

PUBLIC DISCLOSURE

May 7, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Greers Ferry Lake State Bank
33471**

**1230 Highway 25 B North
Heber Springs, Arkansas 72543**

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

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

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INSTITUTION RATING

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

CRA performance depicts a Satisfactory practice of meeting the credit needs of the assessment area. The rating is supported by the following:

- An analysis of residential real estate and small business loan originations reveals an effective penetration among borrowers of different income levels and businesses of different sizes. Residential real estate lending to low- and moderate-income borrowers is considered reasonable. The majority of the business loans originated were to small business.
- The geographic distribution of lending is reasonable and reflective of the assessment area demographics.
- A majority of loans reviewed were originated within the bank's assessment area. Overall, the bank originated 98 percent by number and 99 percent by of the dollar volume of loans reviewed within the assessment area.
- The bank has demonstrated a satisfactory responsiveness to community credit needs based on loan demand, competition and the economic and demographic data for the community.

SCOPE OF EXAMINATION

The evaluation of the bank's lending performance is based upon a sample of loans from the loan portfolio. The sample consisted of 20 (\$1,254M) real estate loans from a universe of 41 (\$2,112M) total real estate loans and 33 (\$1,420M) business loans from a universe of 131 (\$4,980M) total business loans. Loan samples included all loans in each category which were originated during the past year. As reflected in the Call Report information, the bank has originated farm loans; however, due to the low percentage of this loan type (less than 3 percent) within the bank's loan portfolio, this category of lending was not included in the evaluation.

DESCRIPTION OF INSTITUTION

Greers Ferry Lake State Bank is located in Heber Springs, Arkansas. M& P Community Bancshares, Inc., a multi-bank holding company located in Newport, Arkansas owns the bank. The bank's main office is in the City of Heber Springs, Arkansas. The bank currently operates four offices including the main office and Sugar Loaf Branch located in Heber Springs along with branches in Greers Ferry and Clinton Arkansas. An automated teller machine (ATM) is located at the drive in window of the main office and the three branches.

As of December 31, 2006 the bank had total assets of \$58 million and total deposits of \$48 million. This compares to total assets of \$55 million and total deposits of \$46 million as of the last evaluation.

Greers Ferry Lake State Bank is a full service community bank which offers a wide range of deposit and loan products. The primary business focus is commercial and residential real estate lending. Collectively, real estate loans and commercial loans represent approximately 83 percent of the total outstanding dollar volume of the loan portfolio. Residential real estate represents 43 percent, commercial real estate represents 19 percent and commercial loans represents 21 percent. A breakdown of the portfolio by loan type and corresponding dollar amount, as reported by the bank, is provided in the following table. The information is provided from the most recent Statement of Condition dated December 31, 2006.

LOAN DISTRIBUTION AS OF DECEMBER 31, 2006		
<i>Loan Type</i>	<i>Dollar Amount (000s)</i>	<i>Percent of Total Loans (%)</i>
Construction and Land Development	1,378	5
Farmland	750	3
1-4 Family Residential	11,463	43
Commercial	5,186	19
Total Real Estate Loans	18,777	70
Commercial and Industrial	5,553	21
Consumer	2,281	9
Other	32	
Total Gross Loans	26,643	100

Source: Statement of Condition

During the 1st Quarter of 2005 the Sugarloaf office located at 1500 A, Highway 25 By-pass, Heber Springs, Arkansas was opened. There are no known legal or financial factors, which would deter the bank from serving the credit needs of the assessment area.

Greers Ferry Lake State Bank received a CRA rating of "Satisfactory" during the April 22, 2002 FDIC evaluation. "Small Bank" CRA procedures were utilized at the prior evaluation and will continue for the current evaluation period.

DESCRIPTION OF ASSESSMENT AREA

Greers Ferry Lake State Bank serves Cleburne and Van Buren Counties. This assessment area is located in central Arkansas and consists of nine census tracts (CTs) Five tracts are located in Cleburne County (9801-9805), all of which are middle-income areas. The Van Buren County portion of the assessment area consists of four tracts (9601-9604). One tract (9602) is a moderate-income area and the remaining CTs are considered middle-income geographies. The following table illustrates general demographic information of the assessment area:

DEMOGRAPHIC INFORMATION	CLEBUREN AND VAN BUREN COUNTIES
Population	40,238
Number of Families	12,170
Percent of Housing Owner-Occupied	60
Percent of Housing Rented	14
Percent of Housing Vacant	26
Median Housing Age (Years)	20
Median Housing Value	\$71,412

Source: 2000 U.S. Census information

The tables below provide the percent of median family income (MFI) used to determine income ranges for each of the four income levels. These income levels are defined by the Community Reinvestment Act (CRA) and are calculated as a percent of the non-Metropolitan Statistical Area Medium Family Income (MFI) for the State of Arkansas. This data is used in the analysis of two of the performance criteria: Lending to Borrowers of Different Incomes and Businesses of Different Sizes; and the Geographic Distribution of Loans.

The 2000 MFI of \$34,263 is taken from census data and is used to determine the income level of the geographies and to evaluate the geographic distribution of loans since geographies are categorized based on census data. The 2006 adjusted MFI of \$38,000 is provided by Department of Housing and Urban Development (HUD) estimates and is used to analyze lending to borrowers of different income levels since borrower income is generally reported on a current basis.

<i>RANGE OF INCOME CALCULATIONS</i>			
<i>INCOME LEVEL</i>	<i>PERCENT OF MFI</i>	<i>2000 RANGE</i>	<i>2006 RANGE</i>
Low	Less than 50%	Less than \$17,131	Less than \$19,000
Moderate	50% to less than 80%	\$17,131 to \$27,410	\$19,000 to \$30,400
Middle	80% to less than 120%	\$27,410 to \$41,116	\$30,400 to \$45,600
Upper	120% and over	\$41,116 and over	\$45,600 and over

Source: 2000 U.S. Census information and 2006 Department of Housing and Urban Development information

The following table provides the 2000 Census data for the distribution of families by income level within the assessment area. The information indicates 17 percent of the families residing in the assessment area are considered low-income and 18 percent are moderate-income. Census data also reveals 10 percent of the families and 15 percent of the households within the assessment area live below the poverty level and three percent receive some type of federal assistance. Additionally, 45 percent of the households receive social security income.

INCOME LEVEL	NUMBER	PERCENTAGE
Low	2,069	17
Moderate	2,228	18
Middle	2,961	24
Upper	4,912	41
TOTAL	12,170	100

Source: 2000 U.S. Census information

Assessment Area Data for Cleburne County

Information obtained from the U. S. Department of Commerce, Bureau of Economic Analysis reveals in 2005 Cleburne County had a per capita personal income (PCPI) of \$25,435 which ranked 16th in the state and was 95 percent of the state average of \$26,681, and 74 percent of the national average of \$34,471. The 2005 PCPI reflected an increase of 3.8 percent from 2004. The 2004-2005 state change was 3.4 percent and the national change was 4.2 percent. Additionally, earnings of persons employed in Cleburne County increased 4.1 percent from 2005. The 2004-2005 state change was 3.8 percent and the national change was 5.6 percent. The U.S. Bureau of Labor reported the unemployment rate for Cleburne County was 4.6 percent in December 2006. This is below the state unemployment rate of 5.3 percent and equal to the national rate of 4.6 percent reported for the same period. There are five other financial institutions operating a total of nineteen offices in Cleburne County.

A community contact was conducted in order to ascertain the current economic condition within the area. The contact sells real estate in the Greers Ferry Lake, Cleburne County area. The contact stated the current economic condition of the area is good. He went on to describe the area as a retirement community which depends largely on tourism as its major source of revenue. According to the contact, the majority of the residential properties sold in the area average over \$200,000. The major need of the area is affordable housing. There were no credit needs identified in the community that were not being addressed.

Assessment Area Data for Van Buren County

Information obtained from the U. S. Department of Commerce, Bureau of Economic Analysis reveals in 2005 Van Buren County had a per capita personal income (PCPI) of \$20,940 which ranked 56th in the state and was 78 percent of the state average of \$26,681, and 61 percent of the national average of \$34,471. The 2005 PCPI reflected an increase of 4.3 percent from 2004. The 2004-2005 state change was 3.4 percent and the national change was 4.2 percent. Additionally, earnings of persons employed in Van Buren County increased 2.6 percent from 2005. The 2004-2005 state change was 3.8 percent and the national change was 5.6 percent. The U.S. Bureau of Labor reported the unemployment rate for Van Buren County was 5.7 percent in December 2006. This is above both the state unemployment rate of 5.3 percent and the national rate of 4.6 percent reported for the same period. There are five other financial institutions operating a total of twelve offices in Van Buren County.

A community contact was also conducted in this area to ascertain the current economic conditions. The contact is a residential real estate agent and the areas he serve include Pope, Yell, Johnson, Conway, Van Buren, Perry, Logan and Newton counties. The contact stated the local economy condition is soft, with home sales slowing down on an average. Housing values have also decreased in the area. The contact stated the most pressing need for the area is more industries. A lot of the industries have gone out of business or left the area within recent years, which is having a direct impact on the housing market. According to the contact there is an adequate supply of affordable housing in the area.

The bank’s assessment area is representative of the area it seeks to serve and does not arbitrarily exclude any low- or moderate-income areas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

When arriving at conclusions for the performance factors discussed below, examiners placed the most weight on real estate and business loans due to management's lending focus and they make up a significant portion of the loan portfolio. Collectively, they account for 83 percent of the dollar volume of the loan portfolio. Therefore, a review of these two categories should be reflective of the overall lending performance by the bank. The following conclusions are based on the bank’s performance throughout their full assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Greers Ferry Lake State Bank has achieved a reasonable penetration among borrowers of different income levels throughout their assessment area. The lending distribution of the bank’s real estate loans and small business loans originated within the assessment area indicates the bank has achieved a reasonable penetration among low- and moderate-income borrowers, as well as, a positive disbursement among the various revenue levels for small businesses.

REAL ESTATE LOANS					
INCOME LEVEL	PERCENT OF FAMILIES	NUMBER	PERCENT	VOLUME	PERCENT
Low	17	1	5	\$33,000	3
Moderate	18	7	35	222,620	18
Middle	24	4	20	129,083	10
Upper	41	8	40	869,609	69
TOTAL	100	20	100	\$1,254,312	100

Source: Bank Records

As reflected in the above tables, the bank originated five percent by number and three percent by dollar to low-income borrowers. This lending pattern is reasonable based on the fact that of the seventeen percent of low income families ten percent live below the poverty level, thus limiting their ability to acquire home loans. Management also attributes the comparatively lower percentage of mortgage loans originated to these families to the limited supply of low-cost

housing availability in the bank's assessment area for purchase. The bank's lending to moderate income borrowers is excellent, 35 percent by number and 18 percent by dollar volume.

The 2006 Dunn and Bradstreet data revealed 91 percent of the businesses within the bank's assessment area are considered small with gross annual revenue of less than \$1 million. The sample of loans reviewed indicates 79 percent of the bank's business loans were made to small businesses. It should be noted that 46 percent of the loans were made to businesses with gross annual revenue less than \$100,000. This data reflects the bank's commitment to small businesses in their assessment area.

The following table depicts the distribution of the sampled business loans made within the bank's full assessment area by annual gross revenue.

BUSINESS LOANS					
GROSS REVENUE	PERCENT OF BUSINESSES	NUMBER	PERCENT	VOLUME	PERCENT
Less than \$100,000	34	15	46	\$289,602	21
\$100,000 to \$250,000	33	1	3	700,000	50
\$250,000 to 1,000,000	24	10	30	47,715	3
Over \$1 million	9	7	21	367,350	26
TOTAL	100	33	100	\$1,404,667	100

Source: Dunn and Bradstreet Bank Records

Small business loan originations were also analyzed by loan size, as a proxy for the size of the businesses being financed. The following table reflects 94 percent by number and 35 percent by dollar volume of the loans originated had an original balance of less than \$100,000. Only two of the loans sampled had an original balance of more than \$100,000. This further indicates the bank's focus on small businesses.

BUSINESS LOANS				
LOAN SIZE	NUMBER	PERCENT	VOLUME	PERCENT
Less than \$100,000	31	94	\$494,667	35
\$100,000 to \$250,000	1	3	210,000	15
\$250,000 to \$1,000,000	1	3	700,000	50
TOTAL	33	100	1,404,667	100

Source: Bank Records

Geographic Distribution of Loans

The geographic distribution of loans is reasonable and reflective of the assessment area demographics. The dispersion is presented in the following tables, which include the percent of families living in the geographies, as well as, the number of businesses within the different

geographies. As stated previously, the bank's assessment area is composed of all middle income geographies with the exception of one moderate income geography.

REAL ESTATE LOANS					
GEOGRAPHY INCOME LEVEL	PERCENT OF FAMILIES	NUMBER	PERCENT	VOLUME	PERCENT
Moderate	8	1	5	\$32,000	3
Middle	92	19	95	1,222,312	97
TOTAL	100	20	100	\$1,254,312	100

Source: 2000 U. S. Census information and Bank Records

As reflected in the above table, the bank originated five percent by number and three percent by dollar volume in the moderate-income geography, where only eight percent of the families live. Based upon the demographics, this reflects an adequate dispersion within the assessment area.

The following tables reflect the geographic distribution of business loans sampled.

SMALL BUSINESS LOANS						
GEOGRAPHY INCOME LEVEL	SMALL BUSINESSES		NUMBER	PERCENT	VOLUME	PERCENT
	#	%				
Moderate	200	17	3	10	\$45,101	3
Middle	1,007	83	30	90	1,359,566	97
TOTAL	1,207	100	33	100	\$1,404,667	100

Source: Dun and Bradstreet information and Bank Records

As reflected in the above table, the bank only originated ten percent by number and three percent by dollar volume in the moderate-income geography where 17 percent of the businesses are located. This also reflects an adequate dispersion based on demographics of the assessment area.

Lending in Assessment Area

As detailed below, a majority of the bank's loans by number and dollar volume were originated within the assessment area. All of the bank's real estate loans, and 97 percent by number and 99 percent by dollar volume of the business loans were originated inside the assessment area.

<i>Distribution of Loans Inside and Outside of the Assessment Area</i>										
<i>Loan Type</i>	<i>Number of Loans</i>					<i>Dollars of Loans (000s)</i>				
	<i>Inside</i>		<i>Outside</i>		<i>Total</i>	<i>Inside</i>		<i>Outside</i>		<i>Total</i>
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>		<i>\$</i>	<i>%</i>	<i>\$</i>	<i>%</i>	
Real Estate	20	100	0	0	20	1,254,312	100	0	0	1,254,312
Business	33	97	1	3	34	1,404,667	99	15,267	1	1,419,934
TOTAL	53	98	1	2	54	2,658,979	99	15,267	1	2,674,246

Source: Bank Records

Loan-to-Deposit Ratio

The bank's average net loan-to-deposit ratio indicates a satisfactory responsiveness to area credit needs. For the 20 quarters since the last evaluation, the average ratio is approximately 70 percent. The loan-to-deposit ratio reached its peak at 79 percent for the June 30, 2004 reporting period. The only other local bank within the assessment area, which had total assets of \$172 million as of March 31, 2007, has a loan-to-deposit ratio of 63 percent for the same 20 quarter period. According to the April 30, 2007, Arkansas State Bank Department Self-Examination Report, the subject bank's ratio of 53 percent is less than its peer group of banks of similar size which is 57 percent.

Response to Complaints

The bank has not received any CRA-related complaints since the last evaluation.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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