

PUBLIC DISCLOSURE

May 1, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Security Bank and Trust Company
Certificate Number: 9172

210 West Washington Street
Paris, Tennessee 38242

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

600 North Pearl Street, Suite 700
Dallas, Texas 75201

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

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

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

The Lending Test is rated Satisfactory.

- The bank exhibited a reasonable record regarding the loan-to-deposit (LTD) ratio.
- The institution granted a majority of loans inside the AAs.
- The institution achieved a reasonable record regarding geographic loan distribution.
- The bank established a reasonable record regarding borrower profile.
- 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 Satisfactory.

Security Bank and Trust Company's (SBTC's) community development (CD) performance demonstrates adequate 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

Headquartered in Paris, Tennessee, SBTC operates in Gibson, Henry, Obion, and Weakley Counties in Tennessee, as well as in Fulton County, Kentucky. Security Bancshares, Inc., a one-bank holding company also located in Paris, Tennessee, wholly owns the bank. The institution received a "Satisfactory" rating at its previous FDIC Performance Evaluation, dated December 9, 2019, utilizing Intermediate Small Institution Examination Procedures.

SBTC is a certified Community Development Financial Institution (CDFI) whose mission is to provide cost effective delivery of high quality, innovative, customer-driven products and services to diverse markets with a focus on disadvantaged minority communities, which traditionally have been underserved. A CDFI is a specialized financial institution that works in market niches that are underserved by traditional financial institutions. CDFIs typically provide a unique range of financial products and services in economically distressed target markets. CDFI certification is a designation conferred by the CDFI Fund and is a requirement for accessing financial and technical award assistance from the CDFI Fund through the CDFI Program.

SBTC is a retail institution primarily focusing on commercial and residential real estate loans. The institution maintains 11 full-service offices. On August 15, 2020, the institution merged with The Farmers & Merchants Bank headquartered in Dyer, Tennessee. From this merger, the institution obtained three full-service branches, one of which is located in a moderate-income census tract (CT). The bank also opened one branch in Milan, Tennessee in May 2020, and closed one branch in Hornbeak, Tennessee in March 2022.

The bank offers a variety of loan products, including commercial, residential real estate, construction, home equity, vehicle, agricultural, and personal loans. The bank also offers deposit services, including checking, savings, and time deposit accounts. Additionally, the bank offers mobile, online, and telephone banking services, as well as 11 automated teller machines (ATMs). The bank maintains consistent operating hours typical of the banking industry.

SBTC's assets totaled approximately \$1.1 billion as of March 31, 2023, including total loans of \$736.6 million, total deposits of \$937.3 million, and total securities of \$239.5 million. The following table displays a similar loan mix as the distribution described under the Scope of Evaluation section. Commercial loans represent the largest percentage of outstanding gross loans by dollar volume at 56.3 percent, followed by residential real estate loans at 18.7 percent.

Loan Portfolio Distribution as of 3/31/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	49,563	6.7
Secured by Farmland	54,633	7.4
Secured by 1-4 Family Residential Properties	123,468	16.8
Secured by Multifamily (5 or more) Residential Properties	13,872	1.9
Secured by Nonfarm Nonresidential Properties	165,367	22.5
Total Real Estate Loans	406,903	55.3
Commercial and Industrial Loans	248,930	33.8
Agricultural Production and Other Loans to Farmers	4,751	0.6
Consumer Loans	7,879	1.1
Obligations of State and Political Subdivisions in the U.S.	68,055	9.2
Other Loans	60	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	736,578	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 AREAS

The CRA requires each financial institution to define one or more AAs within which CRA

performance will be evaluated. SBTC designated three non-contiguous AAs in two rated areas. In the State of Kentucky rated area, the bank has designated one AA consisting of all of Fulton County in the non-metropolitan statistical area (MSA) of Kentucky. This makes up the Kentucky Non-MSA AA. In the State of Tennessee rated area, the bank has designated two AAs. The Jackson MSA AA consists of all of Gibson County in the Jackson, Tennessee (Jackson) MSA and is new since the prior evaluation. The bank expanded to this AA in August 2020 when they merged with The Farmers & Merchants Bank. The second AA in the State of Tennessee is the Tennessee Non-MSA AA which consists of all of Henry, Obion, and Weakley Counties in the non-MSA areas of Tennessee.

According to 2020 Census data, the AAs consist of 52 CTs, including one low-, five moderate-, 41 middle-, three upper-income, and two tracts with no income designation. This is a change from the 2015 American Community Survey (ACS) data, where the combined AAs consist of 46 CTs, including eight moderate-, 30 middle-, six upper-income, and two tracts with no income designation. The AAs conform to CRA regulatory requirements. The following table details additional information regarding each AA.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Jackson MSA	Gibson	17	3
Kentucky Non-MSA	Fulton	2	1
Tennessee Non-MSA	Henry, Obion, and Weakley	33	7
Source: 2020 Census data and Bank data			

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation, dated December 9, 2019, to the current evaluation, dated May 1, 2023. Examiners used CRA Intermediate Small Institution Examination Procedures, which includes the Lending Test and Community Development Test. The Appendix lists applicable test criteria.

As seen in the following table, the majority of activity takes place in the State of Tennessee rated area. Therefore, the State of Tennessee will hold more weight when arriving at overall conclusions.

Rated Area Breakdown of Loans, Deposits, and Branches						
Rated Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
State of Kentucky	820	0.5	51,163	7.0	1	9.1
State of Tennessee	156,313	99.5	680,634	93.0	10	90.9
Total	157,133	100.0	731,797	100.0	11	100.0
Source: FDIC Summary of Deposits (06/30/2022) and 2022 Bank data						

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 2022.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	103,271	27.7	47	2.1
Secured by Farmland	19,449	5.2	45	2.0
Secured by 1-4 Family Residential Properties	36,539	9.8	203	9.0
Multi-Family (5 or more) Residential Properties	9,135	2.4	6	0.3
Commercial Real Estate Loans	52,255	14.0	64	2.8
Commercial and Industrial Loans	123,702	33.1	324	14.3
Agricultural Loans	3,985	1.1	12	0.5
Consumer Loans	5,216	1.4	1,549	68.3
Other Loans	19,714	5.3	18	0.8
Total Loans	373,266	100.0	2,268	100.0
<i>Source: 2022 Bank data</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 commercial and residential real estate loans. Bank records indicate that the lending focus and product mix remained generally consistent throughout the evaluation period. No other loan types, including agricultural or consumer loans, represent major product lines. Therefore, this evaluation does not include a review of small farm or consumer loans.

This evaluation considered all small business loans originated in calendar year 2022. The bank originated 326 small business loans totaling approximately \$49.9 million, of which examiners sampled 78 loans totaling \$6.6 million. D&B data for 2022 provided the standard of comparison for the small business lending.

Examiners reviewed all home mortgage loans for calendar years 2021 and 2022 to evaluate performance during the entire evaluation period. In 2021, the bank originated 212 home mortgage loans totaling approximately \$47.0 million. 2015 ACS data provided a standard of comparison for the 2021 home mortgage loans. The bank began reporting for Home Mortgage Disclosure (HMDA) as of January 1, 2022, therefore, this evaluation included a review of all home mortgage loans reported on the 2022 HMDA Loan Application Register (LAR). Examiners reviewed the following reported home mortgage loans for this evaluation.

- 2022: 121 loans totaling \$36.2 million

This evaluation only presents 2021 home mortgage loan data since it is the most recent year for which aggregate data exists, as of this evaluation date. Examiners did not identify any significant trends

between the different years' data that materially affect applicable conclusions or ratings. The AA Concentration table presents all years of home mortgage loan data.

Examiners considered the 2022 universes of small business and home mortgage loans when determining loan product weighting as well as management's stated business strategy when weighing each product's effect on overall conclusions for applicable performance factors. Considering dollar volume and number volume equally, small business loans will receive greater weight than home mortgage loans.

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.

For the Community Development Test, bank management provided data on CDLs, QIs, and CD services since the prior evaluation, dated December 9, 2019. The scope of this evaluation also considered all QIs purchased prior to the previous evaluation and still outstanding as of this evaluation's date.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

SBTC demonstrated a satisfactory record regarding the Lending Test. The reasonable performances regarding the LTD ratio, geographic distribution, and borrower profile, along with the majority of loans inside the AAs support this conclusion. Satisfactory records in both the State of Tennessee and the State of Kentucky further 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.

The LTD ratio averaged 85.7 percent over the past 14 calendar quarters from December 31, 2019, to March 31, 2023, representing a decrease from the 88.9 percent average, net LTD ratio noted at the previous evaluation. The ratio ranged from a low of 77.7 percent as of December 31, 2022, to a high of 98.3 percent as of June 30, 2020.

Examiners identified and listed in the following table, two similarly-situated institutions reporting similar asset sizes, lending emphases, and operational areas. The following table shows that SBTC posted the highest ratio out of the three total ratios listed, and, the average, net LTD ratio reflects similar performance to the similarly-situated institutions.

Loan-to-Deposit Ratio Comparison		
Bank Name and Location	Total Assets as of 3/31/2023 (\$000s)	Average Net LTD Ratio (%)
Security Bank and Trust Company, Paris, Tennessee	1,065,018	85.7
Commercial Bank & Trust Co., Paris, Tennessee	1,051,698	55.2
Volunteer State Bank, Portland, Tennessee	1,046,968	73.8
Source: Reports of Condition and Income (12/31/2019 to 3/31/2023)		

Assessment Area Concentration

A majority of loans and other lending related activities are inside the institution's AAs. The majority of small business loans by both number and dollar volume inside the AAs and the majority of home mortgage loans by number inside the AAs outweigh the majority of home mortgage loans by dollar volume outside the AAs to support this conclusion.

The low percentage of the dollar volume of home mortgage loans within the AAs is primarily attributed to the secondary market loan program where the bank has contracted with other financial institutions to offer home mortgage loans in mostly rural areas.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	257	78.8	69	21.2	326	35,472	71.1	14,441	28.9	49,913
Home Mortgage										
2021	155	73.1	57	26.9	212	26,449	56.3	20,494	43.7	46,943
2022	63	52.1	58	47.9	121	8,334	23.0	27,892	77.0	36,226
Home Mortgage Subtotal	218	65.5	115	34.5	333	34,783	41.8	48,386	58.2	83,169
Source: 2022 Bank data and 2021 and 2022 HMDA LAR data Due to rounding, totals may not equal 100.0 percent										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AAs. Reasonable performance in the State of Tennessee outweighed the excellent performance in the State of Kentucky to support this conclusion. Examiners considered the loan product types reviewed relative to the available comparative data and any performance context issues when arriving at this conclusion. This factor only considered loans originated inside the AAs.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among businesses of different sizes and individuals of different income levels (including LMI). The reasonable records for the State of Tennessee and the State of Kentucky support this conclusion.

Examiners considered the loan product type reviewed relative to the available comparative data and any performance context issues when arriving at this conclusion. This factor only considered loans granted inside the AAs.

In response to the COVID-19 Pandemic, the Coronavirus Aid Relief and Economic Security Act, signed into law on March 27, 2020, established the Paycheck Protection Program (PPP). The PPP provided loans to qualified businesses to retain employees through the COVID-19 Pandemic, which included loan forgiveness subject to certain conditions. Participation in the PPP during the evaluation period reflects the willingness to meet the credit needs of businesses of different sizes, including small businesses in response to the COVID-19 Pandemic. SBTC originated 1,338 PPP loans totaling approximately \$109.2 million during the evaluation period.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

SBTC demonstrated a satisfactory record for the Community Development Test. The institution's CD performance demonstrates adequate 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. The satisfactory performance in the State of Tennessee outweighed the needs to improve performance in the State of Kentucky to further support this conclusion.

Community Development Loans

The bank exhibited an excellent record regarding CD lending. The level of CDLs and the responsiveness to CD needs in the AAs support this conclusion.

Since the prior evaluation, SBTC originated 24 CDLs totaling over \$36.2 million. This level of CD lending represents 4.6 percent of the average total assets of \$788.5 million and 6.2 percent of average net loans of \$582.2 million since the previous evaluation. The level of CD lending has decreased since the previous evaluation where the CD lending represented 6.7 percent of average total assets and 9.2 percent of average net loans; however, the current lending level is still considered excellent.

The bank provided CDLs that benefited all CD categories, which were all identified needs of the AAs. This shows responsiveness in addressing identified CD needs.

The following table illustrates the CDLs by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	7	13,622	0	0	7	13,622
2021	7	4,495	0	0	0	0	0	0	7	4,495
2022	0	0	1	500	6	9,390	2	7,130	9	17,020
2023	0	0	0	0	1	1,072	0	0	1	1,072
Total	7	4,495	1	500	14	24,084	2	7,130	24	36,209
<i>Source: Bank data (12/9/2019 – 5/1/2023)</i>										

The following table illustrates CDLs by rated area and purpose.

Community Development Lending by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
State of Kentucky	0	0	0	0	1	1,072	1	80	2	1,152
State of Tennessee	7	4,495	1	500	13	23,012	1	7,050	22	35,057
Regional Activities	0	0	0	0	0	0	0	0	0	0
Nationwide Activities	0	0	0	0	0	0	0	0	0	0
Total	7	4,495	1	500	14	24,084	2	7,130	24	36,209
<i>Source: Bank data (12/9/2019 – 5/1/2023)</i>										

Refer to the Community Development Test section for each rated area regarding CD lending activities specific to individual AAs.

Qualified Investments

The bank exhibited adequate performance regarding QI activity. The level of QIs and the responsiveness to CD needs in the AAs support this conclusion.

The following table shows that the bank made 135 QIs totaling approximately \$5.1 million, which includes 126 donations totaling \$71,000. By dollar volume, the QIs represent approximately 0.6 percent of average total assets and 4.3 percent of average total securities of \$119.1 million. The level of QIs has slightly decreased since the previous evaluation where the QIs represented 0.8 percent of average total assets and 5.2 percent of average total securities; however, the current lending level is still considered adequate.

The bank provided QIs that benefited economic development, revitalization or stabilization, and community service efforts, all of which were identified needs of the AAs. This shows responsiveness in addressing identified CD needs.

The following table shows the breakout of QIs by activity year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	4	2,000	0	0	4	2,000
2021	0	0	0	0	0	0	2	2,000	2	2,000
2022	0	0	0	0	3	1,000	0	0	3	1,000
2023	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	7	3,000	2	2,000	9	5,000
Qualified Grants & Donations	0	0	126	71	0	0	0	0	126	71
Total	0	0	126	71	7	3,000	2	2,000	135	5,071
<i>Source: Bank data (12/9/2019 – 5/1/2023)</i>										

The following table illustrates QIs by rated area and purpose.

Qualified Investments by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
State of Kentucky	0	0	0	0	0	0	0	0	0	0
State of Tennessee	0	0	126	71	7	3,000	2	2,000	135	5,071
Regional Activities	0	0	0	0	0	0	0	0	0	0
Nationwide Activities	0	0	0	0	0	0	0	0	0	0
Total	0	0	126	71	7	3,000	2	2,000	135	5,071
<i>Source: Bank data (12/9/2019 – 5/1/2023)</i>										

Refer to the Community Development Test section for each rated area regarding QI activities specific to individual AAs.

Community Development Services

The bank exhibited adequate performance regarding CD services. The level of CD services and the responsiveness to CD needs in the AAs support this conclusion.

The following table shows that SBTC provided 42 CD services since the previous evaluation. All of the services involved bank employees using their financial or technical expertise to benefit organizations or projects with a primary purpose consistent with CD. The level of CD services has increased since the previous evaluation where the bank provided only 24 CD services, but still reflects an adequate level.

The bank provided CD services that benefited community service efforts, which is an identified need of the AAs. This shows responsiveness in addressing identified CD needs.

The following table shows the breakout of activities by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	0	0	0	0	0
2020	0	8	0	0	8
2021	0	12	0	0	12
2022	0	16	0	0	16
2023	0	6	0	0	6
Total	0	42	0	0	42
<i>Source: Bank data (12/9/2019 – 5/1/2023)</i>					

The following table illustrates CD services by rated area and purpose.

Community Development Services by Rated Area					
Rated Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
State of Kentucky	0	5	0	0	5
State of Tennessee	0	37	0	0	37
Regional Activities	0	0	0	0	0
Nationwide Activities	0	0	0	0	0
Total	0	42	0	0	42
<i>Source: Bank data (12/9/2019 – 5/1/2023)</i>					

Refer to the Community Development Test section for each rated area regarding CD service activities specific to individual AAs.

The bank operates three branches within moderate-income CTs. All three of these branches have one proprietary ATM each. The percentage of branches and ATMs exceed the population percentage in moderate-income CTs. 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	1	1.9	3,378	0	0	0	0	0
Moderate	5	9.6	14,342	18.8	3	27.3	3	27.3
Middle	41	78.8	122,575	64.0	8	72.7	8	72.7
Upper	3	5.8	10,547	15.5	0	0.0	0	0.0
NA	2	3.8	1,990	1.7	0	0.0	0	0.0
Total	52	100.0	152,832		11	100.0	11	100.0
<i>Source: 2020 Census data and Bank data Due to rounding, totals may not equal 100.0 percent</i>								

SBTC's online banking application is readily available to all customers, including LMI individuals. Online banking provides a convenient way for customers to deposit checks, check account balances, review recent account activity, transfer funds between accounts, and pay bills. SBTC offers hours and days of service consistent with the industry for its branch locations. Alternative delivery systems also include telephone banking, mobile banking, and debit cards. These alternative delivery systems help avail services to LMI individuals across the AAs.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

STATE OF KENTUCKY – FULL-SCOPE REVIEW

CRA RATING FOR THE STATE OF KENTUCKY: NEEDS TO IMPROVE

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Needs to Improve

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE STATE OF KENTUCKY

SBTC designated one AA in the State of Kentucky, the Kentucky Non-MSA AA. The Kentucky Non-MSA AA is unchanged since the prior evaluation and includes all of Fulton County.

The Kentucky Non-MSA AA includes both CTs in Fulton County in the non-MSA areas of Kentucky. The CTs reflect the following income designations according to the 2020 Census data: one moderate-, and one middle-income. This is unchanged from the 2015 ACS data. FEMA declared Fulton County as a major disaster area due to the following: severe storms and tornadoes during December 2021. Of

the two CTs in the AA, one CT was designated as distressed in 2021. SBTC operates one full-service office in the Kentucky Non-MSA AA.

Economic and Demographic Data

The following table contains select demographic data of the Kentucky Non-MSA AA.

Demographic Information of the Assessment Area						
Assessment Area: Kentucky Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2	0.0	50.0	50.0	0.0	0.0
Population by Geography	6,515	0.0	54.8	45.2	0.0	0.0
Housing Units by Geography	3,336	0.0	57.8	42.2	0.0	0.0
Owner-Occupied Units by Geography**	1,543	0.0	57.4	42.6	0.0	0.0
Occupied Rental Units by Geography	870	0.0	60.0	40.0	0.0	0.0
Vacant Units by Geography	786	0.0	56.4	43.6	0.0	0.0
Businesses by Geography	436	0.0	61.5	38.5	0.0	0.0
Farms by Geography	61	0.0	52.5	47.5	0.0	0.0
Family Distribution by Income Level**	1,595	33.5	17.9	22.9	25.7	0.0
Household Distribution by Income Level	2,550	32.3	21.5	19.5	26.6	0.0
Median Family Income Non-MSAs - KY		\$54,327	Median Housing Value			\$64,605
			Median Gross Rent			\$593
			Families Below Poverty Level**			22.7%
Source: 2015 ACS data**, 2020 Census data, and 2022 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 major industries in the area include service, retail services, and agriculture. The top employers in the area include Rochester Metal Products, LAU, and Acument Global Technologies.

Data obtained from the U.S. Bureau of Labor Statistics indicates that Fulton County reported an unemployment rate of 4.0 percent in December 2022, above the State of Kentucky rate at 3.9 percent and the national rate at 3.5 percent. Unemployment rates steadily declined since the previous evaluation.

Examiners used the applicable Federal Financial Institutions Examination Council's (FFIEC's)-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 2021 FFIEC-estimated MFI of \$52,600, applicable to the Kentucky Non-MSA AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
KY NA Median Family Income (99999)				
2021 (\$52,600)	<\$26,300	\$26,300 to <\$42,080	\$42,080 to <\$63,120	≥\$63,120
Source: FFIEC				

Competition

The area reflects a moderate level of competition for financial services. According to FDIC Deposit Market Share data as of June 30, 2022, three financial institutions operate five full-service offices within the Kentucky Non-MSA AA. Of the three institutions that operate in the area, SBTC ranked third with 17.4 percent deposit market share. Overall, the competition level allows for lending opportunities.

The bank is not required to collect or report small business loan data and has not elected to do so. Therefore, the analysis of small business loans under the Lending Test does not include a comparison to aggregate data. However, to provide context, the 2021 CRA aggregate data shows that 19 lenders reported 99 small business loans in the AA, indicating a limited level of competition. The top three lenders were Independence Bank of Kentucky, First Financial Bank, and John Deer, FSB, collectively, accounting for 47.5 percent of the total market share. The 2021 HMDA aggregate data shows that 45 lenders reported 117 home mortgage loans in the AA, indicating a moderate level of competition. The top three lenders were United Wholesale Mortgage, Rocket Mortgage, and Leaders Credit Union collectively, accounting for 27.4 percent of the total market share.

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 financial institutions' responsiveness to these needs and indicates available credit and CD opportunities.

Examiners contacted one community member from a nonprofit organization that is knowledgeable about the area to help assess the current economic conditions, community credit and CD needs, and potential opportunities for bank involvement in the AA. The contact identified opportunity for a combination of employment and financial literacy as many individuals were taken advantage of by payday lenders or predatory lenders. In addition, the contact mentioned the economy has been stable; however, no economic growth has happened.

Credit and Community Development Needs and Opportunities

Considering information obtained from the community contact, bank management, and demographic and economic information, examiners determined that small business and consumer loans represent the primary credit needs of the AA. With respect to the AA's CD needs, demographic data supports the need for projects that provide affordable housing and community

services targeted to LMI individuals as well as activities that revitalize or stabilize LMI tracts, designated disaster areas, and distressed areas. As indicated by the economic information, there is also a need for economic development for small businesses within the AA.

SCOPE OF EVALUATION – STATE OF KENTUCKY

Examiners performed a full-scope review for the Kentucky Non-MSA AA as it is the only AA in this rated area. The conclusions derived from the Kentucky Non-MSA AA drove the conclusions for the overall State of Kentucky.

For this rated area, examiners reviewed all 85 consumer loans totaling \$120,000 originated in 2022 inside the Kentucky Non-MSA AA. Examiners compared the consumer loans to 2020 Census data. Examiners arrived at conclusions using only consumer loans and did not review small business loans, as there were only five small business loans originated in 2022 or home mortgage loans, as there were only three home mortgage loans originated in 2021. These low levels of lending would not draw meaningful conclusions, therefore, they are excluded from the scope in this rated area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE STATE OF KENTUCKY

LENDING TEST

SBTC demonstrated a satisfactory record in the State of Kentucky regarding the Lending Test. The adequate Lending Test performance in the Kentucky Non-MSA AA, driven by the reasonable performance regarding borrower profile outweighing the excellent geographic distribution supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion in the Kentucky Non-MSA AA. The excellent performance regarding consumer loans supports this conclusion.

Consumer Loans

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

The following table shows that, in moderate-income tracts, the level of lending rises over demographic data by 24.1 percentage points, reflecting excellent performance.

Geographic Distribution of Consumer Loans					
Assessment Area: Kentucky Non-MSA					
Tract Income Level	% of Households	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	58.3	70	82.4	98	81.7
Middle	41.7	15	17.6	22	18.3
Upper	0.0	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	85	100.0	120	100.0
Source: 2020 Census data and 2022 Bank data Due to rounding, totals may not equal 100.0 percent					

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels (including LMI). Reasonable consumer loan performance supports this conclusion.

Consumer Loans

The distribution of consumer loans based on the borrowers' profiles reflects a reasonable record in the Kentucky Non-MSA AA. The excellent performance to low-income borrowers outweighed the very poor performance to moderate-income borrowers to support this conclusion.

The following table shows that, to low-income borrowers, the level of lending rises above the demographic data by 35.9 percentage points, reflecting excellent performance. To moderate-income borrowers, the level of lending falls below demographic data by 15.6 percentage points, reflecting very poor performance. Examiners placed more weight on lending to low-income borrowers since there is a higher percent of households for this income category, representing more opportunities for lending.

Distribution of Consumer Loans by Borrower Income Category					
Assessment Area: Kentucky Non-MSA					
Borrower Income Level	% of Households	#	%	\$(000s)	%
Low	32.3	58	68.2	61	50.8
Moderate	21.5	5	5.9	25	20.8
Middle	19.5	1	1.2	5	4.2
Upper	26.6	2	2.4	10	8.3
Not Available	0.0	19	22.4	19	15.8
Totals	100.0	85	100.0	120	100.0
Source: 2020 Census data and 2022 Bank data Due to rounding, totals may not equal 100.0 percent					

COMMUNITY DEVELOPMENT TEST

SBTC demonstrated a needs to improve record in the State of Kentucky regarding the Community Development Test. The poor Community Development Test performance in the State of Kentucky is driven by poor responsiveness to CD needs in the Kentucky 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 Kentucky Non-MSA AA.

Community Development Loans

The bank exhibited an adequate record regarding CD lending in the Kentucky Non-MSA AA. The level of CDLs and the responsiveness to CD needs in the AA support this conclusion.

Since the prior evaluation, the bank granted two CDLs totaling \$1.2 million in the Kentucky Non-MSA AA. The current dollar amount equates to 3.2 percent of the total CDLs as compared to 0.5 percent of all loans generated. The dollar volume of CD lending decreased since the previous evaluation where the bank originated one CDL totaling \$3.0 million in the Kentucky Non-MSA AA, but remains adequate for this AA.

The CDLs benefitted economic development and revitalization or stabilization efforts, both of which were identified needs of the AA. This shows responsiveness in addressing identified needs of the AA. Refer to the table at the institution level for CDLs in each category in the Kentucky Non-MSA AA.

The following is an example of a notable CDL in the Kentucky Non-MSA AA.

- ***Economic Development*** – The bank originated an \$80,000 loan to create jobs for LMI individuals in a moderate-income CT.

Qualified Investments

The bank exhibited a very poor record regarding QIs in the Kentucky Non-MSA AA. The lack of QIs and the lack of responsiveness to CD needs in the AA support this conclusion.

Since the prior evaluation, the bank did not make any QIs in the Kentucky Non-MSA AA. The level of QIs decreased since the previous evaluation where the bank made two QIs totaling \$71,000 million in the Kentucky Non-MSA AA.

The lack of QIs demonstrates no responsiveness to the CD needs within the Kentucky Non-MSA AA.

Community Development Services

The bank exhibited an adequate record regarding CD services in the Kentucky Non-MSA AA. The level of CD services and the responsiveness to CD needs in the AA support this conclusion.

During the evaluation period, bank employees provided five instances of financial expertise or

technical assistance to various CD-related organizations in the Kentucky Non-MSA AA. The level of services equates to 11.9 percent of the total of CD services as compared to 9.1 percent of all branches. The level of CD services has decreased since the previous evaluation where employees provided six CD services in the Kentucky Non-MSA AA, but is still at an adequate level.

These CD services helped to support community service efforts, which is an identified need of the AA. This demonstrates responsiveness in addressing CD needs. Refer to the table at the institution level for CD services in each category in the Kentucky Non-MSA AA.

The following is a notable example of the CD services in the Kentucky Non-MSA AA.

- **Community Services** – An employee taught a financial education class to students in Fulton High School. The program provides age-appropriate financial education in which a majority of the students qualify for the free or reduced lunch program.

In the Kentucky Non-MSA AA, the bank operates its only branch in the moderate-income CT. This branch also has one proprietary ATM. The percentage of branches and ATMs exceeds the population percentage in the moderate-income CT. 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 State of Kentucky – Kentucky Non-MSA AA								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	1	50.0	3,567	54.8	1	100.0	1	100.0
Middle	1	50.0	2,948	45.2	0	0.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	2	100.0	6,515	100.0	1	100.0	1	100.0
Source: 2020 Census data and Bank data								

The alternative delivery systems in the Kentucky Non-MSA AA are the same as those described at the institution level. These alternative delivery systems help avail services to LMI individuals across the Kentucky Non-MSA AA. Refer to the CD Services section at the institution level for more details.

STATE OF TENNESSEE

CRA RATING FOR THE STATE OF TENNESSEE: SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE STATE OF TENNESSEE

SBTC designated two AAs in the State of Tennessee, the Jackson MSA AA and the Tennessee Non-MSA AA. As stated previously, the Jackson MSA AA is new since the prior evaluation and includes all of Gibson County. The Tennessee Non-MSA AA is unchanged since the prior evaluation and includes all of Henry, Obion, and Weakley Counties.

SCOPE OF EVALUATION – STATE OF TENNESSEE

Examiners performed full-scope reviews for both the Jackson MSA AA and the Tennessee Non-MSA AA. Examiners placed more weight on conclusions in the Tennessee Non-MSA AA after considering the portion of lending, deposits, and branches in the State of Tennessee, as shown in the following table.

Assessment Area Breakdown of Loans, Deposits, and Branches in the State of Tennessee						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Jackson MSA	25,954	16.6	131,886	19.4	4	40.0
Tennessee Non-MSA	130,359	83.4	548,748	80.6	6	60.0
Total	156,313	100.0	680,634	100.0	10	100.0
<i>Source: FDIC Summary of Deposits (06/30/2022) and 2022 Bank data</i>						

For this rated area, examiners reviewed loan products and weighted those products as discussed at the institution level. Refer to the Scope of Evaluation at the institution level for details.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE STATE OF TENNESSEE

LENDING TEST

SBTC demonstrated a satisfactory record in the State of Tennessee regarding the Lending Test. This is primarily driven by the adequate Lending Test records in the Tennessee Non-MSA AA and the Jackson MSA AA.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the State of Tennessee. Reasonable lending levels in the Tennessee Non-MSA AA outweighed the poor lending levels in the Jackson MSA AA support this conclusion.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among businesses of different sizes and individuals of different income levels (including LMI). Reasonable records in both the Tennessee Non-MSA AA and the Jackson MSA AA support this conclusion.

COMMUNITY DEVELOPMENT TEST

SBTC demonstrated a satisfactory record in the State of Tennessee regarding the Community Development Test. The CD performance demonstrates adequate responsiveness to CD needs in the State of Tennessee 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 State of Tennessee. Adequate performances in both the Tennessee Non-MSA AA and the Jackson MSA AA further support this conclusion.

Community Development Loans

The bank exhibited an adequate record regarding CD lending in the State of Tennessee. The level of CDLs and the responsiveness to CD needs in the AA support this conclusion.

Since the prior evaluation, SBTC originated 22 CDLs totaling \$35.1 million in the State of Tennessee. The current dollar amount equates to 96.8 percent of the total CDLs as compared to 99.5 percent of all loans originated in this rated area. The level of CD lending has increased since the previous evaluation where the bank originated three CDLs totaling \$20.2 million in the State of Tennessee; however, the bank has expanded to two AAs in this rated area, so an increase in CDLs is expected, further supporting adequate performance.

The bank provided CDLs that benefited all CD categories, which were all identified needs of the AAs in the State of Tennessee. This shows the responsiveness in addressing identified CD needs.

The following table illustrates CDLs by AA and purpose in the State of Tennessee.

Community Development Lending by Assessment Area State of Tennessee										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Jackson MSA	4	1,126	1	500	1	2,285	0	0	6	3,911
Tennessee Non-MSA	3	3,369	0	0	12	20,727	1	7,050	16	31,146
Statewide Activities	0	0	0	0	0	0	0	0	0	0
Total	7	4,495	1	500	13	23,012	1	7,050	22	35,057
<i>Source: Bank data (12/9/2019 – 5/1/2023)</i>										

Refer to the Community Development Test section for each AA regarding CD lending activity conclusions specific to individual AAs.

Qualified Investments

The bank exhibited adequate performance regarding QI activity in the State of Tennessee. The level of QIs and the responsiveness to CD needs in the AAs support this conclusion.

The following table shows that the bank made 135 QIs totaling approximately \$5.1 million in the State of Tennessee. The current dollar amount equates to 100.0 percent of the total QIs as compared to 93.0 percent of all deposits in this rated area. The level of QIs has increased since the previous evaluation where the bank made 12 QIs totaling \$2.8 million in the State of Tennessee; however, the bank has expanded to two AAs in this rated area, so an increase in QIs is expected, further supporting adequate performance.

The bank provided QIs that benefited economic development efforts, revitalization or stabilization efforts, and community service efforts, all of which were identified needs of the AAs. This shows responsiveness in addressing identified CD needs.

The following table illustrates QIs by AA and purpose in the State of Tennessee.

Qualified Investments by Assessment Area State of Tennessee										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Jackson MSA	0	0	59	33	2	1,000	1	500	62	1,533
Tennessee Non-MSA	0	0	67	38	5	2,000	1	1,500	73	3,538
Statewide Activities	0	0	0	0	0	0	0	0	0	0
Total	0	0	126	71	7	3,000	2	2,000	135	5,071
<i>Source: Bank data (12/9/2019 – 5/1/2023)</i>										

Refer to the Community Development Test section for each AA regarding QI activity conclusions specific to individual AAs.

Community Development Services

The bank exhibited adequate performance regarding CD services in the State of Tennessee. The level of CD services and the responsiveness to CD needs in the AAs support this conclusion.

The following table shows that bank employees provided 37 CD services since the previous evaluation. The amount equates to 88.1 percent of the total CD services as compared to 90.9 percent of total branches in this rated area. The level of CD services has increased since the previous evaluation where the bank provided 18 CD services in the State of Tennessee; however, the bank has expanded to two AAs in this rated area, so an increase in CD services is expected, further supporting adequate performance.

The bank provided CD services that benefited community service efforts, which is an identified need of the AAs. This shows responsiveness in addressing identified CD needs.

The following table illustrates CD services by AA and purpose in the State of Tennessee.

Community Development Services by Assessment Area State of Tennessee					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Jackson MSA	0	3	0	0	3
Tennessee Non-MSA	0	34	0	0	34
Statewide Activities	0	0	0	0	0
Total	0	37	0	0	37
<i>Source: Bank data (12/9/2019 – 5/1/2023)</i>					

Refer to the Community Development Test section for each AA regarding CD service activity conclusions specific to individual AAs.

In the State of Tennessee, the bank operates two branches within moderate-income CTs. Both branches have one proprietary ATM each. The percentage of branches and ATMs exceeds the population percentage in moderate-income CTs. 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	1	2.0	3,378	2.3	0	0	0	0
Moderate	4	8.0	10,775	7.4	2	20.0	2	20.0
Middle	40	80.0	119,627	81.7	8	80.0	8	80.0
Upper	3	6.0	10,547	7.2	0	0.0	0	0.0
NA	2	4.0	1,990	1.4	0	0.0	0	0.0
Total	50	100.0	146,317	100.0	10	100.0	10	100.0
<i>Source: 2020 Census data and Bank data</i>								

The alternative delivery systems in the State of Tennessee are the same as those described at the institution level. These alternative delivery systems help avail services to LMI individuals across the State of Tennessee. Refer to the CD Services section at the institution level for more details.

JACKSON MSA AA – FULL-SCOPE REVIEW

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE JACKSON MSA AA

The Jackson MSA AA includes all 17 CTs in Gibson County in the Jackson MSA. The CTs reflect the following income designations according to the 2020 Census data: one low-, one moderate-, 12

middle-, two upper-income, and one tract with no income designation. This is a change from the 2015 ACS data in which income designations included four moderate-, eight middle-, one upper-income, and one tract with no income designation. FEMA declared Gibson County as a major disaster area due to the following: severe storms and tornadoes during December 2021.

Economic and Demographic Data

The following table contains select demographic data of the Jackson MSA AA.

Demographic Information of the Assessment Area						
Assessment Area: Jackson MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	17	5.9	5.9	70.6	11.8	5.9
Population by Geography	50,429	6.7	4.3	71.3	17.6	0.0
Housing Units by Geography	22,662	6.5	6.1	72.2	15.2	0.0
Owner-Occupied Units by Geography**	14,046	0.0	30.6	56.6	12.8	0.0
Occupied Rental Units by Geography	6,742	10.5	7.1	72.4	9.9	0.0
Vacant Units by Geography	3,068	8.2	9.8	73.4	8.6	0.0
Businesses by Geography	3,137	7.6	7.9	70.6	13.6	0.3
Farms by Geography	200	2.0	4.0	70.0	24.0	0.0
Family Distribution by Income Level**	13,248	18.7	19.0	20.1	42.2	0.0
Household Distribution by Income Level	19,594	27.0	16.3	16.9	39.8	0.0
Median Family Income MSA - 27180 Jackson, TN MSA		\$58,697	Median Housing Value			\$106,497
			Median Gross Rent			\$684
			Families Below Poverty Level**			13.9%
Source: 2015 ACS data**, 2020 Census data, and 2022 D&B data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

The major industries in the area include service, retail service, construction, finance, insurance, and real estate. The top employers in the area include Tyson Foods, Inc., Ceco Door, and MacLean Power System.

Data obtained from the U.S. Bureau of Labor Statistics indicates that Gibson County reported an unemployment rate of 3.4 percent in December 2022, mirroring the State of Tennessee rate at 3.4 percent and below the national rate at 3.5 percent. Unemployment rates steadily declined since the previous evaluation.

The following table shows the calculated income ranges, based on the 2021 FFIEC-estimated MFI of \$57,600, applicable to the Jackson MSA AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Jackson, TN MSA Median Family Income (27180)				
2021 (\$57,600)	<\$28,800	\$28,800 to <\$46,080	\$46,080 to <\$69,120	≥\$69,120
<i>Source: FFIEC</i>				

Competition

The area reflects a moderate level of competition for financial services. According to FDIC Deposit Market Share data as of June 30, 2022, eight financial institutions operate 19 full-service offices within the Jackson MSA AA. Of the eight institutions that operate in the area, SBTC ranked fifth with 12.8 percent deposit market share. Overall, the competition level allows for lending opportunities.

The 2021 CRA aggregate data shows that 55 lenders reported 998 small business loans in the AA, indicating a moderate level of competition. The top three lenders were Simmons Bank, Cadence Bank, and American Express National Bank, collectively, accounting for 40.4 percent of the total market share. The 2021 HMDA aggregate data shows that 192 lenders reported 2,991 home mortgage loans in the AA, indicating a high level of competition. The top three lenders were Leaders Credit Union, Regions Bank, and Simmons Bank collectively, accounting for 23.9 percent of the total market share.

Community Contact

Examiners contacted one community member who is a representative of an economic development organization located in the AA. The contact stated the primary credit needs of the area are consumer loans, particularly automobile loans, and home mortgage loans to a lesser extent. The contact expressed that local financial institutions continue to extend credit to creditworthy individuals. Overall, the contact felt that financial institutions demonstrate community involvement and responsiveness to 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 information, examiners concluded that the area's primary credit needs are for small business and home mortgage loans. The CD needs are for opportunities for financial institutions to participate in affordable housing initiatives and rehabilitating local businesses through economic development initiatives.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE JACKSON MSA AA

LENDING TEST

SBTC demonstrated a reasonable record regarding the Lending Test in the Jackson MSA AA. Reasonable performance regarding borrower profile outweighed poor geographic distribution performance to support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects poor dispersion throughout the Jackson MSA AA. The poor performance for small business loans outweighed the reasonable performance for home mortgage loans to support this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects poor dispersion throughout the Tennessee Non-MSA AA. The poor performance in moderate-income geographies outweighed the reasonable performance in low-income geographies to support this conclusion.

The following table shows that, in low-income tracts, the level of lending falls below demographic data by 5.6 percentage points, reflecting reasonable performance. In moderate-income CTs, the level of lending falls below demographic data by 7.9 percentage points, reflecting poor performance. Examiners placed more weight on lending in moderate-income CTs since the demographic data is higher in these CTs, reflecting more opportunities for lending.

Geographic Distribution of Small Business Loans					
Assessment Area: Jackson MSA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	7.6	1	2.0	171	2.1
Moderate	7.9	0	0.0	0	0.0
Middle	70.6	45	90.0	7,065	87.5
Upper	13.6	4	8.0	843	10.4
Not Available	0.3	0	0.0	0	0.0
Totals	100.0	50	100.0	8,079	100.0
<i>Source: 2022 D&B data and 2022 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. Reasonable performance in moderate-income CTs supports this conclusion.

The following table shows the home mortgage lending performance in moderate-income CTs

exceeds demographic data by 8.9 percentage points, thereby reflecting reasonable performance.

Geographic Distribution of Home Mortgage Loans					
Assessment Area: Jackson MSA					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	30.6	15	39.5	2,673	42.2
Middle	56.6	18	47.4	2,373	37.4
Upper	12.8	5	13.1	1,290	20.4
Not Available	0.0	0	0.0	0	0.0
Total	100.0	38	100.0	6,336	100.0
<i>Source: 2015 ACS data and 2021 Bank data Due to rounding, totals may not equal 100.0 percent</i>					

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) in the Jackson MSA AA. Reasonable small business loan performance outweighed the poor home mortgage loan performance to support this conclusion.

Small Business Loans

The distribution of small business loans, based on the borrowers' profiles, reflects a reasonable record in the Jackson MSA AA. Reasonable performance to businesses with gross annual revenues of \$1.0 million or less supports this conclusion.

The following table shows that the bank originated over eight out of every 10 loans to businesses with gross annual revenues of \$1.0 million or less, thereby reflecting a reasonable level. The table further shows that the bank originated nearly seven out of every 10 loans to businesses with gross annual revenues in the smallest two revenue categories, further supporting a reasonable level. Finally, the performance exceeds demographic data by 4.1 percentage points, also reflecting a reasonable level.

Distribution of Small Business Loans by Gross Annual Revenues					
Assessment Area: Jackson MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	50.6	18	36.0	892	11.0
\$100,000 - \$249,999	24.8	16	32.0	2,656	32.9
\$250,000 - \$499,999	5.7	8	16.0	1,810	22.4
\$500,000 - \$1,000,000	2.8	2	4.0	700	8.7
Subtotal <= \$1,000,000	83.9	44	88.0	6,058	75.0
>\$1,000,000	3.8	6	12.0	2,021	25.0
Revenue Not Available	12.3	0	0.0	0	0.0
Total	100.0	50	100.0	8,079	100.0
<i>Source: 2022 D&B data and 2022 Bank data</i> <i>Due to rounding, totals may not equal 100.0 percent</i>					

Home Mortgage Loans

The distribution of home mortgage borrowers reflects, given the demographics of the AA, poor penetration among individuals of different income levels, including LMI. The poor level of lending to moderate-income borrowers outweighed the reasonable level of lending to low-income borrowers to support this conclusion.

Home mortgage lending to low-income borrowers is 13.4 percentage points lower than the percentage of low-income families in the AA, typically reflecting very poor performance. However, examiners considered that 13.9 percent of families in the AA are below the poverty level and may not qualify for traditional bank financing. Considering this performance context, the level of lending is reasonable. To moderate-income borrowers, the lending level is 11.1 percentage points lower than the demographic data, reflecting poor performance. Examiners placed more weight on lending performance to moderate-income borrowers, since the percent of families in this income category is higher, reflecting more opportunities for lending.

Distribution of Home Mortgage Loans by Borrower Income Level					
Assessment Area: Jackson MSA					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	18.7	2	5.3	81	1.3
Moderate	19.0	3	7.9	160	2.5
Middle	20.1	10	26.3	1,141	18.0
Upper	42.2	23	60.5	4,954	78.2
Not Available	0.0	0	0.0	0	0.0
Total	100.0	38	100.0	6,336	100.0
<i>Source: 2015 ACS data and 2021 Bank data</i> <i>Due to rounding, totals may not equal 100.0 percent</i>					

COMMUNITY DEVELOPMENT TEST

SBTC demonstrated an adequate record in the Jackson MSA AA regarding the Community Development Test. The CD performance demonstrates adequate responsiveness to CD needs in the Jackson 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 Jackson MSA AA.

Community Development Loans

The bank exhibited an adequate record regarding CD lending in the Jackson MSA AA. The level of CDLs and the responsiveness to CD needs in the AA support this conclusion.

Since the prior evaluation, the bank granted six CDLs totaling \$3.9 million in the Jackson MSA AA. The current dollar amount equates to 11.2 percent of the total CDLs in the State of Tennessee as compared to 16.6 percent of all loans originated in the State of Tennessee. The AA had only been established in 2020 after the merger, so activities were not counted for the entire evaluation period for this AA, further supporting an adequate record.

These CDLs primarily benefitted economic development efforts and affordable housing efforts, both of which were identified needs of the AA. This shows the responsiveness in addressing identified needs of the AA. Refer to the table at the State of Tennessee level for CDLs in each category in the Jackson MSA AA.

The following is an example of a notable CDL in the Jackson MSA AA.

- ***Affordable Housing*** – The bank originated a \$500,000 loan to provide affordable housing to LMI individuals in a moderate-income CT.

Qualified Investments

The bank exhibited a good record regarding QIs in the Jackson MSA AA. The level of QIs and the responsiveness to CD needs in the AA support this conclusion.

The bank made use of 62 QIs totaling approximately \$1.5 million in the Jackson MSA AA. The current dollar amount equates to 30.2 percent of the total QIs in the State of Tennessee as compared to 19.4 percent of total deposits in the State of Tennessee.

These QIs helped to support economic development efforts, which is an identified need of the AA. This shows the responsiveness in addressing an identified need of the AA. Refer to the table at the State of Tennessee level for QIs in each category in the Jackson MSA AA.

The following lists notable examples of QIs in the Jackson MSA AA.

- ***Economic Development*** – The bank has invested \$500,000 with Tennessee Rural Opportunity Fund. The fund is for a CDFI which provides lending solutions and educational services that

support the development, growth, and preservation of underserved small businesses, affordable housing, and sustainable communities.

Community Development Services

The bank exhibited a poor record regarding CD services in the Jackson MSA AA. The level of CD services and the responsiveness to CD needs in the AA support this conclusion.

During the evaluation period, bank employees provided three instances of financial expertise or technical assistance to various CD-related organizations in the Jackson MSA AA. The level of services equates to 8.1 percent of the total of CD services in the State of Tennessee as compared to 40.0 percent of the branches in the State of Tennessee. The AA had only been established in 2020 after the merger, so activities were not counted for the entire evaluation period for this AA, further supporting a poor record over a very poor record.

The CD services helped to support community services; however, this is not an identified need of the AA. This demonstrates limited responsiveness in addressing CD needs. Refer to the table at the State of Tennessee level for QIs in each category in the Jackson MSA AA.

The following is a notable example of the CD services in the Jackson MSA AA.

- ***Community Services*** – An employee taught a financial education class to students in Gibson County. The program provides age-appropriate financial education at a high school in which a majority of the students qualify for the free or reduced lunch program.

In the Jackson MSA AA, the bank operates one branch in the moderate-income CT. This branch also has one proprietary ATM. The percentage of branches and ATMs exceeds the population percentage in the moderate-income CT. 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 State of Tennessee – Jackson MSA								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	1	5.9	3,378	6.7	0	0	0	0.0
Moderate	1	5.9	2,180	4.3	1	33.3	1	33.3
Middle	12	70.6	35,975	71.3	2	66.7	2	66.7
Upper	2	11.7	8,895	17.7	0	0.0	0	0.0
NA	1	5.9	1	0.0	0	0.0	0	0.0
Total	17	100.0	50,429	100.0	3	100.0	3	100.0
<i>Source: 2020 Census data and Bank data</i>								

The alternative delivery systems in the Jackson MSA AA are the same as those described at the institution level. These alternative delivery systems help avail services to LMI individuals across the Jackson MSA AA. Refer to the CD Services section at the institution level for more details.

TENNESSEE NON-MSA AA – FULL-SCOPE REVIEW

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

The Tennessee Non-MSA AA includes all 33 CTs in Henry, Obion, and Weakley Counties in the non-MSA areas of Tennessee. The CTs reflect the following income designations according to the 2020 Census data: three moderate-, 28 middle-, one upper-income, and one tract with no income designation. This is a change from the 2015 ACS data in which income designations included three moderate-, 21 middle-, five upper-income, and one tract with no income designation. The Federal Emergency Management Agency (FEMA) declared each county in this AA as a major disaster area due to the following: severe storms and tornadoes during December 2021. Of the 33 CTs in the AA, eight CTs were designated as distressed in 2019.

Economic and Demographic Data

The following table contains select demographic data for the Tennessee Non-MSA AA.

Demographic Information of the Assessment Area						
Assessment Area: Tennessee Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	33	0.0	9.1	84.8	3.0	3.0
Population by Geography	95,888	0.0	9.0	87.2	1.7	2.1
Housing Units by Geography	47,498	0.0	9.2	88.5	1.5	0.8
Owner-Occupied Units by Geography**	27,900	0.0	6.8	73.2	20.0	0.0
Occupied Rental Units by Geography	12,598	0.0	15.1	82.5	0.7	1.7
Vacant Units by Geography	8,112	0.0	8.1	88.2	1.6	2.1
Businesses by Geography	6,232	0.0	8.4	88.9	1.3	1.4
Farms by Geography	479	0.0	3.1	93.1	3.8	0.0
Family Distribution by Income Level**	26,836	18.7	17.0	21.3	43.0	0.0
Household Distribution by Income Level	39,386	26.3	18.3	17.4	38.0	0.0
Median Family Income Non-MSAs - TN		\$56,418	Median Housing Value			\$103,459
			Median Gross Rent			\$639
			Families Below Poverty Level**			14.1%
Source: 2015 ACS data**, 2020 Census data, and 2022 D&B data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

The major industries in the area include education, healthcare services, construction, retail services, and food services. The top employers in the area include Tyson Foods, Inc., MTD Products, Inc., Henry County Medical Center, Walmart Supercenter, Kohler Company, Tecumseh Products Company, West Tennessee Healthcare Volunteer, and Baptist Memorial Hospital.

Data obtained from the U.S. Bureau of Labor Statistics indicates that Henry, Obion, and Weakley Counties reported unemployment rates of 4.2, 4.1, and 3.7 percent, respectfully in December 2022, similar to the State of Tennessee rate at 3.4 percent and the national rate at 3.5 percent. Unemployment rates have steadily declined since the previous evaluation.

The following table shows the calculated income ranges, based on the 2021 FFIEC-estimated MFI of \$53,700, applicable to the Tennessee Non-MSA 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)				
2021 (\$53,700)	<\$26,850	\$26,850 to <\$42,960	\$42,960 to <\$64,440	≥\$64,440
<i>Source: FFIEC</i>				

Competition

The area reflects a moderate level of competition for financial services in the AA. According to FDIC Deposit Market Share data as of June 30, 2022, 14 financial institutions operate 39 full-service offices within the Tennessee Non-MSA AA. Of the 14 institutions that operate in the area, SBTC ranked first with 22.9 percent of the deposit market share. Overall, the competition level allows for lending opportunities.

The 2021 CRA aggregate data shows that 58 lenders reported 2,565 small business loans in the AA, indicating a moderate level of competition. The top three lenders were Commercial Bank and Trust Company, Simmons Bank, and First Citizens National Bank, collectively, accounting for 48.7 percent of the total market share. The 2021 HMDA aggregate data shows that 244 lenders reported 4,338 home mortgage loans in the AA, indicating a high level of competition. The top three lenders were Regions Bank, Simmons Bank, and Rocket Mortgage, collectively, accounting for 22.4 percent of the total market share.

Community Contact

Examiners contacted a community member who is . The contact indicated a significant level of opportunity for small business lending, especially to start-up businesses. Additionally, the contact cited a lack of market rate housing while discussing opportunities for local financial institutions to provide financing to develop affordable housing for the area. Overall, the contact indicated that financial institutions have been responsive to the credit and community development needs.

Credit and Community Development Needs and Opportunities

Consistent with other non-MSA areas, the Tennessee Non-MSA AA has a limited loan demand compared to most MSA areas. Considering information obtained from the community contact, bank management, as well as demographic and economic information, examiners concluded that the area's primary credit needs are for small business and home mortgage loans. Additionally,

consumer loans, particularly automobile loans, remain in demand due to the number of residents that commute for employment opportunities. Demographic data showing that 41.2 percent of the area's families reported as LMI suggest a need for activities that benefit projects or organizations that provide community services targeted to these families. In addition, the national designation for COVID-19 Pandemic major disaster areas, and the AA's designation as federal disaster areas suggests a need for activities that revitalize or stabilize qualifying geographies. Finally, the ratio of median housing value to incomes reflects a need for affordable housing.

Given that the COVID-19 Pandemic affected borrowers in a variety of ways, a significant retail banking service need exists for payment accommodations that facilitate the borrower's ability to work through the immediate impact of the virus. A financial inclusion need exists for increased access to consumer and commercial retail banking services to LMI borrowers and tracts. Additionally, a retail banking service need exists for digital products with evolving features and technology built in to improve the customer's financial wellness, especially with the younger age of the population.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE TENNESSEE NON-MSA AA

LENDING TEST

SBTC demonstrated a reasonable record in the Tennessee Non-MSA AA regarding the Lending Test. Reasonable performances regarding geographic distribution and borrower profile loan distribution support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion in the Tennessee Non-MSA AA. The reasonable performances regarding small business and home mortgage loans support this conclusion.

Small Business Loans

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

The following table shows that, in moderate-income tracts, the level of lending is at the same level as the demographic data, reflecting reasonable performance.

Geographic Distribution of Small Business Loans					
Assessment Area: Tennessee Non-MSA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	8.4	17	8.4	2,381	8.9
Middle	88.9	182	90.1	24,188	90.6
Upper	1.3	3	1.5	135	0.5
Not Available	1.4	0	0.0	0	0.0
Totals	100.0	202	100.0	26,704	100.0
<i>Source: 2022 D&B data and 2022 Bank data</i> <i>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 Tennessee Non-MSA AA. Reasonable performance in moderate-income CTs supports this conclusion.

The following table shows the home mortgage lending performance in moderate-income CTs exceeds demographic data by 6.4 percentage points, thereby reflecting reasonable performance.

Geographic Distribution of Home Mortgage Loans					
Assessment Area: Tennessee Non MSA					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	6.8	15	13.2	984	5.2
Middle	73.2	72	63.2	13,568	72.2
Upper	20.0	27	23.7	4,244	22.6
Not Available	0.0	0	0.0	0	0.0
Total	100.0	114	100.0	18,796	100.0
<i>Source: 2015 ACS data and 2021 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, reasonable penetration among businesses of different sizes and individuals of different income levels (including LMI) in the Tennessee Non-MSA AA. Reasonable small business and home mortgage lending performances support this conclusion.

Small Business Loans

The distribution of small business loans, based on the borrowers' profiles, reflects a reasonable record in the Tennessee Non-MSA AA. Reasonable performance to businesses with gross annual revenues of \$1.0 million or less supports this conclusion.

The following table shows that the bank originated over seven out of every 10 loans to businesses with gross annual revenues of \$1.0 million or less, thereby reflecting a reasonable level. The table further shows that the bank originated almost five out of every 10 loans to businesses with gross annual revenues in the smallest two revenue categories, further supporting a reasonable level. The performance does trail demographic data by 10.4 percentage points.

Distribution of Small Business Loans by Gross Annual Revenues					
Assessment Area: Tennessee Non-MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	51.4	55	27.2	4,418	16.5
\$100,000 - \$249,999	21.2	43	21.3	3,018	11.3
\$250,000 - \$499,999	6.1	29	14.4	5,448	20.4
\$500,000 - \$1,000,000	3.0	17	8.4	3,138	11.8
Subtotal <= \$1,000,000	81.7	144	71.3	16,022	60.0
>\$1,000,000	4.8	58	28.7	10,682	40.0
Revenue Not Available	13.4	0	0.0	0	0.0
Total	100.0	202	100.0	26,704	100.0
<i>Source: 2022 D&B data and 2022 Bank data</i>					
<i>Due to rounding, totals may not equal 100.0 percent</i>					

Home Mortgage Loans

The distribution of home mortgage borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels, including LMI, in the Tennessee Non-MSA AA. The reasonable level of lending to both LMI borrowers supports this conclusion.

As shown in the following table, home mortgage lending to low-income borrowers is 15.2 percentage points lower than the percentage of low-income families in the AA, typically reflecting very poor performance. However, examiners note that 14.1 percent of families in the Tennessee Non-MSA AA are below the poverty level and may not qualify for traditional bank financing. Considering this additional performance context, the level of lending is considered reasonable. To moderate-income borrowers, the lending level is 7.3 percentage points lower than the demographic data, reflecting reasonable performance.

Distribution of Home Mortgage Loans by Borrower Income Level					
Assessment Area: Tennessee Non MSA					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	18.7	4	3.5	182	1.0
Moderate	17.0	11	9.7	932	5.0
Middle	21.3	21	18.4	2,015	10.7
Upper	43.0	78	68.4	15,667	83.3
Not Available	0.0	0	0.0	0	0.0
Total	100.0	114	100.0	18,796	100.0
Source: 2015 ACS data and 2021 Bank data Due to rounding, totals may not equal 100.0 percent					

COMMUNITY DEVELOPMENT TEST

SBTC demonstrated an adequate record in the Tennessee Non-MSA AA regarding the Community Development Test. The CD performance demonstrates adequate 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 Tennessee Non-MSA AA.

Community Development Loans

The bank exhibited an adequate record regarding CD lending in the Tennessee Non-MSA AA. The level of CDLs and the responsiveness to CD needs in the AA support this conclusion.

Since the prior evaluation, the bank granted 16 CDLs totaling \$31.1 million in the Tennessee Non-MSA AA. The current dollar amount equates to 88.8 percent of the total CDLs in the State of Tennessee as compared to 83.4 percent of all loans originated in the State of Tennessee. The level of CD lending increased since the previous evaluation where the bank originated three CDLs totaling \$20.2 million in the Tennessee Non-MSA AA, further supporting adequate performance.

These CDLs benefitted revitalization or stabilization efforts, affordable housing efforts, and community service efforts, all of which were identified needs of the AA. This shows the responsiveness in addressing identified needs of the AA. Refer to the table at the State of Tennessee level for CDLs in each category in the Tennessee Non-MSA AA.

The following is an example of a notable CDL in the Tennessee Non-MSA AA.

- **Revitalize or Stabilize** – The bank granted a loan totaling \$7.1 million to construct a new hotel and revitalize a distressed area. The hotel will provide more than 50 jobs to LMI individuals in the area.

Qualified Investments

The bank exhibited a poor record regarding QIs in the Tennessee Non-MSA AA. The level of QIs and the responsiveness to CD needs in the AA support this conclusion.

The bank made use of 73 QIs totaling approximately \$3.5 million in the Tennessee Non-MSA AA. The current dollar amount equates to 69.8 percent of the total QIs in the State of Tennessee as compared to 80.6 percent of all deposits in the State of Tennessee. The dollar level of QIs decreased since the previous evaluation where the bank made 12 QIs totaling \$2.8 million in the Tennessee Non-MSA AA.

These QIs benefitted revitalization or stabilization efforts and community service efforts, both of which are identified needs of the AA. This shows responsiveness in addressing identified needs of the AA. Refer to the table at the State of Tennessee level for QIs in each category in the Tennessee Non-MSA AA.

The following lists notable examples of QIs in the Tennessee Non-MSA AA.

- ***Community Services*** – SBTC donated \$11,150 to a high school in Henry County with a majority of low- and moderate-income students.
- ***Economic Development*** – The bank has invested \$500,000 with Tennessee Rural Opportunity Fund. The fund is for a CDFI which provides lending solutions and educational services that support the development, growth, and preservation of underserved small businesses, affordable housing, and sustainable communities.

Community Development Services

The bank exhibited an excellent record regarding CD services in the Tennessee Non-MSA AA. The level of CD services and the responsiveness to CD needs in the AA support this conclusion.

During the evaluation period, bank employees provided 34 instances of financial expertise or technical assistance to various CD-related organizations in the Tennessee Non-MSA AA. The level of services equates to 91.9 percent of the total of CD services in the State of Tennessee as compared to 60.0 percent of all branches in the State of Tennessee. The level of CD services has increased since the previous evaluation where employees provided 18 CD services in the Tennessee Non-MSA AA.

These CD services helped to support community service, which is an identified need of the AA. These activities demonstrate responsiveness in addressing CD needs. Refer to the table at the State of Tennessee level for CD services in each category in the Tennessee Non-MSA AA.

The following is a notable example of the CD services in the Tennessee Non-MSA AA.

- ***Community Services*** – An employee taught a financial education class to students in Weakley County. The program provides age-appropriate financial education at a high school in which a majority of the students qualify for the free or reduced lunch program.

In the Tennessee Non-MSA AA, the bank operates one branch in a moderate-income CT. This branch also has one proprietary ATM. The percentage of branches and ATMs exceeds the population percentage in moderate-income CTs. 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 State of Tennessee – Tennessee Non-MSA AA								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	3	9.1	8,595	9.0	1	14.3	1	14.3
Middle	28	84.9	83,652	87.2	6	85.7	6	85.7
Upper	1	3.0	1,652	1.7	0	0.0	0	0.0
NA	1	3.0	1,989	2.1	0	0.0	0	0.0
Total	33	100.0	95,888	100.0	7	100.0	7	100.0
<i>Source: 2020 Census data and Bank data</i> <i>Due to rounding, totals may not equal 100.0 percent</i>								

The alternative delivery systems in the Tennessee Non-MSA AA are the same as those described at the institution level. These alternative delivery systems help avail services to LMI individuals across the Tennessee Non-MSA AA. Refer to the CD Services section at the institution level for more details.

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.

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Community Development Test	Rating
State of Kentucky	Satisfactory	Needs to Improve	Needs to Improve
State of Tennessee	Satisfactory	Satisfactory	Satisfactory

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. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank 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 bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank'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 bank's assessment area(s) or a broader statewide or regional area including the bank'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 bank'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.