

PUBLIC DISCLOSURE

September 5, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**CB&S Bank, Inc.
Certificate Number: 15310**

**200 Jackson Avenue South
Russellville, Alabama 35653**

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

**Ten 10th Street, Northwest, Suite 800
Atlanta, Georgia 30309-3849**

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 RATING

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

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			
* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.			

The Lending Test is rated High Satisfactory.

- Lending levels reflect a good responsiveness to the assessment areas’ credit needs.
- A high percentage of loans are made in the institution’s assessment areas.
- The geographic distribution of loans reflects a good penetration throughout the assessment areas.
- The distribution of borrowers reflects an excellent penetration among retail customers of different income levels and business and farm customers of different sizes.
- The institution uses flexible lending practices in order to serve the assessment areas’ credit needs.
- The institution has made a relatively high level of community development loans.

The Investment Test is rated High Satisfactory.

- The institution has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those not routinely provided by private investors.
- The institution exhibits a good responsiveness to the credit and community economic development needs.
- The institution occasionally uses innovative and/or complex investments to support community development initiatives.

The Service Test is rated High Satisfactory.

- Delivery systems are accessible to essentially all portions of the institution's assessment areas.
- To the extent changes have been made, the institution's opening and closing of branches throughout the assessment areas has not adversely affected the accessibility of its delivery systems.
- Services and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies or individuals.
- The institution provides a relatively high level of community development services within its assessment areas.

Community Development Qualified Investments by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Alabama	1	1,140	125	77	0	0	33	18,641	159	19,858
Mississippi	2	17	53	16	2	51	5	1,589	62	1,673
Tennessee	5	452	131	24	0	0	0	0	136	476
Regional Activities	3	2,127	0	0	2	1,500	0	0	5	3,627
Total	11	3,736	309	117	4	1,551	38	20,230	362	25,634

Source: Bank Records

Responsiveness to Credit and Community Development Needs

CB&S Bank exhibits a good responsiveness to the credit and community development needs, and occasionally uses innovative and/or complex investments to support community development initiatives. **Qualified community development investments made during the evaluation period include equity securities with Senior Housing Crime Prevention and Pathway Lending.** In addition, investments include qualified mortgage-backed securities, municipal bonds, and charitable contributions of grants and donations.

The following table details the different types of investments by dollar volume for prior-period and current-period investments.

Description	Prior-Period \$(000s)	Current-Period \$(000s)	Totals \$(000s)
Equity Securities	2,140	1,000	3,140
Mortgage-Backed Securities	0	2,079	2,079
Municipal Bonds	7,947	12,234	20,181
Grants and Donations	0	234	234
Total	10,087	15,547	25,634

Detailed below are summaries of the bank's qualified investments either purchased during the current evaluation period or carried forward from the previous evaluation.

Equity Securities

- In 2014, the bank invested \$1.0 million with the Tennessee Rural/Small Business Opportunity Fund, known as "Pathway Lending." In 2017, the bank made an additional investment of \$500,000. The mission of this organization is to provide underserved small businesses with lending solutions and educational services, resulting in job creation and economic development.
- In 2017, the bank invested \$500,000 with Financial Institutions Housing Opportunity Pool (FIHOP) 501(c), a development of the Mississippi Home Corporation (MHC). Their mission is to fund developers of multi-family housing to utilize low-income housing tax credits and enhance Mississippi's long-term economic viability by financing safe, decent, and affordable housing.

- The bank continues to partner with the Senior Housing Crime Prevention Foundation with a prior-period investment of \$1.1 million. This foundation provides affordable housing assistance to designated nursing homes in Franklin County, Alabama.

Mortgage-Backed Securities

- In 2017, the bank purchased 2 Government National Mortgage Association (GNMA) mortgage-backed securities for \$1,025,344 and \$1,054,344. All of the GNMA investments were collateralized by loans to low- and moderate-income borrowers in Mississippi and Tennessee; 5 loans totaling \$451,962 were directly within the bank's assessment areas.

Municipal Bonds

- In 2014, the bank purchased 4 revenue bonds totaling \$14.2 million for utility improvements and public school improvements in Franklin County, Alabama, a distressed and underserved area.
- In 2015, the bank purchased 2 revenue bonds totaling \$1.3 million, which were refunding prior bonds used for capital improvements to school facilities and the county public building construction fund. Both bonds benefitted Franklin County, Alabama, a distressed county due to high poverty levels.
- In 2016, the bank purchased 4 revenue bonds totaling \$2.2 million, refunding prior bonds, which were used for acquiring, constructing, and installing capital improvements to the school facilities in the Decatur, AL MSA. The majority of the schools are Title One schools, whose students are from predominantly low- or moderate-income families.
- In 2016, the bank purchased a bond totaling \$1.0 million that benefitted the City of Russellville. The City of Russellville is located in a distressed and underserved census tract in Franklin County, Alabama.
- In 2017, the bank purchased 3 bonds totaling \$3.1 million to provide various public schools capital improvements in the Huntsville AL, MSA. The majority of the schools are Title One schools whose students are from predominantly low- or moderate-income families.

Charitable Contributions

Qualifying grants can be responsive to cash-strapped charitable or community-based organizations serving local residents of their respective assessment areas. Donations and grants to qualified organizations during this evaluation period totaled \$233,906, of which \$117,827 were in-kind grants. By state, Alabama received 53.8 percent, Mississippi received 36.1 percent, and Tennessee received 10.1 percent. The majority of the donations and grants went to organizations that provide community development services, in addition to affordable housing, economic development, and revitalization and stabilization efforts. The bank's grants and donations provided funding to organizations to continue and expand their community development activities in the bank's assessment areas.

SERVICE TEST

The Service Test evaluates the institution's record of helping to meet the needs of a bank's assessment areas by analyzing both the availability and effectiveness of an institution's systems

Community Development Lending

CB&S Bank originated a relatively high level of community development loans in Alabama. During the evaluation period, the bank originated 26 community development loans totaling \$46.7 million throughout the various assessment areas. This performance represents 49.1 percent by number and 51.3 percent by dollar volume of total bank-wide community development loans, which is similar to the bank's operations in the state.

The bank made a relatively high level of community development loans in the Alabama Non-MSA, Decatur MSA, and Florence MSA Assessment Areas. The bank had an adequate level of community development lending in the Huntsville MSA and Birmingham MSA Assessment Areas. In addition, the bank originated 11 loans in Alabama totaling \$6.3 million, located outside of the bank's assessment areas, which were included in the bank's overall totals.

Of note, 34.6 percent and 83.8 percent of the number and dollar volume of the bank's community development loans, respectively, were originated to revitalize and/or stabilize low-, moderate-, and distressed non-metropolitan middle-income census tracts. The remaining loans were originated to organizations that provide affordable housing to low- and moderate-income individuals, as well as those that provide community services and economic development. The analysis for each Alabama assessment area includes further details regarding the bank's community development loans originated during the evaluation period.

INVESTMENT TEST

The Investment Test rating for Alabama is Outstanding. The bank has an excellent level of qualified community development investments and grants, often in a leadership position. CB&S Bank exhibits an excellent responsiveness in meeting Alabama's community development economic development needs. The institution occasionally uses innovative and complex investments to support community development initiatives.

Investment Activity

CB&S Bank has an excellent level of qualified community development investments and grants, often in a leadership position. The bank purchased or retained 159 qualified investments, including donations and grants, totaling \$19.8 million during the evaluation period, which represents 77.5 percent of total qualified investments. Current-period qualified investments that directly benefit Alabama consist of \$12.3 million in municipal bonds and \$125,836 in qualified grants and donations. The current balance of prior period investments benefiting Alabama includes \$1.1 million in equity securities and \$6.3 million in municipal bonds.

Responsiveness to Credit and Community Development Needs

The bank exhibits an excellent responsiveness to the credit and community economic development needs. **Additionally, the bank occasionally uses innovative and complex investments to support community development initiatives. For example, the bank's continued equity investments in the Senior Housing Crime Prevention Foundation represent one of the**

bank's innovative investments. Please refer to the overall comments in the Investment Test section of this performance evaluation for additional details regarding the bank's performance under this test.

SERVICE TEST

The Service Test rating for Alabama is High Satisfactory. CB&S Bank's delivery systems are accessible to essentially all portions of the assessment areas, and the opening and closing of branches has not adversely affected the accessibility of its delivery systems. In addition, services and business hours do not vary in a way that inconveniences certain portions of the assessment area, and the bank provided a relatively high level of community development services.

Accessibility of Delivery Systems

Overall, bank delivery systems are accessible to essentially all portions of the assessment areas. As of the evaluation date, the bank operates 21 full- and limited-service branches in Alabama, which represents 38.2 percent of CB&S Bank's total branches. Although the bank does not operate any branches in low- income census tracts, only 5.1 percent of the population resides in these tracts. The bank's branch distribution in moderate-income census tracts is above the percent of moderate-income census tracts and the percent of the population within moderate-income census tracts in the Alabama assessment areas. Further, six branches are located in middle-income census tracts that are designated as distressed or underserved. This elevates the reasonableness of accessibility to low- and moderate-income individuals. The following table provides additional details regarding the Alabama assessment areas' demographics and branches.

Alabama Branch Distribution by Geography Income Level						
Tract Income Level	Census Tracts		Population		Full-Service and Limited-Service Branches	
	#	%	#	%	#	%
Low	15	7.4	43,898	5.1	0	0.0
Moderate	31	15.4	116,576	13.5	4	19.0
Middle	88	43.6	381,649	44.3	13	61.9
Upper	67	33.2	320,406	37.2	4	19.0
NA	1	0.5	37	0.0	-	-
Total	202	100.0	862,566	100.0	21	100.0

Source: 2010 U.S. Census & Bank Records. Due to rounding, totals may not equal 100.0 percent.

In addition to the branch structure, the bank offers a variety of alternative delivery systems to all customers. Refer to the overall bank analysis for a description of the alternative delivery systems.

Changes in Branch Locations

To the extent changes have been made, the bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-