



## **PUBLIC DISCLOSURE**

March 31, 2014

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

Community National Bank  
Charter Number 15417

1271 Market Street  
Dayton, TN 37321

Office of the Comptroller of the Currency

320 Seven Springs Way  
Suite 310  
Brentwood, TN 37027

**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 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.

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

**State Name: Tennessee (TN) Rating: "Satisfactory."**

**Multistate Metropolitan Area Name: Chattanooga, TN-GA Rating: "Satisfactory."**

Community National Bank, Dayton, TN (CNB) has a satisfactory record of meeting community credit needs. This is based on the following:

- The bank's loan-to-deposit ratio is more than reasonable and averaged 74.90% during the evaluation period. CNB's loan-to-deposit ratio ranged from a low of 62.34% as of March 31, 2013 to a high of 92.19% as of December 31, 2008.
- A majority of CNB's lending is within the bank's Assessment Area. Based on 2010 US Census data, approximately 71% of the number and 63% of the dollar volume of loans were to borrowers within the Assessment Areas (AAs). Based on 2000 US Census data, approximately 71% of the number and 57% of the dollar volume of loans were to borrowers within the AAs.
- CNB's overall distribution of lending to borrowers of different income (including low-and moderate-income) levels based on 2010 and 2000 US Census data is reasonable. The distribution of lending to businesses of different sizes during this evaluation period is excellent.
- CNB's geographic distribution of loans throughout the Chattanooga, TN-GA Metropolitan Statistical Area (MSA) AA reflects reasonable dispersion and meets the standard for satisfactory performance. Since there are no low-or moderate-income census tracts in the bank's Rhea County non-MSA AA, a geographic distribution analysis was not meaningful.

## **Scope of Examination**

This Performance Evaluation (PE) covers the period November 6, 2007 through March 31, 2014. Results were consolidated for comparative and analysis purposes and evaluated using 2010 and 2000 Census Demographic information. CNB has no wholly-owned subsidiaries. A data integrity review was conducted prior to this evaluation. Compliance with Home Mortgage Disclosure Act (HMDA) and Community Reinvestment Act (CRA) data reporting requirements were determined to be satisfactory.

Conclusions regarding the Lending Test are based on residential loans including home purchases, home improvements, and home refinances. Residential loans considered in the Lending Test originated between January 1, 2010 and December 31, 2013. Small business loans originated during the same time period were also considered in the Lending Test. A sample of loans was selected for the small business loan category based on internal bank reports. CNB is a

Home Mortgage Disclosure Act (HMDA) reporter. All HMDA reportable loans originated from January 1, 2010 through December 31, 2013 were considered in this analysis.

CNB has two AAs. The Rhea County, TN AA includes all of rural Rhea County and comprises six census tracts. The Chattanooga, TN-GA MSA AA is comprised of eight census tracts in Hamilton County, TN, 11 census tracts in Catoosa County, GA, and five census tracts in Walker County, GA. Hamilton and Rhea County, TN census tracts are adjacent. The Catoosa and Walker County, GA census tracts are also adjacent to each other. The TN and GA census tracts are non-adjacent, however. For analytical purposes, full-scope reviews were completed on the Rhea County and Chattanooga, TN-GA MSA AAs. The bank's overall rating is based on both AAs.

## Description of Institution

There has been a significant change to the bank's corporate structure since the last CRA examination dated November 5, 2007, when the bank received a **satisfactory** rating. Effective March 1, 2009, CNB merged with sister institution, Rossville Bank, Rossville, GA. Both banks had common ownership and total assets approximating \$100 million each at the time of merger. The bank's primary lending focus did not change following the merger. Lending continues to be commercial and industrial loans, residential real estate loans, and construction and land development loans. CNB offers loans under the Small Business 504 program for community development purposes. The bank offers a full-range of loan and deposit services.

CNB's main office is located in Dayton, TN. The bank has a branch in Spring City and another branch in Soddy-Daisy, TN. Since merging with the Rossville Bank in 2009, CNB now has two offices in Walker County (Rossville and Flintstone), GA and one office in Catoosa County (Ringgold), GA. In total, there are six offices. Each office has a cash dispensing ATM. Additionally, the bank has a cash dispensing ATM on the Bryan College Campus in Dayton, TN. Since the previous CRA examination, the bank has not closed, opened, or relocated any offices.

As of December 31, 2013, CNB had total assets of \$199 million, of which net loans comprised 67.37%. The following table reflects the composition of CNB's loan portfolio based on the December 31, 2013 Report of Condition.

Product Category	Gross Loans as of December 31, 2013	
	Dollar (000's)	Percent
Commercial & Industrial Including Commercial Real Estate	76,308	63.53
Residential Mortgage Loans	29,539	24.60
Construction & Land Development	8,887	7.40
Individuals	4,167	3.47
Farmland and Agriculture	868	0.72
All Other	335	0.28
<b>Total</b>	120,104	100.00

Source: December 31, 2013 Report of Condition.

CNB provides a wide-range of traditional deposit and loan products. The main office is located in an area that is accessible to persons from different areas of the community. Lobby hours and drive-up hours also help to meet customer needs during the week. CNB has an ATM at all office locations and one on the campus of Bryan College in Dayton, TN.

Based on 2010 U. S. Census Data, the bank has two AAs totaling 30 census tracts. The Rhea County, TN AA includes six middle-income census tracts all of which are designated as *distressed*. Census tracts designated as distressed reflect local economic conditions, including triggers such as unemployment, poverty, and population changes. Rhea Counties designation is based on high unemployment. The second AA is the Chattanooga, TN-GA AA, a MSA, which includes Hamilton, Marion, and Sequatchie Counties in TN and Catoosa, Dade, and Walker Counties in GA. The bank’s TN portion of the AA includes eight census tracts in Hamilton County and the GA portion of the AA includes 11 census tracts in Catoosa County, and five census tracts in Walker County. The three branches and the ATM campus locations in Rhea and Hamilton County are located in middle-income census tracts. The Rossville branch in Catoosa County is located in an upper-income census tract. The two branches in Walker County are located in a moderate-and middle-income census tract.

Distribution of Bank Offices and ATMs by Census Tract (Per 2010 U. S. Census Data)						
Census Tract Income Level	Tracts		Full-Service Branches		Automated Teller Machines*	
	#	%	#	%	#	%
Low	2	6.67%	0	0%	0	0%
Moderate	4	13.33%	1	16.67%	1	14.29%
Middle	19	63.33%	4	66.66%	5	71.42%
Upper	5	16.67%	1	16.67%	1	14.29%
N/A	0	0%	0	0%	0	0%
<b>Total</b>	30	100%	6	100%	7	100%

\*Six ATMs are contiguous with branch locations and there is one free-standing ATM. All of these machines are cash dispensing; none of these machines accept deposits.

<b>Distribution of Bank Offices and ATMs by Census Tract (Per 2000 U. S. Census Data)</b>						
<b>Census Tract Income Level</b>	<b>Tracts</b>		<b>Full-Service Branches</b>		<b>Automated Teller Machines*</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	0	0%	0	0%	0	0%
Moderate	4	16.67%	1	16.67%	1	14.29%
Middle	19	79.16%	4	66.66%	5	71.42%
Upper	1	4.17%	1	16.67%	1	14.29%
N/A	0	0%	0	0%	0	0%
<b>Total</b>	<b>24</b>	<b>100%</b>	<b>6</b>	<b>100%</b>	<b>7</b>	<b>100%</b>

*\*Six ATMs are contiguous with branch locations and there is one free-standing ATM. All of these machines are cash dispensing; none of these machines accept deposits.*

Customers have 24-hour access to their accounts through mobile banking and through the internet ([www.cnb-usa.com](http://www.cnb-usa.com)). Internet and mobile banking services include transfers between CNB accounts, review of account balances, transactions, access to loan account information, and the payment of loans. Internet banking customers also have bill-paying capability. The bank offers Visa Check Cards that provide customers with additional access to their accounts at point-of-sale or ATM locations.

CNB’s business strategy includes continued marketing of commercial credit to small businesses and individuals through its products, staff, and locations. The bank actively generates commercial, mortgage, and consumer loans to customers located in Rhea and Hamilton Counties in TN and Catoosa and Walker Counties in GA. Commercial loan activity includes all types of commercial real estate development, and construction. Additionally, the bank offers Small Business Administration (SBA) and United States Department of Agriculture (USDA) loans for new business startups and to expand an existing business. The bank has an annual goal of \$5 million for these types of loans.

During this evaluation period, the economic downturn impacted the bank’s AAs and resulted in manufacturing plant closures and layoffs as local industries adjusted to declining sales and lower demand. Business and retail loan demand declined significantly as borrowers deferred business expansion, development, and residential and retail purchases. The housing downturn also significantly impacted employment in the TN non-MSA and the Chattanooga, TN-GA MSA. Weaknesses in the housing market severely curtailed independent contractors and other trades livelihood.

No business opportunities or credit needs of the community have been identified through outreach activities during this evaluation period. In July 2013, a community contact was made. The contact reported there remains a growing need for multi-family rental housing, financing for bridge and take-out loans, and acquisition financing. The contact commented that in the Chattanooga market there is a thriving payday lending industry and that it would be desirable for financial institutions to provide a free checking account or other secured loan product for the

unbanked. The contact identified several large holding company banks that have supported affordable housing in the Chattanooga market.

## **Conclusions with Respect to Performance Criteria**

CNB's performance under the Lending Test is rated "satisfactory." Based on full-scope reviews, the bank's performance in their two AAs is satisfactory. CNB's overall loan-to-deposit ratio is reasonable, and a majority of the bank's loans are within its AAs. The loan-to-deposit ratio and in/out ratio are based on bank wide data. Additional information obtained from the full scope reviews of the bank's lending in its AAs was also used to determine the overall lending test rating.

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

For the 26 quarters ending December 31, 2013, the quarterly average loan-to-deposit ratio for CNB was reasonable at 74.90%. CNB's quarterly average loan-to-deposit ratio also compared favorably to competitor banks in the AA for the same period. Of the 11 independent banks headquartered in the AA, First Bank of Tennessee (Spring City) had the highest quarterly average loan-to-deposit ratio of 91.36% followed by Cornerstone Commercial Bank, (Chattanooga) of 90.77%, Community Trust & Bank (Ooltewah) of 86.37%, Capital Bank (Fort Oglethorpe) of 84.09%, Capitalmark Bank & Trust (Chattanooga) of 82.73%, First Volunteer Bank (Chattanooga) of 81.57%, and Community National Bank (Dayton) of 74.90%. The four remaining banks average loan-to-deposit ratio for the period ranged from 74.07% down to 46.71%. CNB's highest loan-to-deposit ratio was 92.19% on December 31, 2008 and the lowest was 62.34% on March 31, 2013. For the same period, Cornerstone Community Bank (Chattanooga) had the highest quarterly loan-to-deposit ratio of 125.57% as of September 30, 2008. For the period, Bank of Chickamauga (Chickamauga) reported the lowest quarterly loan-to-deposit ratio of 41.33% as of March 31, 2013.

<b>Loan-To-Deposit Ratios</b>		
<b>Institution</b>	<b>Total Assets in Millions (As of 12/31/2013*)</b>	<b>Average Loan-to-Deposit Ratio(**)</b>
<i>Rhea County Tennessee:</i>		
Community National Bank, Dayton, TN	\$199	74.90%
First Bank of Tennessee, Spring City, TN	\$241	91.36%
<i>Hamilton County Tennessee:</i>		
Capitalmark Bank & Trust, Chattanooga, TN	\$828	82.73%
Community Trust & Bank, Ooltewah, TN	\$130	86.37%
Cornerstone Community Bank, Chattanooga, TN	\$429	90.77%
First Volunteer, Chattanooga, TN	\$862	81.57%
FSGBank, Chattanooga, TN	\$977	74.07%
<i>Catoosa County Georgia:</i>		
Capital Bank, Fort Oglethorpe, GA	\$113	84.09%
Northwest Georgia Bank, Ringgold, GA	\$354	60.07%
<i>Walker County Georgia:</i>		
Bank of Lafayette, La Fayette, GA	\$228	48.21%
Bank of Chickamauga, Chickamauga, GA	\$49	46.71%

\* Asset sizes of institutions are in millions (000,000's)

\*\*Source: Institution Reports of Condition for 26 quarter period from July 2007 through December 2013.

As of June 30, 2013, 24 financial institutions with 151 offices reside within Hamilton and Rhea Counties, TN and Catoosa and Walker Counties, GA. In total, these institutions controlled \$8.176 billion in deposits. CNB controlled the 11th largest market share at \$179 million, or 2.19% of total deposits for all institutions. The ten institutions controlling a higher percentage of the market are either larger banks or headquartered outside of Rhea County. First Bank of Tennessee, out of Spring City, is the only other bank inside of Rhea County and has 1.61% of the market share. Similarly situated banks in the market included: Capitalmark Bank & Trust, Chattanooga, TN controlled \$479 million (5.86%); Northwest Georgia Bank, Ringgold, GA controlled \$352 million (4.3%); First Volunteer Bank, Chattanooga, TN controlled \$344 million (4.2%); Cornerstone Community Bank controlled \$340 million (4.16%); FSGBank, Chattanooga, TN controlled \$288 million (3.53%); The Bank of Lafayette, Lafayette, GA controlled \$207 million (1.53%); Community Trust and Banking Company, Ooltewah, TN controlled \$117 million (1.43%); and, four other banks which controlled \$289 million (ranging from 0.56% to 1.20%) of the deposit market.

### **Lending in Assessment Area**

CNB's record of lending in its AAs is satisfactory. A majority of the number and dollar amount of residential and business loans made were within the bank's AA as evidenced by the chart

below. Conclusions are based on the number and dollar amount of HMDA loans and business loans in our loan sample. Loans originated during 2010, 2011, 2012, and 2013. 2012 and 2013 loan samples are based on 2010 US Census data, while 2010 and 2011 loan samples are based on 2000 US Census data.

<b>Table 1 – Lending in AAs</b>										
<b>Rhea County Non-MSA AA, TN and Chattanooga, TN-GA MSA AA</b>										
Loan Sample	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	28	56.00	22	44.00	50	1,850	46.99	2,087	53.01	3,937
Home Improvement	87	80.56	21	19.44	108	2,829	53.84	2,425	46.16	5,254
Refinance	62	66.67	31	33.33	93	7,060	60.23	4,662	39.77	11,722
Total	177	70.52	74	29.48	251	11,739	56.13	9,174	43.87	20,913
2012-2013 Business Loans	72	72.73	27	27.27	99	9,748	72.80	3,642	27.20	13,390
Total	249	71.14	101	28.86	350	21,487	62.64	12,816	37.36	34,303

Source: 2010 Census Data; All 2012 and 2013 HMDA Loan originations and 2012 and 2013 Business Loan Sample.

<b>Table 1 – Lending in AAs</b>										
<b>Rhea County Non-MSA AA, TN and Chattanooga, TN-GA MSA AA</b>										
Loan Sample	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	45	70.31	19	29.69	64	4,345	43.92	5,549	56.08	9,894
Home Improvement	50	81.97	11	18.03	61	781	77.10	232	22.90	1,013
Refinance	52	65.82	27	34.18	79	4,807	61.48	3,012	38.52	7,819
Total	147	72.06	57	27.94	204	9,933	53.04	8,793	46.96	18,726
2010-2011 Business Loans	71	68.27	33	31.73	104	4,901	68.23	2,282	31.77	7,183
Total	218	70.78	90	29.22	308	14,834	57.25	11,075	42.75	25,909

Source: 2000 Census Data; All 2010 and 2011 HMDA Loan originations and 2010 and 2011 Business Loan Sample.

### Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.



## State Rating

### State of Tennessee

#### **CRA Rating for Tennessee: Satisfactory.**

CRA Rating for State of TN is: Satisfactory.

The Lending Test is rated: Satisfactory.

The major factors that support this rating include:

- The distribution of loans demonstrates reasonable penetration among borrowers of different income levels and excellent penetration among businesses of different sizes, and;
- A geographic analysis of loan originations was not meaningful in this AA.

#### **Description of Assessment Area(s)**

The TN non-MSA AA consists of all the census tracts in Rhea County. Rhea County has a total of six census tracts. All of the census tracts are middle-income, and per the 2010 US Census data, all are designated distressed. The AA meets the requirement of the regulation and does not arbitrarily exclude any low-or moderate-income areas. There are no natural boundaries within the AA that hinder accessibility. The census tracts are contiguous to each other. The six census tracts in Rhea County are also contiguous to the eight census tracts in the adjoining Hamilton County/Chattanooga, TN-GA MSA AA where the bank's Soddy-Daisy office is located. CNB's main office is located in Dayton, TN and a branch office is also located in Spring City, TN.

There are no low-and moderate-income census tracts within CNB's Rhea County AA. Of the 8,449 families residing in Rhea County AA, 1,759 (20.82%) and 1,566 (18.53%) respectively, are low-and moderate-income families based on the family distribution by income levels. As of December 31, 2013, both the unemployment rate for the State of TN and the national average of 7.7% and 6.7%, respectively, were lower than the unemployment rate of 10.1% for Rhea County.

CNB is located in eastern TN. Dayton serves as the county seat of Rhea County and is located on U.S. Highway 27, a major north-south interstate connector. Other towns located in Rhea County include Spring City and Graysville.

<b>Demographic Information for Rhea County Non-MSA Assessment Area</b> (Per 2010 Census Data)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	6	0	0	100%	0	0
Population by Geography	31,809	0	0	100%	0	0
Owner-Occupied Housing by Geography	14,166	0	0	100%	0	0
Businesses by Geography	1,871	0	0	100%	0	0
Farms by Geography	90	0	0	100%	0	0
Family Distribution by Income Level	8,449	20.82%	18.53%	21.73%	38.92%	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	3,325	52.90%	47.10%	-	-	0
Median Family Income HUD Adjusted Median Family Income (MFI) for 2012 Households Below the Poverty Level	= \$45,040 = \$46,700 = 18.94%		Median Housing Value Unemployment Rate	= \$102,518 = 10.1%		

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2010 U.S. Census and 2012 HUD updated MFI. Per the Bureau of Labor Statistics website, the unemployment rate for Rhea County was 10.1% as of December 2013. The unemployment rate for the State of Tennessee and US was 7.7% and 6.7%, respectively, as of December 2013.

<b>Demographic Information for Rhea County Non-MSA Assessment Area</b> (2000 Census Data)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	5	0	0	100%	0	0
Population by Geography	28,400	0	0	100%	0	0
Owner-Occupied Housing by Geography	12,565	0	0	100%	0	0
Businesses by Geography	1,756	0	0	100%	0	0
Farms by Geography	71	0	0	100%	0	0
Family Distribution by Income Level	8,124	20.94%	18.08%	22.42%	38.56%	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	3,170	53.66%	46.34%	-	-	0
Median Family Income HUD Adjusted Median Family Income (MFI) for 2011 Households Below the Poverty Level	= \$35,785 = \$46,400 = 16.51%		Median Housing Value Unemployment Rate	= \$70,003 = 11.1%		

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2000 U.S. Census and 2011 HUD updated MFI. Per the Bureau of Labor Statistics website, the unemployment rate for Rhea County was 11.1% as of December 2011. The unemployment rate for the State of Tennessee and US was the same at 8.5% as of December 2011.

Rhea County's economic base is diverse. Over the past 30 years, it has moved from an agricultural economy into an industrial and service economy. Manufacturing industries make up approximately half of non-agriculture employment opportunities. There are approximately 12,000 people employed full-time and part-time in Rhea County. Tennessee Valley Authority's Watts Bar Nuclear Plant, located east of Spring City, is the largest local employer with approximately 2,000 full-time employees. La-Z-Boy Tennessee, a furniture manufacturer, is the second largest local employer with about 588 workers. Other employers include: Kayser-Roth Corporation (women's hosiery) 500 workers; Suburban Manufacturing (manufacturers heating units) 450 workers; Robinson Manufacturing (manufacturers men's and boy's apparel) 400 workers; Goodman Company (manufactures household air conditioners) 240 workers; and Lear Corporation (manufacturers automotive parts) 210 workers.

Due to the economic downturn from 2008-2011, Rhea County experienced an increase in unemployment, with the peak being in 2009 with over 13% unemployment. Several local employers laid-off workers during this time. Since then, the economy and unemployment numbers have improved. Growth in the county is currently stagnant. The area remains a big produce community, particularly strawberries. Dayton is considered to be the "Strawberry Capital of the US."

### **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

Taking into consideration the economic downturn experienced by financial institutions during this review period, CNB's record of lending to borrowers of different incomes ranges from no penetration to reasonable penetration based on the 2010 US Census data. While the number of home purchase loans to low income borrowers is 0.00%, home improvement and refinance loans are 21.54% and 2.94%, respectively. Home purchase loans to moderate income borrowers is 35.71%, and home improvement and refinance loans are 27.69% and 11.76% respectively. Home related loan originations for 2012 and 2013 compare favorably to the percent of low-and moderate-income families within the AA. This is also true with home loan originations for 2010 and 2011 when compared to 2000 US Census data. Low to no penetrations can be explained by the downturn in home construction and home purchases during this evaluation period.

Based on Dunn and Bradstreet data, business revenues within the AA reflect that 74.29% and 80.35% have annual sales less than \$1 million, 2.24% and 2.28% exceed \$1 million, and 23.46% and 17.37% of business sales are unavailable. Comparatively, based on the loan sample, the number of loans to businesses within the AA with business revenues less than \$1 million was excellent for 2012 and 2013 and for 2010 and 2011 at 92.59% and 95.00% respectively. Based on the dollar amount of business loan originations for the same periods, 91.13% and 78.22%, respectively, were to businesses with revenues less than \$1 million. The bank does a good job in obtaining business revenue information on its business loans as reflected by the 0.00% rate of unavailable information for both periods.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Rhea County AA 2012 and 2013 Loan Originations</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	20.82	0.00	18.53	35.71	21.73	21.43	38.92	42.86
Home Improvement	20.82	21.54	18.53	27.69	21.73	20.00	38.92	30.77
Refinance	20.82	2.94	18.53	11.76	21.73	11.76	38.92	73.53

Source: Indicate source, i.e., loan sample or data reported under HMDA; U.S. Census data.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Rhea County AA 2010 and 2011 Loan Originations</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	20.94	9.09	18.08	36.36	22.42	36.36	38.56	18.18
Home Improvement	20.94	25.81	18.08	29.03	22.42	22.58	38.56	22.58
Refinance	20.94	3.03	18.08	15.15	22.42	24.24	38.56	57.58

Source: Indicate source, i.e., loan sample or data reported under HMDA; U.S. Census data.

Revised Table 2A May 2004

<b>Table 2A - Borrower Distribution of Loans to Businesses in Rhea County AA 2012 and 2013 Loan Originations</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	74.29	2.24	23.46	100%
% of Bank Loans in AA by #	92.59	7.41	0.00	100%
% of Bank Loans in AA by \$	91.13	8.87	0.00	100%

Source: Loan sample; Dunn and Bradstreet data.

Revised Table 2A May 2004

<b>Table 2A - Borrower Distribution of Loans to Businesses in Rhea County AA 2010 and 2011 Loan Originations</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	80.35	2.28	17.37	100%
% of Bank Loans in AA by #	95.00	5.00	0.00	100%
% of Bank Loans in AA by \$	78.22	21.78	0.00	100%

Source: Loan sample; Dunn and Bradstreet data.

There were no significant gaps or areas of low penetration in the bank's lending patterns identified during this review period.

### **Geographic Distribution of Loans**

As reflected by 2010 and 2000 US Census data, there are no low-and moderate-income census tracts located within the bank's Rhea County AA. Therefore, a geographic distribution of loans analysis is not meaningful.

## **Multistate Metropolitan Area Rating**

### **(#16860) Chattanooga, TN-GA Multistate Metropolitan Statistical Area MSA**

### **CRA Rating for (#16860) Chattanooga, TN-GA Multistate Metropolitan Statistical Area: Satisfactory**

The major factors that support this rating include:

- The distribution of loans demonstrates reasonable penetration among borrowers of different income levels and satisfactory penetration among businesses of different sizes, and;
- The geographic distribution of loans reflects reasonable dispersion within the assessment area.

### **Description of Assessment Area(s)**

Per 2010 U.S. Census data, the Chattanooga, TN-GA, MSA is comprised of 106 census tracts. Of these, 82 census tracts are located in Chattanooga (Hamilton County), TN and 24 census tracts are located in northern GA (Catoosa County 11 census tracts and Walker County 13 census tracts). The bank's TN-GA AA is comprised of 24 census tracts. These include eight census tracts in Chattanooga (Hamilton County/Soddy Daisy Branch), 11 census tracts in Catoosa County (Ringgold Branch), and five census tracts in Walker County (Rossville and Flintstone Branches). The AA meets the requirement of the regulations and does not arbitrarily exclude any low-or moderate-income areas. There are no natural boundaries within the AA that hinder accessibility. The eight census tracts in Hamilton County are contiguous to each other and also to Rhea County (Dayton/Spring City Branches), the bank's non-MSA AA. Additionally, Catoosa County and Walker County, GA are contiguous to each other as are the 16 census tracts comprising the bank's GA AA. Rossville serves as the bank's main office for the Georgia operation while Dayton serves as the bank's main office for the TN operation including Hamilton County/Soddy Daisy. Soddy Daisy (TN) is located in a middle-income census tract, Rossville (GA) is located in a moderate-income census tract, Ringgold (GA) is located in an upper-income census tract, and Flintstone (GA) is located in a middle-income census tract.

There are two (8.33%) low-income census tracts, four (16.67%) moderate-income census tracts, 13 (54.17%) middle-income census tracts, and five (20.83%) upper-income census tracts within CNB's Chattanooga, TN-GA MSA AA. Of the 34,864 families residing in the bank's Chattanooga, TN-GA AA, 7,438 (21.33%) and 7,201 (20.65%) respectively, are low-and moderate-income families based on the family distribution by income levels. As of December 2013, the unemployment rates for the State of TN and the US of 7.7% and 6.7%, respectively, were higher and equal to the unemployment rate of the Chattanooga, TN-GA MSA of 6.7%. Individually, Hamilton County, TN's unemployment rate for the period was 7.3%, Catoosa County, GA was 4.6%, and Walker County, GA was 5.7%.

CNB’s Hamilton County TN operation adjoins the non-MSA AA of Rhea County, TN. The GA operation is located in the north western corner of GA. Catoosa County and Walker County are adjacent to each other and are just south of the TN state line. The main office for the GA operation is Rossville, GA. Catoosa and Walker Counties are easily accessible via I-24 and I-75. Within Catoosa County are the cities of Ringgold (county seat) and Fort Oglethorpe. A portion of the city of Fort Oglethorpe is also in Walker County which is located west of Catoosa County. Other cities within Walker County include Rossville, Chickamauga, Lookout Mountain, LaFayette, and the community of Flintstone.

<b>Demographic Information for (#16860) Chattanooga, TN-GA MSA Assessment Area</b>						
<b>(Per 2010 Census Data)</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	24	8.33%	16.67%	54.17%	20.83%	0
Population by Geography	128,923	7.00%	18.38%	53.51%	21.10%	0
Owner-Occupied Housing by Geography	55,078	4.15%	16.17%	55.81%	23.87%	0
Businesses by Geography	8,102	7.55%	19.41%	53.95%	19.08%	0
Farms by Geography	227	5.73%	10.13%	60.79%	23.35%	0
Family Distribution by Income Level	34,864	21.33%	20.65%	21.07%	36.94%	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	14,639	50.81%	49.19%	-	-	0
Median Family Income	= \$52,443	Median Housing Value		= \$121,714		
HUD Adjusted Median Family Income (MFI) for 2012	= \$58,000	Unemployment Rate		= 6.7%		
Households Below the Poverty Level	= 13.38%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2010 U.S. Census and 2012 HUD updated MFI. Unemployment obtained from Bureau of Labor Statistics website. The December 2013 unemployment rate for the MSA was 6.7%. The December 2013 unemployment rate was 7.7%, 7.4%, and 6.7%, respectively, for State of Tennessee, State of Georgia, and US.

<b>Demographic Information for (#16860) Chattanooga, TN-GA MSA Assessment Area (2000 Census Data)</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	19	0	21.05%	73.68%	5.26%	0
Population by Geography	119,592	0	13.71%	81.48%	4.81%	0
Owner-Occupied Housing by Geography	50,514	0	11.53%	83.17%	5.30%	0
Businesses by Geography	7,321	0	14.15%	80.58%	5.27%	0
Farms by Geography	159	0	7.55%	83.02%	9.43%	0
Family Distribution by Income Level	34,635	0	12.77%	82.20%	5.04%	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	13,565	48.72%	51.28%	-	-	0
Median Family Income	= \$43,029	Median Housing Value		= \$77,820		
HUD Adjusted Median Family Income (MFI) for 2011	= \$55,900	Unemployment Rate		= 7.4%		
Households Below the Poverty Level	= 11.79%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2000 U.S. Census and 2011 HUD updated MFI. Unemployment obtained from Bureau of Labor Statistics website. The December 2011 unemployment rate for the MSA was 7.4%. The December 2011 unemployment rate was 8.5%, 9.5%, and 8.5%, respectively, for State of Tennessee, State of Georgia, and US.

Chattanooga, TN-GA MSA—Hamilton County, TN; Catoosa County, GA; Walker County, GA  
 The bank’s presence in the Chattanooga, TN-GA MSA is limited to Hamilton County, TN, Catoosa County, GA, and Walker County, GA representing 24 census tracts per 2010 US census data.

Major employers in Hamilton County are: Hamilton County Department of Education (Elementary and Secondary Schools) 4,480 full-time employees, BlueCross BlueShield of Tennessee (Health Care Financing) 4,238 full-time employees, Tennessee Valley Authority (Utility-Electric Service) 4,126 full-time employees, Erlanger Health System (Hospital) 3,468 full-time employees, Memorial Health Care System (Health Care) 2,832 full-time employees, Unum (Insurance) 2,800 full-time employees, McKee Foods Corporation (Mfr. Cakes & Cookies) 2,750 full-time employees, City of Chattanooga (Government) 2,685 full-time employees, Volkswagen (Mfr. Automobiles) 2,107 full-time employees, Amazon.com (Distribution Center) 1,966 full-time employees, Hamilton County Government (Government) 1,780 full-time employees, Roper Corporation (Mfr. Cooking Products) 1,500 full-time employees, CIGNA HealthCare (Health Services) 1,350 full-time employees, Astec Industries (Mfr. Asphalt & Construction Equipment) 1,308 full-time employees, Pilgrim’s Pride Corporation (Poultry) 1,300 full-time employees, The University of Tennessee at Chattanooga (University) 1,205 full-time employees, Parkridge Medical Center (Hospital) 1,164 full-time employees, and U.S. Xpress Enterprises (Transportation) 1,005 full-time employees.

Major employers in Walker County, GA are: Roper (Mfr. Cooking Products) 1,800 employees, SI, Inc. (Textiles) 1,600 employees, Hutcheson Medical Center (Hospital) 1,400 employees, and Walker County Board of Education (School System) 1,334 employees.



Major employers in Catoosa County, GA are: Erlanger at Hutcheson (Hospital) 1,400 employees, Shaw Industries (Carpet) 1,300 employees, Catoosa County Schools (School System) 1,125 employees, Wal-Mart Super Center (Retail Discount) 450 employees, and Candlewick Yarn (Yarn) 370 employees.

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

Taking into consideration the economic downturn experienced by financial institutions during this review period, CNB’s record of lending to borrowers of different incomes ranges from no penetration to reasonable penetration based on the 2010 US Census data. While the number of home purchase loans to low-and moderate-income borrowers is 0.00%, home improvement and refinance loans range from 11.76% for moderate-income families to 29.41% for low-income families. Home related loan originations for 2012 and 2013 generally compare favorably to the percent of low-and moderate-income families within the AA. This is also true with home loan originations for 2010 and 2011 when compared to 2000 US Census data. Low to no penetrations can be explained by the downturn in home construction and home purchases during this evaluation period.

Based on Dunn and Bradstreet data, business revenues within the AA reflect that 72.23% and 82.38% have annual sales less than \$1 million, 2.91% and 2.95% exceed \$1 million, and 24.86% and 14.67% of business sales are unavailable. Comparatively, based on the loan sample, the number of loans to businesses within the AA with business revenues less than \$1 million was excellent for 2012 and 2013 at 90.91% and reasonable for 2010 and 2011 at 77.42%. Based on the dollar amount of business loan originations for the same periods, 43.20% and 49.60%, respectively, were to businesses with revenues less than \$1 million. While the number of loans generated reflected positively on the bank’s borrower distribution, loan dollar amounts were higher to businesses with revenues greater than \$1 million. The bank does a good job in obtaining business revenue information on its business loans as reflected by the 0.00% rate of unavailable information for both periods.

**Table 2 - Borrower Distribution of Residential Real Estate Loans in TN-GA Multistate MSA AA 2012 and 2013 Loan Originations**

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	21.33	0.00	20.65	0.00	21.07	18.18	36.94	81.82
Home Improvement	21.33	27.78	20.65	22.22	21.07	22.22	36.94	27.78
Refinance	21.33	29.41	20.65	11.76	21.07	11.76	36.94	47.06

*Source: Indicate source, i.e., loan sample or data reported under HMDA; U.S. Census data.*

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in TN-GA Multistate MSA AA 2010 and 2011 Loan Originations</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	19.08	11.76	20.08	11.76	25.53	29.41	35.31	47.06
Home Improvement	19.08	46.67	20.08	0.00	25.53	26.67	35.31	26.67
Refinance	19.08	30.00	20.08	20.00	25.53	0.00	35.31	50.00

Source: Indicate source, i.e., loan sample or data reported under HMDA; U.S. Census data.

Revised Table 2A May 2004

<b>Table 2A - Borrower Distribution of Loans to Businesses in TN-GA Multistate MSA AA 2012 and 2013 Loan Originations</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	72.23	2.91	24.86	100%
% of Bank Loans in AA by #	90.91	9.09	0.00	100%
% of Bank Loans in AA by \$	43.20	56.80	0.00	100%

Source: Loan sample; Dunn and Bradstreet data.

Revised Table 2A May 2004

<b>Table 2A - Borrower Distribution of Loans to Businesses in TN-GA Multistate MSA AA 2010 and 2011 Loan Originations</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	82.38	2.95	14.67	100%
% of Bank Loans in AA by #	77.42	22.58	0.00	100%
% of Bank Loans in AA by \$	49.60	50.40	0.00	100%

Source: Loan sample; Dunn and Bradstreet data.

### Geographic Distribution of Loans

CNB’s geographic distribution of loans reflects reasonable dispersion and meets the standard for satisfactory performance.

Based on 2010 US Census data, there were two low-income (8.33%) and four moderate-income (16.67%) census tracts in the bank’s AA. At 21.43% and 42.86%, the number of residential home purchase loans in low-and moderate-income census tracts shows excellent dispersion based on the 2012 and 2013 HMDA loan data. At 0.00% and 36.84%, the number of residential home improvement loans in low-and moderate-income census tracts shows poor to excellent dispersion. At 0.00% and 52.63%, the number of residential home refinance loans in low-and moderate-income census tracts shows poor to excellent dispersion. At 0.00% and 24.45%, the

number of loans originated to businesses located in low-and moderate-income census tracts based on our loan sample was poor to reasonable.

Based on 2000 US Census data, there were no low-income and four moderate-income (21.05%) census tracts in the bank’s AA. 11.53% of AA owner occupied housing is located in moderate-income census tracts. At 35.00%, 41.18%, and 35.71%, respectively, of the number of residential home purchases, residential home improvement, and residential refinance loan originated shows excellent penetration for the period. At 22.58%, the number of loans originated to businesses located in moderate-income census tracts based on our loan sample was reasonable. There were no significant gaps or areas of low penetration in the bank’s lending patterns identified during this review period.

**Table 3 - Geographic Distribution of Residential Real Estate Loans in TN-GA Multistate MSA AA 2012 and 2013 Loan Originations**

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	4.15	21.43	16.17	42.86	55.81	35.71	23.87	0.00
Home Improvement	4.15	0.00	16.17	36.84	55.81	52.63	23.87	10.53
Refinance	4.15	0.00	16.17	52.63	55.81	36.84	23.87	10.53

Source: Indicate source, i.e., loan sample or data reported under HMDA; U.S. Census data.

**Table 3 - Geographic Distribution of Residential Real Estate Loans in TN-GA Multistate MSA AA 2010 and 2011 Loan Originations**

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00	0.00	11.53	35.00	83.17	60.00	5.30	5.00
Home Improvement	0.00	0.00	11.53	41.18	83.17	58.82	5.30	0.00
Refinance	0.00	0.00	11.53	35.71	83.17	64.29	5.30	0.00

Source: Indicate source, i.e., loan sample or data reported under HMDA; U.S. Census data.

<b>Table 3A - Geographic Distribution of Loans to Businesses in TN-GA Multistate MSA AA 2012 and 2013 Loan Origination</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
	7.55	0.00	19.41	24.45	53.95	64.44	19.08	11.11

*Source: Indicate source, i.e., loan sample or data collected by bank; D & B data;*

<b>Table 3A - Geographic Distribution of Loans to Businesses in TN-GA Multistate MSA AA 2010 and 2011 Loan Originations</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
	0.00	0.00	14.15	22.58	80.58	58.07	5.27	19.35

*Source: Indicate source, i.e., loan sample or data collected by bank; D & B data;*