

PUBLIC DISCLOSURE

December 13, 2021

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, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area (AA) credit needs.
- A majority of loans are in the AA.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.
- The distribution of borrowers, given the product lines of the institution, reflects reasonable penetration of loans among individuals of different income levels 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 Satisfactory.

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

DESCRIPTION OF INSTITUTION

The Farmers Bank is an \$845.2 million commercial institution headquartered in Portland, Tennessee. First Farmers Bancshares, Inc., a one-institution holding company also headquartered in Portland, wholly-owns the institution. The Farmers Bank does not have any other affiliates or subsidiaries. The institution received an overall Satisfactory rating at its previous FDIC Performance Evaluation, dated March 26, 2018, based on Interagency Intermediate Small Institution Examination Procedures.

Management stated that the primary business focus includes residential and commercial loans. The Farmers Bank offers a full line of loan products, deposit accounts, and other financial services. It also offers hours and days of service consistent with area and industry norms. Alternative delivery systems include online banking, mobile banking and electronic bill pay. The bank has nine branch office locations and nine automated teller machines (ATMs). Since the prior evaluation, the bank

closed the full-service North Broadway branch in Portland, Tennessee in December 2019. This branch was located in a moderate-income census tract (CT). In addition, the Highway 31 West branch in White House, Tennessee was converted from a drive-thru office to a full-service branch in May 2019.

As of September 30, 2021, the bank reported total assets of \$845.2 million, total loans of \$484.8 million, total deposits of \$736.7 million, and securities totaling \$208.4 million. As reflected in the following table, the major loan products include commercial and residential loans.

Loan Portfolio Distribution as of 09/30/2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	119,915	24.7
Secured by Farmland	24,983	5.2
Secured by 1-4 Family Residential Properties	144,515	29.8
Secured by Multifamily (5 or more) Residential Properties	7,843	1.6
Secured by Nonfarm Nonresidential Properties	132,336	27.3
Total Real Estate Loans	429,592	88.6
Commercial and Industrial Loans	42,571	8.8
Agricultural Production and Other Loans to Farmers	2,977	0.6
Consumer Loans	8,488	1.8
Obligations of State and Political Subdivisions in the U.S.	553	0.1
Other Loans	600	0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	484,781	100.0
<i>Source: Reports of Condition and Income 9/30/2021</i>		
<i>Due to rounding, totals may not equal 100.0 percent</i>		

The bank had no financial, legal, or other impediments that would limit its ability to meet the credit needs of its AA.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. The Farmers Bank delineated all 14 CTs in Robertson County, Tennessee and 17 of the 42 CTs in the adjacent northwest portion of Sumner County, Tennessee. The entire AA consists of 31 CTs and represents portions of two of the 13 counties making up the Nashville-Davidson-Murfreesboro-Franklin, Tennessee (Nashville) Metropolitan Statistical Area (MSA). The AA CTs reflect the following income designations based on 2015 American Community Survey (ACS) data: one low-, five moderate-, 21 middle-, and three upper-income tracts. There was also one tract that had no income classification.

Since the previous evaluation, there have been no changes to the AA and the AA conforms to CRA regulatory requirements.

Economic and Demographic Data

The following table notes certain demographic data for this area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	31	3.2	16.1	67.7	9.7	3.2
Population by Geography	121,361	2.3	17.4	67.8	11.6	0.9
Housing Units by Geography	47,580	2.9	17.5	67.9	10.7	1.0
Owner-Occupied Units by Geography	33,302	1.6	13.6	70.8	12.8	1.1
Occupied Rental Units by Geography	10,481	6.4	25.9	61.5	5.5	0.7
Vacant Units by Geography	3,797	4.4	28.4	59.1	6.7	1.4
Businesses by Geography	6,790	6.1	17.2	63.9	11.9	0.8
Farms by Geography	425	1.9	10.1	79.3	7.5	1.2
Family Distribution by Income Level	32,823	20.2	20.9	24.3	34.6	0.0
Household Distribution by Income Level	43,783	20.5	19.0	20.8	39.7	0.0
Median Family Income MSA - 34980 Nashville-Davidson-Murfreesboro- Franklin, TN MSA		\$66,441	Median Housing Value			\$154,703
			Median Gross Rent			\$833
			Families Below Poverty Level			9.1%
<i>Source: 2015 ACS data and 2020 D&B data Due to rounding, totals may not equal 100.0 percent (*) The NA category consists of geographies that have not been assigned an income classification</i>						

Data obtained from the U.S. Bureau of Labor Statistics shows in September 2021, the unemployment rates for the AA included Robertson at 2.8 percent and Sumner at 2.7 percent. The AA rates are lower than both the 4.4 percent State of Tennessee rate and the 4.8 national rate as of the same period. Major employers in the AA include Electrolux Home Products, Walmart Supercenter, Kroger Distribution Center, and MasterStaff, Inc.

The following table shows the 2018, 2019, and 2020 Federal Financial Institutions Examination Council’s (FFIEC’s) estimated median family income level for the Nashville MSA used in the borrower profile analysis of home mortgage loans.

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)				
2018 (\$73,200)	<\$36,600	\$36,600 to <\$58,560	\$58,560 to <\$87,840	≥\$87,840
2019 (\$73,100)	<\$36,550	\$36,550 to <\$58,480	\$58,480 to <\$87,720	≥\$87,720
2020 (\$76,500)	<\$38,250	\$38,250 to <\$61,200	\$61,200 to <\$91,800	≥\$91,800
<i>Source: FFIEC</i>				

Competition

The AA reflects a high level of competition in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2021, 22 financial institutions operate 71 offices in the AA. Of these institutions, The Farmers Bank ranks third in market share by capturing 11.0 percent of the area’s deposits.

Community Contacts

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 whether local financial institutions are responsive to these needs. It also shows what credit and CD opportunities are available.

Examiners contacted a representative of a CD organization that is familiar with the CD and credit needs of the AA. Discussions revealed a growing economy and low unemployment. The contact explained that the area’s primary credit need is affordable housing.

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 loans. A majority of the businesses operating in the AA with gross annual revenues of \$1 million or less and the large number of businesses with four or fewer employees support this conclusion. Demographic data also indicates that 41.1 percent of the families in the AA are low- or moderate-income (LMI), and 9.1 percent live below the poverty level, which signifies a continued need for affordable housing. With respect to the area’s CD needs, demographic data supports the need for projects that provide affordable housing and those that revitalize or stabilize the areas.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from March 26, 2018, to December 13, 2021, the date of the previous evaluation to this evaluation's date. To assess performance, examiners applied the FFIEC Intermediate Small Institution CRA Examination Procedures, which includes the Lending Test and the Community Development Test. Appendix A lists the applicable test's criteria.

Activities Reviewed

Examiners determined residential and commercial loans represent the major product lines when arriving at overall conclusions. Examiners considered the bank's business strategy as well as the number and dollar volume of loans originated during the evaluation period when arriving at this conclusion. The following table shows the originations and purchases during 2020.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	185,501	35.0	608	20.6
Secured by Farmland	24,004	4.5	67	2.3
Secured by 1-4 Family Residential Properties	169,495	31.9	842	28.5
Multi-Family (5 or more) Residential Properties	4,478	0.9	3	0.1
Commercial Real Estate Loans	70,245	13.2	94	3.2
Commercial and Industrial Loans	60,732	11.5	607	20.5
Agricultural Loans	1,717	0.3	60	2.0
Consumer Loans	13,854	2.6	672	22.7
Other Loans	686	0.1	2	0.1
Total Loans	530,712	100.0	2,955	100.0
<i>Source: Bank data 1/1/2020 through 12/31/2020</i>				

Examiners selected home mortgage and small business loans for review since these two loan categories had the highest percentages by dollar volume among the three primary loan categories (home mortgage, small business, and small farm) from which to review for CRA. Since none of the other categories, including agricultural and consumer loans, represent major product lines and thus would not materially affect any conclusions or ratings, this evaluation does not include a review of small farm or consumer loans. Refer to the Glossary for terms defining what constitutes home mortgage and small business loans for purposes of the CRA analysis.

Since The Farmers Bank is required to collect and report home mortgage loan data under the Home Mortgage Disclosure Act (HMDA), examiners reviewed 2018, 2019, and 2020 home mortgage loans reported on the bank's HMDA loan application registers (LARs). The bank reported 523 home mortgage loans totaling \$90.3 million in 2018, 502 loans totaling \$96.8 million in 2019, and 640 loans totaling \$145.3 million in 2020. Bank data was compared to aggregate data. This evaluation only presents 2020 home mortgage loan data since that was the most recent year for which aggregate data exists and there were no anomalies between each year. However, the

Assessment Area Concentration table presents all years of home mortgage loan data reviewed.

This evaluation considered a random sample of small business loans originated in calendar year 2020. The Farmers Bank originated 701 commercial loans totaling approximately \$131.0 million, of which 672 loans totaling approximately \$75.9 million met the definition of a small business loan. Examiners selected a random sample of 63 small business loans totaling \$10.3 million using a 10 percent precision level. Examiners compared small business loans to 2020 D&B demographic data.

Examiners considered the universe of home mortgage and small business loans when determining loan product weighting. Consequently, home mortgage loans received more weight when arriving at overall conclusions.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. While the tables reflect the number and dollar volume, examiners focused on performance by number of loans because the number of loans provides a better indicator of the number of individuals or businesses served.

For the Community Development Test, bank management provided data on CDLs, QIs, and CD services since the prior evaluation dated March 26, 2018. Examiners also considered all QIs purchased prior to the previous evaluation and still outstanding as of this evaluation's date.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Farmers Bank demonstrated a satisfactory record regarding the Lending Test. Reasonable performance regarding the LTD ratio, a majority of loans originated inside the AA, and reasonable geographic and borrower profile loan distributions 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 the AA credit needs when arriving at this conclusion.

For the 15 quarters since the previous evaluation, the bank recorded a 74.4 percent average, net LTD ratio, consistent with the 74.0 percent reported at the previous evaluation. The quarterly, net LTD ratio ranged from a low of 65.0 percent on September 30, 2021, to a high of 82.9 percent on September 30, 2018.

The following table lists similarly situated banks, identified by examiners, reflecting similar asset sizes, lending emphasis, and area served. The Farmers Bank's average, net LTD ratio rises above one of the similarly situated banks and trails two comparable banks, but remains within a reasonable range.

Loan-to-Deposit Ratio Comparison		
Bank Name and Location	Total Assets as of 9/30/2021 \$(000s)	Average Net LTD Ratio (%)
The Farmers Bank – Portland, Tennessee	845,216	74.4
Comparable Banks		
Citizens Bank – Carthage, Tennessee	743,175	50.9
Volunteer State Bank – Portland, Tennessee	956,540	88.5
Legends Bank – Clarksville, Tennessee	713,993	84.3
<i>Source: Reports of Condition and Income 3/30/2018 through 9/30/2021</i>		

Assessment Area Concentration

A majority of loans and other lending related activities are in the institution’s AA. The following table shows that The Farmers Bank originated a majority of home mortgage and small business loans, by number and dollar volume, within the AA.

Lending Inside and Outside of the Assessment Area											
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)	
	Inside		Outside			Inside		Outside			
	#	%	#	%		\$	%	\$	%		
Home Mortgage											
2018	348	66.5	175	33.5	523	51,884	57.5	38,383	42.5	90,267	
2019	329	65.5	173	34.5	502	56,636	58.5	40,150	41.5	96,786	
2020	401	62.7	239	37.3	640	81,617	56.2	63,708	43.8	145,325	
Home Mortgage Subtotal	1,078	64.7	587	35.3	1,665	190,136	57.2	142,241	42.8	332,377	
Small Business	50	79.4	13	20.6	63	5,616	54.5	4,682	45.5	10,298	
<i>Source: Bank data 1/1/2020 through 12/31/2020, 2018 HMDA LAR, 2019 HMDA LAR, and 2020 HMDA LAR Due to rounding, totals may not equal 100.0 percent</i>											

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion through the AA. The reasonable performances regarding home mortgage and small business loans support this conclusion. Examiners focused on the percentage by number of loans in LMI geographies relative to demographic data when arriving at conclusions for this performance factor.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable performance. Reasonable performances in LMI geographies support this conclusion.

As seen in the following table, the level of home mortgage lending in low-income tracts rose above aggregate data by 3.3 percentage points, reflecting reasonable performance. The table further shows that in moderate-income tracts the lending level rose above aggregate data by 8.3 percentage points, also reflecting a reasonable level.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	1.6	1.2	18	4.5	1,211	1.5
Moderate	13.6	11.6	80	19.9	10,561	12.9
Middle	70.9	73.9	277	69.1	62,666	76.8
Upper	12.8	12.2	24	6.0	6,530	8.0
Not Available	1.1	1.1	2	0.5	649	0.8
Totals	100.0	100.0	401	100.0	81,617	100.0

*Source: 2015 ACS data, 2020 HMDA Aggregate data, and 2020 HMDA LAR
Due to rounding, totals may not equal 100.0 percent*

Small Business Loans

The geographic distribution of small business loans reflects reasonable performance. Reasonable performances in LMI geographies support this conclusion.

As seen in the table below, the level of lending in low-income CTs was 1.9 percentage points higher than the percentage of businesses, indicative of reasonable performance. The table further shows that in moderate-income CTs, the lending level rises 0.8 percentage points above the demographic data, also reflecting a reasonable level.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	6.1	4	8.0	541	9.6
Moderate	17.2	9	18.0	241	4.3
Middle	63.9	34	68.0	4,409	78.5
Upper	11.9	3	6.0	425	7.6
Not Available	0.9	0	0.0	0	0.0
Totals	100.0	50	100.0	5,616	100.0

*Source: 2020 D&B data and Bank data 1/1/2020 through 12/31/2020
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. Reasonable performance for home mortgage loans outweighed excellent performance for small business loans to support this conclusion.

Home Mortgage Loans

The distribution of home mortgage loans, based on the borrowers' profiles, reflects reasonable performance. Reasonable performances to both LMI borrowers support this conclusion.

As seen in the following table, the level of home mortgage lending to low-income borrowers exceeds the aggregate data slightly by 2.1 percentage points, reflecting reasonable performance. The table further shows that the level of lending to moderate-income borrowers trails the aggregate data by 3.6 percent, but remains within a reasonable range.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	20.2	6.9	36	9.0	3,551	4.4
Moderate	20.9	20.5	68	16.9	10,183	12.5
Middle	24.3	23.3	77	19.2	15,955	19.5
Upper	34.6	26.8	145	36.2	39,345	48.2
Not Available	0.0	22.5	75	18.7	12,583	15.4
Totals	100.0	100.0	401	100.0	81,617	100.0

*Source: 2015 ACS data, 2020 Aggregate data, and 2020 HMDA LAR
Due to rounding, totals may not equal 100.0 percent*

Small Business Loans

The distribution of small business loans, based on the borrowers’ profiles, reflects excellent performance. Excellent performance to businesses with gross annual revenues of \$1 million or less supports this conclusion.

As shown in the table below, all of the small business loans had gross revenues of \$1 million or less, resulting in an excellent level of lending.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000	87.0	50	100.0	5,616	100.0
> \$1,000,000	3.7	0	0.0	0	0.0
Revenue Not Available	9.3	0	0.0	0	0.0
Total	100.0	50	100.0	5,616	100.0

Source: 2020 D&B data and Bank data

Response to Complaints

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

COMMUNITY DEVELOPMENT TEST

The institution’s CD performance demonstrated adequate responsiveness to CD needs in its AA through CD loans, 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 exhibited an excellent record regarding its CDLs. An excellent level regarding the dollar volume of CDLs primarily supports this conclusion. Examiners evaluated the number and dollar volume relative to the considerations noted for the Community Development Test when arriving at this conclusion.

The following table shows that since the prior evaluation, the bank originated 43 CDLs totaling nearly \$41.6 million. The total dollar volume equates to 5.8 percent of average total assets of \$714.2 million since the previous evaluation and 9.3 percent of average net loans of \$449.3 million for the same period. The current levels also reflect responsiveness to the CD needs of affordable housing and revitalization and stabilization.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018*	0	0	0	0	3	2,323	2	422	5	2,745
2019	1	124	0	0	6	9,281	2	795	9	10,200
2020	1	2,197	1	200	13	15,924	3	2,987	18	21,308
2021 YTD**	0	0	1	200	8	6,721	2	405	11	7,326
Total	2	2,321	2	400	30	34,249	9	4,609	43	41,579
<i>Source: Bank data</i> <i>*Activity since March 26, 2018</i> <i>**Year-to-date (YTD)</i>										

The following points describe examples of notable CDLs.

- **Affordable Housing** – The bank made a \$2.2 million loan in 2020 secured by an apartment complex with 42 units. The complex is located in a moderate-income CT and primarily benefits LMI individuals.
- **Revitalize or Stabilize** – The bank made a \$595,000 loan in 2019 to purchase a motel located in a moderate-income CT. The loan retains a business and helps attract residents to a moderate-income area.

Qualified Investments

The institution displayed an adequate record regarding its QIs. An adequate level regarding the dollar volume of QIs primarily supports this conclusion. Examiners evaluated the number and dollar volume of QIs relative to the considerations noted for the Community Development Test when arriving at this conclusion.

The following table shows that the bank made use of 68 QIs totaling \$2.4 million. The total dollar volume equates to 0.3 percent of average total assets and 1.4 percent of average securities at \$169.3 million. The levels reflect adequate performance relative to the considerations previously noted for the CD test. The QIs primarily addressed revitalize or stabilize and community service

opportunities; however, affordable housing is included and reflects the responsiveness to community needs.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	5	1,086	5	1,086
2018*	0	0	1	245	0	0	0	0	1	245
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	1	225	1	225
2021 YTD	0	0	0	0	0	0	2	815	2	815
Subtotal	0	0	1	245	0	0	8	2,126	9	2,371
Qualified Grants & Donations	3	2	55	63	0	0	1	10	59	75
Total	3	2	56	308	0	0	9	2,136	68	2,446
Source: Bank data										
*Activity since March 26, 2018										

The following points describe notable examples of the QIs:

- **Revitalize or Stabilize** – During the review period, the bank invested approximately \$1.0 million in bonds to the City of Springfield to fund public improvements throughout the city, which will help to attract and retain residents. The City of Springfield is primarily located within LMI CTs.
- **Community Services** – During the review period, the bank purchased one certificate of deposit totaling \$245,000 in a local minority depository institution that operates within the Nashville MSA.

Community Development Services

The bank established a good record regarding its CD services. A good record regarding the types of services and an adequate record regarding the availability of services supports this conclusion. Examiners evaluated the types and availability of services relative to the considerations noted for the Community Development Test when arriving at this conclusion.

The bank exhibited a good record regarding the types of services that primarily benefit LMI individuals. A good extent, or number, of CD services supports this conclusion. The following table shows that the bank provided 91 CD services since the prior evaluation.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018*	0	33	0	0	33
2019	2	33	1	0	36
2020	1	7	0	1	9
2021 YTD	1	11	1	0	13
Total	4	84	2	1	91
<i>Source: Bank data</i>					
<i>*Activity since March 26, 2018</i>					

The following points describe examples of the CD services:

- **Affordable Housing** – Two bank officials served in leadership capacities (President and Board member) at local Habitat for Humanity chapters. Habitat for Humanity’s mission includes advocating for affordable housing.
- **Community Services** – As part of the “Teach Children to Save” program, 28 bank employees conducted 40 financial presentations at numerous schools throughout the AA that have economically disadvantaged student populations greater than 50.0 percent. The program teaches children about money and savings by covering topics such as budgeting, the difference between needs and wants, why it is important to save for emergencies, and how interest makes money grow.

The bank showed adequate performance regarding the availability of its services to LMI individuals and geographies. The table below illustrates the branch locations in LMI CTs moderately exceeds the demographic data.

Branch and ATM Distribution by Geography Income Level												
Tract Income Level	Census Tracts		Population		Branches		ATMs		Open Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	1	3.2	2,828	2.3	1	11.1	1	11.1	0	0.0	0	0.0
Moderate	5	16.1	21,138	17.4	2	22.2	2	22.2	0	0.0	1	100.0
Middle	21	67.8	82,262	67.8	5	55.6	5	55.6	1	100.0	0	0.0
Upper	3	9.7	14,077	11.6	1	11.1	1	11.1	0	0.0	0	0.0
NA	1	3.2	1,056	0.9	0	0.0	0	0.0	0	0.0	0	0.0
Totals	31	100.0	121,361	100.0	9	100.0	9	100.0	1	100.0	1	100.0
<i>Source: 2015 ACS data and Bank data</i>												
<i>Due to rounding, totals may not equal 100.0 percent</i>												

Besides its office locations, the bank provides adequate alternative delivery systems that help avail services to LMI individuals or geographies. Those systems include the ATMs.

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.