

PUBLIC DISCLOSURE

January 27, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Farmers Bank
Certificate Number: 1696

120 Village Drive
Portland, Tennessee 37148

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

600 North Pearl Street, Suite 700
Dallas, Texas 75201

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.

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INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable, considering seasonal variances and taking into account lending related activities, given the institution's size, financial condition, and AA credit needs.
- The majority of loans are in the institution's AA.
- The geographic loan distribution reflects reasonable dispersion throughout the AA.
- The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels, including LMI, and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Outstanding.

The institution's community development (CD) performance demonstrates excellent responsiveness to CD needs in its AA through CD loans (CDLs), qualified investments (QIs), and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the institution's AA.

DESCRIPTION OF INSTITUTION

The Farmers Bank (TFB) operates as a commercial institution headquartered in Portland, Tennessee. First Farmers Bancshares, Inc., a one-institution holding company, also headquartered in Portland, wholly-owns the institution. TFB does not have any subsidiaries or affiliates relevant to this evaluation. TFB received a Satisfactory rating at its previous FDIC Performance Evaluation, dated December 13, 2021, based on Interagency Intermediate Small Institution Examination Procedures.

TFB operates nine full-service offices and nine non-deposit taking automated teller machines (ATMs). There were no branch changes or merger or acquisition activities during the evaluation period. TFB primarily focuses on residential and commercial lending but offers a full line of loan products, deposit accounts, and other financial services and offers hours and days of service

consistent with area and industry norms. Alternative delivery systems include online banking with bill pay, person-to-person payments, telephone banking, mobile banking applications, and remote deposit.

As of September 30, 2024, assets totaled approximately \$867.2 million, consisting primarily of total loans of \$564.6 million and securities of \$222.0 million. Total deposits equaled \$745.9 million as of the same date.

As reflected in the following table, residential loans at 40.3 percent and commercial loans at 29.5 percent, represent the two largest loan categories.

Loan Portfolio Distribution as of September 30, 2024		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	132,248	23.4
Secured by Farmland	24,027	4.3
Secured by 1-4 Family Residential Properties	218,151	38.6
Secured by Multifamily (5 or more) Residential Properties	9,440	1.7
Secured by Nonfarm Nonresidential Properties	127,619	22.6
Total Real Estate Loans	511,485	90.6
Commercial and Industrial Loans	38,845	6.9
Agricultural Production and Other Loans to Farmers	2,783	0.5
Consumer Loans	7,933	1.4
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	3,584	0.6
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	564,630	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet AA credit needs.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more AAs in which examiners will evaluate CRA performance. TFB’s AA consists of Robertson County in its entirety and the northwest portion of Sumner County within the Nashville-Davidson-Murfreesboro-Franklin, Tennessee Metropolitan Statistical Area (MSA).

The AA consists of 32 census tracts (CTs) reflecting the following income designations based on 2020 Census data: 1 low-, 9 moderate-, 18 middle-, and 4 upper-income tracts. Since the previous evaluation, there have been no changes to the AA and the AA conforms to CRA regulatory requirements.

The Federal Emergency Management Agency (FEMA) declared Robertson and Sumner counties as major disaster areas due to severe storms, straight-line winds, and tornadoes in May 2023. Sumner County was also declared a major disaster area due to severe storms and tornadoes in December 2023.

Economic and Demographic Data

The following table notes certain demographic data for the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	32	3.1	28.1	56.3	12.5	0.0
Population by Geography	130,298	2.4	28.4	58.7	10.5	0.0
Housing Units by Geography	49,468	2.8	27.4	59.5	10.3	0.0
Owner-Occupied Units by Geography	35,347	1.3	22.8	64.3	11.7	0.0
Occupied Rental Units by Geography	11,094	7.0	40.0	46.2	6.8	0.0
Vacant Units by Geography	3,027	5.6	34.7	53.1	6.7	0.0
Businesses by Geography	9,914	6.0	24.6	60.0	9.5	0.0
Farms by Geography	605	1.7	15.2	66.8	16.4	0.0
Family Distribution by Income Level	35,402	23.6	19.3	24.9	32.2	0.0
Household Distribution by Income Level	46,441	23.8	18.0	20.6	37.7	0.0
Median Family Income MSA - 34980 Nashville-Davidson-Murfreesboro- Franklin, TN MSA		\$83,085	Median Housing Value			\$208,610
			Median Gross Rent			\$926
			Families Below Poverty Level			8.8%
<i>Source: 2020 Census data and 2023 D&B data</i>						
<i>Due to rounding, totals may not equal 100.0 percent</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification</i>						

The following table shows the 2023 Federal Financial Institutions Examination Council (FFIEC)-estimated median family income level to analyze home mortgage loans under the Borrower Profile criterion.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Nashville-Davidson-Murfreesboro-Franklin, TN MSA Median Family Income (34980)				
2023 (\$100,500)	<\$50,250	\$50,250 to <\$80,400	\$80,400 to <\$120,600	≥\$120,600
<i>Source: FFIEC</i>				

According to the Tennessee Department of Labor and Workforce Development, major employers in the area include Electrolux Home Products, Walmart Supercenter, Peytons Midsouth and Masterstaff, Inc.

Data obtained from the U.S. Bureau of Labor Statistics shows in October 2024, the unemployment rates for the AA included Robertson County at 2.8 percent and Sumner County at 2.7 percent. The AA rates are lower than both the 3.3 percent State of Tennessee rate and the 4.1 percent national rate as of the same period. This was consistent throughout the evaluation period.

Competition

TFB operates in a competitive environment in the AA. Competition comes from other local banks, as well as national banks. Based on the June 30, 2024, FDIC Deposit Market Share Report, 24 financial institutions operate 74 offices throughout the AA. TFB ranks 4th in market share by capturing 10.6 percent of the AA deposits.

Community Contact

As part of the examination process, examiners contact third parties active in the AA to assist in identifying the credit and CD needs. This information helps determine local financial institution's responsiveness to these needs and shows available credit and CD opportunities.

Examiners used an existing community contact for the purposes of this evaluation. The contact stated small dollar lending is the largest need for LMI consumers in the area and that small business lending is lacking. Many LMI consumers do not know what is necessary to get a small business loan and do not have the financial statements, credit score, business plan, among other items in place. The contact continued to state that banks need to help educate LMI consumers on small businesses as there are many groups that already help with financing. Lastly, the contact stated that institutions are not branching out with financial literacy in a meaningful way, that the classroom setting is only useful for young adults and students.

Credit and Community Development Needs and Opportunities

Considering information obtained from the community contact, bank management, and demographic and economic information, examiners concluded that the primary credit needs of the AA include home mortgage and small business lending.

Demographic data indicates that 42.9 percent of AA families are LMI with 8.8 percent below the poverty level. This signifies a continued need for community services. The higher percentage of small businesses with revenues of \$1.0 million or less supports the continued need for economic development. The considerable level of LMI CTs and the AA designations as federal disaster areas supports the need for revitalization and stabilization efforts.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from December 13, 2021, the date of the previous evaluation, to the current evaluation, dated January 27, 2025. To assess performance, examiners applied Intermediate Small Institution Examination Procedures, which includes the Lending Test and the Community Development Test. The appendix lists each tests' criteria.

Activities Reviewed

CRA Intermediate Small Institution Examination Procedures require examiners to determine the bank's major product lines for review. As an initial matter, examiners may select from the same loan categories used for CRA Large Institution evaluations: home mortgage, small business, small farm, and consumer loans. The following table shows TFB's lending activity for 2023.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	48,143	30.0	99	9.4
Secured by Farmland	6,467	4.0	17	1.6
Secured by 1-4 Family Residential Properties	62,101	38.7	345	32.8
Multi-Family (5 or more) Residential Properties	750	0.5	1	0.1
Commercial Real Estate Loans	21,650	13.5	34	3.2
Commercial and Industrial Loans	15,484	9.7	198	18.8
Agricultural Loans	1,103	0.7	25	2.4
Consumer Loans	3,532	2.2	326	31.0
Other Loans	1,066	0.7	7	0.7
Total Loans	160,296	100.0	1,052	100.0
<i>Source: Bank data (1/1/2023 to 12/31/2023)</i>				

Considering the dollar volume and number of loans originated during 2023 as well as management's stated business strategy, examiners determined the major product lines consist of residential and commercial. Agricultural and consumer loans will not be reviewed as they do not represent major product lines and would not materially affect any conclusions or ratings.

TFB reports home mortgage loans pursuant to the Home Mortgage Disclosure (HMDA). Therefore, this evaluation reviewed all home mortgage loans reported on the 2021, 2022, and 2023 HMDA Loan Application Registers (LARs). For 2021 data, examiners compared the bank's lending to 2021 HMDA aggregate data and the 2015 American Community Survey data. For 2022 and 2023 data, examiners compared the bank's lending to 2022 and 2023 HMDA aggregate data, respectively, and to 2020 Census data. Examiners reviewed the following reported home mortgage loans for this evaluation:

- 2021: 592 loans totaling \$160.0 million
- 2022: 460 loans totaling \$152.4 million

- 2023: 377 loans totaling \$113.8 million

This evaluation only presents 2023 home mortgage loan data, the most recent year for available aggregate data as of the evaluation date. Examiners did not identify any significant trends between the different years' data that materially affect applicable conclusions or ratings. The AA concentration table presents all years of home mortgage loan data reviewed.

Examiners also evaluated small business loans originated or purchased in calendar year 2023. In total, examiners reviewed 216 small business loans totaling \$25.1 million. For Borrower Profile, examiners selected a random sample of 51 small business loans totaling \$4.5 million from the universe of 167 loans totaling \$17.6 million originated inside the AA. D&B data for 2023 provided the standard of comparison for the analyzed small business loans.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$(000s)	#	\$(000s)
Home Mortgage	377	113,765	377	113,765
Small Business	216	25,059	51	4,542

Source: Bank data

Examiners considered the universe of home mortgage and small business loans when determining loan product weighting, as well as management's stated business strategy. The universe of home mortgage loans comprises a majority, by both number and dollar volume; therefore, examiners weighed home mortgage loans more heavily when arriving at overall conclusions.

For the Community Development Test, bank management provided data on CDLs, QIs, and CD services since the prior evaluation dated December 13, 2021. The scope of this evaluation also considered all prior period QIs purchased prior to the previous evaluation and still outstanding as of this evaluation's date, as applicable.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

TFB demonstrated a satisfactory record regarding the Lending Test. The reasonable performances for the LTD ratio, geographic distribution, borrower profile, and the majority of loans inside the AA support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and AA credit needs. Examiners considered the bank's size, business strategy, and capacity relative to AA credit needs when arriving at this conclusion.

For the 12 quarters since the previous evaluation, the bank recorded a 71.6 percent average, net LTD ratio, down from the 74.4 percent ratio recorded at the previous evaluation. The average, net LTD ratio varied from a low of 62.7 percent on March 31, 2022, to a high of 76.6 on September 30, 2023. The ratio has remained fairly consistent since December 31, 2022.

Examiners identified three similarly-situated institutions that reflect similar asset sizes, branching structures, or lending emphases to TFB. As shown in the following table, TFB’s average, net LTD ratio is comparable to the similarly-situated institutions.

Loan-to-Deposit Ratio Comparison		
Bank Name and Location	Total Assets as of 9/30/2024 (\$000s)	Average Net LTD Ratio (%)
The Farmers Bank, Portland, Tennessee	\$867,197	71.6
First Century Bank, Tazewell, Tennessee	\$691,367	92.0
Commercial Bank & Trust Co., Paris, Tennessee	\$1,053,450	53.4
TriStar Bank, Dickson, Tennessee	\$496,826	75.0

Source: Reports of Condition and Income (12/31/2021 to 9/30/2024)

Assessment Area Concentration

A majority of loans and other lending related activities are in the AA. The majority of home mortgage loans by number and small business loans by number and dollar volume inside the AA support this conclusion.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$(000s)	%	\$(000s)	%	
Home Mortgage										
2021	345	58.3	247	41.7	592	84,191	52.6	75,818	47.4	160,009
2022	243	52.8	217	47.2	460	66,690	43.8	85,662	56.2	152,352
2023	237	62.9	140	37.1	377	60,420	53.1	53,346	46.9	113,766
Home Mortgage Subtotal	825	57.7	604	42.3	1,429	211,301	49.6	214,826	50.4	426,127
Small Business	167	77.3	49	22.7	216	17,584	70.2	7,475	29.8	25,059
Total	992	60.3	653	39.7	1,645	228,885	50.7	222,301	49.3	451,186

*Source: Bank data
Due to rounding, totals may not equal 100.0 percent*

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AA. The reasonable performances regarding home mortgage and small business loans support this conclusion. Examiners considered the loan product types reviewed relative to the available

comparative data and any performance context issues when arriving at this conclusion. This factor only considered loans originated inside the AA.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the AA. The reasonable levels of lending in both LMI CTs support this conclusion.

The following table shows that in low-income CTs, the lending performance exceeds aggregate data by 2.7 percentage points, reflecting a reasonable record. In moderate-income CTs, the lending performance also exceeds aggregate performance by 2.8 percentage points, reflecting a reasonable record.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	1.3	1.5	10	4.2	419	0.7
Moderate	22.8	25.5	67	28.3	17,049	28.2
Middle	64.3	63.4	146	61.6	39,500	65.4
Upper	11.7	9.6	14	5.9	3,452	5.7
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	237	100.0	60,420	100.0

*Source: 2020 Census data, 2023 HMDA Aggregate data, and 2023 HMDA LAR data
Due to rounding, totals may not equal 100.0 percent*

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the AA. The reasonable records in both LMI CTs support this conclusion.

The following table shows that in low-income CTs, the bank trails demographic data by only 3.0 percentage points, reflecting a reasonable level. In moderate-income CTs, lending is 3.5 percentage points higher than the demographic data, reflecting reasonable performance.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	6.0	5	3.0	1,165	6.6
Moderate	24.6	47	28.1	5,170	29.4
Middle	60.0	95	56.9	8,899	50.6
Upper	9.5	20	12.0	2,350	13.4
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	167	100.0	17,584	100.0

*Source: 2023 D&B data and 2023 Bank data
Due to rounding, totals may not equal 100.0 percent*

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels (including LMI) and businesses of different sizes. The reasonable home mortgage lending performance outweighed the excellent small business lending performance to support this conclusion. Examiners focused on lending to LMI borrowers and businesses with gross annual revenues (GARs) of \$1.0 million or less when arriving at conclusions. This factor only considered loans originated inside the AA.

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels in the AA. The reasonable performances to both LMI borrowers support this conclusion.

The following table shows the distribution of loans to low-income borrowers exceeds aggregate by 1.4 percentage points, supporting reasonable performance. The lending to moderate-income borrowers is below aggregate performance by 7.1 percentage points, which demonstrates reasonable performance.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	23.6	7.5	21	8.9	1,892	3.1
Moderate	19.3	23.1	38	16.0	5,998	9.9
Middle	24.9	25.2	43	18.1	12,558	20.8
Upper	32.2	25.3	69	29.1	20,244	33.5
Not Available	0.0	19.0	66	27.9	19,728	32.7
Totals	100.0	100.0	237	100.0	60,420	100.0

*Source: 2020 Census data, 2023 HMDA Aggregate data, and 2023 HMDA LAR data
Due to rounding, totals may not equal 100.0 percent*

Small Business Loans

The distribution of borrowers reflects excellent penetration among businesses of different sizes in the AA. The excellent level of lending to businesses with GARs of \$1.0 million or less supports this conclusion.

The following table shows that the bank granted nearly all small business loans to businesses with GARs of \$1.0 million or less, reflecting excellent performance. Additionally, this level exceeds demographic data by 7.3 percentage points and 84.3 percent of small business loans were extended to businesses with GARs of less than \$250,000, further supporting an excellent performance.

Distribution of Small Business Loans by Gross Annual Revenues					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	65.3	27	52.9	1,365	30.0
\$100,000 - \$249,999	19.6	16	31.4	1,621	35.7
\$250,000 - \$499,999	4.0	6	11.8	1,143	25.2
\$500,000 - \$1,000,000	1.8	1	2.0	200	4.4
Subtotal <= \$1,000,000	90.7	50	98.0	4,329	95.3
>\$1,000,000	2.4	1	2.0	213	4.7
Revenue Not Available	6.9	0	0.0	0	0.0
Total	100.0	51	100.0	4,542	100.0

*Source: 2023 D&B data, 2023 Bank data
Due to rounding, totals may not equal 100.0 percent*

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

TFB demonstrated an outstanding record regarding the Community Development Test. TFB's CD performance demonstrates excellent responsiveness to CD needs in its AA through CDLs, QIs, and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the institution's AA.

Community Development Loans

The bank originated a very high level of CDLs. The following table shows that during the review period, the bank granted 80 CDLs totaling approximately \$54.4 million. This level of CDLs represents 6.4 percent of the average total assets of \$850.0 million and 10.2 percent of the average net loans of \$534.4 million since the prior evaluation. This is an increase from the 5.8 percent of average total assets and the 9.3 percent of average net loans recorded at the prior evaluation.

The CDLs benefit economic development, revitalization or stabilization efforts, and community services, all of which are identified needs of the AA. This demonstrates responsiveness to AA needs.

The following table illustrates the CDLs by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021	0	0	0	0	2	2,209	0	0	2	2,209
2022	1	854	0	0	33	16,178	3	5,350	37	22,382
2023	1	4,000	0	0	24	7,310	1	1,100	26	12,410
2024	0	0	1	50	12	16,504	2	890	15	17,444
2025	0	0	0	0	0	0	0	0	0	0
Total	2	4,854	1	50	71	42,201	6	7,340	80	54,445
<i>Source: Bank data (12/13/2021 to 1/27/2025)</i>										

The following are notable examples of CDLs:

- ***Economic Development*** – The bank originated a loan for \$2.6 million to construct a new building for a local manufacturing business that employs LMI individuals; helping to retain and improve jobs for LMI people in the area.
- ***Revitalize or Stabilize*** – A \$390,000 loan was originated to rebuild a commercial building destroyed by severe storms and a tornado as FEMA designated the area as a federal disaster area in 2023, helping to retain businesses in disaster areas.

Qualified Investments

The bank provided for a high level of QIs. The bank made 34 QIs totaling \$8.1 million. The total dollar amount of these QIs equates to 1.0 percent of average total assets and 3.6 percent of average total securities of \$224.0 million. This represents an increase from 0.3 percent of average total assets and 1.4 percent of average total securities at the previous evaluation.

The QIs benefited revitalization or stabilization efforts, economic development, and community services, all of which are identified needs of the AA. This demonstrates responsiveness to AA needs.

The following table illustrates the QIs by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	930	0	0	0	0	7	2,778	8	3,708
2021	0	0	0	0	0	0	0	0	0	0
2022	1	500	0	0	1	245	0	0	2	745
2023	0	0	0	0	1	245	0	0	1	245
2024	4	2,890	0	0	1	245	0	0	5	3,135
2025	0	0	0	0	1	245	0	0	1	245
Subtotal	6	4,320	0	0	4	980	7	2,778	17	8,078
Qualified Grants & Donations	2	9	15	12	0	0	0	0	17	21
Total	8	4,329	15	12	4	980	7	2,778	34	8,099

Source: Bank data (12/13/2021 to 1/27/2025)

Examiners identified 27 QIs totaling approximately \$3.6 million that benefited the AA and 7 QIs totaling approximately \$4.5 million that benefited the broader statewide or regional area, including the AA.

The following point highlights an example of the QIs in the broader statewide or regional area:

- **Affordable Housing** – The bank made five investments with the Tennessee Housing Development Agency totaling \$3.3 million, providing affordable housing options to LMI individuals and families located within the State of Tennessee.

The following point highlights a notable example of the QIs in the AA:

- **Revitalize or Stabilize** – The bank made two municipal bond investments for construction and capital improvements to water and sewer systems for a city located in an LMI area that serves LMI individuals and families.

Community Development Services

The bank provided a high level of CD services. During the evaluation period, bank officials provided 123 instances of financial expertise or technical assistance to various CD organizations in the AA. This number equates to an average of 4.6 CD services per office, per year, thereby reflecting a high level. This level has increased from the 91 CD services provided during the previous evaluation period.

Overall, the CD services demonstrate responsiveness in addressing identified CD needs through benefiting the identified needs of community services and economic development.

The following table illustrates the CD services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021	0	0	0	0	0
2022	1	35	1	0	37
2023	1	53	2	0	56
2024	1	22	1	0	24
2025	0	5	1	0	6
Total	3	115	5	0	123

Source: Bank data (12/13/2021 to 1/27/2025)

The following are notable examples of CD services:

- **Community Services** – Numerous bank employees participate in Teach Children to Save, providing financial literacy classes to a variety of local schools in the AA with a majority of LMI students, providing a community service.
- **Affordable Housing** – A bank employee serves as Vice President for Habitat for Humanity, an organization with a mission to provide affordable housing to those in need.

In addition to CD service activities, the bank has offices and ATMs located in LMI CTs within the AA, enhancing service and credit availability access to LMI individuals. In fact, in low-income CTs, the level of branches and ATMs exceeds the population by 8.7 percentage points; and by 4.9 percentage points in moderate-income CTs. See the following table for details.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	1	3.1	3,160	2.4	1	11.1	1	11.1
Moderate	9	28.1	36,984	28.4	3	33.3	3	33.3
Middle	18	56.3	76,431	58.7	5	55.6	5	55.6
Upper	4	12.5	13,723	10.5	0	0.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	32	100.0	130,298	100.0	9	100.0	9	100.0

Source: 2020 Census data and Bank data

The retail products include standard deposit account products, such as checking with ATM or debit cards, savings, money market, certificates of deposit, and individual retirement accounts. Standard real estate secured and non-real estate secured loan products are also offered; as well as commercial loans, agricultural loans, and consumer loans. Deposit and loan account openings are accessible online and in-person at branch locations. The bank offers hours and days of service consistent with area and industry norms.

Alternative 24-hour delivery systems expand the accessibility of banking services remotely at any location, including online banking with bill-pay, person-to-person payments via Zelle, telephone banking, mobile banking applications and remote deposit. Additionally, alternative delivery systems offer existing customers contactless access through these banking services during pandemic or other national emergency events.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs. Therefore, this consideration did not affect the institution's overall CRA rating.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.