

# **PUBLIC DISCLOSURE**

September 23, 2024

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Security Bank  
Certificate Number: 17120

295 Highway 6 West  
Batesville, Mississippi 38606

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
Dallas Regional Office

600 North Pearl Street, Suite 700  
Dallas, Texas 75201

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

## TABLE OF CONTENTS

INSTITUTION RATING .....	1
DESCRIPTION OF INSTITUTION .....	2
DESCRIPTION OF ASSESSMENT AREAS.....	4
SCOPE OF EVALUATION.....	4
CONCLUSIONS ON PERFORMANCE CRITERIA.....	7
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW .....	12
MEMPHIS MSA AA – Full-Scope Review .....	13
MISSISSIPPI NON-MSA AA– Full-Scope Review .....	19
APPENDICES .....	27
INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA.....	27
GLOSSARY .....	28

## INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

**The Lending Test is rated Satisfactory.**

- The loan-to-deposit ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans are in the institution's assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate- income) and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

**The Community Development Test is rated Satisfactory.**

The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment areas through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment areas. Adequate records regarding community development loans, qualified investments, and community development services support this conclusion.

## DESCRIPTION OF INSTITUTION

First Security Bank (FSB) operates as a full-service community bank headquartered in Batesville, Mississippi. FSB is wholly owned by Security Capital Corporation, a one bank holding company also located in Batesville, Mississippi. There are no subsidiaries or affiliates relative to this performance evaluation. FSB has not opened or closed any branches or participated in any merger or acquisition activity since the prior evaluation. FSB received a Satisfactory rating at its previous FDIC CRA Evaluation dated June 16, 2021, based on Interagency Intermediate Small Institution Examination Procedures.

FSB operates 15 full-service offices and 1 limited-service office in Mississippi with cash-dispensing ATMs at 14 of the full-service offices. Furthermore, the bank operates six additional ATMs at various locations. FSB's business strategy is maintaining a well-diversified loan portfolio; however, management acknowledges that commercial and home mortgage lending accounts for most lending activity and is therefore, a lending focus of the institution. The bank offers a variety of loan products including commercial, agricultural, home mortgage, and consumer loans. It also provides a variety of deposit services including checking, savings, money market accounts, and certificates of deposit. Other alternative services include drive-thru banking, wire transfers, safe deposit boxes, telephone banking, internet banking, and mobile banking. FSB offers hours and days of service consistent with area and industry norms. Subsequent sections provide additional details.

As of the June 30, 2024 Report of Income and Condition, the bank reported total assets of approximately \$870.8 million, consisting primarily of net loans and leases of \$504.3 million and Securities of \$290.5 million. Total deposits equaled \$778.7 million as of the same date.

As reflected in the following table, commercial loans represent the largest loan category at 35.9 percent and residential 31.4 percent.

<b>Loan Portfolio Distribution as of 6/30/2024</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	98,877	19.4
Secured by Farmland	35,495	7.0
Secured by 1-4 Family Residential Properties	149,501	29.3
Secured by Multifamily (5 or more) Residential Properties	10,698	2.1
Secured by Nonfarm Nonresidential Properties	143,299	28.1
<b>Total Real Estate Loans</b>	<b>437,870</b>	<b>85.9</b>
Commercial and Industrial Loans	39,866	7.8
Agricultural Production and Other Loans to Farmers	8,101	1.6
Consumer Loans	24,151	4.7
Obligations of State and Political Subdivisions in the United States	124	0.0
Other Loans	1,060	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(237)	0.0
<b>Total Loans</b>	<b>510,935</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment areas' (AA) credit needs.

## DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more AAs in which examiners will evaluate its CRA performance. FSB designated two AAs, consisting of 67 census tracts (CTs) in the Memphis, Tennessee-Mississippi- Arkansas Metropolitan Statistical Area (Memphis MSA) and in the Mississippi nonmetropolitan area (Mississippi Non-MSA).

The Memphis MSA AA includes all CTs in Desoto, Tate, and Tunica Counties and two CTs in Marshall County; all counties are located in Mississippi. The Mississippi Non-MSA AA includes all CTs in Panola and Quitman Counties. Although the bank has not made any changes to the AAs since the prior evaluation, the number of CTs in both AAs increased based on 2020 U.S. Census information.. The areas meet the technical requirements of the CRA. The following table provides additional details regarding each AA. Refer to the individual discussions of the AAs for more details.

<b>Description of Assessment Areas</b>			
<b>Assessment Area</b>	<b>Counties in Assessment Area</b>	<b># of CTs</b>	<b># of Branches</b>
Memphis MSA	Desoto	41	4
	Marshall	2	1
	Tate	6	1
	Tunica	4	2
Mississippi Non-MSA	Panola	11	5
	Quitman	3	2
<b>Total</b>		<b>67</b>	<b>15</b>
<i>Source: Bank Data, 2020 U.S. Census Data</i>			

## SCOPE OF EVALUATION

### General Information

This evaluation covers the period from June 16, 2021, the date of the previous evaluation, to the current evaluation, dated September 23, 2024. To evaluate performance, examiners applied Federal Financial Institutions Examination Council’s (FFIEC) Intermediate Small Institution Examination Procedures, which include the Lending Test and the Community Development Test. The appendix lists each tests’ criteria.

As previously noted, the institution operates in two AAs. As seen in the following table, the institution originated a majority of its loans and more than half of its full-service branches in the Memphis MSA AA. Therefore, examiners applied full-scope procedures in the Memphis MSA AA. Within the Mississippi Non-MSA AA, the bank has more deposits and slightly less than half of its full-service offices; therefore, examiners applied full-scope procedures on this AA also. Examiner applied more weight on performance in the Memphis MSA when arriving at overall conclusions since the bank originated a majority of its lending within this AA.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Memphis MSA	84,665	72.8	303,328	39.0	8	53.3
Mississippi Non-MSA	31,607	27.2	475,359	61.0	7	46.7
<b>Total</b>	<b>116,272</b>	<b>100.0</b>	<b>778,687</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>

*Source: 2023 Bank Data; FDIC Summary of Deposits (6/30/2024)*

### Activities Reviewed

For the Lending Test, CRA Intermediate Small Institution Examination Procedures require examiners to determine the bank’s major product lines for review. As an initial matter, examiners may select from among the same loan categories used for CRA Large Institution evaluations: home mortgage, small business, small farm, and consumer loans. The following table shows FSB’s lending activity for 2023.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	73,067	33.3	162	7.1
Secured by Farmland	16,650	7.6	86	3.7
Secured by 1-4 Family Residential Properties	42,165	19.2	361	15.7
Multi-Family (5 or more) Residential Properties	967	0.4	2	0.1
Commercial Real Estate Loans	0	0.0	0	0.0
Commercial and Industrial Loans	72,396	33.0	274	11.9
Agricultural Loans	0	0.0	0	0.0
Consumer Loans	14,221	6.5	1411	61.4
Other Loans	5	0.0	1	0.1
<b>Total Loans</b>	<b>219,471</b>	<b>100.0</b>	<b>2,297</b>	<b>100.0</b>

*Source: 2023 Bank Data*

As seen in the table above, in 2023, by dollar volume, commercial lending represents 33.0 percent of lending activity and residential lending represents 19.6 percent. Considering the dollar volume and number of loans originated during 2023 as well as management’s statements regarding lending activity, examiners determined the major product lines consist of commercial and residential loans. Since none of the other categories typically reviewed, including small farm and consumer loans, represent major product lines and would not materially affect any conclusions or ratings, this evaluation does not include a review of them. Bank records indicated that the lending activity and product mix remained consistent throughout the evaluation period.

This evaluation considered a random sample of small business loans originated in calendar year 2023. This sample was representative of the bank’s performance during the entire evaluation period. The bank originated 261 small business loans totaling approximately \$29.7 million, of which examiners sampled 143 loans totaling \$15.1 million. The 2023 D&B data provided the

standard of comparison for the sampled small business loans. Examiners based the sample on a 90 percent confidence interval with a 5 percent precision level.

In addition, FSB reports home mortgage loans pursuant to the Home Mortgage Disclosure Act (HMDA). Therefore, this evaluation reviewed all home mortgage loans reported on the bank’s 2021, 2022, and 2023 HMDA Loan Application Registers. For each year, examiners used aggregate HMDA data as a source of comparison. Examiners reviewed the following reported home mortgage loans for this evaluation:

- 2021: 265 home mortgage loans totaling \$40.6 million.
- 2022: 276 home mortgage loans total \$50.1 million.
- 2023: 173 home mortgage loans totaling \$24.6 million.

Examiners analyzed and presented all full calendar years shown above for the AA concentration table. Examiners did not identify any trends between the years’ data that materially affected conclusions. Therefore, for the geographic and distribution and borrower profile reviews, this evaluation presents home mortgage loans for 2023, the most recent year for which home mortgage lending aggregate data exists. As a result of an industry wide decrease in the demand for home mortgage loans combined with an increase in interest rates, the bank’s number of home mortgage loans originated in 2023 decreased as compared to the other years.

Examiners considered the universe of small business and home mortgage loans when determining loan product weighting. Consequently, small business loans received more weight when arriving at overall conclusions. Please see the table below for a comparison.

<b>Loan Products Reviewed</b>				
<b>Loan Category</b>	<b>Universe</b>		<b>Reviewed</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Home Mortgage	173	24,552	173	24,552
Small Business	261	29,731	143	15,114
<i>Source: 2023 Bank Data</i>				

The performance evaluation presents information regarding the number and dollar volume of small business and home mortgage loans; however, for the Lending Test, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of families and businesses served.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the prior evaluation dated June 16, 2021. The scope of this evaluation also considered all prior period qualified investments purchased prior to the previous evaluation and still outstanding as of this evaluation’s date.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

FSB demonstrated a satisfactory record overall regarding the Lending Test. The reasonable geographic distribution and borrower profile primarily supports this conclusion. The bank also demonstrated a reasonable loan-to-deposit ratio and originated a majority of loans inside the AAs.

#### Loan-to-Deposit Ratio

The loan-to-deposit (LTD) is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and AAs credit needs. Examiners considered the bank's size, business strategy, and capacity relative to AA credit needs when arriving at this conclusion.

For the 13 quarters since the previous evaluation, the bank recorded a 59.4 percent average, net LTD ratio, down from the 67.9 percent ratio recorded at the previous evaluation. The average, net LTD ratio varied from a low of 54.2 percent on March 31, 2022, to a high of 64.8 on June 30, 2024, which demonstrates a relatively steady trend since the previous evaluation.

Examiners identified two similarly situated institutions that reflect similar asset sizes, branching structures, and lending emphases to FSB. As shown in the following table, FSB's average net LTD is below, but still comparable to the similarly situated institutions.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 6/30/2024 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>First Security Bank, Batesville, Mississippi</b>	<b>870,767</b>	<b>59.4</b>
Bank of Holly Springs, Holly Springs, Mississippi	551,611	95.9
BNA Bank, New Albany, Mississippi	769,219	66.8

*Source: Reports of Condition and Income 6/30/2021 – 6/30/2024*

#### Assessment Area Concentration

A majority of loans and other lending related activities are inside the institution's AAs. A majority of home mortgage and small business loans originated inside the AAs primarily supports this conclusion. Examiners considered the bank's asset size and office structure relative to the AAs' size and credit needs when arriving at this conclusion.

The following table shows that FSB originated a majority of the home mortgage loans and small business loans, both by number and dollar volume, within its AAs.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000)				Total \$(000)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2021	220	83.0	45	17.0	265	32,347	79.7	8,240	20.3	40,587
2022	207	75.0	69	25.0	276	31,000	61.8	19,130	38.2	50,130
2023	141	81.5	32	18.5	173	17,617	71.8	6,935	28.2	24,552
<b>Subtotal</b>	<b>568</b>	<b>79.6</b>	<b>146</b>	<b>20.4</b>	<b>714</b>	<b>80,964</b>	<b>70.2</b>	<b>34,305</b>	<b>29.8</b>	<b>115,269</b>
Small Business										
2023	107	74.8	36	25.2	143	10,270	68.0	4,844	32.1	15,114
<i>Source: HMDA Reported Data; Bank Data            Due to rounding, totals may not equal 100.0%</i>										

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the AAs for the institution as a whole. Reasonable performance in the Memphis MSA AA sufficiently uplifted the poor performance in the Mississippi Non-MSA AA to support this conclusion. Examiners considered the loan product types reviewed relative to the available comparative data and any performance context issues when arriving at this conclusion. The AAs do not contain any low-income geographies; therefore, examiners only considered the bank’s level of lending within moderate-income CTs when arriving at conclusions. This factor only considered loans originated inside the bank’s AAs. Please see the AA review sections that follow for more details about each individual AA.

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among businesses of different sizes and individuals of different income levels for the institution as a whole. Reasonable performance in the Memphis MSA AA and Mississippi Non-MSA AA primarily support this conclusion. Examiners focused on lending to low- and moderate-income borrowers and to businesses with gross annual revenues of \$1 million or less when arriving at conclusions. This factor only considered loans originated inside the bank’s AAs. Please see the AA review sections for more details on each individual AA.

### **Response to Complaints**

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

## COMMUNITY DEVELOPMENT TEST

The institution’s community development performance demonstrates adequate responsiveness to the community development needs in its AAs through community development loans, qualified investments, and community development services, as appropriate, considering the institution’s capacity and the need and availability of such opportunities for community development in the institution’s AAs.

### Community Development Loans

The following table shows that since the prior evaluation, the bank granted 23 community development loans totaling approximately \$10.9 million. The total dollar volume of community development loans equates to 1.3 percent of average total assets of \$846.1 million and 2.4 percent of net loans of \$456.1 million since the prior evaluation. These levels are similar to levels noted at the prior evaluation.

The following table illustrates the bank’s community development loans by purpose and year. As shown, the majority of community development loans, by dollar, 71.7 percent, benefitted efforts to revitalize or stabilize communities, which supports an identified community development need and illustrates the bank’s adequate responsiveness to those needs.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021 (Partial)	2	175	0	0	0	0	1	669	3	844
2022	1	84	0	0	0	0	2	1,279	3	1,363
2023	1	195	0	0	1	2,001	4	1,374	6	3,570
YTD 2024	1	144	2	180	1	300	7	4,468	11	5,092
<b>Total</b>	<b>5</b>	<b>598</b>	<b>2</b>	<b>180</b>	<b>2</b>	<b>2,301</b>	<b>14</b>	<b>7,790</b>	<b>23</b>	<b>10,868</b>

Source: Bank Data

The following table contains the distribution of community development loans by AA and purpose.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Memphis MSA AA	0	0	0	0	0	0	5	1,997	5	1,997
Mississippi Non-MSA AA	0	0	2	180	2	2,301	9	5,793	13	8,274
Statewide Activities	5	598	0	0	0	0	0	0	5	598
<b>Total</b>	<b>5</b>	<b>598</b>	<b>2</b>	<b>180</b>	<b>2</b>	<b>2,301</b>	<b>14</b>	<b>7,790</b>	<b>23</b>	<b>10,868</b>

Source: Bank Data

The following point provides an example of the bank’s broader statewide community development loans:

- **Affordable Housing:** FSB originated five loans totaling approximately \$598,000 to an organization that funds the development of multi-family housing for moderate- and low-income working families.

Refer to the review of each AA for more details on community development lending activities specific to individual areas.

### **Qualified Investments**

The following table shows that the bank made use of 65 qualified investments totaling approximately \$22.1 million. The total dollar volume equates to 2.6 percent of average total assets of \$846.1 million and 7.2 percent of average total securities of \$305.5 million since the prior evaluation. These levels reflect a decrease of 1.4 percent of average total assets and 9.5 percent of average securities recorded at prior evaluation.

<b>Community Development Qualified Investments</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	0	0	0	0	0	0	19	13,411	<b>19</b>	<b>13,411</b>
2021 (Partial)	0	0	0	0	0	0	17	1,355	<b>17</b>	<b>1,355</b>
2022	0	0	0	0	0	0	17	3,232	<b>17</b>	<b>3,232</b>
2023	0	0	0	0	0	0	12	4,080	<b>12</b>	<b>4,080</b>
YTD 2024	0	0	0	0	0	0	0	0	<b>0</b>	<b>0</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>65</b>	<b>22,078</b>	<b>65</b>	<b>22,078</b>

*Source: Bank Data*

The following table contains the distribution of qualified investments by AA and purpose.

<b>Community Development Qualified Investments by Assessment Area</b>										
<b>Assessment Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Memphis MSA AA	0	0	0	0	0	0	27	7,496	<b>27</b>	<b>7,496</b>
Mississippi Non-MSA AA	0	0	0	0	0	0	7	2,909	<b>7</b>	<b>2,909</b>
Statewide Activities	0	0	0	0	0	0	31	11,674	<b>31</b>	<b>11,674</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>65</b>	<b>22,078</b>	<b>65</b>	<b>22,078</b>

*Source: Bank Data*

The following point provides an example of the bank’s broader or statewide qualified investments:

- **Revitalize or Stabilize:** The bank invested in 13 bonds totaling \$773,500 to a local government to fund infrastructure improvements to the water and sewer system, that primarily benefitted distressed Non-MSA areas statewide.

Refer to the review of each AA for more details on qualified investment activities specific to individual areas.

**Community Development Services**

The following table shows that the bank provided 54 community development services, which on average equates to 1.1 community development services per office, per year since the previous evaluation, and is reflective of adequate performance. The level is consistent with the 1.0 community development services per office, per year reported at the prior evaluation.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021 (Partial)	0	10	0	0	10
2022	0	7	0	0	7
2023	0	23	0	1	24
YTD 2024	0	13	0	0	13
<b>Total</b>	<b>0</b>	<b>53</b>	<b>0</b>	<b>1</b>	<b>54</b>

*Source: Bank Data*

The following table illustrates the distribution of community development services by AA and purpose.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Memphis MSA AA	0	9	0	0	9
Mississippi Non-MSA AA	0	39	0	1	40
Statewide Activities	0	5	0	0	5
<b>Total</b>	<b>0</b>	<b>53</b>	<b>0</b>	<b>1</b>	<b>54</b>

*Source: Bank Data*

The following highlights community development service activities that benefit the bank’s broader statewide area:

- **Community Services:** Bank employees provided a financial literacy course on the basics of personal finance and credit management at a community college in the statewide area in which majority of students receive Pell Grants. The course benefitted a substantial percentage of low- and moderate-income individuals.

- **Community Service:** Bank employees provided a financial literacy curriculum at a community center benefitting majority low- and moderate-income individuals in the statewide area.

The following table illustrates the bank’s branching and ATM distributions during the review period. As shown in the following table, the bank does not have any low-income CTs within its AAs. The table also shows that the percentage level of branches and ATMs in moderate-income CTs are similar to the population level percentage.

<b>Branch and ATM Distribution by Geography Income Level</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	19	28.3	61,039	22.6	4	26.0	5	25.0
Middle	25	37.3	103,443	38.3	6	40.0	7	35.0
Upper	21	31.3	103,443	38.3	5	34.0	8	40.0
NA	2	3.1	2,160	0.8	0	0.0	0	0.0
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>270,085</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>

*Source: 2020 U.S. Census Data; Bank Data*

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs. Therefore, this consideration did not affect the institution’s overall CRA rating.

## MEMPHIS MSA AA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE MEMPHIS MSA AA

The Memphis MSA AA includes 53 CTs in Desoto, Tate, and Tunica Counties, and two CTs in Marshall County, Mississippi. The AA reflects the following income designations according to the 2020 U.S. Census data: 14 moderate-, 19 middle-, 19 upper-income, and one tract with no income designation.

#### Economic and Demographic Data

The following table contains select demographic data of the Memphis MSA AA.

<b>Demographic Information of the Assessment Area Memphis MSA AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	53	0.0	26.4	35.8	35.8	1.9
Population by Geography	230,701	0.0	21.2	37.4	41.4	0.0
Housing Units by Geography	88,616	0.0	23.7	39.0	37.3	0.0
Owner-Occupied Units by Geography	60,038	0.0	15.3	37.6	47.2	0.0
Occupied Rental Units by Geography	21,881	0.0	41.5	41.9	16.6	0.0
Vacant Units by Geography	6,697	0.0	40.7	42.2	17.1	0.0
Businesses by Geography	23,775	0.0	21.0	36.5	42.5	0.0
Farms by Geography	873	0.0	23.7	35.4	40.9	0.0
Family Distribution by Income Level	59,737	18.6	16.7	19.8	44.9	0.0
Household Distribution by Income Level	81,919	18.2	14.2	18.0	49.6	0.0
Median Family Income MSA - 32820 Memphis, TN-MS-AR MSA		\$68,008	Median Housing Value			\$166,972
			Median Gross Rent			\$953
			Families Below Poverty Level			9.1%
<i>Source: 2020 U.S. Census and 2023 D&amp;B Data                      Due to rounding, totals may not equal 100.0%                      (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Service industry represents the largest portion of the area’s businesses at 28.5 percent, followed by non-classifiable establishments at 27.4 percent, and retail trade at 11.4 percent. About 60.4 percent of the businesses hire four or fewer employees. The following table shows the 2023 FFIEC estimated median family income level to analyze home mortgage loans under the Borrower criterion.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Memphis, TN-MS-AR MSA Median Family Income (32820)</b>				
2023 (\$79,200)	<\$39,600	\$39,600 to <\$63,360	\$63,360 to <\$95,040	≥\$95,040
<i>Source: FFIEC</i>				

Major employers in the area include Desoto County School District, Crews Bank & Trust, Wal-Mart Distribution, and Desoto Memorial Hospital.

The following table displays the unemployment rates for Desoto, Marshall, Tate, and Tunica Counties in comparison with the state and national levels.

<b>Unemployment Rates Memphis MSA AA</b>		
<b>Area</b>	<b>December 2022</b>	<b>December 2023</b>
	<b>%</b>	<b>%</b>
Desoto County	2.6	2.3
Marshall County	3.3	3.5
Tate County	3.1	2.6
Tunica County	3.5	2.8
State of Mississippi	3.6	3.2
National Average	3.5	3.7
<i>Source: Bureau of Labor Statistics</i>		

### **Competition**

FSB operates in a moderately competitive environment in this AA. Competition comes from other local, regional, and national banks, as well as mortgage companies and credit unions. As of June 30, 2024, 24 banks operated 86 offices in the AA. According to the 2024 Summary of Deposits, FSB ranked eighth with 5.0 percent of the deposit market share in the Memphis MSA AA.

### **Community Contact**

As part of the evaluation process, examiners contact third parties active in the AA to assist in identifying credit and CD needs. This information helps determine whether local financial institutions are responsive to those needs. It also shows what credit and community development opportunities are available.

Examiners contacted a representative of an economic development organization in the AA that is knowledgeable of the area's economy to help assess the area's current economic conditions, community credit needs, and potential opportunities for bank involvement. The contact indicated that current economic conditions in the area stable, but the economy is growing. The contact stated that the area benefits from being a tristate area with an interstate connecting the adjoining states. The contact noted that a significant need in the area is affordable housing for low- and moderate-

income individuals, as well as additional resources to aid in building up the area’s infrastructure due to the amount of traffic and growing population.

**Credit and Community Development Needs and Opportunities**

Considering information obtained from the community contact, bank management, as well as demographic and economic data, examiners concluded the primary credit needs of the AA include small business and home mortgage loans. In addition, given the number of moderate-income CTs, activities that revitalize and stabilize as well as economic development activities represent the primary community development needs.

**CONCLUSIONS ON PERFORMANCE CRITERIA IN THE MEMPHIS MSA AA**

**LENDING TEST**

FSB demonstrated a satisfactory record regarding the Lending Test in the Memphis MSA AA. A reasonable record regarding geographic distribution and borrower profile supports this conclusion.

**Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the Memphis MSA AA. The excellent performance regarding home mortgage lending did not sufficiently uplift the reasonable performance regarding small business lending to support this conclusion.

***Small Business Loans***

The geographic distribution of small business loans reflects reasonable performance. The following table shows that in moderate-income CTs, the bank lending performance exceeds demographic data by 0.9 percentage points, reflecting reasonable performance.

<b>Geographic Distribution of Small Business Loans Memphis MSA AA</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.0	0	0.0	0	0.0
Moderate	21.0	14	21.9	677	11.2
Middle	36.5	22	34.4	1,564	26.0
Upper	42.5	28	43.8	3,783	62.8
Not Available	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>64</b>	<b>100.0</b>	<b>6,024</b>	<b>100.0</b>
<i>Source: 2023 D&amp;B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the Memphis MSA AA. The following table shows in moderate-income CTs, FSB’s lending performance exceeds aggregate performance by 15.2 percentage points, reflect excellent performance.

<b>Geographic Distribution of Home Mortgage Loans Memphis MSA AA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.0	0.0	0	0.0	0	0.0
Moderate	15.3	13.2	25	28.7	2,308	17.7
Middle	37.6	35.5	31	35.6	4,068	31.2
Upper	47.2	51.3	31	35.6	6,666	51.1
Not Available	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>87</b>	<b>100.0</b>	<b>13,042</b>	<b>100.0</b>
<small>Source: 2020 U.S. Census; HMDA Reported Data, HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</small>						

**Borrower Profile**

The distribution of borrowers reflects reasonable penetration, given the demographics of the Memphis MSA AA, among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. Reasonable performance regarding small business and home mortgage lending support this conclusion.

***Small Business Loans***

The distribution of borrowers reflects reasonable penetration among businesses of different sizes in the Memphis MSA AA. A reasonable record to businesses with gross annual revenues of \$1 million or less primarily supports this conclusion.

The following table shows that the bank granted more than eight out of every ten loans to businesses reporting gross annual revenues of \$1 million or less. Further, the bank’s level of lending by number lands 6.9 percentage points below D&B data, reflecting reasonable performance.

Distribution of Small Business Loans by Gross Annual Revenues Memphis MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	68.3	22	34.4	1,054	17.5
\$100,000 - \$249,999	17.7	21	32.8	2,137	35.5
\$250,000 - \$499,999	3.3	7	10.9	456	7.6
\$500,000 - \$1,000,000	1.6	4	6.3	187	3.1
<b>Subtotal &lt;= \$1,000,000</b>	<b>90.9</b>	<b>54</b>	<b>84.4</b>	<b>3,834</b>	<b>63.7</b>
>\$1,000,000	1.8	8	12.5	1,621	26.9
Revenue Not Available	7.3	2	3.1	569	9.4
<b>Total</b>	<b>100.0</b>	<b>64</b>	<b>100.0</b>	<b>6,024</b>	<b>100.0</b>

*Source: 2023 D&B Data, Bank Data; "--" data not available.  
Due to rounding, totals may not equal 100.0%*

### **Home Mortgage Loans**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels in the Memphis MSA AA. The reasonable performance to low- and moderate-income borrowers primarily support this conclusion.

The following table shows the distribution of loans to low-income borrowers slightly exceed aggregate performance by 1.0 percent, reflecting reasonable performance. Lending to moderate-income borrowers falls below aggregate data by 7.7 percentage points, which is also within a reasonable range.

Distribution of Home Mortgage Loans by Borrower Income Level Memphis MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	18.6	3.6	4	4.6	177	1.4
Moderate	16.7	14.6	6	6.9	411	3.2
Middle	19.8	22.6	11	12.6	2,081	16.0
Upper	44.9	38.8	23	26.4	3,932	30.1
Not Available	0.0	20.4	43	49.4	6,442	49.4
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>87</b>	<b>100.0</b>	<b>13,042</b>	<b>100.0</b>

*Source: 2020 U.S. Census; HMDA Reported Data, HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

### **COMMUNITY DEVELOPMENT TEST**

FSB demonstrates adequate responsiveness to the community development needs in the Memphis MSA AA through community development loans, qualified investments, and community development

services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the AA.

### **Community Development Loans**

FSB originated 5 community development loans totaling nearly \$2.0 million. This dollar volume equates to 18.4 percent of the bank's total level of community development loans, as compared to other activity levels associated within this area, which originates 72.8 percent of loans, generates 39.0 percent of deposits, and operates 53.3 percent of offices. This level of activity represents a slight increase of \$1.7 million dollars from the prior evaluation. All five community development loans helped fund agricultural product and operating costs to small farms businesses operating in moderate-income geographies. The community development loan activity stabilizes a qualifying geography by helping to retain an existing business that provides jobs to low- and moderate-income individuals. ....

### **Qualified Investments**

FSB made use of 27 qualified investments totaling nearly \$7.5 million within the Memphis MSA AA. The dollar volume of qualified investment activity equates to 34.0 percent of total dollar volume of the qualified investments bank wide. As noted, the Memphis MSA AA contributed 39.0 percent of the bank's deposits. This level of activity represents a \$2.8 million dollar decrease from the prior evaluation. All qualified investments benefited revitalization or stabilization of municipalities, school districts, and utility services targeted to low- and moderate-income individuals.

The following lists examples of qualified investments in the Memphis MSA AA:

- ***Revitalize or Stabilize:*** FSB invested \$675,000 in bonds for the construction and repairs to Municipal buildings located in moderate-income CTs and provides services that primarily benefit low- and moderate-income individuals.
- ***Revitalize or Stabilize:*** FSB invested \$725,000 in a bond to a Municipality for infrastructure improvements. The municipality is located within a moderate-income CT and provides services that primarily benefit low- and moderate-income individuals.

### **Community Development Services**

FSB provided 9 instances of financial expertise to community development related organizations in the Memphis MSA AA during the evaluation period. The number of community development services in this area equates to 16.7 percent of the total community development services. These figures reflect a slight increase from the 7 community development services recorded at the prior evaluation in the Memphis MSA AA. All community development services provided for community services targeted to low- and moderate-income individuals.

The following list examples of community development service in the Memphis MSA AA:

- **Community Service:** A bank employee provided financial expertise to host a financial literacy workshop to a community service organization that primarily serves low- and moderate-income individuals.
- **Community Service:** A bank employee provided financial expertise to host a banking and checking account training targeted to students from a local high schools in which majority of students free or reduced-price lunches. Thus, this activity provides community services, in the form of financial educational services, targeted to low- and moderate-income individuals.

FSB operates 8 of its 15 full-service offices, within the Memphis MSA AA, of which two offices operate in moderate-income CTs. Additionally, the bank operates 10 ATMs in this AA, of which 3 operate in moderate-income CTs. These offices and ATMs demonstrate the availability of banking services to low- and moderate-income individuals.

Branch and ATM Distribution by Geography Income Level Memphis MSA AA								
Tract Income Level	Census Tracts		Population		ATMs		Branches	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	14	26.4	48,908	21.2	3	30.0	2	25.0
Middle	19	35.8	86,282	37.4	4	40.0	4	50.0
Upper	19	35.8	95,511	41.4	3	30.0	2	25.0
NA	1	1.9	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>53</b>	<b>100.0</b>	<b>230,701</b>	<b>100.0</b>	<b>10</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census Data; Bank Data</i>								

## MISSISSIPPI NON-MSA AA– Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE MISSISSIPPI NON-MSA

The Mississippi Non-MSA AA consists of all CTs in Panola and Quitman Counties. The AA reflects the following income designations: five moderate-, six middle-, two upper-income CTs and one CT with no income designation.

FFIEC data provided the following CTs as distressed due to poverty, unemployment, and/or population loss: Four CTs in Panola County (9501.00, 9503.00, 9505.00, 9506.00) in 2021; Five CTs in Panola County (9501.02, 9502.02, 9503.01, 9504.00, 9501.01) in 2022, 2023, and 2024; One CT in Quitman County (9502.00) in 2022 and 2023; One CT in Quitman County in 2024.

**Economic and Demographic Data**

The following table contains select demographic data of the Mississippi Non-MSA AA.

<b>Demographic Information of the Assessment Area Mississippi Non-MSA AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	14	0.0	35.7	42.9	14.3	7.1
Population by Geography	39,384	0.0	30.7	43.5	20.2	5.7
Housing Units by Geography	18,662	0.0	32.7	46.0	16.6	4.7
Owner-Occupied Units by Geography	10,178	0.0	24.9	48.7	21.1	5.2
Occupied Rental Units by Geography	5,198	0.0	49.1	34.1	11.9	4.9
Vacant Units by Geography	3,286	0.0	31.1	56.2	9.9	2.7
Businesses by Geography	3,982	0.0	26.8	38.2	30.4	4.6
Farms by Geography	299	0.0	30.4	46.2	20.7	2.7
Family Distribution by Income Level	9,736	25.1	19.8	19.2	35.9	0.0
Household Distribution by Income Level	15,376	28.7	17.8	16.0	37.5	0.0
Median Family Income Non-MSAs – MS		\$53,003	Median Housing Value			\$78,660
			Median Gross Rent			\$607
			Families Below Poverty Level			16.4%
<i>Source: 2020 U.S. Census and 2023 D&amp;B Data            Due to rounding, totals may not equal 100.0%            (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The following table shows the 2023 FFIEC-estimated family median family income for the AA.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Mississippi NA Median Family Income (99999)</b>				
2023 (\$64,200)	<\$32,100	\$32,100 to <\$51,360	\$51,360 to <\$77,040	≥\$77,040
<i>Source: FFIEC</i>				

Non-classifiable establishments represent the largest portion of the area’s businesses at 27.5 percent, followed by services at 26.6 percent, and retail trade at 12.2 percent. About 58.6 percent of the businesses hire four or fewer employees. Major employers in the area include South Panola School District, Mississippi Department of Transportation, and Panola Medical Center.

The following table displays the unemployment rates for Panola and Quitman Counties in comparison with the state and national levels.

<b>Unemployment Rates Mississippi Non- MSA AA</b>		
<b>Area</b>	<b>December 2022</b>	<b>December 2023</b>
	<b>%</b>	<b>%</b>
Panola County	3.3	3.7
Quitman County	5.0	4.0
State of Mississippi	3.6	3.2
National Average	3.5	3.7
<i>Source: Bureau of Labor Statistics</i>		

**Competition**

FSB operates in a modestly competitive environment in this AA. Competition comes from other local, regional, and national banks, as well as mortgage companies and credit unions. As of June 30, 2024, eight banks operated 20 offices in the AA. According to the 2024 Summary of Deposits, FSB ranked first with 55.4 percent of the deposit market share in the Mississippi Non- MSA AA.

**Community Contact**

Examiners contacted a representative of a planning and development agency in the AA. The contact indicated that current economic conditions in the area stable, but the economy is growing. The contact stated that the area benefits from being a tristate area with an interstate connecting the adjoining states. The contact noted that a significant need in the area is affordable housing for low- and moderate-income individuals as a result of the growing number of young professionals and entry level job seekers cannot afford new builds in this area. Additionally, there is a need for additional resources to aid in building up the area’s infrastructure due to the amount of traffic and growing population.

**Credit and Community Development Needs and Opportunities**

Considering information obtained from the community contact, bank management, as well as demographic and economic data, examiners concluded the primary credit needs of the AA include small business and home mortgage loans. In addition, given the number of moderate-income and distressed or underserved middle-income CTs, activities that revitalize and stabilize as well as economic development activities represent the primary community development needs.

**CONCLUSIONS ON PERFORMANCE CRITERIA IN MISSISSIPPI NON-MSA AA**

**LENDING TEST**

Within the Mississippi Non-MSA AA, FSB demonstrated a satisfactory record regarding the Lending Test. A reasonable record regarding borrower profile sufficiently uplifted a poor geographic distribution to support this conclusion.

## Geographic Distribution

The geographic distribution of loans reflects poor dispersion throughout the Mississippi Non-MSA AA. A reasonable performance regarding home mortgage loans did not sufficiently lift the poor performance regarding small business loans to support this conclusion.

### ***Small Business Loans***

The geographic distribution of small business loans in the Mississippi Non-MSA AA reflects poor performance. The following table shows that in moderate-income CTs, the bank's level of lending falls 10.5 percentage points below demographic data, reflecting poor performance.

<b>Geographic Distribution of Small Business Loans Mississippi Non-MSA AA</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.0	0	0.0	0	0.0
Moderate	26.8	7	16.3	320	7.5
Middle	38.2	17	39.5	895	21.1
Upper	30.4	15	34.9	1,323	31.2
Not Available	4.6	4	9.3	1,708	40.2
<b>Totals</b>	<b>100.0</b>	<b>43</b>	<b>100.0</b>	<b>4,246</b>	<b>100.0</b>

*Source: 2023 D&B Data; Bank Data; "--" data not available.  
Due to rounding, totals may not equal 100.0%*

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the Mississippi Non-MSA AA. The following table shows lending performance exceeds aggregate performance by 8.4 percentage points, reflecting reasonable performance.

<b>Geographic Distribution of Home Mortgage Loans Mississippi Non-MSA AA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.0	0.0	0	0.0	0	0.0
Moderate	24.9	21.2	16	29.6	944	20.6
Middle	48.7	44.1	22	40.7	1,869	40.9
Upper	21.1	28.2	13	24.1	1,415	30.9
Not Available	5.2	6.4	3	5.6	347	7.6
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>54</b>	<b>100.0</b>	<b>4,575</b>	<b>100.0</b>

*Source: 2020 U.S. Census; HMDA Reported Data, HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

**Borrower Profile**

The distribution of borrowers reflects, given the demographics of the Mississippi Non-MSA AA, reasonable penetration, given the demographics of the AA among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. The excellent performance regarding home mortgage lending did not sufficiently uplift the reasonable record regarding small business lending to support this conclusion.

***Small Business Loans***

The geographic distribution of small business loans in the Mississippi Non-MSA AA reflects reasonable performance. A reasonable record to businesses with gross annual revenues of \$1 million or less primarily supports this conclusion. The following table shows that the bank granted more six out of every ten loans to businesses reported gross annual revenues of \$1 million or less, reflecting reasonable performance.

<b>Distribution of Small Business Loans by Gross Annual Revenues Mississippi Non-MSA AA</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
< \$100,000	63.2	13	30.2	572	13.5
\$100,000 - \$249,999	19.1	10	23.3	177	4.2
\$250,000 - \$499,999	4.0	1	2.3	11	0.3
\$500,000 - \$1,000,000	1.8	2	4.7	123	2.9
<b>Subtotal &lt;= \$1,000,000</b>	<b>88.0</b>	<b>26</b>	<b>60.5</b>	<b>883</b>	<b>20.9</b>
>\$1,000,000	2.1	12	27.9	2,542	59.9
Revenue Not Available	9.9	5	11.6	821	19.3
<b>Total</b>	<b>100.0</b>	<b>43</b>	<b>100.0</b>	<b>4,246</b>	<b>100.0</b>
<i>Source: 2023 D&amp;B Data, Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

***Home Mortgage Loans***

The distribution of borrowers reflects excellent penetration among individuals of different income levels in the Mississippi Non-MSA AA. The excellent performance to low-income borrowers outweighs the reasonable performance to moderate-income borrowers.

The following table shows the distribution of loans to low- income borrowers exceed aggregate performance by 11.7 percentage points, reflecting excellent performance. Lending to moderate-income borrowers falls slightly below aggregate data by 3.7 percentage points, reflecting reasonable performance. Performance for low-income borrowers presents more loan demand and lending opportunity as indicated by the percent of families. Therefore, examiners afforded more weight to performance for low-income borrowers.

Distribution of Home Mortgage Loans by Borrower Income Level Mississippi Non-MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	25.1	6.8	10	18.5	671	14.7
Moderate	19.8	14.8	6	11.1	276	6.0
Middle	19.2	22.2	8	14.8	452	9.9
Upper	35.9	35.2	18	33.3	1,909	41.7
Not Available	0.0	21.1	12	22.2	1,268	27.7
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>54</b>	<b>100.0</b>	<b>4,575</b>	<b>100.0</b>

*Source: 2020 U.S. Census; HMDA Reported Data, HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

## COMMUNITY DEVELOPMENT TEST

FSB demonstrates adequate responsiveness to the community development needs in the Mississippi Non-MSA AA through community development loans, qualified investments, and community development services, as appropriate, considering the institution’s capacity and the need and availability of such opportunities for community development in the AA.

### Community Development Loans

FSB originated 13 community development loans totaling nearly \$8.3 million. This dollar volume equates to 76.1 percent of the bank’s total level of community development loans, as compared to other activity levels associated with this area, which originates 27.2 percent of loans, generates 61.0 percent of deposits, and operates 46.7 percent of offices. This level of activity represents an increase in dollar volume from the prior evaluation in the amount of \$ 6.2 million. The community development loans primarily served to revitalize and stabilize moderate-income geographies, reflecting responsiveness in addressing identified community development needs.

The following list notable examples of community development loans in the Mississippi Non-MSA AA:

- **Revitalize or Stabilize:** The bank originated a \$1.6 million dollar loan to one of the only medical facilities and pharmacies in a distressed middle-income nonmetropolitan area. The funding prevented the closure of the facility; therefore, this activity stabilizes a qualifying geography by helping to retain an existing business that provides jobs to low- and moderate-income individuals.
- **Economic Development:** The bank originated two loans totaling \$2.3 million dollar loans to small farms that created permanent employment to low- and moderate-income individuals.

## Qualified Investments

FSB made use of 7 qualified investments and donations totaling \$2.9 million within the Mississippi Non-MSA AA. This level of qualified investment activity equates to 13.2 percent of total dollar volume of the adequate level of qualified investments bank wide. As noted, the Mississippi Non-MSA AA contributed 61.0 percent of the bank's deposits. This level of activity is a slight decreased from the \$3.4 million dollar volume noted at the prior evaluation. All qualified investments benefited revitalization or stabilization, which demonstrates responsiveness to one of the bank's identified community development needs.

The following lists examples of qualified investments in the Mississippi Non-MSA AA:

- ***Revitalize or Stabilize:*** FSB invested \$112,592 in a bond to a local school district to prevent a revenue shortfall note due to budget changes. This activity primarily benefits low- and moderate-income families as the majority of students qualify for free or reduced-priced meals.
- ***Revitalize or Stabilize:*** FSB invested \$145,000 in a bond to a local school district to construct and repair school buildings and purchase buses. This activity primarily benefits low- and moderate-income families as the majority of students qualify for free or reduced-priced meals.

## Community Development Services

FSB provided 40 instances of financial expertise to community development related organizations in the Mississippi Non-MSA AA during the evaluation period. The number of community development services in this area equates to 74.1 percent of the total community development services. These figures reflect an increase from the 33 community development services recorded at the prior evaluation in the Mississippi Non-MSA AA. All community development services provided for community services targeted to low- and moderate-income individuals.

The following lists examples of community development services in the Mississippi Non-MSA AA:

- ***Community Service:*** A bank employee taught low- and moderate-income families how to create a savings plan. Thus, this activity provides community services, in the form of financial educational services, targeted to low- and moderate-income individuals.
- ***Community Service:*** A bank employee hosted a financial literacy workshop. This event targeted students from schools in which a majority of students qualify for free or reduced-priced lunches.

FSB operates 7 of its 15 full-service offices, each containing an ATM, within the Mississippi Non-MSA AA. The bank has two offices and two ATMs operating in moderate-income CTs. These offices and ATMs demonstrate the availability of banking services to low- and moderate-income individuals.

<b>Branch and ATM Distribution by Geography Income Level Mississippi Non-MSA AA</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>ATMs</b>		<b>Branches</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	5	35.7	12,091	30.7	2	20.0	2	28.5
Middle	6	42.9	17,132	43.5	3	30.0	2	28.5
Upper	2	14.3	7,956	20.2	5	50.0	3	43.0
NA	1	7.1	2,205	5.6	0	0.0	0	0.0
<b>Total</b>	<b>14</b>	<b>100</b>	<b>39,384</b>	<b>100.0</b>	<b>10</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census Data; Bank Data</i>								

## APPENDICES

### INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

#### **Lending Test**

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

#### **Community Development Test**

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

## 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.

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
  - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

**Community Development Service:** A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

**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.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family 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).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, 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 that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, 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.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**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 Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**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 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 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area** (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

**Qualified Investment:** A 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.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating 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.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.