

PUBLIC DISCLOSURE

August 23, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens Tri-County Bank
Certificate Number: 20818

15699 Rankin Avenue
Dunlap, Tennessee 37327

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.

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION	1
DESCRIPTION OF ASSESSMENT AREAS.....	3
SCOPE OF EVALUATION.....	4
CONCLUSIONS ON PERFORMANCE CRITERIA.....	6
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	13
TENNESSEE NON-MSA AA – FULL-SCOPE REVIEW	13
CHATTANOOGA MSA AA – FULL-SCOPE REVIEW	21
APPENDICES	31
INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA.....	31
GLOSSARY	32

INSTITUTION RATING

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

An institution in this group has an outstanding 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. has an outstanding 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.

Citizens Tri-County Bank's (CTCB's) outstanding CRA performance under the Lending Test and Community Development Test supports the overall rating. The following points summarize the Lending Test and Community Development Test performances.

The Lending Test is rated Outstanding.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area (AA) credit needs.
- The institution originated a majority of loans inside its AAs.
- The geographic distribution of loans reflects excellent dispersion throughout the AAs.
- The distribution of borrowers reflects, given the demographics of the AAs, excellent penetration among individuals of different income levels (including low- and moderate-income (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 rating

The Community Development Test is rated Outstanding.

The institution's community development (CD) performance demonstrates excellent responsiveness to CD needs in its AAs 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 AAs.

DESCRIPTION OF INSTITUTION

CTCB, is a full-service community bank headquartered in Dunlap, Tennessee and is located in the southeastern corner of the state, approximately 30 miles north of Chattanooga, Tennessee. Sequatchie Valley Bancshares, Inc., Dunlap, Tennessee, a one-bank holding company, wholly owns the bank. The holding company also wholly owns one non-bank subsidiary. CTCB received an "Outstanding" rating at its previous June 11, 2018, FDIC Performance Evaluation based on Intermediate Small Institution Examination Procedures.

CTCB has 18 full-service branches and seven limited-service branches located across the two AAs. CTCB closed the Tullahoma West Lincoln Branch on October 5, 2020. No other branches have been opened or closed since the prior evaluation. See the table below for a distribution of the branches across each of the counties that make up each AA.

Office Locations				
County/City/Office	Office Type	CT Number	CT Income Level	Office Opened or Closed Since Last Examination
Tennessee Non-Metropolitan Statistical Area (MSA) Assessment Area				
<i>Bledsoe County:</i> Pikeville	Full Service Branch	9531.00	Middle	No
<i>Coffee County:</i> Tullahoma Kings Lane	Limited Service Branch	9708.01	Middle	No
Tullahoma	Full Service Branch	9710.00	Middle	No
Tullahoma West Lincoln Branch	Full Service Branch	9710.00	Middle	Yes
<i>Franklin County:</i> Cowan	Limited Service Branch	9606.00	Middle	No
Decherd	Full Service Branch	9604.00	Middle	No
<i>Grundy County:</i> Altamont	Full Service Branch	9550.00	Moderate	No
Coalmont	Limited Service Branch	9552.00	Moderate	No
Palmer	Full Service Branch	9552.00	Moderate	No
Tracy City	Full Service Branch	9553.00	Moderate	No
Tracy City Depot	Full Service Branch	9553.00	Moderate	No
<i>Van Buren County:</i> Spencer	Full Service Branch	9252.00	Middle	No
<i>Warren County:</i> McMinnville Plaza	Limited Service Branch	9305.00	Moderate	No
McMinnville Mt. Leo	Limited Service Branch	9306.00	Moderate	No
McMinnville	Full Service Branch	9306.00	Moderate	No
Morrison	Full Service Branch	9308.00	Middle	No
Chattanooga MSA Assessment Area				
<i>Sequatchie County:</i> Dunlap	Main Office-Full Service	0601.01	Middle	No
Dunlap Industrial	Limited Service Branch	0601.01	Middle	No
Dunlap South	Limited Service Branch	0601.01	Middle	No
<i>Marion County:</i> Jasper	Full Service Branch	0502.02	Middle	No
Monteagle	Full Service Branch	0503.02	Middle	No
South Pittsburg	Full Service Branch	0503.01	Moderate	No
Whitwell	Full Service Branch	0501.02	Moderate	No
<i>Hamilton County:</i> Alexian Village	Limited Service Branch	0111.00	Upper	No
Signal Mountain	Full Service Branch	0110.02	Upper	No
Soddy Daisy	Full Service Branch	0103.07	Moderate	No
<i>Source: 2015 American Community Survey (ACS) data and Bank records</i>				

Bank management stated that the primary business focus includes residential, commercial, and consumer lending. The bank offers various loan products including residential, commercial, consumer, and agricultural loans, as well as a variety of deposit services including personal checking accounts, savings accounts, safe deposit boxes, and certificates of deposit. Alternative

banking services include mobile banking, mobile deposit, online banking, bill-pay, 24-hour banking (telephone banking), night depository, and gift cards. The bank maintains hours typical for its areas and the industry.

CTCB's assets totaled approximately \$1.1 billion, as of June 30, 2021, and included total loans of \$632.1 million, total securities of \$278.4 million, and total deposits of \$1.0 billion. The following table details the mix of outstanding loans as of June 30, 2021. Residential loans constitute the largest percentage of outstanding gross loans at 30.7 percent followed by commercial loans at 27.3 percent.

Loan Portfolio Distribution as of June 30, 2021		
Loan Type	\$(000s)	%
Construction and Land Development	136,216	21.5
Secured by Farmland	23,081	3.7
Secured by 1-4 Family Residential Properties	189,660	30.0
Multi-Family (5 or more) Residential Properties	4,453	0.7
Commercial Real Estate Loans	111,197	17.6
Commercial and Industrial Loans	61,280	9.7
Agricultural Loans	442	0.1
Consumer Loans	80,256	12.7
Other Loans	25,503	4.0
Total Loans	632,088	100.0
<i>Source: 6/30/2021 Report of Condition and Income Due to rounding, totals may not equal 100.0 percent</i>		

Based on the information discussed in this section, as well as other regulatory data, 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 for which examiners will evaluate its CRA performance. CTCB designated two AAs. In the Chattanooga MSA AA, CTCB designated all of Marion and Sequatchie Counties, and nine census tracts (CTs) in the eastern portion of Hamilton County. The Chattanooga MSA AA represents a portion of the larger Chattanooga, Tennessee-Georgia Multistate MSA. In the Tennessee Non-MSA AA, CTCB designated all of Bledsoe, Coffee, Franklin, Grundy, Van Buren, and Warren Counties. Each AA conforms to CRA regulatory requirements. These counties are a part of the non-MSA areas of Tennessee.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Full-Service Branches
Chattanooga MSA	Marion, Sequatchie, and portions of Hamilton	18	13
Tennessee Non-MSA	Bledsoe, Coffee, Franklin, Grundy, Van Buren, and Warren	39	8
<i>Source: Bank records</i>			

Please refer to the individual AA discussions for more details.

SCOPE OF EVALUATION

General Information

This evaluation covers the time period from the prior evaluation dated June 11, 2018, to the current evaluation dated August, 23, 2021. To assess performance, examiners applied the Federal Financial Institutions Examination Council (FFIEC) Intermediate Small Institution CRA Examination Procedures, which includes the Lending Test and Community Development Test. The Appendix lists the applicable tests' criteria.

Examiners applied full-scope procedures to both the Chattanooga MSA AA and Tennessee Non-MSA AA. As shown in the following table, the Tennessee Non-MSA AA has slightly more loans and deposit activity than the Chattanooga MSA AA. Additionally, a majority of the full-service and limited-service branches are located in the Tennessee Non-MSA AA. Due to the loan activity and deposit activity being relatively similar, equal weight will be given to both AAs when arriving at overall conclusions.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Tennessee Non-MSA	174,971	51.6	470,002	52.3	16	61.5
Chattanooga MSA	164,214	48.4	429,142	47.7	10	38.5
Total	339,185	100.0	899,144	100.0	26	100.0
<i>Source: 2020 Bank records and 6/30/2020 FDIC Summary of Deposits</i>						

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 among the same loan categories used for CRA Large Institution evaluations: home mortgage, small business, small farm, and consumer loans. The following table shows lending activity for 2020.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	132,648	31.1	831	10.5
Secured by Farmland	5,555	1.3	53	0.7
Secured by 1-4 Family Residential Properties	90,958	21.4	471	6.0
Multi-Family (5 or more) Residential Properties	2,914	0.7	5	0.1
Commercial Real Estate Loans	42,497	10.0	96	1.2
Commercial and Industrial Loans	81,876	19.2	960	12.2
Agricultural Loans	329	0.1	16	0.2
Consumer Loans	56,619	13.3	5,424	68.9
Other Loans	12,197	2.9	13	0.2
Total Loans	425,593	100.0	7,869	100.0
<i>Source: 1/1/2020 – 12/31/2020 Bank records Due to rounding, totals may not equal 100.0 percent</i>				

Considering the dollar volume and number of loans originated during 2020, as well as management's stated business strategy, examiners determined that the major product lines consist of commercial loans, residential loans, and consumer loans, at 29.2 percent, 22.1 percent, and 13.3 percent of dollar volume of gross loans, respectively. After removing loans that do not meet the definition of small business loans and considering loans reported for the Home Mortgage Disclosure (HMDA), the dollar volume of gross loans in 2020 is listed below:

- HMDA loans: \$119.0 million
- Small business loans: \$74.6 million
- Consumer loans: \$56.6 million

CTCB reports home mortgage loans pursuant to HMDA. Therefore, this evaluation considered all home mortgage loans reported on the bank's 2018, 2019, and 2020 HMDA Loan Application Registers (LARs). Examiners used aggregate HMDA data for 2018, 2019, and 2020 as sources of comparison. Examiners reviewed the following home mortgage loans for this evaluation:

- 2018: 734 loans totaling \$55.1 million
- 2019: 632 loans totaling \$58.7 million
- 2020: 859 loans totaling \$119.0 million

Unless otherwise noted, this evaluation only presents the 2020 home mortgage loan data, since it is the most recent year for which aggregate data exists as of this evaluation date and no significant trends were identified between data years that materially affect applicable conclusions or ratings. All years of home mortgage loan data are included within the Assessment Area Concentration discussion.

Bank records indicate that the lending focus and product mix shifted through the evaluation period due to an increase in the overall level and volume of commercial lending. The primary contributor to the increase in commercial lending is the result of the bank's participation in the Paycheck Protection Program (PPP) Loans offered in 2020 and 2021 to address the COVID-19 Pandemic.

This evaluation considered a random sample of small business loans originated in calendar year 2020. The bank originated 1,035 small business loans totaling approximately \$74.6 million. Examiners selected a random sample of 257 small business loans totaling \$17.5 million. Small business loans were compared to 2020 D&B demographic data.

This evaluation considered a random sample of consumer loans originated in calendar year 2020. The bank originated 5,424 consumer loans totaling approximately \$56.6 million. Examiners selected a random sample of 257 consumer loans totaling \$2.3 million. Consumer loans were compared to the 2015 ACS percentage of household data.

To determine the weight of the loan products' effect on applicable conclusions, examiners considered the universes of home mortgage, small business, and consumer loans reviewed. Considering both the dollar volume and number of loans, home mortgage lending at 47.6 percent of the dollar volume and 11.7 percent of the number volume will receive greater weight when drawing conclusions. Small business at 29.8 percent by dollar volume and 14.1 percent by number volume and consumer loans at 22.6 percent by dollar volume and 74.1 percent by number volume follow home mortgage lending. Home mortgage lending has a greater impact on customers due to the significant dollar volume originated when compared to small business and consumer lending for the period under review.

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

To evaluate the CD activities for the Community Development Test, bank management provided data on CDLs, QIs, and CD services since the prior CRA evaluation dated June 11, 2018. Examiners also considered any QIs purchased prior to the previous evaluation that remained outstanding as of the current evaluation's date. Examiners used book value of the prior period QIs as of the current evaluation's date.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

CTCB demonstrated an excellent record regarding the Lending Test. A reasonable record regarding the LTD ratio, a majority of loans originated inside the AAs, an excellent performance for geographic distribution, and an excellent performance for borrower profile 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 13 quarters since the prior evaluation, the bank recorded a 67.7 percent average, net LTD ratio. The ratio remained fairly stable over the review period and ranged from a low of 60.8 percent on June 30, 2021, to a high of 72.5 percent on December 31, 2018. The average, net LTD ratio of 67.7 percent represents an increase from the 59.8 percent noted at the previous evaluation.

The following table includes two similarly-situated institutions based on asset size and loan product mix. As illustrated in the following table, CTCB's average, net LTD ratio falls in the middle of the similarly-situated institutions, further supporting reasonable performance. Specifically, the ratio falls 8.6 percentage points below the highest ratio and 4.4 percentage points above the lowest ratio.

Loan-to-Deposit Ratio Comparison		
Institution	Total Assets \$(000s)	Average, Net LTD Ratio (%)
<i>Citizens Tri-County Bank, Dunlap, Tennessee</i>	1,146,418	67.7
Citizens Bank of Lafayette, Lafayette, Tennessee	969,728	76.3
One Bank of Tennessee, Cookeville, Tennessee	1,051,210	63.3
<i>Source: 6/30/2018 – 6/30/2021 Reports of Condition and Income</i>		

Assessment Area Concentration

A majority of loans and other lending related activities are in the institution's AAs. A majority of home mortgage, small business, and consumer loans granted inside the AAs supports this conclusion. The following table shows the distribution of loans originated by number and dollar volume, and respective percentages inside the AAs.

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	591	80.5	143	19.5	734	39,215	71.2	15,883	28.8	55,098
2019	518	82.0	114	18.0	632	45,628	77.8	13,022	22.2	58,650
2020	680	79.2	179	20.8	859	90,016	75.7	28,951	24.3	118,967
Subtotal	1,789	80.4	436	19.6	2,225	174,859	75.1	57,856	24.9	232,715
Small Business	196	76.3	61	23.7	257	11,677	66.6	5,859	33.4	17,536
Consumer	229	89.1	28	10.9	257	2,049	87.3	299	12.7	2,348
Source: Bank records Due to rounding, totals may not equal 100.0 percent										

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the AAs. The excellent performances in the Chattanooga MSA AA and the Tennessee Non-MSA AA support this conclusion.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AAs, excellent penetration among individuals of different income levels (including LMI) and businesses of different sizes. The excellent performance in the Chattanooga MSA AA, the reasonable performance in the Tennessee Non-MSA AA, the level of participation in providing PPP loans, the significant number of small dollar loans, and the payment waiver practice instituted due to the COVID-19 Pandemic that benefited LMI individuals supports this conclusion. Each of the programs mentioned previously are discussed in further detail below.

Small Business Administration (SBA) Paycheck Protection Program Loans

The Coronavirus Aid, Relief, and Economic Security Act, signed into law on March 27, 2020, established the temporary PPP. The SBA, with support from the Department of the Treasury, implements the PPP, which provides loans to encourage qualified businesses that meet certain standards established by the SBA to retain employees through the COVID-19 Pandemic and includes loan forgiveness subject to certain conditions.

CTCB originated 1,811 PPP loans totaling approximately \$63.6 million from March 27, 2020, through June 30, 2021. The bank's willingness to meet credit needs of businesses of varying sizes, including small businesses, by originating PPP loans during the COVID-19 Pandemic further supports the excellent performance.

The FDIC encourages financial institutions to consider using such programs in a prudent manner as they actively work with business borrowers, including small businesses, with less financial flexibility to withstand near-term operational challenges due to the COVID-19 Pandemic.

Small Dollar Loans

The small dollar lending activity further supports the excellent performance under the borrower profile criterion and demonstrates the responsiveness to community credit needs. Small dollar loans offer a low-cost credit product to avoid reliance on non-financial lenders' high-cost debt. The bank displayed a willingness to extend small dollar loans exhibiting responsiveness in helping to meet credit needs of the community.

During the period of June 18, 2018, to July 21, 2021, the bank extended 980 loans totaling \$629.6 thousand for amounts of \$1,000 or less, with an average loan amount of approximately \$642. In addition, during the same timeframe, the bank originated 4,181 loans totaling \$6.8 million for amounts from greater than \$1000 up to \$2,500 and an average loan amount of approximately \$1,636. In total, the bank extended 5,161 small dollar loans totaling \$7.4 million over the review period. This dollar volume represents 0.7 percent of total assets and 1.2 percent of net loans and leases as of June 30, 2021.

Payment Waivers Due to COVID-19

The bank proactively took steps to aid its customers by allowing for payment relief in light of the

COVID-19 Pandemic and the nationwide lockdowns that were a result of the Pandemic. CTCB lowered the interest rate to 0.0 percent for all loans except revolving credit from March 24, 2020, through May 1, 2020. Additionally, the bank allowed all customers described above to skip one payment at the customer's option with no action needed to obtain the benefit. CTCB calculated this benefit to total approximately \$3.0 million of assistance to its customers. These activities benefited LMI individuals and further support the overall excellent borrower profile.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

CTCB's CD performance demonstrated excellent responsiveness to CD needs in its AAs 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 AAs. Examiners also considered broader regional or statewide activities since CTCB effectively met the CD needs of its AAs.

Community Development Loans

The bank exhibited a good record regarding its CD lending. Since the prior evaluation, CTCB originated 70 CDLs totaling approximately \$16.3 million. This level equates to 1.7 percent of the average total assets of \$974.7 million and 2.8 percent of average net loans of \$590.3 million since the prior evaluation. This level reflects a decrease from the 2.6 percent of average total assets and 3.8 percent of average net loans recorded at the prior evaluation.

The CDLs proved responsive to all categories of CD by addressing a variety of needs among both AAs. The following table illustrates the CDLs by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
2018*	0	0	0	0	5	906	3	1,442	8	2,348
2019	0	0	3	400	9	2,432	6	746	18	3,578
2020	1	258	3	548	8	1,299	12	3,587	24	5,692
2021 YTD**	1	75	0	0	9	3,125	10	1,485	20	4,685
Total	2	333	6	948	31	7,762	31	7,260	70	16,303
<i>Source: Bank records</i> <i>*Activity since June 11, 2018</i> <i>**Year-to-date (YTD)</i>										

The following table further illustrates the CDLs by AA and purpose.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Chattanooga MSA	1	75	2	201	9	1,587	7	1,400	19	3,263
Tennessee Non-MSA	0	0	3	675	15	2,893	21	5,591	39	9,159
Regional Activities	1	258	1	72	7	3,283	3	270	12	3,883
Total	2	333	6	948	31	7,762	31	7,260	70	16,303
<i>Source: Bank records</i>										

The following lists an example of a CDL benefitting the regional area:

- **Community Service** – The institution originated a \$72,000 loan to a non-profit organization for purchasing a vehicle. The organization provides services such as clothing, food, rent assistance, and life skills to LMI individuals within rural areas of Tennessee.

Refer to the individual AA Community Development Test sections for CDLs specific to each AA.

Qualified Investments

The institution displayed an excellent record regarding its QIs. Since the prior evaluation, CTCB made 181 QIs totaling approximately \$33.7 million, which includes 109 grants and donations totaling approximately \$58,000. The total dollar amount of QIs equates to 3.5 percent of average total assets since the prior evaluation. This is an increase in percentage of investments from 1.8 percent of QIs made or continued during the prior performance evaluation.

The QIs demonstrate responsiveness within CTCB's AAs primarily toward addressing an identified CD need. The following table illustrates the QIs by year and purpose.

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Prior Period	0	0	0	0	0	0	0	0	0	0
2018*	0	0	0	0	0	0	4	1,699	4	1,699
2019	0	0	0	0	0	0	37	12,453	37	12,453
2020	0	0	0	0	0	0	31	19,483	31	19,483
2021 YTD	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	72	33,635	72	33,635
Qualified Grants & Donations	0	0	107	57	0	0	2	1	109	58
Total	0	0	107	57	0	0	74	33,636	181	33,693
<i>Source: Bank records</i>										
<i>*Activity since June 11, 2018</i>										

The following table further illustrates the QIs by AA and purpose.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Chattanooga MSA	0	0	39	14	0	0	4	678	43	692
Tennessee Non-MSA	0	0	64	43	0	0	28	8,601	92	8,644
Regional Activities	0	0	4	0	0	0	42	24,357	46	24,357
Total	0	0	107	57	0	0	74	33,636	181	33,693
<i>Source: Bank records</i>										

The following lists examples of QIs benefitting the regional area:

- **Revitalize or Stabilize** – The institution purchased a general obligation bond for a county with distressed areas in eastern Tennessee. The bond provides funds for the acquisition, construction, and improvement of schools within the distressed CTs.

Refer to the individual AA Community Development Test sections for QIs specific to each AA.

Community Development Services

The institution showed adequate performance regarding CD services. During the evaluation period, bank officials provided 113 instances of financial expertise or technical assistance to various CD organizations in the AAs. This level has increased from 100 CD services provided during the previous evaluation period. The bank's ability to increase its CD services in light of the COVID-19 Pandemic that has negatively impacted most financial institutions' ability to provide services due to the stay-at-home mandates is commendable. The level highlights the commitment to meeting the service needs of its community despite the physical challenges derived from the Pandemic.

Overall, the activities demonstrate responsiveness in addressing identified CD needs. 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	Total
	#	#	#	#	#
2018*	1	8	0	0	9
2019	1	42	1	0	44
2020	1	41	0	0	42
2021 YTD	1	17	0	0	18
Total	4	108	1	0	113
<i>Source: Bank records</i>					
<i>*Activity since June 11, 2018</i>					

The following table further illustrates the CD services by AA and purpose.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
Chattanooga MSA	4	34	0	0	38
Tennessee Non-MSA	0	74	1	0	75
Regional Activities	0	0	0	0	0
Total	4	108	1	0	113
<i>Source: Bank records</i>					

Refer to the individual AA Community Development Test sections for CD services specific to each AA.

Availability of Services

CTCB enhances credit availability through its services. CTCB has offices and Automated Teller Machines (ATMs) located in all tract income levels that are within the AAs. When compared to the demographics, services are readily accessible as the percentage of branches and ATMs exceed the percentage of the populations residing in the moderate-income areas. The institution's branching and ATM distribution to moderate-income tracts compares reasonably to the percentage of the population in those tracts. See the following table for details.

Branch and ATM Distribution by Geography Income Level												
Tract Income Level	Census Tracts		Population		Branches		ATMs		Open Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	11	19.3	50,366	20.1	11	42.3	11	30.6	0	0.0	0	0.0
Middle	32	56.1	140,096	55.9	13	50.0	23	63.9	0	0.0	1	100.0
Upper	13	22.8	60,270	24.0	2	7.7	2	5.6	0	0.0	0	0.0
NA	1	1.8	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Totals	57	100.0	250,732	100.0	26	100.0	36	100.0	0	100.0	1	100.0
<i>Source: 2015 ACS and Bank records</i>												
<i>Due to rounding, totals may not equal 100.0 percent</i>												

CTCB offers hours and days of service consistent with the industry and the areas in which it operates. In addition to its facility locations and ATMs, the bank offers a variety of alternative systems that prove effective in delivering retail banking services to LMI geographies and individuals. CTCB offers 24-hour telephone banking services, internet banking services, bill payment services, and mobile banking services. These alternative delivery systems help avail the bank's services to LMI individuals.

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.

TENNESSEE NON-MSA AA – FULL-SCOPE REVIEW

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE TENNESSEE NON-MSA AA

CTCB's Tennessee Non-MSA AA includes all of Bledsoe, Coffee, Franklin, Grundy, Van Buren, and Warren Counties. The AA conforms to CRA regulatory requirements.

Economic and Demographic Data

The AA includes three CTs in Bledsoe, 12 CTs in Coffee, nine CTs in Franklin, four CTs in Grundy, two CTs in Van Buren, and nine CTs in Warren Counties. These CTs reflect the following income designations according to 2015 ACS data: seven moderate-, 23 middle, eight upper-income and one CT with no income designation.

Demographic Information of the Assessment Area						
Tennessee Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	39	0.0	17.9	59.0	20.5	2.6
Population by Geography	167,407	0.0	18.6	61.2	20.3	0.0
Housing Units by Geography	74,997	0.0	19.2	61.5	19.3	0.0
Owner-Occupied Units by Geography	46,493	0.0	16.3	62.4	21.3	0.0
Occupied Rental Units by Geography	18,501	0.0	24.7	58.4	16.9	0.0
Vacant Units by Geography	10,003	0.0	22.4	63.0	14.6	0.0
Businesses by Geography	9,231	0.0	21.9	59.2	18.7	0.2
Farms by Geography	587	0.0	11.8	70.9	17.4	0.0
Family Distribution by Income Level	44,677	19.5	17.7	20.0	42.8	0.0
Household Distribution by Income Level	64,994	22.9	15.5	17.4	44.2	0.0
Median Family Income Non-MSAs - TN		\$46,066	Median Housing Value			\$108,726
			Median Gross Rent			\$607
			Families Below Poverty Level			14.8%
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						

Examiners used the applicable FFIEC-estimated median family income (MFI) to analyze home mortgage and consumer loans under the borrower profile criterion. The following table shows the calculated income ranges based on the 2018 FFIEC-estimated MFI of \$50,100, the 2019 FFIEC-estimated MFI of \$50,100, and the 2020 FFIEC-estimated MFI of \$52,200 for the AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
TN NA Median Family Income (99999)				
2018 (\$50,100)	<\$25,050	\$25,050 to <\$40,080	\$40,080 to <\$60,120	≥\$60,120
2019 (\$50,100)	<\$25,050	\$25,050 to <\$40,080	\$40,080 to <\$60,120	≥\$60,120
2020 (\$52,200)	<\$26,100	\$26,100 to <\$41,760	\$41,760 to <\$62,640	≥\$62,640
Source: FFIEC				

The analysis of small business loans under the borrower profile criterion compares the distribution of businesses by gross annual revenue (GAR). According to 2020 D&B data, the AA includes 9,231 businesses. The GARs for these businesses follow.

- 81.4 percent reported \$1.0 million or less.
- 4.4 percent reported more than \$1.0 million.

- 14.2 percent did not report revenues.

The largest industries in the Tennessee Non-MSA AA are services, non-classifiable, and retail trade. The following is a list of some major employers in the AA: Bledsoe County Correctional, Fall Creek Falls State Park, Erlanger Bledsoe Hospital, Crisplant, Inc., Tennova Healthcare-Harton, Walmart Supercenter, Nissan Powertrain Assembly, Southern Tennessee Regional Health System, Tepro, Inc., Signature Health Care LLC, Exceptional Enterprises, Toyo Seat USA, Generations Center of Spencer, Spencer Elementary School, Jarden Consumer Solutions, and St. Thomas River Park Hospital.

As shown in the following table, data obtained from the U.S. Bureau of Labor Statistics indicates that the unemployment rate for December 2020 was 8.6, 7.8, 7.9, 9.8, 8.7, and 8.9 percent for Bledsoe, Coffee, Franklin, Grundy, Van Buren, and Warren Counties, respectively. These rates are above the State of Tennessee rate at 5.6 percent and the U.S. rate at 6.7 percent for the same time period. The unemployment rate in the AA has increased from the 2019 rates due to the COVID-19 Pandemic.

Unemployment Rates		
Area	December 2019	December 2020
Bledsoe County	5.4	8.6
Coffee County	3.3	7.8
Franklin County	3.3	7.9
Grundy County	4.1	9.8
Van Buren County	4.5	8.7
Warren County	4.1	8.9
State of Tennessee	3.6	5.6
United States	3.6	6.7
<i>Source: Bureau of Labor Statistics</i>		

Competition

CTCB operates in a moderately competitive market in the Tennessee Non-MSA AA. According to the FDIC's Deposit Market Share Report as of June 30, 2020, the AA contained 17 other financial institutions that operated 44 full-service branches. Of these institutions, CTCB ranked first with 15.3 percent of the deposit market share. CTCB has competition for home mortgage loans among the banks, credit unions, and non-depository mortgage lenders that service the area. Several of the lenders operating in the area are subject to the reporting requirements of HMDA. The top five institutions in the AA account for 50.1 percent of the deposit market share.

Credit and Community Development Needs and Opportunities

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

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE TENNESSEE NON-MSA AA

LENDING TEST

CTCB demonstrated a good record in the Tennessee Non-MSA AA regarding the Lending Test. Excellent performance regarding geographic distribution and reasonable performance regarding borrower profile support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the Tennessee Non-MSA AA. The excellent home mortgage, small business, and consumer lending performances support this conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the Tennessee Non-MSA AA. Excellent performance in the moderate-income CTs supports this conclusion.

The following table shows that home mortgage lending performance in moderate-income CTs exceeds aggregate data by 22.0 percentage points, reflecting excellent performance.

Geographic Distribution of Home Mortgage Loans						
Tennessee Non-MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.0	0.0	0	0.0	0	0.0
Moderate	16.3	11.5	143	33.5	13,000	24.6
Middle	62.4	65.1	230	53.9	30,678	57.9
Upper	21.3	23.4	54	12.6	9,259	17.5
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	427	100.0	52,937	100.0
<i>Source: 2015 ACS data, 2020 HMDA Aggregate data, and 2020 HMDA LAR</i> <i>Due to rounding, totals may not equal 100.0 percent</i>						

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion throughout the Tennessee Non-MSA AA. Excellent performance in the moderate-income CTs supports this conclusion.

The following table shows that small business lending performance in the moderate-income CTs exceeds the business demographics data by 12.2 percentage points, reflecting excellent performance.

Geographic Distribution of Small Business Loans					
Tennessee Non-MSA AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	21.9	47	34.1	3,096	36.1
Middle	59.2	75	54.3	4,875	56.8
Upper	18.7	16	11.6	611	7.1
Not Available	0.2	0	0.0	0	0.0
Totals	100.0	138	100.0	8,582	100.0
Source: 2020 D&B data and Bank records Due to rounding, totals may not equal 100.0 percent					

Consumer Loans

The geographic distribution of consumer loans reflects excellent dispersion throughout the Tennessee Non-MSA AA. Excellent performance in moderate-income CTs supports this conclusion.

The following table shows that consumer lending performance in the moderate-income CTs exceeds the percentage of households by 27.0 percentage points, reflecting excellent performance.

Geographic Distribution of Consumer Loans					
Tennessee Non-MSA AA					
Tract Income Level	% of Households	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	18.7	69	45.7	479	30.5
Middle	61.3	65	43.0	943	60.0
Upper	20.1	17	11.3	149	9.5
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	151	100.0	1,571	100.0
Source: 2015 ACS data and Bank records 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 regarding home mortgage and small business lending outweighed the excellent performance for consumer lending to support this conclusion.

Home Mortgage Loans

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

The following table shows that the lending to low-income borrowers rises above aggregate data by 5.6 percentage points, reflecting reasonable performance. To moderate-income borrowers, the home mortgage lending is 5.7 percentage points above the aggregate data, also reflecting reasonable performance.

Distribution of Home Mortgage Loans by Borrower Income Level						
Tennessee Non-MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	19.5	3.3	38	8.9	1,870	3.5
Moderate	17.7	11.2	72	16.9	4,773	9.0
Middle	20.0	19.7	104	24.3	9,055	17.1
Upper	42.8	43.1	202	47.3	33,318	63.0
Not Available	0.0	22.8	11	2.6	3,921	7.4
Totals	100.0	100.0	427	100.0	52,937	100.0
<i>Source: 2015 ACS data, 2020 HMDA Aggregate data, and 2020 HMDA LAR Due to rounding, totals may not equal 100.0 percent</i>						

Small Business Loans

The distribution of small business loans, based on the borrowers' profiles, reflects reasonable performance. Reasonable performance in lending to businesses with GARs of \$1million or less supports this conclusion.

The following table shows that in the Tennessee Non-MSA AA, the bank granted almost eight out of every 10 loans, which is only 1.4 percentage points less than demographic data, to businesses reporting GARs of \$1 million or less, reflecting reasonable performance.

Distribution of Small Business Loans by Gross Annual Revenues					
Tennessee Non-MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	47.6	47	34.1	905	10.5
\$100,000 - \$249,999	23.6	25	18.1	732	8.5
\$250,000 - \$499,999	6.3	22	15.9	1,541	18.0
\$500,000 - \$1,000,000	3.9	16	11.6	1,698	19.8
Subtotal <= \$1,000,000	81.4	110	79.7	4,876	56.8
>\$1,000,000	4.4	28	20.3	3,706	43.2
Revenue Not Available	14.2	0	0.0	0	0.0
Total	100.0	138	100.0	8,582	100.0
Source: 2020 D&B data and Bank records Due to rounding, totals may not equal 100.0 percent					

Consumer Loans

The distribution of consumer loans, based on the borrowers' profiles, reflects excellent performance. Excellent performance to LMI borrowers supports this conclusion.

The following table shows that to low-income borrowers, the bank's percentage by number of loans rose 10.9 percentage points above demographic data, reflective of excellent performance. The table further shows that to moderate-income borrowers, the percentage of the number of loans rises 11.6 percentage points higher than demographic data, thereby reflecting excellent performance.

Distribution of Consumer Loans by Borrower Income Category					
Tennessee Non-MSA AA					
Borrower Income Level	% of Households	#	%	\$(000s)	%
Low	22.9	51	33.8	211	13.4
Moderate	15.5	41	27.1	275	17.5
Middle	17.4	33	21.9	403	25.7
Upper	44.2	26	17.2	682	43.4
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	151	100.0	1,571	100.0
Source: 2015 ACS data and Bank records Due to rounding, totals may not equal 100.0 percent					

COMMUNITY DEVELOPMENT TEST

CTCB's CD performance demonstrates excellent responsiveness to CD needs in the Tennessee Non-MSA 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 AA.

Community Development Loans

As noted at the institution level, CTCB originated 39 CDLs totaling approximately \$9.2 million in the Tennessee Non-MSA AA. This level reflects an increase over the 11 CDLs originated but a decrease in dollar volume from \$13.7 million at the prior evaluation. The current dollar volume equates to 56.4 percent of CDLs, as compared to the 51.6 percent of the loans in this AA. The following points provide examples of the CDLs in the Tennessee Non-MSA AA:

- ***Economic Development*** – The institution originated a \$650,000 loan to build a franchise restaurant within an LMI area. The restaurant will create jobs for LMI individuals.
- ***Revitalize or Stabilize*** – The institution originated a \$660,000 loan to purchase and renovate a commercial building for opening a new business within Bledsoe County. The business is located within a distressed and underserved CT and will help retain existing residents in the area.

Qualified Investments

As noted at the institution level, CTCB made use of 92 QIs totaling approximately \$8.6 million in the Tennessee Non-MSA AA. This level reflects a slight increase over the 46 QIs totaling 8.2 million recorded at the prior evaluation. The current dollar amount equates to 60.4 percent of the QIs. The following points provide examples of the QIs in the Tennessee Non-MSA AA:

- ***Revitalize or Stabilize*** – The bank purchased a \$808,000 general obligation bond for the construction and improvement of jails, schools, and other public buildings within Warren County. The majority of CTs within Warren County are LMI or poverty distressed and this bond will help retain residents and benefit LMI areas.
- ***Community Service*** – The bank donated \$10,000 to a senior crime stopper program. The program specifically targets LMI individuals within Van Buren and Warren Counties.

Community Development Services

As noted at the institution level, bank employees provided 75 instances of financial expertise or technical assistance to various CD-related organizations in the Tennessee Non-MSA AA. This level reflects an increase from the 66 services provided at the prior evaluation. The following points provide examples of the CD services in the Tennessee Non-MSA AA:

- ***Community Service*** – A bank employee provided technical assistance for coordinating fundraising activities for school supplies to students of Monteagle Elementary School. The majority of students at the school receive free or reduced lunch.
- ***Community Service*** – A bank employee volunteered financial expertise to students of Grundy County High School regarding personal finances, checking accounts, savings accounts, and debt. The majority of CTs within Grundy County are LMI.

Availability of Services

This AA is comprised of seven moderate-income CTs and eight branches and ATMs are located in these tracts. This makes services readily accessible as the percentage of branches and ATMs exceed the percentage of the population residing in these areas. The following table details the geographic distribution of the offices and ATMs in relation to the AA demographics.

Branch and ATM Distribution by Geography Income Level												
Tennessee Non-MSA AA												
Tract Income Level	Census Tracts		Population		Branches		ATMs		Open Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	7	17.9	31,089	18.6	8	50.0	8	32.0	0	0.0	0	0.0
Middle	23	59.0	102,399	61.2	8	50.0	17	68.0	0	0.0	1	100.0
Upper	8	20.5	33,919	20.2	0	0.0	0	0.0	0	0.0	0	0.0
NA	1	2.6	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Totals	39	100.0	167,407	100.0	16	100.0	25	100.0	0	100.0	1	100.0
<i>Source: 2015 ACS data and Bank records Due to rounding, totals may not equal 100.0 percent</i>												

The alternative delivery systems offered in the Tennessee Non-MSA AA remain consistent with those previously discussed in the institution-level Community Development Services section.

CHATTANOOGA MSA AA – FULL-SCOPE REVIEW

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE CHATTANOOGA MSA AA

CTCB’s Chattanooga MSA AA includes all of Marion and Sequatchie Counties and portions of Hamilton County. The AA conforms to CRA regulatory requirements.

Economic and Demographic Data

The AA includes all six CTs in Marion County, all three CTs in Sequatchie County, and nine CTs in Hamilton County. These CTs reflect the following income designations according to 2015 ACS data: four moderate-, nine middle-, and five upper-income.

Demographic Information of the Assessment Area						
Chattanooga MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	18	0.0	22.2	50.0	27.8	0.0
Population by Geography	83,325	0.0	23.1	45.2	31.6	0.0
Housing Units by Geography	36,482	0.0	25.0	45.9	29.2	0.0
Owner-Occupied Units by Geography	25,177	0.0	21.7	45.3	33.0	0.0
Occupied Rental Units by Geography	7,342	0.0	33.2	48.0	18.9	0.0
Vacant Units by Geography	3,963	0.0	30.4	45.9	23.7	0.0
Businesses by Geography	4,811	0.0	23.0	38.2	38.8	0.0
Farms by Geography	208	0.0	21.2	44.7	34.1	0.0
Family Distribution by Income Level	24,661	19.8	17.4	18.7	44.1	0.0
Household Distribution by Income Level	32,519	22.4	14.4	16.4	46.8	0.0
Median Family Income MSA - 16860 Chattanooga, TN-GA MSA		\$58,694	Median Housing Value			\$158,033
			Median Gross Rent			\$738
			Families Below Poverty Level			9.6%
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						

The following table shows the calculated income ranges based on the 2018 FFIEC-estimated MFI of \$50,100, 2019 FFIEC-estimated MFI of \$70,100, and 2020 FFIEC-estimated MFI of \$72,600 for the AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Chattanooga, TN-GA MSA Median Family Income (16860)				
2018 (\$61,700)	<\$30,850	\$30,850 to <\$49,360	\$49,360 to <\$74,040	≥\$74,040
2019 (\$70,100)	<\$35,050	\$35,050 to <\$56,080	\$56,080 to <\$84,120	≥\$84,120
2020 (\$72,600)	<\$36,300	\$36,300 to <\$58,080	\$58,080 to <\$87,120	≥\$87,120
Source: FFIEC				

According to 2020 D&B data, the AA includes 4,811 businesses. The GARs for these businesses follow.

- 87.3 percent reported \$1.0 million or less.
- 2.5 percent reported more than \$1.0 million.
- 10.2 percent did not report revenues.

The largest industries in the Chattanooga MSA AA are services, non-classifiable, and retail trade. The following is a list of some major employers in the AA: Erlanger Health System, Children's Hospital at Erlanger, Blue Cross and Blue Shield of Tennessee, Parkridge West Hospital, Grandview Medical Center, Lodge Manufacturing Co., and Dunlap Industries.

As shown in the table below, data obtained from the U.S. Bureau of Labor Statistics indicates that the unemployment rate for December 2020 was 7.1, 7.6, and 7.8 percent for Hamilton, Marion, and Sequatchie Counties respectively. These rates are above the Tennessee rate at 5.6 percent and the U.S. rate at 6.7 percent for the same time period. The unemployment rate in the AA has increased from the 2019 rates due to the COVID-19 Pandemic.

Unemployment Rates		
Area	December 2019	December 2020
Hamilton County	3.2	7.1
Marion County	4.2	7.6
Sequatchie County	4.2	7.8
State of Tennessee	3.6	5.6
United States	3.6	6.7
<i>Source: 2019 – 2020 Bureau of Labor Statistic</i>		

Competition

CTCB operates in a moderately competitive market in the Chattanooga MSA AA. According to the FDIC's Deposit Market Share Report as of June 30, 2020, the AA contained 21 other financial institutions that operated 111 full-service branches. Of these institutions, CTCB ranked seventh with 4.1 percent of the deposit market share. CTCB has competition for home mortgage loans among the banks, credit unions, and non-depository mortgage lenders that service the area. Several of the lenders operating in the area are subject to the reporting requirements of HMDA. The top four institutions in the AA account for 70.3 percent of the deposit market share.

Community Contact(s)

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

Examiners contacted a member of the community involved in economic development to help assess the area's current economic conditions, community credit needs, and potential opportunities for bank involvement. The contact indicated that current economic conditions have declined due to the COVID-19 Pandemic. The contact explained that there are plenty of jobs available; however, the number of workers to fill the job openings is limited. The contact noted one significant need in the area as affordable housing. The pricing of materials and the influx of individuals from higher cost markets are pushing up demand and it is creating a hardship for the local community. Additionally, the contact indicated that there is opportunity for utility infrastructure investments to support the housing supply. The contact indicated that the financial institutions in the area are meeting the credit needs of the area.

Credit and Community Development Needs and Opportunities

Considering information obtained from the community contact, bank management, as well as demographic and economic data, examiners concluded the primary credit needs of the AA include home mortgage and small business loans. With respect to the area's CD needs, demographic data supports the need for projects that provide affordable housing. In addition, the Chattanooga MSA AA has a need for revitalization or stabilization efforts evidenced by the purposes of local government bond opportunities.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE CHATTANOOGA MSA AA

LENDING TEST

CTCB demonstrated an excellent record in the Chattanooga MSA AA regarding the Lending Test. Excellent performances regarding the geographic distribution and borrower profile support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the Chattanooga MSA AA. The excellent home mortgage and consumer lending outweigh the reasonable small business lending to support this conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the Chattanooga MSA AA. Excellent performance in the moderate-income CTs supports this conclusion.

The following table shows that home mortgage lending performance in moderate-income CTs exceeds aggregate data by 11.1 percentage points, reflecting excellent performance.

Geographic Distribution of Home Mortgage Loans						
Chattanooga MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.0	0.0	0	0.0	0	0.0
Moderate	21.7	14.2	64	25.3	6,471	17.4
Middle	45.3	38.5	161	63.6	23,419	63.2
Upper	33.0	47.4	28	11.1	7,190	19.4
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	253	100.0	37,079	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 dispersion throughout the Chattanooga MSA AA. Reasonable performance in the moderate-income CTs supports this conclusion.

The following table shows that small business lending performance in the moderate-income CTs exceeds the business demographic data by 9.7 percentage points, reflecting reasonable performance.

Geographic Distribution of Small Business Loans					
Chattanooga MSA AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	23.0	19	32.7	1,072	34.6
Middle	38.2	32	55.2	1,871	60.5
Upper	38.8	7	12.1	152	4.9
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	58	100.0	3,095	100.0
Source: 2020 D&B data and 2020 Bank data Due to rounding, totals may not equal 100.0 percent					

Consumer Loans

The geographic distribution of consumer loans reflects excellent performance. Excellent performance in moderate-income CTs supports this conclusion.

The following table shows that in moderate-income CTs, the percentage of the number of loans landed 10.3 percentage points above demographic data, reflecting of excellent performance.

Geographic Distribution of Consumer Loans					
Chattanooga MSA AA					
Tract Income Level	% of Households	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	24.3	27	34.6	169	35.4
Middle	45.9	50	64.1	308	64.4
Upper	29.8	1	1.3	1	0.2
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	78	100.0	478	100.0
<i>Source: 2015 ACS data and 2020 Bank data</i> <i>Due to rounding, totals may not equal 100.0 percent</i>					

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AA, excellent penetration among individuals of different income levels (including LMI) and businesses of different sizes. Excellent performance regarding home mortgage and consumer lending outweighed the reasonable performance for small business lending.

Home Mortgage Loans

The distribution of borrowers reflects excellent penetration among individuals of different income levels in the Chattanooga MSA AA. The excellent performance to low-income borrowers and the reasonable performance to moderate-income borrowers support this conclusion.

The following table shows that the lending to low-income borrowers rises above aggregate data by 10.5 percentage points, reflecting excellent performance. To moderate-income borrowers, the home mortgage lending is 1.2 percentage points above the aggregate data, reflecting reasonable performance to support this conclusion. While aggregate performance to moderate-income borrowers is higher and reflects a larger loan demand, because both performances to LMI borrowers exceed aggregate data by an overall substantial amount, examiners concluded that the overall performance is excellent.

Distribution of Home Mortgage Loans by Borrower Income Level						
Chattanooga MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	19.8	6.1	42	16.6	2,485	6.7
Moderate	17.4	14.2	39	15.4	3,509	9.4
Middle	18.7	19.1	58	22.9	8,221	22.2
Upper	44.1	43.2	110	43.5	21,950	59.2
Not Available	0.0	17.4	4	1.6	914	2.5
Totals	100.0	100.0	253	100.0	37,079	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 distribution of small business loans, based on the borrowers' profiles, reflects reasonable performance. Reasonable performance in lending to businesses with GARs of \$1 million or less supports this conclusion.

The following table shows that in the Chattanooga MSA AA, the bank granted over eight out of every 10 loans to businesses reporting GARs of \$1 million or less, reflecting reasonable performance.

Distribution of Small Business Loans by Gross Annual Revenues					
Chattanooga MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	55.2	21	36.2	761	24.6
\$100,000 - \$249,999	24.4	11	19.0	282	9.1
\$250,000 - \$499,999	5.2	13	22.4	437	14.1
\$500,000 - \$1,000,000	2.5	3	5.2	523	16.9
Subtotal <= \$1,000,000	87.3	48	82.8	2,003	64.7
>\$1,000,000	2.5	9	15.5	1,085	35.1
Revenue Not Available	10.2	1	1.7	7	0.2
Total	100.0	58	100.0	3,095	100.0
Source: 2020 D&B data and 2020 Bank data Due to rounding, totals may not equal 100.0 percent					

Consumer Loans

The distribution of consumer loans, based on the borrowers' profiles, reflects excellent performance. Excellent performance to LMI borrowers supports this conclusion.

The following table shows that to low-income borrowers, the percentage of the number of loans landed 28.9 percentage points above demographic data, reflective of excellent performance. The table further shows that to moderate-income borrowers, the percentage of the number of loans rose 11.2 percentage points above demographic data, thereby reflecting excellent performance.

Distribution of Consumer Loans by Borrower Income Category					
Chattanooga MSA AA					
Borrower Income Level	% of Households	#	%	\$(000s)	%
Low	22.4	40	51.3	172	36.0
Moderate	14.4	20	25.6	156	32.6
Middle	16.4	11	14.1	87	18.2
Upper	46.8	7	9.0	63	13.2
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	78	100.0	478	100.0
Source: 2015 ACS data and 2020 Bank data Due to rounding, totals may not equal 100.0 percent					

COMMUNITY DEVELOPMENT TEST

CTCB's CD performance demonstrates adequate responsiveness to CD needs in the Chattanooga MSA 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 AA.

Community Development Loans

As noted at the institution level, CTCB originated 19 CDLs totaling approximately \$3.3 million in the Chattanooga MSA AA. This level reflects an increase over the eight CDLs originated, but a decrease in dollar volume from the \$4.0 million originated at the prior evaluation. The current dollar volume equates to 26.3 percent of CDLs, as compared to the 48.4 percent of loans in this AA. The following points provide examples of the CDLs in the Chattanooga MSA AA:

- **Revitalize or Stabilize** – The institution originated a loan for \$875,000 for the renovation and expansion of firefighting buildings. The buildings are located in a moderate-income CT and will retain existing residents in the area.
- **Economic Development** – The institution originated a loan for \$300,000 to purchase a commercial building to establish an assisted living facility. The facility will provide permanent jobs to an LMI area.

Qualified Investments

As noted at the institution level, CTCB made use of 43 QIs totaling approximately \$692,000 in the Chattanooga MSA AA. This level reflects an increase over the 31 QIs invested or donated, but a decrease in dollar volume invested or donated from \$2.9 million at the prior evaluation. The current

dollar amount equates to 20.5 percent of the QIs. The following points provide examples of the QIs in the Chattanooga MSA AA:

- ***Community Service*** – The bank donated \$1,500 to the Chattanooga State Foundation to support a scholarship directed at students that are LMI.
- ***Revitalize or Stabilize*** – The bank purchased a general obligation bond for approximately \$227,000 to fund the improvement of fire, police, and recreation facilities. The purpose of the bond helps retain and attract residents to LMI areas of Sequatchie County.

Community Development Services

As noted at the institution level, bank employees provided 38 instances of financial expertise or technical assistance to various CD-related organizations in the Chattanooga MSA AA. This level reflects an increase from the 34 services provided at the prior evaluation. The following points provide examples of the CD services in the Chattanooga MSA AA:

- ***Community Service*** – A bank employee volunteered to teach financial literacy classes at South Pittsburg High School. The school is located within a LMI tract.
- ***Affordable Housing*** – A bank employee serves as Treasurer for an organization that helps to provide affordable housing to senior citizens in the city of Dunlap. The organization's focus is on LMI senior citizens.

Availability of Services

This AA is comprised of four moderate-income CTs and three branches and three ATMs in the Chattanooga MSA AA are located in these tracts. This makes services readily accessible as the percentage of branches and ATMs exceed the percentage of the population residing in these areas. The following table details the geographic distribution of the offices and ATMs in relation to the AA demographics.

Branch and ATM Distribution by Geography Income Level												
Chattanooga MSA AA												
Tract Income Level	Census Tracts		Population		Branches		ATMs		Open Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	4	22.2	19,277	23.1	3	30.0	3	27.3	0	0.0	0	0.0
Middle	9	50.0	37,697	45.3	5	50.0	6	54.5	0	0.0	0	0.0
Upper	5	27.8	26,351	31.6	2	20.0	2	18.2	0	0.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Totals	18	100.0	83,325	100.0	10	100.0	11	100.0	0	100.0	0	100.0
<i>Source: 2015 ACS data and Bank data</i> <i>Due to rounding, totals may not equal 100.0 percent</i>												

The alternative delivery systems offered in the Chattanooga MSA AA remain consistent with that previously discussed in the institution-level Community Development Services section.

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.