



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 13, 2009

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**Great Southern National Bank
Charter Number 17038**

**218 22nd Avenue
Meridian, MS 39302**

Office of the Comptroller of the Currency

**ADC-Birmingham
100 Concourse Parkway Suite 240
Birmingham, AL 35244**

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.

Great Southern National Bank (GSNB) has a satisfactory record of meeting community credit needs. The primary factors supporting the bank's overall rating include:

- The institution's loan-to-deposit ratio is considered reasonable given the bank's size, financial condition, and assessment area needs.
- A substantial majority of loans are made within the assessment areas.
- The institution's distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans is adequate in low and moderate income geographies.

DESCRIPTION OF INSTITUTION

Great Southern National Bank (GSNB) is a \$244 million community bank located in Meridian, MS. The bank is majority owned by Great Southern Capital Corporation (GSCC), a one-bank holding company located in Meridian, MS. Great Southern National Bank is comprised of its main office in Meridian, MS as well as four branches in the Meridian area. The bank has other full service branches located in the communities of Decatur, Enterprise, Pachuta, Quitman, and Waynesboro. These branches are located in Clarke, Newton, and Wayne Counties, MS. Great Southern also has branches in Hattiesburg, MS. In addition, the bank operates 10 proprietary automated teller machines (ATM's) at various branch locations. GSNB offers a array of traditional loan and deposit products for individual and commercial concerns. GSNB's primary business focus is real estate lending for both consumer and business purposes as well as consumer loans. The loan portfolio composition as of September 30, 2008, is as follows:

Loan Portfolio Composition as of September 30, 2008		
Loan Type	Dollar Amount (000's)	Percent of Total Loans
Construction and Land Development	8,879	7%
Secured by Farmland	8,746	6%
One-to-Four Family Residential	34,551	27%
Commercial Real Estate	26,634	21%
Total Real Estate Loans	78,810	61%
Agricultural	977	1%
Commercial and Industrial	18,865	15%
Consumer	30,050	23%
Other	186	0%
Total Loans	128,888	100%

Source: Report of Condition Dated September 30, 2008

No legal or financial factors impede GSNB's ability to meet the credit needs within the assessment area. GSNB received a Satisfactory rating during the prior CRA evaluation dated June 18, 2003. The information used in this analysis was obtained using the Home Mortgage Disclosure Act-Loan Application Register (HMDA-LAR) data and business loan samples.

DESCRIPTION OF ASSESSMENT AREAS

Great Southern National Bank has two assessment areas. GSNB's primary assessment area (AA) is a non-metropolitan statistical area (Non-MSA) and is comprised of all census tracts in Clarke, Lauderdale, Newton, Wayne and Jasper Counties. The AA meets the CRA requirements and does not arbitrarily exclude any low and moderate-income tracts. Meridian is located in Lauderdale County. Meridian is the largest city within a 75-mile radius. The largest employers in the area include Peavey Electronics, Rush Medical Center, Anderson Medical Center, and the Riley Foundation Hospital. The following table shows the demographic and economic characteristics of the Non-Metropolitan assessment area (AA).

Demographic and Economic Characteristics of the Non-Metropolitan MSA AA: Clarke, Jasper, Lauderdale, Newton, and Wayne Counties						
Demographic Characteristics	# Total	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A* % of #
Geographies (Census Tracts/BNAs)	35	8.6%	14.3%	62.8%	14.3%	0
Population by Geography	157,319	5.7%	11.9%	63.6%	18.8%	0
Owner-Occupied Housing by Geography	45,443	3.2%	10.7%	68.5%	17.6%	0
Businesses by Geography	17,949	10.6%	12.5%	62.2%	14.7%	0
Farms by Geography	326	4.3%	3.4%	75.8%	16.5%	0
Family distribution by Income Level	42,725	4.9%	11.5%	64.5%	19.1%	0
Distribution of Low and Moderate Income Families throughout AA Geographies	16,558	9.8%	16.6%	63.3%	10.3%	0
Median Family Income, 2000 Census		\$33,550	Median Housing Value (as of 2000)			\$55,555
HUD Adjusted Median Family Income for 2007		\$38,800	Unemployment Rate: November 2008			
Households Below Poverty Level		22.3%	USA 6.7% Mississippi 7.2% Clarke County 7.2% Jasper County 7.3% Lauderdale County 7.2% Newton County 6.4% Wayne County 6.7%			
% Businesses with Revenues < \$1 million		30.6%	% Farms with Revenues < \$1 million			92.9%
% Businesses with Revenues > \$1 million		2.2%	% Farms with Revenues > \$1 million			1.5%

Source: 2000 U.S. Census data; 2007 HUD updated income data; 2007 Business Geodemographic Data; Bureau of Labor Standards. The N/A category consists of geographies that have not been assigned an income classification.

The Hattiesburg MSA is the bank's secondary assessment area. Only 18% of the reviewed HMDA-related loans made within the AA were originated in the Hattiesburg MSA. As of December 8, 2008, only 17% of total loans originated were originated in the Hattiesburg MSA. The largest employers in the area include Forrest General Hospital, University of Southern Mississippi, and the Hattiesburg Clinic. Marshall Durbin Poultry and Hood Cable Company are the largest manufacturing and distribution employers in the area. The following table shows the demographic and economic characteristics of the Hattiesburg MSA AA.

Demographic and Economic Characteristics of Hattiesburg MSA: Forrest and Lamar Counties						
Demographic Characteristics	# Total	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A* % of #
Geographies (Census Tracts/BNAs)	23	8.7%	26.1%	43.4%	21.8%	0
Population by Geography	111,674	6.6%	17.3%	41.8%	34.3%	0
Owner-Occupied Housing by Geography	27,332	3.9%	10.9%	46.6%	38.6%	0
Businesses by Geography	12,180	7.8%	12.9%	40.2%	39.1%	0
Farms by Geography	192	1.6%	7.3%	53.1%	38.00%	0
Family distribution by Income Level	28,200	5.9%	13.2%	44.2%	36.7%	0
Distribution of Low and Moderate Income Families throughout AA Geographies	10,732	10.5%	20.5%	46.2%	22.8%	0
Median Family Income, 2000 Census		\$38,187	Median Housing Value			\$74,006
HUD Adjusted Median Family Income for 2007		\$43,000	Unemployment Rate:			
Households Below Poverty Level		19.0%	November 2008			
			United States			6.7%
			Mississippi			7.2%
			Forrest County			5.9%
			Lamar County			4.8%
% Businesses with Revenues < \$1 million		43.5%	% Farms with Revenues < \$1 million			89.1%
% Businesses with Revenues > \$1 million		3.4%	% Farms with Revenues > \$1 million			7.7%

Source: 2000 U.S. Census data; 2007 HUD updated income data; 2007 Business Geodemographic Data; Bureau of Labor Standards. The N/A category consists of geographies that have not been assigned an income classification.

Competition in the primary AA is strong given the presence of several large and community banks in Meridian, MS. There are approximately 13 banks that compete in the market area. GSNB holds a strong market position in the surrounding counties of Clarke, Newton, and Wayne County.

Two community contacts were made to assess the credit needs of the bank's assessment areas. The types of organizations contacted included a small business development corporation and a city's community development department. The needs identified by these organizations included more LIHTC (low-income housing tax credit) projects, micro-lending loan programs for start-up businesses, and funding for developers to build low-income housing. Also, the organizations indicated that banks should provide more credit counseling to individuals and businesses that have credit problems.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending performance was assessed based on the bank's primary loan products. The bank is primarily a real estate lender with over 60% of the bank's loans in this category. Therefore, we selected residential real estate and commercial loans (including commercial real estate) as the primary loan products. Both of these products are considered important credit needs within the bank's assessment areas. Therefore, the performance for each of these products was weighed equally when deriving the final CRA rating. This evaluation does not include an analysis of the bank's loans made in the Hattiesburg MSA AA because of the bank's small market presence; however, this information was reviewed and considered. It was determined that the bank's performance in the Hattiesburg MSA AA was not inconsistent with its CRA performance in the Non-metropolitan MSA AA.

Lending performance is adequate. The loan-to-deposit ratio exhibits reasonable lending levels. A substantial majority of loans are made within the AA(s). Borrower distributions are adequate for both residential and small business loans. The geographic distribution of loans is adequate for both small business and residential real estate loans.

Loan-to-Deposit Ratio

The loan to deposit (LTD) ratio is reasonable, and meets the standard for satisfactory performance. For 22 quarters since the last CRA evaluation, the ratio averaged 60 percent. This ratio is reasonable when compared to six similarly situated banks. The average ratio for similar banks was 72%, ranging from a low of 58% to a high of 99%. The following table shows total assets as of September 30, 2008 and the quarterly average loan-to-deposit ratio from June 30, 2003 through September 30, 2008 for these similarly situated banks.

Loan-to-Deposit Ratios		
Institution	Assets (as of 09-30-2008)	Average LTD Ratio
Great Southern National Bank, Meridian, MS	\$245 million	60%
Heritage Banking Group, Carthage, MS	\$249 million	99%
Citizens Bank, Columbia, MS	\$322 million	77%
Newton County Bank, Newton, MS	\$154 million	70%
The Citizens National Bank Of Meridian, Meridian, MS	\$1,152 billion	67%
First State Bank Waynesboro, Waynesboro, MS	\$397 million	65%
Magnolia State Bank, Bay Springs, MS	\$193 million	58%

Source: Uniform Bank Performance Report Dated September 30, 2008

Lending in Assessment Area

A substantial majority of home mortgage and commercial related loans were made within the bank's two AAs.

Table 1 - Lending in Combined Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	58	92	5	8	63	4,183	93	319	7	4,502
Refinance	43	81	10	19	53	2,874	89	341	11	3,215
Home Improvement	59	95	3	5	62	1,862	97	66	3	1,928
Commercial	19	95	1	5	20	6,228	100	11	0	6,239
Totals	179	90	19	10	198	15,147	95	737	5	15,884

Source: Data reported under HMDA and commercial loan sample.

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

Lending to borrowers of different incomes and businesses of different sizes is good. Small business lending exceeds standards for satisfactory performance. Real estate lending is adequate overall, but is particularly strong for home improvement loans.

Residential lending to borrowers of different incomes is adequate. The loan penetration to low-income families is below the percentage of low-income families in the AA for each type of mortgage loan. However, the penetration to low-income families for home improvement loans is near the demographic comparable. Lending performance to moderate-income borrowers is good. The bank has a higher penetration for home improvement loans than the 15 percent of AA families that are moderate-income. Both home purchase and refinance lending performance to moderate-income borrowers is near the demographic comparable.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Non-Metropolitan MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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 Purchase	23	7	15	15	19	27	43	51
Home Improvement	23	19	15	20	19	6	43	55
Refinance	23	0	15	12	19	18	43	70

Source: data reported under HMDA; U.S. Census data.

The distribution of loans to businesses with revenues less than \$1 million is excellent. The penetrations by both number and dollar amount of loans made to businesses with revenues less than \$1 million exceed the percentage of small businesses in the AA.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	31%	2%	67%	100%
% of Bank Loans in AA by #	79%	10%	11%	100%
% of Bank Loans in AA by \$	69%	13%	18%	100%

Source: 2007 Business Geodemographic data and loan sample.

Geographic Distribution of Loans

The geographic distribution of loans is adequate. Adequate performance was noted for both residential real estate and commercial loans. The small percentage of owner-occupied housing and small businesses located in both low and moderate-income census tracts hampers the bank's ability to make a significant number of loans in these tracts.

The geographic distribution of residential real estate loans is adequate. Only a small portion of AA owner-occupied units are located in both low-income and moderate-income census tracts, so the bank has limited opportunities to extend mortgages in these areas. Despite limited opportunities, the bank has extended loans in both low and moderate-income geographies. Particularly noteworthy, is the percentage of home purchase loans originated in moderate income geographies exceeds the percentage of AA owner-occupied housing in these tracts. Performance for home improvement loans is also good as the percentage of loans made in both low- and moderate income census tracts is near the demographic comparable. However, the percentage of refinance loans made in both low and moderate income tracts is below the demographic comparable.

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 Purchase	3	0	10	13	69	80	18	7
Home Improvement	3	2	10	8	69	81	18	9
Refinance	3	0	10	6	69	70	18	24

Source: data reported under HMDA; 2000 US Census data.

The geographic distribution of commercial related loans is adequate. The percentage of loans originated in low income geographies is good. The percentage of loans made in low income census tracts equals the percentage of businesses in these tracts. However, the percentage of commercial loans made in moderate income tracts is below the percentage of AA businesses in these tracts.

Table 3A - Geographic Distribution of Loans to Businesses/Farms in Non-Metropolitan Area MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	11	11	12	5	62	68	15	16

Source: loan sample or Business Geodemographic data.

Responses to Complaints

No complaints related to CRA performance were received during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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