PUBLIC DISCLOSURE

July 10, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Bartlett
RSSD #225559

6281 Stage Road
Bartlett, Tennessee 38134

Federal Reserve Bank of St. Louis

P.O. Box 442
St. Louis, Missouri 63166-0442

NOTE: **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 the 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'S CRA RATING: This institution is rated SATISFACTORY.
The Lending Test is rated: Satisfactory
The Community Development Test is rated: Satisfactory

Bank of Bartlett meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending and community development activities. The factors supporting the institution's rating are as follows:

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending-related activities are in the assessment area.
- Distribution of loans to borrowers reflects reasonable penetration among individuals of different income levels (including low- and moderate-income [LMI] levels) and businesses of different revenue sizes.
- Geographic distribution of loans reflects a poor dispersion throughout the assessment area.
- There were no CRA-related complaints filed against the bank since the previous CRA evaluation.

The bank's overall community development performance demonstrates adequate responsiveness to the community development needs of its assessment area, considering the bank's capacity and the need and availability of such opportunities. The bank has responded to these needs through community development loans, qualified investments, and community development services.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) intermediate small bank procedures. The intermediate small bank examination procedures entail two performance tests: the Lending Test and the Community Development Test. Home mortgage loans reported under the Home Mortgage Disclosure Act (HMDA), small business loans, and consumer home equity lines of credit (HELOCs) were used to evaluate the bank's lending performance. These loan categories are considered the bank's core business lines based on lending volume and the bank's stated business strategy. Therefore, the loan activity represented by these credit products is deemed indicative of the bank's overall lending performance. However, the HMDA loan category carried the most significance toward the bank's overall performance conclusions. The following table details the performance criterion and the corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	September 30, 2013 – March 31, 2017
Assessment Area Concentration	January 1, 2015 – December 31, 2015
Loan Distribution by Borrower's Profile	January 1, 2015 – December 31, 2015
Geographic Distribution of Loans	January 1, 2015 – December 31, 2015
Response to Written CRA Complaints	September 9, 2013 – July 9, 2017
Community Development Activities	September 9, 2013 – July 9, 2017

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on HMDA and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2010 U.S. Census data; certain business geodemographics are based on 2015 Dun & Bradstreet data. When analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is generally placed on the aggregate lending data, because it is expected to describe many factors impacting lenders in an assessment area. Aggregate lending datasets are also updated annually and are, therefore, expected to predict more relevant comparisons. In addition, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating in the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from $290.1 million to $352.0 million on March 31, 2017.

As part of the Community Development Test, the bank's performance was evaluated using the following criteria, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area.

- The number and dollar amount of community development loans.
- The number and dollar amount of qualified investments and donations.
- The extent to which the bank provides community development services.

The review included community development activities initiated from the date of the bank's previous CRA evaluation to this review date. In addition, investments made prior to the date of the previous CRA evaluation, but still outstanding as of this review date, were also considered.

To augment this evaluation, two community contact interviews were conducted with members of the local community to ascertain specific credit needs, opportunities, and local market conditions in the bank's assessment areas. Information from these interviews also assisted in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from these community contact interviews are included in the *Description of Assessment Area* section.

DESCRIPTION OF INSTITUTION

Bank of Bartlett is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is a wholly owned subsidiary of West Tennessee Bancshares, Inc., a one-bank holding company headquartered in Bartlett, Tennessee, that also owns Bartlett Mortgage, Inc., a subsidiary of the bank responsible for all secondary market lending. The bank's branch network consists of its main office and seven branches. All of the facilities are full-service and offer drive-through accessibility. The main office is located in Bartlett, Tennessee, as well as one other branch. Two additional branches are located in Germantown, Tennessee. The remaining branches are located in the Tennessee towns of Arlington, Collierville, Cordova, and Raleigh. With regards to location of branches as they compare to census tracts, the bank's main office and its Raleigh branch are located in middle-income census tracts, and the remaining branches are located in upper-income census tracts. The bank has not opened or closed any branches during this review period.

Each of the branches offers full-service automated teller machines (ATMs) on site, and the main office has both a full-service ATM and a cash-dispensing only ATM on site. The bank also operates 65 cash-dispensing only ATMs throughout Shelby County. The majority of the standalone ATMs are branded with the Bank of Bartlett logo and located in drugstores throughout the county. The bank's branches and full-service ATMs are located in the eastern portions of Shelby County, putting the bank at a competitive disadvantage in serving the western portions of the county, where the majority of the LMI geographies are located. Based on this context, additional weight is given to the analysis of the bank's loan distribution by borrower profile, and less weight is given to the analysis of the bank's loan distribution by geography.

For this review period, the bank's financial capacity, local economic conditions, and demographics, including the competitive environment in which it operates, were considered. During the majority of this review period, the bank was subject to a public written agreement requiring the bank to address the financial soundness of its operations, including asset quality improvement. The written agreement was terminated on February 23, 2017. At March 31, 2017, the bank reported total assets of $363.9 million. On the same date, loans and leases outstanding were $197.3 million (54.2 percent of total assets), and deposits totaled $328.9 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans on March 31, 2017		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$24,440	12.4%
Commercial Real Estate	$42,163	21.4%
Multifamily Residential	$1,858	0.9%
1–4 Family Residential	$103,811	52.6%
Farmland	$ –	0.0%
Farm Loans	$ –	0.0%
Commercial and Industrial	$16,023	8.1%
Loans to Individuals	$8,995	4.6%
Total Other Loans	$30	0.0%
TOTAL	**$197,320**	**100.0%**

As indicated by the preceding table, a significant portion of the bank's lending resources is directed to loans secured by 1–4 family residential properties, including HMDA loans, and also commercial real estate loans. The bank's subsidiary mortgage company also originates and subsequently sells a significant volume of loans related to residential real estate. As these loans are sold on the secondary market shortly after origination, this activity is not captured in the table.

The bank received a Satisfactory rating at its previous CRA evaluation conducted on September 9, 2013, by this Reserve Bank.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank's assessment area includes all of Shelby County, Tennessee. It has a population of 927,664 and is comprised of 221 census tracts. The bank's assessment area is a part of the larger Memphis, Tennessee-Mississippi-Arkansas metropolitan statistical area (Memphis MSA). The banking market is competitive. According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2016, there are 34 FDIC-insured depository institutions in the assessment area that operate 227 offices. Bank of Bartlett (operating eight offices in the assessment area) ranked 14th in terms of deposit market share, with 1.4 percent of the total assessment area deposit dollars.

Particular needs in the assessment area (as noted primarily from community contacts) include affordable housing and financial education. Additionally, there is a strong need for small business lending to support permanent employment opportunities, as well as funding for revitalization efforts throughout many portions of Shelby County.

Income and Wealth Demographics

The following table summarizes the distribution of assessment area census tracts by income level and the family population within those tracts.

Assessment Area Demographics by Geography Income Level

Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Census Tracts	53	52	46	65	5	**221**
	24.0%	23.5%	20.8%	29.4%	2.3%	**100%**
Family Population	33,700	49,730	48,542	91,067	0	**223,039**
	15.1%	22.3%	21.8%	40.8%	0.0%	**100%**

As shown above, 47.5 percent of the census tracts in the assessment area are LMI geographies, and 37.4 percent of the family population resides in these tracts. These LMI areas are primarily concentrated in the western portion of the county, in the urban areas of downtown Memphis. However, the largest portion of the family population (40.8 percent) resides in upper-income census tracts, which are primarily located along the eastern edge of the assessment area.

Based on 2010 Census data, the median family income for the assessment area was $55,923. At the same time, the entire Memphis MSA median family income was $56,100. More recently, the U.S. Department of Housing and Urban Development (HUD) estimated the 2015 Memphis MSA median family income to be $60,400. The following table displays the population percentages of assessment area families by income level compared to the Memphis MSA family population as a whole.

Family Population by Income Level

Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Assessment Area	56,264	35,969	36,769	94,037	223,039
	25.2%	16.1%	16.5%	42.2%	100.0%
Memphis MSA	79,221	52,586	58,047	136,897	326,751
	24.2%	16.1%	17.8%	41.9%	100.0%

As shown in the preceding table, 41.3 percent of families in the assessment area were considered LMI, which is only slightly higher than the LMI family percentage of 40.3 percent in the Memphis MSA. The percentage of families living below the poverty threshold in the assessment area, 15.4 percent, is above the 14.5 percent level in the Memphis MSA. Considering these factors, the assessment area appears slightly less affluent than the MSA as a whole.

Housing Demographics

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be slightly less affordable than in the larger Memphis MSA. The median housing value for the assessment area is $135,300, which is only slightly above the figure for the Memphis MSA, $134,598. The assessment area housing affordability ratio of 33.0 percent is just below the Memphis MSA figure of 34.2 percent. Similarly, the median gross rent for the assessment area of $782 per month is higher than the $773 per month for the Memphis MSA. This data indicates that homeownership may be out of reach for a large portion of the LMI population, particularly those living below the poverty line.

Accordingly, there is an abundance of rental units in the assessment area, specifically in the LMI tracts. Of all housing units in the assessment area, 32.9 percent are rental units, compared to 30.3 percent in the Memphis MSA. Furthermore, of the 169,134 housing units located in the LMI census tracts, 72,619 (42.9 percent) are rental units. The assessment area's higher percentage of rental units corresponds with information from community contacts, as described below, regarding the demand for affordable housing due to poor housing stock in lower-income areas.

Industry and Employment Demographics

The assessment area economy is diverse and is supported by a mixture of service-oriented sectors. County business patterns indicate that there are 430,779 paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are healthcare and social assistance (15.8 percent), transportation and warehousing (11.4 percent), and waste management and remediation services (11.0 percent). The following table details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for the assessment area compared to the Memphis MSA as a whole.

Unemployment Levels for the Assessment Area		
Time Period (Annual Average)	**Assessment Area**	**Memphis MSA**
2013	8.8%	8.5%
2014	7.6%	7.4%
2015	6.6%	6.5%
2016	5.3%	5.2%

As shown in the preceding table, unemployment levels for the assessment area, as well as the overall Memphis MSA, have shown a steady decreasing trend throughout this review period. While decreasing, the assessment area has consistently experienced a slightly higher unemployment level than the MSA as a whole.

Community Contact Information

Information from two community contacts was used to help shape the performance context in which the bank's activities in this assessment area were evaluated. The community contact interviewees described the economy as depressed, especially in downtown Memphis and the surrounding areas. The contacts identified various grants and neighborhood stabilization programs in which the city of Memphis is involved and indicated there are numerous opportunities for community development in the assessment area.

Of these community contact interviews, one was with an individual working for an organization that assists small business owners, as well as minority- and women-owned businesses. In addition to acting as the lender and facilitator of lending, the organization works to educate small business owners about financial resources and opportunities in the area. The contact identified some large employers that have recently shifted their strategies and laid off individuals and indicated that this has resulted in the creation of more small businesses. However, the contact also stated that many small businesses choose to operate in the Mississippi portion of the MSA due to lower costs.

The second contact was an individual involved in the revitalization of LMI areas north of downtown Memphis. The contact's organization provides affordable housing and financial education. This contact noted that in some blighted neighborhoods, a vast majority of home purchases are made by out-of-state investors for low dollar amounts. The contact elaborated that most of the out-of-state investors sell these properties to other investors across the country with the provision that they are able to retain the rental contract. Because of this process, neither the initial investor nor eventual investor is being held accountable for renovating or maintaining these homes, in some cases leading to dilapidated housing stock in dire need of renovations.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Loan-to-Deposit (LTD) Ratio

One indication of the bank's overall level of lending activity is its LTD ratio. The following table displays the bank's average LTD ratio in comparison to those of regional peers. The average LTD ratio represents a 15-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	**Headquarters**	**Asset Size ($000s) as of March 31, 2017**	**Average LTD Ratio**
Bank of Bartlett	Bartlett, Tennessee	$363,873	58.1%
Regional Banks	Collierville, Tennessee	$290,119	89.0%
	Millington, Tennessee	$305,022	51.9%
	Memphis, Tennessee	$352,030	93.9%

Based on data from the previous table, the bank's level of lending is below that of two similarly situated financial institutions in the region but above that of one other peer bank. Although the bank's average LTD ratio is lower than two other banks in the region, its LTD ratio has increased since the previous examination period and continues to trend upward. During the review period, the LTD ratio ranged from a low of 52.7 percent on September 30, 2013, to a high of 63.1 percent on December 31, 2016, with a 15-quarter average of 58.1 percent. The LTD ratios for peer institutions varied during the review period, with one experiencing an increasing trend, one experiencing a decreasing trend, and one experiencing a more volatile trend. Therefore, compared to data from regional banks, the bank's average LTD ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.

Assessment Area Concentration

For the loan activity reviewed as part of this evaluation, the following table displays the number and dollar volume of loans inside and outside the bank's assessment area.

Lending Inside and Outside of Assessment Area						
January 1, 2015 through December 31, 2015						
Loan Type	**Inside Assessment Area**		**Outside Assessment Area**		**TOTAL**	
HMDA	40	83.3%	8	16.7%	48	100%
	$2,874	85.8%	474	14.2%	$3,348	100%
Small Business	56	90.3%	6	9.7%	62	100%
	$4,893	83.5%	965	16.5%	$5,858	100%
Consumer (HELOC)	80	88.9%	10	11.1%	90	100%
	$6,973	90.0%	773	10.0%	$7,746	100%
TOTAL LOANS	176	88.0%	24	12.0%	200	100%
	$14,739	86.9%	2,212	13.0%	$16,951	100%

A majority of loans and other lending-related activities were made in the bank's assessment area. As shown in the previous table, 88.0 percent of the total loans were made inside the assessment area, accounting for 86.9 percent of the dollar volume of total loans.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is reasonable, based on performance from all three loan categories reviewed. While the bank's performance in the small business category is excellent, the greatest significance is placed on performance in the HMDA loan category given the bank's emphasis on HMDA lending, which is only reasonable.

Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the applicable median family income figure as estimated by the FFIEC ($60,400 for the Memphis MSA as of 2015). The following table shows the distribution of HMDA-reported loans by borrower income level in comparison to family population income demographics for the assessment area. Additionally, 2015 aggregate data for the assessment area is displayed.

Distribution of Loans Inside Assessment Area by Borrower Income January 1, 2015 through December 31, 2015												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	10	4.2%	51	21.4%	74	31.1%	102	42.9%	1	0.4%	238	100%
Refinance	5	6.2%	6	7.4%	18	22.2%	46	56.8%	6	7.4%	81	100%
Home Improvement	1	33.3%	1	33.3%	0	0.0%	1	33.3%	0	0.0%	3	100%
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	100%
TOTAL HMDA	16	5.0%	58	18.0%	92	28.6%	149	46.3%	7	2.2%	322	100%
Family Population	25.2%		16.1%		16.5%		42.2%		0.0%		**100%**	
2015 HMDA Aggregate	4.2%		11.6%		16.3%		39.3%		28.6%		**100%**	

As displayed in the preceding table, the bank's percentage of all HMDA lending to low-income borrowers (5.0 percent) is substantially below the low-income family population figure (25.2 percent) but slightly above the aggregate lending level to low-income borrowers (4.2 percent), reflecting reasonable performance. However, the bank's level of lending to moderate-income borrowers (18.0 percent) is above both the moderate-income family population percentage (16.1 percent) and the aggregate lending level to moderate-income borrowers (11.6 percent), reflecting excellent performance. Therefore, considering performance in both income categories, the bank's overall distribution of HMDA loans by borrower's profile is reasonable.

Next, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2015 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Distribution of Loans Inside Assessment Area by Business Revenue January 1, 2015 through December 31, 2015								
Gross Revenue	Loan Amounts in $000s						TOTAL	
	≤$100		>$100 and ≤$250		>$250 and ≤$1,000			
$1 Million or Less	42	75.0%	10	17.9%	4	7.1%	**56**	**100.0%**
Greater than $1 Million/Unknown	0	0.0%	0	0.0%	0	0.0%	**0**	**0.0%**
TOTAL	**42**	**75.0%**	**10**	**17.9%**	**4**	**7.1%**	**56**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**90.2%**	
2015 CRA Aggregate Data							**48.1%**	

The bank's level of lending to small businesses is excellent. In 2015, the bank originated all of its small business loans (100.0 percent) to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that 90.2 percent of businesses in the assessment area had annual revenues of $1 million or less, and the aggregate lending level to small businesses was 48.1 percent.

Similar to the borrower's profile analysis conducted for the two previous loan categories, the borrower distribution of consumer HELOC loans was also analyzed by borrower's income profile. The following table shows the distribution of consumer HELOC loans by income level of the borrower compared to household population income characteristics.

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower January 1, 2015 through December 31, 2015												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer HELOC Loans	6	7.5%	11	13.8%	13	16.3%	50	62.5%	0	0.0%	**80**	**100%**
Household Population	25.5%		16.1%		16.7%		41.7%		0.0%		**100%**	

By number, 7.5 percent of the consumer HELOC loans reviewed were made to low-income borrowers, an amount significantly below the low-income household population of 25.5 percent. However, performance context noted earlier indicates homeownership is likely out of reach for many LMI households. Furthermore, since 17.0 percent of households in the assessment area fall below the poverty level, a significant percentage of assessment area households are unlikely to qualify for HELOCs. This holding true, the percentage of low-income households that could qualify for HELOCs is likely much smaller than the household population comparator. Despite this additional performance context, the bank's level of HELOC lending to low-income borrowers is still considered poor.

The bank's level of HELOC lending to moderate-income borrowers (13.8 percent) is below the moderate-income household population of 16.1 percent but has increased from the prior examination performance (12.5 percent). Similar to low-income households, many moderate-income households do not own their homes and do not have a need for HELOCs; therefore, the bank's level of HELOC lending to moderate-income borrowers is considered reasonable. Overall, the distribution of the bank's consumer HELOC loans reflects reasonable penetration among individuals of different income levels based on the bank's performance compared to the amount of qualified LMI borrowers.

Geographic Distribution of Loans

As noted previously, the assessment area includes all 221 census tracts located within Shelby County, Tennessee. This includes 53 low-income and 52 moderate-income census tracts, representing 47.5 percent of all assessment area census tracts. The bank's branch offices are located in the central and eastern portions of its assessment area, while the majority of the low-income census tracts are located in the western portion of the county. This placement makes it difficult for the bank to adequately serve its entire assessment area and impacts the geographic distribution of the three loan products reviewed. Overall, the bank's geographic distribution of loans in this assessment area reflects poor penetration throughout these LMI census tracts, based on the HMDA, small business, and consumer HELOC loan categories.

The following table displays the geographic distribution of 2015 HMDA loans compared to owner-occupied housing demographics and aggregate performance for the assessment area.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										**TOTAL**	
	Low-		**Moderate**		**Middle -**		**Upper-**		**Unknown-**			
Home Purchase	2	0.8%	9	3.8%	47	19.7%	180	75.6%	0	0.0%	238	100%
Refinance	2	2.5%	7	8.6%	13	16.0%	59	72.8%	0	0.0%	81	100%
Home Improvement	0	0.0%	0	0.0%	1	33.3%	2	66.7%	0	0.0%	3	100%
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	100%
TOTAL HMDA	4	1.2%	16	5.0%	61	18.9%	241	74.8%	0	0.0%	322	100%
Owner-Occupied Housing	10.3%		19.2%		22.8%		47.7%		0.0%		**100%**	
2015 HMDA Aggregate	2.8%		8.3%		19.8%		69.1%		0.0%		**100%**	

The analysis of HMDA loans revealed poor lending performance to borrowers residing in low-income geographies. The bank's total penetration of low-income census tracts by number of loans (1.2 percent) is far below the percentage of owner-occupied housing units in low-income census tracts (10.3 percent). The bank's performance in low-income census tracts is also below other lenders in the assessment area based on HMDA aggregate data, which indicates that 2.8 percent of aggregate HMDA loans inside this assessment area were made to borrowers residing in low-income geographies.

Similarly, bank performance in moderate-income census tracts was significantly below comparison data and deemed poor. The bank's total penetration of moderate-income census tracts by number of loans (5.0 percent) is well below the percentage of owner-occupied housing units in moderate-income census tracts (19.2 percent). The bank's performance in moderate-income census tracts is also below that of other lenders based on aggregate lending data, which indicate that 8.3 percent of aggregate HMDA loans inside this assessment area were made to borrowers residing in moderate-income census tracts. Combined, the bank's geographic distribution of HMDA loans in LMI geographies (6.2 percent) is poor.

Second, the bank's geographic distribution of small business loans was reviewed. The following table displays 2015 small business loan activity by geography income level compared to the location of businesses throughout the bank's assessment area and 2015 small business aggregate data.

Distribution of Loans Inside Assessment Area by Geography Income Level January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	3	5.4%	7	12.5%	16	28.6%	30	53.6%	0	0.0%	**56**	**100%**
Business Institutions	10.8%		19.0%		21.2%		48.2%		0.8%		**100%**	
2015 Small Business Aggregate	8.0%		17.0%		19.4%		53.5%		2.1%		**100%**	

The bank's level of lending in low-income census tracts (5.4 percent) is below both the estimated percentage of businesses operating inside these census tracts (10.8 percent) and aggregate lending levels in low-income census tracts (8.0 percent). Consequently, the bank's performance in low-income areas is poor. The bank's percentage of loans in moderate-income census tracts (12.5 percent) is also below the aggregate lending percentage in moderate-income census tracts (17.0 percent) and the percentage of small businesses in moderate-income census tracts (19.0 percent), representing poor performance as well. Therefore, the bank's overall geographic distribution of small business loans is poor.

As with the previous two loan categories, the bank's geographic distribution of consumer HELOC loans was also reviewed. The following table displays the results of this review, along with the percentage of household population located in each geographical income category for comparison purposes.

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Loans	1	1.3%	2	2.5%	11	13.8%	66	82.5%	0	0.0%	**80**	**100%**
Household Population	16.7%		22.9%		22.9%		37.5%		0.0%		**100%**	

The analysis revealed poor loan distribution in low- and moderate-income areas. Of the 80 consumer HELOC loans reviewed, only 1.3 percent were made to borrowers in low-income census tracts and 2.5 percent were made to borrowers in moderate-income census tracts. It should be noted that the demand for HELOC loans is reduced by the amount of owner-occupied housing in LMI tracts. Owner-occupied housing only accounts for 29.0 percent and 42.6 percent of housing in low- and moderate-income census tracts, respectively. However, the bank's performance in both low- and moderate-income census tracts is significantly below the low- and moderate-income household populations of 16.7 percent and 22.9 percent, respectively. Based on this data, the geographic distribution of consumer HELOC loans reflects poor performance.

Lastly, based on reviews of all three loan categories, the bank's loan activity reached 52.0 percent of all assessment area census tracts. As previously mentioned, the substantial majority of LMI census tracts are located in the western portion of Shelby County, where the bank does not operate any branches. The bank's branching structure makes it difficult for the bank to reach the LMI areas. Nevertheless, this disparity in the bank's lending is consistent with the overall poor geographic distribution of loans.

Responses to Complaints

No CRA-related complaints were filed against the bank during this review period (September 9, 2013 through July 9, 2017).

COMMUNITY DEVELOPMENT TEST

The bank's overall community development performance demonstrates adequate responsiveness to the community development needs of the assessment area, considering the bank's capacity and the need and availability of such opportunities in the assessment area. The bank has addressed the community development needs of the assessment area through community development loans, qualified investments, and community development services. Furthermore, the bank's qualified community development activities were in direct response to specific needs as identified by community contacts.

During the review period, the bank originated, renewed, or modified four qualifying loans totaling approximately $2.0 million. All qualified community development loans benefitted community service organizations. Noteworthy loans included:

- One $1.3 million loan to a childcare center serving over 300 children, the majority of whom are LMI.

- Another loan to revitalize and stabilize economically distressed portions of Memphis.

Community development investments and donations made in the assessment area totaled just over $5.5 million. This amount included five qualified investments totaling $5,535,693, and eight donations totaling $24,500. Four of the five qualified investments supported organizations that work to provide affordable housing for LMI families in the assessment area, and one supported economic development in the assessment area. Furthermore, the eight donations were to three separate organizations having a community development purpose. Noteworthy investments and donations included:

- Three mortgage-backed securities totaling $2.6 million, two of which were made during a prior period but with balances still outstanding, and one of which was a new investment. The loans included in these securities provided affordable housing for LMI families and individuals, the vast majority of whom reside in the bank's assessment area.

- One $2.0 million investment in a Community Development Financial Institution that promotes economic development by lowering the cost of capital for small business lending.

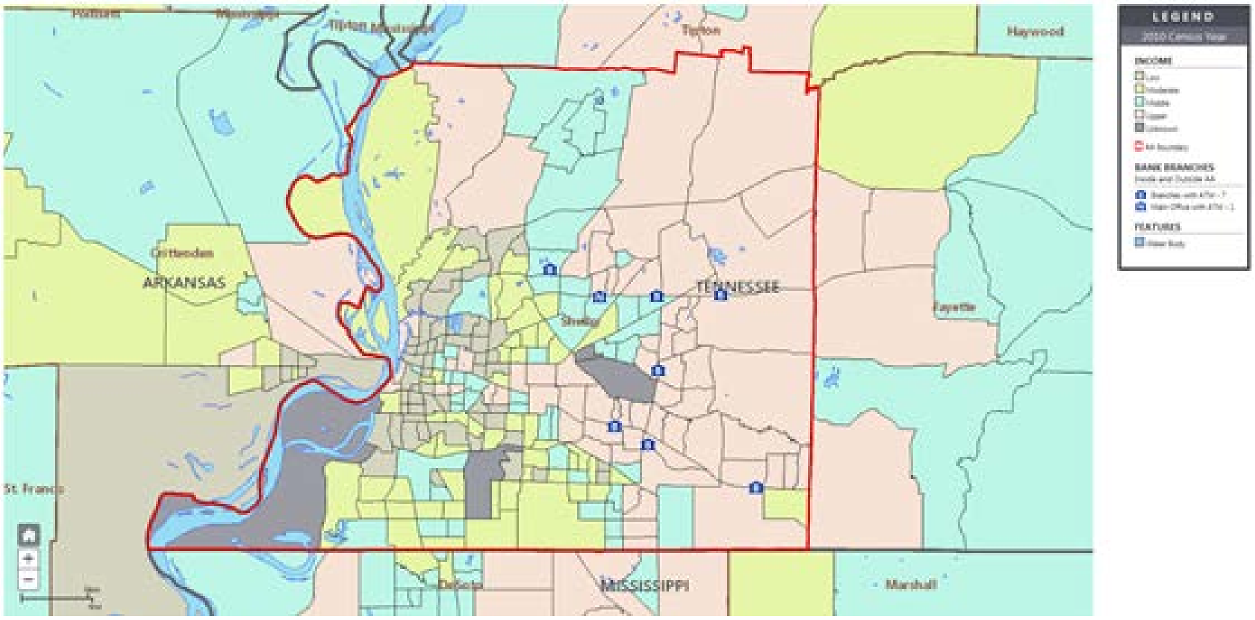
- Five separate donations totaling $18,500 to an organization that provides housing for families in need and also offers homebuyer education classes.

In addition, employees contributed community development services to 4 different agencies through 20 independent events, totaling over 620 hours of service. Some qualified services included providing financial expertise to affordable housing organizations, teaching a homeownership course to LMI individuals, and offering financial services to an organization that serves LMI women and their families and whose goal is to reduce poverty.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Based on findings from the Consumer Affairs examination, including a fair lending analysis performed under Regulation B – Equal Credit Opportunity and the Fair Housing Act requirements, conducted concurrently with this CRA evaluation, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

ASSESSMENT AREA DETAIL



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.

Assessment area: One or more of the geographic areas delineated by the bank and used by the regulatory agency to assess an institution's record of CRA performance.

Census tract: A small subdivision of metropolitan and nonmetropolitan counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending on population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community contact: Interviews conducted as part of the CRA examination to gather information that might assist examiners in understanding the bank's community, available opportunities for helping to meet local credit and community development needs, and perceptions on the performance of financial institutions in helping meet local credit needs. Communications and information gathered can help to provide a context to assist in the evaluation of an institution's CRA performance.

Community development: An activity associated with one of the following five descriptions: (1) <u>affordable housing</u> (including multifamily rental housing) for LMI individuals; (2) <u>community services</u> targeted to LMI individuals; (3) activities that promote <u>economic development</u> by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; (4) activities that <u>revitalize or stabilize</u> LMI geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or (5) Neighborhood Stabilization Program (NSP) eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate-, and middle-income individuals and geographies.

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.

Demographics: The statistical characteristics of human populations (such as age, race, sex, income, etc.) used especially to identify markets.

Distressed nonmetropolitan middle-income geography: A middle-income, nonmetropolitan 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 nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which 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).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders who 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 (e.g., approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancing of home improvement and home purchase loans.

Household: One or more persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

Housing affordability ratio: Is calculated by dividing the median household income by the median housing value. It represents the amount of single family, owner-occupied housing that a dollar of income can purchase for the median household in the census tract. Values closer to 100 percent indicate greater affordability.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower 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.

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 family income: The dollar amount that divides the family income distribution into two equal groups, half having incomes above the median, half having incomes below the median. The median family income is based on all families within the area being analyzed.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

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 percent 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 percent and less than 80 percent in the case of a geography.

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

Nonmetropolitan statistical area (nonMSA): Not part of a metropolitan area. (See metropolitan area.)

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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.

Performance context: The performance context is a broad range of economic, demographic, and institution- and community-specific information that an examiner reviews to understand the context in which an institution's record of performance should be evaluated. The performance context is not a formal or written assessment of community credit needs.

Performance criteria: These are the different criteria against which a bank's performance in helping to meet the credit needs of its assessment area(s) is measured. The criteria relate to lending, investment, retail service, and community development activities performed by a bank. The performance criteria have both quantitative and qualitative aspects. There are different sets of criteria for large banks, intermediate small banks, small banks, wholesale/limited purpose banks, and strategic plan banks.

Performance evaluation (PE): A written evaluation of a financial institution's record of meeting the credit needs of its community, as prepared by the federal financial supervision agency responsible for supervising the institution.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small businesses/small farms: A small business/farm is considered to be one in which gross annual revenues for the preceding calendar year were $1 million or less.

Small loan(s) to business(es): That is, "small business loans" are included in "loans to small businesses" as defined in the Consolidated Reports of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of $1 million or less and typically are secured by either nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): That is, "small farm loans" are included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Reports of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

Underserved middle-income geography: A middle-income, nonmetropolitan geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more, in the case of a geography.