

# **PUBLIC DISCLOSURE**

April 21, 2015

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Volunteer Bank  
Certificate Number: 10307

728 Broad Street  
Chattanooga, Tennessee 37402

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
Dallas Region – Memphis Area Office

6060 Primacy Parkway, Suite 300  
Memphis, Tennessee 38119

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

### **INSTITUTION'S COMMUNITY REINVESTMENT ACT (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 assessments areas, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory ratings regarding the Lending and Community Development Tests support the overall rating. Examiners did not identify any discriminatory or other illegal credit practices; therefore, this consideration did not affect the overall rating. The following discussion summarizes performance regarding each test, discussed in detail elsewhere.

#### **The Lending Test is rated: Satisfactory.**

Reasonable records regarding borrower profile and geographic loan distributions primarily support this rating. A reasonable loan-to-deposit ratio and a majority of loans granted inside the bank's assessment areas further support this rating. The following points summarize performance regarding the applicable performance factors, discussed in detail elsewhere.

- The bank exhibited a reasonable record regarding its loan-to-deposit ratio. Reasonable performances regarding the ratio's overall level and comparative level support this conclusion.
- The institution granted a majority of its loans inside its assessment areas. Majorities of small business and home mortgage loans granted inside the assessment areas support this conclusion.
- The bank established a reasonable record regarding its borrower profile loan distribution. Reasonable performances regarding small business and home mortgage loans support this conclusion.
- The institution achieved a reasonable record regarding its geographic loan distribution. Reasonable performances regarding small business and home mortgage loans support this conclusion.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

#### **The Community Development Test is rated: Satisfactory.**

An adequate record regarding the bank's community development lending and an adequate responsiveness to community development needs, while not simply ignoring the other types of community development activities, supports the overall Community Development Test rating.

## SCOPE OF EVALUATION

### *General Information*

This evaluation covers the time period from November 26, 2012, to April 21, 2015, the date of the previous evaluation to this evaluation's date. To assess performance, examiners applied the CRA Intermediate Small Bank procedures, which include the Lending and Community Development Tests.

### *Rated Area Weighting*

The following table shows that of the two rated areas in which it operates, the bank generated significantly more of its loans in the Chattanooga, TN-GA Multistate Metropolitan Statistical Area (Chattanooga Multistate MSA), based on loan data reported on the bank's 2013 and 2014 Home Mortgage Disclosure Act Loan Application Registers (HMDA LARs) and its 2014 small business loans. Consequently, conclusions for the applicable Lending Test performance factors weighed performance in the Chattanooga Multistate MSA more heavily. However, given the percentages of offices and deposits, other applicable factors weighed the areas more equally.

<b>Rated Area Weighting</b>			
<b>Rated Area</b>	<b>Loans (% of \$)</b>	<b>Deposits (% of \$)</b>	<b>Offices (% of #)</b>
Chattanooga, TN-GA Multistate MSA	71.0	53.1	45.8
State of Tennessee	29.0	46.9	54.2

Source: HMDA LAR data (2013 & 2014); Bank records (2014); Summary of Deposits (6/30/14).

### *Loan Products Reviewed*

CRA Intermediate Small Bank procedures require examiners to determine the bank's major product lines from which to sample, and as an initial matter, examiners may select from among the same loan categories used for CRA Large Bank evaluations: home mortgage, small business, small farm, and consumer loans. The following table shows 2014 lending activity, which reflects a consistent pattern with the bank's lending emphasis since the last evaluation and for each rated area.

<b>Loans Originated or Purchased</b>				
<b>Loan Type</b>	<b>\$ (000)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Construction & Land Development	68,904	26.5	358	10.3
Secured by Farmland	3,215	1.2	17	0.5
Secured by 1-4 Family Residential	75,539	29.1	746	21.6
Secured by Multi-Family Residential	6,008	2.3	15	0.4
Secured by Commercial Real Estate	60,684	23.3	153	4.4
<b>Total Real Estate Loans</b>	<b>214,350</b>	<b>82.4</b>	<b>1,289</b>	<b>37.2</b>
Agricultural Production	607	0.2	18	0.5
Commercial & Industrial	32,146	12.3	412	11.9
Consumer	12,619	4.8	1,745	50.3
Other Loans	652	0.3	4	0.1
<b>Gross Loans</b>	<b>260,374</b>	<b>100.0</b>	<b>3,468</b>	<b>100.0</b>

Source: Bank records (1/1/14 – 12/31/14).

Considering the dollar volume and number of loans originated as well as management’s stated business strategy, examiners determined that the bank’s major product lines consist of commercial loans, at 35.6 percent of the dollar volume of gross loans originated during 2014, and residential loans at 31.4 percent.

Since none of the other typically reviewed loan types represents a major product line and thus would not materially affect any conclusions or ratings, including farm loans at 1.4 percent and consumer loans at 4.8 percent, this evaluation does not discuss them.

Consequently, this evaluation considered a random sample of small business loans originated in 2014 using a 90 percent Confidence Level and 15 percent Precision. In addition, examiners considered all home mortgage loans reported on the bank’s 2013 and 2014 HMDA LARs. Since no trends existed between the 2013 and 2014 data that materially affected conclusions, this performance evaluation only presents the data for 2013, the most recent year for which aggregate data exists as of this evaluation’s date. The following table shows the universes and samples, if applicable, for both loan products reviewed.

<b>Loan Products Reviewed</b>				
<b>Loan Type</b>	<b>Universe (#)</b>	<b>Universe \$(000)</b>	<b>Sample (#)</b>	<b>Sample \$(000)</b>
Small Business	548	59,727	125	12,739
Home Mortgage:				
2013	763	94,223	763	94,223
2014	646	75,108	646	75,108

Source: Bank records (2014); HMDA LARs (2013 & 2014).

***Loan Product Weighting***

Examiners considered the dollar volume and number of loans originated as well as management’s stated business strategy to determine the weighting applied when arriving at conclusions for applicable performance factors. As noted, commercial loans represented 35.6 percent of the dollar volume of gross loans originated in 2014 while residential loans represented 31.4 percent. Consequently, the two different loan products received relatively equal weighting.

***Community Development Activities***

The Community Development Test considered all community development activities since the previous November 26, 2012, FDIC Performance Evaluation. It also considers all qualified investments made prior to the last evaluation with outstanding book value balances as of the current evaluation date.

**DESCRIPTION OF INSTITUTION**

***Background***

First Volunteer Bank (FVB) began operations in 1904 as Marion Trust and Banking. Management eventually changed to the bank’s current name in 2001 after decades of growth and acquisitions. First Volunteer Corporation, Chattanooga, Tennessee, a one-bank holding company, wholly owns FVB, as well as a non-lending entity. FVB operates two non-lending

subsidiaries. The bank received a Satisfactory rating based on CRA Intermediate Small Bank procedures at its previous November 26, 2012, FDIC Performance Evaluation.

***Operations***

FVB functions as a retail bank emphasizing commercial and residential loans from its 24 full-service offices throughout Middle and East Tennessee, 21 offices, and Northwest Georgia, three offices. The bank did not open or close any offices nor did it participate in any merger or acquisition activity since the prior evaluation.

The bank offers a variety of loan products including credit cards, mortgage, construction, commercial, home equity, vehicle, and personal loans. It also provides a variety of deposit services including checking, savings, and time deposits. Other account products and services include safe deposit boxes and E-statements. The institution maintains banking hours typical for its areas and the industry. Alternative banking services include telephone banking, remote deposit for business accounts, mobile banking, and a website used primarily for advertising, electronic mail, funds transfer, web bill pay services, and internet banking. They also include the operation of 24 automated teller machines (ATMs).

***Ability and Capacity***

The following table, which reflects the complete asset distribution, shows that Net Loans & Leases constitutes the largest and a majority of total assets as of December 31, 2014. Total deposits reached \$782.6 million as of the same date. Over the nine quarters since the last evaluation, on average per year, total assets decreased 0.07 percent, net loans increased 2.50 percent, and total deposits, decreased 0.02 percent. As of December 31, 2014, FVB recorded a Return on Average Assets of 1.01 percent and a Tier One Leverage Capital ratio of 9.30 percent.

<b>Asset Distribution</b>		
<b>Asset Category</b>	<b>Dollar Amount \$ (000)</b>	<b>Percent of Total Assets (%)</b>
Cash	99,015	11.2
Securities	92,864	10.5
Federal Funds Sold	500	0.1
Net Loans & Leases	621,441	70.6
Premises & Fixed Assets	22,921	2.6
Other Real Estate Owned	12,804	1.4
Intangible Assets	3,182	0.4
Other Assets	27,991	3.2
<b>Total Assets</b>	<b>880,718</b>	<b>100.0</b>

*Source: Report of Condition (12/31/14).*

As reflected in the following table, loans outstanding as of December 31, 2014, reflect a distribution consistent with the loan origination mix discussed under the Scope of Evaluation. As seen in the following table, commercial loans at 48.8 percent and residential loans at 36.1 percent represent the largest loan types by dollar volume.

<b>Loan Distribution</b>		
<b>Loan Type</b>	<b>Dollar Amount \$(000)</b>	<b>Percent of Gross Loans (%)</b>
Construction & Land Development	64,096	10.2
Secured by Farmland	11,993	1.9
Secured by 1-4 Family Residential	212,596	33.8
Secured by Multi-Family Residential	14,619	2.3
Secured by Commercial Real Estate	240,936	38.3
<b>Total Real Estate</b>	<b>544,240</b>	<b>86.5</b>
Agricultural Production	475	0.1
Commercial and Industrial	65,849	10.5
Consumer	19,212	2.9
Other Loans	313	<0.1
<b>Gross Loans</b>	<b>630,089</b>	<b>100.0</b>

Source: Report of Condition (12/31/14).

Based on the information discussed in this section, as well as other regulatory data, the institution's financial condition, size, product offerings, prior performance, and status of any legal impediments did not affect its ability to meet the assessment areas' credit needs.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### ***Format***

This section presents information for the bank as a whole regarding the Loan-to-Deposit Ratio and Lending Concentration performance factors under the Lending Test and regarding the Community Development Test. This evaluation contains detailed information for the Lending Test's loan distribution performance factors under the individual rated areas' discussions.

### **LENDING TEST**

FVB demonstrated a reasonable record regarding the Lending Test. Reasonable records regarding its borrower profile and geographic loan distributions primarily support this conclusion. A reasonable loan-to-deposit ratio and a majority of loans granted inside the bank's assessment areas further support this conclusion. Examiners considered the bank's small business and home mortgage loans in the two rated and six reviewed assessment areas in which it operates when arriving at applicable conclusions and ratings.

For the CRA Intermediate Small Bank Lending Test, typically, once a bank demonstrates reasonable performance regarding its loan-to-deposit ratio and its lending concentration, examiners will then place more weight on the bank's borrower profile and geographic loan distributions when arriving at the overall rating. Appendix B lists the criteria used to evaluate the Lending Test.

## **Loan-to-Deposit Ratio**

The bank exhibited a reasonable record regarding its loan-to-deposit ratio. Reasonable performances regarding the ratio's overall and comparative levels support this conclusion. Examiners considered the bank's size, business strategy, and capacity relative to the assessment areas' credit needs when arriving at this conclusion.

### ***Overall Level***

The overall level of the bank's average net loan-to-deposit (LTD) ratio reflects reasonable performance. For the nine quarters since the previous evaluation, the bank recorded an average net LTD ratio of 74.9 percent, somewhat down from the 81.1 percent average net LTD ratio recorded at the previous evaluation. The bank's ratio slipped during the first part of the period under review but then rose over the last four quarters. It varied from a low of 72.2 percent on September 30, 2013, to a high of 79.4 percent on December 31, 2014. Within the context of the noted considerations, particularly the bank's relative capacity with respect to its deposits, the overall level of the bank's average net LTD ratio reflects reasonable performance.

### ***Comparative Level***

The comparative level of the bank's average net LTD ratio reflects reasonable performance. Examiners identified and listed in the following table two comparable banks operating in or near the bank's assessment area and reflecting somewhat comparable asset sizes and lending emphases.

The following table suggests two groups for the listed ratios given the gaps between successive figures. The first group consists only of the highest ratio, which rises 11.8 percentage points above the next closest figure, FVB's ratio. The second group, which includes FVB's ratio, consists of the lowest two ratios, which land only 5.4 percentage points apart from each other. Despite its inclusion in the second group, FVB's ratio still lands within a reasonable range of the highest figure. Therefore, considering FVB's ratio's relative position and the noted gaps, the comparative level of the bank's average net LTD ratio reflects reasonable performance.

Consequently, given the reasonable performances by both measures, the overall and comparative levels, the bank exhibited a reasonable record regarding its LTD ratio.

<b>LTD Ratio Comparative Level</b>		
<b>Bank Name and Location</b>	<b>Total Assets \$(000s)</b>	<b>Average, Net LTD Ratio (%)</b>
First Volunteer Bank, Chattanooga, Hamilton Co., TN	\$880,718	74.9%
<b>Comparable Banks</b>		
Tennessee State Bank, Pigeon Forge, Sevier Co., TN	\$633,830	69.5%
Commercial Bank, Harrogate, Claiborne Co., TN	\$908,050	86.7%

*Source: Report of Condition (12/31/14); Reports of Condition (previous 9 quarters).*

**Lending Concentration**

The institution granted a majority of its loans inside its assessment areas. Majorities of small business and home mortgage loans granted inside the assessment areas support this conclusion. As noted, small business loans accounted for 35.6 percent of the dollar volume of loans originated during 2014 and home mortgage loans accounted for 31.4 percent. Examiners considered the bank’s asset size and office structure as well as the loan products reviewed relative to the assessment areas’ combined sizes and economy when arriving at this conclusion.

***Small Business Loans***

The institution granted a majority of its small business loans inside its assessment areas. The following table shows that for small business loans by the percentages of the number and dollar volume, the bank granted majorities inside its assessment areas, thereby reflecting reasonable levels. Weighing both measures equally, combined they show that the institution granted a majority of its small business loans inside its assessment areas.

***Home Mortgage Loans***

The institution granted a majority of its home mortgage loans inside its assessment areas. The following table shows that for home mortgage loans by the percentages of the number and dollar volume, the bank granted majorities inside its assessment areas, thereby reflecting reasonable levels. Weighing both measures equally, combined they show that the institution granted a majority of its home mortgage loans inside its assessment areas.

Consequently, considering each loan type’s relative performance and relative weighting, the institution granted a majority of its loans inside its assessment areas.

<b>Lending Concentration</b>										
<b>Loan Category</b>	<b>Number of Loans</b>					<b>Dollar Amount of Loans \$(000s)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total \$</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Small Business	101	80.8	24	19.2	125	10,018	78.6	2,721	21.4	12,739
Home Mortgage	647	84.8	116	15.2	763	80,772	85.7	13,451	14.3	94,223

*Source: Bank records; HMDA data (2013).*

**Borrower Profile Loan Distribution**

The bank established a reasonable record regarding its borrower profile loan distribution. Reasonable performances regarding small business and home mortgage loans support this conclusion. As noted, small business loans accounted for 35.6 percent of the dollar volume of loans originated during 2014 and home mortgage loans accounted for 31.4 percent.

Examiners considered the loan product types reviewed relative to the available comparative data and any performance context issues. They focused on the percentages by the number of loans when arriving at this conclusion. This factor only considered loans granted inside the bank’s assessment areas.

### ***Small Business Loans***

The borrower profile distribution of small business loans reflects reasonable performance. Reasonable performances in both rated areas support this conclusion. As previously noted, the Chattanooga, TN-GA Multistate MSA accounted for 71.0 percent of the bank's loans while the State of Tennessee accounted for 29.0 percent.

As discussed in the applicable rated area sections of this performance evaluation, the bank established reasonable performances in granting small business loans to entities with gross annual revenues of \$1 million or less in both the Chattanooga, TN-GA Multistate MSA and the State of Tennessee. Performances to businesses in smaller revenue categories further supported these conclusions.

### ***Home Mortgage Loans***

The borrower profile distribution of home mortgage loans reflects reasonable performance. Reasonable performances in both rated areas support this conclusion. As previously noted, the Chattanooga, TN-GA Multistate MSA accounted for 71.0 percent of the bank's loans while the State of Tennessee accounted for 29.0 percent.

As discussed in the applicable rated area sections of this performance evaluation, the bank established overall reasonable performances in the Chattanooga, TN-GA Multistate MSA and the State of Tennessee. Reasonable records in granting home mortgage loans to low- and moderate-income borrowers support the conclusions in each rated area.

### **Geographic Loan Distribution**

The institution achieved a reasonable record regarding its geographic loan distribution. Reasonable performances regarding small business and home mortgage loans support this conclusion. As noted, small business loans accounted for 35.6 percent of the dollar volume of loans originated during 2014 and home mortgage loans accounted for 31.4 percent.

Examiners considered the loan product types reviewed relative to the available comparative data and any performance context issues. They focused on the percentages by the number of loans when arriving at this conclusion. This factor only considered loans granted inside the bank's assessment areas.

### ***Small Business Loans***

The geographic distribution of small business loans reflects reasonable performance. Reasonable performances in both rated areas support this conclusion. As previously noted, the Chattanooga, TN-GA Multistate MSA accounted for 71.0 percent of the bank's loans while the State of Tennessee accounted for 29.0 percent.

As discussed in the applicable rated area sections of this performance evaluation, the bank achieved overall reasonable performances in the Chattanooga, TN-GA Multistate MSA and the State of Tennessee. Reasonable records in granting small business loans in low- and moderate-income geographies support the conclusions in each rated area.

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects reasonable performance. Reasonable performance in the Chattanooga, TN-GA Multistate MSA outweighed excellent performance in the State of Tennessee to support this conclusion. As previously noted, the Chattanooga, TN-GA Multistate MSA accounted for 71.0 percent of the bank's loans while the State of Tennessee accounted for 29.0 percent.

As discussed in the applicable rated area sections of this performance evaluation, the bank achieved overall reasonable performance in the Chattanooga, TN-GA Multistate MSA, primarily supported by reasonable performance in moderate-income geographies. In the State of Tennessee, excellent performance in moderate-income geographies primarily supports the conclusion.

### **Response to Complaints**

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

## **COMMUNITY DEVELOPMENT TEST**

FVB demonstrated an adequate record regarding the Community Development Test. An excellent record regarding the bank's community development services hampered by an adequate responsiveness to community development needs, while not simply ignoring the other types of community development activities, supports this conclusion. The bank also demonstrated an adequate record regarding its community development lending and a poor record regarding its qualified investments.

Examiners considered the availability of opportunities, the institution's capacity for community development activities, and the assessment areas' needs when arriving at this rating. Appendix A defines community development (CD) and Appendix B lists the criteria used to evaluate the Community Development Test.

### **Community Development Lending**

The bank exhibited an adequate record regarding its CD lending. Adequate performance regarding the dollar volume of CD loans primarily supports this conclusion. Examiners evaluated the number and dollar volume relative to the considerations noted for the Community Development Test when arriving at this conclusion.

The following table shows that during the period under review, the bank granted 37 community development loans totaling approximately \$14,564,000, including one CD loan totaling \$1.5 million granted outside the bank's assessment areas. This level of CD lending represents 1.65 percent of the bank's average quarterly total assets of \$881,611,000 and 2.48 percent of its average net loans of \$586,163,000 over the nine quarters since the last evaluation. These levels declined from the 3.60 percent of average assets and 4.00 percent of average net loans recorded at the prior evaluation.

Relative to the considerations noted for the Community Development Test, the current figures reflect adequate performance.

<b>Community Development Loans Whole Bank</b>					
<b>Qualifying Category</b>	<b>Activity Year</b>				<b>Totals Per Category</b>
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>YTD 2015</b>	
Affordable Housing:					
Number	0	6	10	1	<b>17</b>
Dollar Amount (000s)	0	1,923	4,087	1,080	<b>7,090</b>
CD Organizations:					
Number	0	0	0	0	<b>0</b>
Dollar Amount (000s)	0	0	0	0	<b>0</b>
Economic Development:					
Number	0	1	2	0	<b>3</b>
Dollar Amount (000s)	0	230	602	0	<b>832</b>
Revitalize or Stabilize:					
Number	2	7	6	2	<b>17</b>
Dollar Amount (000s)	854	3,148	1,802	838	<b>6,642</b>
Neighborhood Stabilization:					
Number	0	0	0	0	<b>0</b>
Dollar Amount (000s)	0	0	0	0	<b>0</b>
<b>Totals Per Year:</b>					
<b>Number</b>	<b>2</b>	<b>14</b>	<b>18</b>	<b>3</b>	<b>37</b>
<b>Dollar Amount (000s)</b>	<b>854</b>	<b>5,301</b>	<b>6,491</b>	<b>1,918</b>	<b>14,564</b>

Source: Bank records.

The following points highlight certain community development lending activities.

- **Revitalize and Stabilize** – bank refinanced three loans totaling \$2,869,000 to fund commercial businesses located in low- and moderate-income tracts. In addition, the bank granted two loans totaling \$1,550,000 outside its assessment areas to finance hotels in moderate-income census tracts. These loans revitalize and stabilize these qualifying geographies by helping to attract new, or retain existing, businesses or residents.
- **Affordable Housing** – bank granted 17 loans not reportable on the bank’s HMDA LAR, other than multifamily dwellings, that total over \$7.0 million and that provide affordable housing for low- and moderate-income individuals.

### **Qualified Investments**

The institution displayed a poor record regarding its qualified investments. Poor performance regarding the dollar volume of qualified investments primarily supports this conclusion. Examiners evaluated the number and dollar volume of qualified investments in relation to the considerations noted for the Community Development Test when arriving at this conclusion.

The following table shows that the bank made use of 31 qualified investments, grants, and donations totaling \$2,620,000, of which, 21 reflect grants and donations totaling \$130,000, while the other 10 reflect deposits totaling \$2.49 million in minority-owned financial institutions. The

total qualified investments equal 0.30 percent of the bank’s average quarterly total assets and 2.81 percent of average securities in the amount of \$93,254,000 since the last evaluation. These levels notably increased over the 0.12 percent of average assets and 0.43 percent of average securities of \$93,254,000 over the nine quarters since the last evaluation. Despite the increases, relative to the considerations noted for the Community Development Test, the current figures reflect poor performance.

<b>Qualified Investments Whole Bank</b>						
<b>Qualifying Category</b>	<b>Activity Year</b>					<b>Totals Per Category</b>
	<i>Prior Period</i>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>YTD 2015</b>	
Affordable Housing:						
Number	0	0	0	0	0	<b>0</b>
Dollar Amount (000s)	0	0	0	0	0	<b>0</b>
CD Organizations:						
Number	0	3	1	3	2	<b>9</b>
Dollar Amount (000s)	0	5	2	9	19	<b>35</b>
Economic Development:						
Number	0	1	2	2	12	<b>17</b>
Dollar Amount (000s)	0	4	9	9	2,499	<b>2,521</b>
Revitalize or Stabilize:						
Number	0	2	1	1	1	<b>5</b>
Dollar Amount (000s)	0	25	13	13	13	<b>64</b>
Neighborhood Stabilization:						
Number	0	0	0	0	0	<b>0</b>
Dollar Amount (000s)	0	0	0	0	0	<b>0</b>
<b>Totals Per Year:</b>						
<b>Number</b>	<b>0</b>	<b>6</b>	<b>4</b>	<b>6</b>	<b>15</b>	<b>31</b>
<b>Dollar Amount (000s)</b>	<b>0</b>	<b>34</b>	<b>24</b>	<b>31</b>	<b>2,531</b>	<b>2,620</b>

Source: Bank records.

The following points highlight certain qualified investment activities by the bank:

- **Economic Development** – bank invested in 10 certificates of deposit totaling \$2,490,000 in 10 different minority-owned institutions to help those institutions meet the credit needs of their communities through consumer, residential, and commercial lending. Regulation Q&As specifically qualify deposits in minority- or women-owned financial institutions as having an economic development purpose consistent with the definition of community development.
- **Economic Development** – bank made donations totaling \$30,000 to two non-profit organizations that promote economic development by aiding businesses that support permanent job creation, retention, or improvement either for currently low- or moderate-income persons or in low- or moderate-income geographies.

## Community Development Services

The bank established an excellent record of providing community development services. Excellent performances regarding the types of services and the availability of services primarily support this conclusion. Examiners evaluated the types of services and the availability of services relative to the considerations noted for the Community Development Test when arriving at this conclusion.

### *Types of Services*

The bank showed excellent performance regarding the types of services that primarily benefit low- and moderate-income individuals. An excellent extent, or number, of community development services supports this conclusion.

The following table shows that the bank provided a total of 299 CD services, which on average, equates to 5.54 CD services, per office, per year since the last evaluation, a notable increase from the 3.22 CD services, per office, per year recorded at the previous evaluation. All of the services involved bank employees using their financial expertise to benefit organizations or projects with a primary purpose consistent with community development. Relative to the considerations previously noted for the Community Development Test, this level reflects excellent performance regarding the types of services offered.

<b>Community Development Services Whole Bank</b>					
<b>Qualifying Category</b>	<b>Activity Year (Number of Services)</b>				<b>Totals Per Category</b>
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>YTD 2015</b>	
Affordable Housing	1	1	1	1	<b>4</b>
CD Organizations	29	58	55	36	<b>178</b>
Economic Development	18	20	22	21	<b>81</b>
Revitalize or Stabilize	8	10	10	8	<b>36</b>
Neighborhood Stabilization	0	0	0	0	<b>0</b>
<b>Totals Per Year</b>	<b>56</b>	<b>89</b>	<b>88</b>	<b>66</b>	<b>299</b>

Source: Bank records.

The following point highlights certain community development service activities by the bank:

- **CD Organizations** – bank heavily participated in the *Junior Achievement, Teach Children to Save* program offered by the American Bankers Association and in the *Get Smart About Credit* program. FVB customized the FDIC’s *Money Smart* program to teach these classes. During the review period, employees taught these classes in over 34 different qualifying schools reaching more than 6,800 students. More than 50 percent of the student populations in these schools meet the definition of disadvantaged as defined by the State of Tennessee’s Department of Education. The state’s definition includes income qualifications equivalent to, or stricter than, the definitions of low- and moderate-income as defined by the CRA Regulations.

### ***Availability of Services***

The bank showed excellent performance regarding the availability of services to low- or moderate-income individuals or geographies. An excellent distribution of branches in moderate-income census tracts and excellent alternative delivery systems primarily supports the conclusion.

The following table shows a lack of branches in low-income census tracts; however, due to the limited percentage of the population in those areas, examiners placed limited weight on the bank's record in those geographies. The table further shows that in moderate-income tracts, the bank's percentage of branches doubled the percentage of the areas' population residing in these geographies, thereby reflecting excellent performance in these census tracts. The bank operates a majority of its offices in middle-income tracts, consistent with these geographies containing the highest percentage of the areas' population.

<b>Distribution of Branches and ATMs</b>								
<b>Whole Bank</b>								
<b>Census Tract Income Category</b>	<b>Census Tracts in Assessment Areas</b>		<b>Total Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	19	6.9	66,432	5.8	0	0	0	0
Moderate	54	19.7	191,272	16.6	8	33.3	8	33.3
Middle	121	44.2	539,836	46.9	14	58.3	14	58.3
Upper	77	28.1	348,811	30.2	2	8.4	2	8.4
N/A	3	1.1	5,970	0.5	0	0	0	0
<b>Total</b>	<b>274</b>	<b>100.0</b>	<b>1,152,321</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

*Source: U.S. Census (2010); Bank records.*

In addition to its facility locations, the bank provides a number of alternative delivery systems. The previous table shows that the bank operates 24 full-service ATMs in its assessment areas, and at a level in moderate-income geographies that doubles the percentage of the areas' population residing in those tracts. These full-service ATMs are capable of paying cash, responding to inquiries, and making transfers 24 hours a day. The bank also offers free online banking and bill pay, mobile banking, telephone banking, and remote deposit capture for business accounts. The institution maintains banking hours typical for its areas and the industry.

Consequently, given the excellent branch distribution and alternative delivery systems, the availability of services to low- and moderate-income individuals or geographies reflects excellent performance.

### **Responsiveness to Community Development Needs**

The institution achieved an adequate record based on its community development activities' responsive to the assessment areas' community development needs. An adequate level of activities directed to one or more of the area's primary needs support this conclusion. Examiners evaluated the numbers and dollar volume of total activities relative to the considerations noted for the Community Development Test when arriving at this conclusion.

The following table shows that the bank’s activities focused on affordable housing and revitalizing or stabilizing qualified geographies, which represent 41.3 and 39.0 percent of the dollar volume of the bank’s activities. At 19.5 percent of the dollar volume of the bank’s activities, economic development activities also receive notable attention. At over a majority of the number of bank activities, 51.0 percent, activities benefitting CD organizations or projects also receive notable bank attention. As discussed under the individual rated areas sections’ of this performance evaluation, the bank’s assessment areas present varied community development opportunities and needs, which include those noted above as receiving the bank’s attention.

Otherwise, the institution did not provide other information suggesting stronger qualitative aspects of performance, such as the institution’s leadership role, the institution’s special expertise or effort provided, or the activities’ particularly high levels of benefitting low- or moderate-income individuals or qualifying areas.

Consequently, given the adequate level of activities directed to the areas’ needs, the institution achieved an adequate record at making its community development activities responsive to the assessment areas’ community development needs.

<b>Community Development Activities Whole Bank</b>							
<b>Qualifying Category</b>	<b>Activity Type</b>					<b>Totals Per Category</b>	
	<i>Loans</i>		<i>Investments</i>		<i>Services</i>		
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>#</b>	<b>\$(000s)</b>
Affordable Housing	17	7,090	0	0	4	<b>21</b>	<b>7,090</b>
CD Organizations	0	0	9	35	178	<b>187</b>	<b>35</b>
Economic Development	3	832	17	2,521	81	<b>101</b>	<b>3,353</b>
Revitalize or Stabilize	17	6,642	5	64	36	<b>58</b>	<b>6,706</b>
Neighborhood Stabilization	0	0	0	0	0	<b>0</b>	<b>0</b>
<b>Totals Per Activity Type</b>	<b>37</b>	<b>14,564</b>	<b>31</b>	<b>2,620</b>	<b>299</b>	<b>367</b>	<b>17,184</b>

Source: Bank records.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

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

## CHATTANOOGA, TN-GA MULTISTATE METROPOLITAN STATISTICAL AREA

**CHATTANOOGA, TN-GA MULTISTATE MSA CRA RATING<sup>1</sup>: Satisfactory.**

***The Lending Test is rated: Satisfactory.***

***The Community Development Test is rated: Satisfactory.***

Satisfactory ratings regarding the Lending and Community Development Tests support the overall rating for this rated area. Examiners did not identify any discriminatory or other illegal credit practices in this rated area; therefore, this consideration did not affect the Chattanooga, TN-GA Multistate MSA's overall rating. The following headings summarize the bank's performance in this rated area regarding each test. Detailed discussions appear elsewhere.

### **Lending Test**

First Volunteer Bank (FVB) demonstrated a reasonable record in the Chattanooga, TN-GA Multistate MSA regarding the Lending Test. Reasonable records regarding its borrower profile and geographic loan distributions support this conclusion. The following points summarize the bank's performance regarding the applicable Lending Test performance factors.

- The bank established a reasonable record in the Chattanooga, TN-GA Multistate MSA regarding its borrower profile loan distribution. Reasonable performances regarding small business and home mortgage loans support this conclusion.
- The institution achieved a reasonable record in the Chattanooga, TN-GA Multistate MSA regarding its geographic loan distribution. Reasonable performances regarding small business and home mortgage loans support this conclusion.

### **Community Development Test**

FVB demonstrated an adequate record in the Chattanooga, TN-GA Multistate MSA regarding the Community Development Test. An excellent record regarding the bank's community development services hindered by an adequate responsiveness to community development needs, without simply ignoring the other types of community development activities, supports this conclusion.

## SCOPE OF EVALUATION

The time period covered for the Chattanooga, TN-GA Multistate MSA remains consistent with that used for the bank as a whole. To assess performance, examiners used procedures consistent with those used for the bank as a whole with the following exceptions. Examiners evaluated the Loan-to-Deposit ratio and Lending Concentration performance factors under the Lending Test

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<sup>1</sup>This rating reflects performance within the Chattanooga, TN-GA Multistate Metropolitan Statistical Area. This evaluation adjusts the statewide evaluation of Tennessee, and does not reflect performance in the part of the state contained within the Chattanooga, TN-GA Multistate Metropolitan Statistical Area.

for the bank as a whole, and thus did not review those factors for this rated area. Therefore, this evaluation primarily relies on the borrower profile and geographic loan distribution factors to arrive at this rated area's Lending Test rating.

#### ***Assessment Area Procedures***

In the Chattanooga, TN-GA Multistate MSA, the bank only operated in one assessment area, the Chattanooga Multistate MSA Assessment Area (Chattanooga Multistate MSA AA). Consequently, examiners applied full-scope procedures to the Chattanooga Multistate MSA AA.

#### ***Loan Product Choice***

For the Chattanooga, TN-GA Multistate MSA, examiners considered small business and home mortgage loans. The bank's lending emphasis in the Chattanooga Multistate MSA AA remained relatively consistent with the bank's overall lending focus as discussed under the Scope of Evaluation in the Institution section of this performance evaluation, thus leading to the loan product choices.

Therefore, examiners considered a random sample of 36 small business loans totaling \$5,511,000 from the universe of 307 such loans totaling \$41,230,639 originated during 2014 in the Chattanooga, TN-GA Multistate MSA. Examiners based the sample on a 90 percent Confidence Level and 15 percent precision. In addition, examiners considered all 353 home mortgage loans totaling \$54,998,000 reported on the bank's 2013 HMDA LAR in this rated area and all 300 home mortgage loans totaling \$40,696,000 reported on its 2014 HMDA LAR in this rated area. Since no trends existed between the 2013 and 2014 HMDA LAR data that materially affected conclusions, this performance evaluation only presents the data for 2013, the most recent year for which aggregate data exists as of this evaluation's date.

#### ***Loan Product Weighting***

For the Chattanooga, TN-GA Multistate MSA, the two different loan products received relatively equal weighting. As noted, the lending emphasis in this area remained relatively consistent with that for the bank as a whole. As noted, commercial loans represented 35.6 percent of the dollar volume of gross loans originated in 2014 for the bank as a whole while residential loans represented 31.4 percent, thus leading to the weighting.

#### ***Community Development Activities***

For the Chattanooga, TN-GA Multistate MSA, the Community Development Test considered all community development activities in this area since the previous November 26, 2012, FDIC Performance Evaluation. It also considers all qualified investments made prior to the last evaluation with outstanding book value balances as of the current evaluation date.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE CHATTANOOGA, TN-GA MULTISTATE MSA**

### ***Overall Description***

FVB designated one assessment area in the Chattanooga, TN-GA Multistate MSA, the Chattanooga Multistate MSA AA, located in Southeast Tennessee. The bank's assessment area conforms to CRA regulatory requirements.

### ***Operations***

The bank's activity levels in the Chattanooga, TN-GA Multistate MSA clearly ranked 1<sup>st</sup> out of the two rated areas. As noted, this area made 71.0 percent of the bank's loans while also generating 53.1 percent of its deposits and operating 45.8 percent of its offices. The bank operates 11 offices, including its main office, in this rated area. The bank did not open or close any branches, nor did it participate in any merger or acquisition activity in this rated area since the previous evaluation. The following discussion describes the bank's operations in its only assessment area in this rated area.

### **Chattanooga Multistate MSA Assessment Area**

The Chattanooga Multistate MSA AA consists of the contiguous areas of all of Hamilton and Marion Counties in Tennessee, and all of Catoosa County in Georgia, and nine of the total 13 census tracts in Walker County, Georgia. Hamilton and Marion Counties represent two of three counties in Tennessee included in the Chattanooga, TN-GA Multistate MSA, while Catoosa and Walker Counties represent two of the three counties in Georgia included in the Chattanooga, TN-GA Multistate MSA.

### ***Operations***

The Chattanooga Multistate MSA AA, as the bank's only assessment area in the Chattanooga, TN-GA Multistate MSA, accounts for 100 percent of the bank's loans, deposits, and offices in this rate area. The bank operates 11 offices in this assessment area, as seen in the following table. The offices maintain hours consistent with the area and the industry. The bank's delivery systems and range of products and services remain consistent with those noted for the bank as a whole reflected in the Institution section of this performance evaluation.

Office Locations Chattanooga Multistate MSA AA				
State/County/City/Office	Office Type	CT Number	CT Income Level	Office Opened or Closed Since Last Evaluation
<b>Georgia:</b>				
<b>Catoosa County:</b>				
Fort Oglethorpe-Battlefield Pkwy	Branch	0307.00	Moderate	No
Ringgold-Alabama Hwy	Branch	0302.01	Middle	No
<b>Walker County:</b>				
La Fayette-N. Main Street	Branch	0206.02	Middle	No
<b>Tennessee:</b>				
<b>Hamilton County:</b>				
Chattanooga-Broad Street	Main Office	0031.00	Moderate	No
Chattanooga-Gunbarrel Road	Branch	0113.21	Upper	No
Chattanooga-Hwy 58	Branch	0114.11	Middle	No
Chattanooga-Shallowford Road	Branch	0114.43	Middle	No
Hixson-Hixson Pike	Branch	0104.31	Upper	No
<b>Marion County:</b>				
Jasper-Betsy Pack Drive	Branch	0502.02	Middle	No
South Pittsburg-S. Cedar Ave	Branch	0503.01	Moderate	No
Whitwell-Hwy 28	Branch	0501.02	Middle	No

Source: Bank records; U.S. Census (2010).

### Demographic and Economic Data

The Chattanooga Multistate MSA AA contains 108 census tracts with the following income designations as of the 2010 U.S. Census: 9 low-, 24 moderate-, 43 middle-, 31 upper-income, and 1 tract with no income designation. This area included 190,079 households as of the 2010 U.S. Census. Of the area's families, 38.4 percent reported low or moderate incomes, and 11.0 percent reported incomes below the poverty level. Of the area's 212,019 housing units, owner-occupied units comprise 61.3 percent, occupied rental units 28.4 percent, and vacant units 10.3 percent. The following table presents additional demographic data for the area.

Demographic Characteristics Chattanooga Multistate MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	108	8.4	22.2	39.8	28.7	0.9
Population by Geography	483,141	5.8	17.9	43.3	33.0	0.0
Owner-Occupied Housing by Geography	129,908	2.7	14.6	46.3	36.4	0.0
Families by Income Level	127,235	21.3	17.1	19.9	41.7	0.0
Families by Geography	127,235	4.7	16.2	44.6	34.5	0.0
Median Family Income (MFI) – Census (2010)	\$54,527	Median Housing Value		\$146,755		
Estimated MFI – FFIEC (2014)	\$54,200	Median Housing Age		36 years		
Families Below Poverty Level	11.0%					

Source: U.S. Census (2010); FFIEC (2014).

In 2014, the Federal Emergency Management Agency (FEMA) declared Marion County a disaster area. This evaluation used the 2013 and 2014 estimated Federal Financial Institutions Examination Council (FFIEC) median family income figures (MFI) for the Chattanooga, TN-

GA, Multistate MSA for the borrower profile analysis. The 2010 U.S. Census MFI for this MSA determined the income levels of the census tracts within the area, used to analyze the geographic loan distribution. The following table shows how each income level is derived.

<b>Median Family Income Ranges Chattanooga Multistate MSA AA</b>				
<b>Year</b>	<b>Income Levels</b>			
	<b>Low</b> <i>(Less than 50%)</i>	<b>Moderate</b> <i>(50 to &lt; 80%)</i>	<b>Middle</b> <i>(80 to &lt; 120%)</i>	<b>Upper</b> <i>(120% or more)</i>
2010	Under \$27,263	\$27,263 to < \$43,621	\$43,621 to < \$65,432	\$65,432 or more
2013	Under \$29,000	\$29,000 to < \$46,400	\$46,400 to < \$69,600	\$69,600 or more
2014	Under \$27,100	\$27,100 to < \$43,360	\$43,360 to < \$65,040	\$65,040 or more

Source: U.S. Census (2010); FFIEC (2013-2014).

Unemployment rates in the Chattanooga Multistate MSA AA improved over the last three years. During the evaluation period, the unemployment rates for the Catoosa, Hamilton, and Walker Counties generally trended lower than the state and national rate while Marion County remained above the state and national rates. The following table provides the unemployment rates and trends for the Chattanooga Multistate MSA AA's counties, the States of Tennessee and Georgia, and the United States. Major employers, with greater than 1,000 employees in the area, include Covenant Transportation Group, Erlanger Health System, Blue Cross Blue Shield of Tennessee, Little Debbie Snack Cakes, and Tennessee Valley Authority.

<b>Unemployment Rates Chattanooga Multistate MSA AA</b>			
<b>Area</b>	<b>February 2013</b>	<b>February 2014</b>	<b>February 2015</b>
Catoosa County, GA	6.3	5.8	5.5
Walker County, GA	7.2	6.7	6.3
Hamilton County, TN	7.5	6.5	5.9
Marion County, TN	9.4	8.8	7.3
Chattanooga Multistate MSA	7.7	6.6	6.0
State of Georgia	8.6	7.5	6.4
State of Tennessee	8.2	6.9	6.4
United States	7.7	6.7	5.5

Source: Bureau of Labor Statistics (2013 -2015).

### **Community Contact**

Examiners conducted a community contact knowledgeable of the area's business environment to help assess the current economic conditions, community credit needs, and potential opportunities for bank involvement. The contact remarked that continued improvement in the local economy benefits area job growth, and that the local banks do a very good job of working with customers to help meet their needs. The contact specifically highlighted that small business lending significantly improved over the last few years.

### ***Community Credit Needs and Opportunities***

Consistent with other metropolitan areas, the Chattanooga Multistate MSA AA created varied loan demand for commercial, residential real estate, and consumer loans. The designation of Marion County as a disaster area indicates a need for revitalization and stabilization community development efforts. Likewise, the higher percentage of low- and moderate-income families, 38.4 percent, reflects a need for activities that benefit community development organizations or projects that target community services to these families. Also, the higher unemployment rates reflect a need for economic development activities that provide permanent jobs to low- or moderate-income individuals or in low- or moderate-income geographies.

The Chattanooga Multistate MSA AA contains a relatively low level of competition from other chartered banks based on its population with each of the area's 150 offices from its 25 institutions serving about 3,221 people, on average. However, the area also contains numerous credit unions, mortgage companies, and finance companies that compete for loans. FVB ranks 5<sup>th</sup> in deposit market share by capturing 5.08 percent of the area's deposits as of June 30, 2014. The competition level allows for lending opportunities. Considering information from the community contact, bank management, and demographic and economic information, examiners ascertained that the primary credit needs of the area include small business and home mortgage loans.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN THE CHATTANOOGA, TN-GA MULTISTATE MSA**

### ***Format***

As previously noted, this evaluation presents information for the bank as a whole regarding the Loan-to-Deposit Ratio and the Lending Concentration Lending Test performance factors under the Lending Test and regarding the Community Development Test under the Institution section. Thus, the Lending Test rating for this rated area focuses on and presents the bank's performances regarding the borrower profile and geographic loan distribution performance factors. Examiners used full-scope procedures for the Chattanooga Multistate MSA AA; therefore, this section presents detailed discussions regarding the loan distribution performance factors and the Community Development Test for this area since it constitutes the bank's record in the Chattanooga, TN-GA Multistate MSA.

### ***Conclusions Regarding the Chattanooga Multistate MSA***

The Interstate Banking and Branching Efficiency Act (IBBEA) requires separate conclusions for each MSA where a bank operates a branch. Conclusions regarding the bank's overall performance as well as its performance regarding the Lending and Community Development Tests in the Chattanooga Multistate MSA proved consistent with those presented herein.

## **LENDING TEST**

FVB demonstrated a reasonable record in the Chattanooga, TN-GA Multistate MSA regarding the Lending Test. Reasonable records regarding its borrower profile and geographic loan distributions support this conclusion. This evaluation relied on the bank's small business and home mortgage loans in this rated area's single assessment area when arriving at applicable conclusions.

## **Borrower Profile Loan Distribution**

The bank established a reasonable record in the Chattanooga, TN-GA Multistate MSA regarding its borrower profile loan distribution. Reasonable performances regarding small business and home mortgage loans support this conclusion. As noted, small business loans accounted for 35.6 percent of the bank's loans originated during 2014 while home mortgage loans accounted for 31.4 percent, consistent with the lending emphasis in this rated area.

Examiners considered the loan types reviewed relative to the available comparative data and any performance context issues. They focused on the percentages by the number of loans when arriving at conclusions. This factor only considered loans granted inside the Chattanooga Multistate MSA AA.

### ***Small Business Loans***

The distribution of small business loans based on the borrowers' profiles reflects reasonable performance in the Chattanooga, TN-GA Multistate MSA. Reasonable performance in the Chattanooga Multistate MSA AA supports this conclusion. As previously noted, the Chattanooga Multistate MSA AA accounted for 100 percent of the bank's loans originated in the Chattanooga, TN-GA Multistate MSA during 2014.

Examiners focused on the bank's overall levels to businesses with gross annual revenues of \$1 million or less when arriving at this conclusion. The companies' gross annual revenues define the borrowers' profiles for this analysis.

The following table shows that in the Chattanooga Multistate MSA AA to businesses reporting gross annual revenues of \$1 million or less, the bank granted over seven out of every ten loans, thereby reflecting reasonable performance. It also shows that in the smallest two revenue categories, the bank granted just over two-fifths of its loans, further supporting reasonable performance. The large disparity in the Revenues Not Known category between the D&B data and the bank data makes any comparison between the two less meaningful.

Consequently, focusing on the overall levels of its percentages, the distribution of small business loans based on the borrowers' profiles reflects reasonable performance in the Chattanooga Multistate MSA AA, which equals the performance in the Chattanooga, TN-GA Multistate MSA.

<b>Borrower Profile Loan Distribution</b>					
<b>Small Business Loans – Chattanooga Multistate MSA AA</b>					
<b>Gross Annual Revenues (000s)</b>	<b>Distribution of Businesses (% of #)</b>	<b>Bank's Small Business Loans</b>			
		<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
\$0 < \$100	24.2	9	25.0	149	2.7
\$100 < \$250	32.0	6	16.7	1,153	20.9
\$250 < \$500	7.6	4	11.1	1,038	18.8
\$500 ≤ \$1,000	3.8	8	22.2	898	16.3
<b>Subtotal ≤ \$1,000</b>	<b>67.6</b>	<b>27</b>	<b>75.0</b>	<b>3,238</b>	<b>58.7</b>
> \$1,000	4.8	9	25.0	2,273	41.3
Revenues Not Known	27.6	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>36</b>	<b>100.0</b>	<b>5,511</b>	<b>100.0</b>

Source: D&B data (2014); Bank records.

### ***Home Mortgage Loans***

The distribution of home mortgage loans based on the borrowers' profiles reflects reasonable performance in the Chattanooga, TN-GA Multistate MSA. Reasonable performance in the Chattanooga Multistate MSA AA supports this conclusion. As previously noted, the Chattanooga Multistate MSA AA accounted for 100 percent of the bank's loans originated in the Chattanooga, TN-GA Multistate MSA during 2014. Examiners focused on the comparison to aggregate data when arriving at this conclusion. The borrowers' income designations define the borrowers' profiles for this analysis.

The following table shows that to low-income borrowers, the bank's percentage of the number of loans essentially equals the aggregate level, rising just 0.4 percentage points, or 1.06 times, higher, thereby reflecting reasonable performance. The table further shows that to moderate-income borrowers, the bank's percentage of the number of loans lands within a reasonable range of the aggregate level, falling 6.4 percentage points, or 0.64 times, lower, thereby reflecting reasonable performance. The bank's performance in 2014 showed a notable decline in lending to moderate-income borrowers with only 16 loans, or 5.3 percent of its loans, to these borrowers. Regardless, this notable negative trend did not affect the conclusion to moderate-income borrowers since for both years combined, the bank's level to these borrowers still remained reasonable at 8.7 percent of its total reported home mortgage loans.

Consequently, considering the reasonable performances to low- and moderate-income borrowers, the distribution of home mortgage loans based on the borrowers' profiles reflects reasonable performance in the Chattanooga Multistate MSA AA, which equals the performance in the Chattanooga, TN-GA Multistate MSA.

<b>Borrower Profile Loan Distribution</b>						
<b>Home Mortgage Loans – Chattanooga Multistate MSA AA</b>						
<b>Borrower Income Level</b>	<b>Families (%)</b>	<b>Aggregate Data (% of #)</b>	<b>Bank's Home Mortgage Loans</b>			
			<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Low	21.3	7.0	26	7.4	1,216	2.2
Moderate	17.1	18.0	41	11.6	2,999	5.5
Middle	19.9	21.0	43	12.2	3,745	6.8
Upper	41.7	36.9	156	44.2	33,484	60.9
NA	0	17.1	87	24.6	13,554	24.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>353</b>	<b>100.0</b>	<b>54,998</b>	<b>100.0</b>

Source: U.S. Census (2010); HMDA data (2013).

### **Geographic Loan Distribution**

The institution achieved a reasonable record in the Chattanooga, TN-GA Multistate MSA regarding its geographic loan distribution. Reasonable performances regarding small business and home mortgage loans support this conclusion. As noted, small business loans accounted for 35.6 percent of the bank's loans originated during 2014 while home mortgage loans accounted for 31.4 percent, consistent with the lending emphasis in this rated area.

Examiners considered the loan types reviewed relative to the available comparative data and any performance context issues. They focused on the percentages by the number of loans in low- and moderate-income geographies when arriving at conclusions. This factor only considered loans granted inside the Chattanooga Multistate MSA AA.

#### ***Small Business Loans***

The geographic distribution of small business loans reflects reasonable performance in the Chattanooga, TN-GA Multistate MSA. Reasonable performance in the Chattanooga Multistate MSA AA supports this conclusion. As previously noted, the Chattanooga Multistate MSA AA accounted for 100 percent of the bank's loans originated in the Chattanooga, TN-GA Multistate MSA during 2014. Examiners focused on the comparison to the distribution of businesses when arriving at this conclusion.

The following table shows that for the Chattanooga Multistate MSA AA in low-income census tracts, the bank's percentage by the number of loans lands within a reasonable range of the D&B figure by rising just 2.4 percentage points, or 1.41 times, higher, thereby reflecting reasonable performance. The table also shows that in moderate-income tracts, the bank's percentage by the number of loans again lands within a reasonable range of the D&B figure by falling just 1.8 percentage points, or 0.93 times, lower, thereby reflecting reasonable performance.

Consequently, considering the reasonable performances in low- and moderate-income geographies, the geographic distribution of small business loans reflects reasonable performance in the Chattanooga Multistate MSA AA, which equals the performance in the Chattanooga, TN-GA Multistate MSA.

<b>Geographic Loan Distribution</b>					
<b>Small Business Loans – Chattanooga Multistate MSA AA</b>					
<b>Tract Income Level</b>	<b>Distribution of Businesses (% of #)</b>	<b>Bank’s Small Business Loans</b>			
		<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Low	5.9	3	8.3	913	16.6
Moderate	24.0	8	22.2	1,258	22.8
Middle	37.7	12	33.4	611	11.1
Upper	32.3	13	36.1	2,729	49.5
NA	0.1	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>36</b>	<b>100.0</b>	<b>5,511</b>	<b>100.0</b>

Source: D&B data (2014); Bank records.

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects reasonable performance in the Chattanooga, TN-GA Multistate MSA. Reasonable performance in moderate-income geographies primarily supports this conclusion.

The following table shows that in low-income census tracts, the bank’s percentage of the number loans substantially exceeds the aggregate level by more than tripling the aggregate level, thereby reflecting excellent performance. However, given the low aggregate and bank figures, as illustrated by the only 3.5 percentage point difference between them, examiners afforded limited weight to performance in those areas.

The table also shows that in moderate-income census tracts, the bank’s percentage of the number of loans falls within a reasonable range of the aggregate level by rising just 2.5 percentage points, or 1.2 times, higher, thereby reflecting reasonable performance. The bank’s performance in 2014 showed a notable increase in lending to moderate-income borrowers with 68 loans, or 22.7 percent of its loans, to these borrowers. Regardless, this notable positive trend did not affect the conclusion to moderate-income borrowers since for both years combined, the bank’s level to these borrowers still remained reasonable at 17.9 percent of its total reported home mortgage loans.

Consequently, considering the reasonable performances in low- and moderate-income geographies, the geographic distribution of small business loans reflects reasonable performance in the Chattanooga Multistate MSA AA, which equals the performance in the Chattanooga, TN-GA Multistate MSA.

<b>Geographic Loan Distribution</b>						
<b>Home Mortgage Loans – Chattanooga Multistate MSA AA</b>						
<b>Tract Income Level</b>	<b>Owner-Occupied Housing Units (% of #)</b>	<b>Aggregate Data (% of #)</b>	<b>Bank's Home Mortgage Loans</b>			
			<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Low	2.7	1.6	18	5.1	2,599	4.7
Moderate	14.6	11.4	49	13.9	8,405	15.3
Middle	46.3	40.7	145	41.1	16,609	30.2
Upper	36.4	46.3	141	39.9	27,385	49.8
NA	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>353</b>	<b>100.0</b>	<b>54,998</b>	<b>100.0</b>

Source: U.S. Census (2010); HMDA data (2013).

## **COMMUNITY DEVELOPMENT TEST**

FVB demonstrated an adequate record in the Chattanooga, TN-GA Multistate MSA regarding the Community Development Test. An excellent record regarding the bank's community development services hindered by an adequate responsiveness to community development needs, without simply ignoring the other types of community development activities, primarily supports this conclusion. The bank also demonstrated a poor record regarding its community development lending and a very poor record regarding its qualified investments.

Examiners considered the availability of opportunities, the institution's capacity for community development activities, and the assessment area's needs when arriving at the rating. Appendix A defines community development (CD) and Appendix B lists the criteria used to evaluate the Community Development Test.

### **Community Development Lending**

The bank exhibited a poor record in the Chattanooga, TN-GA Multistate MSA regarding its community development lending. A poor record regarding the dollar volume of CD loans relative to the bank's level of other lending activity supports this conclusion. Examiners considered the number and dollar volume relative to the considerations noted for the Community Development Test when arriving at this conclusion.

The following table shows that since the last evaluation the bank granted 14 community development loans totaling over \$6.2 million in this rated area. The previous evaluation did not segregate the bank's CD lending by assessment area. The current dollar amount equates to 43.2 percent of the bank's total CD lending, notably lower than the 71.0 percent of the bank's loans generated by this area. As previously noted, the bank exhibited an overall adequate record for the bank as a whole regarding its community development lending.

Consequently, considering the notably lower percentage contribution to an overall adequate level of community development loans, relative to this area's percentage contribution of total loans, the bank exhibited a poor record in the Chattanooga, TN-GA Multistate MSA.

The following points highlight certain CD lending activities in this rated area.

- **Affordable Housing** – bank refinanced a loan for \$1,080,000 for an existing 32-unit apartment complex designed to provide affordable housing to low- or moderate-income individuals. The complex is located in a moderate-income census tract.
- **Revitalize and Stabilize** – bank granted a \$400,000 loan to fund the purchase and renovation of a commercial building in a moderate-income census tract. This loan revitalizes and stabilizes the moderate-income geography by helping to attract new, or retain existing, businesses or residents in this qualifying geography.

<b>Community Development Loans Chattanooga, TN-GA Multistate MSA</b>					
<b>Qualifying Category</b>	<b>Activity Year</b>				<b>Totals Per Category</b>
	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>YTD 2015</i>	
Affordable Housing:					
Number	0	2	6	1	<b>9</b>
Dollar Amount (000s)	0	1,181	3,028	1,080	<b>5,289</b>
CD Organizations:					
Number	0	0	0	0	<b>0</b>
Dollar Amount (000s)	0	0	0	0	<b>0</b>
Economic Development:					
Number	0	0	0	0	<b>0</b>
Dollar Amount (000s)	0	0	0	0	<b>0</b>
Revitalize or Stabilize:					
Number	1	2	2	0	<b>5</b>
Dollar Amount (000s)	400	535	65	0	<b>1,000</b>
Neighborhood Stabilization:					
Number	0	0	0	0	<b>0</b>
Dollar Amount (000s)	0	0	0	0	<b>0</b>
<b>Totals Per Year:</b>					
<b>Number</b>	<b>1</b>	<b>4</b>	<b>8</b>	<b>1</b>	<b>14</b>
<b>Dollar Amount (000s)</b>	<b>400</b>	<b>1,716</b>	<b>3,093</b>	<b>1,080</b>	<b>6,289</b>

Source: Bank records.

### **Qualified Investments**

The institution displayed a very poor record in the Chattanooga, TN-GA Multistate MSA regarding its qualified investments, although it did not simply ignore this activity. A very poor record regarding the dollar volume of qualified investments relative to the bank’s other activity supports this conclusion. Examiners considered the number and dollar volume relative to the considerations noted for the Community Development Test when arriving at this conclusion.

The following table shows that the bank made use of 11 qualified investments totaling \$56,000, consisting entirely of grants and donations. The previous evaluation did not segregate the bank’s qualified investments by assessment area. The current dollar amount equates to only 2.1 percent of the bank’s total qualified investments, significantly lower than the bank’s other activity levels associated with this area, which originated 71.0 percent of the bank’s loans, generated 53.1 percent of its deposits, and operated 45.8 percent of its offices. As previously noted, the

institution displayed a poor record for the bank as a whole regarding its qualified investments. Therefore, considering the significantly lower percentage contribution to an overall poor level of qualified investments, relative to this area's other activity levels, the institution displayed a very poor record in the Chattanooga, TN-GA Multistate MSA regarding its qualified investments.

<b>Qualified Investments Chattanooga, TN-GA Multistate MSA</b>						
<b>Qualifying Category</b>	<b>Activity Year</b>					<b>Totals Per Category</b>
	<i>Prior Period</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>YTD 2015</i>	
Affordable Housing:						
Number	0	0	0	0	0	<b>0</b>
Dollar Amount (000s)	0	0	0	0	0	<b>0</b>
CD Organizations:						
Number	0	1	0	2	1	<b>4</b>
Dollar Amount (000s)	0	1	0	7	17	<b>25</b>
Economic Development:						
Number	0	1	2	2	2	<b>7</b>
Dollar Amount (000s)	0	4	9	9	9	<b>31</b>
Revitalize or Stabilize:						
Number	0	0	0	0	0	<b>0</b>
Dollar Amount (000s)	0	0	0	0	0	<b>0</b>
Neighborhood Stabilization:						
Number	0	0	0	0	0	<b>0</b>
Dollar Amount (000s)	0	0	0	0	0	<b>0</b>
<b>Totals Per Year:</b>						
<b>Number</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>3</b>	<b>11</b>
<b>Dollar Amount (000s)</b>	<b>0</b>	<b>5</b>	<b>9</b>	<b>16</b>	<b>26</b>	<b>56</b>

Source: Bank records.

### **Community Development Services**

The bank established an excellent record in the Chattanooga, TN-GA Multistate MSA regarding its community development services. Excellent performance regarding the types of services primarily supports this conclusion. Examiners evaluated the types of services and the availability of services relative to the considerations noted for the Community Development Test when arriving at this conclusion.

#### ***Types of Services***

The institution showed excellent performance in the Chattanooga, TN-GA Multistate MSA at providing the types of services that primarily benefit low-and moderate-income individuals. An excellent extent, or number, of community development services supports this conclusion.

The following table shows the bank provided a total of 120 community services, which on average, equates to 4.5 CD services, per office, per year since the last evaluation in this rated area. The number of CD services in the Chattanooga, TN-GA Multistate MSA equates to 40.1 percent of the bank's total CD services, as compared to this area's 71.0 percent of loans, 53.1 percent of deposits, and 45.8 percent of offices.

The services involve no fewer than 21 bank employees who provide their financial expertise in helping to manage no less than 56 different organizations with a primary purpose consistent with the regulation’s definition of community development. Relative to the considerations previously noted for the Community Development Test, the average number of CD services per office per year reflects excellent performance in the Chattanooga, TN-GA Multistate MSA.

<b>Community Development Services Chattanooga, TN-GA Multistate MSA</b>					
<b>Qualifying Category</b>	<b>Activity Year (Number of Services)</b>				<b>Totals Per Category</b>
	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>YTD 2015</i>	
Affordable Housing	0	0	0	0	<b>0</b>
CD Organizations	12	21	21	14	<b>68</b>
Economic Development	12	12	14	14	<b>52</b>
Revitalize or Stabilize	0	0	0	0	<b>0</b>
Neighborhood Stabilization	0	0	0	0	<b>0</b>
<b>Totals Per Year</b>	<b>24</b>	<b>33</b>	<b>35</b>	<b>28</b>	<b>120</b>

Source: Bank records.

The following points highlight certain CD service activities in this rated area.

- ***Economic Development*** – bank employee serves on the Small Business Committee of an organization that promotes economic development. The organization, and specifically the committee, encourages economic development by helping to find financing for small businesses that promote permanent job creation, retention, and or improvement for low- or moderate-income people or areas.
- ***CD Organizations*** – bank employee taught the entire senior class at a high school about banking products, ID theft, and fraud prevention. The school is located in a moderate-income census tract, and is attended by a substantial percentage of low- and moderate-income students. Therefore, this activity provided community services in the form of educational services to an organization, or project, targeted to low- or moderate-income individuals or families.
- ***CD Organizations*** – bank employees presented the *Teach Children to Save Program* to school age children throughout the community. The schools are attended by a substantial percentage of low- and moderate-income students. Therefore, this activity provided community services in the form of educational services to an organization, or project, targeted to low- or moderate-income individuals or families.

***Availability of Services***

The institution showed adequate performance in the Chattanooga, TN-GA Multistate MSA regarding its availability of services to low- and moderate-income individuals or geographies. An adequate distribution of branches and provision of alternative delivery systems primarily support the conclusion.

The following table shows a lack of branches in low-income tracts; however, due to the limited population percentage in those areas, examiners placed limited weight on the bank’s record in those areas. The table also shows that in moderate-income tracts, the bank’s percentage of branches exceeds the population level by 9.4 percentage points and 1.5 times, thereby reflecting adequate performance in these areas. The bank operates a majority of its offices in middle-income tracts, consistent with these tracts’ highest percentage of the area’s population.

<b>Distribution of Branches and ATMs Chattanooga, TN-GA Multistate MSA</b>								
<b>Census Tract Income Category</b>	<b>Census Tracts in Assessment Areas</b>		<b>Total Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	9	8.4	28,022	5.8	0	0.0	0	0.0
Moderate	24	22.2	86,482	17.9	3	27.3	3	27.3
Middle	43	39.8	209,201	43.3	6	54.5	6	54.5
Upper	31	28.7	159,436	33.0	2	18.2	2	18.2
N/A	1	0.9	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>108</b>	<b>100.0</b>	<b>483,141</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>

Source: U.S. Census (2010); Bank records.

In addition to its facility locations, the bank provides a number of alternative delivery systems. The previous table shows that the bank operates 11 full-service ATMs in its assessment areas, and at a level in moderate-income geographies that exceeds the population level by 9.4 percentage points and 1.5 times, thereby reflecting adequate performance in these areas. These ATMs pay out cash, respond to inquiries, and make transfers 24 hours a day, although none take deposits. The bank also offers free online banking and bill pay, mobile banking, telephone banking, and remote deposit capture for business accounts. The institution maintains banking hours typical for its area and the industry. These delivery systems remain consistent with those noted for the bank as a whole and for other areas.

Consequently, given the adequate branch distribution and alternative delivery systems, the availability of services to low- and moderate-income individuals or geographies reflects adequate performance in the Chattanooga, TN-GA Multistate MSA.

### **Responsiveness to Community Development Needs**

The institution achieved an adequate record in the Chattanooga, TN-GA Multistate MSA regarding its responsiveness to the area’s community development needs. An adequate level of activities directed to one or more of the area’s primary needs supports this conclusion. Examiners evaluated the number and dollar volume of total activities relative to the considerations noted for the Community Development Test when arriving at this conclusion.

The following table shows that the bank’s activities focused on affordable housing and revitalizing or stabilizing qualified geographies, which represent 83.4 and 15.8 percent of the dollar volume of the bank’s activities. By number of activities, the bank focused on activities that benefitted CD organizations and economic development activities, which represent 49.7 and 40.7 percent of the

number of the bank’s activities. As discussed under the Description of the Institution Operations in this area, the bank’s assessment area presents varied community development opportunities and needs, which include those noted above as receiving the bank’s attention.

Otherwise, the institution did not provide other information suggesting stronger qualitative aspects of performance, such as the institution’s leadership role, the institution’s special expertise or effort provided, or the activities’ particularly high levels of benefitting low- or moderate-income individuals or qualifying areas.

Consequently, given the adequate level of activities directed to the area’s needs, the institution achieved an adequate record in the Chattanooga, TN-GA Multistate MSA at making its community development activities responsive to the assessment area’s CD needs.

<b>Community Development Activities Chattanooga, TN-GA Multistate MSA</b>							
<b>Qualifying Category</b>	<b>Activity Type</b>					<b>Totals Per Category</b>	
	<i>Loans</i>		<i>Investments</i>		<i>Services</i>		
	<i>#</i>	<i>\$(000s)</i>	<i>#</i>	<i>\$(000s)</i>	<i>#</i>	<i>#</i>	<i>\$(000s)</i>
Affordable Housing	9	5,289	0	0	0	<b>9</b>	<b>5,289</b>
CD Organizations	0	0	4	25	68	<b>72</b>	<b>25</b>
Economic Development	0	0	7	31	52	<b>59</b>	<b>31</b>
Revitalize or Stabilize	5	1,000	0	0	0	<b>5</b>	<b>1,000</b>
Neighborhood Stabilization	0	0	0	0	0	<b>0</b>	<b>0</b>
<b>Totals Per Activity Type</b>	<b>14</b>	<b>6,289</b>	<b>11</b>	<b>56</b>	<b>120</b>	<b>145</b>	<b>6,345</b>

Source: Bank records.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices in this rated area inconsistent with helping to meet community credit needs; therefore, this consideration did not affect the overall rating for the Chattanooga, TN-GA Multistate MSA.

## STATE OF TENNESSEE

***CRA RATING FOR TENNESSEE<sup>2</sup>: Satisfactory.***

***The Lending Test is rated: Satisfactory.***

***The Community Development Test is rated: Satisfactory.***

Satisfactory ratings regarding the Lending and Community Development Tests support the overall rating for this rated area. Examiners did not identify any discriminatory or other illegal credit practices in this rated area; therefore, this consideration did not affect the State of Tennessee's overall rating. The following headings summarize the bank's performance in this rated area regarding each test. Detailed discussions appear elsewhere.

### **Lending Test**

First Volunteer Bank (FVB) demonstrated a reasonable record in the State of Tennessee regarding the Lending Test. Reasonable records regarding its borrower profile and geographic loan distributions support this conclusion. The following points summarize the bank's performance regarding the applicable Lending Test performance factors.

- The bank established a reasonable record in the State of Tennessee regarding its borrower profile loan distribution. Reasonable records regarding its small business and home mortgage loans support this conclusion.
- The institution achieved a reasonable record in the State of Tennessee regarding its geographic loan distribution. A reasonable record regarding small business loans hampered an excellent record regarding home mortgage loans to support this conclusion.

### **Community Development Test**

FVB demonstrated an adequate record in the State of Tennessee regarding the Community Development Test. An excellent record regarding the bank's community development services hampered by an adequate responsiveness to community development needs, without simply ignoring the other types of community development activities, supports this conclusion.

## SCOPE OF EVALUATION

The time period covered for the State of Tennessee remains consistent with that used for the bank as a whole. To assess performance, examiners used procedures consistent with those used for the bank as a whole with the following exceptions. Examiners evaluated the Loan-to-Deposit Ratio and Lending Concentration performance factors under the Lending Test for the bank as a

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<sup>2</sup> This rating reflects performance within the State of Tennessee. This evaluation adjusts the statewide evaluation of Tennessee and does not reflect performance in the part of the state contained in the Chattanooga, TN-GA Multistate Metropolitan Statistical Area. Refer to the Chattanooga, TN-GA Multistate Metropolitan Statistical Area section of this evaluation for the ratings and discussions of the institution's performance in that area.

whole, and thus did not review those factors for this rated area. Therefore, this evaluation primarily relies on the borrower profile and geographic loan distribution factors to arrive at this rated area's Lending Test rating.

***Assessment Area Procedures***

The following table shows that the bank generated a notably higher percentage of its State of Tennessee loans in the combined Tennessee Nonmetropolitan Assessment Areas (TN Non-MSA AAs), relatively consistent with the percentages of deposits and offices associated with this area. The State of Tennessee section of this performance evaluation combines the nonmetropolitan areas for description and analysis purposes. Thus, examiners used full-scope procedures and weighted performance in the combined TN Non-MSA AAs notably heavier when arriving at applicable conclusions and ratings. The other areas, including the Cleveland Metropolitan Statistical Area Assessment Area (Cleveland MSA AA) and the Knoxville MSA AA, received limited-scope procedures.

<b>Assessment Area Weighting</b>			
<b>Assessment Area</b>	<b>Loans (% of \$)</b>	<b>Deposits (% of \$)</b>	<b>Offices (% of #)</b>
Cleveland MSA AA	12.4	19.8	15.3
Knoxville MSA AA	27.6	31.8	30.8
TN Non-MSA AAs	60.0	48.4	53.9

*Source: Bank records; Summary of Deposits (6/30/14).*

***Loan Product Choice***

For the State of Tennessee, examiners considered small business and home mortgage loans. The bank's lending emphasis in the State of Tennessee and its assessment areas remained relatively consistent with the bank's overall lending focus as discussed under the Scope of Evaluation in the Institution section of the performance evaluation, thus leading to the loan product choices.

Therefore, examiners considered a random sample of 28 small business loans totaling \$2,045,000 from the universe of 489 such loans totaling \$18,502,936 originated during 2014 in the State of Tennessee. Examiners based the sample on a 90 percent Confidence Level and 15 percent Precision. In addition, examiners considered all 152 home mortgage loans totaling \$16,475,000 reported on the bank's 2013 HMDA LAR in this rated area and all 122 home mortgage loans totaling \$14,008,000 reported on its 2014 HMDA LAR in this rated area. Since no trends existed between the 2013 and 2014 HMDA LAR data that materially affected conclusions, this performance evaluation only presents the data for 2013, the most recent year for which aggregate data exists as of this evaluation's date.

***Loan Product Weighting***

For the State of Tennessee, the two different loan products received relatively equal weighting. As noted, the lending emphasis in this area remained relatively consistent with that for the bank as a whole, which showed that commercial loans represented 35.6 percent of the dollar volume of gross loans originated in 2014 while residential loans represented 31.4 percent, thus leading to the weighting.

### ***Community Development Activities***

For the State of Tennessee, the Community Development Test considered all community development activities in this area since the previous November 26, 2012, FDIC Performance Evaluation. It also considers all qualified investments made prior to the last evaluation with outstanding book value balances as of the current evaluation date.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE STATE OF TENNESSEE**

### ***Overall Description***

First Volunteer Bank (FVB) designated five assessment areas in the State of Tennessee: 1) Cleveland Metropolitan Statistical Area Assessment Area (Cleveland MSA AA); 2) Knoxville MSA AA; 3) Cumberland Plateau Nonmetropolitan Assessment Area (Cumberland Non-MSA AA); 4) Southeast Tennessee Non-MSA AA; and 5) Southern Middle Tennessee Non-MSA AA, all located in East or South Tennessee. Combined, the areas consist of 166 total census tracts with the following income designations as of the 2010 U.S. Census: 9 low-, 33 moderate-, 80 middle-, 42 upper-income tracts, and 2 tracts with no income designation.

In accordance with outstanding guidance and due to their similar economic and demographic characteristics, this performance evaluation combines the nonmetropolitan areas for description and analysis purposes. The bank's assessment areas conform to CRA regulatory requirements.

### ***Operations***

The bank's activity level in the State of Tennessee ranked a distant 2<sup>nd</sup> out of the two rated areas reviewed. As noted, this area made 29.0 percent of the banks loans while generating 46.9 percent of its deposits and operating 54.2 percent of its offices. The bank operates a total of 13 branches in this state. The bank did not open or close any branches, nor did it participate in any merger or acquisition activity in this state since the previous evaluation. The following discussion describes the bank's operations in the three main areas reviewed in this state.

### **Cleveland MSA Assessment Area**

The Cleveland MSA AA consists of three of the five total census tracts in Polk County, one of two counties that make up the Cleveland, TN Metropolitan Statistical Area, located in southeastern Tennessee.

### ***Operations***

The bank's activity level in the Cleveland MSA AA ranked a distant 3<sup>rd</sup> out of the three areas reviewed in the State of Tennessee by originating 12.4 percent of the bank's loans in this state while garnering 19.8 percent of its deposits and operating 15.3 percent of its offices. The bank operates two branches in this area, as seen in the following table. The offices maintain hours consistent with the area and the industry. The bank's delivery systems and range of products and services remained consistent with those reflected in the Institution section of this performance evaluation.

Office Locations Cleveland MSA AA				
County/City/Office	Office Type	CT Number	CT Income Level	Office Opened or Closed Since Last Evaluation
<b>Polk County:</b>				
Benton-Ward St.	Branch	9502.02	Middle	No
Ocoee-Hwy 64	Branch	9503.00	Middle	No

Source: Bank records; U.S. Census (2010).

### Demographic and Economic Data

The Cleveland MSA AA contains three census tracts with all three receiving middle-income designations. The following table presents certain demographic data for the area.

Demographic Characteristics Cleveland MSA AA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	3	0.0	0.0	100.0	0.0
Population by Geography	11,823	0.0	0.0	100.0	0.0
Owner-Occupied Housing Units by Geography	3,445	0.0	0.0	100.0	0.0
Families by Income Level	3,138	24.6	16.3	22.7	36.4
Families by Geography	3,138	0.0	0.0	100.0	0.0
Median Family Income (MFI) – Census (2010)	\$48,121	Median Housing Value		\$115,503	
Estimated MFI – FFIEC (2014)	\$53,700	Median Housing Age		31 years	
Families Below Poverty Level	14.8%				

Source: U.S. Census (2010); FFIEC (2014).

The following table provides the applicable unemployment rates for the area and comparable areas, which notes relatively higher unemployment rates for this assessment area.

Unemployment Rates Cleveland MSA AA			
Area	February 2013	February 2014	February 2015
Polk County, TN	9.6	9.5	7.8
Cleveland MSA	8.3	6.6	6.1
State of Tennessee	8.2	6.9	6.4
United States	7.7	6.7	5.5

Source: Bureau of Labor Statistics (2013 -2015).

### Knoxville MSA Assessment Area

The Knoxville MSA AA consists of all of Knox and Campbell Counties, two of nine counties that make up the Knoxville, TN Metropolitan Statistical Area, located in East Tennessee.

### Operations

The bank's activity level in the Knoxville MSA AA ranked a distant 2<sup>nd</sup> out of the three areas reviewed in the State of Tennessee by originating 27.6 percent of the bank's loans in this state while garnering 31.8 percent of its deposits and operating 30.8 percent of its offices. The bank operates four branches in this area, as seen in the following table. The offices maintain hours consistent with the area and the industry. The bank's delivery systems and range of products and services remained consistent with those reflected in the Institution section of this performance evaluation.

Office Locations Knoxville MSA AA				
County/City/Office	Office Type	CT Number	CT Income Level	Office Opened or Closed Since Last Evaluation
<b>Campbell County:</b>				
Jacksboro-Main St.	Branch	9505.00	Middle	No
Jellico-Fifth St.	Branch	9502.00	Moderate	No
LaFollette-E Central Ave.	Branch	9507.00	Moderate	No
<b>Knox County:</b>				
Callahan-Callahan Dr.	Branch	0048.00	Middle	No

Source: Bank records; U.S. Census (2010).

### Demographic and Economic Data

The Knoxville MSA AA contains 123 census tracts with the following income designations as of the 2010 U.S. Census: 9 low-, 26 moderate-, 52- middle-, 34 upper-income tracts, and 2 tracts with no income designation. In 2014, Campbell County was declared a disaster area by the Federal Emergency Management Agency (FEMA). The following table presents certain demographic data for the area. Major employers, with greater than 1,000 employees in the area include Mercy Health Partners, Tennessee Valley Authority, Jewelry Television, Parkwest Medical Center, and Campos Foods.

Demographic Characteristics Knoxville MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	123	7.3	21.1	42.3	27.7	1.6
Population by Geography	472,942	7.2	18.2	44.0	29.4	1.2
Owner-Occupied Housing by Geography	130,973	2.9	16.3	47.5	33.3	0.0
Families by Income Level	24,692	20.6	17.0	20.5	41.9	0.0
Families by Geography	24,692	4.9	16.8	46.4	31.9	0.0
Median Family Income (MFI) – Census (2010)	\$56,103	Median Housing Value		\$162,444		
Estimated MFI – FFIEC (2014)	\$59,400	Median Housing Age		31 years		
Families Below Poverty Level	10.1%					

Source: U.S. Census (2010); FFIEC (2014).

The following table provides the applicable unemployment rates for the area and comparable areas, which notes relatively higher unemployment rates in Campbell County, which encompasses three of the bank's four offices in this assessment area.

<b>Unemployment Rates Knoxville MSA AA</b>			
<b>Area</b>	<b>February 2013</b>	<b>February 2014</b>	<b>February 2015</b>
Campbell County, TN	10.7	9.6	8.6
Knox County, TN	6.4	5.4	5.1
Knoxville MSA	7.1	6.3	5.8
State of Tennessee	8.2	6.9	6.4
United States	7.7	6.7	5.5

Source: Bureau of Labor Statistics (2013 -2015).

### **Combined Tennessee Nonmetropolitan Assessment Areas**

The TN Non-MSA AAs include three, noncontiguous separate assessment areas: 1) Cumberland Plateau Nonmetropolitan Assessment Area, which consists of all of contiguous Fentress and Putnam Counties, located in North Central Tennessee; 2) Southeast Nonmetropolitan Assessment Area, which consists of all of McMinn County, located in Southeast Tennessee; and 3) Southern Middle Nonmetropolitan Assessment Area, which consists of all of Lawrence County, located South Central Tennessee. As noted this evaluation combines the nonmetropolitan areas for description purposes.

#### ***Operations***

The bank's activity level in the TN Non-MSA AAs clearly ranked 1<sup>st</sup> out of the three areas reviewed in the State of Tennessee by originating 60.0 percent of the bank's loans in this state while garnering 48.4 percent of its deposits and operating 53.9 percent of its offices. The bank operates seven branches in this area, as seen in the following table. The offices maintain hours consistent with the area and the industry. The bank's delivery systems and range of products and services remained consistent with those reflected in the Institution section of this performance evaluation.

<b>Office Locations TN Non-MSA AAs</b>				
<b>AA/County/City/Office</b>	<b>Office Type</b>	<b>CT Number</b>	<b>CT Income Level</b>	<b>Office Opened or Closed Since Last Evaluation</b>
<b>Cumberland AA</b>				
<b><i>Fentress County:</i></b>				
Clarkrange-S. York Hwy	Branch	9653.00	Middle	No
Jamestown-N. Main St.	Branch	9651.00	Moderate	No
<b><i>Putnam County:</i></b>				
Cookeville-S. Willow Ave.	Branch	0007.00	Moderate	No
Monterey-E. Commercial Ave.	Branch	0001.00	Moderate	
<b>Southeast AA</b>				
<b><i>McMinn County:</i></b>				
Etowah-N. Tennessee Ave.	Branch	9706.00	Middle	No
<b>Southern Middle AA</b>				
<b><i>Lawrence County:</i></b>				
Lawrenceburg-N. Locust Ave.	Branch	9604.01	Middle	No
Summertown-Hwy 20	Branch	9601.00	Middle	No

Source: Bank records; U.S. Census (2010).

### **Demographic and Economic Data**

The TN Non-MSA AAs contain 40 census tracts with the following income designations as of the 2010 U.S. Census: 7 moderate-, 25 middle-, and 8 upper-income tracts. This area included 108,083 households as of the 2010 U.S. Census. Of the area’s families, 38.9 percent reported low or moderate incomes, and 14.5 percent reported incomes below the poverty level. Of the area’s 81,040 housing units, owner-occupied units comprise 63.2 percent, rental-occupied units 25.0 percent, and vacant units 11.8 percent. The following table presents additional demographic data for the area.

<b>Demographic Characteristics TN Non-MSA AAs</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA % of #</b>
Geographies (Census Tracts)	40	0.0	17.5	62.5	20.0	0.0
Population by Geography	184,415	0.0	17.1	64.5	18.4	0.0
Owner-Occupied Housing by Geography	51,263	0.0	12.5	67.2	20.3	0.0
Families by Income Level	49,083	21.0	17.9	20.0	41.1	0.0
Families by Geography	49,083	0.0	15.7	65.2	19.1	0.0
Median Family Income (MFI) – Census (2010) Estimated MFI – FFIEC (2014) Families Below Poverty Level	\$44,386 \$47,100 14.5%	Avg. Median Housing Value Avg. Median Housing Age		\$107,448 30 years		

Source: U.S. Census (2010); FFIEC (2014).

The Federal Emergency Management Agency (FEMA) declared all of the area’s counties as disaster areas as follows: Fentress, Putnam, and McMinn Counties in 2015; and Lawrence County in 2014 and 2015. In addition, all of the area’s counties contained distressed census tracts as noted: Fentress-2 tracts; Putnam-7 tracts; McMinn-6 tracts; and Lawrence-10 tracts.

This evaluation used the 2013 and 2014 estimated FFIEC median family income figures for the nonmetropolitan areas of Tennessee for the borrower profile analysis. The 2010 U.S. Census median family income for this area determined the income levels of the census tracts within the area, used to analyze the geographic loan distribution. The following table shows how each income level is derived.

<b>Median Family Income Ranges TN Non-MSA AAs</b>				
<b>Year</b>	<b>Income Levels</b>			
	<b>Low (Less than 50%)</b>	<b>Moderate (50 to &lt; 80%)</b>	<b>Middle (80 to &lt; 120%)</b>	<b>Upper (120% or more)</b>
2010	Under \$22,192	\$22,192 to < \$35,508	\$35,508 to < \$53,263	\$53,263 or more
2013	Under \$23,350	\$23,350 to < \$37,360	\$37,360 to < \$56,040	\$56,040 or more
2014	Under \$23,550	\$23,550 to < \$37,680	\$37,680 to < \$56,520	\$56,520 or more

Source: U.S. Census (2010); FFIEC (2013-2014).

Unemployment rates in the TN Non-MSA AAs primarily decreased but remained above the state and national levels. The following table provides the unemployment rates and trends for the

applicable areas. Major employers in the Cumberland AA include Cookeville Regional Medical Center, Walmart Supercenter, Cummins Filtration, Averitt Express Inc., Flowserve Corporation, and Perdue Farms Inc. Major employers in the Southeast AA include Whirlpool Corp, Denso Manufacturing, Mayfield Dairy Farms LLC, Resolute Forest Products, Athens Regional Medical Center, and Crescent Hosiery Mill. Major employers in the Southern Middle AA include Jones Group Distribution Center, Walmart Supercenter, Crockett Hospital LLC, Modine Manufacturing Company, and Dura Automotive Systems.

<b>Unemployment Rates TN Non-MSA AAs</b>			
<b>Area</b>	<b>February 2013</b>	<b>February 2014</b>	<b>February 2015</b>
<b><i>Cumberland AA:</i></b>			
Fentress County	9.6	7.9	8.1
Putnam County	7.7	6.1	6.4
<b><i>Southeast AA:</i></b>			
McMinn County	9.4	7.7	7.2
<b><i>Southern Middle AA:</i></b>			
Lawrence County	12.6	10.0	7.9
State of Tennessee	8.2	6.9	6.4
United States	7.7	6.7	5.5

Source: Bureau of Labor Statistics (2013 -2015).

### ***Community Contact***

Examiners used a previous contact with a community member knowledgeable about Putnam County’s business environment to help assess the current economic conditions, community credit needs, and potential opportunities for bank involvement. The contact stated that the local economy experienced moderate growth, but expected rapid growth in the near future. The contact noted that home mortgage and small business loans represent the area’s primary credit needs.

### ***Community Credit Needs and Opportunities***

Consistent with other nonmetropolitan areas, the TN Non-MSA AAs created more limited loan demand and for a more limited variety of loan types. However, this area did create loan demand for commercial, residential real estate, and consumer loans.

All of the counties’ designations as disaster areas and the numerous census tracts’ designations as distressed areas indicate a strong need for activities that revitalize and stabilize these qualifying areas. Likewise, the higher percentage of low- and moderate-income families, 38.9 percent, reflects a need for activities that benefit community development organizations or projects that target community services to these families. Also, the higher unemployment rates reflect a need for economic development activities that provide permanent jobs to low- or moderate-income individuals or in low- or moderate-income geographies.

The TN Non-MSA AAs contain a relatively low level of competition from other chartered banks based on its population with each of the area’s 67 offices from its 27 institutions serving about 2,752 people, on average. However, the bank also competes with credit unions, mortgage companies, and finance companies operating in the area. FVB ranks 9<sup>th</sup> in deposit market share

by capturing 5.37 percent of the area's deposits as of June 30, 2014. The competition level allows for lending opportunities. Considering information from the community contact, bank management, and demographic and economic information, examiners ascertained that the primary credit needs of the area include small business and residential real estate loans.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE STATE OF TENNESSEE**

### ***Format***

As previously noted, this evaluation presents information for the bank as a whole regarding the Loan-to-Deposit Ratio and the Lending Concentration Lending Test performance factors under the Lending Test and regarding the Community Development Test under the Institution section. Thus, the Lending Test rating for this rated area focuses on and presents the bank's performances regarding the borrower profile and geographic loan distribution performance factors. Examiners used full-scope procedures for the combined TN Non-MSA AAs and weighted performance in this area notably more heavily when arriving at applicable conclusions and ratings.

### ***Conclusions Regarding the Cleveland and Knoxville MSAs and the Combined TN Non-MSA***

The Interstate Banking and Branching Efficiency Act (IBBEA) requires separate conclusions for each MSA and for the combined nonmetropolitan areas within a state where a bank operates a branch. Conclusions regarding the bank's overall performance as well as its performance regarding the Lending and Community Development Tests in the Cleveland and Knoxville MSAs and the combined TN Non-MSA proved consistent with those presented herein, with the noted exceptions.

## **LENDING TEST**

FVB demonstrated a reasonable record in the State of Tennessee regarding the Lending Test. Reasonable records regarding its borrower profile and geographic loan distributions support this conclusion. This evaluation relied on the bank's small business and home mortgage loans in this state's three reviewed areas when arriving at applicable conclusions.

### **Borrower Profile Loan Distribution**

The bank established a reasonable record in the State of Tennessee regarding its borrower profile loans distribution. Reasonable records regarding its small business and home mortgage loans support this conclusion. As noted, small business loans accounted for 35.6 percent of the bank's loans originated during 2014 while home mortgage loans accounted for 31.4 percent, consistent with the lending emphasis in this state.

Examiners considered the loan types reviewed relative to the available comparative data and any performance context issues. They focused on the percentages by the number of loans when arriving at this conclusion. This factor only considered loans granted inside the assessment areas and only presents data for the TN Non-MSA AAs, the full-scope area. Appendix E contains the loan distribution tables for those areas reviewed using limited-scope procedures.

### ***Small Business Loans***

The distribution of small business loans based on the borrowers' profiles reflects reasonable performance in the State of Tennessee. Reasonable performances in the TN Non-MSA AAs and the Knoxville MSA AA outweighed excellent performance in the Cleveland MSA AA to support this conclusion. As previously noted, the TN Non-MSA AAs accounted for 60.0 percent of the bank's loans in the State of Tennessee, while the Knoxville MSA AA accounted for 27.6 percent and the Cleveland MSA AA accounted for 12.4 percent.

Examiners focused on the bank's overall levels to businesses with gross annual revenues of \$1 million or less when arriving at the conclusion. The companies' gross annual revenues define the borrowers' profiles for this analysis.

The following table shows that in the TN Non-MSA AAs to businesses reporting gross annual revenues of \$1 million or less, the bank granted well over eight out of every ten loans, thereby reflecting reasonable performance, and approaching excellent performance. It also shows that in the smallest revenue category, the bank granted exactly one-half of its loans, further supporting reasonable, and approaching excellent, performance. The large disparity in the Revenues Not Known category between the D&B data and the bank data makes any comparison between the two less meaningful.

Consequently, focusing on the overall levels of its percentages, the distribution of small business loans based on the borrowers' profiles reflects reasonable performance in the TN Non-MSA AAs, consistent with the overall performance in the State of Tennessee.

<b>Borrower Profile Loan Distribution Small Business Loans – TN Non-MSA AAs</b>					
<b>Gross Annual Revenues (000s)</b>	<b>Distribution of Businesses (% of #)</b>	<b>Bank's Small Business Loans</b>			
		<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
\$0 < \$100	32.8	14	50.0	622	30.4
\$100 < \$250	27.0	6	21.4	433	21.2
\$250 < \$500	6.8	4	14.3	288	14.1
\$500 ≤ \$1,000	3.9	0	0.0	0	0.0
<b><i>Subtotal ≤ \$1,000</i></b>	<b><i>70.5</i></b>	<b><i>24</i></b>	<b><i>85.7</i></b>	<b><i>1,343</i></b>	<b><i>65.7</i></b>
> \$1,000	4.7	4	14.3	702	34.3
Revenues Not Known	24.8	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>2,045</b>	<b>100.0</b>

Source: D&B data (2014); Bank records.

### ***Home Mortgage Loans***

The distribution of home mortgage loans based on the borrowers' profiles reflects reasonable performance in the State of Tennessee. Reasonable performances in all three reviewed areas support this conclusion. As previously noted, the TN Non-MSA AAs accounted for 60.0 percent of the bank's loans in the State of Tennessee, while the Knoxville MSA AA accounted for 27.6 percent and the Cleveland MSA AA accounted for 12.4 percent.

Examiners focused on the comparison to aggregate data and placed more weight on performance to moderate-income borrowers when arriving at this conclusion. The more limited opportunities for home mortgage lending to low-income borrowers illustrated by the aggregate's and bank's relatively smaller percentages drives the heavier weighting on performance to moderate-income borrowers. The borrowers' income designations define the borrowers' profiles for this analysis.

The following table shows that to low-income borrowers, the bank's percentage of the number of loans substantially exceeds the aggregate level, given the ratios' overall levels. The bank's level rises 6.5 percentage points higher, approximately doubling the aggregate figure at 1.97 times, thus reflecting excellent performance. In addition, the bank's figure in 2014 further increased an additional 4.0 percentage points, further supporting excellent performance. As noted, 14.5 percent of the area's families reported incomes below the poverty level, which limits home mortgage lending opportunities to these families.

The table further shows that to moderate-income borrowers, the bank's percentage of the number of loans lands within a reasonable range of the aggregate level, given the ratios' overall levels. The bank's level rises 6.0 percentage points higher, only 1.35 times the aggregate figure, thus reflecting reasonable performance. In addition, the bank's figure in 2014 further decreased by 8.3 percentage points, further supporting reasonable performance.

Consequently, given the heavier weighting on performance to moderate-income borrowers, the distribution of home mortgage loans based on the borrowers' profiles reflects reasonable performance in the TN Non-MSA AA, consistent with the overall performance in the State of Tennessee.

<b>Borrower Profile Loan Distribution</b>						
<b>Home Mortgage Loans – TN Non-MSA AAs</b>						
<b>Borrower Income Level</b>	<b>Families (%)</b>	<b>Aggregate Data (% of #)</b>	<b>Bank's Home Mortgage Loans</b>			
			<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Low	21.5	6.7	20	13.2	628	3.8
Moderate	18.1	17.0	35	23.0	1,281	7.8
Middle	20.1	21.2	29	19.1	1,307	7.9
Upper	40.3	39.9	59	38.8	11,338	68.8
NA	0.0	15.2	9	5.9	1,921	11.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>152</b>	<b>100.0</b>	<b>16,475</b>	<b>100.0</b>

Source: U.S. Census (2010); HMDA data (2013).

### **Geographic Loan Distribution**

The institution achieved a reasonable record in the State of Tennessee regarding its geographic loan distribution. Reasonable performance regarding small business loans hampered excellent performance regarding home mortgage loans to support this conclusion. As noted, small business loans accounted for 35.6 percent of the bank's loans originated during 2014 while home mortgage loans accounted for 31.4 percent, consistent with the lending emphasis in this state.

Examiners considered the loan types reviewed relative to the available comparative data and any performance context issues. They focused on the percentages by the number of loans in low- and moderate-income geographies compared to the demographic data when arriving at this conclusion. This factor only considered loans granted inside the assessment areas and only presents data for the TN Non-MSA AAs, the full-scope area. Appendix E contains the loan distribution tables for those areas reviewed using limited-scope procedures.

***Small Business Loans***

The geographic distribution of small business loans reflects reasonable performance in the State of Tennessee. Reasonable performances in all three areas reviewed support this conclusion. As previously noted, the TN Non-MSA AAs accounted for 60.0 percent of the bank’s loans in the State of Tennessee, while the Knoxville MSA AA accounted for 27.6 percent and the Cleveland MSA AA accounted for 12.4 percent.

The following table shows that for the TN Non-MSA AAs, the area did not include any low-income census tracts. The table further shows that in moderate-income tracts, the bank’s percentage of the number of loans lands within a reasonable range of the D&B figure, given the ratios’ overall levels. The bank’s level rises 7.2 percentage points, or 1.25 times, higher than the D&B figure, thereby reflecting reasonable performance.

Consequently, considering the reasonable performance in moderate-income geographies, the geographic distribution of small business loans reflects reasonable performance in the TN Non-MSA AAs, consistent with the overall performance in the State of Tennessee.

<b>Geographic Loan Distribution Small Business Loans – TN Non-MSA AAs</b>					
<b>Tract Income Level</b>	<b>Distribution of Businesses (% of #)</b>	<b>Bank’s Small Business Loans</b>			
		<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Low	NA	NA	NA	NA	NA
Moderate	28.5	10	35.7	341	16.7
Middle	48.9	14	50.0	1,155	56.5
Upper	22.6	4	14.3	549	26.8
NA	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>2,045</b>	<b>100.0</b>

*Source: D&B data (2014); Bank records.*

***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects excellent performance. Excellent performances in the TN Non-MSA AAs and the Knoxville MSA AA outweighed reasonable performance in the Cleveland MSA AA to support this conclusion. As previously noted, the TN Non-MSA AAs accounted for 60.0 percent of the bank’s loans in the State of Tennessee, while the Knoxville MSA AA accounted for 27.6 percent and the Cleveland MSA AA accounted for 12.4 percent.

The following table shows that for the TN Non-MSA AAs, the area did not include any low-income census tracts. The table further shows that in moderate-income tracts, the bank’s

percentage of the number of loans substantially exceeds the D&B figure, given the ratios' overall levels. The bank's level rises 25.9 percentage points, or clearly more than double at 2.60 times, higher than the D&B figure, thereby reflecting excellent performance. Although the bank's figure notably dropped to 26.2 percent in 2014, for the two years combined, the bank's level still reached 35.1 percent.

Consequently, considering the excellent performance in moderate-income geographies, the geographic distribution of home mortgage loans reflects excellent performance in the TN Non-MSA AAs, consistent with the overall performance in the State of Tennessee.

<b>Geographic Loan Distribution</b>						
<b>Home Mortgage Loans – TN Non-MSA AAs</b>						
<b>Tract Income Level</b>	<b>Owner-Occupied Housing Units (% of #)</b>	<b>Aggregate Data (% of #)</b>	<b>Bank's Home Mortgage Loans</b>			
			<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Low	NA	NA	NA	NA	NA	NA
Moderate	19.7	16.2	64	42.1	11,120	67.5
Middle	62.3	61.3	77	50.7	4,073	24.7
Upper	18.0	22.5	11	7.2	1,282	7.8
NA	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>152</b>	<b>100.0</b>	<b>16,475</b>	<b>100.0</b>

Source: U.S. Census (2010); HMDA data (2013).

## **COMMUNITY DEVELOPMENT TEST**

FVB demonstrated an adequate record in the State of Tennessee regarding the Community Development Test. An excellent record regarding the bank's community development services hampered by an adequate responsiveness to community development needs, without simply ignoring the other types of community development activities, supports this conclusion. The bank also demonstrated an adequate record regarding its community development lending and a very poor record regarding its qualified investments.

Examiners considered the availability of opportunities, the institution's capacity for community development activities, and the assessment area's needs when arriving at the rating. Appendix A defines community development (CD) and Appendix B lists the criteria used to evaluate the Community Development Test.

### **Community Development Lending**

The bank exhibited an adequate record in the State of Tennessee regarding its community development lending. An adequate record regarding the dollar volume of CD loans relative to the bank's level of other lending activity supports this conclusion.

Examiners considered the number and dollar volume relative to the considerations noted for the Community Development Test when arriving at this conclusion.

The following table shows that since the last evaluation the bank granted 20 community development loans totaling \$6,775,000 inside the State of Tennessee. The previous evaluation did not segregate the bank's CD lending by assessment area. The current dollar amount equates to 46.5 percent of the bank's total community development loans, notably, and near substantially, higher than the 29.0 percent of the bank's loans generated by this area. As previously noted, the bank exhibited an overall adequate record for the bank as a whole regarding its community development lending

Consequently, considering the notably higher percentage contribution to an overall adequate level of community development loans, relative to this area's percentage contribution of total loans, the bank exhibited an adequate record in the State of Tennessee regarding its community development lending.

<b>Community Development Loans State of Tennessee</b>					
<b>Qualifying Category</b>	<b>Activity Year</b>				<b>Totals Per Category</b>
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>YTD 2015</b>	
Affordable Housing:					
Number	0	4	4	0	<b>8</b>
Dollar Amount (000s)	0	742	1,059	0	<b>1,801</b>
CD Organizations:					
Number	0	0	0	0	<b>0</b>
Dollar Amount (000s)	0	0	0	0	<b>0</b>
Economic Development:					
Number	0	1	2	0	<b>3</b>
Dollar Amount (000s)	0	230	602	0	<b>832</b>
Revitalize or Stabilize:					
Number	1	2	4	2	<b>9</b>
Dollar Amount (000s)	454	1,113	1,737	838	<b>4,142</b>
Neighborhood Stabilization:					
Number	0	0	0	0	<b>0</b>
Dollar Amount (000s)	0	0	0	0	<b>0</b>
<b>Totals Per Year:</b>					
<b>Number</b>	<b>1</b>	<b>7</b>	<b>10</b>	<b>2</b>	<b>20</b>
<b>Dollar Amount (000s)</b>	<b>454</b>	<b>2,085</b>	<b>3,398</b>	<b>838</b>	<b>6,775</b>

Source: Bank records.

This evaluation does not provide specific examples of the bank's community development lending activities in the State of Tennessee.

### **Qualified Investments**

The institution displayed a very poor record regarding in the State of Tennessee regarding its qualified investments, although it did not simply ignore this activity. A very poor record regarding the dollar volume of qualified investments relative to the bank's other activity supports this conclusion. Examiners considered the number and dollar volume relative to the considerations noted for the Community Development Test when arriving at this conclusion.

The following table shows that the bank made use of 10 qualified investments totaling \$72,900, consisting entirely of grants and donations. The previous evaluation did not segregate the bank's qualified investments by assessment area. The current dollar amount equates to only 2.8 percent of the bank's total qualified investments, significantly lower than the bank's other activity levels associated with this area, which originated 29.0 percent of the bank's loans, generated 46.9 percent of its deposits, and operated 54.2 percent of its offices. As previously noted, the institution displayed a poor record for the bank as a whole regarding its qualified investments.

Consequently, considering the significantly lower percentage contribution, relative to this rated area's other activity levels, to an overall poor level of qualified investments, the institution displayed a very poor record in the State of Tennessee regarding its qualified investments.

<b>Qualified Investments State of Tennessee</b>						
<b>Qualifying Category</b>	<b>Activity Year</b>					<b>Totals Per Category</b>
	<i>Prior Period</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>YTD 2015</i>	
Affordable Housing:						
Number	0	0	0	0	0	<b>0</b>
Dollar Amount (000s)	0	0	0	0	0	<b>0</b>
CD Organizations:						
Number	0	2	1	1	1	<b>5</b>
Dollar Amount (000s)	0	4	2	2	2	<b>10</b>
Economic Development:						
Number	0	0	0	0	0	<b>0</b>
Dollar Amount (000s)	0	0	0	0	0	<b>0</b>
Revitalize or Stabilize:						
Number	0	2	1	1	1	<b>5</b>
Dollar Amount (000s)	0	24	13	13	13	<b>63</b>
Neighborhood Stabilization:						
Number	0	0	0	0	0	<b>0</b>
Dollar Amount (000s)	0	0	0	0	0	<b>0</b>
<b>Totals Per Year:</b>						
<b>Number</b>	<b>0</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>10</b>
<b>Dollar Amount (000s)</b>	<b>0</b>	<b>28</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>73</b>

Source: Bank records.

This evaluation does not provide specific examples of the bank's qualified investment activities in the State of Tennessee.

### **Community Development Services**

The bank established an excellent record in the State of Tennessee regarding its community development services. Excellent performances regarding the types and availability of services primarily support this conclusion. Examiners evaluated the types of services and the availability of services relative to the considerations noted for the Community Development Test when arriving at this conclusion.

***Types of Services***

The institution showed excellent performance in the State of Tennessee at providing the types of services that primarily benefit low- and moderate-income individuals. An excellent extent, or number, of community development services supports this conclusion.

The following table shows that the bank provided a total of 179 community development services, which on average, equates to 6.1 CD services, per office, per year since the last evaluation in this rated area. The number of CD services in the State of Tennessee equates to 59.9 percent of the bank’s total CD services, as compared to this rated area’s 29.0 percent of the bank’s loans, 46.9 percent of its deposits, and 54.2 percent of its offices. All of the activities involved bank employees using their financial expertise to assist organizations or projects with a primary purpose consistent with community development as defined in the regulation.

Relative to the considerations previously noted for the Community Development Test, the average number of CDs per office per year reflects excellent performance regarding the types of services offered.

<b>Community Development Services State of Tennessee</b>					
<b>Qualifying Category</b>	<b>Activity Year (Number of Services)</b>				<b>Totals Per Category</b>
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>YTD 2015</b>	
Affordable Housing	1	1	1	1	<b>4</b>
CD Organizations	17	37	34	22	<b>110</b>
Economic Development	6	8	8	7	<b>29</b>
Revitalize or Stabilize	8	10	10	8	<b>36</b>
Neighborhood Stabilization	0	0	0	0	<b>0</b>
<b>Totals Per Year</b>	<b>32</b>	<b>56</b>	<b>53</b>	<b>38</b>	<b>179</b>

Source: Bank records.

The following point highlights certain CD service activities in this rated area.

- CD Organizations** – bank heavily participated in the *Junior Achievement, Teach Children to Save* program offered by the American Bankers Association and in the *Get Smart About Credit* program in the State of Tennessee. FVB customized the FDIC’s *Money Smart* program to teach these classes. During the review period, employees taught these classes in over 34 different qualifying schools reaching more than 6,800 students. More than 50 percent of the student populations in these schools meet the definition of disadvantaged as defined by the State of Tennessee’s Department of Education. The state’s definition includes income qualifications equivalent to, or stricter than, the definitions of low- and moderate-income as defined by the CRA Regulations.

***Availability of Services***

The institution showed excellent performance in the State of Tennessee regarding its availability of services to low- and moderate-income individuals or geographies. An excellent distribution of branches primarily supports the conclusion.

The following table shows a lack of branches in low-income tracts; however, due to the limited population percentage in those areas, examiners placed limited weight on the bank’s record in those areas. The table further shows that in moderate-income geographies, the bank’s percentage of branches more than doubles, at 2.47 times, the percentage of the areas’ population residing in these areas, thereby reflecting excellent performance in these tracts. The bank operates a majority of its offices in middle-income tracts, consistent with these geographies’ highest percentage of the areas’ population.

<b>Distribution of Branches and ATMs State of Tennessee</b>								
<b>Census Tract Income Category</b>	<b>Census Tracts in Assessment Areas</b>		<b>Total Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	10	6.0	38,531	5.8	0	0.0	0	0.0
Moderate	30	18.1	104,685	15.6	5	38.5	5	38.5
Middle	78	47.0	330,862	49.4	8	61.5	8	61.5
Upper	46	27.7	189,133	28.3	0	0.0	0	0.0
N/A	2	1.2	5,969	0.9	0	0.0	0	0.0
<b>Total</b>	<b>166</b>	<b>100.0</b>	<b>669,180</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>

Source: U.S. Census (2010); Bank records.

In addition to its facility locations, the bank provides a number of alternative delivery systems. The previous table shows that the bank operates 13 ATMs in this state, and at a level in moderate-income geographies that more than doubles the percentage of the rated area’s population residing in those tracts. These ATMs pay out cash, respond to inquiries, and make transfers 24 hours a day, although none take deposits. The bank also offers free online banking and bill pay, mobile banking, telephone banking, and remote deposit capture for business accounts. The institution maintains banking hours typical for its areas and the industry. These delivery systems remain consistent with those noted for the bank as a whole and for other areas.

Consequently, given the excellent branch distribution and alternative delivery systems, the availability of services to low- and moderate-income individuals or geographies reflects excellent performance in the State of Tennessee.

### **Responsiveness to Community Development Needs**

The institution achieved an adequate record in the State of Tennessee regarding its responsiveness to the areas’ community development needs. An adequate level of activities directed to one or more of the areas’ primary needs supports this conclusion. Examiners evaluated the number and dollar volume of total activities relative to the considerations noted for the Community Development Test when arriving at this conclusion.

The following table shows that the bank’s activities focused on revitalizing and stabilizing qualifying geographies, which represent 62.9 percent of the dollar volume of the bank’s activities. As discussed under the Description of the Institution’s Operations in this area, all of the counties’ designations as disaster areas and the numerous census tracts’ designations as

distressed areas indicate a strong need for activities that revitalize and stabilize these qualifying areas.

Otherwise, the institution did not provide other information suggesting stronger qualitative aspects of performance, such as the institution’s leadership role, the institution’s special expertise or effort provided, or the activities’ particularly high levels of benefitting low- or moderate-income individuals or qualifying areas.

Consequently, given the adequate level of activities directed to the rated area’s needs, the institution achieved an adequate record in the State of Tennessee at making its community development activities responsive to the assessment areas’ community development needs.

<b>Community Development Activities State of Tennessee</b>							
<b>Qualifying Category</b>	<b>Activity Type</b>					<b>Totals Per Category</b>	
	<i>Loans</i>		<i>Investments</i>		<i>Services</i>		
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>#</b>	<b>\$(000s)</b>
Affordable Housing	8	1,801	0	0	4	<b>12</b>	<b>1,801</b>
CD Organizations	0	0	5	10	110	<b>115</b>	<b>10</b>
Economic Development	3	832	0	0	29	<b>32</b>	<b>832</b>
Revitalize or Stabilize	9	4,142	5	63	36	<b>50</b>	<b>4,205</b>
Neighborhood Stabilization	0	0	0	0	0	<b>0</b>	<b>0</b>
<b>Totals Per Activity Type</b>	<b>20</b>	<b>6,775</b>	<b>10</b>	<b>73</b>	<b>179</b>	<b>209</b>	<b>6,848</b>

Source: Bank records.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices in this rated area inconsistent with helping to meet community credit needs; therefore, this consideration did not affect the overall rating for the State of Tennessee.

**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.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan 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. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other nonvisible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

**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 meeting the size test and purpose test; or
- (4) Provide activities that revitalize or stabilize qualifying geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties located in designated target areas.

**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; and
- 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.

**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).

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates that update median family income from the metropolitan and non-metropolitan areas. FFIEC starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** Performance under the applicable tests is analyzed considering performance context, quantitative factors (geographic loan distribution, borrower profile loan distribution, and total number and dollar amount of investments), and qualitative factors (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 applications, the amount of loan requested, and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

**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:** Performance under the applicable tests is analyzed using only quantitative factors (for example, geographic loan distribution, borrower profile loan distribution, 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 Credits:** 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 in place 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 that has incomes above the median and the other that has incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CSA that contain(s) an urbanized area with a population of at least 2.5 million. An 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):** CSA 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.

**Micropolitan Statistical Area:** CSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**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.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Non-metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan 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 both metropolitan and non-metropolitan 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.

**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 more than 120 percent of the area median income, or a median family income that is more than 120 percent 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.

## **APPENDIX B**

### **ISB PERFORMANCE TESTS' CRITERIA**

#### **Lending Test**

The Lending Test for CRA Intermediate Small Banks (ISBs) evaluates the institution'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 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;
- 4) The geographic distribution of the bank's loans; 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 for CRA Intermediate Small Banks, within the context of the institution's capacity and constraints and other performance context information, 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 to the opportunities for community development lending, qualified investments, and community development services, considering the amount and combination of these community development activities, along with their qualitative aspects.

Regulators flexibly apply the community development test to allow institutions to allocate resources among the options that most respond to the area's needs. They anticipate that most areas will need some level of all three activity types, loans, investments, and services. The adequacy of the institution's response will depend on the bank's capacity for community development activities, the area's need for such activities, and the availability of opportunities for community development activities in the institution's assessment area(s).

## APPENDIX C

### SCOPE OF EVALUATION

<b>First Volunteer Bank</b>	
<b>SCOPE OF EVALUATION:</b> Full scope reviews were performed on following assessment areas within the noted rate areas: Chattanooga, TN-GA Multistate MSA: Chattanooga Multistate MSA Assessment Area; State of Tennessee: TN Non-MSA Assessment Areas	
<b>TIME PERIOD REVIEWED:</b>	11/26/12 to 4/21/15
<b>PRODUCTS REVIEWED:</b> Small Business Loans: 1/1/14 to 12/31/14 Home Mortgage Loans: 1/1/13 to 12/31/14	

<b>LIST OF AFFILIATES AND PRODUCTS REVIEWED</b>		
<b>AFFILIATE(S):</b>	<b>AFFILIATE RELATIONSHIP:</b>	<b>PRODUCTS REVIEWED:</b>
First Volunteer Corporation, Inc.	Holding Company	None
First Volunteer Insurance Company	Bank Subsidiary	None
First Volunteer Insurance Agency, Inc.	Bank Subsidiary	None
Gateway Bancshares Statutory Trust I	Bank Subsidiary	None

<b>LIST OF ASSESSMENT AREAS AND TYPE OF EVALUATION</b>			
<b>RATED AREA/ ASSESSMENT AREA</b>	<b>TYPE OF EVALUATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
Chattanooga, TN-GA Multistate MSA: Chattanooga Multistate MSA AA	Full-scope	Main Office	None
State of Tennessee: Cleveland MSA AA	Limited-scope	None	None
Knoxville MSA AA	Limited-scope	None	None
Combined TN Non-MSA AAs	Full-scope	None	None

**SUMMARY OF RATINGS**

<b>SUMMARY OF RATED AREAS' RATINGS</b>			
<b>Rated Area's Name</b>	<b>Lending Test</b>	<b>Community Development</b>	<b>Overall</b>
Chattanooga, TN-GA Multistate MSA	Satisfactory	Satisfactory	Satisfactory
State of Tennessee	Satisfactory	Satisfactory	Satisfactory

**APPENDIX E**

**LOAN DISTRIBUTION TABLES  
LIMITED-SCOPE AREAS**

**Borrower Profile Loan Distribution**

**Cleveland MSA AA**

***Small Business Loans***

<b>Borrower Profile Loan Distribution Small Business Loans – Cleveland MSA AA</b>					
<b>Gross Annual Revenues (000s)</b>	<b>Distribution of Businesses (% of #)</b>	<b>Bank’s Small Business Loans</b>			
		<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
\$0 < \$100	39.3	3	27.3	298	30.3
\$100 < \$250	23.1	5	45.4	536	54.5
\$250 < \$500	4.0	3	27.3	149	15.2
\$500 ≤ \$1,000	2.5	0	0.0	0	0.0
<b>Subtotal ≤ \$1,000</b>	<b>68.9</b>	<b>11</b>	<b>100.0</b>	<b>983</b>	<b>100.0</b>
> \$1,000	3.4	0	0.0	0	0.0
Revenues Not Known	27.7	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>983</b>	<b>100.0</b>

Source: D&B data (2014); Bank records.

***Home Mortgage Loans***

<b>Borrower Profile Loan Distribution Home Mortgage Loans – Cleveland MSA AA</b>						
<b>Borrower Income Level</b>	<b>Families (%)</b>	<b>Aggregate Data (% of #)</b>	<b>Bank’s Home Mortgage Loans</b>			
			<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Low	24.6	4.0	10	20.0	203	6.6
Moderate	16.3	16.2	11	22.0	478	15.4
Middle	22.7	22.7	14	28.0	920	29.8
Upper	36.4	34.0	15	30.0	1,488	48.2
NA	0.0	23.1	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>50</b>	<b>100.0</b>	<b>3,089</b>	<b>100.0</b>

Source: U.S. Census (2010); HMDA data (2013).

## Knoxville MSA AA

### Small Business Loans

Borrower Profile Loan Distribution Small Business Loans – Knoxville MSA AA					
Gross Annual Revenues (000s)	Distribution of Businesses (% of #)	Bank's Small Business Loans			
		#	%	\$ (000s)	%
\$0 < \$100	28.6	7	26.9	156	10.5
\$100 < \$250	28.7	2	7.7	100	6.8
\$250 < \$500	7.6	1	3.9	35	2.4
\$500 ≤ \$1,000	4.6	7	26.9	374	25.3
<b>Subtotal ≤ \$1,000</b>	<b>69.5</b>	<b>17</b>	<b>65.4</b>	<b>665</b>	<b>45.0</b>
> \$1,000	6.0	9	34.6	814	55.0
Revenues Not Known	24.5	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>1,479</b>	<b>100.0</b>

Source: D&B data (2014); Bank records.

### Home Mortgage Loans

Borrower Profile Loan Distribution Home Mortgage Loans – Knoxville MSA AA						
Borrower Income Level	Families (%)	Aggregate Data (% of #)	Bank's Home Mortgage Loans			
			#	%	\$ (000s)	%
Low	20.6	7.9	14	15.2	345	5.5
Moderate	17.0	17.6	21	22.8	553	8.9
Middle	20.5	19.4	19	20.7	888	14.3
Upper	41.9	40.1	33	35.9	3,463	55.8
NA	0.0	15.0	5	5.4	961	15.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>92</b>	<b>100.0</b>	<b>6,210</b>	<b>100.0</b>

Source: U.S. Census (2010); HMDA data (2013).

**Geographic Loan Distribution**

**Cleveland MSA AA**

***Small Business Loans***

<b>Geographic Loan Distribution Small Business Loans – Cleveland MSA AA</b>					
<b>Tract Income Level</b>	<b>Distribution of Businesses (% of #)</b>	<b>Bank’s Small Business Loans</b>			
		<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Low	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA
Middle	100.0	11	100.0	983	100.0
Upper	NA	NA	NA	NA	NA
NA	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>983</b>	<b>100.0</b>

Source: D&B data (2014); Bank records.

***Home Mortgage Loans***

<b>Geographic Loan Distribution Home Mortgage Loans – Cleveland MSA AA</b>						
<b>Tract Income Level</b>	<b>Owner-Occupied Housing Units (% of #)</b>	<b>Aggregate Data (% of #)</b>	<b>Bank’s Home Mortgage Loans</b>			
			<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Low	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA
Middle	100.0	100.0	50	100.0	3,089	100.0
Upper	NA	NA	NA	NA	NA	NA
NA	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>50</b>	<b>100.0</b>	<b>3,089</b>	<b>100.0</b>

Source: U.S. Census (2010); HMDA data (2013).

## Knoxville MSA AA

### Small Business Loans

Geographic Loan Distribution Small Business Loans – Knoxville MSA AA					
Tract Income Level	Distribution of Businesses (% of #)	Bank's Small Business Loans			
		#	%	\$ (000)	%
Low	6.0	0	0.0	0	0.0
Moderate	19.8	6	23.1	410	27.7
Middle	35.9	17	65.4	496	33.5
Upper	37.7	3	11.5	573	38.8
NA	0.6	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>1,479</b>	<b>100.0</b>

Source: D&B data (2014); Bank records.

### Home Mortgage Loans

Geographic Loan Distribution Home Mortgage Loans – Knoxville MSA AA						
Tract Income Level	Owner-Occupied Housing Units (% of #)	Aggregate Data (% of #)	Bank's Home Mortgage Loans			
			#	%	\$ (000)	%
Low	2.9	1.7	0	0.0	0	0.0
Moderate	16.3	11.0	37	40.2	2,290	36.9
Middle	47.5	44.5	52	56.5	3,593	57.8
Upper	33.3	42.8	3	3.3	327	5.3
NA	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>92</b>	<b>100.0</b>	<b>6,210</b>	<b>100.0</b>

Source: U.S. Census (2010); HMDA data (2013).