

PUBLIC DISCLOSURE

April 18, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Heritage Bank & Trust
Certificate Number: 58220

217 South James M. Campbell Boulevard
Columbia, Tennessee 38401

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

600 North Pearl Street, Suite 700
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This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

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

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

The Lending Test is rated Satisfactory.

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

DESCRIPTION OF INSTITUTION

Heritage Bank & Trust (HBT) is a full-service retail bank headquartered in Columbia, Tennessee. Heritage Financial Corporation, also located in Columbia, Tennessee, wholly owns the bank. HBT received a "Satisfactory" rating based on Small Institution Examination Procedures at its previous FDIC evaluation on July 5, 2016.

HBT operates three full-service offices in Maury County in the Nashville-Davidson-Murfreesboro-Franklin, Tennessee Metropolitan Statistical Area (MSA) and Lawrence County in the non-MSA areas of Tennessee. The bank expanded with a second location in Mount Pleasant, Tennessee in 2017 and a third location in Lawrenceburg, Tennessee in 2018. Both locations opened are located in moderate-income census tracts.

The primary business focus includes offering personal and business deposit and loan products. The retail banking products include standard deposit account products, such as checking with automated teller machine or debit cards, savings, money market, certificate of deposit, and individual retirement accounts. Standard real estate secured and non-real estate secured loan products offered include in-house mortgage, conventional and government guaranteed investor-underwritten mortgage loans, commercial loans, agricultural loans, consumer loans, and credit cards. Personal deposit account openings can be opened remotely on the website or at a branch location. The bank offers hours and days of service consistent with area and industry norms.

Alternative 24-hour delivery systems expand the accessibility of banking services remotely at any location, including online banking with bill pay, telephone banking, mobile deposit capture, and mobile banking applications on smart phones. Additionally, alternative delivery systems offer existing customers contactless access through these banking services during pandemic or other national emergency events.

HBT's assets totaled approximately \$255.2 million as of December 31, 2021, and included total loans of \$169.3 million. Total deposits equaled \$232.0 million and securities totaled \$38.7 million as of the same date. The following table details the mix of outstanding loans as of December 31, 2021. Residential real estate loans constitute the largest percentage of outstanding gross loans followed by commercial loans.

Loan Portfolio Distribution as of 12/31/2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	24,187	14.3
Secured by Farmland	5,968	3.5
Secured by 1-4 Family Residential Properties	72,525	42.8
Secured by Multifamily (5 or more) Residential Properties	1,459	0.8
Secured by Nonfarm Nonresidential Properties	53,284	31.5
Total Real Estate Loans	157,423	92.9
Commercial and Industrial Loans	8,080	4.8
Agricultural Production and Other Loans to Farmers	617	0.3
Consumer Loans	3,162	1.9
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	56	0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	169,338	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more AAs for which examiners will evaluate its CRA performance. HBT designated two AAs detailed in the following table. Each AA conforms to CRA regulatory requirements.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs*	# of Branches
Nashville MSA	Maury	17	2
Tennessee Non-MSA	Lawrence	11	1
<i>Source: 2015 American Community Survey (ACS) data and Bank data</i>			
<i>*Census tracts (CTs)</i>			

Please refer to the individual discussions of the AAs for more details.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from July 5, 2016, to April 18, 2022, the date of the previous evaluation to this evaluation’s date. To assess performance, examiners applied Federal Financial Institutions Examination Council (FFIEC) Small Institution Evaluation Procedures, which includes the Lending Test. The Appendix lists the applicable test’s criteria.

The Nashville MSA AA comprises the largest percentages of lending, deposits, and branches as shown in the table below. Consequently, examiners performed full-scope procedures and weighed performance more heavily for the Nashville MSA AA when arriving at conclusions and ratings. Examiners performed limited-scope procedures on the Tennessee Non-MSA AA, after considering all outstanding guidance.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Nashville MSA	37,345	62.0	167,833	89.0	2	66.7
Tennessee Non-MSA	22,912	38.0	20,846	11.0	1	33.3
Total	60,257	100.0	188,679	100.0	3	100.0

Source: Bank data (1/1/2021 – 12/31/2021) and FDIC Summary of Deposits (6/30/2021)

Activities Reviewed

Small Institution Examination Procedures require examiners to determine the bank’s major product lines for review. As an initial matter, examiners may select from among the same loan categories used for CRA Large Institution evaluations: home mortgage, small business, small farm, and consumer loans. The following table shows the lending activity for 2021.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	36,036	27.8	115	12.7
Secured by Farmland	0	0.0	0	0.0
Secured by 1-4 Family Residential Properties	46,549	35.9	285	31.5
Multi-Family (5 or more) Residential Properties	650	0.5	2	0.2
Commercial Real Estate Loans	28,949	22.3	61	6.8
Commercial and Industrial Loans	9,620	7.4	152	16.8
Agricultural Loans	645	0.5	24	2.7
Consumer Loans	2,189	1.7	187	20.7
Other Loans	5,017	3.9	78	8.6
Total Loans	129,655	100.0	904	100.0
<i>Source: Bank data (1/1/2021 – 12/31/2021)</i>				
<i>Due to rounding, totals may not equal 100.0 percent</i>				

Examiners determined the major product lines include residential real estate and commercial loans. This conclusion considered the bank’s business strategy, loan composition, and the number and dollar volume of loans originated during the evaluation period. Bank records indicate that the lending focus and product mix remained generally consistent throughout the evaluation period. No other loan types, including agricultural or consumer loans, represent major product lines. Therefore, this evaluation does not include a review of small farm or consumer loans.

Address information was available for all 2021 small business loans. Revenue information was available for all 2021 small business loans excluding Paycheck Protection Program (PPP) loans. Therefore, examiners reviewed the entire universe of these loans for the AA concentration, geographic distribution, and borrower profile performance criteria. The universe of small business loans consisted of 270 loans totaling \$29.0 million. Examiners used 2021 D&B data as a standard of comparison.

The bank reported for Home Mortgage Disclosure (HMDA) in 2019; however, they were exempt from HMDA reporting in 2020 but did collect 2020 HMDA data without filing. In 2021, the bank was again required to collect and report HMDA data. For 2019, examiners reviewed the universe of 124 home mortgage loans totaling \$21.6 million. For 2020, examiners reviewed the universe of 105 home mortgage loans totaling \$22.1 million. Finally, for 2021, examiners reviewed the universe of 119 home mortgage loans totaling \$31.7 million. The AA concentration considers all loans reviewed; however, for geographic distribution and borrower profile, only 2020 and 2019 data are presented. Examiners used the 2019 HMDA aggregate data and ACS data as a standard of comparison.

Examiners considered the universe of small business and home mortgage loans when determining loan product weighting as well as management’s stated business strategy when weighing each product’s effect on overall conclusions for applicable performance factors. For 2021, small business loans held the majority by number of loans at 69.4 percent, while home mortgage loans held the majority by dollar volume of loans at 52.2 percent. Considering both number and dollar volume and management’s stated business strategy, small business loans received more weight when arriving at overall conclusions.

For the Lending Test, examiners reviewed the number and dollar volume of small business and home mortgage loans. Examiners focused on performance by number of loans because the number of loans provides a better indicator of the number of businesses and individuals served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

HBT demonstrated satisfactory performance under the Lending Test. Reasonable records regarding the LTD ratio, geographic distribution, and borrower profile as well as originating a majority of loans inside the AAs support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution’s size, financial condition, and AA credit needs. Examiners considered the bank’s size, business strategy, and capacity relative to AA credit needs when arriving at this conclusion.

For the 23 quarters since the previous evaluation, HBT recorded an 83.3 percent average, net LTD ratio. The ratio displayed a declining trend from deposit growth exceeding loan growth. The ratio ranged from a low of 71.5 percent on December 31, 2021, to a high of 89.1 percent on September 30, 2017.

The following table includes one similarly-situated institution that operates near the AA and reflects a similar asset size. HBT’s average, net LTD ratio is consistent with the similarly-situated institution.

Loan-to-Deposit Ratio Comparison		
Bank Name and Location	Total Assets as of 12/31/2021 \$(000s)	Average Net LTD Ratio (%)
Heritage Bank and Trust, Columbia, Tennessee	231,967	83.3
Comparable Bank		
Security Federal Savings, McMinnville, Tennessee	265,239	80.0
<i>Source: Reports of Condition and Income (9/30/2017 – 12/31/2021)</i>		

Assessment Area Concentration

A majority of loans and lending related activities are in the institution’s AAs. As shown in the following table, the bank originated a majority of its small business and home mortgage loans, by number and dollar volume, within the AAs.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	228	84.4	42	15.6	270	20,403	70.3	8,600	29.7	29,003
Home Mortgage										
2019	109	87.9	15	12.1	124	18,080	83.7	3,522	16.3	21,602
2020	92	87.6	13	12.4	105	17,334	78.4	4,764	21.6	22,098
2021	91	76.5	28	23.5	119	20,546	64.8	11,181	35.2	31,727
Home Mortgage Total	292	83.9	56	16.1	348	55,959	74.2	19,467	25.8	75,426
<i>Source: Bank data (1/1/2021 – 12/31/2021) and HMDA data (2019 – 2021) Due to rounding, totals may not equal 100.0 percent</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AAs. The excellent performance in the Nashville MSA AA and poor performance in the Tennessee Non-MSA AA support this conclusion.

Borrower Profile

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

Response to Complaints

The bank did not receive any CRA-related complaints during the evaluation period; therefore, this criterion did not impact the rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this criterion did not affect the overall CRA rating.

NASHVILLE MSA AA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NASHVILLE MSA AA

HBT’s Nashville MSA AA includes all of Maury County.

Economic and Demographic Data

The AA’s 17 CTs reflect the following income designations according to the 2015 ACS data: two low-, five moderate-, nine middle-, and one upper-income CT.

Demographic Information of the Assessment Area						
Assessment Area: Nashville MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	17	11.8	29.4	52.9	5.9	0.0
Population by Geography	84,089	11.3	33.1	50.2	5.4	0.0
Housing Units by Geography	35,768	12.4	33.2	48.9	5.5	0.0
Owner-Occupied Units by Geography	22,262	8.1	29.5	55.8	6.5	0.0
Occupied Rental Units by Geography	10,203	21.1	40.0	34.7	4.3	0.0
Vacant Units by Geography	3,303	15.0	37.1	45.7	2.2	0.0
Businesses by Geography	6,834	16.8	28.4	50.4	4.4	0.0
Farms by Geography	280	3.9	22.1	69.3	4.6	0.0
Family Distribution by Income Level	22,430	23.3	21.5	23.7	31.4	0.0
Household Distribution by Income Level	32,465	27.4	17.4	19.7	35.5	0.0
Median Family Income MSA - 34980 Nashville-Davidson--Murfreesboro-- Franklin, TN MSA		\$66,441	Median Housing Value			\$138,504
			Median Gross Rent			\$731
			Families Below Poverty Level			11.4%
<i>Source: 2015 ACS data and 2021 D&B data Due to rounding, totals may not equal 100.0 percent (* The NA category consists of geographies that have not been assigned an income classification)</i>						

The largest employment sectors in the AA are automotive manufacturing, health services, government, and retail trade. The economy in the AA remained stable during the evaluation period until the onset of the COVID-19 Pandemic in early 2020. According to the Bureau of Labor Statistics, the unemployment rates increased in the AA during the Pandemic but are returning to pre-Pandemic levels.

The AA’s economy relies heavily upon small businesses. According to 2021 D&B data, 6,834 non-farm businesses are located in the AA. Of these businesses, 59.2 percent have four or fewer

employees, 90.4 percent operate from a single location, and 87.1 have gross annual revenues (GARs) of \$1.0 million or less. GARs from the 2021 D&B data are used to analyze small business loans under the borrower profile criterion.

The borrower profile criterion for home mortgage loan analysis used 2019 and 2020 FFIEC-estimated median family incomes (MFIs) to categorize income ranges for home mortgage loans as noted in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Nashville-Davidson-Murfreesboro-Franklin, TN MSA Median Family Income (34980)				
2019 (\$73,100)	<\$36,550	\$36,550 to <\$58,480	\$58,480 to <\$87,720	≥\$87,720
2020 (\$76,500)	<\$38,250	\$38,250 to <\$61,200	\$61,200 to <\$91,800	≥\$91,800
<i>Source: FFIEC</i>				

Competition

HBT operates in a competitive market in the Nashville MSA AA. According to the FDIC’s Deposit Market Share Report as of June 30, 2021, the AA contained eight financial institutions that operated 24 full-service branches. Of these institutions, HBT ranked fifth with 6.0 percent of the deposit market share.

Community Contact

As part of the evaluation process, examiners contact third parties active in the AA to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

Examiners contacted a member of the community involved in economic development to help assess the area’s current economic conditions, community credit needs, and potential opportunities for bank involvement. The contact indicated that current economic conditions have suffered due to the COVID-19 Pandemic, but started recovery in 2021. The contact noted affordable housing for LMI individuals as a significant need in the community.

Credit Needs

Considering information obtained from the community contact, bank management, as well as demographic and economic data, examiners concluded the primary credit needs of the AA are small business and home mortgage loans, particularly for individuals who may not meet traditional bank underwriting standards. Emerging credit needs include the use of new or improved financial products, such as services and processes to meet the evolving needs of consumers and businesses in the AA in a manner that is consistent with sound risk management.

Specialized loan programs needed in the AA that are consistent with sound risk management are responsible small dollar loan programs helping borrowers meet credit needs due to cash flow imbalances, unexpected expenses, or temporary income shortfalls.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NASHVILLE MSA AA

LENDING TEST

HBT demonstrated a reasonable record in the Nashville MSA AA regarding the Lending Test. Excellent performance regarding the geographic distribution and reasonable performance regarding the borrower profile support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the Nashville MSA AA. The excellent performances for both small business and home mortgage loans support this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion throughout the Nashville MSA AA. The excellent level of lending in moderate-income tracts outweighs the reasonable level of lending in low-income tracts to support this conclusion.

The following table shows that in low-income CTs, the lending performance falls below demographic data by 7.2 percentage points, reflecting reasonable performance. In moderate-income CTs, the lending performance exceeds demographic data by 21.2 percentage points, reflecting excellent performance. More weight was given to moderate-income CTs given the higher demographic percentage, which reflects more opportunities for small business lending.

Geographic Distribution of Small Business Loans					
Assessment Area: Nashville MSA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	16.8	13	9.6	1,225	9.0
Moderate	28.4	67	49.6	5,716	42.1
Middle	50.4	46	34.1	5,287	39.0
Upper	4.4	9	6.7	1,346	9.9
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	135	100.0	13,574	100.0
<i>Source: 2021 D&B data and Bank data Due to rounding, totals may not equal 100.0 percent</i>					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the Nashville MSA AA. The excellent level of lending in moderate-income tracts outweighed the reasonable level of lending in low-income tracts to support this conclusion.

The following table shows that in low-income CTs, the lending performance in 2020 trails demographic data by 3.3 percentage points and the 2019 performance exceeds aggregate data by 5.6 percentage points, reflecting reasonable performances. In moderate-income CTs, the lending performance in 2020 exceeds demographic data by 20.5 percentage points and the 2019 performance also exceeds aggregate data by 26.7 percentage points, reflecting excellent performances. More weight was given to performance in moderate-income CTs given the higher demographic and aggregate percentages, which reflects more opportunities for loans and more demand for loans in these areas.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Nashville MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	8.1	5.1	7	11.7	1,005	8.6
2020	8.1	-	2	4.8	530	5.9
Moderate						
2019	29.5	26.6	32	53.3	6,261	53.4
2020	29.5	-	21	50.0	4,089	45.8
Middle						
2019	55.8	63.5	19	31.7	2,728	23.2
2020	55.8	-	17	40.5	4,241	47.5
Upper						
2019	6.5	4.8	2	3.3	1,742	14.8
2020	6.5	-	2	4.8	76	0.8
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	-	0	0.0	0	0.0
Totals						
2019	100.0	100.0	60	100.0	11,736	100.0
2020	100.0	-	42	100.0	8,936	100.0
<i>Source: 2015 ACS data, 2019 HMDA Aggregate data, and Bank data</i>						
<i>Due to rounding, totals may not equal 100.0 percent</i>						

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among businesses of different sizes and individuals of different income levels (including LMI). The reasonable level of lending for both small business and home mortgage loans supports this conclusion.

Small Business Loans

The distribution of small business loans, based on the borrowers’ profiles, reflects a reasonable record in the Nashville MSA AA. Reasonable lending levels to businesses with GARs of \$1.0 million or less supports this conclusion.

As shown in the table, the bank originated over five out of every 10 loans to businesses with GARs of \$1.0 million or less. This trails D&B data by 34.1 percentage points. Examiners noted that a significant percentage of the 2021 small business loans shown in the table below were PPP loans, for which the bank was not required to collect revenue data from the borrower. Given that approximately 30.0 percent of the performance falls in this category, it shows the bank’s support and willingness to lend to small businesses during the worldwide COVID-19 Pandemic. Furthermore, excluding the loans where revenue data was not collected, the bank originated 75.8 percent of the 2021 small business loans to businesses with revenues of \$1.0 million or less. Considering this performance context, the lending level is reasonable.

Distribution of Small Business Loans by Gross Annual Revenues					
Assessment Area: Nashville MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	56.3	38	28.2	1,060	7.8
\$100,000 - \$249,999	23.2	12	8.9	1,435	10.6
\$250,000 - \$499,999	4.9	15	11.1	1,984	14.6
\$500,000 - \$1,000,000	2.7	7	5.2	2,122	15.6
Subtotal <= \$1,000,000	87.1	72	53.4	6,601	48.6
>\$1,000,000	3.4	23	17.0	4,704	34.7
Revenue Not Available	9.6	40	29.6	2,269	16.7
Total	100.0	135	100.0	13,574	100.0

*Source: 2021 D&B data and Bank data
Due to rounding, totals may not equal 100.0 percent*

Home Mortgage Loans

HBT established reasonable performance among borrowers of different income levels, including LMI borrowers. The reasonable performances to both LMI borrowers support this conclusion.

The following table shows that for low-income families, the lending performance in 2020 trails demographic performance by 16.2 percentage points and is typically indicative of very poor performance. However, considering that 11.4 percent of families in the AA are below the poverty level, this level is considered reasonable. For low-income families in 2019, the lending

performance exceeds aggregate data by 2.3 percentage points, also reflecting reasonable performance. Lending to moderate-income families in 2020 trailed demographic data by only 0.1 percentage points and in 2019, also trailed aggregate data by 4.5 percentage points, reflecting reasonable performances for both years.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Nashville MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	23.3	7.7	6	10.0	500	4.3
2020	23.3	-	3	7.1	273	3.1
Moderate						
2019	21.5	21.2	10	16.7	905	7.7
2020	21.5	-	9	21.4	923	10.3
Middle						
2019	23.7	24.7	12	20.0	1,713	14.6
2020	23.7	-	7	16.7	1,246	13.9
Upper						
2019	31.4	30.0	29	48.3	8,130	69.3
2020	31.4	-	21	50.0	6,214	69.5
Not Available						
2019	0.0	16.4	3	5.0	488	4.2
2020	0.0	-	2	4.8	279	3.1
Totals						
2019	100.0	100.0	60	100.0	11,736	100.0
2020	100.0	-	42	100.0	8,936	100.0

*Source: 2015 ACS data, 2019 HMDA Aggregate data, and Bank data
Due to rounding, totals may not equal 100.0 percent*

TENNESSEE NON-MSA AA – Limited-Scope Review

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

HBT’s Tennessee Non-MSA AA includes all of Lawrence County. This is a new AA since the prior CRA evaluation.

Economic and Demographic Data

The AA’s 11 CTs reflect the following income designations according to the 2015 ACS data: one moderate-, nine middle-, and one upper-income.

Demographic Information of the Assessment Area						
Assessment Area: Tennessee Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	11	0.0	9.1	81.8	9.1	0.0
Population by Geography	42,226	0.0	10.5	78.4	11.2	0.0
Housing Units by Geography	18,146	0.0	9.7	80.3	10.0	0.0
Owner-Occupied Units by Geography	12,059	0.0	6.4	82.1	11.5	0.0
Occupied Rental Units by Geography	4,045	0.0	20.9	72.0	7.0	0.0
Vacant Units by Geography	2,042	0.0	6.6	85.8	7.6	0.0
Businesses by Geography	2,346	0.0	15.9	77.4	6.7	0.0
Farms by Geography	149	0.0	3.4	85.2	11.4	0.0
Family Distribution by Income Level	11,379	19.9	19.2	18.7	42.2	0.0
Household Distribution by Income Level	16,104	21.7	16.8	17.7	43.8	0.0
Median Family Income Non-MSAs - TN		\$46,066	Median Housing Value			\$100,160
			Median Gross Rent			\$574
			Families Below Poverty Level			14.5%
<i>Source: 2015 ACS data and 2021 D&B data</i> <i>Due to rounding, totals may not equal 100.0 percent</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification</i>						

The largest employment sectors in the AA are health services, retail trade, and manufacturing. The economy in the AA remained stable during the evaluation period until the onset of the COVID-19 Pandemic in early 2020. According to the Bureau of Labor Statistics, the unemployment rates increased in the AA during the Pandemic but are returning to pre-Pandemic levels.

The AA’s economy relies heavily upon small businesses. According to 2021 D&B data, 2,346 non-farm businesses are located in the AA. Of these businesses, 61.4 percent have four or fewer employees, 87.9 percent operate from a single location, and 82.9 have GARs of \$1.0 million or less.

The borrower profile criterion analysis used 2019 and 2020 FFIEC-estimated MFIs to categorize income ranges for home mortgage loans as noted in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
TN NA Median Family Income (99999)				
2019 (\$50,100)	<\$25,050	\$25,050 to <\$40,080	\$40,080 to <\$60,120	≥\$60,120
2020 (\$52,200)	<\$26,100	\$26,100 to <\$41,760	\$41,760 to <\$62,640	≥\$62,640
<i>Source: FFIEC</i>				

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE TENNESSEE NON-MSA AA

LENDING TEST

The institution's lending performance in the Tennessee Non-MSA AA is below the lending performance for the institution; however, it does not change the institution rating.

Lending tables presenting the Tennessee Non-MSA AA performances is in the Appendix.

APPENDICES

TENNESSEE NON-MSA AA LENDING TABLES

Geographic Distribution of Small Business Loans					
Assessment Area: Tennessee Non-MSA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	15.9	7	7.5	372	5.4
Middle	77.4	83	89.3	6,424	94.1
Upper	6.7	3	3.2	33	0.5
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	93	100.0	6,829	100.0
<i>Source: 2021 D&B Data and Bank data</i>					
<i>Due to rounding, totals may not equal 100.0 percent</i>					

Small Business Loans by Gross Annual Revenues					
Assessment Area: Tennessee Non-MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	47.8	45	48.4	1,757	25.7
\$100,000 - \$249,999	25.4	13	14.0	760	11.1
\$250,000 - \$499,999	6.7	3	3.2	425	6.2
\$500,000 - \$1,000,000	3.1	3	3.2	1,000	14.7
Subtotal <= \$1,000,000	82.9	64	68.8	3,942	57.7
>\$1,000,000	4.3	7	7.5	1,620	23.7
Revenue Not Available	12.9	22	23.7	1,267	18.6
Total	100.0	93	100.0	6,829	100.0
<i>Source: 2021 D&B data and Bank data</i>					
<i>Due to rounding, totals may not equal 100.0 percent</i>					

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Tennessee Non-MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	-	0	0.0	0	0.0
Moderate						
2019	6.4	7.4	5	10.2	597	9.4
2020	6.4	-	3	6.0	302	3.6
Middle						
2019	82.1	75.5	34	69.4	4,365	68.8
2020	82.1	-	35	70.0	6,373	75.9
Upper						
2019	11.5	17.1	10	20.4	1,382	21.8
2020	11.5	-	12	24.0	1,723	20.5
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	-	0	0.0	0	0.0
Totals						
2019	100.0	100.0	49	100.0	6,344	100.0
2020	100.0	-	50	100.0	8,398	100.0
<i>Source: 2015 ACS data, 2019 HMDA Aggregate data, and Bank data</i>						
<i>Due to rounding, totals may not equal 100.0 percent</i>						

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Tennessee Non-MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	19.9	3.2	5	10.2	257	4.0
2020	19.9	-	0	0.0	0	0.0
Moderate						
2019	19.2	16.1	2	4.1	75	1.2
2020	19.2	-	5	10.0	348	4.2
Middle						
2019	18.7	25.3	9	18.4	714	11.3
2020	18.7	-	10	20.0	1,179	14.0
Upper						
2019	42.2	37.7	32	65.3	5,197	81.9
2020	42.2	-	35	70.0	6,871	81.8
Not Available						
2019	0.0	17.6	1	2.0	100	1.6
2020	0.0	-	0	0.0	0	0.0
Totals						
2019	100.0	100.0	49	100.0	6,344	100.0
2020	100.0	-	50	100.0	8,398	100.0
<i>Source: 2015 ACS data, 2019 HMDA Aggregate data, and Bank data</i>						
<i>Due to rounding, totals may not equal 100.0 percent</i>						

SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The institution's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the institution under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

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

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited-scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

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 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.

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

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.