



PUBLIC DISCLOSURE

August 26, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Priority Bank
Charter Number 711025

400 W Commercial St
Ozark, AR 72949-3110

Office of the Comptroller of the Currency

Victory Building
1401 West Capitol Avenue
Suite 350
Little Rock, AR 72201

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 following information supports Priority Bank's ("Priority") performance rating.

- The loan-to-deposit ratio is more than reasonable and is higher than similarly situated financial institutions.
- A majority of the number and dollar volume of loans originated inside the assessment areas.
- The penetration of loans among borrowers of different incomes is reasonable.
- The geographic distribution of loans is reasonable.
- Priority did not have any consumer complaints of a CRA nature.

SCOPE OF EXAMINATION

This Performance Evaluation ("PE") is an assessment of Priority's record of meeting the credit needs of the communities in which it operates. This evaluation period covered January 2007 to June 2013, with a sampling period from January 2010 to June 2013. Examiners compared 2010 and 2011 loan originations with 2000 U.S. Census data and 2012 and 2013 loan originations with 2010 U.S. Census data.

Residential real estate loans (home purchase and refinance) are the primary products analyzed in the PE, as these loans comprise 97 percent of gross loans. Home improvement loans are not a major product for Priority. Priority has three full-scope AAs: Fayetteville-Springdale-Rogers, AR-MO Metropolitan Statistical Area ("MSA"); Fort Smith, AR MSA; and Johnson-Logan-Pope-Scott Counties, AR (contiguous non-MSA counties). The OCC evaluated Priority as a Non-Traditional Institution. Institutions of this type typically have lending activity outside its AA that examiners use in assessing CRA performance. In addition to the three AAs, Priority Bank has lending activity in five states: Alabama, Louisiana, Missouri, Tennessee, and Texas. To evaluate Priority's full performance, examiners considered lending activity in these five states.

DESCRIPTION OF INSTITUTION

Priority is a federally chartered stock thrift with total assets of \$90.6 million as of June 30, 2013. Assets consist of mortgage loans (86.7 percent), non-mortgage loans (2.5 percent), cash and investment securities (7.5 percent), and other assets (5.3 percent). Priority funds its loans with \$57.8 million in deposits and \$24.4 million in Federal Home Loan Bank advances. Priority is 100 percent owned by Priority One Holding Company ("POHC"), a single thrift holding company.

Priority operates its main office in Ozark, Arkansas, which is located in Franklin County. There is one full-service branch office in Fayetteville, Arkansas, which is in Washington County. Both locations offer new account opening services, lending services, and drive-

through lanes. Only the Ozark location offers an automated teller machine (“ATM”). The primary business strategy is to originate fixed and variable rate mortgage loans for the construction, purchase, refinance or improvement of owner occupied single-family dwellings. Priority also offers a limited selection of secured consumer, commercial construction, and commercial real estate loans. Management has recently hired an experienced commercial lender and plans to expand these operations modestly over the next CRA evaluation cycle. The following table reveals the dollar amount, percent of loans, and percent of total assets for each loan category:

Loan Portfolio Composition as of June 30, 2013 (in 000s)			
Loan Type	Amount (000s)	Percent of Total Gross Loans	Percent of Total Assets
Construction and Land Development	\$1,161	1.4%	1.3%
Farmland	\$0	0.0%	0.0%
1-4 Family Residential	\$78,658	97.2%	86.8%
Multifamily (5 or more) Residential	\$0	0.0%	0.0%
Commercial (nonfarm, nonresidential)	\$781	1.0%	0.9%
Total Real Estate Loans	\$80,600	99.6%	89.0%
Agriculture	\$0	0.0%	0.0%
Commercial and Industrial	\$40	0.0%	0.0%
Consumer Loans	\$288	0.4%	0.3%
Other Loans	\$0	0.0%	0.0%
Total Gross Loans	\$80,928	100.0%	89.3%

Priority has an affiliate, Priority One Mortgage Corporation (“POMC”), a mortgage loan originator located in Fayetteville, AR, as it shares a common owner with POHC. In addition, Priority has one wholly owned subsidiary, Priority Credit Corporation (“PCC”). PCC services loans originated by POMC as well as other loans originated by an insider’s related interest.

While Priority is a traditional mortgage lender, its niche lending strategy is the origination of first-mortgage single-family loans in rural areas of Arkansas, Alabama, Louisiana, Missouri, Tennessee, and Texas. Priority receives loan referrals from a variety of builders that operate in the markets it serves. Priority also brokers (approves, originates, and funds) conventional mortgage loans, FHA/VA, and Rural Housing Development loans, receives an origination fee for these services, and sells most of these loans to secondary market investors with servicing rights released.

There were no financial or legal constraints identified that would limit Priority’s ability to meet the credit needs of the community within its AA. Priority’s prior CRA Performance Evaluation, dated January 10, 2007, shows the institution’s performance was rated Satisfactory.

DESCRIPTION OF ASSESSMENT AREA(S)

Priority has three AAs, which are defined as the Fayetteville-Springdale-Rogers, AR-MO MSA, Fort Smith, AR MSA, and Johnson-Logan-Pope-Scott Counties, AR. The AAs meet the requirements of the regulation and do not arbitrarily exclude any low- and moderate-income geographies. Two community contacts were conducted. Neither contact provided comments on Priority’s or other institutions’ ability to meet the community’s credit needs.

Fayetteville-Springdale-Rogers AR-MO MSA

2000 Census

The AA contained 68 census tracts, which included 2 low-income, 11 moderate-income, 46 middle-income, and 9 upper-income tracts. The Median Family Income (MFI) was \$42,578 and the population was 347,045. Thirteen percent of the households were below the poverty level and less than one percent of owner-occupied housing units were in low-income geographies.

The AA’s economic condition reflected a moderate growth mode. The leading employment industries were professional and business services, wholesale and retail trade, government, manufacturing, education, and health services. According to the 2011 Business Demographic Data, there were 42,036 businesses and 1,733 farms in the AA. Of those, 30,846 or 70.5 percent were businesses and farms with annual gross revenues of less than \$1 million. The AA’s average unemployment rate between 2008 and 2011 was 5.7 percent compared to 7.2 percent for the state of Arkansas, and 8.4 percent for the United States. The following table shows the AA’s demographic and economic characteristics based on 2000 U.S. Census data.

Demographic Information [2000 Census]: Fayetteville-Springdale-Rogers AR-MO MSA						
<i>Demographic Characteristics</i>	<i>#</i>	<i>Low % of #</i>	<i>Moderate % of #</i>	<i>Middle % of #</i>	<i>Upper % of #</i>	<i>NA* % of #</i>
Geographies (Census Tracts/BNAs)	68	2.94%	16.18%	67.65%	13.24%	0.00%
Population by Geography	347,045	2.80%	13.02%	68.97%	15.20%	0.00%
Owner-Occupied Housing by Geography	87,892	0.23%	11.72%	71.85%	16.20%	0.00%
Business by Geography	42,036	0.75%	13.58%	66.67%	18.99%	0.00%
Farms by Geography	1,733	0.29%	12.81%	73.17%	13.73%	0.00%
Family Distribution by Income Level	93,420	18.60%	18.80%	24.06%	38.54%	0.00%
Distribution of Low- and Moderate-Income Families in AA Geographies	34,938	1.98%	18.22%	69.80%	10.01%	0.00%
Median Family Income		42,578	Median Housing Value			88,669
HUD Adjusted Median Family Income for 2011		57,500	Unemployment Rate (2008-2011)			5.74%
Households Below Poverty Level		13%				

2010 Census

The 2010 Census reflected an increase in the number of census tracts from 68 to 89, which consisted of 3 low-income, 14 moderate-income, 49 middle-income, and 23 upper-income tracts. The number of low- and moderate-income tracts increased between the Census periods. The MFI was \$54,186 and the population was 463,204. Fourteen percent of the households were below the poverty level and less than two percent of owner-occupied housing units were in low-income geographies.

The economy continued to demonstrate a moderate growth mode and leading employment industries remained professional and business services, wholesale and retail trade, government, manufacturing, education, and health services. In 2012, the AA's unemployment rate increased to 6.6 percent compared to the state average of 7.3 percent and national average of 8.1 percent. The following table shows the AA's demographic and economic characteristics based on 2010 U.S. Census data.

Demographic Information [2010 Census]: Fayetteville-Springdale-Rogers AR-MO MSA						
<i>Demographic Characteristics</i>	<i>#</i>	<i>Low % of #</i>	<i>Moderate % of #</i>	<i>Middle % of #</i>	<i>Upper % of #</i>	<i>NA* % of #</i>
Geographies (Census Tracts/BNAs)	89	3.37%	15.73%	55.06%	25.84%	0.00%
Population by Geography	463,204	3.67%	15.56%	55.67%	25.10%	0.00%
Owner-Occupied Housing by Geography	107,829	1.55%	11.14%	57.90%	29.40%	0.00%
Business by Geography	33,938	3.03%	18.78%	50.15%	28.03%	0.00%
Farms by Geography	1,682	1.19%	12.31%	62.54%	23.96%	0.00%
Family Distribution by Income Level	116,099	19.22%	17.80%	23.52%	39.46%	0.00%
Distribution of Low- and Moderate-Income Families in AA Geographies	42,978	2.75%	13.63%	56.74%	26.88%	0.00%
Median Family Income	54,186	Median Housing Value		153,836		
HUD Adjusted Median Family Income for 2011	57,500	Unemployment Rate (2012)		6.60%		
Households Below Poverty Level	14%					

Johnson-Logan-Pope-Scott Counties AR

2000 Census

The AA contained 26 census tracts. The AA did not include any low- or moderate-income tracts, but had 22 middle-income and 4 upper-income tracts. The MFI was \$34,263 and the population was 110,732. Sixteen percent of the households were below the poverty level.

The AA's economic condition was stable. The leading employment industries were services, finance, construction, and retail. According to the 2011 Business Demographic Data, there were 10,403 businesses and 536 farms in the AA. Of those, 7,794 or 71.3 percent were businesses and farms with annual gross revenues of less than \$1 million. The AA's average unemployment rate between 2008 and 2011 was 6.8 percent compared to 7.2 percent for the state of Arkansas and 8.4 percent for the United States. The following table shows the AA's demographic and economic characteristics based on 2000 U.S. Census data.

Demographic Information [2000 Census]: Johnson-Logan-Pope-Scott Counties AR						
<i>Demographic Characteristics</i>	<i>#</i>	<i>Low % of #</i>	<i>Moderate % of #</i>	<i>Middle % of #</i>	<i>Upper % of #</i>	<i>NA* % of #</i>
Geographies (Census Tracts/BNAs)	26	0.00%	0.00%	84.62%	15.38%	0.00%
Population by Geography	110,732	0.00%	0.00%	79.43%	20.57%	0.00%
Owner-Occupied Housing by Geography	31,036	0.00%	0.00%	77.93%	22.07%	0.00%
Business by Geography	10,403	0.00%	0.00%	79.45%	20.55%	0.00%
Farms by Geography	536	0.00%	0.00%	85.63%	14.37%	0.00%
Family Distribution by Income Level	30,792	18.30%	17.58%	22.07%	42.05%	0.00%
Distribution of Low- and Moderate-Income Families in AA Geographies	11,048	0.00%	0.00%	84.93%	15.07%	0.00%
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level		34,263 43,300 16%	Median Housing Value Unemployment Rate (2008-2011)		60,679 6.85%	

2010 Census

The 2010 Census continued to reflect 26 census tracts in the AA. However, the composition changed to 3 moderate-income, 18 middle-income, and 5 upper-income tracts. There were no low-income tracts. The MFI was \$42,249 and the population was 120,880. Eighteen percent of the households were below the poverty level.

The economy continued to demonstrate a stable environment and leading employment industries remained services, finance, construction, and retail. In 2012, the AA's average unemployment rate increased to 7 percent compared to the state average of 7.3 percent and national average of 8.1 percent. The following table shows the AA's demographic and economic characteristics based on 2010 U.S. Census data.

Demographic Information [2010 Census]: Johnson-Logan-Pope-Scott Counties AR						
<i>Demographic Characteristics</i>	<i>#</i>	<i>Low % of #</i>	<i>Moderate % of #</i>	<i>Middle % of #</i>	<i>Upper % of #</i>	<i>NA* % of #</i>
Geographies (Census Tracts/BNAs)	26	0.00%	11.54%	69.23%	19.23%	0.00%
Population by Geography	120,880	0.00%	10.79%	69.11%	20.10%	0.00%
Owner-Occupied Housing by Geography	31,999	0.00%	7.70%	70.01%	22.29%	0.00%
Business by Geography	7,768	0.00%	12.81%	67.28%	19.92%	0.00%
Farms by Geography	535	0.00%	10.47%	68.22%	21.31%	0.00%
Family Distribution by Income Level	31,306	19.42%	18.05%	22.82%	39.70%	0.00%
Distribution of Low- and Moderate-Income Families in AA Geographies	11,732	0.00%	9.50%	68.74%	21.77%	0.00%
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level		42,249 43,300 18%	Median Housing Value Unemployment Rate (2012)		89,859 7.01%	

Fort Smith AR MSA - Franklin County

2000 Census

The AA contained 3 census tracts, all middle-income. The MFI was \$37,051 and the population was 17,771. Sixteen percent of households were below the poverty level.

The AA's economic condition was stable. The leading employment industries were manufacturing, educational, health and social services, and retail. According to the 2011 Business Demographic Data, there were 1,690 businesses and 146 farms in the AA. Of those, 1,338 or 72.9 percent were businesses and farms with annual gross revenues of less than \$1 million. The average unemployment rate between 2008 and 2011 was 6.4 percent compared to 7.2 percent for the state of Arkansas and 8.4 percent for the United States. The following table shows the AA's demographic and economic characteristics based on 2000 U.S. Census data.

Demographic Information [2000 Census]: Fort Smith AR MSA-Franklin County						
<i>Demographic Characteristics</i>	<i>#</i>	<i>Low % of #</i>	<i>Moderate % of #</i>	<i>Middle % of #</i>	<i>Upper % of #</i>	<i>NA* % of #</i>
Geographies (Census Tracts/BNAs)	3	0.00%	0.00%	100.00%	0.00%	0.00%
Population by Geography	17,771	0.00%	0.00%	100.00%	0.00%	0.00%
Owner-Occupied Housing by Geography	5,371	0.00%	0.00%	100.00%	0.00%	0.00%
Business by Geography	1,690	0.00%	0.00%	100.00%	0.00%	0.00%
Farms by Geography	146	0.00%	0.00%	100.00%	0.00%	0.00%
Family Distribution by Income Level	5,032	18.66%	18.74%	26.37%	36.23%	0.00%
Distribution of Low- and Moderate-Income Families in AA Geographies	1,882	0.00%	0.00%	100.00%	0.00%	0.00%
Median Family Income		37,051	Median Housing Value			58,287
HUD Adjusted Median Family Income for 2011		47,800	Unemployment Rate (2008-2011)			6.37%
Households Below Poverty Level		16%				

2010 Census

The 2010 Census continued to reflect 3 census tracts in the AA. However, the composition changed to 1 moderate-income and 2 middle-income tracts. There were no low-income or upper-income tracts. The MFI was \$46,201 and the population of the county was 18,125. Seventeen percent of households were below the poverty level.

The economy continued to reflect a stable environment and the leading employment industries remained manufacturing, educational, health and social services, and retail. The AA's average unemployment rate for 2012 was 6.7 compared to the state average of 7.3 percent and national average of 8.1 percent. The following table shows the AA's demographic and economic characteristics based on 2010 U.S. Census data.

Demographic Information [2010 Census]: Fort Smith AR MSA-Franklin County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	3	0.00%	33.33%	66.67%	0.00%	0.00%
Population by Geography	18,125	0.00%	40.31%	59.69%	0.00%	0.00%
Owner-Occupied Housing by Geography	5,311	0.00%	42.14%	57.86%	0.00%	0.00%
Business by Geography	1,125	0.00%	51.11%	48.89%	0.00%	0.00%
Farms by Geography	138	0.00%	31.88%	68.12%	0.00%	0.00%
Family Distribution by Income Level	4,633	21.04%	15.80%	23.51%	39.65%	0.00%
Distribution of Low- and Moderate-Income Families in AA Geographies	1,707	0.00%	38.55%	61.45%	0.00%	0.00%
Median Family Income		46,201	Median Housing Value			81,832
HUD Adjusted Median Family Income for 2011		47,800	Unemployment Rate (2012)			6.72%
Households Below Poverty Level		17%				

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Priority’s loan-to-deposit (“LTD”) ratio is more than reasonable. The quarterly LTD ratio averaged 163 percent since the last CRA examination. Priority’s average LTD compared favorably to four similarly situated competitors. The following table shows total assets as of June 30, 2013 and the average quarterly LTD ratio from March 31, 2007 through June 30, 2013 (26 quarters) for these banks.

Institution Name	Total Assets (000s) as of 6/30/2013	Average Loan-to-Deposit Ratio
Priority Bank	\$90,595	162.93%
Pinnacle Bank	\$92,448	84.80%
First State Bank of Northwest AR	\$94,221	80.97%
Bank of Gravett	\$128,121	70.58%
Decatur State Bank	\$111,252	93.87%

Source: June 30, 2013 Uniform Bank Performance Report (UBPR)

Lending in Assessment Areas

The volume of loans originated inside the combined AAs meets the standard for satisfactory performance. The 2010 U.S. Census resulted in the creation of new census tracts within Priority’s AAs. However, the combined AA’s boundaries did not change allowing a single evaluation of all loan data.

The majority of loans Priority originated since January 2010 were inside the bank-wide AA, with 55.9 percent of the number and 49.3 percent of the dollar volume originated inside the AA. This performance is reasonable as Priority’s business model is to source referrals for home mortgage loans from a network of homebuilders throughout the South and Southeastern United States. Also, more emphasis is placed on the number of

loans originated as it better reflects lending activity. The following table illustrates the number and percent of loans originated inside and outside the assessment areas for the entire sampling period.

Lending In-Outside the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	677	56.89	513	43.11	1,190	76,630	49.78	77,302	50.22	153,932
Home Refinance	122	51.26	116	48.74	238	16,048	47.26	17,910	52.74	33,958
Totals	799	55.95	629	44.05	1,428	92,678	49.33	95,212	50.67	187,890

Source: 2010, 2011, 2012, and YTD 2013 HMDA loans.

Lending to Borrowers of Different Incomes

Overall lending to borrowers of different incomes meets the standard for satisfactory performance. Performance context includes the understanding that mortgage underwriting tightened after the 2007-2011 mortgage-industry crisis.

Fayetteville-Springdale-Rogers AR-MO MSA

The distribution of home purchase and refinance loans inside this AA to families of different income levels reflects reasonable penetration.

2010 – 2011 Loan Data

The percentage of home purchase loans to low-income borrowers is lower than the percentage of low-income families in the AA while the percentage of loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. This lending performance is reasonable. The fact that 13 percent of the AA households are below poverty level mitigates the volume of originations to low-income borrowers.

The percentage of home refinance loans to low-income borrowers is somewhat lower than the percentage of low-income families while the percentage of loans to moderate-income borrowers is near to the percentage of moderate-income families.

Borrower Distribution of Residential RE Loans in Fayetteville-Springdale-Rogers AR-MO MSA								
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	18.60	9.27	18.80	29.80	24.06	27.81	38.54	33.11
Home Refinance	18.60	14.29	18.80	17.14	24.06	14.29	38.54	54.29

Source: Loan data reported under 2010 and 2011 HMDA; 2000 U.S. Census data.

2012 – June 30, 2013 Loan Data

Priority’s lending performance for the 2012 through June 30, 2013 sampling period is slightly better than the 2010 through 2011 sampling period. The percentage of home

purchase loans to low-income borrowers is somewhat lower than the percentage of low-income families in the AA but the percentage of loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. Households below the poverty level increased to 14 percent in 2010 reflecting the difficulty for low-income families to qualify for mortgage loan products.

Lending performance to low- and moderate-income borrowers for home refinancing is adequate. The combined loan volume was somewhat lower than the combined percentage of low- and moderate-income families in the AA.

Borrower Distribution of Residential RE Loans in Fayetteville-Springdale-Rogers AR-MO MSA								
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	19.22	11.63	17.80	32.56	23.52	24.42	39.46	31.40
Home Refinance	19.22	7.69	17.80	25.64	23.52	12.82	39.46	53.85

Source: Loan data reported under 2012 and June 30, 2013 HMDA; 2010 U.S. Census data.

Fort Smith, AR MSA (Franklin County)

The distribution of home purchase and refinance loans inside this AA to families of different income levels reflects reasonable penetration.

2010 – 2011 Loan Data

The percentage of home purchase loans to low-income borrowers is somewhat lower than the percentage of low-income families in the AA while the percentage of loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. The percentage of households below the poverty level was reported at 16 percent, making it more difficult to originate loans to low-income applicants.

The percentage of home refinance loans to low- and moderate-income borrowers is somewhat lower than the percentage of low- and moderate-income families in the AA.

Borrower Distribution of Residential RE Loans in Fort Smith AR MSA (Franklin County)								
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	18.66	13.95	18.74	33.72	26.37	33.72	36.23	18.60
Home Refinance	18.66	13.64	18.74	13.64	26.37	18.18	36.23	54.55

Source: Loan data reported under 2010 and 2011 HMDA; 2000 U.S. Census data.

2012 – June 30, 2013 Loan Data

Priority’s lending performance for the 2012 through June 30, 2013 sampling period shows stronger performance than the 2010 through 2011 period. Borrower distribution is excellent for home purchase and home refinance loans. The percentage of home

purchase loans to low-income borrowers is somewhat lower than the percentage of low-income families in the AA while the percentage of loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. Over 17 percent of households were below poverty level, a moderately high level that reflects difficulty in originating loans to low-income applicants.

Priority has shown excellent response to low- and moderate-income borrowers needs for home refinance loans in Franklin County. The percentage of loans to low- and moderate-income borrowers exceeds the percentage of low- and moderate-income families in the AA.

Borrower Distribution of Residential RE Loans in Fort Smith AR MSA (Franklin County)								
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	21.04	14.75	15.80	27.87	23.51	32.79	39.65	24.59
Home Refinance	21.04	22.22	15.80	27.78	23.51	11.11	39.65	38.89

Source: Loan data reported under 2012 and June 30, 2013 HMDA; 2010 U.S. Census data.

Non-MSA Counties (Johnson-Logan-Pope-Scott)

The distribution of home purchase and refinance loans inside this AA to families of different income levels reflects reasonable penetration.

2010 – 2011 Loan Data

Borrower distribution is excellent for home purchase and home refinance loans. The percentage of home purchase loans to low-income borrowers is consistent with the percentage of low-income families in the AA while the percentage of loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. This is particularly noteworthy given that the percentage of households below poverty level was moderately high at 16 percent.

Priority originated five home refinance loans during this sample period. No loans were originated to low-income borrowers but the percentage of loans to moderate-income borrowers far exceeded the percentage of moderate-income families in the AA.

Borrower Distribution of Residential RE Loans in Johnson-Logan-Pope-Scott Counties, AR								
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	18.30	18.18	17.58	32.87	22.07	24.48	42.05	24.48
Home Refinance	18.30	0.00	17.58	40.00	22.07	20.00	42.05	40.00

Source: Loan data reported under 2010 and 2011 HMDA; 2000 U.S. Census data.

2012 – June 30, 2013 Loan Data

Borrower distribution for home purchase loans is reasonable. The percentage of loans to low-income borrowers is somewhat lower than the percentage of low-income families in the AA but the percentage of loans to moderate-income borrowers far exceeds the percentage of moderate-income families in the AA. The percentage of households below the poverty level was high at 18 percent, which makes it more difficult to originate loans to low-income families.

Priority only originated three home refinance loans during this sample period. None of these loans were made to low- and moderate-income borrowers.

Borrower Distribution of Residential RE Loans in Johnson-Logan-Pope-Scott Counties, AR								
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	19.42	10.94	18.05	45.31	22.82	26.56	39.70	17.19
Home Refinance	19.42	0.00	18.05	0.00	22.82	33.33	39.70	66.67

Source: Loan data reported under 2012 and June 30, 2013 HMDA; 2010 U.S. Census data.

Geographic Distribution of Loans

Overall geographic dispersion of home purchase and home refinance loans is reasonable and meets the standard for satisfactory performance. Between the 2000 and 2010 Census, there was a shift in some census tract designations from middle-income to moderate-income in the Fort Smith, AR MSA and the non-MSA counties of Johnson, Logan, Pope, and Scott. Geographic distribution for 2010 and 2011 HMDA data is not meaningful for the Fort Smith MSA and the non-MSA counties due to the lack of low- and moderate-income geographies. The 2010 U.S. Census resulted in the creation of new census tracts within Priority’s AA. Examiners ensured all inside and outside determinations reflect AA geographies at the time of loan origination.

Fayetteville-Springdale-Rogers, AR-MO MSA

The geographic distribution of loans in this AA is reasonable given the limited opportunities to lend in low-income census tracts and rising unemployment rate. In addition, underwriting for home refinance lending was more conservative because of the mortgage crisis; thus, making it more difficult for some borrowers to obtain financing.

2010 – 2011 Loan Data

Geographic distribution for home purchase and home refinance loans is poor for low- and moderate-income census tracts. Priority did not originate any home purchase loan in low-income census tracts. The percentage of owner-occupied housing units in the AAs low-income census tracts is very low (0.23%), which indicates the need for home mortgage loans is low. The percentage of loans in moderate-income geographies is lower than the percentage of owner occupied housing units in moderate-income geographies. The percentage of owner occupied housing units is somewhat low at 11.7 percent; therefore, there are fewer opportunities to lend in moderate-income census tracts.

Priority did not originate any home refinance loans in low-income census tracts. As stated above, the percentage of owner-occupied housing units is very low (0.23%) for low-income census tracts, which indicates the need for home mortgage loans is low. The percentage of loans in moderate-income geographies is lower than the percentage of owner occupied housing units in moderate-income geographies. The percentage of owner occupied housing units is somewhat low at 11.7 percent; therefore, there are fewer opportunities to lend in moderate-income census tracts.

Geographic Distribution of Residential Real Estate Loans in Fayetteville-Springdale-Rogers AR-MO MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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	0.23	0.00	11.72	2.65	71.85	86.75	16.20	10.60
Home Refinance	0.23	0.00	11.72	2.86	71.85	71.43	16.20	25.71

Source: Loan data reported under 2010 – 2011 HMDA; 2000 U.S. Census data.

2012 – June 30, 2013 Loan Data

Geographic distribution for home mortgage loans is reasonable. The percentage of home purchase loans in low-income geographies is lower than the percentage of owner-occupied housing units in low-income geographies. The percent of owner-occupied housing units is relatively low at 1.5 percent, indicating there are few opportunities to make home mortgage loans in low-income census tracts in the assessment area. The percentage of loans in moderate-income census tracts is somewhat lower than the percentage of owner-occupied housing units in moderate-income census tracts.

Priority did not originate any home refinance loans in low-income geographies. As stated above, the percentage of owner-occupied housing units in low-income geographies is relatively low. The percentage of loans in moderate-income census tracts is somewhat lower than the percentage of owner-occupied housing units in moderate-income census tracts.

Geographic Distribution of Residential Real Estate Loans in Fayetteville-Springdale-Rogers AR-MO MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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	1.55	0.58	11.14	8.14	57.90	70.93	24.40	20.35
Home Refinance	1.55	0.00	11.14	7.69	57.90	46.15	29.40	46.15

Source: Loan data reported under 2012 – June 30, 2013 HMDA; 2010 U.S. Census data.

Fort Smith AR MSA

Geographic distribution for home mortgage loans is reasonable. This assessment is based on Priority’s lending performance in moderate-income geographies between January 2012 and June 2013. There were no low-income census tracts in the AA based on 2010 U.S. Census data.

The percentage of home purchase and home refinance loans in moderate-income geographies exceeds the percentage of owner-occupied housing units.

Geographic Distribution of Residential Real Estate Loans in Fort Smith, AR MSA (Franklin County)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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	0.00	0.00	42.14	54.10	57.86	45.90	0.00	0.00
Home Refinance	0.00	0.00	42.14	61.11	57.86	38.89	0.00	0.00

Source: Loan data reported under 2012 through June 30, 2013 HMDA; 2010 U.S. Census data.

Johnson-Logan-Pope-Scott Counties, AR

Geographic distribution of home mortgage loans is reasonable. This assessment is based on Priority’s lending performance in moderate-income geographies between January 2012 and June 2013. There were no low-income census tracts in the AA based on 2010 U.S. Census data.

The percentage of home purchase loans in moderate-income geographies exceeds the percentage of owner-occupied housing units in moderate-income geographies. However, none of the three home refinancings originated in moderate-income census tracts. Because of the home mortgage loan crisis, loan underwriting became more conservative, making it more difficult for some to obtain financing for home refinance loans.

Geographic Distribution of Residential Real Estate Loans in Fort Smith, AR MSA (Franklin County)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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	0.00	0.00	7.70	10.94	70.01	84.38	22.29	4.69
Home Refinance	0.00	0.00	7.70	0.00	70.01	100.00	22.29	0.00

Source: Loan data reported under 2012 through June 30, 2013 HMDA; 2010 U.S. Census data.

Lending Activity Outside the Assessment Area(s)

Borrower and geographic distribution for loans originated outside the assessment area(s) in the states of Alabama, Louisiana, Missouri, Tennessee, and Texas was weaker than lending performance inside the assessment area.

Responses to Complaints

Priority Bank had no CRA related complaints during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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

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