

PUBLIC DISCLOSURE

July 29, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Southern Bancorp Bank
RSSD #852544**

**601 Main Street
Arkadelphia, Arkansas 71923**

Federal Reserve Bank of St. Louis

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

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

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

The Lending Test is rated:

Satisfactory

The Community Development Test is rated:

Outstanding

Southern Bancorp Bank meets the criteria for an Outstanding 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.
- Distribution of loans to borrowers reflects reasonable penetration among businesses of different revenue sizes and individuals of different income levels (including low- and moderate-income (LMI)).
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment areas.
- There were no CRA-related complaints filed against the bank since the previous CRA evaluation.
- The bank's overall community development performance demonstrates excellent 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 that entail two performance tests: the Lending Test and the Community Development Test. The bank's performance under these tests is rated at the institution level, as well as at state levels. The bank maintains operations in ten delineated assessment areas within two states, Arkansas and Mississippi. In light of these characteristics, the bank received three sets of ratings: overall institution ratings, and ratings for the states of Arkansas and Mississippi.

The following table details the number of branch offices, breakdown of deposits, and the CRA review procedures applicable to each rated area completed as part of this evaluation. Deposit information in the following table, as well as deposit information throughout this evaluation, is taken from the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2018.

State	Offices		Deposits as of 6/30/18		Assessment Area Reviews		
	#	%	\$ (000s)	%	Full Scope	Limited Scope	TOTAL
Arkansas	28	62.2%	\$831,728	84.9%	4	2	6
Mississippi	17	37.8%	\$148,144	15.1%	1	3	4
OVERALL	45	100%	\$979,872	100%	5	5	10

In light of branch structure, loan and deposit activity, and the bank’s CRA evaluation history, CRA performance in the state of Arkansas was given primary consideration when making overall conclusions.

Lending performance was based on small business loans, Home Mortgage Disclosure Act (HMDA) loans, and consumer motor vehicle loans, as these loan categories are considered core business lines based on the bank’s lending volume and its stated business strategy. Therefore, the loan activity represented by these credit products is deemed indicative of overall lending performance. Due to the dollar and number of small business loans and the bank’s emphasis on small business lending, performance based on the small business loan category carried the most significance toward the bank’s overall performance conclusions, followed by HMDA loans and consumer loans. The following table details the performance criterion and the corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	March 31, 2017 – June 30, 2019
Assessment Area Concentration	January 1, 2017 – December 31, 2017
Loan Distribution by Borrower’s Profile	
Geographic Distribution of Loans	
Response to Written CRA Complaints	March 20, 2017 – July 28, 2019
Community Development Activities	

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 2015 American Community Survey (ACS) data and certain business demographics are based on 2017 Dun & Bradstreet data. Moreover, when analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is placed on the aggregate lending data because it is expected to describe many factors impacting lenders in an assessment area. Aggregate lending datasets are also updated annually and are, therefore, expected to predict more relevant comparisons. In addition, the bank’s lending levels were evaluated in relation to those of comparable financial institutions operating in the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from \$894.9 million to \$1.6 billion as of June 30, 2019.

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, eight community contact interviews were conducted with members of the local community in order to ascertain specific credit needs, opportunities, and local market conditions in the bank's assessment areas. In addition, two community contact interviews previously completed in the bank's assessment areas were referenced. Information from these interviews 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

Southern Bancorp Bank is a wholly owned subsidiary of Southern Bancorp, Inc. (SBI), a one-bank holding company. The bank and its holding company are both headquartered in Arkadelphia, Arkansas. Southern Bancorp Bank and SBI are certified Community Development Financial Institutions (CDFIs), as designated by the U.S. Department of Treasury. In addition, SBI is a public-benefit corporation. The organization's mission is to create economic opportunity in rural and underserved communities by providing responsible and responsive financial products and services that balance profits with purpose.

The bank's branch network consists of 45 offices (including the main office), 27 of which have automated teller machines (ATMs) on site. In addition to being a full-service facility, the main office and 39 branches have drive-up accessibility. The bank operates four stand-alone ATMs in its assessment areas and two loan production offices outside its assessment areas, one each in Fayetteville, Arkansas, and Little Rock, Arkansas. During the review period, the bank acquired one branch and opened two branches, all in Arkansas. Of the 45 offices that make up the bank's branch network, 16 are located in LMI census tracts, and an additional 5 are located in middle-income, distressed or underserved tracts. Based on this branch network and other service delivery systems such as full-service online banking capabilities, the bank is well positioned to deliver financial services to the entirety of its assessment areas.

The bank currently operates in ten CRA assessment areas, including metropolitan statistical areas (MSAs) and nonMSAs throughout Arkansas and Mississippi, as detailed in the following table. The assessment areas are listed in the order used in assigning state ratings, which were also weighted in deriving overall performance conclusions.

Assessment Area	Counties Comprising Assessment Area	Review Procedures
ARKANSAS		
Eastern Arkansas	Phillips County	Full Scope
Central Arkansas	Clark, Hot Spring, Montgomery, and Pike Counties	Full Scope
Northeast Arkansas	Mississippi County	Full Scope
Southern Arkansas	Ashley, Chicot, and Union Counties	Full Scope
Jonesboro MSA	Craighead and Poinsett Counties	Limited Scope
Hot Springs MSA	Garland County	Limited Scope
MISSISSIPPI		
Northwest Mississippi	Bolivar, Coahoma, Quitman, Sunflower, Tallahatchie, and Washington Counties	Full Scope
Southern Mississippi	Pearl River County	Limited Scope
Memphis MSA (partial)	DeSoto County, Mississippi and Shelby Counties, Tennessee*	Limited Scope
Jackson MSA (partial)	Hinds, Madison, and Rankin Counties	Limited Scope

*The bank does not operate a branch or deposit-taking ATM in Shelby County, Tennessee, and operates solely in the Mississippi portion of the Memphis MSA. As a result, no multistate rating was assigned.

In addition to its banking operations, Southern Bancorp Bank is affiliated with a 501(c)(3) nonprofit organization, Southern Bancorp Community Partners (SBCP). SBCP is a certified CDFI and collaborates with Southern Bancorp Bank to pursue its mission to provide access to capital and drive economic development in the rural Mississippi River Delta and Southern Arkansas. The affiliate seeks to create new educational and economic opportunities for people with limited resources through community development initiatives, financial services, and public policy change. As a result of this partnership, Southern Bancorp Bank is permitted and elected to have SBCP’s community development activities reviewed under this CRA evaluation.

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. As of June 30, 2019, the bank reported total assets of \$1.4 billion. As of the same date, loans and leases outstanding were \$1.0 billion (71.6 percent of total assets), and deposits totaled \$1.2 billion. The bank’s loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of June 30, 2019		
Credit Category	Amount (\$000s)	Percentage of Total Loans
Construction and Development	\$76,651	7.5%
Commercial Real Estate	\$248,766	24.4%
Multifamily Residential	\$42,794	4.2%
1–4 Family Residential	\$269,240	26.5%
Farmland	\$129,961	12.8%
Farm Loans	\$64,823	6.4%
Commercial and Industrial	\$134,019	13.2%
Loans to Individuals	\$36,968	3.6%
Total Other Loans	\$14,662	1.4%
TOTAL	\$1,017,884	100%

As indicated by the table above, a significant portion of the bank’s lending resources (37.6 percent) is directed to commercial loans (commercial real estate and commercial and industrial loans) and loans secured by 1–4 family residential properties (26.5 percent). 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 real estate are typically made in smaller dollar amounts relative to other credit products.

The bank received an Outstanding rating at its previous CRA evaluation conducted by this Reserve Bank on March 20, 2017.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Rated Area	Lending Test Rating
Arkansas	Satisfactory
Mississippi	Satisfactory
OVERALL	Satisfactory

Southern Bancorp Bank 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 10-quarter average, dating back to the bank’s last CRA evaluation.

LTD Ratio Analysis			
Name	Headquarters	Asset Size (\$000s) as of June 30, 2019	Average LTD Ratio
Southern Bancorp Bank	Arkadelphia, Arkansas	\$1,421,204	87.0%
Regional Banks	Magnolia, Arkansas	\$1,621,234	86.4%
	Batesville, Arkansas	\$894,868	88.7%
	Greenwood, Mississippi	\$1,163,352	89.7%

Based on data from the previous table, the bank’s level of lending is comparable to other banks in the region. During the review period, the bank’s quarterly LTD ratio experienced a generally stable trend with a 10-quarter average of 87.0 percent. In comparison, the average LTD ratios for the regional peers were substantially similar, ranging from 86.4 percent to 89.7 percent. 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 Areas						
January 1, 2017 through December 31, 2017						
Loan Type	Inside Assessment Areas		Outside Assessment Areas		TOTAL	
Small Business	796	85.0%	141	15.0%	937	100%
	82,089	82.1%	17,851	17.9%	\$99,940	100%
HMDA	677	87.9%	93	12.1%	770	100%
	60,059	63.5%	34,462	36.5%	\$94,521	100%
Consumer Motor Vehicle	1,026	91.6%	94	8.4%	1,120	100%
	9,290	90.1%	1,017	9.9%	\$10,307	100%
TOTAL LOANS	2,499	88.4%	328	11.6%	2,827	100%
	151,438	74.0%	53,330	26.0%	\$204,768	100%

A majority of loans and other lending-related activities were made in the bank’s assessment areas. As shown in the preceding table, 88.4 percent of the total loans were made inside the assessment areas, accounting for 74.0 percent of the dollar volume of total loans.

Borrower and Geographic Distribution

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

Rated Area	Loan Distribution by Borrower’s Profile
Arkansas	Reasonable
Mississippi	Reasonable
OVERALL	REASONABLE

As displayed in the following table, the bank’s overall distribution of lending by income level of census tract reflects reasonable penetration.

Rated Area	Geographic Distribution of Loans
Arkansas	Reasonable
Mississippi	Excellent
OVERALL	REASONABLE

Responses to Complaints

No CRA-related complaints were filed against the bank during this review period (March 20, 2017 through July 28, 2019).

COMMUNITY DEVELOPMENT TEST

Southern Bancorp Bank’s performance under the Community Development Test is rated Outstanding. The bank demonstrates excellent responsiveness to the community development needs of the Arkansas and Mississippi 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
Arkansas	Outstanding
Mississippi	Outstanding
OVERALL	Outstanding

During the review period, the bank and SBCP made qualifying loans, investments, donations, and services to individuals and organizations in its assessment areas, broken down as follows:

Total Community Development Activities Inside Assessment Areas March 20, 2017 through July 28, 2019			
Community Development Component	#		\$
Loans	183		\$68.0 million
Investments, Current and Prior	23		\$9.2 million
Current Period	1		\$245,000
Prior Period, Still Outstanding	22		\$9.0 million
Donations & Grants	470		\$1.3 million
Services	183 organizations	14,026 hours	

Lending activities were in the form of economic development loans facilitating job creation or retention for LMI individuals; loans to community service providers serving primarily LMI individuals or geographies; loans financing the construction or purchase of multifamily, affordable housing; and loans that sought to revitalize and stabilize LMI areas and areas designated as distressed or underserved.

Investment activities were primarily in the form of municipal bonds issued by qualifying school districts in which a majority of students are eligible for free or reduced lunches. The donations were made to organizations and groups that serve LMI individuals, LMI geographies, and distressed or underserved middle-income geographies. Grant funds were issued primarily through individual development accounts (IDAs), which are matched savings accounts for LMI individuals to assist with home-purchase down payments, post-secondary education or job training, or small business start-up expenses.

Service activities included delivering financial education in schools with students whose families were primarily LMI, providing financial expertise to community service organizations as board members, performing credit counseling and homeownership counseling to LMI consumers, and offering financial services through the Volunteer Income Tax Assistance (VITA) program.

The bank received CRA credit for five current period investments and one prior period investment still outstanding in minority-owned depository institutions. These activities are considered favorably in the bank's CRA performance, even though they are not located in and do not benefit the bank's assessment areas. These investments were in the form of certificates of deposit from minority institutions headquartered primarily in the southern United States. The investments, which totaled \$1.5 million, were designed to help meet the credit needs of the local communities across the United States.

Additionally, the bank made investments in two low-income credit unions (with a primary purpose of community development) and two Small Business Investment Companies (SBICs) that serve a larger regional area, which includes both Arkansas and Mississippi. Because these investments serve a broader regional area that includes the bank's ten assessment areas, they are included at the institutional level rather than in an individual assessment area. The bank's investments in low-income credit unions totaled \$485,000. The SBIC investments are detailed below.

- Diamond State Ventures III, an SBIC headquartered in Little Rock, Arkansas, seeks to invest in lower-middle market companies in Arkansas, the Midwest, and the southeastern United States. The bank invested \$462,500 in this fund during the review period.
- McLarty Capital Partners SBIC, L.P. (McLarty Capital Partners), an SBIC headquartered in Washington, D.C., seeks to invest in businesses in the United States that meet the small business size guidelines outlined by the Small Business Administration, including businesses in Arkansas and Mississippi. The bank invested \$1.5 million in the venture during the review period. Further, the bank held one prior-period investment in McLarty Capital Partners, with an outstanding balance of \$450,572.

In addition to meeting the community development needs of its own assessment areas, the bank participated in several community development activities outside Arkansas and Mississippi.¹ These activities include three community development loans totaling \$4.3 million and 47 service hours benefiting six organizations.

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.

¹ Community development activities outside the bank's assessment areas, but in the rated areas of Arkansas and Mississippi, are discussed under the Community Development Test write-up for each applicable state.

ARKANSAS

CRA RATING FOR ARKANSAS:

The Lending Test is rated:

The Community Development Test is rated:

Outstanding

Satisfactory

Outstanding

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

- The distribution of loans in the Arkansas assessment areas reflects reasonable penetration among businesses of different sizes and individuals of different income levels (including LMI levels).
- Overall, the geographic distribution of loans reflects reasonable dispersion throughout the Arkansas assessment areas.
- The bank's community development performance demonstrates excellent 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 assessment areas.

SCOPE OF EXAMINATION

Scoping considerations applicable to the review of Arkansas assessment areas are consistent with the overall CRA examination scope as presented in the *Institution, Scope of Examination* section. The bank's ratings in the state of Arkansas reflect a composite of the bank's performance in its primary assessment areas throughout the state. The bank's primary assessment areas included the four assessment areas located in nonMSA portions of the state that were evaluated using full-scope review procedures. Although analyses for each full-scope nonMSA assessment area were completed individually, the conclusions for nonMSA Arkansas are presented together. Performance divergences between the four nonMSA assessment areas are noted where applicable.

To augment the evaluation of the full-scope review assessment areas in Arkansas, eight community contact interviews were conducted to ascertain specific community credit needs, community development opportunities, and local economic conditions. Four of the interviews were with representatives with knowledge of affordable housing and four of the 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 made.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN ARKANSAS

Southern Bancorp Bank operates 28 offices (62.2 percent of total branches) throughout the six CRA assessment areas in the state of Arkansas. The following table gives additional detail regarding the bank’s operations within Arkansas.

Assessment Area	Offices		Deposits As of June 30, 2018		Review Procedures
	#	%	\$	%	
Eastern Arkansas	6	21.4%	\$177,855	21.4%	Full Scope
Central Arkansas	7	25.0%	\$233,851	28.1%	Full Scope
Northeast Arkansas	7	25.0%	\$161,994	19.5%	Full Scope
Southern Arkansas	4	14.3%	\$136,224	16.4%	Full Scope
Jonesboro MSA	1	3.6%	\$86,891	10.4%	Limited Scope
Hot Springs MSA	3	10.7%	\$34,913	4.2%	Limited Scope
TOTAL	28	100%	\$831,728	100%	4 – Full Scope

During the review period, the bank opened two branches in the Central Arkansas assessment area and acquired one branch in the Southern Arkansas assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ARKANSAS

LENDING TEST

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

Borrower and Geographic Distribution

Overall, the bank’s performance by borrower’s revenue profile and income is reasonable in Arkansas, as is displayed in the following tables.

Full-Scope Review Areas	Loan Distribution by Borrower’s Profile
Eastern Arkansas	Reasonable
Central Arkansas	Reasonable
Northeast Arkansas	Excellent
Southern Arkansas	Reasonable
OVERALL	Reasonable

Limited-Scope Review Areas	Loan Distribution by Borrower’s Profile
Jonesboro MSA	Exceeds
Hot Springs MSA	Consistent

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

Full-Scope Review Areas	Geographic Distribution of Loans
Eastern Arkansas	Reasonable
Central Arkansas	Poor
Northeast Arkansas	Reasonable
Southern Arkansas	Reasonable
OVERALL	Reasonable

Limited-Scope Review Areas	Geographic Distribution of Loans
Jonesboro MSA	Exceeds
Hot Springs MSA	Consistent

COMMUNITY DEVELOPMENT TEST

Southern Bancorp Bank’s Community Development Test rating in the state of Arkansas is Outstanding. The bank’s overall community development performance demonstrates excellent responsiveness to the community development needs of Arkansas 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
Eastern Arkansas	Adequate
Central Arkansas	Excellent
Northeast Arkansas	Excellent
Southern Arkansas	Excellent
OVERALL	Outstanding

Limited-Scope Review Areas	Community Development Performance
Jonesboro MSA	Consistent
Hot Springs MSA	Consistent

The following table shows the number and dollar amount of community development activities made by the bank and SBCP in the Arkansas assessment areas.

Community Development Activities Inside Arkansas Assessment Areas			
Community Development Component	#		\$
Loans	138		\$35.0 million
Investments, All Prior Period Still Outstanding	20		\$8.5 million
Donations & Grants	379		\$1.2 million
Services	144 organizations	10,619 hours	

In addition to meeting the community development needs of its Arkansas assessment areas, the bank also participated in several community development activities benefitting Arkansas communities outside the bank’s assessment areas. The following table shows the number and dollar amount of these activities.

Community Development Activities Outside Assessment Areas in Arkansas			
Community Development Component	#		\$
Loans	30		\$33.8 million
Investments, All Prior Period Still Outstanding	152		\$47.7 million
Donations & Grants	33		\$65,059
Services	30 organizations	961 hours	

NONMETROPOLITAN ARKANSAS STATEWIDE AREA

(Full-Scope Reviews)

DESCRIPTION OF INSTITUTION’S OPERATIONS IN EASTERN ARKANSAS

Bank Structure

The bank operates 6 of its 28 Arkansas offices (21.4 percent) in this assessment area. Of the six offices, one is located in a low-income census tract, three are located in moderate-income census tracts, and one is located in a middle-income census tract designated as distressed due to poverty and population loss. 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.

General Demographics

The assessment area is comprised of Phillips County in its entirety. This is one of the bank’s primary assessment areas and is located in extreme eastern Arkansas bordering Mississippi. Per 2015 ACS data, the assessment area population was 20,391. Of the two FDIC-insured depository institutions with a branch presence in this assessment area, the bank ranked first in deposit market share, encompassing 53.4 percent of total deposit dollars. Credit needs in the assessment area include a mix of consumer and business loan products. Particular credit needs in the assessment area, as noted primarily from community contacts, includes home repair and improvement loans, small-dollar business loans, funding for infrastructure upgrades including water and sewer systems, and financial literacy initiatives for consumers and small business owners. One contact indicated that financial institutions could provide financial services to assist residents in preparing taxes. For this assessment area, contacts indicated that the majority of housing stock is older and in poor condition. In addition, lack of a workforce-ready population in the area from a declining population, and the poor condition of existing infrastructure, negatively impact economic growth.

Income and Wealth Demographics

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

Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Census Tracts	1 16.7%	4 66.7%	1 16.7%	0 0.0%	0 0.0%	6 100%
Family Population	376 7.4%	3,256 63.7%	1,483 29.0%	0 0.0%	0 0.0%	5,115 100%

As shown above, 83.4 percent of the census tracts in the assessment area are LMI geographies, and 71.1 percent of the family population resides in these tracts. In addition, the one remaining census tract in the assessment area is designated distressed due to poverty and population loss.

Based on 2015 ACS data, the median family income for the assessment area was \$31,664. At the same time, the median family income for nonMSA Arkansas was \$45,060. More recently, the FFIEC estimates the 2017 median family income for nonMSA Arkansas to be \$46,500.

The following table displays population percentages of assessment area families by income level compared to the nonMSA Arkansas family populations.

Family Population by Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Assessment Area	1,789 35.0%	919 18.0%	803 15.7%	1,604 31.4%	5,115 100%
NonMSA Arkansas	64,826 21.4%	54,506 18.0%	59,209 19.5%	125,086 41.2%	303,627 100%

As shown in the table above, 53.0 percent of families within the assessment area were considered LMI, which is above the LMI family percentage of 39.4 percent in nonMSA Arkansas. In addition, the percentage of families living below the poverty level in the assessment area, 27.4 percent, is well above the 16.6 percent level in nonMSA Arkansas (Phillips County has the highest poverty rate in the state of Arkansas). Considering these factors, the assessment area is significantly less affluent than nonMSA Arkansas.

Housing Demographics

As displayed in the following table, housing in the assessment area is generally more affordable compared to nonMSA Arkansas.

Housing Demographics			
Dataset	Median Housing Value	Affordability Ratio	Median Gross Rent (monthly)
Assessment Area	\$61,230	44.6%	\$589
NonMSA Arkansas	\$85,989	41.0%	\$588

While the supply of housing is more affordable than nonMSA Arkansas, 19.7 percent of housing in this area is vacant, and 39.1 percent of housing is rental. Only 41.1 percent of housing in the assessment area is owner-occupied. In addition, while the median housing value for the assessment area (\$61,230) is well below the median housing value for nonMSA Arkansas (\$85,989), the assessment area’s median gross rent (\$589) virtually the same as nonMSA Arkansas (\$588). One community contact noted that much of the housing stock in the assessment area is in poor condition, and it is difficult for purchasers to find homes that do not require additional funds above the sales price to cover repairs and upgrades to basic systems such as heating and air. In this assessment area, 49.1 percent of renters have rental costs exceeding 30 percent of their income.

Therefore, while housing stock in the assessment area appears to be more affordable than that of nonMSA Arkansas, homeownership is out of reach for much of the LMI population, given the area’s high levels of poverty, abundance of rental and vacant properties, and high costs associated with both renting and home repair in the assessment area.

Industry and Employment Demographics

The assessment area is dominated by two main industries, which account for roughly half of assessment area jobs. In addition, the assessment area supports a strong small business sector, as evidenced by Dun & Bradstreet data that indicate 88.9 percent of assessment area businesses have gross annual revenues of \$1 million or less. According to county business patterns, by percentage of employees, the two largest job categories in the assessment area are healthcare and social assistance (23.9 percent) and retail trade (22.9 percent). County business patterns indicate there are 4,017 paid employees in the assessment area and have experienced a declining trend. The table below details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for the assessment area and the state of Arkansas.

Unemployment Levels for the Assessment Area			
Dataset	Time Period (Annual Average)		
	2017	2018	First Quarter 2019
Assessment Area	5.8%	6.2%	6.8%
State of Arkansas	3.7%	3.7%	4.1%

As shown in the table above, the assessment area has experienced a higher unemployment rate when compared to the state of Arkansas. Community contacts attributed higher unemployment rates to automation in the farming and manufacturing sectors, which eliminated a majority of assessment area jobs. In addition, community contacts noted that a lack of workforce development and outward migration of younger residents have negatively affected the county’s economic growth.

Community Contact Information

For the assessment area, two community contact interviews were completed. One contact specialized in economic development, and the other contact specialized in affordable housing. Both contacts noted a need for improvement in the local infrastructure as a declining population has led to decreased tax revenues for maintenance and repair of roads, water, and sewer systems. Per contacts, there is a lack of trained workforce available to attract and retain businesses. The contact specializing in economic development stated that a lack of capital hampers start-up efforts for small business owners and entrepreneurs in the area. As a result, small-dollar business loans are a need. The affordable housing contact indicated the declining population and infrastructure in the assessment area have resulted in a lack of new home construction. Much of the housing stock is in poor condition. Credit barriers preventing some LMI individuals from purchasing homes include poor or no credit history and difficulty raising funds for down payments. According to the contacts, there is a need for workforce development initiatives, down payment assistance, and financial literacy education. Finally, both contacts highlighted Southern Bancorp Bank as being active in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN EASTERN ARKANSAS

LENDING TEST

The overall distribution of loans reflects reasonable penetration among businesses of different sizes and borrowers of different income levels. Similarly, the overall geographic distribution of loans reflects reasonable penetration throughout the assessment area.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is reasonable based on performance from all three loan categories reviewed. While greater emphasis is generally placed on performance in the small business loan category given the bank's emphasis on commercial lending, overall performance was rated considering all products. Therefore, the HMDA and consumer motor vehicle loan categories helped shape the overall reasonable conclusion.

Small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2017 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate lending data.

Distribution of Loans Inside Assessment Area by Business Revenue								
January 1, 2017 through December 31, 2017								
Gross Revenue	Loan Amounts in \$000s						TOTAL	
	≤\$100		>\$100 and ≤\$250		>\$250 and ≤\$1,000			
\$1 Million or Less	45	58.4%	7	9.1%	1	1.3%	53	68.8%
Greater Than \$1 Million/Unknown	8	10.4%	12	15.6%	4	5.2%	24	31.2%
TOTAL	53	68.8%	19	24.7%	5	6.5%	77	100%
Dun & Bradstreet Businesses ≤ \$1MM							88.9%	
2017 CRA Aggregate Data							33.9%	

The bank's level of lending to small businesses is excellent. The bank originated a majority of its small business loans (68.8 percent) to businesses with revenues of \$1 million or less. In comparison, while assessment area demographics estimate that 88.9 percent of businesses in the assessment area had annual revenues of \$1 million or less, the 2017 aggregate lending level to small businesses is only 33.9 percent. In addition, 45 of the 53 loans in amounts less than or equal to \$100,000 (84.9 percent) were to small businesses, which shows the bank's willingness to lend small dollar loans to small businesses. Given that community contacts noted small-dollar business loans as a credit need in the assessment area, this level of lending is excellent.

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, 2017 aggregate data for the assessment area is displayed.

Distribution of Loans Inside Assessment Area by Borrower Income												
January 1, 2017 through December 31, 2017												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	1	9.1%	0	0.0%	1	9.1%	9	81.8%	0	0.0%	11	100%
Refinance	0	0.0%	2	28.6%	0	0.0%	5	71.4%	0	0.0%	7	100%
Home Improvement	5	20.0%	5	20.0%	5	20.0%	9	36.0%	1	4.0%	25	100%
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	100%
TOTAL HMDA	6	14.0%	7	16.3%	6	14.0%	23	53.5%	1	2.3%	43	100%
Family Population	35.0%		18.0%		15.7%		31.4%		0.0%		100%	
2017 HMDA Aggregate	9.7%		13.4%		19.4%		42.5%		14.9%		100%	

As displayed in the preceding table, the bank’s percentage of lending to low-income borrowers (14.0 percent) is substantially below the low-income family population figure (35.0 percent), but exceeds the 2017 aggregate lending level to low-income borrowers (9.7 percent), reflecting reasonable performance. The bank’s level of lending to moderate-income borrowers (16.3 percent) is slightly below the moderate-income family population percentage (18.0 percent) and above the aggregate lending levels of 13.4 percent, also reflecting reasonable performance. Therefore, considering performance to both income categories, the bank’s overall distribution of HMDA loans by borrower’s profile is reasonable.

Finally, the bank’s distribution of consumer motor vehicle loans is displayed in the following table compared to the distribution of assessment area households by income level.

Distribution of Loans Inside Assessment Area by Borrower Income												
January 1, 2017 through December 31, 2017												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	43	21.9%	62	31.6%	41	20.9%	50	25.5%	0	0.0%	196	100%
Household Population	32.7%		18.8%		15.5%		33.0%		0.0%		100%	

As displayed in the preceding table, the bank’s level of lending to low-income borrowers (21.9 percent) is below the percentage of low-income households (32.7 percent). However, when taking into consideration the level of competition for automobile loans in the assessment area and the elevated levels of household poverty level (30.4 percent), this performance is reasonable. In contrast, the bank’s performance to moderate-income borrowers (31.6 percent) is above the moderate-income household population (18.8 percent) and is excellent. When combined, the distribution of consumer loans to LMI borrowers (53.5 percent) is similar to the combined LMI household population of 51.5 percent and is reasonable.

Geographic Distribution of Loans

As noted previously, the assessment area includes one low-income and four moderate-income census tracts, representing 83.3 percent of all assessment area census tracts. Overall, the bank’s geographic distribution of loans in this assessment area reflects reasonable penetration throughout these LMI census tracts, based on all three loan categories. The following table displays 2017 small business loan activity by geography income level compared to the location of businesses throughout this assessment area and 2017 small business aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	5	6.5%	53	68.8%	19	24.7%	0	0.0%	0	0.0%	77	100%
Business Institutions	19.7%		63.9%		16.5%		0.0%		0.0%		100%	
2017 Small Business Aggregate	20.3%		47.9%		28.8%		0.0%		3.0%		100%	

The bank’s level of lending in the assessment area’s low-income census tract (6.5 percent) is below the estimated percentage of businesses operating inside this census tract (19.7 percent) and 2017 aggregate lending levels in the low-income census tract (20.3 percent). Consequently, the bank’s performance in the assessment area’s low-income area is poor. The bank’s percentage of loans in moderate-income census tracts (68.8 percent) is higher than both the percentage of small businesses in moderate-income census tracts (63.9 percent) and the 2017 aggregate lending percentage in moderate-income census tracts (47.9 percent), representing excellent performance. When combined, the distribution of small business loans in LMI geographies (75.3 percent) is below the demographic (83.6 percent) but above the combined aggregate level of 68.0 percent and is reasonable.

As with the small business loan category, the bank’s geographic distribution of HMDA loans was reviewed. The following table displays the geographic distribution of 2017 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, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	7	63.6%	4	36.4%	0	0.0%	0	0.0%	11	100%
Refinance	1	14.3%	3	42.9%	3	42.9%	0	0.0%	0	0.0%	7	100%
Home Improvement	1	4.0%	18	72.0%	6	24.0%	0	0.0%	0	0.0%	25	100%
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	100%
TOTAL HMDA	2	4.7%	28	65.1%	13	30.2%	0	0.0%	0	0.0%	43	100%
Owner-Occupied Housing	5.4%		55.3%		39.3%		0.0%		0.0%		100%	
2017 HMDA Aggregate	5.2%		61.2%		33.6%		0.0%		0.0%		100%	

The analysis of HMDA loans reveals reasonable lending performance to borrowers residing in the assessment area’s low-income geography. The bank’s total penetration of the low-income census tract by number of loans (4.7 percent) is similar to the percentage of owner-occupied housing units in the low-income census tract (5.4 percent) and the percentage of aggregate HMDA loans made to borrowers residing in the low-income geography (5.2 percent).

Bank performance in moderate-income census tracts was above comparison data and deemed excellent. The bank’s total penetration of moderate-income census tracts by number of loans (65.1 percent) exceeds the percentage of owner-occupied housing units in moderate-income census tracts (55.3 percent). The bank’s performance in moderate-income census tracts is also above that of other lenders based on aggregate lending data, which indicate that 61.2 percent of aggregate HMDA loans inside this assessment area were made to borrowers residing in moderate-income census tracts. Combined, the bank’s geographic distribution of HMDA loans in LMI geographies, 69.8 percent, exceeds owner-occupied housing and aggregate percentages (60.7 percent and 66.4 percent, respectively) and is excellent.

As with HMDA and small business lending, the bank’s consumer motor vehicle loans were reviewed to assess the level of dispersion in the assessment area, particularly in LMI census tracts. The following table shows the bank’s lending performance in different geographies, compared to the percent of household population.

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	16	8.2%	112	57.1%	68	34.7%	0	0.0%	0	0.0%	196	100%
Household Population	8.3%		63.6%		28.1%		0.0%		0.0%		100%	

The bank's level of lending in the assessment area's low-income census tract (8.2 percent) is similar to the household population percentage (8.3 percent), reflecting reasonable performance in the low-income tract. Similarly, the bank's level of lending in moderate-income census tracts (57.1 percent) is in line with the household population percentage (63.6 percent), reflecting reasonable performance. Therefore, the bank's combined geographic distribution of consumer motor vehicle loans in LMI geographies is reasonable.

Finally, based on reviews from all three loan categories, Southern Bancorp Bank had loan activity in all assessment area census tracts. Therefore, no conspicuous lending gaps were noted.

COMMUNITY DEVELOPMENT TEST

The bank demonstrates adequate responsiveness to community development needs within the 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 extended 13 community development loans totaling \$1.8 million in this assessment area. Some of these loans were made to fund expansion of broadband access in both the Eastern and Southern Arkansas assessment areas through the Federal Communications Commission Connect America Fund. Other loans of note include a loan that enabled a small business to remain open and retain two LMI jobs and multiple loan renewals to a community service organization with a defined mission of serving LMI clients.

There were no investments made in this assessment area; however, the bank made 65 donations totaling \$227,950, and SBCP made five grants totaling \$46,095. Notable donations include funds for area school districts with a majority of students qualifying for free or reduced lunches, the donation of free office space to the Port Authority in a moderate-income census tract to attempt to attract business residents, and scholarships for LMI students. The SBCP grants were in the form of IDAs for LMI individuals.

Finally, several bank employees utilized their financial expertise to assist organizations that are involved in community services, affordable housing, or economic development in the assessment area. Bank employees provided a variety of community development services. Service examples included financial education for small businesses and start-ups, serving as board members for local organizations serving LMI students, preparing and submitting grant applications for affordable housing funds, serving on school boards in districts with a majority of students qualifying for free or reduced lunches, and performing free tax preparation for LMI individuals through the VITA program. In total, the bank provided 2,349 hours of financial services to 29 different organizations within the assessment area.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN CENTRAL ARKANSAS

Bank Structure

The bank operates 7 of its 28 Arkansas offices (25.0 percent), including its main office, in this assessment area. Of the seven offices, one is located in a moderate-income census tract, and two are located in middle-income census tracts designated as distressed due to poverty or rural/underserved. Since the last examination, the bank opened two 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.

General Demographics

The assessment area is comprised of Clark, Hot Spring, Montgomery, and Pike Counties in their entirety. This is one of the bank’s primary assessment areas and is located in south-central Arkansas. Per 2015 ACS data, the assessment area population was 76,351. Of the 14 FDIC-insured depository institutions with a branch presence in this assessment area, the bank ranked first in deposit market share, encompassing 17.7 percent of total deposit dollars. Credit needs in the assessment area includes a mix of consumer and business loan products. Particular credit needs in the assessment area, as noted primarily from community contacts, include home purchase and construction loans, homeownership counseling, financial education and outreach for small business owners, and workforce development initiatives. For this assessment area, contacts indicated that there are not enough homes to accommodate the workforce due to lack of inventory and outdated housing stock. Large housing development projects appear to be concentrated on multifamily rental properties.

Income and Wealth Demographics

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

Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Census Tracts	0 0.0%	3 16.7%	13 72.2%	2 11.1%	0 0.0%	18 100%
Family Population	0 0.0%	2,995 15.2%	13,853 70.5%	2,795 14.2%	0 0.0%	19,643 100%

As shown above, there are no low-income census tracts in this assessment area, and 16.7 percent of the census tracts in the assessment area are moderate-income geographies. Additionally, 15.2 percent of the family population resides in these tracts. Lastly, all 13 middle-income census tracts in the assessment area were designated as distressed (due to poverty), underserved, or both.

Based on 2015 ACS data, the median family income for the assessment area was \$47,229. At the same time, the median family income for nonMSA Arkansas was \$45,060. More recently, the FFIEC estimates the 2017 median family income for nonMSA Arkansas to be \$46,500. The following table displays population percentages of assessment area families by income level compared to the nonMSA Arkansas family populations.

Family Population by Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Assessment Area	4,010 20.4%	3,520 17.9%	3,657 18.6%	8,456 43.0%	19,643 100%
NonMSA Arkansas	64,826 21.4%	54,506 18.0%	59,209 19.5%	125,086 41.2%	303,627 100%

As shown in the table above, 38.3 percent of families within the assessment area are LMI, which is similar to the LMI family percentage of 39.4 percent in nonMSA Arkansas. In addition, the percentage of families living below the poverty level in the assessment area, 15.3 percent, is similar to the 16.6 percent level in nonMSA Arkansas. Considering these factors, the assessment area is similar to nonMSA Arkansas as a whole.

Housing Demographics

As displayed in the following table, housing in the assessment area is generally more affordable than nonMSA Arkansas.

Housing Demographics			
Dataset	Median Housing Value	Affordability Ratio	Median Gross Rent (monthly)
Clark County	\$87,200	40.2%	\$580
Hot Spring County	\$83,300	48.0%	\$657
Montgomery County	\$82,200	40.2%	\$538
Pike County	\$74,700	44.3%	\$489
Assessment Area	\$82,499	43.7%	\$588
NonMSA Arkansas	\$85,989	41.0%	\$588

Median gross rents varied significantly by county in the assessment area from a low of \$489 in Pike County to a high of \$657 in Hot Spring County. Affordability ratios in the assessment area also varied ranging from a high of 48.0 percent in Hot Spring County to a low of 40.2 percent in Clark and Montgomery Counties. Based on the affordability ratio comparisons, homeownership may be out of reach for many LMI families, especially in Clark and Hot Spring Counties, which account for approximately 73.4 percent of the assessment area’s total population, and where 43.4 percent and 44.1

percent (respectively) of renters have rental costs exceeding 30 percent of their income. One community contact noted that barriers preventing LMI renters from transitioning to homeownership include poor credit history and limited income. As a result, many LMI individuals have difficulty saving for a home purchase down payment.

Industry and Employment Demographics

The assessment area supports a diverse business community, including a strong small business sector, as evidenced by Dun & Bradstreet data that indicates 89.5 percent of assessment area businesses have gross annual revenues of \$1 million or less. County business patterns indicate there are 15,422 paid employees in the assessment area. By percentage of employees, the four largest job categories are manufacturing (18.5 percent), followed by healthcare and social assistance (17.1 percent), retail trade (16.9 percent), and accommodation and food services (14.4 percent). The table below details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for each county in the assessment area, the assessment area as a whole, and the state of Arkansas.

Unemployment Levels for the Assessment Area			
Dataset	Time Period (Annual Average)		
	2017	2018	First Quarter 2019
Clark County	4.0%	3.8%	3.8%
Hot Spring County	3.7%	3.8%	4.0%
Montgomery County	4.8%	4.8%	5.7%
Pike County	4.1%	4.2%	4.4%
Assessment Area Average	4.0%	3.9%	4.2%
State of Arkansas	3.7%	3.7%	4.1%

As shown in the table above, unemployment levels varied between individual counties within the assessment area. Unemployment rates were highest in Montgomery County and lowest in Hot Spring and Clark Counties. As shown, the assessment area as a whole had a slightly higher unemployment rate than the state of Arkansas. For the assessment area as a whole and the state of Arkansas, unemployment rates stayed relatively stable with a slight uptick in 2019.

Community Contact Information

For the assessment area, two community contact interviews were completed. One contact specialized in economic development, and the other contact specialized in affordable housing. The contacts characterized the local economy as healthy and indicated it has fared well compared to other southwest Arkansas counties due to its location near the Little Rock and Hot Springs metropolitan areas, its universities (Henderson State University and Ouachita Baptist University are located in Clark County), its infrastructure (Interstate 30), and its designation as a tourist destination. One contact noted that recent growth in the timber industry has resulted in a need for workforce development in technological positions. The contact indicated that the small population

size and a limited skilled workforce might discourage businesses from expanding or relocating to the area. In addition, lack of business and financial education creates barriers preventing small business start-ups. The affordable housing contact stated that economic growth in the Arkadelphia area has led to a need for affordable housing. While current projects include large multifamily complexes, the new construction does not include affordable options for LMI families. Major barriers preventing LMI families from homeownership include lack of income and work schedule flexibility, as the cost of childcare in the area is high. Both contacts indicated a need for financial education, including technical assistance for small businesses and homeownership counseling. Finally, both contacts highlighted Southern Bancorp Bank as being active in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN CENTRAL ARKANSAS

LENDING TEST

The bank’s overall distribution of loans reflects reasonable penetration among businesses of different revenue sizes and borrowers of different income levels. In addition, the overall geographic distribution of loans reflects poor penetration throughout the assessment area.

Loan Distribution by Borrower’s Profile

Overall, the bank’s loan distribution by borrower’s profile is reasonable based on performance from all three loan categories reviewed. While greater emphasis is placed on performance in the small business loan category given the bank’s emphasis on commercial lending, overall performance was rated considering all products. Therefore, the HMDA and consumer motor vehicle loan categories helped shape the overall reasonable conclusion.

The following table shows the distribution of 2017 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, 2017 through December 31, 2017								
Gross Revenue	Loan Amounts in \$000s						TOTAL	
	≤\$100		>\$100 and ≤\$250		>\$250 and ≤\$1,000			
\$1 Million or Less	144	63.7%	25	11.1%	12	5.3%	181	80.1%
Greater Than \$1 Million/Unknown	30	13.3%	9	4.0%	6	2.7%	45	19.9%
TOTAL	174	77.0%	34	15.0%	18	8.0%	226	100%
Dun & Bradstreet Businesses ≤ \$1MM							89.5%	
2017 CRA Aggregate Data							38.7%	

The bank originated a majority of its small business loans (80.1 percent) to businesses with revenues of \$1 million or less. In comparison, assessment area demographics estimate that 89.5 percent of businesses in the assessment area had annual revenues of \$1 million or less, and the 2017 aggregate lending level to small businesses is 38.7 percent. In addition, 144 of the 174 loans in amounts less than or equal to \$100,000 (82.8 percent) were to small businesses, which shows the bank’s willingness to lend small dollar loans to small businesses. One community contact indicated that the most common barrier preventing established small business owners from expanding is the lack of access to capital. Given the bank’s level of lending to small businesses, its performance is excellent.

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, 2017 aggregate data for the assessment area is displayed.

Distribution of Loans Inside Assessment Area by Borrower Income												
January 1, 2017 through December 31, 2017												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	2	3.6%	3	5.4%	12	21.4%	35	62.5%	4	7.1%	56	100%
Refinance	2	3.8%	4	7.5%	9	17.0%	35	66.0%	3	5.7%	53	100%
Home Improvement	1	3.3%	4	13.3%	6	20.0%	19	63.3%	0	0.0%	30	100%
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	4	100.0%	4	100%
TOTAL HMDA	5	3.5%	11	7.7%	27	18.9%	89	62.2%	11	7.7%	143	100%
Family Population	20.4%		17.9%		18.6%		43.0%		0.0%		100%	
2017 HMDA Aggregate	5.6%		13.1%		18.4%		45.7%		17.2%		100%	

As displayed in the preceding table, the bank’s percentage of lending to low-income borrowers (3.5 percent) is substantially below the low-income family population figure (20.4 percent). In addition, the bank’s performance to low-income borrowers is below the 2017 aggregate lending level to low-income borrowers (5.6 percent), reflecting poor performance. The bank’s level of lending to moderate-income borrowers (7.7 percent) is also below the moderate-income family population percentage (17.9 percent) and the aggregate lending levels of 13.1 percent, reflecting poor performance. Therefore, considering performance to both income categories, the bank’s overall distribution of HMDA loans by borrower’s profile is poor.

Finally, the bank’s distribution of consumer motor vehicle loans is displayed in the following table compared to the distribution of assessment area households by income level.

Distribution of Loans Inside Assessment Area by Borrower Income												
January 1, 2017 through December 31, 2017												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	19	12.6%	34	22.5%	32	21.2%	65	43.0%	1	0.7%	151	100%
Household Population	23.6%		16.3%		16.7%		43.4%		0.0%		100%	

The bank’s level of lending to low-income borrowers (12.6 percent) is below the percentage of low-income households (23.6 percent). Notwithstanding the competition for automobile loans in the assessment area and the household poverty level (20.8 percent), this performance is still poor. However, the bank’s performance to moderate-income borrowers (22.5 percent) is above the moderate-income household population (16.3 percent) and is considered excellent. Therefore, the distribution of consumer motor vehicle loans to LMI borrowers (35.1 percent) is comparable to the LMI household population (39.9 percent), reflecting reasonable performance overall.

Geographic Distribution of Loans

As noted previously, the assessment area does not include any low-income tracts and contains only three moderate-income census tracts, representing 16.7 percent of all assessment area census tracts. Nevertheless, the bank’s geographic distribution of loans in this assessment area reflects poor penetration throughout these LMI census tracts, based on all three loan categories.

The following table displays 2017 small business loan activity by geography income level compared to the location of businesses throughout this assessment area and 2017 small business aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	0	0.0%	11	4.9%	173	76.5%	42	18.6%	0	0.0%	226	100%
Business Institutions	0.0%		14.2%		73.1%		12.7%		0.0%		100%	
2017 Small Business Aggregate	0.0%		14.9%		70.6%		13.4%		1.1%		100%	

The bank’s level of lending in moderate-income census tracts (4.9 percent) is below the 2017 aggregate lending percentage in moderate-income census tracts (14.9 percent) and the percentage of small businesses in moderate-income census tracts (14.2 percent), representing poor performance. While performance in the assessment area’s moderate-income census tracts is poor, it is worth noting that the bank originated an additional 76.5 percent of its small business loans in middle-income geographies designated as distressed or underserved.

As with the small business loan category, the bank’s geographic distribution of HMDA loans was reviewed. The following table displays the geographic distribution of 2017 HMDA loans compared to owner-occupied housing demographics and aggregate lending data for the assessment area.

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	9	16.1%	38	67.9%	9	16.1%	0	0.0%	56	100%
Refinance	0	0.0%	5	9.4%	43	81.1%	5	9.4%	0	0.0%	53	100%
Home Improvement	0	0.0%	3	10.0%	23	76.7%	4	13.3%	0	0.0%	30	100%
Multifamily	0	0.0%	2	50.0%	2	50.0%	0	0.0%	0	0.0%	4	100%
TOTAL HMDA	0	0.0%	19	13.3%	106	74.1%	18	12.6%	0	0.0%	143	100%
Owner-Occupied Housing	0.0%		13.3%		72.8%		13.9%		0.0%		100%	
2017 HMDA Aggregate	0.0%		13.6%		69.1%		17.3%		0.0%		100%	

The bank’s total penetration of moderate-income census tracts by number of loans (13.3 percent) is comparable to the percentage of owner-occupied housing units in moderate-income census tracts (13.3 percent), and the performance of other lenders in moderate-income census tracts (13.6 percent). Therefore, the bank’s geographic distribution of HMDA loans is reasonable.

As with the small business and HMDA loan categories, the bank’s geographic distribution of consumer motor vehicle loans was reviewed. The following table shows the bank’s lending performance in different geographies, compared to the percent of household population.

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	0	0.0%	11	7.3%	110	72.8%	30	19.9%	0	0.0%	151	100%
Household Population	0.0%		15.8%		71.0%		13.2%		0.0%		100%	

The geographic distribution of consumer motor vehicle loans reflects poor dispersion throughout the assessment area’s moderate-income census tracts. The bank’s level of lending in the assessment area’s moderate-income census tracts (7.3 percent) is below the household population percentage (15.8 percent).

Finally, based on reviews from all three loan categories, Southern Bancorp Bank had loan activity in 17 of the 18 (or 94.4 percent) assessment area census tracts. Therefore, no conspicuous lending gaps were noted.

COMMUNITY DEVELOPMENT TEST

The bank demonstrates excellent responsiveness to community development needs within the Central Arkansas 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 and SBCP extended 33 community development loans totaling \$7.5 million in this assessment area. Several of these loans funded affordable housing projects throughout the assessment area. In addition, multiple loans enabled the creation of LMI jobs through small business start-up and expansion. Other loans of note included a loan to construct a convenience store (anchor business) in an underserved census tract and a loan to fund the purchase of a school bus for a school district with a majority of students eligible for free or reduced lunches.

During the review period, the bank had three investments made in the prior period but still outstanding, totaling \$1.3 million. These investments were in the form of school bonds for districts with a majority of students eligible for free or reduced lunches. In addition, the bank made 116 donations totaling \$100,408 and SBCP made three grants totaling \$666,292 inside the assessment area. Notable donations were made to local universities with a majority of students receiving Pell Grants, community service and health organizations serving only clients receiving Medicaid, and a small business technology development center. One of the SBCP grants was in the form of an IDA for LMI individuals, and the remaining two grants were for scholarship funds to LMI students.

Finally, several bank employees utilized their financial expertise to assist organizations that are involved in community services, affordable housing, or economic development in the assessment area. Bank employees served as treasurers for community service organizations targeting LMI individuals, held board positions in school districts with a majority of students eligible for free or reduced lunches, and provided financial education at universities with a majority of students receiving Pell Grant assistance. Other notable activities included teaching children at majority free-reduced lunch schools to save through a child savings program, Save for America, and performing free tax preparation for LMI individuals. In total, the bank provided 2,701 hours of financial services to 40 different organizations within the Central Arkansas assessment area.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN NORTHEAST ARKANSAS

Bank Structure

The bank operates 7 of its 28 Arkansas offices (25.0 percent) in this assessment area. Of the seven offices, one is located in a middle-income census tract designated as distressed due to poverty and population loss. 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.

General Demographics

The assessment area is comprised of Mississippi County in its entirety and is located in northeastern Arkansas bordering the state of Mississippi. Per 2015 ACS data, the assessment area population was 44,864. Of the eight FDIC-insured depository institutions with a branch presence in this assessment area, the bank ranked second in deposit market share, encompassing 29.5 percent of total deposit dollars. Credit needs in the assessment area include a mix of consumer and business loan products. Particular needs in the assessment area, as noted primarily from community contacts, includes small business loans for women and minority-owned businesses, investment in workforce development initiatives, affordable multifamily and senior housing, and financial education opportunities for small business owners and consumers. One community contact indicated that there is a lack of affordable housing stock available in the county. As a result, a majority of people working in the county live elsewhere.

Income and Wealth Demographics

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

Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Census Tracts	0 0.0%	3 25.0%	8 66.7%	1 8.3%	0 0.0%	12 100%
Family Population	0 0.0%	2,558 21.9%	7,894 67.6%	1,220 10.5%	0 0.0%	11,672 100%

As shown above, 25.0 percent of the census tracts in the assessment area are LMI geographies, and 21.9 percent of the family population resides in these tracts. In addition, the eight middle-income census tracts in the assessment area are designated distressed due to poverty and population loss.

Based on 2015 ACS data, the median family income for the assessment area was \$42,005. At the same time, the median family income for nonMSA Arkansas was \$45,060. More recently, the FFIEC estimates the 2017 median family income for nonMSA Arkansas to be \$46,500.

The following table displays population percentages of assessment area families by income level compared to the nonMSA Arkansas family populations.

Family Population by Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Assessment Area	2,856 24.5%	2,205 18.9%	2,118 18.1%	4,493 38.5%	11,672 100%
NonMSA Arkansas	64,826 21.4%	54,506 18.0%	59,209 19.5%	125,086 41.2%	303,627 100%

As shown in the table above, 43.4 percent of families within the assessment area were considered LMI, which is above the LMI family percentage of 39.4 percent in nonMSA Arkansas. In addition, the percentage of families living below the poverty level in the assessment area, 21.0 percent, is above the 16.6 percent level in nonMSA Arkansas. Considering these factors, the assessment area appears less affluent than nonMSA Arkansas.

Housing Demographics

As displayed in the following table, housing in the assessment area is generally more affordable than nonMSA Arkansas.

Housing Demographics			
Dataset	Median Housing Value	Affordability Ratio	Median Gross Rent (monthly)
Assessment Area	\$79,600	43.5%	\$624
NonMSA Arkansas	\$85,989	41.0%	\$588

While the supply of housing is more affordable than nonMSA Arkansas, 16.4 percent of housing in this area is vacant and 35.5 percent of housing is rental. In this assessment area, only 48.1 percent of housing is owner-occupied. In addition, while the median housing value for the assessment area (\$79,600) falls below the median housing value for nonMSA Arkansas (\$85,989), the assessment area’s median gross rent (\$624) exceeds that of nonMSA Arkansas (\$588). One community contact noted that the housing stock in the area is composed of older units, and there is a need for home purchase and improvement credit products in the area. In this assessment area, 43.2 percent of renters have rental costs exceeding 30 percent of their income. Therefore, while housing appears to be more affordable than nonMSA Arkansas, homeownership is likely out of reach for much of the LMI population, given the area’s elevated poverty level, abundance of high-cost rental and vacant properties, and the costs of upkeep for older housing units.

Industry and Employment Demographics

The assessment area is dominated by the manufacturing and information industries, which account for almost half of assessment area jobs. According to county business patterns, by percentage of employees, manufacturing (predominantly steel production) is the largest job category (26.9 percent) followed by information (21.7 percent) and, to a lesser extent, retail trade (10.6 percent),

and healthcare and social assistance (10.1 percent). County business patterns indicate there are 17,271 paid employees in the assessment area. In addition, the assessment area supports a strong small business sector, as evidenced by Dun & Bradstreet data that indicates 86.4 percent of assessment area businesses have gross annual revenues of \$1 million or less. The table below details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for the assessment area and the state of Arkansas.

Unemployment Levels for the Assessment Area			
Dataset	Time Period (Annual Average)		
	2017	2018	First Quarter 2019
Assessment Area	5.9%	5.7%	5.5%
State of Arkansas	3.7%	3.7%	4.1%

As shown in the table above, the assessment area has experienced a higher unemployment rate when compared to the state of Arkansas, although it has had a declining trend. Community contacts attributed higher unemployment rates to the closure of a few manufacturing companies in the last few years and noted that some of the impacted employees could not find new jobs. In addition, contacts noted that population loss in the 18- to 30-year-old age group and lack of infrastructure, such as public transportation, have negatively affected the county’s economic growth.

Community Contact Information

For the assessment area, two community contact interviews were utilized. One contact specialized in economic development and the other contact specialized in affordable housing. The contacts characterized the local economy as faring well compared to the state of Arkansas in recent years due to the presence of steel manufacturers (per one contact, Mississippi County is the second largest steel-producing county in the nation). According to the contacts, barriers to attracting new businesses in the county are lack of population and public transportation. In addition, one contact stated that small business credit programs are not widely publicized and accessible to the county’s entire population. The affordable housing contact indicated that there is a need for affordable multifamily and workforce housing as supply has not kept up with the growth in manufacturing jobs. In addition, the assessment area housing stock is older, and there is a greater need for home purchase and improvement loans. Barriers preventing some LMI individuals from obtaining home loans include poor credit history and lack of income. Both contacts noted a need for financial education services, for both consumers and small business owners. Other noted opportunities for involvement by local financial institutions include financing of and investment in public transportation, workforce development initiatives, and offering of affordable mortgage and business loan products.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NORTHEAST ARKANSAS

LENDING TEST

The bank's overall distribution of loans reflects excellent penetration among businesses of different sizes and borrowers of different income levels. The overall geographic distribution of loans reflects reasonable penetration throughout 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 all three loan categories reviewed. The following table shows the distribution of 2017 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, 2017 through December 31, 2017								
Gross Revenue	Loan Amounts in \$000s						TOTAL	
	≤\$100		>\$100 and ≤\$250		>\$250 and ≤\$1,000			
\$1 Million or Less	39	72.2%	6	11.1%	4	7.4%	49	90.7%
Greater Than \$1 Million/Unknown	4	7.4%	0	0.0%	1	1.9%	5	9.3%
TOTAL	43	79.6%	6	11.1%	5	9.3%	54	100%
Dun & Bradstreet Businesses ≤ \$1MM							86.4%	
2017 CRA Aggregate Data							32.6%	

The bank originated a majority of its small business loans (90.7 percent) to businesses with revenues of \$1 million or less. In comparison, assessment area demographics estimate that 86.4 percent of businesses in the assessment area had annual revenues of \$1 million or less, and the 2017 aggregate lending level to small businesses is 32.6 percent. Bank performance exceeds these comparisons and, therefore, the bank's level of lending to small businesses is excellent.

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, 2017 aggregate data for the assessment area is displayed.

Distribution of Loans Inside Assessment Area by Borrower Income												
January 1, 2017 through December 31, 2017												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	1	5.9%	2	11.8%	0	0.0%	13	76.5%	1	5.9%	17	100%
Refinance	1	2.6%	13	33.3%	8	20.5%	13	33.3%	4	10.3%	39	100%
Home Improvement	2	10.0%	6	30.0%	5	25.0%	7	35.0%	0	0.0%	20	100%
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	100%
TOTAL HMDA	4	5.3%	21	27.6%	13	17.1%	33	43.4%	5	6.6%	76	100%
Family Population	24.5%		18.9%		18.1%		38.5%		0.0%		100%	
2017 HMDA Aggregate	2.4%		13.5%		16.8%		39.4%		27.9%		100%	

As displayed in the preceding table, the bank’s percentage of lending to low-income borrowers (5.3 percent) is below the low-income family population figure (24.5 percent). However, the bank’s performance to low-income borrowers is above the 2017 aggregate lending level (2.4 percent), reflecting reasonable performance. The bank’s level of lending to moderate-income borrowers (27.6 percent) is above the moderate-income family population percentage (18.9 percent) and the aggregate lending levels of 13.5 percent, reflecting excellent performance. While the bank’s overall distribution of HMDA loans for both income categories (32.9 percent) is below the family population (43.4 percent), it far exceeds aggregate performance (15.9 percent), and is therefore, excellent.

Finally, the bank’s distribution of consumer motor vehicle loans is displayed in the following table compared to the distribution of assessment area households by income level.

Distribution of Loans Inside Assessment Area by Borrower Income												
January 1, 2017 through December 31, 2017												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	36	26.7%	27	20.0%	43	31.9%	27	20.0%	2	1.5%	135	100%
Household Population	27.5%		14.1%		17.0%		41.5%		0.0%		100%	

The bank’s level of lending to low-income borrowers (26.7 percent) is similar to the percentage of low-income households (27.5 percent), reflecting reasonable performance. The bank’s performance to moderate-income borrowers (20.0 percent) is above the moderate-income household population (14.1 percent) and is excellent. The overall distribution of consumer motor vehicle loans to LMI borrowers (46.7 percent) exceeds the household population (41.6 percent) and is excellent.

Geographic Distribution of Loans

As noted previously, the assessment area does not include any low-income census tracts and contains only three moderate-income census tracts, representing 25.0 percent of all assessment area census tracts. Overall, the bank’s geographic distribution of loans in this assessment area reflects reasonable penetration throughout these LMI census tracts, based on all three loan categories. The following table displays 2017 small business loan activity by geography income level compared to the location of businesses throughout this assessment area and 2017 small business aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	0	0.0%	8	14.8%	36	66.7%	10	18.5%	0	0.0%	54	100%
Business Institutions	0.0%		26.6%		63.6%		9.8%		0.0%		100%	
2017 Small Business Aggregate	0.0%		18.8%		67.1%		11.5%		2.6%		100%	

While the bank’s percentage of loans in moderate-income census tracts (14.8 percent) is below the percentage of small businesses in moderate-income census tracts (26.6 percent), it is only slightly below the 2017 aggregate lending percentage in moderate-income census tracts (18.8 percent), reflecting reasonable performance.

Second, the bank’s geographic distribution of HMDA loans was reviewed. The following table displays the geographic distribution of 2017 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, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	2	11.8%	14	82.4%	1	5.9%	0	0.0%	17	100%
Refinance	0	0.0%	4	10.3%	27	69.2%	8	20.5%	0	0.0%	39	100%
Home Improvement	0	0.0%	5	25.0%	13	65.0%	2	10.0%	0	0.0%	20	100%
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	100%
TOTAL HMDA	0	0.0%	11	14.5%	54	71.1%	11	14.5%	0	0.0%	76	100%
Owner-Occupied Housing	0.0%		20.6%		68.1%		11.3%		0.0%		100%	
2017 HMDA Aggregate	0.0%		16.6%		71.0%		12.4%		0.0%		100%	

The bank’s penetration of moderate-income census tracts by number of loans (14.5 percent) is below the percentage of owner-occupied housing units in moderate-income census tracts (20.6 percent). However, the bank’s performance in moderate-income census tracts is in line with that of other lenders based on aggregate lending data, which indicates that 16.6 percent of aggregate HMDA loans inside this assessment area were made to borrowers residing in moderate-income census tracts. Therefore, the bank’s geographic distribution of HMDA loans is reasonable.

As with HMDA and small business lending, the bank’s consumer motor vehicle loans were reviewed to assess the level of dispersion in the assessment area. The following table shows the bank’s lending performance in different geographies, compared to the percent of household population.

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level								TOTAL			
	Low-		Moderate-		Middle-		Upper-				Unknown	
Consumer Motor Vehicle Loans	0	0.0%	12	8.9%	107	79.3%	16	11.9%	0	0.0%	135	100%
Household Population	0.0%		23.2%		67.7%		9.0%		0.0%		100%	

The bank’s level of lending in moderate-income census tracts (8.9 percent) is well below the household population percentage (23.2 percent), reflecting poor performance.

Finally, based on reviews from all three loan categories, Southern Bancorp Bank had loan activity in all assessment area census tracts. Therefore, no conspicuous lending gaps were noted.

COMMUNITY DEVELOPMENT TEST

The bank demonstrates excellent responsiveness to community development needs within the Northeast Arkansas 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 extended 13 community development loans totaling \$2.2 million in this assessment area. Notable loans enabled the purchase of equipment for a pediatric clinic with approximately 90 percent of its patients receiving Medicaid benefits, the remodel of a local church that serves as a food pantry and mission for LMI individuals, and expansion of a small business, enabling the creation of two LMI jobs. One loan renewal financed a 58-unit affordable housing complex.

The bank made nine community development investments totaling \$3.6 million during the review period. These investments were in the form of school bonds funding districts with a majority of students eligible for free and reduced lunches. In addition, the bank made 81 donations totaling \$59,780, and SBCP made five grants totaling \$30,149 inside the assessment area. Notable donations include funds sponsoring an Arkansas small business technology development class,

donations to organizations providing homeless shelters and assistance to LMI individuals, and funds for the maintenance and repair of a public service building in a distressed middle-income census tract. The SBCP grants were in the form of IDAs for LMI individuals.

Finally, several bank employees utilized their financial expertise to assist organizations that are involved in community services, revitalization and stabilization of distressed middle-income census tracts, and economic development in the assessment area. Of note, bank employees served as board members for organizations seeking to rehabilitate distressed geographies and economic opportunity commissions, provided financial education classes to students from school districts with a majority of students eligible for free or reduced lunches, and performed free tax preparation for LMI individuals. In total, the bank provided 1,007 hours of financial services to 28 different organizations within the assessment area.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN SOUTHERN ARKANSAS

Bank Structure

The bank operates 4 of its 28 Arkansas offices (14.3 percent) in this assessment area. Of the four offices, two are located in moderate-income census tracts, and one is located in a middle-income census tracts designated as rural/underserved. Since the last examination, the bank acquired one branch 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.

General Demographics

The assessment area is comprised of Ashley, Chicot, and Union Counties in their entirety. The assessment area is located in southern Arkansas, along the Louisiana border. Per 2015 ACS data, the assessment area population was 73,215. Of the 14 FDIC-insured depository institutions with a branch presence in this assessment area, the bank ranked fifth in deposit market share, encompassing 8.0 percent of total deposit dollars. Credit needs in the assessment area include a mix of consumer and business loan products. Particular credit needs in the assessment area, as noted primarily from community contacts, include small-dollar business loans, commercial and 1–4 family residential real estate improvement/repair loans, and financial education for consumers and small business owners. For this assessment area, contacts indicated that the majority of housing stock is older, with a low volume of new construction. Per one contact, barriers to homeownership include appraisal requirements, as home values often fall short of the expected appraisal values due to years of poor maintenance.

Income and Wealth Demographics

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

Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Census Tracts	0 0.0%	5 23.8%	13 61.9%	3 14.3%	0 0.0%	21 100%
Family Population	0 0.0%	4,692 23.3%	12,334 61.2%	3,144 15.6%	0 0.0%	20,170 100%

As shown above, 23.8 percent of the census tracts in the assessment area are moderate-income geographies, and 23.3 percent of the family population resides in these tracts. In addition, seven of the assessment area’s middle-income census tracts are designated distressed due to poverty and population loss or rural/underserved.

Based on 2015 ACS data, the median family income for the assessment area was \$45,536. At the same time, the median family income for nonMSA Arkansas was \$45,060. More recently, the FFIEC estimates the 2017 median family income for nonMSA Arkansas to be \$46,500.

The following table displays population percentages of assessment area families by income level compared to the nonMSA Arkansas family populations.

Family Population by Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Assessment Area	4,831	3,334	3,444	8,561	20,170
	24.0%	16.5%	17.1%	42.4%	100%
NonMSA Arkansas	64,826	54,506	59,209	125,086	303,627
	21.4%	18.0%	19.5%	41.2%	100%

As shown in the table above, 40.5 percent of families within the assessment area were considered LMI, which is substantially similar to the LMI family percentage of 39.4 percent in nonMSA Arkansas. The percentage of families living below the poverty level in the assessment area (19.2 percent) is slightly above the level in nonMSA Arkansas (16.6 percent). Considering these factors, the assessment area appears similarly affluent to nonMSA Arkansas as a whole.

Housing Demographics

As displayed in the following table, homeownership in the assessment area is more affordable compared to nonMSA Arkansas.

Housing Demographics			
Dataset	Median Housing Value	Affordability Ratio	Median Gross Rent (monthly)
Ashley County	\$65,700	52.2%	\$588
Chicot County	\$57,300	50.5%	\$575
Union County	\$74,600	51.9%	\$633
Assessment Area	\$68,311	52.7%	\$613
NonMSA Arkansas	\$85,989	41.0%	\$588

Median gross rents varied by county in the assessment area from a low of \$575 in Chicot County to a high of \$633 in Union County. Affordability ratios in the assessment area varied only slightly, ranging from a high of 52.2 percent in Ashley County to a low of 50.5 percent in Chicot County. Based on median housing values and affordability ratios, assessment area housing appears more affordable than nonMSA Arkansas; however, community contacts noted that the assessment area housing stock is in poor condition. Barriers preventing LMI individuals from obtaining homeownership include failure of properties to appraise at sales price values. In addition, rental costs in the assessment area as a whole are high when compared to nonMSA Arkansas and 39.3 percent of assessment area renters spend more than 30 percent of their income on rental costs. These factors indicate that LMI individuals in the assessment area may have difficulty transitioning to homeownership.

Industry and Employment Demographics

County business patterns indicate there are 24,493 paid employees in the assessment area. In addition, the assessment area supports a strong small business sector, as evidenced by Dun & Bradstreet data that indicates 85.4 percent of assessment area businesses have gross annual revenues of \$1 million or less. By percentage of employees, the largest job categories are manufacturing (21.4 percent), followed by healthcare and social assistance (15.5 percent), and retail trade (13.4 percent). The table below details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for the assessment area and the state of Arkansas.

Unemployment Levels for the Assessment Area			
Dataset	Time Period (Annual Average)		
	2017	2018	First Quarter 2019
Ashley County	5.8%	5.5%	6.2%
Chicot County	6.5%	6.9%	8.4%
Union County	5.3%	5.6%	5.7%
Assessment Area Average	5.6%	5.7%	6.2%
State of Arkansas	3.7%	3.7%	4.1%

As shown in the table above, unemployment levels varied between individual counties within the assessment area, but remained uniformly above the unemployment levels of the state of Arkansas. Unemployment rates were highest in Chicot County and lowest in Union County. For the assessment area and the state of Arkansas, unemployment rates stayed relatively stable with a slight uptick in 2019.

Community Contact Information

For the assessment area, two community contact interviews were completed. One contact specialized in economic development, and the other contact specialized in economic development and affordable housing. The contacts characterized the local economy as less affluent than the state of Arkansas. Contacts noted that Ashley, Chicot, and Union Counties are among the poorest in the state, partially due to the area’s economic dependence on row-crop farming (corn, peanuts, soybeans, and sunflowers). Automation among farming and industrial manufacturers has led to increased unemployment, and the population has been declining as more residents leave the area to find work. Lack of a workforce in the area creates barriers to attracting new businesses, especially those that pay higher wages. One contact mentioned a need for small business revolving loan funds. In addition, housing stock and commercial properties in the area are older and require investment in renovation and repair. Noted barriers some LMI individuals face when seeking homeownership are difficulty finding safe and clean housing stock, poor credit history, and poor financial literacy. Both contacts indicated there is a need for financial education for consumers and small business owners. Finally, both contacts highlighted Southern Bancorp Bank as being particularly active in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SOUTHERN ARKANSAS

LENDING TEST

The bank’s overall distribution of loans reflects reasonable penetration among businesses of different sizes and borrowers of different income levels. In addition, the overall geographic distribution of loans reflects reasonable penetration throughout the assessment area.

Loan Distribution by Borrower’s Profile

Overall, the bank’s loan distribution by borrower’s profile is reasonable based on performance from all three loan categories reviewed. The following table shows the distribution of 2017 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, 2017 through December 31, 2017								
Gross Revenue	Loan Amounts in \$000s						TOTAL	
	≤\$100		>\$100 and ≤\$250		>\$250 and ≤\$1,000			
\$1 Million or Less	83	60.1%	18	13.0%	4	2.9%	105	76.1%
Greater Than \$1 Million/Unknown	13	9.4%	11	8.0%	9	6.5%	33	23.9%
TOTAL	96	69.6%	29	21.0%	13	9.4%	138	100%
Dun & Bradstreet Businesses ≤ \$1MM							85.4%	
2017 CRA Aggregate Data							35.4%	

The bank originated a majority of its small business loans (76.1 percent) to businesses with revenues of \$1 million or less. In comparison, assessment area demographics estimate that 85.4 percent of businesses in the assessment area had annual revenues of \$1 million or less and the 2017 aggregate lending level to small businesses is 35.4 percent. In addition, 83 of the 96 loans in amounts less than or equal to \$100,000 (86.5 percent) were to small businesses, which shows the bank’s willingness to make small-dollar loans to small businesses. Given that community contacts noted a particular need for small-dollar business loans in the area, the bank’s borrower profile performance for the small business loan category is excellent.

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, 2017 aggregate data for the assessment area is displayed.

Distribution of Loans Inside Assessment Area by Borrower Income												
January 1, 2017 through December 31, 2017												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	3	14.3%	2	9.5%	3	14.3%	11	52.4%	2	9.5%	21	100%
Refinance	4	7.8%	5	9.8%	8	15.7%	31	60.8%	3	5.9%	51	100%
Home Improvement	1	3.6%	7	25.0%	5	17.9%	14	50.0%	1	3.6%	28	100%
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	100%
TOTAL HMDA	8	8.0%	14	14.0%	16	16.0%	56	56.0%	6	6.0%	100	100%
Family Population	24.0%		16.5%		17.1%		42.4%		0.0%		100%	
2017 HMDA Aggregate	3.9%		11.4%		18.6%		50.8%		15.4%		100%	

As displayed in the preceding table, the bank’s percentage of lending to low-income borrowers (8.0 percent) is significantly below the low-income family population figure (24.0 percent). However, the bank’s performance to low-income borrowers is above the 2017 aggregate lending level to low-income borrowers (3.9 percent), reflecting reasonable performance. Similarly, the bank’s level of lending to moderate-income borrowers (14.0 percent) is slightly below the moderate-income family population percentage (16.5 percent) and above the aggregate lending levels of 11.4 percent, reflecting reasonable performance. Therefore, considering performance to both income categories, the bank’s overall distribution of HMDA loans by borrower’s profile is reasonable.

Finally, the bank’s distribution of consumer motor vehicle loans is displayed in the following table compared to the distribution of assessment area households by income level.

Distribution of Loans Inside Assessment Area by Borrower Income												
January 1, 2017 through December 31, 2017												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	13	10.2%	33	25.8%	28	21.9%	53	41.4%	1	0.8%	128	100%
Household Population	25.2%		14.9%		16.4%		43.5%		0.0%		100%	

The bank’s level of lending to low-income borrowers (10.2 percent) is well below the percentage of low-income households (23.6 percent), reflecting poor performance. The bank’s performance to moderate-income borrowers (25.8 percent) is well above the moderate-income household population (14.9 percent) and is excellent. Overall, the distribution of consumer motor vehicle loans to LMI borrowers (36.0 percent) is in line with the household population (41.1 percent) and is reasonable.

Geographic Distribution of Loans

As noted previously, the assessment area does not include any low-income census tracts and includes five moderate-income census tracts, representing 23.8 percent of all assessment area census tracts. Overall, the bank’s geographic distribution of loans in this assessment area reflects reasonable penetration throughout these moderate-income census tracts, based on all three loan categories.

The following table displays 2017 small business loan activity by geography income level compared to the location of businesses throughout this assessment area and 2017 small business aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	0	0.0%	23	16.7%	68	49.3%	47	34.1%	0	0.0%	138	100%
Business Institutions	0.0%		22.2%		52.2%		25.6%		0.0%		100%	
2017 Small Business Aggregate	0.0%		20.9%		52.6%		24.7%		1.9%		100%	

The bank’s level of lending in moderate-income census tracts (16.7 percent) is below the 2017 aggregate lending percentage in moderate-income census tracts (20.9 percent) and below the percentage of small businesses in moderate-income census tracts (22.2 percent). Nevertheless, performance is reasonable.

As with the small business loan category, the bank’s geographic distribution of HMDA loans was reviewed. The following table displays the geographic distribution of 2017 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, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	2	9.5%	14	66.7%	5	23.8%	0	0.0%	21	100%
Refinance	0	0.0%	10	19.6%	30	58.8%	11	21.6%	0	0.0%	51	100%
Home Improvement	0	0.0%	5	17.9%	17	60.7%	6	21.4%	0	0.0%	28	100%
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	100%
TOTAL HMDA	0	0.0%	17	17.0%	61	61.0%	22	22.0%	0	0.0%	100	100%
Owner-Occupied Housing	0.0%		21.1%		61.7%		17.3%		0.0%		100%	
2017 HMDA Aggregate	0.0%		17.0%		58.9%		24.1%		0.0%		100%	

The analysis of HMDA loans reveals reasonable lending levels in moderate-income census tracts. The bank’s total penetration of moderate-income census tracts by number of loans (17.0 percent) is below the percentage of owner-occupied housing units in moderate-income census tracts (21.1 percent) but identical to the performance of other lenders in moderate-income census tracts (17.0 percent).

As with HMDA and small business lending, the bank’s consumer motor vehicle loans were reviewed to assess the level of dispersion in the assessment area, particularly in LMI census tracts. The following table shows the bank’s lending performance in different geographies, compared to the percent of household population.

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	0	0.0%	15	11.7%	85	66.4%	28	21.9%	0	0.0%	128	100%
Household Population	0.0%		25.0%		58.8%		16.2%		0.0%		100%	

The geographic distribution of consumer motor vehicle loans reflects poor dispersion throughout the assessment area’s moderate-income census tracts. The bank’s level of lending in the assessment area’s moderate-income census tracts (11.7 percent) is well below the household population percentage (25.0 percent).

Finally, based on reviews from all three loan categories, Southern Bancorp Bank had loan activity in 18 of the assessment area's 21 census tracts (85.7 percent) of all assessment area census tracts, including two of the three moderate-income tracts. Therefore, no conspicuous lending gaps were noted.

COMMUNITY DEVELOPMENT TEST

The bank demonstrates excellent responsiveness to community development needs within the 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 extended 42 community development loans totaling \$7.9 million in this assessment area. The loans served a variety of community development purposes, including affordable housing, revitalization and stabilization of LMI and distressed middle-income geographies, community services targeted to LMI individuals, and economic development. Notable loans included funds that allowed a small business to create three LMI jobs, a loan allowing for the purchase of a fire truck in an underserved census tract, a loan that enabled the opening of a convenience and grocery store in an underserved census tract, and working capital loan for an affordable housing organization.

During the review period, the bank had three investments from a prior period still outstanding, totaling \$1.9 million. These investments were in the form of school bonds for districts with a majority of students eligible for free or reduced lunches. In addition, the bank made 46 donations totaling \$25,974 inside the assessment area. Notable donations sponsored the ACT test program for 11th- and 12th-grade students at a school with a majority of students eligible for free or reduced lunch, funded medical and dental care for LMI residents of Union County, and supported a Boys and Girls Club serving primarily LMI youth.

Finally, several bank employees utilized their financial expertise to assist organizations that are involved in community services, affordable housing, or economic development in the assessment area. Bank employees served as board members for organizations serving LMI individuals, provided financial education presentations at local school districts with a majority of students eligible for free or reduced lunch, served on boards of economic development organizations, and performed free tax preparation for LMI individuals. In total, the bank provided 1,299 hours of financial services to 27 different organizations within the assessment area.

JONESBORO, ARKANSAS METROPOLITAN STATISTICAL AREA

(Limited-Scope Review)

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE JONESBORO MSA

This assessment area includes the entirety of Craighead and Poinsett Counties, the two counties that make up the Jonesboro, Arkansas MSA. The bank operates one office in this assessment area. The tables below detail key demographics relating to this assessment area.

Assessment Area Demographics by Population Income Level					
Demographic Type	Population Income Level				TOTAL
	Low-	Moderate-	Middle-	Upper-	
Family Population	7,075 21.9%	5,559 17.2%	6,443 20.0%	13,207 40.9%	32,284 100%
Household Population	11,851 24.7%	7,821 16.3%	8,305 17.3%	20,033 41.7%	48,010 100%

Assessment Area Demographics by Geography Income Level						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown-	
Census Tracts	2 8.3%	6 25.0%	13 54.2%	3 12.5%	0 0.0%	24 100%
Family Population	1,568 4.9%	6,527 20.2%	17,886 55.4%	6,303 19.5%	0 0.0%	32,284 100%
Household Population	3,518 7.3%	11,095 23.1%	25,363 52.8%	8,034 16.7%	0 0.0%	48,010 100%
Business Institutions	401 10.3%	901 23.2%	1,950 50.2%	631 16.3%	0 0.0%	3,883 100%

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE JONESBORO MSA

LENDING TEST

The bank's Lending Test performance in this assessment area exceeds the bank's Lending Test performance in the state of Arkansas, as detailed in the following table. For more detailed information relating to the bank's Lending Test performance in this assessment area, see the tables in *Appendix C*.

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

COMMUNITY DEVELOPMENT TEST

The bank's Community Development Test performance in this assessment area is consistent with the bank's Community Development Test performance in the state of Arkansas. During the review period, the bank made 21 community development loans totaling \$5.6 million that promoted economic development and affordable housing in Craighead and Poinsett Counties. Additionally, the bank had one prior-period investment with an outstanding balance of \$200,891. Moreover, the bank made 31 donations totaling \$22,107, and SBCP made six grants totaling \$20,720. Finally, bank employees utilized their financial skills to provide 876 community development service hours to 10 organizations in this assessment area.

HOT SPRINGS, ARKANSAS METROPOLITAN STATISTICAL AREA

(Limited-Scope Review)

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE HOT SPRINGS MSA

This assessment area includes Garland County in its entirety, the county that makes up the Hot Springs, Arkansas MSA. The bank operates three offices in this assessment area. The tables below detail key demographics relating to this assessment area.

Assessment Area Demographics by Population Income Level					
Demographic Type	Population Income Level				TOTAL
	Low-	Moderate-	Middle-	Upper-	
Family Population	6,024 23.2%	4,346 16.7%	5,091 19.6%	10,490 40.4%	25,951 100%
Household Population	9,870 24.5%	6,307 15.7%	6,790 16.9%	17,323 43.0%	40,290 100%

Assessment Area Demographics by Geography Income Level						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown-	
Census Tracts	2 10.0%	4 20.0%	9 45.0%	5 25.0%	0 0.0%	20 100%
Family Population	1,111 4.3%	3,355 12.9%	12,371 47.7%	9,114 35.1%	0 0.0%	25,951 100%
Household Population	2,348 5.8%	6,237 15.5%	18,857 46.8%	12,848 31.9%	0 0.0%	40,290 100%
Business Institutions	267 7.1%	729 19.5%	1,714 45.8%	1,031 27.6%	0 0.0%	3,741 100%

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE HOT SPRINGS MSA

LENDING TEST

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

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

COMMUNITY DEVELOPMENT TEST

The bank's Community Development Test performance in this assessment area is consistent with the bank's Community Development Test performance in the state of Arkansas. During the review period, the bank made 16 community development loans totaling \$10.0 million that supported a variety of community development purposes. Additionally, the bank made four investments in a prior period with an outstanding balance of \$1.4 million. Furthermore, the bank made 21 donations totaling \$13,326. Finally, bank employees utilized their financial skills to provide 2,387 community development service hours to 10 organizations in this assessment area.

MISSISSIPPI

CRA RATING FOR MISSISSIPPI:

The Lending Test is rated:

The Community Development Test is rated:

Outstanding

Satisfactory

Outstanding

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

- The borrower's distribution of loans in its Mississippi assessment areas reflects reasonable penetration among businesses of different sizes and individuals of different income levels.
- The geographic distribution of loans reflects excellent dispersion throughout the Mississippi assessment areas.
- The bank's community development performance demonstrates excellent responsiveness to its assessment areas' community development needs, considering the need and availability for such opportunities for community development in the bank's Mississippi assessment areas. The bank has responded to these needs through community development loans, qualified investments, and community development services.

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 four of its assessment areas throughout the state (two nonMSA and two MSA assessment areas). The bank's CRA performance in one of its nonMSA assessment areas was evaluated using full-scope review procedures.

To augment the evaluation of the full-scope review assessment area in Mississippi, two community contact interviews were conducted to ascertain specific community credit needs, community development opportunities, and local economic conditions. One of the interviews was with a representative with knowledge of affordable housing, and one interview was conducted with a representative specializing in economic development. Details from these interviews are included in the *Description of Institution's Operations* section for the assessment area in which the community contacts were made.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN MISSISSIPPI

Southern Bancorp Bank operates 17 offices (37.8 percent of total branches) throughout the four 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 as of 6/30/18		Review Procedures
	#	%	\$ (000s)	%	
Northwest Mississippi	14	82.3%	\$121,881	82.3%	Full Scope
Southern Mississippi	1	5.9%	\$4,104	2.8%	Limited Scope
Memphis MSA	1	5.9%	\$17,841	12.0%	Limited Scope
Jackson MSA	1	5.9%	\$4,318	2.9%	Limited Scope
OVERALL	17	100%	\$148,144	100%	1 – Full Scope

The bank did not open or close any branches in its Mississippi assessment areas during the review period.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MISSISSIPPI

LENDING TEST

Southern Bancorp Bank’s Lending Test rating for the state of Mississippi is Satisfactory. The bank’s 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. In contrast, the geographic distribution of loans reflects excellent penetration throughout Mississippi assessment areas.

Borrower and Geographic Distribution

Overall, the bank’s performance by borrower’s income and revenue profile is reasonable in Mississippi, as displayed in the following tables.

Full-Scope Review Area	Loan Distribution by Borrower’s Profile
Northwest Mississippi	Reasonable
OVERALL	Reasonable

Limited-Scope Review Areas	Loan Distribution by Borrower’s Profile
Southern Mississippi	Exceeds
Memphis MSA	Consistent
Jackson MSA	Consistent

As displayed in the following tables, the bank’s overall geographic distribution of loans reflects excellent penetration throughout Mississippi.

Full-Scope Review Area	Geographic Distribution of Loans
Northwest Mississippi	Excellent
OVERALL	Excellent

Limited-Scope Review Areas	Geographic Distribution of Loans
Southern Mississippi	Below
Memphis MSA	Below
Jackson MSA	Consistent

COMMUNITY DEVELOPMENT TEST

Southern Bancorp Bank’s Community Development Test rating in the state of Mississippi is Outstanding. The bank’s overall community development performance demonstrates excellent responsiveness to the community development needs of 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 Area	Community Development Performance
Northwest Mississippi	Excellent
OVERALL	Outstanding

Limited-Scope Review Areas	Community Development Performance
Southern Mississippi	Below
Memphis MSA	Consistent
Jackson MSA	Consistent

The following table shows the number and dollar amount of community development activities made by the bank and SBCP in the Mississippi assessment areas.

Community Development Activities Inside Mississippi Assessment Areas			
Community Development Component	#		\$
Loans	45		\$33.0 million
Investments	3		\$741,607
Current Period	1		\$245,000
Prior Period, Still Outstanding	2		\$496,607
Donations & Grants	91		\$105,109
Services	39 organizations	3,407 hours	

In addition to meeting the community development needs of its Mississippi assessment areas, the bank also participated in several community development activities benefitting Mississippi communities outside the bank's assessment areas. The following table shows the number and dollar amount of these activities.

Community Development Activities Outside Assessment Areas in Mississippi			
Community Development Component	#		\$
Loans	14		\$25.2 million
Investments, All Prior Period Still Outstanding	3		\$3.3 million
Donations & Grants	9		\$17,127
Services	1 organization	9 hours	

NONMETROPOLITAN MISSISSIPPI STATEWIDE AREA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION’S OPERATIONS IN NORTHWEST MISSISSIPPI

Bank Structure

The bank operates 14 of its 17 Mississippi offices (82.3 percent) in this assessment area. Of the 14 offices, 1 is located in a low-income census tract, 7 are located in moderate-income census tracts, and 2 are located in middle-income census tracts designated as distressed due to poverty, unemployment, and population loss. 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.

General Demographics

The assessment area is comprised of Bolivar, Coahoma, Quitman, Sunflower, Tallahatchie, and Washington Counties in their entirety. The assessment area is located in northwest Mississippi, along the Arkansas border. Per 2015 ACS data, the assessment area population was 159,187. Of the 17 FDIC-insured depository institutions with a branch presence in this assessment area, the bank ranked sixth in deposit market share, encompassing 1.0 percent of total deposit dollars. Credit needs in the assessment area includes a mix of consumer and business loan products. Particular credit needs in the assessment area, as noted primarily from community contacts, includes small-dollar business loans and home repair or improvement loans. Barriers to financing for LMI individuals and small businesses include poor credit history and lack of financial education.

Income and Wealth Demographics

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

Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Census Tracts	5 10.4%	20 41.7%	19 39.6%	4 8.3%	0 0.0%	48 100%
Family Population	2,519 6.8%	14,789 40.1%	15,265 41.4%	4,305 11.7%	0 0.0%	36,878 100%

As shown above, 52.1 percent of the census tracts in the assessment area are LMI geographies, and 46.9 percent of the family population resides in these tracts. In addition, all of the assessment area’s 19 middle-income census tracts are designated distressed due to poverty, unemployment, and population loss.

Based on 2015 ACS data, the median family income for the assessment area was \$35,245. At the same time, the median family income for nonMSA Mississippi was \$43,702. More recently, the FFIEC estimates the 2017 median family income for nonMSA Mississippi to be \$45,600. The following table displays population percentages of assessment area families by income level compared to the nonMSA Mississippi family populations.

Family Population by Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Assessment Area	12,150 32.9%	6,158 16.7%	5,987 16.2%	12,583 34.1%	36,878 100%
NonMSA Mississippi	97,362 23.9%	67,374 16.5%	70,672 17.3%	172,047 42.2%	407,455 100%

As shown in the table above, 49.6 percent of families within the assessment area were considered LMI, which is above the LMI family percentage of 40.4 percent in nonMSA Mississippi. Similarly, the percentage of families living below the poverty level in the assessment area (29.5 percent) is above the level in nonMSA Mississippi (20.3 percent). Considering these factors, the assessment area is less affluent than nonMSA Mississippi.

Housing Demographics

As displayed in the following table, housing in the assessment area is more affordable compared to nonMSA Mississippi.

Housing Demographics			
Dataset	Median Housing Value	Affordability Ratio	Median Gross Rent (monthly)
Bolivar County	\$85,100	32.4%	\$564
Coahoma County	\$61,900	46.6%	\$567
Quitman County	\$54,100	45.4%	\$610
Sunflower County	\$70,000	39.1%	\$573
Tallahatchie County	\$58,100	51.2%	\$559
Washington County	\$73,900	39.4%	\$632
Assessment Area	\$70,786	40.2%	\$587
NonMSA Mississippi	\$84,106	41.0%	\$628

Median gross rents varied widely by county in the assessment area from a low of \$559 in Tallahatchie County to a high of \$632 in Washington County. Affordability ratios in the assessment area also varied significantly, ranging from a high of 51.2 percent in Tallahatchie County to a low of 32.4 percent in Bolivar County, the most populous county of the assessment

area. While assessment area housing values appears more affordable than that of nonMSA Mississippi, community contacts noted that significant barriers prevent some LMI individuals from transitioning to homeownership, including poor credit histories and insufficient income to provide for a down payment and home maintenance costs.

Industry and Employment Demographics

County business patterns indicate there are 37,747 paid employees in the assessment area. In addition, the assessment area supports a strong small business sector, as evidenced by Dun & Bradstreet data, which indicates 87.3 percent of assessment area businesses have gross annual revenues of \$1 million or less. By percentage of employees, the largest job categories are healthcare and social assistance (21.4 percent), retail trade (18.0 percent), and accommodation and food services (12.7 percent). The table below details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for the assessment area and the state of Mississippi.

Unemployment Levels for the Assessment Area			
Dataset	Time Period (Annual Average)		
	2017	2018	First Quarter 2019
Bolivar County	6.4%	6.1%	6.5%
Coahoma County	7.2%	6.8%	7.7%
Quitman County	8.8%	7.6%	7.7%
Sunflower County	8.3%	7.8%	8.9%
Tallahatchie County	5.3%	5.3%	6.1%
Washington County	7.4%	7.1%	7.8%
Assessment Area Average	7.1%	6.8%	7.4%
State of Mississippi	5.1%	4.8%	5.0%

As shown in the table above, unemployment levels varied between individual counties within the assessment area but remained uniformly above the unemployment levels of the state of Mississippi. Unemployment rates were highest in Sunflower County and lowest in Tallahatchie County. The assessment area average unemployment rates and the rates for the state of Mississippi stayed relatively stable throughout the review period, decreasing slightly in 2018 before rising to previous levels.

Community Contact Information

For the assessment area, two community contact interviews were completed. One contact specialized in economic development, and the other contact specialized in affordable housing. The contacts characterized the region as impoverished. According to one contact, the counties comprising this assessment area have the highest levels of unemployment, disabilities, and chronic illness in the state.

The contact described the assessment area's rural areas as food deserts, stating that grocery stores do not sell fresh produce and residents have to drive upwards of an hour to obtain vegetables and fruits. The contacts attributed elevated unemployment levels to increased automation and the overall decline of farming activity in the region.

According to the contacts, the economy remains depressed and municipalities do not have sufficient funds to invest in infrastructure, public education, or public safety. Housing stock is older, with little new development in the past 30 years. Many homes are in substandard condition, though one contact stated that the quality of housing has improved somewhat recently due to subsidized housing programs.

Per one contact, major barriers to some LMI individuals obtaining homeownership include lack of safe, clean housing stock, poor credit histories, and insufficient incomes for down payments or home repairs. One contact noted that predatory lending is prevalent in the area, and many residents have unresolved debt that prevents them from obtaining advantageous consumer loans. Credit needs in the assessment include small-dollar consumer loans, home repair loans and financing for affordable housing, and financial education for consumers and small business owners. Finally, both contacts highlighted Southern Bancorp Bank as being particularly active in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NORTHWEST MISSISSIPPI

LENDING TEST

The overall distribution of loans reflects reasonable penetration among businesses of different sizes and borrowers of different income levels. Furthermore, the overall geographic distribution of loans reflects excellent penetration throughout the assessment area.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is reasonable, based on performance from all three loan categories reviewed. While greater emphasis is placed on performance in the small business loan category given the bank's emphasis on commercial lending, overall performance was rated considering all products. Therefore, the HMDA and consumer motor vehicle loan categories helped shape the overall reasonable conclusion.

The following table shows the distribution of 2017 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, 2017 through December 31, 2017								
Gross Revenue	Loan Amounts in \$000s						TOTAL	
	≤\$100		>\$100 and ≤\$250		>\$250 and ≤\$1,000			
\$1 Million or Less	81	69.8%	16	13.8%	8	6.9%	105	90.5%
Greater Than \$1 Million/Unknown	2	1.7%	5	4.3%	4	3.4%	11	9.5%
TOTAL	83	71.6%	21	18.1%	12	10.3%	116	100%
Dun & Bradstreet Businesses ≤ \$1MM							87.3%	
2017 CRA Aggregate Data							42.9%	

The bank originated a majority of its small business loans (90.5 percent) to businesses with revenues of \$1 million or less. In comparison, assessment area demographics estimate that 87.3 percent of businesses in the assessment area had annual revenues of \$1 million or less and the 2017 aggregate lending level to small businesses is 42.9 percent. The bank's performance exceeds these comparisons. Consequently, the bank's borrower profile performance for the small business loan category is excellent.

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, 2017 aggregate data for the assessment area is displayed.

Distribution of Loans Inside Assessment Area by Borrower Income												
January 1, 2017 through December 31, 2017												
	Borrower Income Level										TOTAL	
	Low-	Moderate-	Middle-	Upper-	Unknown							
Home Purchase	1	3.6%	2	7.1%	5	17.9%	16	57.1%	4	14.3%	28	100%
Refinance	5	8.6%	7	12.1%	8	13.8%	31	53.4%	7	12.1%	58	100%
Home Improvement	1	4.3%	7	30.4%	5	21.7%	9	39.1%	1	4.3%	23	100%
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	1	100.0%	1	100%
TOTAL HMDA	7	6.4%	16	14.5%	18	16.4%	56	50.9%	13	11.8%	110	100%
Family Population	32.9%		16.7%		16.2%		34.1%		0.0%		100%	
2017 HMDA Aggregate	4.5%		13.1%		19.6%		45.8%		17.0%		100%	

As displayed in the preceding table, the bank’s percentage of lending to low-income borrowers (6.4 percent) is substantially below the low-income family population figure (32.9 percent), but above the 2017 aggregate lending level to low-income borrowers (4.5 percent), reflecting reasonable performance. The bank’s level of lending to moderate-income borrowers (14.5 percent) is below the moderate-income family population percentage (16.7 percent), and slightly above the aggregate lending levels of 13.1 percent, also reflecting reasonable performance. Therefore, considering performance to both income categories, the bank’s overall distribution of HMDA loans by borrower’s profile is reasonable.

Finally, the bank’s distribution of consumer motor vehicle loans is displayed in the following table compared to the distribution of assessment area households by income level.

Distribution of Loans Inside Assessment Area by Borrower Income												
January 1, 2017 through December 31, 2017												
	Borrower Income Level										TOTAL	
	Low-	Moderate-	Middle-	Upper-	Unknown							
Consumer Motor Vehicle Loans	22	10.9%	45	22.4%	62	30.8%	68	33.8%	4	2.0%	201	100%
Household Population	32.9%		15.9%		15.9%		35.4%		0.0%		100%	

The bank’s level of lending to low-income borrowers (10.9 percent) is below the percentage of low-income households (32.9 percent), reflecting poor performance. In contrast, the bank’s performance to moderate-income borrowers (22.4 percent) is above the moderate-income household population (15.9 percent) and is considered excellent. While the bank’s distribution of consumer loans to LMI borrowers (31.3 percent) falls well short of the household population (48.8 percent), when considering the elevated levels of poverty in the area, the bank’s performance is reasonable.

Geographic Distribution of Loans

As noted previously, the assessment area includes 5 low-income and 20 moderate-income census tracts, representing 52.1 percent of all assessment area census tracts. Overall, the bank’s geographic distribution of loans in this assessment area reflects excellent penetration throughout these LMI census tracts, based on all three loan categories. The following table displays 2017 small business loan activity by geography income level compared to the location of businesses throughout this assessment area and 2017 small business aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	0	0.0%	62	53.4%	39	33.6%	15	12.9%	0	0.0%	116	100%
Business Institutions	10.6%		38.6%		36.2%		14.6%		0.0%		100%	
2017 Small Business Aggregate	7.5%		31.0%		43.6%		15.1%		2.8%		100%	

The bank’s level of lending in the assessment area’s low-income census tracts (0.0 percent) is below the estimated percentage of businesses operating inside this census tract (10.6 percent) and 2017 aggregate lending levels in the low-income census tract (7.5 percent). Consequently, the bank’s performance in the assessment area’s low-income areas is very poor. The bank’s percentage of loans in moderate-income census tracts (53.4 percent) is significantly higher than the 2017 aggregate lending percentage in moderate-income census tracts (31.0 percent) and the percentage of small businesses in moderate-income census tracts (38.6 percent), representing excellent performance. The bank’s combined performance to borrowers residing in LMI geographies (53.4 percent) exceeds demographic and aggregate comparisons (49.2 percent and 38.5 percent, respectively). Therefore, the bank’s geographic distribution of small business loans is excellent.

As with the small business loan category, the bank’s geographic distribution of HMDA loans was reviewed. The following table displays the geographic distribution of 2017 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, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	1	3.6%	12	42.9%	14	50.0%	1	3.6%	0	0.0%	28	100%
Refinance	2	3.4%	29	50.0%	17	29.3%	10	17.2%	0	0.0%	58	100%
Home Improvement	0	0.0%	12	52.2%	9	39.1%	2	8.7%	0	0.0%	23	100%
Multifamily	0	0.0%	1	100.0%	0	0.0%	0	0.0%	0	0.0%	1	100%
TOTAL HMDA	3	2.7%	54	49.1%	40	36.4%	13	11.8%	0	0.0%	110	100%
Owner-Occupied Housing	5.0%		36.1%		45.4%		13.5%		0.0%		100%	
2017 HMDA Aggregate	3.7%		29.6%		43.9%		22.7%		0.1%		100%	

The bank’s total penetration of low-income census tracts by number of loans (2.7 percent) is below the percentage of owner-occupied housing units in the low-income census tract (5.0 percent), but in line with the percentage of aggregate HMDA loans made to borrowers residing in the low-income geography (3.7 percent). In addition, this assessment area’s five low-income census tracts are all located in Washington County, Mississippi, where the bank is ranked seventh among the eight financial institutions operating within the county, encompassing only 2.4 percent of the county’s deposit market share. Therefore, the analysis of HMDA loans reveals reasonable lending performance to borrowers residing in the low-income geographies.

The bank’s performance in moderate-income census tracts is above comparison data and deemed excellent. The bank’s total penetration of moderate-income census tracts by number of loans (49.1 percent) exceeds the percentage of owner-occupied housing units in moderate-income census tracts (36.1 percent). The bank’s performance in moderate-income census tracts is also above that of other lenders based on aggregate lending data, which indicates that 29.6 percent of aggregate HMDA loans inside this assessment area were made to borrowers residing in moderate-income census tracts. Combined, the bank’s geographic distribution of HMDA loans in LMI geographies is excellent.

As with the small business and HMDA loan categories, the bank’s consumer motor vehicle loans were reviewed to assess the level of dispersion in the assessment area, particularly in LMI census tracts. The following table shows the bank’s lending performance in different geographies, compared to the percent of household population.

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	7	3.5%	95	47.3%	81	40.3%	18	9.0%	0	0.0%	201	100%
Household Population	7.3%		40.0%		40.7%		12.1%		0.0%		100%	

The bank’s level of lending in the assessment area’s low-income census tracts (3.5 percent) is slightly less than the household population percentage (7.3 percent). Nevertheless, given the bank’s low market share in the county where all low-income census tracts are located, performance is reasonable in the low-income tracts. In addition, the bank’s level of lending in moderate-income census tracts (47.3 percent) is above the household population percentage (40.0 percent), reflecting excellent performance. The bank’s combined geographic distribution of consumer motor vehicle loans in LMI geographies (50.8 percent) exceeds the household population (47.3 percent) and is excellent.

Finally, based on reviews from all three loan categories, Southern Bancorp Bank had loan activity in 44 of the assessment area’s 48 census tracts (or 91.7 percent), including 3 of the low-income census tracts and 19 of the moderate-income census tracts. Therefore, no conspicuous lending gaps were noted.

COMMUNITY DEVELOPMENT TEST

The bank demonstrates excellent responsiveness to community development needs within the 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 and SBCP extended 34 community development loans totaling \$11.5 million in this assessment area. The loans funded repairs to affordable housing complexes, working capital for service organizations serving only Medicaid-eligible clients, rehabilitation of downtown commercial properties in LMI census tracts, and the creation of jobs at small businesses located in moderate-income census tracts.

There were no investments made in this assessment area. However, the bank made 65 donations totaling \$38,370, and SBCP made 11 grants totaling \$56,625 inside the assessment area. Notable

donations were made to economic development councils, health centers serving LMI individuals, after-school care programs at schools with a majority of students eligible for free or reduced lunch, and community service organizations targeting their services to LMI youth. The SBCP grants were in the form of IDAs for LMI individuals.

Finally, several bank employees utilized their financial expertise to assist organizations that are involved in community services, affordable housing, or economic development in the assessment area. Notably, bank and SBCP employees provided financial literacy training at school districts with a majority of students eligible for free or reduced lunches, provided grant assistance to LMI individuals seeking affordable housing, taught financial education sessions to small business and start-up entrepreneurs, served as board members for affordable housing coalitions, and performed free tax preparation for LMI individuals. In total, the bank and SBCP provided 3,149 hours of financial services to 24 different organizations within the assessment area.

NONMETROPOLITAN MISSISSIPPI STATEWIDE AREA

(Limited-Scope Review)

DESCRIPTION OF INSTITUTION’S OPERATIONS IN SOUTHERN MISSISSIPPI

This assessment area includes Pearl River County in its entirety. The bank operates one office in this assessment area. The tables below detail key demographics relating to this assessment area.

Assessment Area Demographics by Population Income Level					
Demographic Type	Population Income Level				TOTAL
	Low-	Moderate-	Middle-	Upper-	
Family Population	2,988 20.6%	2,121 14.6%	2,324 16.0%	7,056 48.7%	14,489 100%
Household Population	4,561 22.1%	2,809 13.6%	2,969 14.4%	10,267 49.8%	20,606 100%

Assessment Area Demographics by Geography Income Level						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown-	
Census Tracts	0 0.0%	1 11.1%	5 55.6%	3 33.3%	0 0.0%	9 100%
Family Population	0 0.0%	1,844 12.7%	8,158 56.3%	4,487 31.0%	0 0.0%	14,489 100%
Household Population	0 0.0%	2,730 13.2%	11,796 57.2%	6,080 29.5%	0 0.0%	20,606 100%
Business Institutions	0 0.0%	285 19.5%	769 52.6%	407 27.9%	0 0.0%	1,461 100%

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE SOUTHERN MISSISSIPPI ASSESSMENT AREA

LENDING TEST

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

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

COMMUNITY DEVELOPMENT TEST

The bank's Community Development Test performance in this assessment area is below the bank's Community Development Test performance in the state of Mississippi. During the review period, the bank made two community development loans totaling \$496,545. The loans enabled a small business to create three new LMI jobs. Additionally, the bank made six donations totaling \$1,000, and bank employees utilized their financial skills to provide 106 community development service hours to six organizations in this assessment area.

MEMPHIS, TENNESSEE-MISSISSIPPI-ARKANSAS METROPOLITAN STASTICAL AREA

(Limited-Scope Review)

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE MEMPHIS ASSESSMENT AREA

This assessment area includes Shelby County, Tennessee, and DeSoto County, Mississippi, in their entireties, two of the nine counties that make up the Memphis, Tennessee-Mississippi-Arkansas MSA. The bank only operates one office in this assessment area, located in DeSoto County, Mississippi. The tables below detail key demographics relating to this assessment area.

Assessment Area Demographics by Population Income Level					
Demographic Type	Population Income Level				TOTAL
	Low-	Moderate-	Middle-	Upper-	
Family Population	64,304 24.3%	40,885 15.4%	45,200 17.1%	114,269 43.2%	264,658 100%
Household Population	102,987 25.3%	62,309 15.3%	66,807 16.4%	175,131 43.0%	407,234 100%

Assessment Area Demographics by Geography Income Level						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown-	
Census Tracts	64 25.2%	53 20.9%	50 19.7%	81 31.9%	6 2.4%	254 100%
Family Population	43,624 16.5%	50,582 19.1%	52,815 20.0%	117,233 44.3%	404 0.2%	264,658 100%
Household Population	74,840 18.4%	79,653 19.6%	81,828 20.1%	170,105 41.8%	808 0.2%	407,234 100%
Business Institutions	4,251 13.1%	4,988 15.4%	6,439 19.8%	16,465 50.7%	330 1.0%	32,473 100%

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE MEMPHIS MSA

LENDING TEST

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

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

COMMUNITY DEVELOPMENT TEST

The bank’s Community Development Test performance in this assessment area is consistent with the bank’s Community Development Test performance in the state of Mississippi. During the review period, the bank made four community development loans totaling \$18.5 million. The loans funded health services for LMI individuals, a church that serves as a local food pantry, and an anchor business on the border of a low-income census tract. Additionally, the bank made one investment in a minority depository institution located in the assessment area totaling \$245,000 and had two investments from the prior period but still outstanding, totaling \$496,607. The bank also made three donations in the assessment area totaling \$1,500. Finally, bank employees utilized their financial skills to provide 70 community development service hours to five organizations in this assessment area.

JACKSON, MISSISSIPPI METROPOLITAN STATICAL AREA

(Limited-Scope Review)

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE JACKSON MSA

This assessment area includes Hinds, Madison, and Rankin Counties in their entirety, three of the six counties that comprise the Jackson, Mississippi MSA. The bank operates one office in this assessment area. The tables below detail key demographics relating to this assessment area.

Assessment Area Demographics by Population Income Level					
Demographic Type	Population Income Level				TOTAL
	Low-	Moderate-	Middle-	Upper-	
Family Population	26,907 21.7%	20,079 16.2%	22,107 17.9%	54,628 44.2%	123,721 100%
Household Population	42,670 23.7%	27,129 15.1%	28,821 16.0%	81,049 45.1%	179,669 100%

Assessment Area Demographics by Geography Income Level						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown-	
Census Tracts	16 14.3%	29 25.9%	32 28.6%	34 30.4%	1 0.9%	112 100%
Family Population	9,688 7.8%	21,559 17.4%	44,329 35.8%	48,145 38.9%	0 0.0%	123,721 100%
Household Population	15,610 8.7%	34,371 19.1%	63,623 35.4%	66,061 36.8%	4 0.0%	179,669 100%
Business Institutions	1,241 6.5%	3,827 20.1%	6,010 31.5%	7,979 41.8%	15 0.1%	19,072 100%

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE JACKSON MSA

LENDING TEST

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

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

COMMUNITY DEVELOPMENT TEST

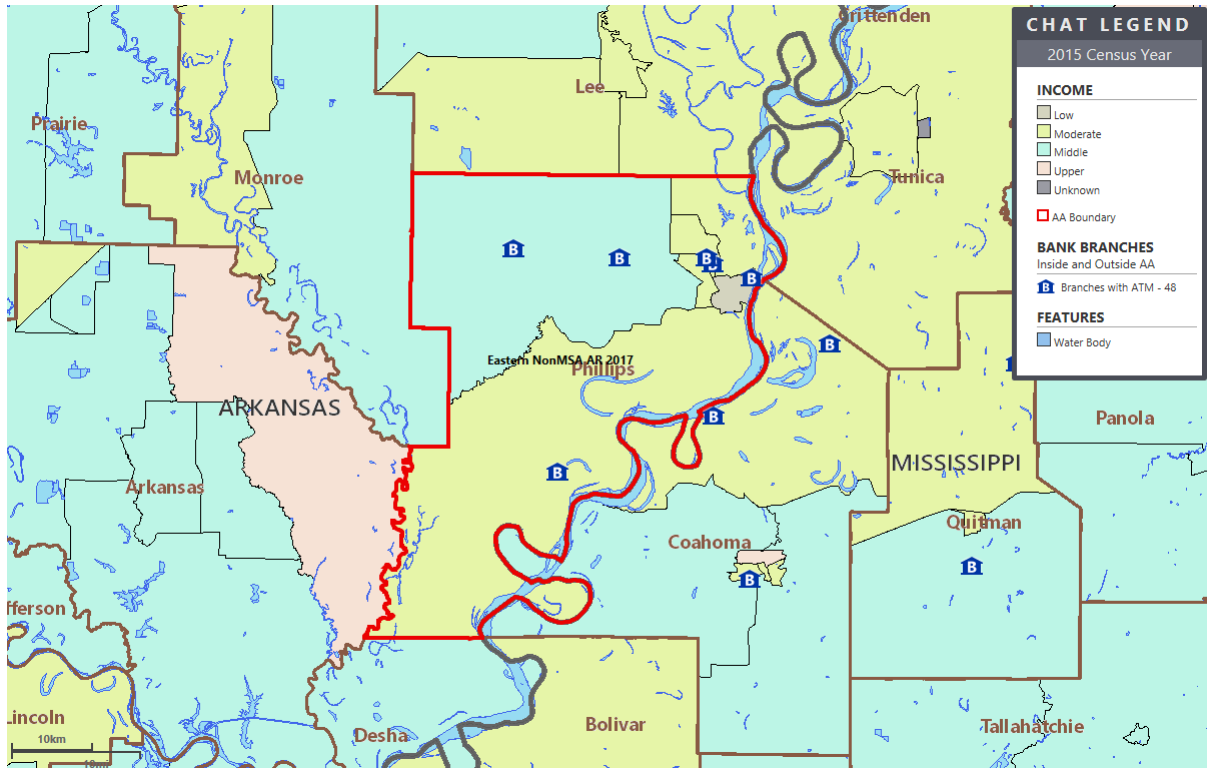
The bank's Community Development Test performance in this assessment area is consistent with the bank's Community Development Test performance in the state of Mississippi. During the review period, the bank made five community development loans totaling \$2.4 million that supported economic development and affordable housing initiatives. Additionally, the bank made four donations totaling \$3,053, and SBCP made two grants totaling \$4,561. Finally, bank employees utilized their financial skills to provide 82 community development service hours to four organizations in this assessment area.

SCOPE OF EXAMINATION TABLES

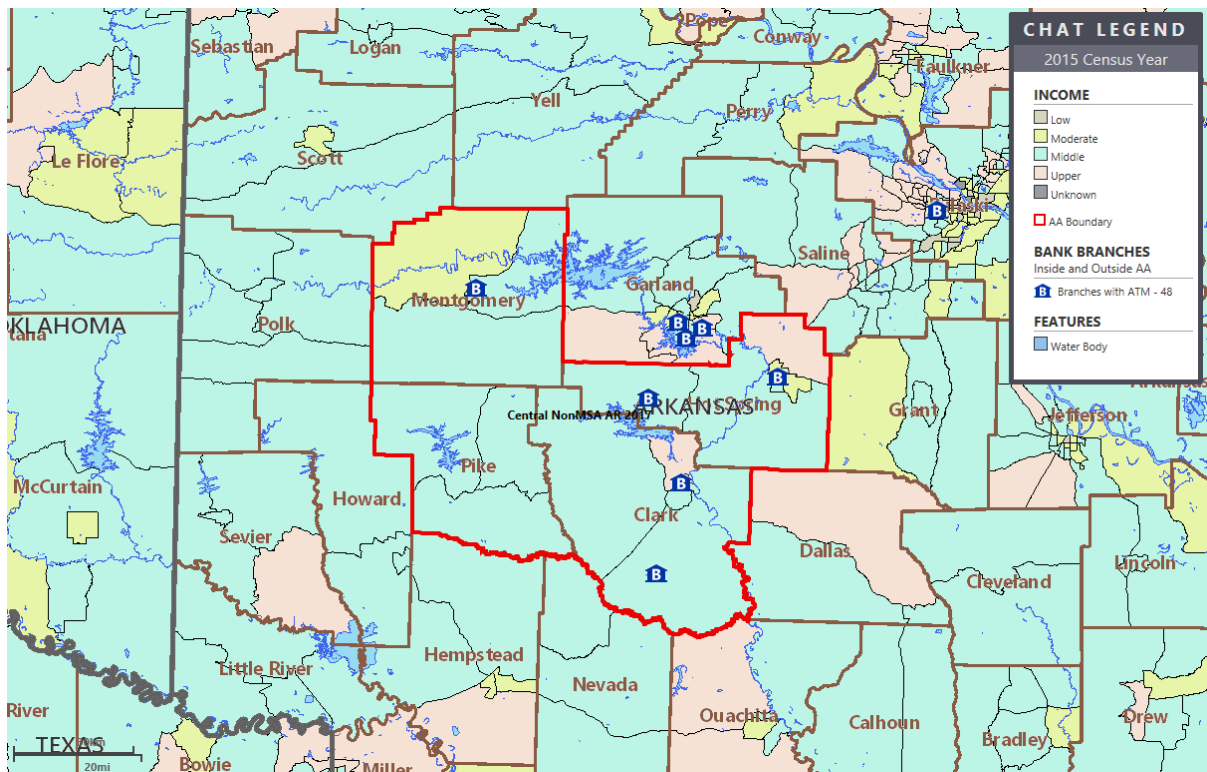
SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	January 1, 2017 – December 31, 2017 for small business, HMDA, and consumer motor vehicle lending March 20, 2017 – July 28, 2019 for community development loans, investments, and service activities		
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
Southern Bancorp Bank, Arkadelphia, Arkansas			Small Business HMDA Consumer Motor Vehicle
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
Southern Bancorp Community Partners	Nonprofit Community Development Organization under Common Management		Community Development Loans, Donations/Grants, and Services

ASSESSMENT AREA – EXAMINATION SCOPE DETAILS					
Assessment Area	Rated Area	# of Offices	Deposits (\$000s) (as of 6/30/2018)	Branches Visited	CRA Review Procedures
Eastern Arkansas	Arkansas	6	\$177,855	0	Full Scope
Central Arkansas	Arkansas	7	\$233,851	1	Full Scope
Northeast Arkansas	Arkansas	7	\$161,994	0	Full Scope
Southern Arkansas	Arkansas	4	\$136,224	0	Full Scope
Jonesboro MSA	Arkansas	1	\$86,891	0	Limited Scope
Hot Springs MSA	Arkansas	3	\$34,913	0	Limited Scope
Northwest Mississippi	Mississippi	14	\$121,881	0	Full Scope
Southern Mississippi	Mississippi	1	\$4,104	0	Limited Scope
Memphis MSA	Mississippi	1	\$17,841	0	Limited Scope
Jackson MSA	Mississippi	1	\$4,318	0	Limited Scope
OVERALL		45	\$979,872	1	5 Full Scope

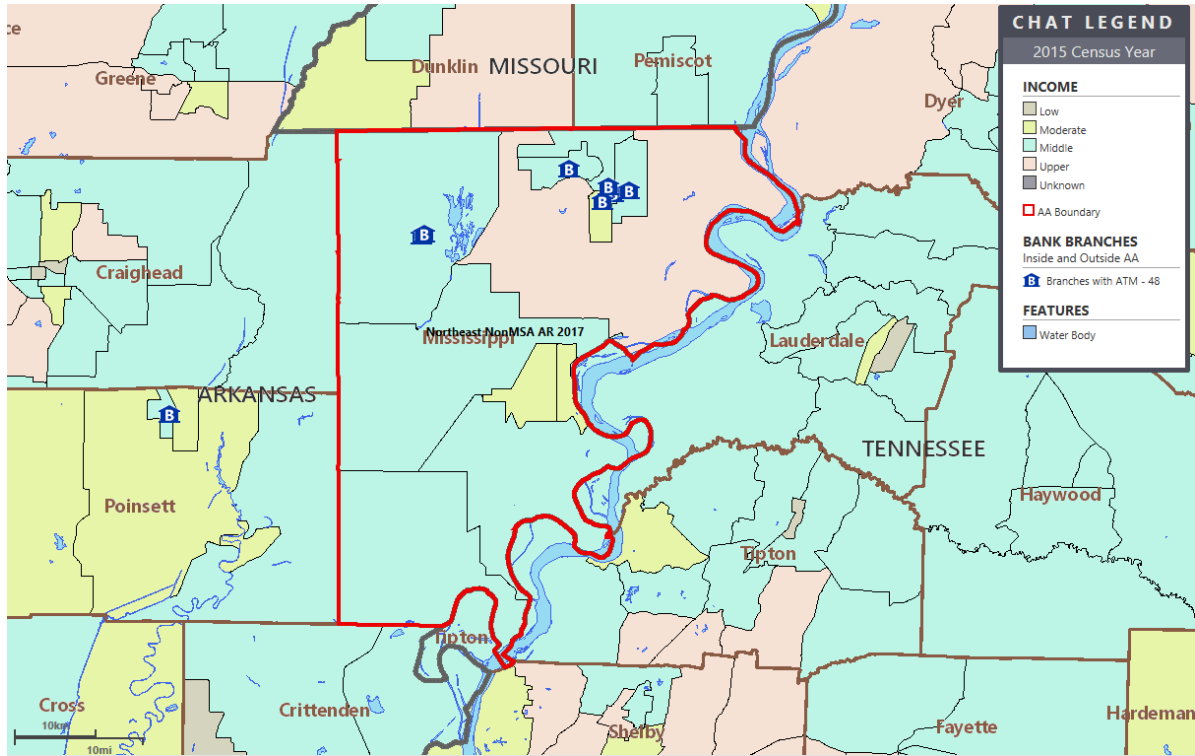
Eastern Arkansas Assessment Area



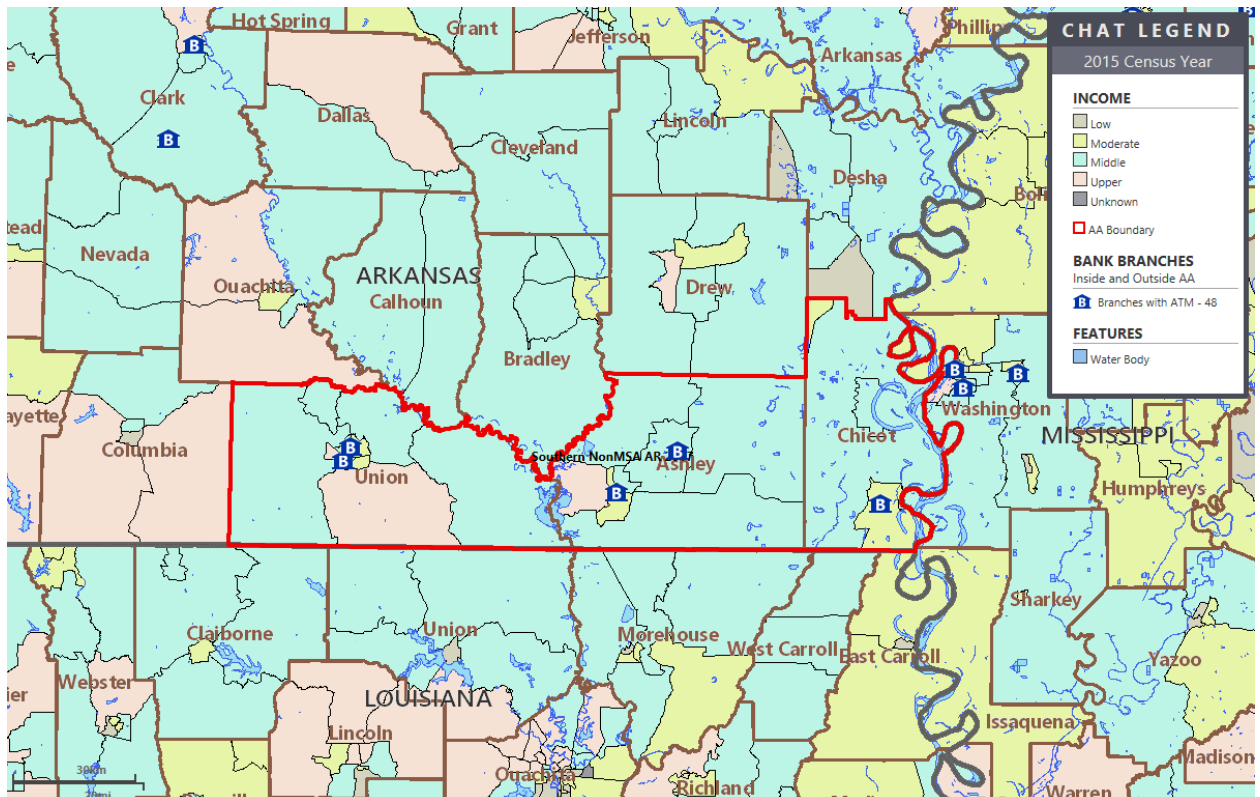
Central Arkansas Assessment Area



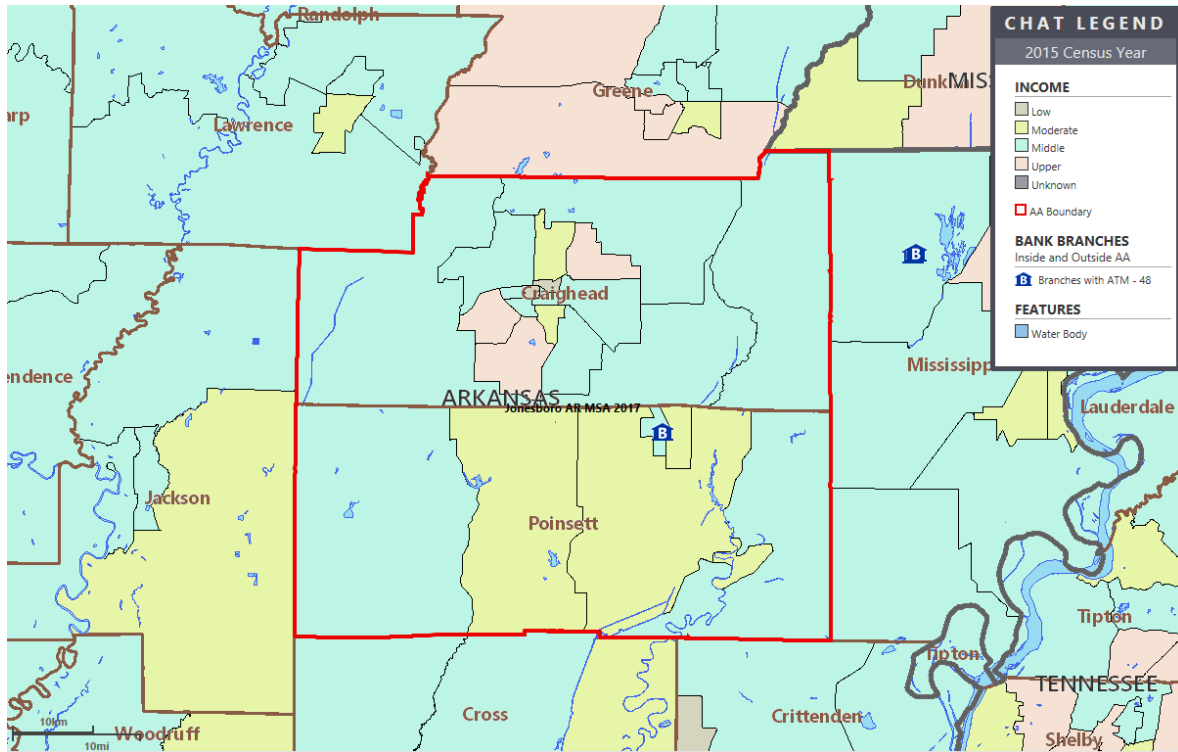
Northeast Arkansas Assessment Area



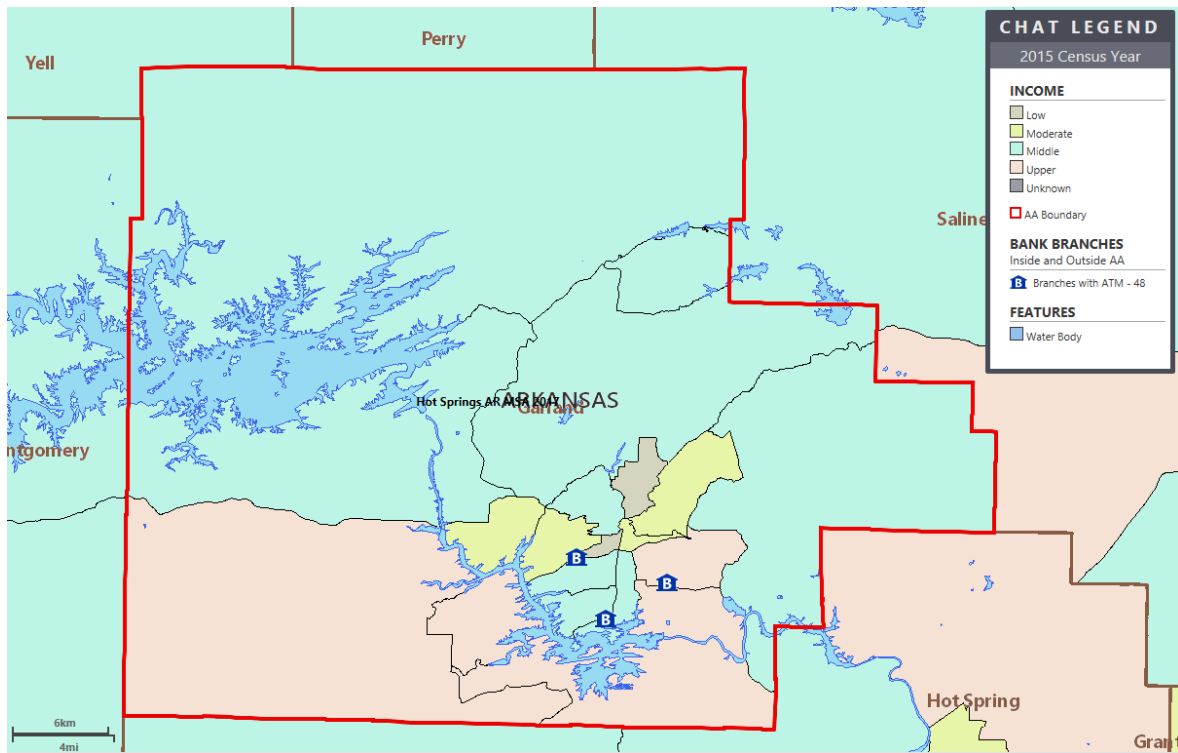
Southern Arkansas Assessment Area



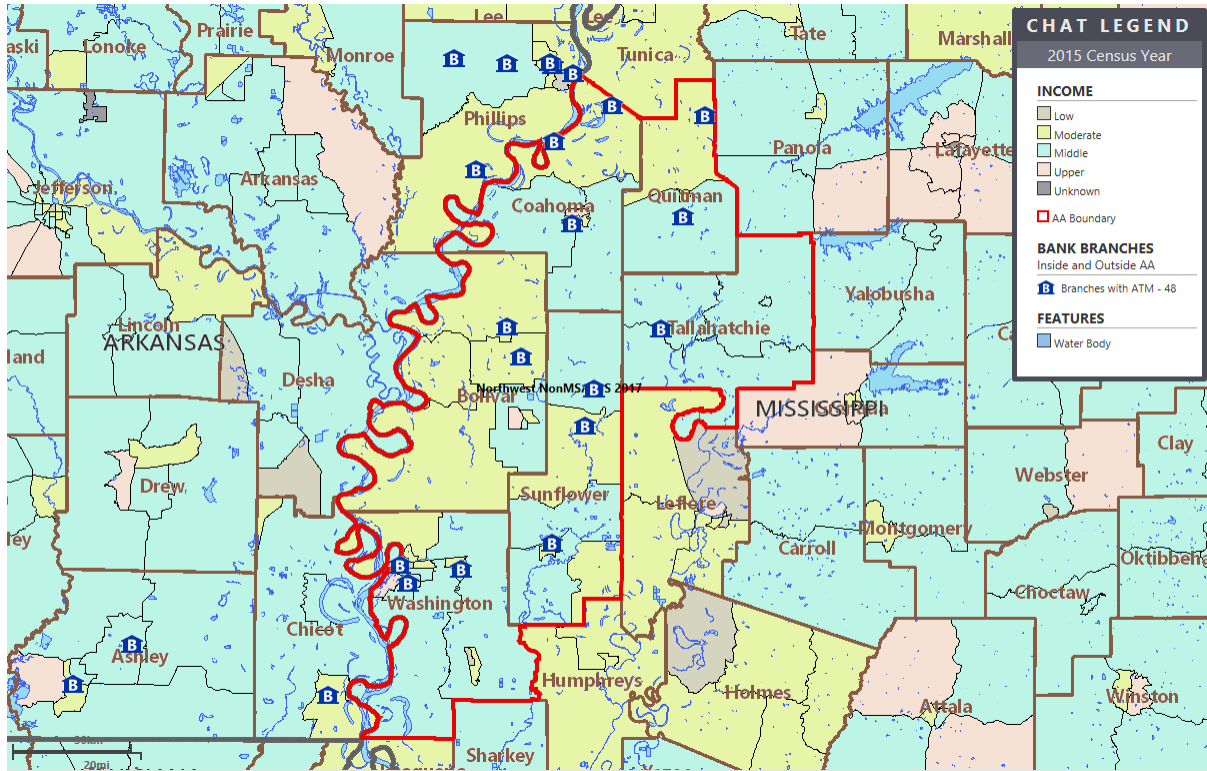
Jonesboro MSA Assessment Area



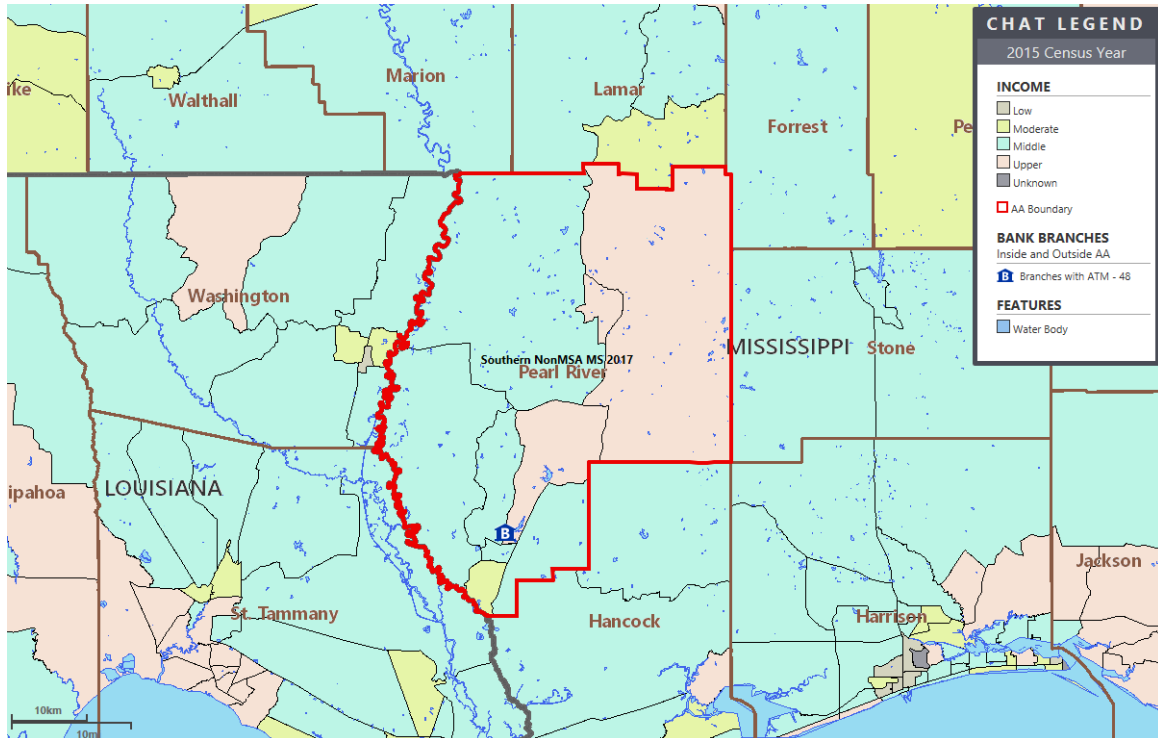
Hot Springs MSA Assessment Area



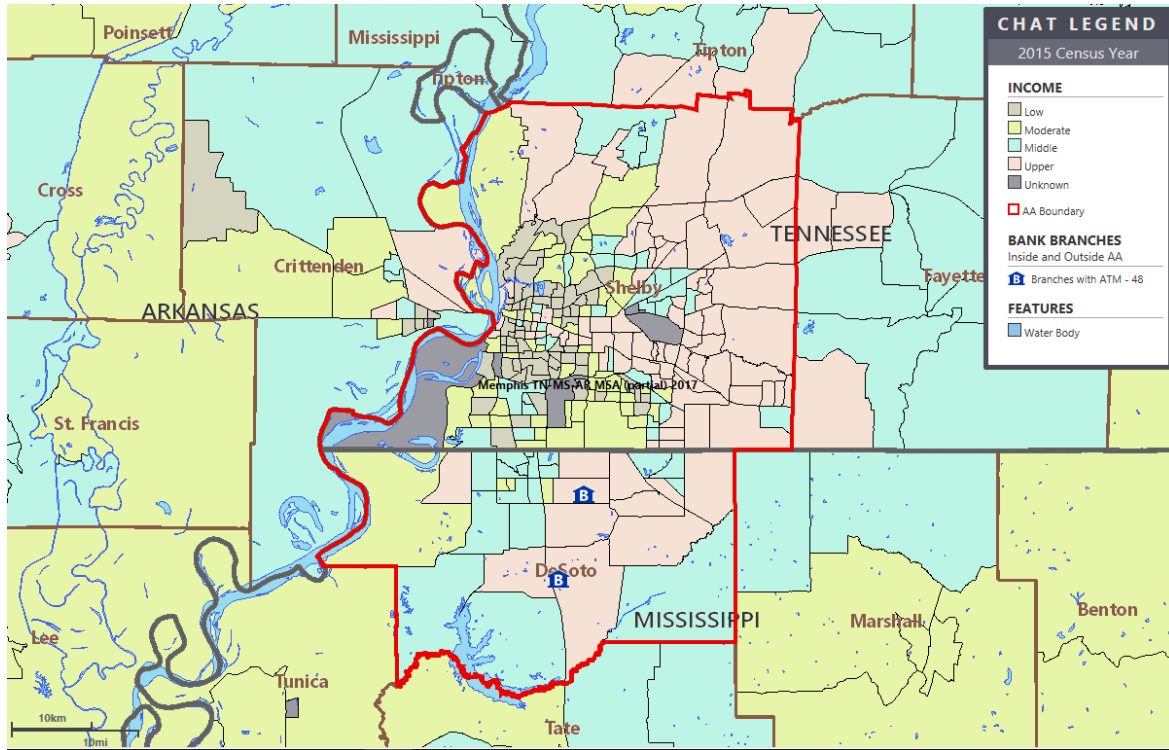
Northwest Mississippi Assessment Area



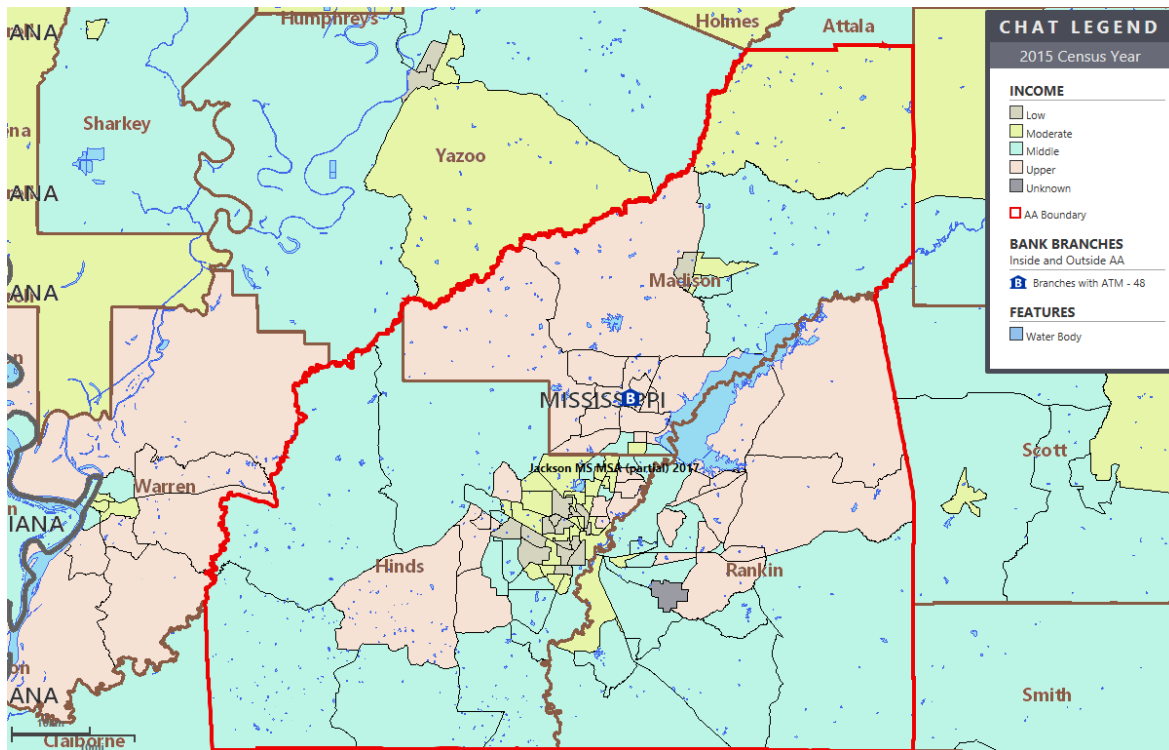
Southern Mississippi Assessment Area



Memphis MSA Assessment Area



Jackson MSA Assessment Area



SUMMARY OF STATE RATINGS

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

**LENDING PERFORMANCE TABLES FOR LIMITED-SCOPE REVIEW
ASSESSMENT AREAS**

Arkansas

Jonesboro MSA Assessment Area

Distribution of Loans Inside Assessment Area by Business Revenue								
January 1, 2017 through December 31, 2017								
Gross Revenue	Loan Amounts in \$000s						TOTAL	
	≤\$100		>\$100 and ≤\$250		>\$250 and ≤\$1,000			
\$1 Million or Less	59	70.2%	12	14.3%	9	10.7%	80	95.2%
Greater Than \$1 Million/Unknown	2	2.4%	0	0.0%	2	2.4%	4	4.8%
TOTAL	61	72.6%	12	14.3%	11	13.1%	84	100%
Dun & Bradstreet Businesses ≤ \$1MM							87.1%	
2017 CRA Aggregate Data							47.3%	

Distribution of Loans Inside Assessment Area by Borrower Income												
January 1, 2017 through December 31, 2017												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	3	7.3%	6	14.6%	23	56.1%	9	22.0%	41	100%
Refinance	3	5.6%	6	11.1%	15	27.8%	22	40.7%	8	14.8%	54	100%
Home Improvement	2	11.8%	1	5.9%	6	35.3%	6	35.3%	2	11.8%	17	100%
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	1	100.0%	1	100%
TOTAL HMDA	5	4.4%	10	8.8%	27	23.9%	51	45.1%	20	17.7%	113	100%
Family Population	21.9%		17.2%		20.0%		40.9%		0.0%		100%	
2017 HMDA Aggregate	3.1%		11.3%		18.9%		43.2%		23.5%		100%	

Distribution of Loans Inside Assessment Area by Borrower Income												
January 1, 2017 through December 31, 2017												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	33	20.2%	42	25.8%	37	22.7%	48	29.4%	3	1.8%	163	100%
Household Population	24.7%		16.3%		17.3%		41.7%		0.0%		100%	

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	0	0.0%	28	33.3%	50	59.5%	6	7.1%	0	0.0%	84	100%
Business Institutions	10.3%		23.2%		50.2%		16.3%		0.0%		100%	
2017 Small Business Aggregate	6.8%		19.3%		54.2%		18.9%		0.8%		100%	

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	17	41.5%	23	56.1%	1	2.4%	0	0.0%	41	100%
Refinance	0	0.0%	21	38.9%	31	57.4%	2	3.7%	0	0.0%	54	100%
Home Improvement	0	0.0%	5	29.4%	12	70.6%	0	0.0%	0	0.0%	17	100%
Multifamily	0	0.0%	1	100.0%	0	0.0%	0	0.0%	0	0.0%	1	100%
TOTAL HMDA	0	0.0%	44	38.9%	66	58.4%	3	2.7%	0	0.0%	113	100%
Owner-Occupied Housing	2.4%		18.5%		56.3%		22.9%		0.0%		100%	
2017 HMDA Aggregate	3.6%		13.2%		52.6%		30.6%		0.0%		100%	

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	1	0.6%	74	45.4%	82	50.3%	6	3.7%	0	0.0%	163	100%
Household Population	7.3%		23.1%		52.8%		16.7%		0.0%		100%	

Hot Springs MSA Assessment Area

Distribution of Loans Inside Assessment Area by Business Revenue								
January 1, 2017 through December 31, 2017								
Gross Revenue	Loan Amounts in \$000s						TOTAL	
	≤\$100		>\$100 and ≤\$250		>\$250 and ≤\$1,000			
\$1 Million or Less	37	59.7%	15	24.2%	4	6.5%	56	90.3%
Greater Than \$1 Million/Unknown	1	1.6%	3	4.8%	2	3.2%	6	9.7%
TOTAL	38	61.3%	18	29.0%	6	9.7%	62	100%
Dun & Bradstreet Businesses ≤ \$1MM							91.0%	
2017 CRA Aggregate Data							42.0%	

Distribution of Loans Inside Assessment Area by Borrower Income												
January 1, 2017 through December 31, 2017												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	1	6.7%	3	20.0%	7	46.7%	4	26.7%	15	100%
Refinance	1	5.6%	4	22.2%	2	11.1%	7	38.9%	4	22.2%	18	100%
Home Improvement	0	0.0%	0	0.0%	1	20.0%	3	60.0%	1	20.0%	5	100%
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	1	100.0%	1	100%
TOTAL HMDA	1	2.6%	5	12.8%	6	15.4%	17	43.6%	10	25.6%	39	100%
Family Population	23.2%		16.7%		19.6%		40.4%		0.0%		100%	
2017 HMDA Aggregate	6.9%		15.1%		19.6%		40.0%		18.3%		100%	

Distribution of Loans Inside Assessment Area by Borrower Income												
January 1, 2017 through December 31, 2017												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	4	10.5%	4	10.5%	10	26.3%	19	50.0%	1	2.6%	38	100%
Household Population	24.5%		15.7%		16.9%		43.0%		0.0%		100%	

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	2	3.2%	11	17.7%	31	50.0%	18	29.0%	0	0.0%	62	100%
Business Institutions	7.1%		19.5%		45.8%		27.6%		0.0%		100%	
2017 Small Business Aggregate	5.9%		18.9%		41.5%		33.0%		0.6%		100%	

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	3	20.0%	7	46.7%	5	33.3%	0	0.0%	15	100%
Refinance	3	16.7%	4	22.2%	4	22.2%	7	38.9%	0	0.0%	18	100%
Home Improvement	0	0.0%	1	20.0%	1	20.0%	3	60.0%	0	0.0%	5	100%
Multifamily	0	0.0%	0	0.0%	1	100.0%	0	0.0%	0	0.0%	1	100%
TOTAL HMDA	3	7.7%	8	20.5%	13	33.3%	15	38.5%	0	0.0%	39	100%
Owner-Occupied Housing	3.4%		11.8%		49.1%		35.6%		0.0%		100%	
2017 HMDA Aggregate	2.8%		8.6%		47.2%		41.4%		0.0%		100%	

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	1	2.6%	7	18.4%	18	47.4%	12	31.6%	0	0.0%	38	100%
Household Population	5.8%		15.5%		46.8%		31.9%		0.0%		100%	

Mississippi

Southern Mississippi Assessment Area

Distribution of Loans Inside Assessment Area by Business Revenue								
January 1, 2017 through December 31, 2017								
Gross Revenue	Loan Amounts in \$000s						TOTAL	
	≤\$100		>\$100 and ≤\$250		>\$250 and ≤\$1,000			
\$1 Million or Less	0	0.0%	2	100.0%	0	0.0%	2	100.0%
Greater Than \$1 Million/Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL	0	0.0%	2	100.0%	0	0.0%	2	100%
Dun & Bradstreet Businesses ≤ \$1MM							91.7%	
2017 CRA Aggregate Data							43.8%	

Distribution of Loans Inside Assessment Area by Borrower Income												
January 1, 2017 through December 31, 2017												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	0	0.0%	1	50.0%	1	50.0%	0	0.0%	2	100%
Refinance	1	33.3%	1	33.3%	0	0.0%	1	33.3%	0	0.0%	3	100%
Home Improvement	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	100%
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	100%
TOTAL HMDA	1	20.0%	1	20.0%	1	20.0%	2	40.0%	0	0.0%	5	100%
Family Population	20.6%		14.6%		16.0%		48.7%		0.0%		100%	
2017 HMDA Aggregate	3.5%		10.0%		18.5%		47.2%		20.7%		100%	

Distribution of Loans Inside Assessment Area by Borrower Income												
January 1, 2017 through December 31, 2017												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	0	0.0%	1	33.3%	0	0.0%	2	66.7%	0	0.0%	3	100%
Household Population	22.1%		13.6%		14.4%		49.8%		0.0%		100%	

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	0	0.0%	0	0.0%	2	100.0%	0	0.0%	0	0.0%	2	100%
Business Institutions	0.0%		19.5%		52.6%		27.9%		0.0%		100%	
2017 Small Business Aggregate	0.0%		15.8%		60.8%		22.6%		0.8%		100%	

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	0	0.0%	2	100.0%	0	0.0%	0	0.0%	2	100%
Refinance	0	0.0%	0	0.0%	3	100.0%	0	0.0%	0	0.0%	3	100%
Home Improvement	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	100%
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	100%
TOTAL HMDA	0	0.0%	0	0.0%	5	100.0%	0	0.0%	0	0.0%	5	100%
Owner-Occupied Housing	0.0%		8.8%		59.3%		31.8%		0.0%		100%	
2017 HMDA Aggregate	0.0%		8.3%		55.0%		36.7%		0.0%		100%	

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	0	0.0%	0	0.0%	3	100.0%	0	0.0%	0	0.0%	3	100%
Household Population	0.0%		13.2%		57.2%		29.5%		0.0%		100%	

Memphis Assessment Area

Distribution of Loans Inside Assessment Area by Business Revenue								
January 1, 2017 through December 31, 2017								
Gross Revenue	Loan Amounts in \$000s						TOTAL	
	≤\$100		>\$100 and ≤\$250		>\$250 and ≤\$1,000			
\$1 Million or Less	8	40.0%	4	20.0%	5	25.0%	17	85.0%
Greater Than \$1 Million/Unknown	0	0.0%	1	5.0%	2	10.0%	3	15.0%
TOTAL	8	40.0%	5	25.0%	7	35.0%	20	100%
Dun & Bradstreet Businesses ≤ \$1MM							86.8%	
2017 CRA Aggregate Data							47.1%	

Distribution of Loans Inside Assessment Area by Borrower Income												
January 1, 2017 through December 31, 2017												
	Borrower Income Level									TOTAL		
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	0	0.0%	0	0.0%	3	21.4%	11	78.6%	14	100%
Refinance	0	0.0%	0	0.0%	0	0.0%	2	12.5%	14	87.5%	16	100%
Home Improvement	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	100%
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	100%
TOTAL HMDA	0	0.0%	0	0.0%	0	0.0%	5	16.7%	25	83.3%	30	100%
Family Population	24.3%		15.4%		17.1%		43.2%		0.0%		100%	
2017 HMDA Aggregate	3.5%		11.6%		17.4%		43.6%		23.8%		100%	

Distribution of Loans Inside Assessment Area by Borrower Income												
January 1, 2017 through December 31, 2017												
	Borrower Income Level									TOTAL		
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	1	33.3%	0	0.0%	0	0.0%	2	66.7%	0	0.0%	3	100%
Household Population	25.3%		15.3%		16.4%		43.0%		0.0%		100%	

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	0	0.0%	1	5.0%	8	40.0%	11	55.0%	0	0.0%	20	100%
Business Institutions	13.1%		15.4%		19.8%		50.7%		1.0%		100%	
2017 Small Business Aggregate	10.1%		15.6%		18.3%		53.9%		2.2%		100%	

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	1	7.1%	3	21.4%	10	71.4%	0	0.0%	14	100%
Refinance	1	6.3%	4	25.0%	7	43.8%	4	25.0%	0	0.0%	16	100%
Home Improvement	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	100%
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	100%
TOTAL HMDA	1	3.3%	5	16.7%	10	33.3%	14	46.7%	0	0.0%	30	100%
Owner-Occupied Housing	11.3%		16.4%		20.7%		51.5%		0.1%		100%	
2017 HMDA Aggregate	3.7%		9.8%		19.6%		66.9%		0.0%		100%	

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	0	0.0%	0	0.0%	1	33.3%	2	66.7%	0	0.0%	3	100%
Household Population	18.4%		19.6%		20.1%		41.8%		0.2%		100%	

Jackson MSA Assessment Area

Distribution of Loans Inside Assessment Area by Business Revenue								
January 1, 2017 through December 31, 2017								
Gross Revenue	Loan Amounts in \$000s						TOTAL	
	≤\$100		>\$100 and ≤\$250		>\$250 and ≤\$1,000			
\$1 Million or Less	7	41.2%	5	29.4%	0	0.0%	12	70.6%
Greater Than \$1 Million/Unknown	0	0.0%	3	17.6%	2	11.8%	5	29.4%
TOTAL	7	41.2%	8	47.1%	2	11.8%	17	100%
Dun & Bradstreet Businesses ≤ \$1MM							88.7%	
2017 CRA Aggregate Data							47.8%	

Distribution of Loans Inside Assessment Area by Borrower Income												
January 1, 2017 through December 31, 2017												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	0	0.0%	1	12.5%	3	37.5%	4	50.0%	8	100%
Refinance	0	0.0%	0	0.0%	1	11.1%	3	33.3%	5	55.6%	9	100%
Home Improvement	0	0.0%	0	0.0%	0	0.0%	1	100.0%	0	0.0%	1	100%
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	100%
TOTAL HMDA	0	0.0%	0	0.0%	2	11.1%	7	38.9%	9	50.0%	18	100%
Family Population	21.7%		16.2%		17.9%		44.2%		0.0%		100%	
2017 HMDA Aggregate	4.9%		16.8%		19.7%		38.6%		20.0%		100%	

Distribution of Loans Inside Assessment Area by Borrower Income												
January 1, 2017 through December 31, 2017												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	3	37.5%	1	12.5%	2	25.0%	2	25.0%	0	0.0%	8	100%
Household Population	23.7%		15.1%		16.0%		45.1%		0.0%		100%	

Appendix C (continued)

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	5	29.4%	4	23.5%	1	5.9%	7	41.2%	0	0.0%	17	100%
Business Institutions	6.5%		20.1%		31.5%		41.8%		0.1%		100%	
2017 Small Business Aggregate	5.0%		16.0%		29.5%		48.1%		1.5%		100%	

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	0	0.0%	3	37.5%	5	62.5%	0	0.0%	8	100%
Refinance	1	11.1%	2	22.2%	1	11.1%	5	55.6%	0	0.0%	9	100%
Home Improvement	0	0.0%	0	0.0%	0	0.0%	1	100.0%	0	0.0%	1	100%
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	100%
TOTAL HMDA	1	5.6%	2	11.1%	4	22.2%	11	61.1%	0	0.0%	18	100%
Owner-Occupied Housing	5.1%		13.2%		36.7%		45.1%		0.0%		100%	
2017 HMDA Aggregate	1.2%		5.9%		31.8%		61.0%		0.0%		100%	

Distribution of Loans Inside Assessment Area by Income Level of Geography												
January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	0	0.0%	0	0.0%	3	37.5%	5	62.5%	0	0.0%	8	100%
Household Population	8.7%		19.1%		35.4%		36.8%		0.0%		100%	

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 nonmetropolitan 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 on 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- and moderate-income (LMI) individuals; (2) community services targeted to LMI 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 LMI geographies, designated disaster areas, or distressed or underserved nonmetropolitan 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 (e.g., age, race, sex, and income) used especially to identify markets.

Distressed nonmetropolitan 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 nonrelatives 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 (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders who 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 income of applicants, 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: 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 (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments and branch distribution).

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

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the 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 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 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 multistate 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 multistate metropolitan area, the institution will receive a rating for the multistate 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 nonmortgage, 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.