



Public Disclosure

December 31, 1997

Community Reinvestment Act Performance Evaluation Small Bank

**Great Southern National Bank
Charter No. 17038**

**218 22nd Avenue South
Meridian, Mississippi 39301-5946**

**Office of the Comptroller of the Currency
800 Woodland Parkway, Suite 111
Ridgeland, Mississippi 39157**

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

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Great Southern National Bank** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of December 31, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated **Satisfactory**.

We concluded that the bank's performance is "satisfactory" based on the following:

- o GSNB's average loan-to-deposit ratio of 67% is considered reasonable.
- o A substantial majority of GSNB's loans originated in 1996 and 1997 were within the bank's assessment areas.
- o Lending patterns show a good representation of loans made to individuals with various income levels and businesses and farms of different sizes.
- o The bank is lending throughout its assessment area.

The following table indicates the performance level of the Great Southern National Bank with respect to each of the five performance criteria.

Small Institution Assessment Criteria	Great Southern National Bank Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-deposit ratio		X	
Lending in assessment area	X		
Lending to borrowers of different incomes and to businesses of different sizes		X	
Geographic distribution of loans		X	
Response to complaints	No complaints have been received since the prior examination		

Description of Institution

Great Southern National Bank (GSNB) is a \$196 million financial institution headquartered in Meridian, Mississippi. GSNB is wholly owned by Great Southern Capital Corporation, a one bank holding company. Real estate and retail lending are major business lines for the bank. At 9/30/97 loans secured by 1-4 family residential properties as well as loans to individuals total \$25 million each or 21% of total loans.

GSNB operates thirteen offices in Decatur, Enterprise, Hattiesburg, Pachuta, Quitman, Meridian and Wayne County. No branches have been closed since the last review of Community Reinvestment Act (CRA) in May 1995. A new branch was opened in Hattiesburg during 1996. There are no supervisory concerns (impediments) that would affect GSNB's ability to meet various credit needs based on their financial condition and size.

A number of financial institutions of various sizes operate throughout the assessment area. In Meridian, competition comes from Citizens National Bank (Citizens), BankPlus, as well as three regional banks. While Citizens operates in many of the same markets as GSNB it is twice its size and is not considered to be similarly-situated. In Hattiesburg, competition comes from branches of four regional companies, three savings and loans, four independent community banks and four credit unions. Independent banks or branches of other institutions operate in smaller cities and towns within the assessment area.

Description of Assessment Area

The bank's has seven different assessment areas within the state of Mississippi. The two largest assessment areas are Meridian and Hattiesburg. All of the bank's assessment areas are nonmetropolitan areas and are contiguous with the exception of the Hattiesburg Metropolitan Statistical Area (MSA). The bank's assessment area meets regulatory guidelines. Of the fifty-two block numbering areas (BNAs) or census tracts in the bank's assessment area; six (12%) are low income, six (12%) are moderate income, twenty-nine (56%) are middle income, and eleven (21%) are upper income. Low income is considered to be less than 50% of median family income. Moderate income is considered to be between 50% and 79% of median family income, middle income is 80% to 119% while upper income is 120% and above.

The population for the assessment area is 226,736 and comprised of 83,167 households based on the 1990 census. The median family income is \$29,303 for nonmetropolitan areas and \$24,742 for the bank's entire assessment area.

Lauderdale County, the largest assessment area, has a strong economy and low unemployment. For November 1997, the unemployment rate was 5.4%. Discussions with a local community contact did not reveal any unmet credit needs.

Conclusions with Respect to Performance Criteria

Loan-to-deposit ratio

GSNB's average loan-to-deposit ratio (LTD) of 67.30% is reasonable. The ratio was averaged over ten quarters which covers June 1995 to September 1997. This is the time elapsed since the bank's CRA performance was last reviewed. As of September 30, 1997, the bank's LTD was 69.81%. We did not identify any similar-situated institutions within the assessment area. However, Citizens National Bank with assets in excess of \$400 million is headquartered in Meridian and has offices in many of the same markets. For the same time period, their average LTD was 32.65%. As of September 30, 1997, Citizens' LTD was 42.75%.

Lending in the Assessment area

A substantial majority of the loans originated by GSNB are within the bank's assessment area. The bank's compliance officer prepares annual lending pattern analyses. For 1997, the bank extended 4,035 loans with 90% of the loans being in the bank's assessment area. Total dollar volumes of loans were \$62,235M with 87% being in the assessment area. In 1996, 92% of loan originations by number and 93% by dollar volume were within the bank's assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

GSNB's loan dispersion for 1996 and 1997 reflects reasonable lending levels to borrowers of different incomes and businesses of different sizes. Demographic data utilized during the examination shows that low-income families make up 23.24% of the population, 15.07% is moderate-income, 18.03% is middle-income, and 43.66% is upper-income. The bank's analyses show that lending percentages to low and upper income families are somewhat lower than the population percentages of families making up those income levels. However, lending to moderate and middle income borrowers are slightly higher.

1997 Originations Of All Loan Types				
Income Levels of Families	Number of Loans	Percentage	Dollar of Loans (000s)	Percentage
Low Income	516	12.79%	2,241	3.59%
Moderate Income	629	15.59%	4,129	6.62%
Middle Income	780	19.33%	5,861	9.40%
Upper Income	1,277	31.65%	29,956	48.03%
Unknown	833	20.64%	20,178	32.35%
Total Loans	4,035		62,365	

1996 Originations Of All Loan Types				
Income Levels of Families	Number of Loans	Percentage	Dollar of Loans (000s)	Percentage
Low Income	527	13.58%	1,996	3.80%
Moderate Income	598	15.40%	3,254	6.20%
Middle Income	796	20.50%	5,781	11.02%
Upper Income	1224	31.53%	28,132	53.61%
Unknown	737	18.99%	13,314	25.37%
Total Loans	3882		52,477	

Loans to small businesses, those with annual revenue less than \$1 million, are good. Business revenue is not captured separately by the bank's data gathering process but are included with individual incomes in internally prepared reports. Therefore, we reviewed a listing of loan originations for 1997 and 1996 with the objective of identifying businesses by name. As shown in the chart below, the bank originated 75% and 81% of its loans in 1997 and 1996 respectively to small businesses in amounts of \$50M or less. These small loan amounts indicate a strong lending pattern to small businesses. The results of our review are reflected in the table below:

Originations of Small Business Loans				
Size of Loans (000's)	1997 Number of Originations	1997 Percentage of Originations	1996 Number of Originations	1996 Percentage of Originations
\$0-25	105	60%	118	71%
over \$25 to \$50	24	14%	16	10%
over \$50 to \$100	26	15%	16	10%
over \$100 to \$250	11	6%	8	5%
over \$250 to \$500	5	3%	6	3%
over \$500	4	2%	2	1%
Total Loans	175		166	

Geographic Distribution of Loans

The geographic distribution of loans originated by GSNB shows reasonable penetration throughout all areas of the community. The bank's analysis of its lending pattern is based on census tracts and BNAs within the assessment area. Based on this analysis, loans have been made in every tract and BNA within the assessment area and no conspicuous gaps were observed. For 1997, the number of loans originated by geography were 3% in low income, 7% in moderate income, 63% in middle income, and 28% in upper income. In 1996, they were 3% in low income, 6% in moderate income, 66% in middle income, and 26% in upper income.

Response to Complaints

The bank's public file did not contain any complaints regarding the bank's performance under the CRA. We found no evidence of discrimination or disparate treatment during our examination.

Metropolitan Statistical and Nonmetropolitan Statewide Areas

This section of the evaluation presents conclusions regarding GSNB's performance for the Hattiesburg MSA and Lauderdale County assessment areas. The remaining assessment areas contain middle income BNAs only and an analysis of the bank's lending performance in those areas would not be meaningful.

Conclusions with Respect to Performance in the Hattiesburg MSA and Nonmetropolitan Statewide Area

GSNB's performance in helping to meet the credit needs of its assessment area within the Hattiesburg MSA and the Lauderdale assessment areas meet the standard for satisfactory performance.

Description of Assessment Area (Hattiesburg MSA)

This assessment area is the only one designated as an MSA. The Hattiesburg MSA is comprised of Forrest and Lamar counties and contains twenty-three census tracts. Five (22%) of the tracts are low income, two (9%) are middle income, twelve (52%) are middle and four (17%) are upper. The population of the area is 98,738 and comprised of 35,931 households. The median family income is \$24,469. However, the bank's assessment area excludes census tract 106 in Forrest County and tracts 201, and 203-206 in Lamar County. Census tract 106 is middle income, tract 201 is middle, tracts 203-206 are middle or upper with the exception of 206 which is moderate. The bank's assessment area contains 18 tracts. Five (28%) tracts are low, one (6%) is moderate, eight (44%) are middle and four (22%) are upper.

Loan-to-deposit ratio

The bank's LTD for this assessment area was not considered separately since all locations operate under one charter and data was not available to determine the LTD for the Hattiesburg MSA.

Lending in the Assessment Area

In 1997, the bank originated 755 loans totaling \$9,502M within Forrest and Lamar Counties. Over 95%, by number and dollar, were within the assessment area. During 1996, the bank originated 715 loans totaling \$8,682M. Over 94%, by number and dollar, were within the assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Based on management loan reports for 1997, the volume of loans to borrowers of different incomes is reasonable.

All Loans Originated in 1997 - Hattiesburg MSA			
Income Level of Families	Number of Loans	Percentage of Loans	Percentage of Families by Income Level
Low Income	121	16%	24%
Moderate Income	120	16%	16%
Middle Income	162	21%	18%
Upper Income	305	40%	42%
Unknown Income	47	6%	not applicable
Total	722		

In 1997, 44 loans were originated to businesses in the Hattiesburg MSA. Ninety three percent (93%) of these loans were in amounts of less than \$100M.

Geographic Distribution of Loans

The bank’s distribution of loans within the assessment area reflects reasonable distribution throughout the assessment area. For 1997, the number of loans originated by geography were 17% in low income, 35% in moderate income, 49% in middle income, and 34% in upper income.

Response to Complaints

The bank’s public file did not contain any complaints regarding the bank’s performance under the CRA.

Description of Assessment Area (Lauderdale County)

Lauderdale County contains 17 census tracts. One (6%) tract has been designated as low income, four (24%) are moderate income, five (29%) are middle income and seven (41%) are upper. The county’s population is 75,555 and 28,342 households. The median family income is \$21,995.

Loan-to-deposit ratio

The bank’s LTD for this assessment area was not considered separately since all locations operate under one charter and data was not available to determine the LTD for the Lauderdale County.

Lending in the Assessment Area

In 1997, the bank originated 1,212 loans totaling \$26,628M within Lauderdale County. By number and amount, over 99% were within the assessment area. During 1996, the bank originated 1,116 loans totaling \$24,387M within the assessment area. Again, over 99% by number and amount are within the assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Based on management loan reports for 1997, the volume of loans to borrowers of different incomes is reasonable.

All Loans Originated in 1997 - Lauderdale County			
Income Level of Families	Number of Loans	Percentage of Loans	Percentage of Families by Income Level
Low Income	99	8%	21%
Moderate Income	188	16%	13%
Middle Income	230	19%	17%
Upper Income	519	43%	48%
Unknown Income	166	14%	not applicable
Total	1212		

In 1997, 175 loans were originated to businesses in Lauderdale County. The majority (85%) of these loans were in amounts less than \$100M.

Geographic Distribution of Loans

The bank’s distribution of loans within the assessment area reflects reasonable distribution throughout the assessment area. For 1997, the number of loans originated by geography were 2% in low income, 17% in moderate income, 18% in middle income, and 62% in upper income.

Response to Complaints

The bank’s public file did not contain any complaints regarding the bank’s performance under the CRA.