



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

October 24, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Banksouth
Charter Number 713480

6340 Lake Oconee Parkway, Greensboro, GA 30642

Office of the Comptroller of the Currency

Three Ravinia Drive Suite 550

Atlanta, GA

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of 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.

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

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

BankSouth's *Lending Test* performance rating is supported by the following:

- a more than reasonable loan-to-deposit ratio given the bank's size, financial condition and assessment area credit needs;
- an adequate level of responsiveness to the credit needs of its assessment areas;
- a reasonable penetration of home loans among borrowers of different income levels;
- a reasonable dispersion of home mortgage loans among census tracts of different income levels.

BankSouth's *Community Development Test* performance rating is supported by the following:

- an adequate level of responsiveness to the community development needs of its assessment areas;
- a reasonable level of community development loans, investments, and services within the assessment areas the bank serves.

Scope of Examination

This evaluation assessed the bank's performance pursuant to the Intermediate Small Savings Bank procedures. These procedures include tests for lending and community development. The integrity of internal loan data was tested, and was determined to be reliable for purposes of evaluating the bank's CRA performance.

We determined the bank's primary lending product to be residential mortgage loans. To evaluate performance under the Lending Test, we reviewed home mortgage loans originated between January 1, 2014 and December 31, 2015. These loans were evaluated from data reported pursuant to Home Mortgage Disclosure Act requirements. In assessing performance with respect to the Community Development Test, we evaluated the bank's loans, grants, donations, services, and equity and debt investments that satisfied the definition of community development. For loans, investments, and services that meet the definition of community development, the evaluation period was June 17, 2013 through October 24, 2016.

The bank has designated four separate assessment areas. Full scope procedures were conducted for three of the bank's assessment areas. The Atlanta assessment area did not receive a limited scope review, as it has only one branch office and the smallest deposit share of the four assessment areas.

The majority of the bank's home mortgage lending (90 percent) is located outside of the combined assessment areas. BankSouth is non-traditional in that it conducts a substantial majority of its lending activity regionally due to its mortgage subsidiary. Thus, an evaluation based solely on assessment areas that are tied to branch offices would not capture the bank's full lending performance. However, unless performance inside the assessment areas adequately met community credit needs, then lending outside the assessment areas would be considered. Following our review, we were able to conclude that the bank adequately addressed the needs of its assessment areas. In reaching this conclusion, we considered that the bank's low- and moderate-income lending performance in its assessment areas mostly exceeded that of all 2015 aggregate lenders. We also considered that the bank originated a high volume of community development loans within its assessment areas (approximately \$13 million). In addition, product offerings are responsive to community credit needs, and branch offices all provide a full range of the bank's offerings.

Because we determined that the bank adequately addressed the needs of its assessment areas, we also considered its lending activity outside the assessment areas. Analysis revealed that 41 percent of home mortgage lending was conducted inside the Atlanta-Sandy Springs-Roswell, Georgia Metropolitan Statistical Area (Atlanta MSA), excluding those areas of the MSA that were included in the bank's Atlanta assessment area. Therefore, a very large concentration of mortgages originated outside of the bank's assessment areas were made within the Atlanta MSA. This makes it reasonable to analyze and reach conclusions about lending performance outside the assessment areas based on lending in the Atlanta MSA (again, excluding the 36 census tracts that are part of the Atlanta assessment area). So, in addition to analysis of lending in full scope assessment areas, our analysis also included home mortgage lending performance throughout the Atlanta MSA, not including the Atlanta assessment area.

Description of Institution

BankSouth is a federally chartered thrift headquartered in Greensboro, Georgia. As of June 30, 2016, BankSouth had total assets of \$494 million. The thrift is wholly owned by BankSouth Holding Company, a closely held unitary thrift holding company, also located in Greensboro. BankSouth operates BankSouth Mortgage, which is a wholly owned subsidiary. Deposits are stable and typically generated within the communities the bank serves. Lending is focused on originating consumer and business purpose loans within the branch footprint. The bank experienced loan growth of 23 percent from year-end 2014 to year-end 2015. Loan growth has been primarily concentrated in 1-4 family construction loans and closed-end 1-4 family mortgages.

The bank operates from its main office in Greensboro, Georgia, at Lake Oconee, and from five branch offices. Other branch locations include downtown Greensboro (1), Watkinsville (1), Atlanta (1), and Savannah (2). The main office at Lake Oconee is located in an upper-income census tract, while the downtown Greensboro office is in a moderate-income census tract. The Atlanta office and one of the Savannah offices are in upper-income census tracts. The other Savannah office is located in a middle-income census tract. BankSouth Mortgage operates a mortgage loan production office in

Athens, Georgia. There were no legal or regulatory impediments adversely affecting BankSouth's ability to meet community credit needs during the review period.

Lobby hours at the main office and downtown office are 8:30am until 4:30pm Monday through Thursday and Friday from 8:30am until 5:00pm. Both offices have Saturday lobby hours from 8:30am until noon, and extended drive-thru hours available Monday through Friday. Lobby hours at the Watkinsville office are 9:00am to 5:00pm Monday through Thursday, 9:00am until 6:00pm on Friday, and 9:00am until noon on Saturday, with extended drive-through hours available Monday through Friday. Neither of the two Savannah offices nor the Atlanta office, offers Saturday hours, nor do these offices feature drive-thru facilities. Most offices have ATMs on the branch premises, and there are two additional ATMs located in the Lake Oconee area.

BankSouth offers mortgages for the purchase, construction, and refinancing of residential dwellings as well as mortgages secured by rental properties, lot acquisition loans and home equity loans and lines of credit. The bank also offers commercial real estate loans and farm loans. Commercial loans are offered for working capital and to purchase real estate, equipment and inventory. Loans guaranteed by the Small Business Administration (SBA) are also available. Consumer lending products include unsecured personal loans, overdraft protection, and loans secured by deposits, boats and automobiles. BankSouth primarily delivers products and services through its main office and branches. Other product delivery systems include business and personal online banking and electronic bill payment services. Through online banking, customers can view balances and review account histories, transfer money between accounts, order statement copies, make loan payments, and reorder checks. Online bill pay services allow customers to pay bills owed to any merchant, institution, or creditor.

During 2014 and 2015, 85 percent of the bank's loan originations were home mortgages. For that same time period, consumer loans made up 5 percent of loan originations and business loans made up ten percent.

Description of Assessment Area(S)

BankSouth has established four assessment areas, three of which were selected for a full scope review. BankSouth encounters substantial competition from other financial institutions and mortgage loan providers within its combined assessment areas. Besides BankSouth, a total of 28 FDIC-insured financial institutions operate 128 branches in the combined assessment areas. As of June 30, 2016, the top four banks based on total deposits in BankSouth's combined assessment areas were Ameris Bank, Bank of America, Bank of the Ozarks and Branch Banking and Trust.

The Non-MSA assessment area consists of Greene County in its entirety and two census tracts in Putnam County and one in Morgan County. During the period under review, Morgan County became part of an MSA. Greene County, where BankSouth's main office is located, is home of Lake Oconee, which offers golfing, fishing and water sports, as well as upscale second homes for many families. Greene County's cost of living is 6.60 percent lower than the U.S. average. Median household income for 2014 was \$41,390 compared to the U.S. average of \$53,482. Data from the Bureau of Economic Analysis shows that the top three largest employers in Greene County are Reynolds Plantation, The Ritz-Carlton Lodge at Reynolds Plantation, and the Greene County Board of Education.

The Athens assessment area consisting of Clarke and Oconee Counties is part of the Athens-Clarke County, GA MSA. According to the U. S. Census, the average household income for 2014 was \$33,430 for the Athens-Clarke County, GA MSA compared with \$53,482 for the entire U.S. According to the Bureau of Economic Analysis, the MSA's labor force for 2016 indicates an unemployment rate of 4.9 percent. The Athens-Clarke County MSA economy remained fairly robust during the review period. Athens is home to the University of Georgia, a state supported institution that is part of the University System of Georgia. Bureau of Economic Analysis data shows that the largest employers in the MSA are the University of Georgia, Athens Regional Medical Center, the Clarke County School District, ConAgra (food processor), and Caterpillar.

The Savannah assessment area consists entirely of Chatham County, Georgia. Chatham County is located on the state's Atlantic coast. The county seat and largest city is Savannah. The U.S. Census Bureau's 2015 population estimate for Chatham County was 286,956, making Chatham the most populous Georgia County outside the Atlanta metropolitan area. Census data for 2015 indicates that household median income for Chatham County was \$44,928, with median family income of \$54,933. According to the Bureau of Labor Statistics data for 2015, the average unemployment rate for Chatham County was 9.1 percent. The U.S. Bureau of Economic Analysis shows that the top three largest employers in Chatham County are Memorial Health Medical Center, Gulfstream Aerospace Corporation (which is also the largest aerospace manufacturer in the southeast), and St. Joseph's/Candler Hospital.

The bank has also designated an Atlanta assessment area that includes parts of Fulton and DeKalb Counties. The bank only has one office in that assessment area. Thus, we did not select that area for a full scope review. The tables below, which are based on 2010 U.S. Census data, set forth a summary of demographics for full scope assessment areas which include the Non-MSA assessment area, the Athens assessment area, and the Savannah assessment area. We also included a table for the Atlanta assessment area, even though that area was not selected for a full scope review.

Non-MSA ASSESSMENT AREA DEMOGRAPHIC INFORMATION						
	TRACT INCOME LEVEL					
		TOTAL	LOW	MODERATE	MIDDLE	UPPER
CENSUS TRACTS	#	10	0	2	6	2
	%	100%	0%	20%	60%	20%
POPULATION	#	26,764	0	7,414	12,715	6,635
BY LOCATION	%	100%	0	28%	47%	25%
FAMILIES BY	#	7,645	0	1,865	3,742	2,038
INCOME LEVEL	%	100%	0	24%	49%	27%
HOUSING UNITS	#	15,851	0	3,321	7,478	4,252
BY CENSUS TRACT	%	100%	0	22%	50%	28%
% OWNER OCCUPIED	%	55.69%	0	49%	58%	56%
% RENTER OCCUPIED	%	13.47%	0	33%	9%	6%
% VACANT	%	30.84%	0	18%	32%	38%
MEDIAN HOUSING VALUE	\$	243,866				
MEDIAN AGE OF HOUSING	#	1987				

ATHENS ASSESSMENT AREA DEMOGRAPHIC INFORMATION						
	TRACT INCOME LEVEL					
		TOTAL	LOW	MODERATE	MIDDLE	UPPER
CENSUS TRACTS	#	36	8	6	10	12
	%	100%	22%	17%	28%	33%
POPULATION BY LOCATION	#	149,522	28,038	23,604	43,202	54,678
	%	100%	19%	15%	29%	37%
FAMILIES BY INCOME LEVEL	#	30,148	3,496	3,740	9,275	13,637
	%	100%	12%	12%	31%	45%
HOUSING UNITS BY CENSUS TRACT	#	62,827	11,085	10,231	18,961	22,550
	%	100%	18%	16%	30%	36%
% OWNER OCCUPIED	%	45.34%	7%	9%	34%	50%
% RENTER OCCUPIED	%	39.24%	28%	21%	28%	23%
% VACANT	%	15.43%	25%	23%	25%	27%
MEDIAN HOUSING VALUE	\$	182,760				
MEDIAN AGE OF HOUSING	#	1983				

SAVANNAH ASSESSMENT AREA DEMOGRAPHIC INFORMATION						
	TRACT INCOME LEVEL					
		TOTAL	LOW	MODERATE	MIDDLE	UPPER
CENSUS TRACTS	#	71	11	22	18	18
	%	100%	16%	31%	25%	25%
POPULATION	#	265,128	27,238	72,565	71,661	93,701
BY LOCATION	%	100%	10%	27%	27%	35%
FAMILIES BY	#	62,377	6,010	16,490	16,457	23,420
INCOME LEVEL	%	100%	10%	26%	26%	38%
HOUSING UNITS	#	116,632	12,190	33,168	32,288	38,986
BY CENSUS TRACT	%	100%	10%	29%	28%	33%
% OWNER OCCUPIED	%	50.58%	28%	38%	52%	67%
% RENTER OCCUPIED	%	35.55%	53%	47%	33%	22%
% VACANT	%	13.87%	20%	15%	15%	11%
MEDIAN HOUSING VALUE	\$	196,855				
MEDIAN AGE OF HOUSING	#	1976				

ATLANTA ASSESSMENT AREA DEMOGRAPHIC INFORMATION						
	TRACT INCOME LEVEL					
		TOTAL	LOW	MODERATE	MIDDLE	UPPER
CENSUS TRACTS	#	36	0	6	9	21
	%	100%	0	16.67%	25%	58.33%
POPULATION	#	163,669	0	26,903	40,960	95,806
BY LOCATION	%	100%	0	16.44%	25.03%	58.54%
FAMILIES BY INCOME LEVEL	#	39,150	0	56,078	8,156	25,316
	%	100%	0	14%	21%	65%
HOUSING UNITS BY CENSUS TRACT	#	79,122	0	12,745	21,542	44,835
	%	100%	0	16%	27%	57%
% OWNER OCCUPIED	%	60.29%	0	18%	33%	62%
% RENTER OCCUPIED	%	27.76%	0	64%	50%	29%
% VACANT	%	11.95%	0	18%	17%	9%
MEDIAN HOUSING VALUE	\$	368,970				
MEDIAN AGE OF HOUSING	#	1982				

Based on a review of the location of BankSouth's offices and the distribution of its loan originations, the assessment areas comply with regulatory requirements.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank's performance under the Lending Test for its three full scope assessment areas is rated Satisfactory. The bank's performance in the Atlanta assessment area is not inconsistent with those assessment areas that received full scope reviews. To derive our conclusions for the Lending Test, we focused on the bank's primary product, which is home mortgages. As the bank is a non-traditional thrift with mortgage loan originations throughout a regional area, we considered the bank's lending both inside and outside of the assessment areas. Lending outside the assessment area was also considered reasonable.

Loan-to-Deposit Ratio

BankSouth’s average loan-to-deposit (LTD) ratio demonstrates the bank’s strong commitment to lend within its combined assessment areas. The average LTD ratio was calculated by averaging the bank’s ratios over the eight quarters beginning January 1, 2014 and ending December 31, 2016. During this period, the bank’s LTD ratio averaged 98.16 percent, with a quarterly low of 86.17 percent and a quarterly high of 104.50 percent. There are three similarly situated banks within the assessment areas. Over the same eight quarter review period, the similarly situated banks had a combined average LTD ratio of 63.26 percent. Thus, compared with the LTD ratios of similarly situated banks, BankSouth’s LTD ratio is more than reasonable.

Based on the foregoing, we concluded that BankSouth’s average LTD ratio meets the standard for outstanding performance.

Lending in Assessment Area

The table below depicts the number and dollar volume of home mortgage loans originated inside and outside the combined assessment areas from January 1, 2014, through December 31, 2015. Information in the table was compiled based upon internal loan registers.

Lending in Assessment Areas										
	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		#	%	#	%	
Home Mortgage Loans	838	11.71	6,319	88.29	7,157	\$180	10.37	\$1,555	89.63	1,735

Source: HMDA-reportable data for 2014 and 2015.

As indicated in the preceding table, the percentage of mortgage loans based on number and dollar volume inside the combined assessment areas is much less than the percentage of loans outside the assessment areas. BankSouth operates a mortgage subsidiary, BankSouth Mortgage, which originates and sells 1-4 family mortgage loans on the secondary market. The mortgage operations are not limited to BankSouth’s assessment areas, but may be originated throughout a larger regional area that includes the assessment areas. Most originations are within the state of Georgia.

Because BankSouth did not originate a majority of loans inside its assessment areas, the bank does not meet the standards for satisfactory performance for this criterion. However, the bank’s lending is consistent with its business strategy and we concluded that BankSouth adequately met the credit needs of its assessment areas.

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

Overall, the distribution of loans among borrowers of different income levels within the full scope assessment areas is reasonable in light of demographic comparators and comparison with aggregate lending data. Lending outside the assessment areas was also reasonable.

Non-MSA Assessment Area

We analyzed home mortgage lending in the Non-MSA assessment area using borrower income compared to the MFI level annually adjusted by the Federal Financial Institutions Examination Council (FFIEC). The updated MFI figures for non-metropolitan areas in the state of Georgia for 2015 and 2016 were \$47,800 and 45,300, respectively. Approximately 16.92 percent of households in the Non-MSA assessment area live below the poverty level. During the period under review, Morgan County became part of the Atlanta MSA. Therefore, the one census tract in Morgan County that is part of the assessment area was excluded from this analysis. The following table reflects the bank’s lending performance compared with the percent of families in the Non-MSA assessment area that are low- and moderate-income:

Borrower Distribution of Home Mortgage Loans in Non-MSA Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Mortgage Loans	19.67	1.91	14.69	8.78	21.5	14.5	44.14	73.28

Source: HMDA-reportable loans for 2014 and 2015. Income information was not available for 1.53 percent of originations.

The distribution of home loans in the Non-MSA assessment area reflects an overall reasonable penetration among borrowers of different income levels when compared with demographics. Although lending to low-income borrowers is low, the 16.92 percent poverty level is high and limits lending opportunities to low-income borrowers. Lending to moderate-income borrowers is lower than the percent of families that are moderate-income.

The bank’s lending to low-and moderate-income borrowers was also compared to the aggregate of all lenders reporting HMDA data within the Non-MSA assessment area. For 2015, aggregate lenders originated 1.2 percent of home mortgages to low-income borrowers, and 5.86 percent to moderate-income borrowers. As indicated in the above table, BankSouth originated 1.91 percent of home mortgage loans to low-income borrowers and 8.78 percent to moderate-income borrowers. Thus, BankSouth’s lending to low-and moderate-income borrowers in the Non-MSA assessment area exceeds the aggregate percentages for all lenders.

Overall, the bank’s lending to low- and moderate-income borrowers in the Non-MSA assessment area compares favorably to demographics for low-income borrowers (taking poverty levels into account), and to the aggregate of all lenders. Thus, we determined that the distribution of home loans in the Non-MSA assessment area reflects a reasonable distribution among borrowers of different income levels.

Athens Assessment Area

We analyzed home mortgage lending in the Athens assessment area by comparing borrower income to the annually adjusted MFI levels for the Athens-Clarke County, Georgia MSA. The updated MFI

figures for the Athens assessment area for 2015 and 2016 were \$56,600 and \$56,100, respectively. Approximately 23.75 percent of households in the Athens assessment area live below the poverty level. In the table below, we analyzed BankSouth’s lending to low- and moderate-income borrowers to the percentages of families in the Athens assessment area that are low- and moderate-income.

Borrower Distribution of Home Mortgage Loans in Athens Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Mortgage Loans	23.77	3.46	14.94	13.72	17.48	20.29	43.81	57.52

Source: HMDA-reportable loans for 2014 and 2015. Income information was not available for 5.1 percent of originations.

The distribution of home loans in the Athens assessment area reflects an overall reasonable penetration among borrowers of different income levels compared with demographics. Although lending to low-income borrowers is low, the 23.75 poverty level percentage is very high and limits lending opportunities to low-income borrowers. Lending to moderate-income borrowers is only slightly lower than the percent of families that are moderate-income.

We also made a comparison of the bank’s lending to low-and moderate-income borrowers to the aggregate of all lenders reporting HMDA data within the Athens assessment area. For 2015, aggregate lenders originated 3.94 percent of home mortgages to low-income borrowers, and 11.44 percent to moderate-income borrowers. As indicated in the above table, BankSouth originated 3.46 percent of home mortgage loans to low-income borrowers and 13.72 percent to moderate-income borrowers. Thus, BankSouth’s lending to low-and moderate-income borrowers in the Athens assessment area exceeds the aggregate percentages for all lenders.

The bank’s lending to low- and moderate-income borrowers in the Athens assessment area compares favorably to demographics for low- and moderate-income families (taking poverty levels into account), and exceeds the aggregate of all lenders. Thus, we determined that the distribution of home loans in the Athens assessment area reflects an excellent distribution among borrowers of different income levels.

Savannah Assessment Area

We analyzed home mortgage lending in the Savannah assessment area by comparing borrower income to the annually adjusted MFI levels for the Savannah, Georgia MSA. The updated MFI figures for the Savannah assessment area for 2015 and 2016 were \$61,300 and \$63,500, respectively. Approximately 15.19 percent of households in the Savannah assessment area live below the poverty level. The bank’s performance lending to low- and moderate-income borrowers compared with the percentages of families in the assessment area who are low- and moderate-income, is reflected in the following table:

Borrower Distribution of Home Mortgage Loans in Savannah Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Mortgage Loans	23.06	5.32	18.13	11.7	19.35	28.72	39.46	54.26

Source: HMDA-reportable loans for 2014 and 2015.

The distribution of home loans in the Savannah assessment area reflects an overall poor penetration among borrowers of different income levels compared with demographics. Lending to low-income borrowers is low, even considering the 15.19 percent poverty level which limits lending opportunities to low-income borrowers. Lending to moderate-income borrowers is also lower than the percent of families that are moderate-income.

We also compared the bank’s home mortgage lending to low-and moderate-income borrowers to the aggregate of all lenders reporting HMDA data within the Savannah assessment area. For 2015, aggregate lenders originated 5.25 percent of home mortgages to low-income borrowers, and 14.75 percent to moderate-income borrowers. As indicated in the above table, BankSouth originated 5.32 percent of home mortgage loans to low-income borrowers and 11.7 percent to moderate-income borrowers. Thus, BankSouth’s lending to low-and moderate-income borrowers in the Savannah assessment area exceeds the aggregate percentages for all lenders.

Because the bank’s lending to low- and moderate-income borrowers exceeds the aggregate, we determined that the distribution of home loans in the Savannah assessment area reflects a reasonable penetration among borrowers of different income levels.

Lending Outside Assessment Area – Atlanta MSA

In light of our determination that BankSouth’s lending performance inside its assessments areas adequately addressed community credit needs, we also analyzed its performance outside its assessment areas. Our review focused on the Atlanta MSA where the bank originated a large concentration of home mortgages. This analysis includes only those loans outside the bank’s assessment areas. Therefore, the 36 census tracts in Fulton and DeKalb County that make up one of the bank’s four assessment areas, were excluded from the analysis.

The following table reflects the bank’s lending performance compared with the percent of families in the Atlanta MSA that are low- and moderate-income. For purposes of analyses, updated MFI figures for the Atlanta MSA were \$70,100 for 2014, and \$67,374 for 2015. Also, approximately 7.79 percent of households in the Atlanta MSA live below the poverty level.

Borrower Distribution of Home Mortgage Loans in Atlanta MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Mortgage Loans	22.02	6.47	17.28	21.35	19.73	27.00	40.97	44.62

Source: HMDA-reportable loans for 2014 and 2015. Income information was not available for 0.56 percent of originations.

The distribution of home loans in the Atlanta MSA reflects an overall reasonable penetration among borrowers of different income levels compared with demographics. While lending to low-income borrowers is low, even considering the 7.79 percent poverty level, lending to moderate-income borrowers is higher than the percent of families that are moderate-income.

We also compared the bank’s home mortgage lending to low-and moderate-income borrowers to the aggregate of all lenders reporting HMDA data within the Atlanta MSA. For 2015, aggregate lenders originated 8.53 percent of home mortgages to low-income borrowers, and 18.05 percent to moderate-income borrowers. As indicated in the above table, BankSouth originated 6.47 percent of home mortgage loans to low-income borrowers and 21.35 percent to moderate-income borrowers. Thus, BankSouth’s lending to low-and moderate-income borrowers in the Atlanta MSA is slightly less than aggregate lending to low-income borrowers and exceeds aggregate lending to moderate-income borrowers.

Because the bank’s penetration of low- and moderate-income borrowers is reasonable compared with demographics and exceeds the aggregate, we determined that the distribution of home loans in the Atlanta MSA reflects a reasonable distribution among borrowers of different income levels.

Geographic Distribution of Loans

The geographic distribution analysis that follows depicts an overall reasonable dispersion of residential real estate lending throughout the bank’s full scope assessment areas. The distribution of loans outside the assessment areas is also reasonable.

Non-MSA Assessment Area

The analysis presented in the following table reflects the adequacy of dispersion of lending among census tracts of different income levels within the Non-MSA assessment area. There are no low-income census tracts in the assessment area. The analysis is based on the bank’s HMDA-reportable data during 2014 and 2015. The analysis compares the percentage of home mortgage originations in census tracts of different income levels to the percentage of owner-occupied housing units (OOHUs) located within those areas.

Geographic Distribution of Home Mortgage Loans in Non-MSA Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Mortgage Loans	0.00	0.00	19.33	15.65	52.09	39.31	28.58	45.04

Information in the above table shows that BankSouth’s lending in moderate-income census tracts is lower than the OOHUs located in those tracts. This analysis, on its own, indicates a poor dispersion of loans to moderate-income census tracts in the Non-MSA assessment area. However, the bank’s home mortgage lending among census tracts of different income levels was also analyzed in light of the aggregate performance of all HMDA-reporting lenders in the Non-MSA assessment area. For 2015, aggregate lenders originated 9.59 percent of loans in moderate-income census tracts. Given that 15.65 percent of BankSouth’s originations were in moderate-income census tracts, the bank greatly exceeded the record of aggregate lenders.

Based on the forgoing, we determined that BankSouth’s record of home mortgage lending reflects a reasonable dispersion of loans among the moderate-income census tracts in the Non-MSA assessment area.

Athens Assessment Area

The analysis presented in the following table reflects the adequacy of dispersion of lending among census tracts of different income levels within the Athens assessment area. The analysis is based on the bank’s HMDA-reportable data during 2014 and 2015. The analysis compares the percentage of home mortgage originations in census tracts of different income levels to the percentage of OOHUs located within those areas.

Geographic Distribution of Home Mortgage Loans in Athens Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Mortgage Loans	6.78	3.10	9.43	9.19	33.75	34.01	50.04	53.70

Information in the above table shows that BankSouth’s lending in low-income census tracts in the Athens assessment area is lower than the OOHUs located in those tracts. However, lending in moderate-income census tracts is commensurate with OOHUs. The bank’s home mortgage lending among census tracts of different income levels was also analyzed in light of the aggregate

performance of all HMDA-reporting lenders in the Athens assessment area. For 2015, aggregate lenders originated 3.77 percent of loans in low-income census tracts and 9.08 percent in moderate-income census tracts. The bank’s lending in low- and moderate-income census tracts compares favorably with the record of aggregate lenders as 3.10 percent of BankSouth’s originations were in low-income census tracts and 9.19 percent were in moderate-income census tracts,

Overall, BankSouth’s record of home mortgage lending in the Athens assessment area reflects a reasonable dispersion among low- and moderate-income census tracts.

Savannah Assessment Area

The analysis presented in the following table reflects the adequacy of dispersion of lending among census tracts of different income levels within the Savannah assessment area. The analysis is based on the bank’s HMDA-reportable data during 2014 and 2015. The analysis compares the percentage of home mortgage originations in census tracts of different income levels to the percentage of OOHUs located within those areas.

Geographic Distribution of Home Mortgage Loans in Savannah Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Mortgage Loans	5.74	5.32	21.41	10.64	28.60	26.60	44.25	57.44

Information in the above table shows that BankSouth’s lending in low-income census tracts in the Savannah assessment area compares favorably with the percentage of OOHUs located in those tracts. However, lending in moderate-income census tracts is lower than OOHUs. The bank’s home mortgage lending among census tracts of different income levels was also analyzed in light of the aggregate performance of all HMDA-reporting lenders in the Savannah assessment area. For 2015, aggregate lenders originated 4.0 percent of loans in low-income census tracts and 12.26 percent in moderate-income census tracts. The bank’s lending in low- and moderate-income census tracts is commensurate with the record of aggregate lenders as 5.32 percent of BankSouth’s originations were in low-income census tracts and 10.64 percent were in moderate-income census tracts.

Overall, BankSouth’s dispersion of lending among low- and moderate-income census tracts in its Savannah assessment area is reasonable.

Lending Outside the Assessment Area - Atlanta MSA

The analysis presented in the following table reflects the adequacy of dispersion of lending among census tracts of different income levels within the Atlanta MSA (excluding those geographies within the MSA that are part of one of the bank’s four assessment areas). The analysis is based on the bank’s HMDA-reportable data during 2014 and 2015. The analysis compares the percentage of home mortgage originations in census tracts of different income levels to the percentage of OOHUs located within those areas.

Geographic Distribution of Home Mortgage Loans in Atlanta MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Mortgage Loans	2.89	2.21	19.06	11.9	41.78	37.54	36.27	48.35

Information in the above table shows that BankSouth’s lending in low-income census tracts in the Atlanta MSA is reasonable compared with OOHUs located in those tracts. However, lending levels are lower than the OOHUs located in moderate-income tracts. The bank’s home mortgage lending among census tracts of different income levels was also analyzed in light of the aggregate performance of all HMDA-reporting lenders in the Atlanta MSA. For 2015, aggregate lenders originated 1.69 percent of loans in low-income census tracts and 13.06 percent in moderate-income census tracts. The bank exceeded aggregate lending in low-income tract and was slightly below aggregate lending in moderate-income tracts as evidenced in the table above.

Overall, BankSouth’s dispersion of lending among low- and moderate-income census tracts in the Atlanta MSA is considered reasonable.

Responses to Complaints

BankSouth has not received any complaints during this evaluation period directly related to CRA performance.

COMMUNITY DEVELOPMENT TEST

BankSouth’s performance with respect to the community development test is rated “Satisfactory”.

The bank’s level of community development activity reflects adequate responsiveness to the needs of low- and moderate-income individuals and census tracts within its full scope assessment areas. Performance in the limited scope assessment area is not inconsistent with performance in the full scope area. The bank operates six full service branch offices, and offers the full range of deposit and lending services at each office. In addition, the bank has originated a good level of community development loans in the assessment areas, and has made adequate investments and donations that satisfy low- and moderate-income needs. Further, bank officers and lending staff regularly volunteer their time and expertise to organizations that provide financial education, as well as housing and childcare services to low- and moderate-income families.

Number and Amount of Community Development Loans

Overall, BankSouth made an adequate level of community development loans in its full scope assessment areas. While community development lending in the Non-MSA assessment area where the main office is located is very strong, lending in the Athens and Savannah assessment area

needs to improve. Performance in the limited scope assessment area is not inconsistent with that of the full scope areas.

Non-MSA Assessment Area

Since June, 2013, the bank has made approximately \$13.3 million in community development loans in the Non-MSA assessment area. These loans are described below:

- Originated a loan for \$8.4 million to construct a medical supply manufacturing facility in a moderate-income census tract in Putnam County. The loan was made in cooperation with the Georgia State Small Business Credit Initiative. BankSouth was the lead lender in the project. This loan will help create jobs in the area. The bank made another \$500,000 commercial line of credit to support business operations in connection with the construction loan.
- A construction loan in the amount of \$2.4 million, to a charter school located in a distressed middle-income census tract. The school is completely subsidized by the free lunch program for students. The bank made another loan to purchase land to further expand this charter school.
- Origination of a \$940,000 loan to Old Salem Volunteer Fire Department. This fire department helps to stabilize the distressed middle-income census tract in which it is located.
- Loans for the repair/renovation/expansion of three churches, all located in moderate-income census tracts. These loans total approximately \$547,000. These churches provide needed community services and general lifestyle assistance within moderate-income census tracts.
- Originated two loans in the approximate total amount of \$1 million to senior assisted living facilities. Most residents of these facilities received Medicare assistance.

Athens Assessment Area

The bank did not originate any community development loans in the Athens assessment area during the period under review.

Savannah Assessment Area

The bank originated a loan in the amount of \$180,000 in a distressed middle-income census tract in Chatham County. The purpose of the loan is the purchase of a commercial building for a medical facility that provides needed services to the community.

Number and Amount of Qualified Investments

BankSouth has provided an adequate level of qualified community development investments and donations throughout its full scope assessment areas. Performance in the limited scope assessment area is not inconsistent with performance in the full scope areas.

Some of BankSouth's qualified investments benefit the entire state of Georgia, including the bank's assessment areas. Specifically, the bank had remaining balances of \$290,000 and \$198,000 in two Georgia Tax Credit Fund investments. The Georgia Tax Credit Fund provides for the construction and rehabilitation of apartment complexes throughout Georgia, including the assessment areas that offer rents affordable to low- and moderate-income families and senior citizens.

Non-MSA Assessment Area

Since June 2013, the bank has made qualified investments/donations in the Non-MSA assessment area in the approximate total amount of \$51,000. These were made up of donations to various non-profit organizations within the Non-MSA assessment area. These organizations are involved in such activities as economic revitalization, building affordable housing, providing shelter and other needed services for at-risk youth, providing educational assistance to low- and moderate-income students, and offering financial literacy and education and childcare services for low-and-moderate income families.

Athens Assessment Area

Since June 2013, BankSouth has made qualified investments/donations in the Athens assessment area in the approximate amount of \$3,000. These were donations made to support education for low- and moderate-income students and for providing assistance to the disabled.

Savannah Assessment Area

BankSouth has made qualifying donations totaling \$23,000 in its Savannah assessment area. These were made to organizations that benefit and promote affordable housing and education for low- and moderate-income families, and to organizations that provide general life assistance programs for the underprivileged. Among these donations is a \$20,000 donation to the United Way Coastal Empire to provide disaster relief for Hurricane Matthew victims.

Extent to Which the Bank Provides Community Development Services

BankSouth has provided an adequate level of community development services throughout its full scope assessment areas. Performance in the limited scope assessment area is not inconsistent with performance in the full scope areas.

BankSouth offers a full range of loan and deposit services at each of its branch locations. All locations feature ATMs and drive-thru facilities with extended hours. In addition, to serve the needs of low-and moderate-income individuals, the bank participates in the "Step up Savannah" program offering no and low-cost checking accounts for those who have never had accounts before or who have had trouble managing an account in the past. As a bank wide effort, BankSouth also offers a product called Second Chance Checking. This account is designed for people who have had trouble managing a checking account in the past. Management's goal is to help customers recover financially. Currently, there are approximately 200 Second Chance Checking accounts. These accounts feature Non-interest Checking, Unlimited check writing, \$9.00 monthly service charge, \$50 minimum deposit to open the account, \$0 Overdraft limit, Lower ATM and debit limits

(\$150 ATM and \$500 POS), and No fee for ATM withdrawals at ATMs owned by BankSouth. After eighteen months, customers in good standing can qualify for a conventional checking account of their choice.

Non-MSA Assessment Area

Bank employees provided financial and professional expertise to a number of qualified organizations in Greene County during the evaluation period. Specifically, bank representatives participate in the annual Affordable Housing Resource Fair in Greene County. Also, a bank employee lends financial expertise to “Community in Unity”. This organization provides various types of assistance to the underprivileged. In addition, an employee in mortgage operations served on the Board of Directors for the Greene County Habitat for Humanity.

Athens Assessment Area

Bank officers and employees are active in financial capacities for several non-profit organizations that address low- and moderate-income needs in the Athens assessment area. Specifically, bank officers serve on the boards of directors and participate in financial planning and fund raising for the Junior League and the “Extra Special People” organization. These groups provide such services as financial literacy for the underprivileged, educational assistance for at-risk youth, and the empowerment of developmentally disabled children.

Savannah Assessment Area

Bank officers lend their financial acumen to support a number of United Way initiatives in the Savannah assessment area. A bank officer participated as a panelist in a meeting sponsored by United Way that focused on the financial challenges of low-income women in the community. In addition, bank representatives shared financial expertise with the United Way Women’s Legacy Council, and a bank officer served as the United Way’s Coastal Empire Campaign Chair.

Employees are also active in such positions as the Vice Chairman of the Housing Authority of Savannah, and as Board members of the Savannah Early Childhood Education Foundation and Educate Chatham. All of these organizations serve the needs of low- and moderate income families in Chatham County.

Responsiveness to Community Development Needs

The bank’s community development performance is satisfactory. Responsiveness to the community development needs of the assessment areas through community development loans, qualified investments, and community development services is reasonable.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.