

PUBLIC DISCLOSURE

November 18, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Community Bank of Tennessee
Certificate Number: 27211

207 Elm Street
Shelbyville, Tennessee 37160

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 meet the credit needs of its assessment area (AA), including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

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

The Community Development Test is rated Satisfactory.

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

DESCRIPTION OF INSTITUTION

First Community Bank of Tennessee (FCBT) is headquartered in Shelbyville, Tennessee. First Community Bancorp, Inc., a one-bank holding company also located in Shelbyville, Tennessee, wholly owns the bank. FCBT also operates a wholly-owned mortgage subsidiary First Community Mortgage, Inc. (FCM), headquartered in Shelbyville, Tennessee. FCBT received a “Satisfactory” CRA rating at the previous FDIC performance evaluation, dated November 15, 2021, based on Federal Financial Institutions Examination Council (FFIEC) Intermediate Small Institution CRA Examination Procedures.

FCBT has two full-service offices located in the State of Tennessee in Bedford and Moore counties, two limited-service branches in Bedford County, and one loan production office in Rutherford

County. The main office is located in a moderate-income census tract (CT), with the remaining three branch offices located in middle- and upper-income CTs. Since the prior evaluation, the bank closed one full-service office in a moderate-income CT in Rutherford County, Tennessee. FCBT did not engage in any merger or acquisition activity since the previous evaluation.

FCBT offers various products and services including commercial, agricultural, residential, and consumer loans, with commercial and residential lending serving as the primary business focuses. In addition, the bank offers a variety of deposit products including checking, savings, money market, and certificate of deposit accounts. Alternative delivery systems include telephone banking, electronic banking with bill pay, mobile banking with mobile deposits, and nine automated teller machines (ATMs), including one ATM at the main branch that is deposit-taking.

FCBT’s assets totaled approximately \$811.3 million as of September 30, 2024, including total loans of \$608.8 million, total deposits of \$588.9 million, and total securities of \$91.7 million. Residential loans represent the largest percentage of outstanding gross loans by dollar volume at 61.8 percent, followed by commercial loans at 21.2 percent.

Loan Portfolio Distribution as of 9/30/2024		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	102,290	16.8
Secured by Farmland	5,125	0.8
Secured by 1-4 Family Residential Properties	339,341	55.7
Secured by Multifamily (5 or more) Residential Properties	23,841	3.9
Secured by Nonfarm Nonresidential Properties	100,795	16.6
Total Real Estate Loans	571,392	93.9
Commercial and Industrial Loans	31,708	5.2
Agricultural Production and Other Loans to Farmers	630	0.1
Consumer Loans	3,978	0.7
Obligations of States and Political Subdivisions in the United States	0	0.0
Other Loans	1,075	0.2
Less: Unearned Income	0	0.0
Total Loans	608,783	100.0
<i>Source: Report of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more AAs for which examiners will evaluate CRA performance. FCBT designated all of Bedford and Moore counties as its sole AA, located in the non-metropolitan statistical areas of Tennessee. Since closing the branch in

Rutherford County in 2022, the bank no longer has another AA in the Nashville-Davidson-Murfreesboro-Franklin, Tennessee Metropolitan Statistical Area. The AA reflects the following income designations according to the 2020 Census data: 1 moderate -, 5 middle-, and 6 upper-income CTs. The AA conforms to the CRA regulatory requirements.

Economic and Demographic Data

The following table displays demographic information for the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	12	0.0	8.3	41.7	50.0	0.0
Population by Geography	56,698	0.0	13.9	44.9	41.2	0.0
Housing Units by Geography	22,414	0.0	12.3	44.2	43.5	0.0
Owner-Occupied Units by Geography	14,602	0.0	9.7	38.2	52.1	0.0
Occupied Rental Units by Geography	5,487	0.0	21.6	57.6	20.8	0.0
Vacant Units by Geography	2,325	0.0	7.0	49.8	43.3	0.0
Businesses by Geography	3,712	0.0	14.8	46.0	39.3	0.0
Farms by Geography	275	0.0	6.5	39.6	53.8	0.0
Family Distribution by Income Level	14,683	15.8	16.7	20.8	46.7	0.0
Household Distribution by Income Level	20,089	16.1	14.2	18.2	51.5	0.0
Median Family Income Non-MSAs - TN		\$56,418	Median Housing Value			\$178,702
			Median Gross Rent			\$751
			Families Below Poverty Level			11.2%
<i>Source: 2020 Census data and 2023 D&B data</i> <i>Due to rounding, totals may not equal 100.0 percent</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification</i>						

The economy of the AA relies on manufacturing but remains relatively diversified. According to the Tennessee Department of Labor and Workforce Development, major employers in the AA include Tyson Foods, Inc., Calsonic Kansei North America, Jostens Inc., National Pen Corp., Jack Daniels Distillery, and Motlow State Community College.

Data obtained from the U.S. Bureau of Labor Statistics indicates that Bedford and Moore counties reported an unemployment rate of 3.4 percent and 2.5 percent, respectively, in December 2023, below the State of Tennessee rate at 3.4 percent and the national rate at 3.7 percent. Unemployment rates have remained relatively consistent since the previous evaluation.

Examiners used the applicable FFIEC-estimated median family income (MFI) to analyze home mortgage loans under the borrower profile criterion. The following table shows the calculated income ranges, based on the 2023 FFIEC-estimated MFI of \$69,500, applicable to 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)				
2023 (\$69,500)	<\$34,750	\$34,750 to <\$55,600	\$55,600 to <\$83,400	≥\$83,400
<i>Source: FFIEC</i>				

Competition

The area reflects a low level of competition for financial services. According to FDIC Deposit Market Share data as of June 30, 2024, 8 financial institutions operate 12 full-service offices within the AA. Of the 8 institutions that operate in the area, FCBT ranked 1st with a 47.0 percent deposit market share.

Another means of determining the competition level involves reviewing home mortgage data reported according to Home Mortgage Disclosure (HMDA) data. In 2023, 227 lenders reported 2,518 home mortgage loans in the AA totaling over \$610.5 million. Although the bank did not report HMDA loans in 2023, FCM ranked 1st out of this group of lenders, with 10.1 percent by dollar amount and 18.8 percent by number. FCM’s average loan size of \$279,000 compared similarly to \$269,000 for the other area reporters. Considering all factors, the area’s competition level allows for lending opportunities.

Community Contact

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

Examiners contacted a representative from a local non-profit organization knowledgeable of the credit and CD needs of the AA. The contact stated that current economic conditions are generally good and continue to improve in Bedford and Moore counties. The contact noted needs in the area include small business lending as well as additional resources devoted to aid in small business development. The contact indicated that financial institutions have been responsive to local credit needs.

Credit and Community Development Needs and Opportunities

Considering information obtained from the community contact, bank management, and demographic information, examiners ascertained that the primary credit needs of the AA include small business and home mortgage loans. With respect to the area's CD needs, demographic data

supports the need for projects that provide economic development for small businesses, affordable housing, and community services targeted to LMI individuals.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation, dated November 15, 2021, to the current evaluation, dated November 18, 2024. Examiners used CRA Intermediate Small Institution Examination Procedures, which includes the Lending Test and Community Development Test. The Appendix lists applicable test criteria. Additionally, bank management requested that examiners review the bank’s affiliate, FCM, home mortgage lending activity.

Activities Reviewed

Intermediate Small Institution Examination Procedures require examiners to determine the 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 the lending activity for 2023.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	94,460	64.6	140	18.9
Secured by Farmland	1,446	1.0	8	1.1
Secured by 1-4 Family Residential Properties	31,200	21.3	108	14.5
Multi-Family (5 or more) Residential Properties	5,880	4.0	6	0.8
Commercial Real Estate Loans	1,202	0.8	6	0.8
Commercial and Industrial Loans	8,832	6.0	137	18.5
Agricultural Loans	150	0.1	1	0.1
Consumer Loans	3,128	2.2	336	45.3
Other Loans	0	0.0	0	0.0
Total Loans	146,298	100.0	742	100.0
<i>Source: Bank data 01/01/2023 – 12/31/2023</i>				

Examiners considered the bank’s business strategy, loan composition, and the number and dollar volume of loans originated during the evaluation period and determined the major product lines include construction, residential real estate, and commercial loans. Bank records indicate that the lending focus and product mix remained generally consistent throughout the evaluation period. No other loan types, including agriculture and consumer loans, represent major product lines. Therefore, this evaluation does not include a review of small farm or consumer loans. Furthermore, although construction loans represent a large percentage of loans by dollar volume, they are not typically reviewed for CRA, therefore this evaluation does not include a review of them.

This evaluation considered all small business loans originated in calendar year 2023. The bank originated 143 small business loans totaling approximately \$10.0 million. For borrower profile, examiners selected a sample of 59 loans totaling \$4.1 million that the bank originated inside the AA. D&B data for 2023 provided the standard of comparison for the small business lending.

FCBT is not a HMDA reporter. Therefore, this evaluation includes a review of all home mortgage loans for 2023. The bank originated 74 home mortgage loans totaling approximately \$26.2 million. The 2020 Census data served as the source of comparison for home mortgage loans.

This evaluation also includes the review of residential mortgage loans originated by the subsidiary, FCM, as reported on their HMDA Loan Application Register (LAR). Examiners considered only those subsidiary loans originated in the AA, and these loans received consideration only under the Geographic Distribution and Borrower Profile performance factors. This evaluation considers the data collected and reported on FCM's HMDA LARs for all full calendar years since the prior evaluation, including the year of the prior evaluation.

- 2021: 318 loans totaling \$70.4 million,
- 2022: 212 loans totaling \$55.7 million, and
- 2023: 173 loans totaling \$48.2 million.

Aggregate data served as the primary standard of comparison for 2021, 2022, and 2023 FCM home mortgage loans. Examiners did not identify any significant performance trends between the different years' data that materially affect conclusions. Therefore, the geographic distribution and borrower profile analyses only present home mortgage loan data for 2023, the most recent year for which aggregate data exists.

For the Lending Test, examiners reviewed the number and dollar volume of small business and home mortgage loans. Examiners focused on performance by number of loans because the number of loans provides a better indicator of the number of businesses and individuals served. Additionally, based on management's stated business strategy, examiners placed more weight on small business lending when drawing conclusions.

For the Community Development Test, the scope of the evaluation includes data provided by management on CDLs, QIs, and CD services since the prior evaluation. The evaluation of QIs also considers the book value of prior period QIs that remain outstanding as of this evaluation's date.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

FCBT demonstrated a satisfactory record regarding the Lending Test. A majority of loans originated inside the AA along with the reasonable geographic distribution and borrower profile performances outweighed the more than reasonable LTD ratio to support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is more than reasonable (considering seasonal variations and taking into account lending related activities) given the institution’s size, financial condition, and AA credit needs. The LTD ratio averaged 97.8 percent over the past 11 calendar quarters from December 31, 2021, to June 30, 2024, representing a declining trend from the 108.9 percent average, net LTD ratio noted at the previous evaluation. The ratio ranged from a low of 89.1 percent as of March 31, 2021, to a high of 106.9 percent as of June 30, 2023.

Examiners identified and listed in the following table, three similarly-situated institutions reporting similar asset sizes, lending emphases, and operational areas. The following table shows that FCBT’s average, net LTD ratio is higher than the similarly-situated institutions.

Loan-to-Deposit Ratio Comparison		
Bank Name and Location	Total Assets as of 6/30/2024 (\$000s)	Average Net LTD Ratio (%)
First Community Bank of Tennessee, Shelbyville, Tennessee	823,756	97.8
The First National Bank of Middle Tennessee, McMinnville, Tennessee	865,784	90.5
First Commerce Bank, Lewisburg, Tennessee	653,002	83.8
The Farmers Bank, Portland, Tennessee	846,394	71.3

Source: Reports of Condition and Income 12/31/2021 – 06/30/2024)

Assessment Area Concentration

A majority of loans and other lending related activities are in the institution’s AA. A majority of small business loans and the majority of home mortgage loans by number originated inside the AA supports this conclusion.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$(000s)	%	\$(000s)	%	
Small Business	113	79.0	30	21.0	143	6,807	67.8	3,227	32.2	10,034
Home Mortgage	43	58.1	31	41.9	74	8,150	31.1	18,072	68.9	26,222

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

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AA. Reasonable records for both small business and home mortgage loans support this conclusion. FCM’s reasonable performance for home mortgage loans further supports this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the AA. Reasonable performance in the moderate-income geographies supports this conclusion.

The following table shows that, in moderate-income CTs, the level of lending falls below demographic data by 0.6 percentage points, reflecting reasonable performance.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	14.8	16	14.2	902	13.2
Middle	46.0	68	60.2	3,531	51.9
Upper	39.2	29	25.6	2,374	34.9
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	113	100.0	6,807	100.0
<i>Source: 2023 D&B data and 2023 Bank data Due to rounding, totals may not equal 100.0 percent</i>					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion in the AA. Reasonable performance in the moderate-income geographies supports this conclusion.

The following table shows that performance in moderate-income CTs falls below demographics by 2.7 percentage points, evidencing reasonable performance.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	9.7	3	7.0	460	5.6
Middle	38.2	28	65.1	5,175	63.5
Upper	52.1	12	27.9	2,515	30.9
Not Available	0.0	0	0.0	0	0.0
Total	100.0	43	100.0	8,150	100.0
<i>Source: 2020 Census data and 2023 Bank data Due to rounding, totals may not equal 100.0 percent</i>					

FCM Home Mortgage Loans

The geographic distribution of FCM’s home mortgage loans reflects reasonable performance in the AA. Reasonable performance in moderate-income geographies supports this conclusion.

The following table shows that, in moderate-income CTs, FCM’s level exceeds the aggregate data by 7.6 percentage points, evidencing reasonable performance.

Geographic Distribution of FCM Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.0	0.0	0	0.0	0	0.0
Moderate	9.7	16.1	41	23.7	11,271	23.4
Middle	38.2	39.8	65	37.6	17,265	35.8
Upper	52.1	44.1	67	38.7	19,655	40.8
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	173	100.0	48,191	100.0

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

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among businesses of different sizes and individuals of different income levels (including LMI). The reasonable performance for home mortgage loans along with the reasonable performance for FCM home mortgage loans outweighed the very poor performance for small business loans to support this conclusion.

Small Business Loans

The distribution of borrowers reflects, given the demographics of the AA, very poor penetration among businesses of different sizes. Very poor performance to businesses with gross annual revenues of \$1.0 million or less supports this conclusion.

The following table shows that the bank originated only about two out of every 10 loans to businesses with gross annual revenues of \$1.0 million or less, thereby reflecting very poor performance. Additionally, the performance trails D&B data by 72.1 percentage points, further supporting very poor performance. A large percentage of sampled loans included businesses in which income was not used in making the credit decision. Therefore, examiners placed less weight on small business loans when determining the overall conclusion for borrower profile in the AA. Examiners provided additional analysis for the loans with revenue not available.

Distribution of Small Business Loans by Gross Annual Revenues					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	59.3	7	11.8	389	9.6
\$100,000 - \$249,999	20.9	0	0.0	0	0.0
\$250,000 - \$499,999	5.0	0	0.0	0	0.0
\$500,000 - \$1,000,000	2.1	2	3.4	686	16.9
Subtotal <= \$1,000,000	87.3	9	15.2	1,075	26.5
>\$1,000,000	3.6	5	8.5	612	15.1
Revenue Not Available	9.1	45	76.3	2,372	58.4
Total	100.0	59	100.0	4,059	100.0
<i>Source: 2023 D&B data and 2023 Bank data. Due to rounding, totals may not equal 100.0 percent</i>					

Excluding the loans with revenue not available from the above analysis, the bank made a majority of loans with available revenue data, 64.3 percent, to businesses with revenues of \$1.0 million or less.

Additionally, examiners evaluated small business loans using loan size as a proxy for those with revenue not available. As shown in the following table, a majority of loans, by number, had original amounts of \$100,000 or less, indicating that the bank is likely helping to serve the needs of the smallest businesses in the AA. Considering this additional performance context, examiners placed little weight on the small business lending conclusion.

Distribution of Small Business Loans with Revenue Not Available by Loan Size				
Loan Size	#	%	\$(000s)	%
< \$100,000	40	88.9	1,180	49.8
\$100,000 - \$249,999	2	4.4	347	14.6
\$250,000 - \$1,000,000	3	6.7	845	35.6
\$500,000 - \$1,000,000	0	0.0	0	0.0
Total	45	100.0	2,372	100.0
<i>Source: 2023 Bank data Due to rounding, totals may not equal 100.0 percent</i>				

Home Mortgage Loans

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

The following table shows that the lending to low-income borrowers is 7.4 percentage points higher than demographic data, reflecting reasonable performance. To moderate-income borrowers, the home mortgage lending falls below the demographic data by 7.4 percentage points, reflecting reasonable performance.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	15.8	10	23.2	1,300	15.9
Moderate	16.7	4	9.3	672	8.2
Middle	20.8	4	9.3	618	7.6
Upper	46.7	18	41.9	4,189	51.4
Not Available	0.0	7	16.3	1,371	16.9
Total	100.0	43	100.0	8,150	100.0
<i>Source: 2020 Census data and 2023 Bank data Due to rounding, totals may not equal 100.0 percent</i>					

FCM Home Mortgage Loans

The borrower profile of FCM’s home mortgage loans reflects reasonable performance. Reasonable records to both LMI borrowers support this conclusion.

The following table shows the lending to low-income borrowers is 1.1 percentage points below the aggregate data, reflecting reasonable performance. The table further shows the lending to moderate-income borrowers is above the aggregate data by 0.6 percentage points, also reflecting reasonable performance.

Distribution of FCM Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	15.8	2.3	2	1.2	193	0.4
Moderate	16.7	11.5	21	12.1	4,142	8.6
Middle	20.8	23.9	73	42.2	18,894	39.2
Upper	46.7	40.7	77	44.5	24,962	51.8
Not Available	0.0	21.6	0	0.0	0	0.0
Totals	100.0	100.0	173	100.0	48,191	100.0
<i>Source: 2020 Census data, 2023 HMDA Aggregate data, and 2023 HMDA LAR data Due to rounding, totals may not equal 100.0 percent</i>						

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

FCBT demonstrated a satisfactory record for the Community Development Test. The institution’s CD performance demonstrates adequate responsiveness to CD needs in the 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

The bank exhibited a moderate level of CDLs and was responsive to CD needs in the AA.

Since the prior evaluation, the bank originated 37 CDLs totaling \$9.6 million. The total dollar volume equates to 1.2 percent of average total assets (\$788.5 million) and 1.7 percent of average net loans (\$569.7 million) since the prior performance evaluation. These levels are generally consistent with the percentages recorded at the prior evaluation; however, the level of CDLs has increased from the previous evaluation, where the bank originated 26 CDLs totaling approximately \$7.8 million.

The CDLs benefited economic development, community services, and affordable housing which are all identified needs of the AA. This shows the responsiveness in addressing identified CD needs.

The following table provides additional details of the CDLs by year in the AA.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021*	0	0	1	400	1	178	0	0	2	578
2022	2	313	2	251	9	2,281	0	0	13	2,845
2023	1	175	0	0	3	260	0	0	4	435
2024 YTD**	0	0	2	2,175	16	3,548	0	0	18	5,723
Total	3	488	5	2,826	29	6,267	0	0	37	9,581

Source: Bank data
 *Activity since 11/15/2021
 **Year-to-date (YTD)

The following points highlight examples of CDLs in the AA:

- **Community Services** – The bank provided a \$231,000 loan to a local high school for constructing a new building. This school is located in a moderate-income area and the majority of the students are eligible for free and reduced lunches.
- **Economic Development** – The bank originated a \$484,000 loan to expand a local coffee shop business offering jobs to LMI individuals.

Qualified Investments

The bank exhibited a moderate level of QIs and was responsive to CD needs in the AA.

The following table shows that the bank granted 10 QIs totaling \$3.4 million. The total dollar volume equates to 0.4 percent of average total assets and 3.9 percent of average total securities (\$87.4 million) since the prior evaluation. These levels increased from the 0.3 percent of average total assets and the 2.8 percent of average total securities recorded at the prior evaluation where the bank originated 13 QIs totaling approximately \$118,000.

The QIs benefited affordable housing and community services, both of which are identified needs of the AA. This shows the responsiveness in addressing identified CD needs.

The following table provides additional details of the QIs by year in the AA.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	1,675	0	0	0	0	0	0	1	1,675
2021*	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
2024 YTD	1	1,500	1	250	0	0	0	0	2	1,750
Subtotal	2	3,175	1	250	0	0	0	0	3	3,425
Grants and Donations	0	0	7	7	0	0	0	0	7	7
Total	2	3,175	8	257	0	0	0	0	10	3,432
Source: Bank data										
*Activity since 11/15/2021										

The following point highlights an example of the QIs in the AA:

- **Community Services** – Since the prior evaluation, the bank has made several donations to a local community medical clinic that primarily serves LMI individuals.

The following point describes a QI in the broader statewide or regional area:

- **Affordable Housing** – The bank purchased an investment in the CRA Investment Fund, which invests in the National Mortgage Association home mortgage loan pools consisting of loans to LMI borrowers in a broader area that includes the AA. The current value of the investment is nearly \$1.7 million.

Community Development Services

The bank exhibited a very high level of CD services and was responsive to CD needs in the AA.

The following table shows that the bank provided 61 CD services since the prior evaluation. The services all involve bank personnel’s use financial or managerial expertise to benefit organizations

or projects with a primary purpose consistent with CD, as defined by the CRA regulation. The level of CD services has decreased from the previous evaluation, where the bank provided 80 CD services, but still represents an adequate level.

The CD services benefited community services and economic development, both of which are identified needs of the AA. This shows the responsiveness in addressing identified CD needs.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021*	0	1	0	0	1
2022	0	17	2	0	19
2023	0	15	0	0	15
2024 YTD	0	25	1	0	26
Total	0	58	3	0	61
<i>Source: Bank data</i> <i>*Activity since 11/15/21</i>					

The following points highlight notable examples of CD services in the AA:

- **Economic Development** – Several employees serve as Board members for a local leadership program created by the Shelbyville Bedford Chamber of Commerce. The leadership program strives to promote economic development by developing business leaders and bringing more jobs to Bedford County.
- **Community Services** – An employee shares financial knowledge by helping the Director of a local Pregnancy Counseling Center with general oversight, reviewing the monthly financials, annual budgeting, and fundraising efforts. The Pregnancy Counseling Center offers a variety of free services to LMI individuals.

Additionally, the bank has two branches including one branch in a moderate-income CT. This level exceeds the population in the moderate-income CT by 36.1 percent. Each of the branch locations has a proprietary ATM; however, only the main branch has a deposit-taking ATM. The following table details the geographic distribution of the offices and ATMs in relation to AA demographics.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	1	8.3	7,909	13.9	1	50.0	1	11.1
Middle	5	41.7	25,443	44.9	0	0.0	4	44.4
Upper	6	50.0	23,346	41.2	1	50.0	4	44.4
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	12	100.0	56,698	100.0	2	100.0	9	100.0
<i>Source: 2020 Census data and Bank data</i>								
<i>Due to rounding, totals may not equal 100.0 percent</i>								

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank’s compliance with the laws relating to discrimination and other illegal credit practices, including Fair Housing and Equal Credit Opportunity. Examiners did not identify discriminatory or other illegal credit practices.

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.