **100%**
	$	$ 5,290 62.1%	$ 3,224 37.9%	**$ 8,514** **100%**
2007-2009 Motor Vehicle	#	35 87.5%	5 12.5%	**40** **100%**
	$	$ 434 84.4%	$ 80 15.6%	**514** **100%**
2007-2009 Small Business	#	82 81.2%	19 18.8%	**101** **100%**
	$	$ 10,296 86.5%	$ 1,611 13.5%	**$ 11,907** **100%**
TOTAL	#	**164** **70.1%**	**70** **29.9%**	**234** **100%**
	$	**$ 16,020** **76.5%**	**$ 4,915** **23.5%**	**$ 20,935** **100%**

The analysis of the loan sample revealed that the bank originated a majority of each of the loan products reviewed within its assessment area. The preceding table demonstrates that 164 of the 234 (70.1 percent by number) loans sampled were originated within the bank's assessment area. By dollar volume, 76.5 percent of the loans were originated inside the assessment area. Overall, the bank meets the standard for satisfactory performance under this criterion.

<u>Loan-to-Deposit (LTD) Ratio</u>

One indication of the bank's overall level of lending activity is its LTD ratio. The following table displays the bank's quarterly average LTD ratio[8] in comparison to that of two regional competitors. The lending performance of similarly situated lenders serves as an additional method of assessing the adequacy of a bank's average LTD ratio. Similarly situated lenders are defined as financial institutions that are located in or near the bank's assessment area and are the most comparable to the bank based on asset size, market served, product offerings, loan portfolio composition, and branching structure. The following regional bank competitors analyzed were determined to be similarly situated to Eagle Bank and Trust Company.

[8] The average LTD ratio represents the average of 16-quarters, dating from June 30, 2005, to March 31, 2009.

Loan-to-Deposit Ratio Analysis for the Assessment Area			
Name	**Asset Size[9]**	**Headquarters**	**Average LTD Ratio**
Eagle Bank and Trust Company	$130,776	Little Rock, AR	61.2%
Regional Bank Competitors	$167,727	Little Rock, AR	78.2%
	$203,458	Little Rock, AR	55.7%

As shown in the preceding table, the bank's average LTD ratio since the previous examination was 61.2 percent for this review period. For the last 16 quarters, the bank's LTD ratio ranged from a low of 57.6 percent to a high of 68.8 percent, with the March 31, 2009, quarter-ending at 60.0 percent.

In comparison, the bank's regional competitors average LTD ratios ranged from 55.7 to 78.2 percent.

According to the Federal Deposit Insurance Corporation (FDIC) market share information, as of June 30, 2008, Eagle Bank and Trust Company is one of 27 financial institutions operating in the bank's assessment area and has a deposit market share of 1.2 percent. The bank is ranked 19th in terms of deposits in the overall assessment area.[10] In conclusion, the bank's quarterly average net LTD ratio is adequate given the size, strategy, and financial condition of the bank and the credit needs of the assessment area.

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

The small bank performance standards evaluate the bank's lending to businesses of varying revenue sizes and borrowers of various income levels. Special emphasis is placed on loans originated to small businesses and LMI borrowers. Borrowers are classified into low-, moderate, middle-, and upper-income categories by comparing their reported income to the most recent median family income figure as estimated by the Department of Housing and Urban Development (HUD). For 2009, HUD estimates the median family income for the Little Rock MSA to be $60,700. This figure was used in categorizing borrowers into income classifications.

The bank's distribution of small business loans to businesses of various sizes was reviewed in light of assessment area demographic and market lending data. The following table reflects the bank's distribution of business loans by gross annual revenue and loan amount.

9 Asset figures in this table represent total assets as of March 31, 2009 (in $000s).
10 Source: The Federal Deposit Insurance Company's (FDIC) Deposit Market Share Report as of June 30, 2008.

Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Origination Amount (in $000s)**			**TOTAL**
	<$100	**>$100<$250**	**>$250<$1,000**	
$1 Million or Less	36 43.9%	11 13.4%	10 12.2%	**57** **69.5%**
Greater Than $1 Million	13 15.9%	8 9.8%	4 4.9%	**25** **30.5%**
TOTAL	**49** **59.8%**	**19** **23.2%**	**14** **17.1%**	**82** **100%**

The preceding table demonstrates that 57 of the 82 loans reviewed (69.5 percent) were made to businesses with gross annual revenues of $1 million or less. In 2007, the bank's level of lending to small businesses was 78.3 percent by number, which is slightly lower than the 2007 data from Dun & Bradstreet which indicates that 88.0 percent of businesses in the assessment area are small businesses. Although the bank's level of lending is below the Dun & Bradstreet data, the distribution of small business loans compares highly favorable to the 2007 CRA aggregate lending to small businesses of 38.1 percent by number. Based on the CRA aggregate comparison, the bank's distribution of loans to small businesses is satisfactory.

The bank's consumer motor vehicle-secured loans were analyzed by the income level of the borrower in order to evaluate the bank's lending to LMI individuals. To measure the bank's performance for these loans, the percentage of motor vehicle loans originated by the bank was compared to the LMI household population percentage within the assessment area.

Distribution of Loans (Number and Dollar Volume in $000s) Inside Assessment Area by Income Level of Borrower						
Loan Type	**Borrower Income Classification**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2007-2009 Motor Vehicle	6 17.1%	5 14.3%	4 11.4%	20 57.1%	0 0.0%	**35** **100%**
	$ 30 6.9%	$ 70 16.1%	$ 35 8.0%	$ 301 69.0%	- 0.0%	**$ 436** **100%**
Household Population	23.4%	17.0%	19.5%	40.0%	0.0%	**100%**

Of the loans sampled, 31.4 percent by number were extended to LMI borrowers compared to a LMI household population of 40.4 percent. Although the overall lending to LMI borrowers by number is lower than the total LMI household population, the bank's lending trend in this product appears to be increasing. The bank's overall LMI lending in 2007 was 20.0 percent, 2008 was 35.0 percent, and year-to-date 2009 was 40.0 percent by number. And finally, the community contact was unaware of any unmet credit needs. Given this data, the bank's distribution of consumer loans reflects reasonable penetration among borrowers of different income levels.

The bank's HMDA real estate loans were analyzed by the income level of the borrower in order to evaluate the bank's lending to LMI individuals. To measure the bank's performance for these loans, the percentage of HMDA loans originated by the bank was compared to the LMI family population percentage within the assessment area. The following table shows the percentage of HMDA real estate loans originated by the bank compared to the LMI family population percentage within the assessment area.

Distribution of Loans (Number and Dollar Volume in $000s) Inside Assessment Area by Income Level of Borrower						
Loan Type	**Borrower Income Classification**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2007-2008 HMDA	1 2.1%	1 2.1%	2 4.3%	31 66.0%	12 25.5%	**47** **100%**
	$ 15 0.3%	$ 129 2.4%	$ 146 2.8%	$ 3,269 61.8%	$ 1,731 32.7%	**$ 5,290** **100%**
Family Population	21.0%	17.5%	21.0%	40.6%	0.0%	**100%**

The table above shows that the bank originated 4.2 percent by number and 2.7 percent by dollar volume of HMDA real estate loans to LMI borrowers. In 2007, the bank's lending to LMI individuals reflects only a limited penetration among these borrowers who represent 21.0 percent of the families residing in the area. Lending is also lower than aggregate data reported. In 2007, the bank originated 10.0 percent by number and 5.8 percent by dollar volume to LMI individuals, while aggregate data of HMDA reportable loans originated by lenders in the Little Rock MSA reflects 25.4 percent by number and 15.8 percent by dollar. This particular data indicates a demand for this type of lending by this segment of the population. Based on these comparisons and the absence of any impediments to the bank's ability to lend, the distribution of HMDA real estate loans reflects a poor penetration to borrowers of different income levels, particularly LMI borrowers.

Although HMDA real estate lending was limited in the Little Rock MSA, the bank's primary lending focus is directed toward commercial lending, and therefore the analysis placed the most weight on this category. Since the majority of business loans were to small businesses and taking into consideration the bank's increased lending in motor vehicle loans to LMI borrowers, the overall borrower distribution of the bank's loans reflect a satisfactory performance.

Geographic Distribution of Loans

As previously noted, the bank's assessment area contains 7 low-income census tracts, 28 moderate-income census tracts, 31 middle-income census tracts, and 17 upper-income census tracts. The analysis of the geographic distribution of loans evaluates the bank's distribution of loans across this assessment area, with emphasis placed on the bank's performance in the LMI census tracts. The following table displays the geographic distribution of the small business loan activity, along with estimated percentages of business institutions in each geographic income category.

Distribution of Loans (Number and Dollar Volume in $000s) Inside Assessment Area by Income Level of Census Tracts

Loan Type	Census Tract Income Classification					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
2007-2009 Small Business	6 7.3%	17 20.7%	29 35.4%	30 36.6%	0 0.0%	**82** **100%**
	$ 616 6.0%	$ 2,680 26.0%	$ 3,498 34.0%	$ 3,502 34.0%	$ - 0.0%	**$ 10,296** **100%**
Business Institutions	9.6%	23.4%	37.3%	29.7%	0.0%	**100%**

The table above shows the bank's level of small business loans originated in the low- and moderate-income census tracts is 28.0 percent by number and 32.0 percent by dollar. In 2007, the bank's level of lending in these LMI census tracts was 30.4 percent by number and 33.9 percent by dollar, which exceeds the 2007 small-business CRA aggregate level of lending in the LMI census tracts of 23.7 percent by number and 29.9 percent by dollar. Although the bank's performance is slightly lower than the number of businesses reported to be located in the low- and moderate-income census tracts, based on the CRA aggregate comparisons, the bank's geographic distribution of small business loans is considered satisfactory.

In the same fashion, the distribution of the bank's motor vehicle loans by census tract income classification is displayed in the following table.

Distribution of Loans (Number and Dollar Volume in $000s) Inside Assessment Area by Income Level of Census Tracts						
Loan Type	**Census Tract Income Classification**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2007-2009 Motor Vehicle	0 0.0%	4 11.4%	12 34.3%	19 54.3%	0 0.0%	**35** **100%**
	$ - 0.0%	$ 33 7.6%	$ 108 24.8%	$ 294 67.6%	$ - 0.0%	**$ 435** **100%**
Household Population	4.7%	24.4%	40.2%	30.6%	0.0%	**100%**

The analysis of consumer-purpose loans reflects poor performance under this criterion. The preceding table shows that only 11.4 percent by number of consumer motor vehicle-secured loans were made in the bank's low- or moderate-income census tracts. This level of lending is well below the household population in the LMI census tracts of 29.1 percent. The bank's consumer lending in the LMI census tracts does not meet the standard for a satisfactory performance.

The following table displays the distribution by census tract income classification of the bank's HMDA real estate loans in comparison to owner-occupied statistics for the assessment area.

Distribution of Loans (Number and Dollar Volume in $000s) Inside Assessment Area by Income Level of Census Tracts						
Loan Type	**Census Tract Income Classification**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2007-2008 HMDA	0 0.0%	3 6.4%	17 36.2%	27 57.4%	0 0.0%	**47** **100%**
	$ - 0.0%	$ 97 1.8%	$ 1,324 25.0%	$ 3,869 73.1%	$ - 0.0%	**$ 5,290** **100%**
Owner-Occupied Housing	2.6%	21.4%	40.4%	35.6%	0.0%	**100%**

As noted in the table above, the bank originated 6.4 percent by number and 1.8 percent by dollar of its HMDA real estate loans in the low- and moderate-income census tract. This level of lending does not compare favorably to the level of owner-occupied housing units of 24.0 percent located in the LMI census tracts, and therefore does not meet the standard for a satisfactory performance.

Despite the satisfactory performance of the small business loans, the poor distribution of consumer motor vehicle-secured loans and HMDA real estate loans in LMI census tracts is considered significant in evaluating the bank's geographic distribution performance. As stated previously, the bank has no offices located in low- or moderate-income census tracts, which may contribute to the distribution of lending in those tracts. Consequently, the bank does not meet the standards of satisfactory performance for this performance criterion.

Review of Complaints

No CRA-related complaints were received for this institution during the time period covered by this performance evaluation (May 16, 2005, to June 1, 2009).

Fair Lending or Other Illegal Credit Practices Review

During the Consumer Affairs examination conducted concurrently with this CRA evaluation, a fair lending analysis was performed to assess the bank's compliance under Regulation B (Equal Credit Opportunity) and the Fair Housing Act. The analysis concluded that the bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations for the products and services reviewed.

Appendix A

Listing of Census Tracts in CRA Assessment Area				
County	**Census Tract Number**	**Census Tract Income Category**	**MSA**	**Contains Bank Office**
Pulaski	0001.00	Low	30780	No
Pulaski	0002.00	Low	30780	No
Pulaski	0003.00	Low	30780	No
Pulaski	0004.00	Low	30780	No
Pulaski	0008.00	Low	30780	No
Pulaski	0028.00	Low	30780	No
Pulaski	0030.00	Low	30780	No
Pulaski	0005.00	Moderate	30780	No
Pulaski	0007.00	Moderate	30780	No
Pulaski	0009.00	Moderate	30780	No
Pulaski	0010.00	Moderate	30780	No
Pulaski	0011.00	Moderate	30780	No
Pulaski	0012.00	Moderate	30780	No
Pulaski	0013.00	Moderate	30780	No
Pulaski	0017.00	Moderate	30780	No
Pulaski	0018.00	Moderate	30780	No
Pulaski	0019.00	Moderate	30780	No
Pulaski	0020.02	Moderate	30780	No
Pulaski	0024.03	Moderate	30780	No
Pulaski	0025.00	Moderate	30780	No
Pulaski	0026.00	Moderate	30780	No
Pulaski	0027.00	Moderate	30780	No
Pulaski	0029.00	Moderate	30780	No
Pulaski	0032.01	Moderate	30780	No
Pulaski	0034.03	Moderate	30780	No
Pulaski	0035.00	Moderate	30780	No
Pulaski	0036.06	Moderate	30780	No
Pulaski	0036.07	Moderate	30780	No
Pulaski	0038.00	Moderate	30780	No
Pulaski	0040.01	Moderate	30780	No
Pulaski	0040.07	Moderate	30780	No

Pulaski	0041.03	Moderate	30780	No
Pulaski	0041.05	Moderate	30780	No
Pulaski	0041.07	Moderate	30780	No
Pulaski	0041.08	Moderate	30780	No
Pulaski	0006.00	Middle	30780	No
Pulaski	0014.00	Middle	30780	No
Pulaski	0015.00	Middle	30780	No
Pulaski	0020.01	Middle	30780	No
Pulaski	0021.02	Middle	30780	No
Pulaski	0022.05	Middle	30780	No
Pulaski	0023.00	Middle	30780	No
Pulaski	0024.04	Middle	30780	Yes
Pulaski	0024.05	Middle	30780	No
Pulaski	0024.06	Middle	30780	No
Pulaski	0031.00	Middle	30780	No
Pulaski	0032.02	Middle	30780	No
Pulaski	0033.01	Middle	30780	No
Pulaski	0034.02	Middle	30780	No
Pulaski	0034.04	Middle	30780	No
Pulaski	0036.04	Middle	30780	Yes
Pulaski	0036.05	Middle	30780	No
Pulaski	0036.08	Middle	30780	No
Pulaski	0036.09	Middle	30780	No
Pulaski	0037.04	Middle	30780	Yes (2)
Pulaski	0037.06	Middle	30780	No
Pulaski	0037.07	Middle	30780	No
Pulaski	0039.00	Middle	30780	No
Pulaski	0040.04	Middle	30780	No
Pulaski	0040.05	Middle	30780	No
Pulaski	0040.06	Middle	30780	No
Pulaski	0041.04	Middle	30780	No
Pulaski	0041.06	Middle	30780	No
Pulaski	0042.01	Middle	30780	No
Pulaski	0042.08	Middle	30780	No
Pulaski	0043.02	Middle	30780	No
Pulaski	0016.00	Upper	30780	No

Pulaski	0021.01	Upper	30780	No
Pulaski	0022.01	Upper	30780	No
Pulaski	0022.03	Upper	30780	No
Pulaski	0022.04	Upper	30780	No
Pulaski	0033.03	Upper	30780	No
Pulaski	0033.04	Upper	30780	No
Pulaski	0037.01	Upper	30780	No
Pulaski	0037.03	Upper	30780	Yes
Pulaski	0042.02	Upper	30780	No
Pulaski	0042.05	Upper	30780	No
Pulaski	0042.07	Upper	30780	No
Pulaski	0042.09	Upper	30780	No
Pulaski	0042.10	Upper	30780	No
Pulaski	0042.11	Upper	30780	No
Pulaski	0043.03	Upper	30780	Yes
Pulaski	0043.04	Upper	30780	No

Appendix B

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.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet 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; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

(i) Low-or moderate-income geographies;
(ii) Designated disaster areas; or
(ii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-

    a. Rates of poverty, unemployment, and population loss; or
    b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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.

Distressed Census Tract: A non-metropolitan middle-income geography is 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 that 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 five 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 applicants, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

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

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

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.
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 an 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 80.0 percent and less than 120 percent of the area median income, or a median family income that is at least 80.0 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50.0 percent and less than 80.0 percent of the area median income, or a median family income that is at least 5.0 percent and less than 80.0 percent, in the case of a geography.

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

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

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

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

Rated area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small loan(s) to business (es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of $1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. 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): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Census Tract: A nonmetropolitan middle income geography will be designated as underserved if it meets the criteria for population size, density and dispersion that indicate that its population is sufficiently small, thin and distant from a population center such that it is likely to have difficulty in financing the fixed costs of essential community needs. Federal Banking Examination Agencies use as a basis for these designations the "urban influence codes," numbered "7," "10," "11," and "12," maintained by the Economic Research Service of the United States Department of Agriculture.

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