

# **PUBLIC DISCLOSURE**

**January 14, 2002**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**American State Bank  
5617**

**700 South Main  
Jonesboro, Arkansas 72403**

**Federal Deposit Insurance Corporation  
Division of Compliance and Consumer Affairs  
5100 Poplar Avenue, Suite 1900  
Memphis, Tennessee 38137**

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **American State Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **January 14, 2002**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

## INSTITUTION RATING

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

The bank's CRA performance depicts a satisfactory practice of providing for the credit needs of its defined assessment areas. The following supports the bank's rating:

- A majority of bank loans were originated within the defined assessment areas.
- An analysis of the bank's Home Mortgage Disclosure Act (HMDA) loans revealed an overall adequate dispersion among borrowers of different incomes; however, limited HMDA lending to low- and moderate-income borrowers was noted in both assessment areas especially in the year 2000. A review of commercial loans indicated that a substantial majority of the bank's loans in both assessment areas were made to small businesses.
- The overall geographic distribution of loans was adequate, although a declining trend in HMDA lending in the Non-MSA Assessment Area's moderate-income geographies was noted.
- The bank's lending levels, represented by a 74 percent average loan-to-deposit ratio, reflected a reasonable responsiveness to community credit needs considering community demographics and competition.

## DESCRIPTION OF INSTITUTION

American State Bank is a \$226 million institution headquartered in Jonesboro, Arkansas. The bank has changed in many aspects since the last evaluation. The bank's charter was moved from Osceola, Arkansas, to Jonesboro, and the bank has grown tremendously with assets rising 927 percent (from \$22 million to \$226 million) and net loans increasing from \$9 million to \$161 million. At the last evaluation, the bank had a total of three offices: the main office in Osceola and branches in Wilson and Keiser. Bank offices currently total nine. In addition to its main office in Jonesboro, the bank has branches in Jonesboro (2), Keiser (1), Marmaduke (1), Paragould (2), Osceola (1), and Wilson (1). Hours and services vary depending on location, with the bank's three centralized lending offices being the main office in Jonesboro, the Linwood Drive Branch in Paragould, and the West Keiser Branch in Osceola. Alternative banking systems are also available to assessment area residents, including internet banking, telephone banking, and 10 automated teller machines (ATM).

The bank is a subsidiary of ASB Corporation, a one-bank holding company.

The bank's major asset categories as of September 30, 2001, were net loans at \$161 million (71%) and securities at \$37 million (16%). The remaining 13 percent consisted of other assets such as cash, premises, and Fed Funds Sold.

The loan portfolio consisted of the following loan types, as of September 30, 2001.

LOAN TYPE	AMOUNT	PERCENT
Construction and Land Development	6,427,000	4
Farmland	8,348,000	5
1-4 Family Residential	77,700,000	48
Multi-Family	456,000	0
Non-farm Non-residential (commercial)	26,580,000	17
<b>Total Real Estate Loans</b>	<b>\$119,511,000</b>	<b>74</b>
Agricultural Production	13,188,000	8
Commercial and Industrial	11,043,000	7
Consumer	15,923,000	10
Other	2,594,000	1
<b>Total Loans</b>	<b>\$162,259,000</b>	<b>100</b>
(Less Allowance for loan and lease losses)	1,152,000	N/A
<b>Net Loans</b>	<b>\$161,107,000</b>	N/A

*Source: Statement of Condition and Income*

As depicted in the above table, the bank’s loan portfolio is relatively diversified. Residential real estate loans comprise 48 percent of the portfolio, while commercial-related loans (construction / land development, non-farm non-residential, and commercial / industrial loans) compose 28 percent, agricultural-related loans (farmland and agricultural production) comprise 13 percent, and consumer loans (i.e. unsecured, automobile, etc.) account for 10 percent.

A variety of mortgage loan products are offered, including loans for home purchase, refinance, and improvement. Home equity lines of credit are also available. In-house residential loans are fixed rate with terms of primarily three to five years with up to a 20-year amortization. Long-term fixed rate loans are available through the bank’s secondary market mortgage department.

Other than competition, there are no known circumstances or legal impediments that would hinder the bank’s performance under the Community Reinvestment Act.

**DESCRIPTION OF PORTIONS OF CRAIGHEAD COUNTY**

The bank has defined its MSA Assessment Area as Census Tracts 1, 2, 3, 4, 5, 6, 7, 8, and 12 in Craighead County, Arkansas. These census tracts comprise the central portion of Craighead County including the City of Jonesboro. This area is part of the Jonesboro, Arkansas Metropolitan Statistical Area (MSA). The bank’s main office and two branches are located in this assessment area. All three of these offices opened since the last evaluation.

The City of Jonesboro is a regional and wholesale center for 17 counties in Arkansas and southeast Missouri. Jonesboro’s strong economic base is tied to industry and education, and the city is one of the state’s most developing industrial centers with more than 35 manufacturers employing 8,000 workers. Arkansas State University is the largest employer with over 2,300 employees. The medical community continues to grow with two regional medical facilities. The relatively good economy in this assessment area is further evidenced by an unemployment rate of 4.2 percent in the third quarter of 2001 (the latest figures available), as compared to 4.6 percent for the State of Arkansas and 4.8 percent for the United States. This good economy has attracted a number of residents to the area, and in fact, according to a recent community contact, this area ranks seventh in population growth in the State of Arkansas.

Banking competition is fierce with four other banks headquartered here, as well as several branches of large regional banks located throughout the area.

The following table details selected information regarding the MSA Assessment Area.

<b>Population</b>	<b>Households (HH)</b>	<b>Families</b>	<b>Housing Units: % Owner Occupied</b>	<b>Housing Units: % Renter Occupied</b>	<b>HH % Public Assistance</b>	<b>Families % Below Poverty</b>
54,852	20,980	14,956	58	34	6	12

Source: 1990 Census

The 1990 Jonesboro, Arkansas MSA Median Family Income (MFI) of \$27,169 was used for calculations concerning geographic distribution in the MSA Assessment Area. The following table displays the income levels, percent of MFI used to determine ranges, and the income ranges.

INCOME LEVEL	PERCENTAGE OF MFI	1990 RANGE
Low	Less than 50%	Less than \$13,585
Moderate	50% to less than 80%	\$13,585 to less than \$21,735
Middle	80% to less than 120%	\$21,735 to less than \$32,603
Upper	120% and over	\$32,603 and over

Based on the above data, one of the nine census tracts in this assessment area is classified as moderate-income, while six are middle-income and two are upper-income. All three bank offices in this assessment area are located in middle-income census tracts.

**DESCRIPTION OF GREENE COUNTY AND PORTIONS OF MISSISSIPPI COUNTY**

The bank has defined its Non-MSA Assessment Area as all of Greene County, Arkansas (which consists of Block Numbering Areas - BNA's 9801, 9802, 9803, 9804, 9805, 9806, 9807, and 9808) as well as the southern portion of Mississippi County, Arkansas (which consists of Census Tracts 110, 111, 112, and 113). Neither of these counties is located in a MSA. The bank operates six branches in this assessment area, with three of these offices opening since the last evaluation.

There are two main communities located in this assessment area: Paragould, Arkansas, and Osceola, Arkansas.

The City of Paragould is located in Greene County, and is a smaller regional center for counties north of Paragould and the Missouri boot-heel. Since the last evaluation, Paragould has been a growing community due to a large number of jobs created through economic development in the manufacturing sector. From 1994 to 1999, the city was in the State of Arkansas' top five category for creating industrial jobs. Approximately 25 manufacturing / industrial entities exist employing 6,300 workers. Retail development has begun to follow due to the increase in higher paying manufacturing jobs. However, it should be noted that according to a community leader interviewed during the examination, the declining national economy has begun to affect the local economy which is highly dependent on manufacturing. For example, one of Paragould's largest manufacturing companies, Sunlite, recently experienced layoffs. The plant closed in the first quarter of 2001 and reopened with substantially fewer jobs. In addition, several other manufacturers in 2001 announced layoffs due to the slowing economy. The unemployment rate for Greene County has therefore been increasing, with the rate being 6.6 percent in the third quarter of 2001.

The City of Osceola is located in the southern portion of Mississippi County, which is southeast of Greene County near the Mississippi River. The community is largely agricultural based; however, several manufacturing companies are located in the area employing approximately 4,300 workers. The economy of this area is considered depressed. Two of the largest employers ceased operations in 2001, with approximately 900 employees affected. The unemployment rate for Mississippi County was therefore a high 13 percent in the third quarter of 2001. According to bank management, substantial economic improvement is not expected in the near future.

Banking competition is strong in Greene County with three banks headquartered in Paragould, and branches of larger regional banks also located in the county. There are no banks headquartered in Osceola; however, several institutions have branches in the city.

The following table details selected demographic and housing information regarding the Non-MSA Assessment Area.

<b>Population</b>	<b>Households (HH)</b>	<b>Families</b>	<b>Housing Units: % Owner Occupied</b>	<b>Housing Units: % Renter Occupied</b>	<b>HH % Public Assistance</b>	<b>Families % Below Poverty</b>
46,636	17,618	13,420	63	30	11	17

Source: 1990 Census

The 1990 State of Arkansas Non-MSA Median Family Income (MFI) of \$22,208 was used for calculations concerning geographic distribution. The following table displays the income levels, percent of MFI used to determine ranges, and the income ranges.

<b>INCOME LEVEL</b>	<b>PERCENTAGE OF MFI</b>	<b>1990 RANGE</b>
Low	Less than 50%	Less than \$11,104
Moderate	50% to less than 80%	\$11,104 to less than \$17,766
Middle	80% to less than 120%	\$17,766 to less than \$26,650
Upper	120% and over	\$26,650 and over

Based on the above data, two of the 12 geographies in this assessment area are classified as moderate-income, while seven are middle-income and three are upper-income. One bank branch is located in a moderate-income geography, three are in middle-income geographies, and two are in upper-income geographies.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's lending performance evaluation in both the MSA Assessment Area and in the Non-MSA Assessment Area was based upon a review of the bank's Home Mortgage Disclosure Act (HMDA) data and commercial lending for the years 2000 and 2001. These loan types were chosen because they account for a majority of the bank's loan portfolio.

Since geographic information (i.e. census tracts) and income levels are included in the bank's HMDA data, the entire universes of 455 loans totaling \$27,251,000 in the year 2000 and 452 loans totaling \$27,720,000 in the year 2001 were used for the assessment area lending, income distribution, and geographic distribution analyses on HMDA loans.

Geographic information on commercial loans is maintained on the bank's computer system; therefore, the entire universe of 556 commercial loans totaling \$35,467,093 was used for the assessment area lending and geographic distribution analyses. However, gross annual revenues were only maintained on a portion of the loans; therefore, loan samples were used for the revenue distribution analysis on commercial loans. In the MSA Assessment Area, a sample of 42 loans totaling \$1,837,918 was reviewed from a universe of 291 loan totaling \$20,692,354, while in the Non-MSA Assessment Area, a sample of 39 loans totaling \$1,159,974 was reviewed from a universe of 194 loans totaling \$9,394,308.

A local community leader was interviewed during the evaluation to obtain current information concerning the Non-MSA Assessment Area, while several recent community contacts were reviewed regarding the MSA Assessment Area.

### Lending in the Assessment Areas

As the following tables illustrate, the bank originates a large percentage of its loans within the defined assessment areas. Specifically, 83 percent by number and 86 percent by dollar amount of the bank's 2000 and 2001 HMDA loans were within the assessment areas. In addition, 87 percent by number and 85 percent by dollar amount of the bank's 2000 and 2001 commercial loans were in the assessment area.

<b>HMDA LOANS</b>				
<b>Location</b>	<b>Number</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Inside MSA Assessment Area	335	37	27,176,000	49
Inside Non-MSA Assessment Area	420	46	20,284,000	37
Outside Assessment Areas	152	17	7,511,000	14
<b>TOTAL</b>	<b>907</b>	<b>100</b>	<b>\$54,971,000</b>	<b>100</b>

*Source: 2000 and 2001 HMDA Loan Application Registers*

<b>COMMERCIAL LOANS</b>				
<b>Location</b>	<b>Number</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Inside MSA Assessment Area	291	52	20,692,354	58
Inside Non-MSA Assessment Area	194	35	9,394,308	27
Outside Assessment Areas	71	13	5,380,431	15
<b>TOTAL</b>	<b>556</b>	<b>100</b>	<b>\$35,467,093</b>	<b>100</b>

Source: Bank Data

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

Overall, the bank exhibits an adequate record of lending to borrowers of different incomes and to businesses of different sizes, although limited HMDA lending to low- and moderate-income borrowers was noted in both assessment areas especially in the year 2000.

The following tables reflect the lending distribution of the bank's HMDA and commercial loans originated inside the assessment areas. Separate analyses were conducted on the bank's performance in the MSA Assessment Area (portions of Craighead County) and in the Non-MSA Assessment Area (Greene County and portions of Mississippi County).

#### **MSA Assessment Area**

The 2000 and 2001 HUD estimated Jonesboro MSA Median Family Incomes of \$41,100 and \$42,100, respectively, were used for the borrower distribution analysis on the HMDA loans in this assessment area. The following table provides information on how each income level is defined.

<b>INCOME LEVEL</b>	<b>2000 INCOME RANGE</b>	<b>2001 INCOME RANGE</b>
Low	Less than \$20,550	Less than \$21,050
Moderate	\$20,550 to less than \$32,880	\$21,050 to less than \$33,680
Middle	\$32,880 to less than \$49,320	\$33,680 to less than \$50,520
Upper	\$49,320 and over	\$50,520 and over

The following table reflects the lending distribution of the bank’s 2000 and 2001 HMDA loans which were originated within the assessment area. For comparative purposes, the table includes the percentage of families within each income level. The 2000 aggregate HMDA data for all lenders which reported HMDA loan activity within the assessment area is also provided for comparison purposes. Aggregate data for 2001 was not available.

<b>HMDA LOANS</b>									
<b>Median Family Income Level</b>	<b>% Total Families</b>	<b>2000 Aggregate Lending Data</b>		<b>2000</b>		<b>2001</b>		<b>Total</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	20	182	8	15	8	8	5	23	7
Moderate	16	379	16	17	9	21	14	38	11
Middle	23	565	25	49	27	35	23	84	25
Upper	41	1,141	49	95	53	88	57	183	55
Not Available	NA	47	2	5	3	2	1	7	2
<b>TOTAL</b>	<b>100</b>	<b>2,314</b>	<b>100</b>	<b>181</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>335</b>	<b>100</b>

Source: U.S. Census, 2000 and 2001 HMDA Loan Application Registers, and HMDA Aggregate Data

As illustrated above, the bank’s HMDA lending is primarily to middle- and upper-income borrowers. Specifically, 80 percent of the bank’s loans by number in both 2000 and 2001 were to these two income segments. Conversely, the bank’s lending to low- and moderate-income borrowers is relatively limited. In the year 2000, the bank originated 17 percent of its HMDA loans by number to low- and moderate-income borrowers. This percentage is significantly lower than community demographics, in that 36 percent of assessment area families are considered low- and moderate-income; however, it is noted that the bank’s percentage is more favorable to the performance of aggregate lenders which had 24 percent of loans to low- and moderate-income borrowers. A closer analysis of 2000 data indicated that the bank’s lending to low-income borrowers at eight percent mirrored that of aggregate; however, the bank’s lending to moderate-income borrowers (9%) trailed significantly the performance of aggregate lenders (16%). The bank’s performance in 2001 improved, with loans to low- and moderate-income borrowers increasing to 19 percent of total HMDA loans.

An analysis by dollar amount revealed similar results. In the year 2000, 10 percent of the bank’s lending by dollar amount was made to low- and moderate-income borrowers, compared to aggregate’s 14 percent. The bank’s percentage remained steady at 10 percent in the year 2001.

Although lending to low- and moderate-income borrowers could be enhanced, the dispersion of the bank’s HMDA lending is considered adequate due to the increasing trend in lending to low- and moderate-income borrowers and the fact that the bank is still relatively new to the Jonesboro real estate market. In addition, new loan officers have been recently hired in this assessment area who have much more broad-based lending experience than previous lenders. This should help the bank’s lending to low- and moderate-income borrowers in the future. In fact, a local real

estate broker recently interviewed mentioned American State Bank as being one of the more helpful banks in the Jonesboro area.

The following table depicts the bank’s 2000 and 2001 commercial lending within the assessment area to businesses of different sizes. For comparative purposes, the table includes the percentage of businesses within each gross annual revenue level.

<b>COMMERCIAL LOANS</b>					
<b>Gross Revenues</b>	<b>Percent of Businesses</b>	<b>Number</b>	<b>Percent</b>	<b>Dollar Amount</b>	<b>Percent</b>
Less than \$500,000	81	37	88	1,419,918	77
\$500,000 to \$1,000,000	7	3	7	90,000	5
Over \$1,000,000	9	2	5	328,000	18
Revenues not reported	3	NA	NA	NA	NA
<b>TOTAL</b>	<b>100</b>	<b>42</b>	<b>100</b>	<b>\$1,837,918</b>	<b>100</b>

*Source: Dun & Bradstreet and Bank Data*

As illustrated, a substantial majority (95%) of the bank’s commercial loans in the MSA Assessment Area by number were made to small businesses, which are defined as those businesses with gross annual revenues of \$1 million or less. This lending exceeds the economic demographics of the assessment area in that 88 percent of local businesses have revenues of \$1 million or less. The bank also had a high percentage of its commercial loans by dollar amount (82%) to small businesses. Based on information obtained recently from a community contact, small businesses are a vital component of the local economy. By making such a large percentage of its loans to small businesses, American State Bank is helping to address the financing needs of these businesses.

**Non-MSA Assessment Area**

The 2000 and 2001 HUD estimated State of Arkansas Non-MSA Median Family Incomes of \$32,500 and \$33,800, respectively, were used for the borrower distribution analysis on the HMDA loans in this assessment area. The following table provides information on how each income level is defined.

<b>INCOME LEVEL</b>	<b>2000 INCOME RANGE</b>	<b>2001 INCOME RANGE</b>
Low	Less than \$16,250	Less than \$16,900
Moderate	\$16,250 to less than \$26,000	\$16,900 to less than \$27,040
Middle	\$26,000 to less than \$39,000	\$27,040 to less than \$40,560
Upper	\$39,000 and over	\$40,560 and over

The following table contains the distribution of the bank's 2000 and 2001 HMDA loans in the Non-MSA Assessment Area. Only loans originated in the assessment area are included in this analysis. For comparative purposes, the table includes the percentage of families within each income level, as well as the 2000 aggregate HMDA data. Aggregate data for 2001 was not available.

<b>HMDA LOANS</b>									
<b>Median Family Income Level</b>	<b>% Total Families</b>	<b>2000 Aggregate Lending Data</b>		<b>2000</b>		<b>2001</b>		<b>Total</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	21	65	5	7	4	7	3	14	3
Moderate	16	154	12	18	9	33	15	51	12
Middle	23	325	26	48	25	40	17	88	21
Upper	40	687	55	117	61	145	64	262	63
Not Available	NA	25	2	2	1	3	1	5	1
<b>TOTAL</b>	<b>100</b>	<b>1,256</b>	<b>100</b>	<b>192</b>	<b>100</b>	<b>228</b>	<b>100</b>	<b>420</b>	<b>100</b>

Source: U.S. Census, 2000 and 2001 HMDA Loan Application Registers, and HMDA Aggregate Data

Similar to the MSA Assessment Area analysis above, the bank's HMDA lending in the Non-MSA Assessment Area is also concentrated in middle- and upper-income borrowers. For example, in the year 2000, 86 percent by number of the bank's loans were to these two income segments, while in the year 2001, the percentage was 81 percent. The bank's HMDA lending to low- and moderate-income borrowers was limited to 13 percent in the 2000, which was significantly lower than the community demographics which indicated that 37 percent of assessment area families are considered low- and moderate-income. The bank's lending was however more favorable to the performance of aggregate lenders at 17 percent. The bank's lending to low- and moderate-income borrowers increased to 18 percent in the year 2001.

An analysis by dollar amount revealed similar results. In the year 2000, nine percent of the bank's lending by dollar amount was made to low- and moderate-income borrowers, compared to aggregate's 11 percent. The bank's percentage increased to 13 percent in the year 2001.

Although there is room for improvement, the bank’s distribution of HMDA loans by borrower income in the Non-MSA Assessment Area is also considered adequate, based primarily on the increasing trend in lending to low- and moderate-income borrowers.

The following table depicts the bank’s 2000 and 2001 commercial lending within the assessment area to businesses of different sizes. For comparative purposes, the table includes the percentage of businesses within each gross revenue level.

<b>COMMERCIAL LOANS</b>					
<b>Gross Revenues</b>	<b>Percent of Businesses</b>	<b>Number</b>	<b>Percent</b>	<b>Dollar Amount</b>	<b>Percent</b>
Less than \$500,000	85	37	95	1,115,974	96
\$500,000 to \$1,000,000	5	0	0	0	0
Over \$1,000,000	6	2	5	44,000	4
Revenues not reported	4	NA	NA	NA	NA
<b>TOTAL</b>	<b>100</b>	<b>39</b>	<b>100</b>	<b>\$1,159,974</b>	<b>100</b>

*Source: Dun & Bradstreet and Bank Data*

As shown above, a substantial majority (95 percent by number and 96 percent by dollar amount) of the commercial loans in the Non-MSA Assessment Area were made to small businesses. This lending exceeds the economic demographics of the assessment area in that 90 percent of local businesses have revenues of \$1 million or less. A local community leader interviewed during the examination indicated that small businesses are also vital to the Non-MSA Assessment Area’s economy. The bank’s small business lending in this assessment area is considered good.

**Geographic Distribution of Loans**

The bank has an overall adequate geographic distribution of loans; however, a declining trend in HMDA loans in the Non-MSA Assessment Area’s moderate-income geographies was noted.

The following sections reflect the geographic distribution of the bank’s lending within the assessment areas. Separate analyses were conducted on the bank’s performances in the MSA and in the Non-MSA assessment areas.

## MSA Assessment Area

The following table illustrates the distribution of the bank's 2000 and 2001 HMDA lending in the MSA Assessment Area. For comparison purposes, the distribution of the assessment area's 13,161 owner-occupied housing units for each census tract income level is also shown. The 2000 aggregate HMDA data for all lenders which reported HMDA loan activity within the assessment area is also provided for comparison purposes. Aggregate data for 2001 was not available. As with previous analyses, only loans extended within the assessment area are included in this analysis.

<b>HMDA LOANS</b>									
<b>Census Tract Income Level</b>	<b>% Total Owner- Occupied Housing Units</b>	<b>2000 Aggregate Lending Data</b>		<b>2000</b>		<b>2001</b>		<b>Total</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Moderate	9	228	10	15	8	12	8	27	8
Middle	64	1,419	61	100	55	88	57	188	56
Upper	27	667	29	66	37	54	35	120	36
<b>TOTAL</b>	<b>100</b>	<b>2,314</b>	<b>100</b>	<b>181</b>	<b>100</b>	<b>154</b>	<b>100</b>	<b>335</b>	<b>100</b>

*Source: U.S. Census, 2000 and 2001 HMDA Loan Application Registers, and HMDA Aggregate Data.*

As depicted above, the bank's HMDA loans in the MSA Assessment Area are primarily located in middle- and upper-income geographies. In 2000 and 2001, 92 percent of the bank's HMDA loans by number were originated in these geographies. This concentration is reasonable considering that 91 percent of the owner-occupied housing units are located in middle- and upper-income census tracts. In the year 2000, the bank made eight percent of its loans in the one moderate-income tract in this assessment area, which is slightly below the performance of aggregate lenders at 10 percent; however, the bank's performance is very favorable to community demographics, in that only nine percent of owner-occupied housing units are located in the moderate-income tract. In the year 2001, the bank's lending in the moderate-income geography remained at eight percent.

An analysis by dollar amount revealed similar results. In the year 2000, six percent of the bank's lending by dollar amount was made in the moderate-income census tract, compared to aggregate's eight percent. The bank's lending in the moderate-income geography did however decrease to five percent in the year 2001.

Based on the above discussion, the geographic distribution of the bank's HMDA loans in the MSA Assessment Area is considered reasonable.

The table below presents the geographic dispersion of the bank's 2000 and 2001 commercial loans located in this assessment area. The percentage of assessment area businesses located in each geography income level is provided for comparison.

<b>COMMERCIAL LOANS</b>					
<b>Census Tract Income Level</b>	<b>Percent of Businesses</b>	<b>Number</b>	<b>Percent</b>	<b>Dollar Amount</b>	<b>Percent</b>
Moderate	10	21	7	1,060,115	5
Middle	73	207	71	14,572,625	70
Upper	17	63	22	5,059,614	25
<b>TOTAL</b>	<b>100</b>	<b>291</b>	<b>100</b>	<b>\$20,692,354</b>	<b>100</b>

Source: Dun & Bradstreet and Bank Data

The above data indicates that a substantial majority of the bank's commercial loans in the MSA Assessment Area were located in middle- and upper-income census tracts. Ninety-three percent of the loans by number and 95 percent by dollar amount were in these census tracts. This concentration is reasonable because 90 percent of assessment area businesses are located in middle- and upper-income geographies. Seven percent by number and five percent by dollar amount of the commercial loans were originated in the one moderate-income census tract in this assessment area. This lending is generally comparable to community demographics since only 10 percent of assessment area businesses are located in the moderate-income tract. The geographic distribution of the commercial loans in the MSA Assessment Area is therefore considered reasonable.

### Non-MSA Assessment Area

The following table contains the dispersion of the bank's 2000 and 2001 HMDA lending in the Non-MSA Assessment Area. For comparison purposes, the distribution of the assessment area's 11,880 owner-occupied housing units for each geography income level is also shown, as is the 2000 aggregate HMDA data. Aggregate data for 2001 was not available. Only loans extended within this assessment area are included in this analysis.

<b>HMDA LOANS</b>									
<b>Geography Income Level</b>	<b>% Total Owner-Occupied Housing Units</b>	<b>2000 Aggregate Lending Data</b>		<b>2000</b>		<b>2001</b>		<b>Total</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Moderate	13	134	11	18	10	10	5	28	7
Middle	54	641	51	114	59	117	51	231	55
Upper	33	481	38	60	31	101	44	161	38
<b>TOTAL</b>	<b>100</b>	<b>1,256</b>	<b>100</b>	<b>192</b>	<b>100</b>	<b>228</b>	<b>100</b>	<b>420</b>	<b>100</b>

Source: U.S. Census, 2000 and 2001 HMDA Loan Application Registers, and HMDA Aggregate Data.

Similar to the MSA Assessment Area geographic distribution analysis, the bank’s HMDA lending in the Non-MSA Assessment Area is also concentrated in middle- and upper-income geographies. Specifically, in the years 2000 and 2001, 93 percent of the bank’s HMDA loans by number were made in these two income type geographies. A concentration in these geographies is reasonable due to the fact that 87 percent of the owner-occupied housing units are located in middle- and upper-income geographies. As mentioned above, there are two moderate-income geographies in the Non-MSA Assessment Area. In the year 2000, the bank originated 10 percent of its loans by number in these two areas. This percentage is below community demographics (13% of owner-occupied housing units are located in these geographies); however, the bank’s performance is very favorable to the performance of aggregate lenders at 11 percent. It is noted that the bank’s HMDA lending in the moderate-income geographies decreased to only five percent in 2001. The decline in lending was primarily attributed to the significant deterioration in the Osceola economy, which is where one of the moderate-income geographies is located. The residents of this geography were particularly negatively affected by the closing of manufacturing plants in the area.

An analysis by dollar amount revealed similar results. In the year 2000, 11 percent of the bank’s lending by dollar amount was made in the moderate-income geographies, compared to aggregate’s 8 percent. The bank’s lending in the moderate-income geographies decreased to three percent in the year 2001.

Based on the above analysis, the bank’s overall geographic distribution of HMDA loans in the Non-MSA Assessment Area is considered adequate.

The table below presents the geographic dispersion of the bank’s 2000 and 2001 commercial loans located in this assessment area. The percentage of assessment area businesses located in each geography income level is provided for comparison.

<b>COMMERCIAL LOANS</b>					
<b>Geography Income Level</b>	<b>Percent of Businesses</b>	<b>Number</b>	<b>Percent</b>	<b>Dollar Amount</b>	<b>Percent</b>
Moderate	19	28	14	661,938	7
Middle	39	73	38	4,972,703	53
Upper	42	93	48	3,759,667	40
<b>TOTAL</b>	<b>100</b>	<b>194</b>	<b>100</b>	<b>\$9,394,308</b>	<b>100</b>

Source: Dun & Bradstreet and Bank Data

Similar to the previous analyses above, a large percentage of the bank's commercial loans in the Non-MSA Assessment Area are located in middle- and upper-income geographies. For example, 86 percent by number and 93 percent by dollar amount of the bank's commercial lending in the years 2000 and 2001 were located in these geography types. Again, a concentration is understandable as 81 percent of assessment area businesses are located in middle- and upper-income geographies.

The bank originated 14 percent of its commercial loans by number and seven percent by dollar amount in the two moderate-income geographies in this assessment area. These percentages are below the demographics of the assessment area, in that 19 percent of assessment area businesses are located in the moderate-income geographies. Therefore some room for improvement exists; however, as mentioned above, local economic conditions adversely affected the bank's performance in the Non-MSA Assessment Area. The bank's commercial lending in this assessment area is considered adequate.

### **Loan-to-Deposit Ratio**

The bank's average loan-to-deposit ratio is approximately 74 percent and indicates a reasonable responsiveness to area credit needs. This ratio is based on the 17 quarters since the last evaluation as of July 21, 1997. As mentioned above, the bank has grown dramatically since the last evaluation, with net loans increasing \$9 million to \$161 million. The bank's loan-to-deposit ratio as of the evaluation date was 75 percent. Of the local competitors, there are no similarly situated banks in terms of size, asset structure, branching network, and loan products; however, other banks located within the assessment areas had average loan-to-deposit ratios ranging from 62 to 106 percent over the same 17-quarter time frame.

### **Response to CRA-Related Complaints**

The bank did not receive any CRA-related complaints since the previous examination.

### **Compliance with Anti-Discrimination Laws and Regulations**

No violations of the substantive provisions of the anti-discriminatory laws and regulations were identified during the evaluation.