

## **PUBLIC DISCLOSURE**

**December 3, 2018**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Commercial Bank  
6710 Cumberland Gap Parkway  
Harrogate, Tennessee 37752**

**RSSD ID NUMBER: 497039**

**FEDERAL RESERVE BANK OF ATLANTA  
1000 Peachtree Street, N.E.  
Atlanta, Georgia 30309-4470**

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 this institution. The rating assigned to the institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

### COMMUNITY DEVELOPMENT TEST

Overall, Commercial Bank's performance demonstrates adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services.

During the review period, the bank originated \$7.4 million in community development loans. The following are notable examples of the bank's community development loan activity.

- \$2 million loan participation in a CRA fund that used the proceeds to provide safe, secure crime-free residences for two apartment complexes where low- and moderate-income seniors reside.
- \$2.5 million loan to a nonprofit organization that primarily provides food and shelter to homeless and low-income individuals where the funds were used to purchase the organization's flagship store location to expand its facility and pay for expenses.
- \$1.1 million loan to a nonprofit organization to refurbish a senior 40-unit affordable housing apartment complex which qualified under the Tennessee Housing Development Agency Low-Income Housing Tax Credit program.
- \$1.7 million in three loans to a rural health clinic located in a moderate-income census tract that is also considered an underserved area for expansion.
- \$100,000 loan to a nonprofit rural health clinic located in a middle-income census tract that is also considered an underserved area to purchase supplies and equipment for the clinic.

Qualified investments purchased prior to this review period but still outstanding of as of this evaluation's date totaled \$1.3 million, and contributions totaled \$51,886.

Bank representatives used their financial expertise when providing approximately 762 hours of community development service hours during the review period that benefited small business owners and low- and moderate-income individuals, particularly through youth financial education. Of the 762 hours, 51 were provided in Tennessee and 711 in Kentucky.

#### *Smart Cents Student Financial Literacy Program*

Commercial Bank plays a leadership role in teaching financial education to youth in its communities. The bank partnered with the Harlan County Kentucky Board of Education and started to expand into other local schools in their footprint to offer its Smart Cents financial literacy program for youth. Commercial Bank, along with 20 other Youth Savings Pilot banks, participated in the FDIC's Youth Savings Pilot<sup>3</sup> which began in August 2015. The FDIC's Youth Savings Pilot is an initiative designed to help build the financial capability of young people by linking financial education with safe and hands-on savings opportunities. Commercial Bank developed its Smart Cents program using the FDIC's Money Smart modules because the curriculum covers appropriate topics and is easy to use to quickly prepare a lesson based on the student's needs as determined by their teachers. Commercial Bank's Smart Cents program offers students from elementary to middle school to participate in two ways. First, students are able to open Smart Cents interest-earning savings accounts and make deposits onsite at school directly to bank representatives. This is accomplished by bank representatives visiting the schools during the day to pick up student deposits. Second, students participate through in-classroom financial literacy classes taught by bank staff using the FDIC Money Smart curriculum.

<sup>3</sup> Linking Youth Savings with Financial Education: Lessons from the FDIC Pilot, February 2017, <https://www.fdic.gov/consumers/assistance/protection/depaccounts/youthsavings/documents/lessons-from-the-fdic-pilot.pdf>

**Small Business Loans by Business Revenue & Loan Size**

Assessment Area: TN Knoxville

Business Revenue & Loan Size		Bank Lending & Demographic Data Comparison 2017				
		Bank				Total Businesses
		Count		\$ (000s)		
		#	%	\$	%	%
BUSINESS REVENUE	\$1million or Less	44	74.6%	\$4,744	74.7%	87.2%
	Over \$1 Million	15	25.4%	\$1,609	25.3%	12.3%
	<i>Total Rev. available</i>	59	100.0%	\$6,353	100.0%	99.5%
	Rev. Not Known	0	0.0%	\$0	0.0%	0.6%
	<i>Total</i>	59	100.0%	\$6,353	100.0%	100.0%
LOAN SIZE	\$100,000 or Less	46	78.0%	\$1,382	21.8%	
	\$100,001 - \$250,000	5	8.5%	\$790	12.4%	
	\$250,001 - \$1 Million	8	13.6%	\$4,181	65.8%	
	Over \$1 Million	0	0.0%	\$0	0.0%	
	<i>Total</i>	59	100.0%	\$6,353	100.0%	
LOAN SIZE & Rev \$1 Mill or Less	\$100,000 or Less	34	77.3%	\$1,043	22.0%	
	\$100,001 - \$250,000	4	9.1%	\$630	13.3%	
	\$250,001 - \$1 Million	6	13.6%	\$3,071	64.7%	
	Over \$1 Million	0	0.0%	\$0	0.0%	
	<i>Total</i>	44	100.0%	\$4,744	100.0%	

Originations & Purchases  
2017 FFIEC Census Data and 2017 D&B Information

For 2017 lending activity, 74.6 percent of the bank’s small business loans were originated to businesses with revenues of \$1 million or less, which is less than the percentage of total businesses in the assessment area at 87.2 percent. The data shows the majority (86.5 percent) of the small business loans were in amounts of \$250,000 or less, which typically represent loan amounts requested by small businesses. Notably, of the 44 loans to small businesses, the majority (77.3 percent) were in amounts of \$100,000 or less, demonstrating the bank’s willingness to lend smaller dollar loans to meet the credit needs of small businesses.

**COMMUNITY DEVELOPMENT TEST**

Considering the bank’s asset size, capacity, and assessment area, Commercial Bank demonstrates adequate responsiveness to the community development needs of its Knoxville assessment area through a combination of community development loans, qualified investments, and community development services.

During the review period, Commercial Bank originated four loans totaling approximately \$5.6 million to businesses that provided community services to low- and moderate-income people. One loan is a \$2 million participation in a CRA fund that was partially used to support the Senior Crimestoppers program for low- and moderate-income seniors residing in a 79-bed senior housing facility in Knox County. Two loans totaling \$2.5 million were used to finance the purchase, expansion, and expenses for a flagship store of a nonprofit organization that primarily provides food and shelter to homeless and low-income individuals. Lastly, a \$1.1 million loan was provided to a nonprofit organization that refurbished a 40-unit affordable housing senior apartment complex.

of which 12.3 percent are living in poverty. Of the total families, 19.1 percent are low-income; 15.0 percent are moderate-income; 21.5 percent are middle-income; and 44.4 percent are upper-income. Based on 2017 D&B information, small businesses represent 89.6 percent of total businesses.

The Johnson City assessment area is a competitive banking environment and a new market for Commercial Bank where a branch was recently opened. The June 30, 2017 FDIC Market Share Report shows there are 19 other banks operating 46 branches in the county. Commercial Bank has approximately \$2.6 million in deposits representing 0.12 percent of the deposit market share. First Tennessee Bank at 35.5 percent, Bank of Tennessee at 12.4 percent, and SunTrust Bank at 10.1 percent are the top holders of the area's deposit market share.

Community development activities included a \$2 million participation in a CRA fund that was partially used to support the Senior Crimestoppers program for low- and moderate-income seniors residing in a 91-bed senior housing facility in Washington County in the Johnson City assessment area.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE KINGSPORT ASSESSMENT AREA AND JOHNSON CITY ASSESSMENT AREA, TENNESSEE MSAs**

The following table shows the conclusions regarding Commercial Bank's performance in the Kingsport assessment area and Johnson City assessment area compared to the conclusions of the assessment area in Tennessee which received a full-scope review. CRA performance in these assessment areas did not affect the overall rating.

<b>Performance in the Limited-Scope Review Metropolitan Assessment Areas</b>		
<b>Assessment Area</b>	<b>Lending Test</b>	<b>Community Development Test</b>
<b>Kingsport</b>	Not Consistent - Below	Not Consistent - Below
<b>Johnson City</b>	Consistent	Consistent