

# **PUBLIC DISCLOSURE**

June 21, 1999

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Tri-City Bank and Trust Company  
184834

Blountville, Tennessee

**FEDERAL RESERVE BANK OF ATLANTA  
104 MARIETTA STREET, N.W.  
ATLANTA, GEORGIA 30303**

NOTE: 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.

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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Tri-City Bank and Trust Company prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of June 21, 1999. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

**INSTITUTION**

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

Based on a review of its lending record, qualified investments, and services, Tri-City Bank and Trust Company (Tri-City Bank) satisfactorily serves its assessment areas, primarily through the extension of consumer purpose, home mortgage, and small business and farm loans. A substantial portion of these loans were originated inside the bank's assessment areas. Tri-City Bank and its affiliates provide a variety of credit products and services that meet the needs of individuals and businesses in the bank's assessment areas. The distribution of loans by geographies is adequate considering various demographic factors, although somewhat low in moderate-income tracts. However, the geographic distribution of these loans improved between the last quarter of 1997 and 1998. Consumer and HMDA lending among borrowers of different income levels is good. Small business lending to businesses with revenues of \$1 million or less is excellent. The origination of small loans to businesses in amounts less than \$1 million and to farms in amounts less than \$500,000 is also good. Small farm lending to farms with revenues of \$1 million or less is excellent. The bank has proactively sought and increased the number and dollar amount of qualified investments since the previous examination resulting in a high satisfactory rating in this category. Given that the assessment area is comprised of mostly middle- and upper-income families, the bank's branch and ATM distribution is generally reasonable. Tri-City Bank's business hours are longer than other competitors at three branches in the assessment areas. The bank has an adequate level of community development services which benefit the residents of the assessment areas through bank representatives sharing their financial expertise with local community development organizations.

The following table indicates the performance level of Tri-City Bank with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	<u>TRI-CITY BANK</u> PERFORMANCE LEVELS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\*Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

<b>INSTITUTION (Continued)</b>
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**DESCRIPTION OF INSTITUTION**

Tri-City Bank is headquartered in Blountville, Tennessee, and is a wholly owned subsidiary of First Virginia Banks, Inc., which is headquartered in Falls Church, Virginia. The holding company has one other subsidiary bank in Tennessee as well as banks in Virginia and Maryland. The lead bank also has a mortgage subsidiary, First Virginia Mortgage Company, that provides residential and commercial mortgage processing and servicing as well as access to secondary market sources of funding. Additionally, the lead bank has another subsidiary, First Virginia Credit Services, Inc., which originates indirect consumer loans.

Tri-City Bank operates 14 branches in Greene, Hawkins, Sullivan, and Washington Counties. 13 of the branches are in Hawkins, Sullivan, and Washington Counties, which are three of the counties in the Johnson City- Kingsport- Bristol, Tennessee-Virginia Metropolitan Statistical Area (MSA) 3660. Within these three counties, the cities with the most branches are Kingsport with four branches and Bristol with three branches. Tri-City Bank operates one branch in Greene County in the city of Greenville. As of March 31, 1999, Tri-City Bank's market share rank in the four counties combined where it operates branches was fourth by number of branches, eighth by asset size, and eighth by deposit size. Banks having a greater presence by number of branches in these counties were First Tennessee Bank, NA (29); SunTrust Bank East Tennessee, NA (18); and First American National Bank (15).

As of June 30, 1999, Tri-City Bank had total assets of \$293.1 million. Between September 30, 1997 and June 30, 1999, total assets grew 1.8 percent, total deposits decreased 3.3 percent; and total loans grew 18.0 percent. First Virginia Banks, Inc. had total assets of \$9.6 billion as of December 31, 1998. No legal or financial impediments exist that would hinder the bank's ability to help meet the credit needs of the residents and small businesses in the assessment areas. The bank received a satisfactory rating at the previous CRA evaluation on October 27, 1997.

Tri-City Bank operates in a highly competitive financial environment with a high number of financial entities in relation to the population of the assessment areas. In particular, the bank faces interest rate competition on consumer loans from large credit unions. Some credit unions have asset sizes comparable to Tri-City Bank. Other competitive financial entities in the market offering credit products are finance companies, mortgage companies, pawn shops, insurance companies, and other banks.

**INSTITUTION (Continued)**

Tri-City Bank offers the following types of credit, which are listed in the bank's main office public file:

- Consumer Loans
- VISA and MasterCard Credit Cards
- Cash-A-Matic and Home Equity Lines of Credit
- Conventional and Federal Housing Administration (FHA) Title 1 Home Improvement Loans
- Small Business Administration Loans
- Commercial Loans to Local Businesses
- Community Development Loans
- Loans for Agricultural Purposes
- Single and Multifamily Construction Loans
- Home Equity Loans
- Conventional, Veteran's Administration (VA), and FHA Residential Mortgage Loans for One- to-Four Family Dwellings
- Housing Rehabilitation Loans
- Student Loans

The composition of the loan portfolio according to the June 30, 1999 Consolidated Reports of Condition and Income is as follows:

<b>COMPOSITION OF LOAN PORTFOLIO</b>						
<b>Loan Type</b>	<b>06/30/1999</b>		<b>12/31/1998</b>		<b>12/31/1997</b>	
	<b>\$ (000s)</b>	<b>Percent</b>	<b>\$ (000s)</b>	<b>Percent</b>	<b>\$ (000s)</b>	<b>Percent</b>
Construction and Development	\$2,643	1.2%	\$1,593	0.8%	\$1,999	1.1%
Secured by One- to Four- Family Dwellings	\$45,769	20.9%	\$45,603	22.5%	\$43,020	23.0%
Other Real Estate:						
Farmland	\$1,106	0.5%	\$1,206	0.6%	\$570	0.3%
Multifamily	\$141	0.1%	\$147	0.1%	\$169	0.1%
Nonfarm nonresidential	\$7,624	3.5%	\$9,815	4.8%	\$9,152	4.9%
Commercial and Industrial	\$28,676	13.1%	\$23,772	11.7%	\$17,484	9.3%
Loans to Individuals	\$133,051	60.7%	\$120,372	59.4%	\$114,763	61.3%
Agricultural Loans	\$110	0.1%	\$112	0.1%	\$144	0.1%
<b>Total</b>	<b>\$219,120</b>	<b>100.00%</b>	<b>\$202,620</b>	<b>100.00%</b>	<b>\$187,301</b>	<b>100.00%</b>

\* This table does not include the entire loan portfolio. Specifically, it excludes loans to depository institutions, bankers acceptances, lease financing receivables, obligations of state and political subdivisions, and other loans that do not meet any other category. Contra assets are also not included in this table.

<b>INSTITUTION (Continued)</b>
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As indicated by the table on the previous page, the composition of the loan portfolio has not changed significantly over the past eighteen months. This loan mix reflects management's lending strategy, which focuses primarily on consumer purpose loans. Loans to individuals have consistently made up the largest component of the loan portfolio by total dollars outstanding over the last eighteen months. The second and third largest components of the loan portfolio by total dollars outstanding were loans secured by one- to-four family dwellings and commercial & industrial loans, respectively. Tri-City Bank has traditionally had a primary focus on consumer lending.

Based on a 1998 loan production report, by number of loans, consumer loans represented 36 percent; commercial loans 26 percent; other real estate loans 23 percent, automobile loans 12 percent, and home equity loans and lines of credit 3 percent.

<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS</b>
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## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

### *Preface*

This section presents the facts and analysis used to evaluate the lending, investment, and service performance of the bank for the combined assessment areas. It provides a comprehensive view of how the bank is addressing the banking needs in its entire assessment areas. This section is followed by analyses of the bank's lending, investment, and service performance in the Blountville assessment area, where the bank has most of its branches. The evaluation also gives an abbreviated perspective of how the bank is serving the banking needs in the Greene County assessment area.

### *Basis of Evaluating Statistical Data*

Most of the tables compare lending activity under the lending test and branch distribution under the service test with demographic percentages. This comparison facilitates the evaluation of whether the bank is performing above, at, or below standards. Generally, if the percentages for lending activity and branch distribution relating to low- and moderate-income people or areas exceed the demographic percentages, then the performance of the bank for that topic is evaluated as exceeding standards. Conversely, as a general rule, if the percentages for lending activity and branch distribution relating to low- and moderate-income people or areas are below the demographic percentages, then the performance of the bank for that topic is evaluated as below standards. If the percentages for lending activity and branch distribution parallel the demographic percentages, then the performance of the bank is generally evaluated as meeting standards for that topic. Finally, valid reasons that can explain why the bank seems to be more than adequately serving or less than adequately serving the needs of low- and moderate-income people and areas are taken into account.

### **Lending Test**

The component rating for the lending test is determined by evaluating the following criteria: (1) the number and amount of the bank's consumer, home mortgage, small business, and small farm loans in the bank's assessment area; (2) the geographic distribution of the bank's consumer, home mortgage, small business, and small farm loans; (3) the distribution in the bank's assessment area of the bank's consumer, home mortgage, small business, and small farm loans to borrowers of various income levels and businesses/farms of different revenue sizes; (4) the complexity, dollar amount, innovativeness, and number of community development loans; and (5) the bank's use of innovative or flexible lending practices.



<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)</b>
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**Lending Test (Continued)**

The lending test is rated high satisfactory. Loans reportable under HMDA and small business and small farm loans reportable under CRA were used for the lending analysis. Consumer loans were also considered in the lending test analysis. For purposes of CRA, HMDA loans are those loans as defined in the Federal Reserve Board's Regulation C. The loan categories are home purchase, home refinance, multifamily, and home improvement loans. Small business loans are loans with original amounts of \$1 million or less, and small farm loans have original amounts of \$500,000 or less. Unless noted otherwise, the time period for the loan data is from October 1, 1997, through December 31, 1998.

For the overall institution of Tri-City Bank, the dollar amount of consumer loans exceeded the dollar amount of HMDA and small business loans made since the last evaluation. Therefore, consumer loans were given more weight than HMDA and small business loans in determining the lending test rating for the overall institution.

Tri-City Bank elected to have affiliate lending considered in the lending test performance. Mortgage loans originated or purchased by First Virginia Mortgage Company and consumer loans originated or purchased by First Virginia Credit Services, Inc. are included in the tables for the lending test as appropriate based on the type of loans being analyzed. Also, loans originated inside Tri-City Bank's assessment areas by the member banks of First Virginia Banks, Inc. were counted in affiliate lending totals.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

**Lending Test (Continued)**

The following table shows consumer, HMDA, small business, and small farm lending for the overall institution:

<b>TRI-CITY BANK LENDING PERFORMANCE TEST</b>				
<b>Lending by Business/Farm Revenue</b>	<b>Small Business</b>		<b>Small Farm</b>	
\$1 Million or Less	176	97.8%	25	100.0%
Over \$1 Million	4	2.2%	0	0.0%
Not Available	0	0.0%	0	0.0%
<b>Lending by Tract Income</b>				
Low-Income Tracts	3	1.7%	0	0.0%
Moderate-Income Tracts	23	12.8%	0	0.0%
Middle-Income Tracts	106	58.9%	20	80.0%
Upper-Income Tracts	48	26.7%	5	20.0%
<b>Loan Size</b>				
\$100,000 or Less	141	78.3%	25	100.0%
\$100,001 - \$250,000	32	17.8%	0	0.0%
\$250,001 and Up *	7	3.9%	0	0.0%
<i>Total</i>	<i>180</i>	<i>100.0%</i>	<i>25</i>	<i>100.0%</i>
<b>Lending by Tract Income</b>	<b>HMDA</b>		<b>Consumer</b>	
Low-Income Tracts	0	0.0%	2	0.0%
Moderate-Income Tracts	39	9.2%	452	11.0%
Middle-Income Tracts	295	69.2%	2,455	59.6%
Upper-Income Tracts	92	21.6%	1,213	29.4%
<b>Lending by Borrower Income</b>				
Low-Income Borrowers	40	9.4%	563	13.7%
Moderate-Income Borrowers	81	19.0%	816	19.8%
Middle-Income Borrowers	100	23.5%	905	22.0%
Upper-Income Borrowers	201	47.2%	1,630	39.5%
Income Not Available	4	0.9%	208	5.0%
<i>Total</i>	<i>426</i>	<i>100.0%</i>	<i>4,122</i>	<i>100.0%</i>

Lending levels reflect good responsiveness to assessment area credit needs. Tri-City Bank offers a variety of loan products to meet the credit needs of its assessment areas. Tri-City Bank offers residential mortgage loans with terms up to 15 years. Requests for mortgage loans with terms greater than 15 years are referred to First Virginia Mortgage Company, which offers mortgages insured by the FHA and mortgages guaranteed by the VA.

From September 30, 1997, to June 30, 1999, the bank's total deposits decreased by \$8.4 million while total net loans increased by \$31.8 million. Most of the decrease in deposits can be attributed to rate competition in the market, especially for certificate of deposit accounts. Tri-City Bank's outstanding loans for commercial and industrial purposes increased by \$11.2 million and consumer loans increased by \$18.3 million over the same time period.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

**Lending Test (Continued)**

Tri-City Bank's average loan-to-deposit ratio for the seven quarters ended March 31, 1999, was 76.7 percent. Tri-City Bank's average ratio has increased slightly since the last examination when the average was 74.0 percent. The ratio for the bank was generally stable before June 30, 1998 and has increased since June 30, 1998. Tri-City Bank's ratio was compared with a peer group of commercial banks having assets between \$300 million and \$500 million and with three or more banking offices, although some do not have branch offices in Tri-City Bank's assessment areas. On March 31, 1999, Tri-City Bank's ratio was 84.7 percent compared to 73.7 for the peer group.

Tri-City Bank along with its affiliates originated 4,122 consumer loans, 426 loans reportable under the HMDA, 180 small business loans, and 25 small farm loans in the combined assessment areas. Of total consumer loans, motor vehicle loans accounted for the largest percentage, followed by unsecured loans. First Virginia Credit Services Inc. originated a larger number of consumer loans than Tri-City Bank in the review period.

Assessment Area Concentration

A large majority of the bank's lending occurs inside its assessment areas. The analysis was based on consumer, HMDA, small business, and small farm loans. The table below shows, by product type, the number and percentage of loans reviewed that were located inside and outside the bank's assessment areas. Affiliate lending is not considered when assessing a bank's lending performance inside versus outside its assessment areas.

LENDING INSIDE AND OUTSIDE ASSESSMENT AREA										
Loan Type	IN				OUT				TOTALS	
	Number	Percent	\$ (000s)	Percent	Number	Percent	\$ (000s)	Percent	Number	\$ (000s)
Small Business	163	95.3%	\$12,018	95.4%	8	4.7%	\$578	4.6%	171	\$12,596
Small Farm	22	91.7%	\$246	70.7%	2	8.3%	\$102	29.3%	24	\$348
HMDA Loans	380	87.8%	\$16,307	88.1%	53	12.2%	\$2,208	11.9%	433	\$18,515
Consumer Loans	1,951	95.9%	\$16,503	96.2%	84	4.1%	\$649	3.8%	2,035	\$17,152
<b>TOTAL</b>	<b>2,516</b>	<b>94.5%</b>	<b>\$45,074</b>	<b>92.7%</b>	<b>147</b>	<b>5.5%</b>	<b>\$3,537</b>	<b>7.3%</b>	<b>2,663</b>	<b>\$48,611</b>

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

**Lending Test (Continued)**

Assessment Area Concentration

By number of loans, 95.9 percent of consumer loans, 87.8 percent of HMDA loans, 95.3 percent of small business loans, and 91.7 percent of small farm loans are inside the bank's assessment areas. Overall, 94.5 percent of lending for CRA is inside the bank's assessment areas. This compares favorably to Tri-City Bank's overall lending in the assessment areas of 86.4 percent at the previous examination. A substantial percentage of lending by dollar amount also occurred in the assessment areas. This indicates the bank's willingness to originate loans that meet the credit needs of its assessment areas.

Geographic Distribution of Loans

The geographic distribution of loans by census tract income level reflects reasonable penetration throughout the assessment areas.

The following table shows the geographic distribution of consumer loans by tract income level, by number of loans, and as a percentage of the total number of loans for Tri-City Bank, affiliates, and both Tri-City Bank and affiliates combined. Loans that could not be classified by tract income were excluded from the analysis.

<b>GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS</b>								
<b>Census Tract Income Level</b>	<b>Percentage of Tracts *</b>	<b>Percentage of Families</b>	<b>Bank</b>		<b>Affiliates</b>		<b>Total Loans</b>	<b>Percentage of Total Loans</b>
			<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		
Low-Income	7.0%	0.0% **	1	0.0%	1	0.0%	2	0.1%
Moderate-Income	18.6%	15.0%	197	9.7%	265	12.2%	462	11.0%
Middle-Income	47.7%	57.9%	1,343	66.0%	1,162	53.5%	2,505	59.5%
Upper-Income	26.7%	27.1%	495	24.3%	743	34.3%	1,238	29.4%
<i>Total</i>	<i>100.0%</i>	<i>100.0%</i>	<i>2,036</i>	<i>100.0%</i>	<i>2,171</i>	<i>100.0%</i>	<i>4,207</i>	<i>100.0%</i>

\* The combined low-income tracts contained only 8 families as of the 1990 census.

\*\* Percentage rounds to zero.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

**Lending Test (Continued)**

Geographic Distribution of Loans (Continued)

The geographic distribution of consumer loans is adequate, although lending is slightly less than the percentage of total families in the moderate-income census tracts. As indicated by the previous table, very little consumer lending occurred in low-income census tracts. Only one of six low-income census tracts has population. This census tract is 401.00 in Sullivan County, which is primarily a commercial district and had a median family income of \$4,999 during the 1990 Census. 53 people, 8 families and 42 households reside in this low-income census tract. Consumer lending in moderate-income census tracts is somewhat less than the percentage of families residing in moderate-income census tracts and the percentage of moderate-income tracts in the assessment areas. However, approximately one-fifth of the families in moderate-income tracts are below the poverty level. As such, the lending in these tracts is reasonable. For Tri-City Bank and the affiliates combined, consumer lending increased from 9.0 percent in the last quarter of 1997 to 11.1 percent in 1998. Consumer lending in middle- and upper-income census tracts is reasonable given the percentage of families residing in these tracts and the tract distribution in the assessment areas.

Based on 1998 HMDA data for Tri-City Bank and affiliates, the following table depicts the number and percentage of census tracts in the assessment areas without HMDA originations by the income level of census tracts. Data for the last quarter of 1997 were not used in the analysis.

<b>DISPERSION OF HMDA LOANS BY TRACT INCOME LEVEL</b>			
<b>Census Tract Income Level</b>	<b>Number of Census Tracts in the Overall Assessment Area</b>	<b>Number of Census Tracts Without a Loan Origination</b>	<b>Percentage of Census Tracts Without a Loan Origination</b>
Low-income	1 *	1	100.0%
Moderate-income	16	7	43.8%
Middle-income	41	6	14.6%
Upper-income	23	2	8.7%
<i>Total</i>	<i>81 *</i>	<i>16</i>	<i>19.8%</i>

\* Excludes low-income tracts without population.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

**Lending Test (Continued)**

Geographic Distribution of Loans (Continued)

The dispersion of HMDA loans by tract income level is adequate, although somewhat low in moderate-income tracts in relation to the percentage of total families in the moderate-income tracts. According to the 1990 Census, none of the six low-income census tracts had owner-occupied units. As can be expected, HMDA loan opportunities in low-income tracts were virtually non-existent, because they contain no owner-occupied units. Tri-City Bank is not penetrating moderate-income tracts as well as middle- and upper-income tracts. However, 12 of 14 branches are located in middle- and upper-income tracts. Therefore, a greater dispersion of HMDA lending would be expected in these tracts. Since the previous examination, the percentage of census tracts without HMDA activity has increased in moderate-income tracts and dropped in middle-income and upper-income tracts. Census tracts without HMDA originations were analyzed geographically on a map and no major gaps existed in the assessment areas. CRA does not require lending in every census tract in the assessment areas.

The next table shows the distribution of HMDA loans by residential loan product reportable under the HMDA. The table represents Tri-City Bank and affiliate lending volume. Selected demographic information is provided as a comparison to the bank's lending percentages. The residential product with the highest number of loans was refinancings, which was caused by low mortgage interest rates, particularly during the early part of this examination review period. The bank received few FHA/VA applications during the review period.

<b>DISTRIBUTION OF HMDA LOANS BY TRACT INCOME LEVEL</b>										
<b>CENSUS TRACT INCOME LEVEL</b>	<b>LOAN TYPE</b>								<b>% OF FAMILIES</b>	<b>% OF OWNER-OCCUPIED UNITS</b>
	<b>Conventional Home Purchase</b>		<b>FHA/VA</b>		<b>Home Improvement</b>		<b>Refinancing</b>			
	<b>Number</b>	<b>%</b>	<b>Number</b>	<b>%</b>	<b>Number</b>	<b>%</b>	<b>Number</b>	<b>%</b>		
Low-Income	0	0	0	0	0	0	0	0	0	0
Moderate-Income	8	12	0	0	8	9	23	9	15	13
Middle-Income	40	62	3	100	61	67	191	72	58	60
Upper-Income	17	26	0	0	22	24	53	19	27	27
<i>Total</i>	65	100	3	100	91	100	267	100	100	100

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

**Lending Test (Continued)**

Geographic Distribution of Loans (Continued)

For the reasons stated previously, the bank did not have any HMDA originations in low-income tracts. The percentage of conventional home purchase, home improvement, and refinancing loans in each census tract income level is reasonable when considering the demographic characteristics of each tract type. The percentage of home improvement and refinancing loans in moderate-income tracts is slightly lower than the percentage of families and owner-occupied units in these tracts. The percentage of FHA/VA loans is skewed because of the low number of originations. All FHA/VA loans fall exclusively within middle-income tracts.

The following table depicts the geographic distribution of HMDA lending by Tri-City Bank and its affiliates.

<b>GEOGRAPHIC DISTRIBUTION OF HMDA LOANS</b>							
<b>Census Tract Income Level</b>	<b>Percent of Owner- Occupied Units</b>	<b>Tri-City Bank</b>		<b>Affiliates</b>		<b># of Total Loans</b>	<b>% of Total Loans</b>
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		
Low-Income	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate-Income	13.0%	38	10.0%	1	2.2%	39	9.2%
Middle-Income	59.6%	264	69.5%	31	67.4%	295	69.3%
Upper-Income	27.4%	78	20.5%	14	30.4%	92	21.5%
<i>Total</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>426</i>	<i>100.0%</i>

Because low-income tracts contain no owner-occupied housing units, few if any HMDA originations would be expected in those tracts. A large percentage of HMDA lending is expected in middle- and upper-income census tracts because the majority of the owner-occupied units and population is located in these tracts. Also, most of the new construction of one- to four-family dwellings has occurred in middle- and upper-income census tracts. In moderate-income census tracts, the level of lending by Tri-City Bank and the affiliate both individually and combined is below the percentage of owner-occupied units in these geographies. Tri-City Bank's HMDA lending in moderate-income tracts is reasonable when considering that one-fifth of the families in moderate-income tracts are below the poverty level.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

**Lending Test (Continued)**

Geographic Distribution of Loans (Continued)

The following table depicts the bank's HMDA lending, including affiliate originations, by geographies compared to the number of owner-occupied units. The lending percentages were calculated by dividing the number of loans per tract income level by the number of owner-occupied units and multiplying by 1,000.

<b>HMDA LOAN PENETRATION BY TRACT INCOME LEVEL</b>		
<b>Census Tract Income Level</b>	<b>Number of Owner-Occupied Units</b>	<b>Number of Loans Per 1,000 Owner-Occupied Units</b>
Low-Income	0	0.0
Moderate-Income	12,560	3.1
Middle-Income	57,447	5.1
Upper-Income	26,442	3.5

As indicated by the table above, Tri-City Bank and affiliates are originating HMDA loans in moderate-income census tracts at a lower percentage per 1,000 owner-occupied units than in middle- and upper-income tracts. The penetration of moderate-income tracts dropped from 4.3 percent at the previous examination to 3.1 percent at this examination.

According to management, Tri-City Bank's major banking competitors are First American National Bank; Bank of Tennessee; and First Tennessee Bank, NA. The following table depicts the geographic distribution of HMDA loans in 1998 for Tri-City Bank and its primary competitors operating within Tri-City Bank's assessment areas. The asset size of each bank is shown below the name of the bank in millions (M) or billions (B) of dollars. HMDA originations by affiliates of Tri-City Bank are excluded. The aggregate includes all regulated banks reporting HMDA loans in the assessment areas. According to HMDA aggregate data for 1998, Tri-City ranked 10th out of 173 financial institutions by number of HMDA loan originations and purchases in its assessment areas with 332 loans.



**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

**Lending Test (Continued)**

Geographic Distribution of Loans (Continued)

<b>MARKET COMPARISON OF HMDA LOANS FOR 1998</b>							
<b>CENSUS TRACT INCOME LEVEL</b>	<b>PERCENTAGE</b>		<b>PERCENTAGE OF LOANS PER COMPETITOR</b>				
	<b>OWNER- OCCUPIED UNITS</b>	<b>FAMILIES</b>	<b>TRI-CITY</b>	<b>FIRST AMERICAN</b>	<b>FIRST TENNESSEE</b>	<b>BANK OF TENNESSEE</b>	<b>AGGREGATE</b>
Low-Income	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.0%
Moderate-Income	13.0%	15.0%	9.4%	10.1%	9.3%	10.7%	11.6%
Middle-Income	59.6%	57.9%	69.0%	47.9%	52.5%	51.9%	58.4%
Upper-Income	27.4%	27.1%	21.6%	42.0%	38.2%	37.0%	30.0%
<i>Total</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
<b>ASSET SIZE - 3/31/99</b>			<b>\$294M</b>	<b>\$20.3B</b>	<b>\$17.4B</b>	<b>\$261M</b>	

Note: Data used for competitors has not been verified for accuracy.

When compared to census tract characteristics, the distribution of HMDA loans made by most of the banks and the aggregate is reasonable, although slightly less in moderate-income tracts when compared to the percentage of families and owner-occupied units. As stated earlier, lending was not expected in low-income census tracts because of the lack of population and owner-occupied housing units. Tri-City Bank's percentage of loans made to borrowers in moderate-income census tracts is very similar to those of peer banks and the aggregate. The bank has the highest percentage of loan originations in middle-income census tracts, where most of the assessment area population resides. Lastly, Tri-City Bank's HMDA lending in moderate-income tracts dropped from 13.3 percent in 1996 to 7.3 percent in 1997, but increased to 9.4 percent in 1998.

The following table shows the geographic distribution of small business loans compared to total businesses in the assessment areas by tract income level. Businesses in the assessment areas without the tract reported were excluded from the percentage of total businesses by tract income level. Tri-City Bank's percentages of small business lending in low-income tracts and moderate-income tracts are less than the percentages of businesses in those tracts.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

**Lending Test (Continued)**

Geographic Distribution of Loans (Continued)

<b>GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS</b>				
<b>CENSUS TRACT INCOME LEVEL</b>	<b>LOANS</b>		<b>TOTAL BUSINESSES</b>	
	<b>Number</b>	<b>Percentage</b>	<b>Number</b>	<b>Percentage</b>
Low-Income	3	1.7%	341	3.8%
Moderate-Income	23	12.8%	1,776	19.8%
Middle-Income	106	58.9%	4,084	45.4%
Upper-Income	48	26.6%	2,789	31.0%
<i>Total</i>	<i>180</i>	<i>100.0%</i>	<i>8,990</i>	<i>100.0%</i>

The following table compares the geographic distribution of small business loans made by Tri-City Bank to aggregate lending and to the distribution of businesses in the assessment areas by income tract level. The total number of loans in the table below does not match the total in the table above because the one above includes loans from the last quarter of 1997. The table below contains only 1998 loans, to allow for a valid comparison to the 1998 aggregate data. The aggregate includes all financial entities reporting small business loans in Tri-City Bank's assessment areas. The percentages in the table exclude loans with no tract reported. Total businesses in the assessment area with no tract reported were also excluded from the table. 1998 aggregate data were used in the analysis. Although the data contain lending information reported by a few large multi-state banks, they also include loans made by numerous smaller banks with asset sizes comparable to Tri-City Bank and Trust.

<b>TRI-CITY BANK VERSUS AGGREGATE SMALL BUSINESS LENDING IN 1998</b>				
<b>CENSUS TRACT INCOME LEVEL</b>	<b>TRI-CITY BANK</b>		<b>AGGREGATE</b>	<b>TOTAL BUSINESSES</b>
	<b>Number</b>	<b>Percentage</b>	<b>Percentage</b>	<b>Percentage</b>
Low-Income	3	1.9%	3.0%	3.8%
Moderate-Income	20	12.8%	16.2%	19.8%
Middle-Income	89	57.1%	41.7%	45.4%
Upper-Income	44	28.2%	39.1%	31.0%
<i>Total</i>	<i>156</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

**Lending Test (Continued)**

Geographic Distribution of Loans (Continued)

The bank's geographic distribution of small business loans is generally adequate. However, lending remains low in moderate-income tracts in comparison to aggregate lending to businesses in the moderate-income tracts. Tri-City Bank and the aggregate have a lower percentage of small business lending in low-income and moderate-income geographies compared to the total businesses by tract. While Tri-City Bank's lending in low-income tracts is below aggregate and total businesses, the level of lending has improved from 0.4 percent at the previous examination. At the previous examination, the bank had a higher percentage (14.5 percent) of small business lending in moderate-income tracts. However, the percentage of small business loans in moderate-income tracts increased between 1997 and 1998. Tri-City Bank has a high percentage of small business lending in middle-income tracts compared to the aggregate and total businesses. Tri-City Bank has 6 of 14 branches (42 percent) in middle-income tracts. The branch distribution may contribute to the high percentage of lending in middle-income tracts. The bank also reasonably meets the credit needs of businesses in upper-income tracts.

Lending by Borrower Characteristics

Overall, Tri-City Bank's HMDA and consumer lending to borrowers of different incomes is good. The bank's small business lending to businesses of various revenue sizes is excellent.

The following table shows the percentage distribution of the consumer purpose loans for Tri-City Bank, affiliates, and Tri-City Bank and affiliates combined by the income level of the borrowers with reported incomes. Loans with no borrower income were excluded from this analysis.

<b>DISTRIBUTION OF CONSUMER LOANS FOR BORROWER INCOME LEVEL</b>							
<b>Borrower Income Level</b>	<b>Percentage of Families</b>	<b>Bank</b>		<b>Affiliates</b>		<b>Total Loans</b>	<b>Percentage of Total Loans</b>
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		
Low-income	19.1%	428	23.6%	144	6.7%	572	14.4%
Moderate-income	17.3%	447	24.7%	388	18.0%	835	21.0%
Middle-income	20.3%	372	20.5%	544	25.2%	916	23.1%
Upper-income	43.3%	565	31.2%	1,083	50.1%	1,648	41.5%
<i>Total</i>	<i>100.0%</i>	<i>1,812</i>	<i>100.0%</i>	<i>2,159</i>	<i>100.0%</i>	<i>3,971</i>	<i>100.0%</i>

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

**Lending Test (Continued)**

Lending by Borrower Characteristics

The overall percentage of consumer loan originations to borrowers of different incomes by the bank and its affiliates combined is good compared to the percentage of families in each income level. Tri-City Bank has a higher percentage of lending to low-income and moderate-income borrowers compared to the affiliates. Most of the consumer loans originated by affiliates are new car loans which may be unaffordable to many low-income borrowers. Many of the consumer loans originated by the bank are loans for used cars, which low-income borrowers can generally afford. Given that 11.6 percent of total families in the assessment areas have incomes below the poverty level, Tri-City Bank and affiliate lending to low-income families is considered above average. As expected, the majority of loans were made to middle-income and upper-income borrowers because they make up the greatest percentage of the population.

The next table shows the percentage distribution of the bank's HMDA loans by loan type compared to the income level of the borrowers. Loans with no borrower income available were excluded from the statistics. Affiliate lending is included in the table.

<b>DISTRIBUTION OF HMDA LOANS BY BORROWER INCOME LEVEL</b>										
<b>BORROWER INCOME LEVEL</b>	<b>LOAN TYPE</b>								<b>TOTAL FAMILIES</b>	
	<b>Conventional Home Purchase</b>		<b>FHA/VA</b>		<b>Home Improvement</b>		<b>Refinancing</b>			
	Number	%	Number	%	Number	%	Number	%	Number	%
Low-Income	3	5	1	33	16	18	20	8	18,688	19
Moderate-Income	12	19	1	33	18	20	50	19	16,859	17
Middle-Income	13	20	0	0	23	26	64	24	19,882	20
Upper-Income	36	56	1	34	33	36	131	49	42,287	44
<i>Total</i>	<i>64</i>	<i>100</i>	<i>3</i>	<i>100</i>	<i>90</i>	<i>100</i>	<i>265</i>	<i>100</i>	<i>97,716</i>	<i>100</i>

The overall distribution of loans among low- and moderate-income borrowers is very good. Although conventional home purchase and refinancing lending percentages are below the percentage of low-income families, these loan types may be difficult for low-income borrowers to qualify for. The bank's FHA/VA and home improvement lending is excellent when compared to the percentage of total families that are low-income, particularly when using the assumption that many low-income families are at or below poverty level. Lending to moderate-income families is excellent. The bank's lending for all four types exceeded the percentage of moderate-income families in the assessment area. These data show

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

**Lending Test (Continued)**

Lending by Borrower Characteristics (Continued)

that the bank has products designed for low- and moderate-income borrowers and that the bank is successful in attracting them as applicants.

The following table depicts HMDA originations by the income level of the borrowers compared to the distribution of total families by income level. Loans originated with no borrower income available were excluded from the table.

<b>DISTRIBUTION OF HMDA LOANS BY BORROWER INCOME LEVEL</b>							
<b>Borrower Income Level</b>	<b>Percentage of Families</b>	<b>Bank</b>		<b>Affiliates</b>		<b>Total Loans</b>	<b>Percentage of Total Loans</b>
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		
Low-Income	19.1%	37	9.8%	3	6.5%	40	9.5%
Moderate-Income	17.3%	75	20.0%	6	13.0%	81	19.2%
Middle-Income	20.3%	93	24.7%	7	15.2%	100	23.7%
Upper-Income	43.3%	171	45.5%	30	65.3%	201	47.6%
<i>Total</i>	<i>100.0%</i>	<i>380</i>	<i>100.0%</i>	<i>100.0</i>	<i>100.0%</i>	<i>422</i>	<i>100.0%</i>

The bank has an adequate record of HMDA lending to borrowers of all income levels compared to the percentage of families in the assessment areas. One major factor affecting the bank's ability to lend to low-income borrowers is the affordability of homes. Most low-income families in the assessment areas cannot afford to purchase a home given the median values of homes. In addition, the fair lending analysis indicated that those denied for mortgage loans were treated fairly under the lending guidelines. Another factor contributing to the low level of lending to low-income borrowers is the low number of loan applications received from this income group. While low-income families make up 19.1 percent of the population, low-income individuals contributed only 12.4 percent of the applications in 1998. Application activity was not available for the last quarter of 1997.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

**Lending Test (Continued)**

Lending by Borrower Characteristics (Continued)

Mortgage lending to moderate-income borrowers is considered reasonable. Mortgage lending to middle- and upper-income borrowers is also considered reasonable. Mortgage loans in the assessment areas are most affordable to middle- and upper-income borrowers.

The table below compares HMDA lending by Tri-City Bank with its competitors and aggregate lenders by borrower income level. Affiliate lending is excluded. Data from 1998 was used to calculate Tri-City Bank, aggregate, and competitor lending percentages. The aggregate includes all regulated banks reporting HMDA loans in these assessment areas.

<b>MARKET COMPARISON OF HMDA LOANS FOR 1998</b>						
<b>BORROWER INCOME LEVEL</b>	<b>PERCENTAGE OF TOTAL FAMILIES</b>	<b>PERCENTAGE OF LOANS PER COMPETITOR</b>				
		<b>TRI-CITY</b>	<b>FIRST AMERICAN</b>	<b>FIRST TENNESSEE</b>	<b>BANK OF TENNESSEE</b>	<b>AGGREGATE</b>
Low-Income	19.1%	9.3%	5.6%	6.0%	1.7%	6.1%
Moderate-Income	17.3%	18.8%	17.2%	16.6%	11.4%	15.7%
Middle-Income	20.3%	24.8%	23.8%	21.7%	18.2%	25.4%
Upper-Income	43.3%	47.1%	53.4%	55.7%	68.7%	52.8%
<i>Total</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
<b>ASSET SIZE - 3/31/99</b>		<b>\$294M</b>	<b>\$20.3B</b>	<b>\$17.4B</b>	<b>\$261M</b>	

Tri-City Bank's HMDA lending by borrower income is considered excellent compared to competitors and the aggregate. As the table indicates, Tri-City Bank's percentage of loans to low- and moderate-income borrowers exceeds those of each competitor as well as the aggregate. All of the competitors and the aggregate have lending percentages to low-income borrowers significantly below the percentage of low-income families in the assessment areas. Tri-City Bank's lending to middle- and upper-income borrowers is similar to the percentage of these families.

Commercial and industrial loans, including nonfarm nonresidential loans, accounted for approximately 16.6 percent of the bank's loan portfolio in June 30, 1999. The following table compares, by loan size, the number and percentage of loans originated by Tri-City Bank and the aggregate that are considered small business loans.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

**Lending Test (Continued)**

Lending by Borrower Characteristics (Continued)

<b>TRI-CITY BANK VERSUS AGGREGATE SMALL BUSINESS LENDING IN 1998</b>				
<b>LOAN SIZE</b>	<b>TRI-CITY BANK</b>		<b>AGGREGATE</b>	
	<b>Number</b>	<b>Percentage</b>	<b>Number</b>	<b>Percentage</b>
\$100,000 or less	120	76.9%	1,588	77.0%
\$100,001 - \$250,000	30	19.2%	266	12.9%
\$250,001 - \$1 million	6	3.9%	208	10.1%
<i>Total</i>	<i>156</i>	<i>100.0%</i>	<i>2,062</i>	<i>100.0%</i>

Overall, Tri-City Bank's small business lending by loan size is considered very good. For loan amounts of \$100,000 or less, Tri-City Bank and the aggregate are performing similarly. Tri-City Bank has a greater percentage of small business loans between \$100,001 and \$250,000 compared to the aggregate, and a considerably lower percentage of the loans of greater size.

Tri-City Bank's small business lending to businesses with revenues of \$1 million or less is considered excellent. In 1998, by number of loans, Tri-City Bank had 97 percent (versus 62 percent for the aggregate) in small business loans to businesses with revenues of \$1 million or less. The bank also originated 93 percent by dollar amount to these businesses. Tri-City Bank's lending percentages by number of loans and dollar amount are also favorable when compared to businesses in the assessment areas with revenues of \$1 million or less, which is 90 percent. All 25 small farm loans were to farms with revenues of \$1 million or less.

Community Development Lending

Since the previous examination, the bank has financed three community development projects totaling \$1.6 million. The dollar amount of community development loans is very good considering the level of opportunity for such loans. A \$500,000 line of credit, a \$750,000 loan, and a \$322,595 loan were made to organizations providing affordable housing for low- and moderate-income senior citizens in Johnson City, Tennessee. According to senior management, the bank has not received many requests for loans that qualify as community development loans. Loan officers continuously contact businesses and housing organizations throughout the assessment areas to identify their credit needs. In addition, bank staff and management serve on various boards that keep them informed of projects that would

<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)</b>
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**Lending Test (Continued)**

Lending by Borrower Characteristics (Continued)

require bank financing. Additionally, according to community contacts, there have been few community development opportunities that meet the definition of community development under CRA.

Use of Innovative or Flexible Lending Practices

Tri-City Bank offers programs with flexible or innovative underwriting criteria. Most of these are residential loan programs offered through First Virginia Mortgage Company. As stated earlier, Tri-City Bank does not offer long-term mortgage loans and refers all requests for long-term mortgages to its mortgage company affiliate. The bank participates in Small Business Administration loan programs and the FHA Title 1 Home Improvement Loan Program. However, management stated that originations in these programs have been low because of some restrictions imposed by these programs. For example, the FHA Title 1 Home Improvement Loan Program requires that all loan funds be used for home improvement. Applicants often apply for home improvement loans, but intend to use only a portion of the proceeds for home improvement. Under these circumstances, the FHA Title 1 loan program cannot be used. The bank's record of originating loans in these programs is considered adequate.

Responsiveness to Credit and Community Development Needs

Tri-City Bank has been responsive to the credit needs of the community, especially given the percentage of the bank's consumer and HMDA lending to low-income and moderate-income borrowers. Few opportunities in the assessment areas exist for community development lending. Members of management serve in leadership positions in various organizations that will keep them aware of community development initiatives in the bank's assessment areas.

**Investment Test**

Tri-City Bank's performance in the investment test is rated high satisfactory. The evaluation period for the investment test was September 30, 1997 to June 21, 1999. According to community contacts, investment opportunities are limited in the assessment areas. This fact was taken into account when assigning the investment test rating. A review of the bank's portfolio revealed three qualified investments purchased since the previous examination. These investments were Tennessee Housing Development Agency (THDA) bonds. The THDA investments are qualified under CRA because the proceeds from the sale of the bonds are used to fund mortgage loans for low- or moderate-income



**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

**Investment Test (Continued)**

borrowers. These loans also carry below market interest rates. Additionally, the bank has \$110,000 in THDA bonds that were originated prior to the last examination and have not matured.

Tri-City Bank's participation in qualified community investments has increased since the previous examination. The THDA investments are not targeted exclusively to the two assessment areas defined by the bank, but rather to low- and moderate income loan applicants. Loans are available to purchase homes anywhere in the state of Tennessee. Therefore, the two assessment areas are included as beneficiaries of these investments. The THDA investments are considered complex and are not purchased routinely by private investors. The THDA investments are not considered innovative as these are standard investments available to other financial entities through this state agency.

In addition, the bank had 16 qualified contributions totaling \$5,980 to numerous organizations that have a community development purpose. Examples of these organizations are the United Way, Boys & Girls Club of Bristol, Second Harvest Food Bank, Greene County Habitat for Humanity, and Kingsport Chamber of Commerce.

**Service Test**

Tri-City Bank's performance for the service test is rated high satisfactory. The evaluation period for the service test was from September 30, 1997 to June 21, 1999. The distribution of the bank's branches by census tract income level was compared to the distribution of families by tract income level residing in the assessment areas. The table below shows the distribution of branches and families.

<b>TRI-CITY BANK – DISTRIBUTION OF BRANCHES</b>			
<b>CENSUS TRACT INCOME LEVEL</b>	<b>NUMBER</b>	<b>PERCENTAGE</b>	<b>PERCENTAGE OF TOTAL FAMILIES</b>
Low-Income	1	7.1%	0.0%
Moderate-Income	1	7.1%	15.0%
Middle-Income	6	42.9%	57.9%
Upper-Income	6	42.9%	27.1%
<i>Total</i>	<i>14</i>	<i>100.0%</i>	<i>100.0%</i>

<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)</b>
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**Service Test (Continued)**

Retail Banking Services

The bank's branches are reasonably accessible to geographies and individuals of different income levels in the assessment area. 14.2 percent (2 of 14) of branches are in low- and moderate-income tracts, which contain a combined 15.0 percent of the total families. A review of maps depicting branch locations revealed that the bank offices located in middle- and upper-income geographies are either adjacent or reasonably accessible to individuals in low- and moderate-income census tracts. Branches are readily accessible in middle- and upper-income census tracts.

Of the 14 total branches, Tri-City Bank has two branches located in Kroger grocery stores and one branch located in a Wal-Mart Supercenter, thereby making retail banking services more accessible to the assessment areas. At these three locations, extended Saturday banking hours are offered. Sunday banking hours are offered at the Wal-Mart Supercenter. These three retail branches operate in the Blountville assessment area. The banking hours for these three branches are longer than general banking hours of competitor banks in the assessment area.

Institution's Record of Opening and Closing Branches

Tri-City Bank has not opened or closed any branches since the last examination. The bank has adopted branch closing procedures that are in compliance with section 42 of the Federal Deposit Insurance Act.

Alternative Delivery Systems

Tri-City Bank offers a range of alternative delivery systems which provide banking services in its assessment areas. These systems include automated teller machines (ATMs); consumer (i.e. home equity loan, home equity lines of credit, and credit card) loan applications by telephone, fax, or Internet access; and residential loan applications via the telephone through the branches. Individuals can also access the bank's website at [www.firstvirginia.com](http://www.firstvirginia.com) to obtain information on documents needed to apply for residential loans. These methods of providing alternative means to access credit reduce travel problems encountered by many people, specifically low- and moderate-income people, with restrictive work schedules or limited transportation.

<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)</b>
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**Service Test (Continued)**

Alternative Delivery Systems

The bank operates 9 ATMs in branches, and one free standing ATM, which is in an upper-income tract. 4 of the 9 branch ATMs are in middle-income tracts and 5 are in upper-income tracts located in middle- and upper-income tracts. Since the last examination, the bank closed one free standing ATM and opened an ATM machine in the Blountville branch. Tri-City Bank's ATMs are readily accessible to all geographies in the bank's assessment areas except moderate-income census tracts in Hawkins County. The branch office located closest to these moderate-income tracts does not have an ATM. The closest branch to these moderate-income tracts with an ATM is the Mount Carmel branch, which is approximately than five miles away.

Reasonableness of Business Hours and Services in Meeting Assessment Areas Needs

The reasonableness of business hours, as well as the availability and extent of credit services provided throughout the assessment areas, is adequate. Extended Friday hours and full-service Saturday hours are available in all assessment areas. The Kingsport Wal-Mart Supercenter branch in the Blountville assessment area is open on Sunday. The bank's service delivery systems are accessible to geographies and individuals of different income levels, and the level of branch services is similar throughout the assessment areas. The banking hours of all branches in the assessment areas are considered above average.

Community Development Services

The bank has engaged in a number and variety of community development services. Bank personnel from many branches have used their financial expertise in various community development services to benefit residents in the assessment areas. The table on the following page illustrates some of the most significant activities during the review period, which involve direct involvement and leadership by bank employees.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)**

**Service Test (Continued)**

<b>COMMUNITY DEVELOPMENT SERVICES</b>	
<b>ORGANIZATION INVOLVED</b>	<b>POSITION/SERVICE</b>
<b>Blountville Assessment Area:</b> Boys Club of Johnson City	Board Member
Bristol Chamber of Commerce	President
Mount Rogers Planning and Development Partnership	Member Involved in Recruiting Businesses
Habitat for Humanity	Board Member
Sullivan County Industrial Committee	Technical Assistance
Sullivan County Industrial Development Board	Technical Assistance
First Tennessee Economic Development Corporation	Loan Committee Member
<b>Greene County Assessment Area:</b> None	

CRA Complaints

No CRA complaints have been received since the last examination.

<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)</b>
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**Compliance with Antidiscrimination Laws**

Tri-City Bank solicits applications from all segments of its communities, including low- and moderate-income areas. The bank's policies and internal control procedures are adequate to ensure that the evaluation of credit applications is based solely on financial and economic considerations. No evidence of prohibited discrimination or other illegal credit practices was noted during the examination. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations.

<b>METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES</b>
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**DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE BLOUNTVILLE, TENNESSEE ASSESSMENT AREA**

The Blountville assessment area consists of Hawkins, Sullivan, and Washington Counties. These three counties are part of the Johnson City-Kingsport-Bristol MSA. Tri-City Bank operates 13 branches and 10 ATMs throughout the Blountville assessment area. Most branches in the assessment area are in Sullivan County (8), followed by Washington County (3), and Hawkins County (2). Competition among financial entities in the market is strong. On December 31, 1998, the assessment area contained 13 commercial banks and savings institutions with a total of 97 branches. First Tennessee Bank, NA had the most branches (24), followed by SunTrust Bank East Tennessee, NA (17), and First American National Bank (15). As of June 30, 1998, Tri-City Bank had its largest market share of deposits in the assessment area in Sullivan County with 11.4 percent, followed by Hawkins County with 3.6 percent, and Washington County with 3.2 percent.

**PERFORMANCE CONTEXT**

According to estimated U.S. Census data, the total population of the Blountville assessment area was 302,007 as of July 1, 1998. This represents an increase of 7.9 percent over the 1990 population of 280,476. According to 1990 Census data, 67.8 percent of the housing units were owner-occupied, 25.3 percent were rental units, and 6.8 percent were vacant units. These percentages were comparable to the housing unit percentages for the State of Tennessee. The median housing value in the assessment area was \$54,779, which is lower than the median housing value for the State of Tennessee at \$58,016. Housing values in the assessment areas have increased substantially between 1992 and 1996. Based on data from the THDA, the average selling price of homes increased 17.6 percent in Hawkins County, 38.4 percent in Sullivan County, and 30.4 percent in Washington County between 1992 and 1996.

The median family income for the Blountville assessment area was \$27,370, which was slightly higher than the median family income of the Johnson City- Kingsport- Bristol MSA at \$27,236 and slightly lower than the median family income of the state, which was \$29,546. Information from the Department of Housing and Urban Development (HUD) showed that the 1998 HUD estimated median family income for the MSA was \$35,500.

**METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)**

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE BLOUNTVILLE, TENNESSEE ASSESSMENT AREA (CONTINUED)**

The local economy is stable, based on information obtained from the Regional Economic Information System as of 1996. The leading industries in the Johnson City- Kingsport- Bristol MSA ranked by number of employees are manufacturing, services, retail and wholesale trade, and government employment. From 1993 through 1996, employment in the MSA grew little in the manufacturing and government sectors; however, industries such as transportation, utilities, and services experienced significant growth. Employment levels in the MSA increased from 1990 through 1995; however, farm proprietors experienced a decrease in employment levels. The U.S. Bureau of Labor Statistics shows that the annual unemployment rates for Hawkins, Sullivan, and Washington Counties dropped in 1998 and increased somewhat in 1999, although not back to the 1997 level. In 1997 and 1998, the unemployment figures in Sullivan and Washington Counties were favorable compared to the state. The unemployment rate in Hawkins County was higher than that for the state. In 1999, the unemployment rates in Sullivan and Washington Counties are generally similar to the state. However, Hawkins County remains higher than the state.

The 1994 U.S. Census employment data for county business patterns showed a total of 8,097 businesses in the assessment area. Of the 8,097 businesses, 7,264 (89.7 percent) were small businesses with revenues of \$1 million or less. The following table shows the business demographics in the Blountville assessment area by census tract income level:

<b>BUSINESS DEMOGRAPHICS - HAWKINS, SULLIVAN, &amp; WASHINGTON COUNTIES</b>						
<b>Percentage in Tract</b>	<b>Total Businesses</b>		<b>Businesses with Revenue:</b>			
			<b>Under \$1 Million</b>		<b>\$1 Million and Greater</b>	
Low-Income Tracts	341	4.2%	306	4.2%	35	4.2%
Moderate-Income Tracts	1,578	19.5%	1,388	19.1%	190	22.8%
Middle-Income Tracts	3,534	43.6%	3,232	44.5%	302	36.3%
Upper-Income Tracts	2,380	29.4%	2,107	29.0%	273	32.8%
Tract Not Reported	264	3.3%	231	3.2%	33	4.0%
<i>Total</i>	<i>8,097</i>	<i>100.0%</i>	<i>7,264</i>	<i>100.0%</i>	<i>833</i>	<i>100.0%</i>

<b>METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)</b>
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**DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE BLOUNTVILLE, TENNESSEE ASSESSMENT AREA (CONTINUED)**

Two community contacts stated that opportunities are limited for bank participation in community development loans and qualified investments. However, one contact believes that downtown businesses want a loan pool involving several banks for small business financing. The assessment areas have few developers building multi-family affordable housing. Another contact stated that banks need to be more active in work place education programs for members in the community.

The table on the next page shows selected demographic characteristics for the Blountville assessment area in comparison to demographics for all the bank's assessment areas combined.



**METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)**

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE BLOUNTVILLE, TENNESSEE ASSESSMENT AREA (CONTINUED)**

DEMOGRAPHIC COMPARISON - TRI - CITY BANK AND TRUST CO.												
Category	WHOLE BANK						HAWKINS, SULLIVAN, WASHINGTON COUNTIES					
	Number			Percent			Number			Percent		
Distribution of Tracts												
Low-Income Tracts	6			7.0%			2			3.0%		
Moderate-Income Tracts	16			18.6%			14			20.9%		
Middle-Income Tracts	41			47.7%			30			44.8%		
Upper-Income Tracts	23			26.7%			21			31.3%		
Total Assessment Area	86			100.0%			67			100.0%		
Housing Units - Tract Distribution	Owner-Occupied		Rental		Vacant		Owner-Occupied		Rental		Vacant	
Low-Income Tracts	0	0.0%	47	0.1%	0	0.0%	0	0.0%	47	0.2%	0	0.0%
Moderate-Income Tracts	12,560	13.0%	9,551	27.5%	2,311	23.5%	10,465	13.1%	8,283	27.8%	2,091	25.9%
Middle-Income Tracts	57,447	59.6%	15,960	45.9%	5,339	54.2%	45,904	57.5%	13,440	45.1%	4,100	50.9%
Upper-Income Tracts	26,442	27.4%	9,194	26.5%	2,199	22.3%	23,532	29.5%	8,048	27.0%	1,870	23.2%
Total	96,449	100.0%	34,752	100.0%	9,849	100.0%	79,901	100.0%	29,818	100.0%	8,061	100.0%
Housing Units - Percentage in Tract												
Low-Income Tracts	0.0%		100.0%		0.0%		0.0%		100.0%		0.0%	
Moderate-Income Tracts	51.4%		39.1%		9.5%		50.2%		39.7%		10.0%	
Middle-Income Tracts	73.0%		20.3%		6.8%		72.4%		21.2%		6.5%	
Upper-Income Tracts	69.9%		24.3%		5.8%		70.3%		24.1%		5.6%	
Total Assessment Area	68.4%		24.6%		7.0%		67.8%		25.3%		6.8%	
Population - Tract Distribution	Families		Households		Population		Families		Households		Population	
Low-Income Tracts	8	0.0%	42	0.0%	53	0.0%	8	0.0%	42	0.0%	53	0.0%
Moderate-Income Tracts	14,633	15.0%	22,021	16.8%	55,602	16.5%	12,173	15.0%	18,691	17.0%	47,061	16.8%
Middle-Income Tracts	56,567	57.9%	73,521	56.0%	190,074	56.5%	45,505	56.0%	59,356	54.1%	152,963	54.5%
Upper-Income Tracts	26,508	27.1%	35,621	27.1%	90,600	26.9%	23,579	29.0%	31,572	28.8%	80,399	28.7%
Total	97,716	100.0%	131,205	100.0%	336,329	100.0%	81,265	100.0%	109,661	100.0%	280,476	100.0%
Population - Percentage by Income												
Low-Income	18,688	19.1%	30,096	22.9%			15,623	19.2%	25,327	23.1%		
Moderate-Income	16,859	17.3%	19,604	14.9%			13,829	17.0%	16,272	14.8%		
Middle-Income	19,882	20.3%	22,737	17.3%			16,178	19.9%	18,473	16.8%		
Upper-Income	42,287	43.3%	58,768	44.8%			35,635	43.9%	49,589	45.2%		
Total	97,716	100.0%	131,205	100.0%			81,265	100.0%	109,661	100.0%		
Families - Tract Distribution	Families < Poverty Level	Low-Income Families	Moderate-Income	Middle-Income	Upper-Income	Families < Poverty Level	Low-Income Families	Moderate-Income	Middle-Income	Upper-Income		
Low-Income Tracts	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%		
Moderate-Income Tracts	28.2%	25.4%	19.6%	13.8%	9.1%	28.7%	25.6%	19.7%	14.0%	8.9%		
Middle-Income Tracts	58.3%	59.9%	61.1%	62.5%	53.6%	57.1%	59.1%	59.9%	60.4%	51.1%		
Upper-Income Tracts	13.4%	14.7%	19.4%	23.7%	37.3%	14.1%	15.3%	20.3%	25.6%	39.9%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		
Families - Percentage in Tract												
Low-Income Tracts	100.0%	100.0%	0.0%	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%	0.0%		
Moderate-Income Tracts	21.9%	32.4%	22.5%	18.7%	26.3%	21.7%	32.8%	22.4%	18.6%	26.1%		
Middle-Income Tracts	11.7%	19.8%	18.2%	22.0%	40.1%	11.6%	20.3%	18.2%	21.5%	40.0%		
Upper-Income Tracts	5.7%	10.4%	12.3%	17.8%	59.5%	5.5%	10.1%	11.9%	17.6%	60.4%		
Total Assessment Area	11.6%	19.1%	17.3%	20.3%	43.3%	11.3%	19.2%	17.0%	19.9%	43.9%		
Households Receiving Public Assistance	8.2%						8.0%					
MSA Median Family Income							\$27,236					
Population Age	Age 65 and Over			Age 18 and Over			Age 65 and Over			Age 18 and Over		
	14.0%			77.5%			14.0%			77.5%		

Totals in percentage columns are calculated independently and may not be exactly equal to the sum of the components due to rounding of the components. These rounding errors are immaterial and have no effect on related analyses or conclusions.

**METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)**

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE BLOUNTVILLE, TENNESSEE ASSESSMENT AREA (CONTINUED)**

The institution's lending, investment, and service performance in the Blountville assessment area is consistent with the performance of the institution overall.

**Lending Test**

Tri-City Bank's lending test performance in the Blountville assessment area is consistent with the performance of the institution overall. Unless otherwise noted, the lending data for Tri-City Bank's performance include affiliate lending. The following table shows the lending performance for the Blountville assessment area in comparison to the lending performance for the whole bank.

LENDING PERFORMANCE TEST COMPARISON								
Lending by Business/Farm Revenue	WHOLE BANK				HAWKINS, SULLIVAN, & WASHINGTON			
	Small Business		Small Farm		Small Business		Small Farm	
\$1 Million or Less	176	97.8%	25	100.0%	157	98.1%	15	100.0%
Over \$1 Million	4	2.2%	0	0.0%	3	1.9%	0	0.0%
Not Available	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Lending by Tract Income</b>								
Low-Income Tracts	3	1.7%	0	0.0%	3	1.9%	0	0.0%
Moderate-Income Tracts	23	12.8%	0	0.0%	23	14.4%	0	0.0%
Middle-Income Tracts	106	58.9%	20	80.0%	91	56.9%	12	80.0%
Upper-Income Tracts	48	26.7%	5	20.0%	43	26.9%	3	20.0%
<b>Loan Size</b>								
\$100,000 or Less	141	78.3%	25	100.0%	125	78.1%	15	100.0%
\$100,001 - \$250,000	32	17.8%	0	0.0%	29	18.1%	0	0.0%
\$250,001 and Up *	7	3.9%	0	0.0%	6	3.8%	0	0.0%
<i>Total</i>	<i>180</i>	<i>100.0%</i>	<i>25</i>	<i>100.0%</i>	<i>160</i>	<i>100.0%</i>	<i>15</i>	<i>100.0%</i>
<b>Lending by Tract Income</b>	<b>HMDA</b>				<b>HMDA</b>			
Low-Income Tracts	0		0.0%		0		0.0%	
Moderate-Income Tracts	39		9.2%		31		7.9%	
Middle-Income Tracts	295		69.2%		274		70.1%	
Upper-Income Tracts	92		21.6%		86		22.0%	
<b>Lending by Borrower Income</b>								
Low-Income Borrowers	40		9.4%		37		9.5%	
Moderate-Income Borrowers	81		19.0%		78		19.9%	
Middle-Income Borrowers	100		23.5%		93		23.8%	
Upper-Income Borrowers	201		47.2%		179		45.8%	
Income Not Available	4		0.9%		4		1.0%	
<i>Total</i>	<i>426</i>		<i>100.0%</i>		<i>391</i>		<i>100.0%</i>	

**METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)**

**Lending Test (Continued)**

The bank has a good level of lending throughout the Blountville assessment area. During the review period, by number of loans, over 92.1 percent of Tri-City Bank's consumer loans, 91.7 percent of HMDA loans, and 88.9 percent of the small business loans were in the Blountville assessment area. In the last quarter of 1997 and 1998, the bank originated 391 HMDA loans totaling \$18.4 million in the Blountville assessment area, which represent 92.1 percent of the total dollar amount of HMDA lending by Tri-City Bank. Also, the bank originated 160 small business loans totaling \$12.3 million in the Blountville assessment area, representing 91.2 percent of the total dollar amount of small business lending by the bank. In 1998, Tri-City Bank ranked ninth with a market share of 2.6 percent among all regulated financial institutions in HMDA originations and purchases in the Blountville assessment area. 165 HMDA reporters are in the Blountville assessment area. Tri-City Bank's small business lending performance ranked eighth of 20 lenders in Hawkins County, fifth of 29 lenders in Sullivan County, and twelfth of 23 lenders in Washington County.

**Geographic Distribution of Loans**

The geographic distribution of consumer, HMDA, and small business loans is satisfactory considering demographic factors such as poverty levels.

The following table shows the geographic distribution of consumer loans by number of loans and as a percentage of the total number of loans. Selected demographic information is included as a basis for comparison. Low-income tracts with little or no population were excluded because lending opportunities are minimal in these tracts.

**METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)**

**Lending Test (Continued)**

Geographic Distribution of Loans (Continued)

<b>GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS</b>			
<b>Census Tract Income Level</b>	<b>Percentage of Total Tracts Excluding Low-Income Tracts With Little or No Population</b>	<b>Percentage of Total Families</b>	<b>Percentage of Consumer Loans</b>
Low-Income	0.0%	0.0%	0.1%
Moderate-Income	21.5%	15.0%	10.7%
Middle-Income	46.2%	56.0%	59.4%
Upper-Income	32.3%	29.0%	29.8%
<i>Total</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>

The geographic distribution of consumer loans by census tract income level reflects generally adequate penetration throughout the assessment area. However, in moderate-income tracts it is lower than the percentage of families living in the moderate-income tracts. The percentage of consumer loans in moderate-income census tracts is below the percentage of total families and tracts. Considering that 8.0 percent of all households are receiving public assistance and 21.7 percent of the families in moderate-income tracts live below the poverty level, the level of consumer lending in moderate-income tracts is still reasonable. Also, the bank improved the percentage of lending in moderate-income tracts from 8.1 percent in the last quarter of 1997 to 10.9 percent in 1998. Low-income tracts have a total of eight families and a total population of 53 persons resulting in minimal consumer loan opportunities. The level of consumer purpose lending is greatest in middle- and upper-income tracts and is expected because these tracts contain the greatest percentage of the population.

**METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)**

**Lending Test (Continued)**

Geographic Distribution of Loans (Continued)

The following table depicts the geographic distribution of HMDA loans in relation to the level of owner-occupied housing units in each tract category.

<b>GEOGRAPHIC DISTRIBUTION OF HMDA LOANS</b>			
<b>Census Tract Income Level</b>	<b>Percent of Owner- Occupied Units</b>	<b>Tri-City Bank and Affiliates</b>	
		<b>Number</b>	<b>Percentage</b>
Low-Income	0.0%	0	0.0%
Moderate-Income	13.1%	31	7.9%
Middle-Income	57.5%	274	70.1%
Upper-Income	29.4%	86	22.0%
<i>Total</i>	<i>100.0%</i>	<i>391</i>	<i>100.0%</i>

The geographic distribution of HMDA loans is adequate, although lower than expected in moderate-income tracts when compared to housing data. Tri-City Bank had 7.9 percent of HMDA loans in moderate-income tracts compared to 13.1 percent of owner-occupied units in these tracts. The bank's HMDA lending in middle- and upper-income tracts is good. Tri-City Bank's HMDA lending improved from 6.0 percent in the last quarter of 1997 to 8.2 percent in 1998.

**METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)**

**Lending Test (Continued)**

Geographic Distribution of Loans (Continued)

The following table shows the geographic distribution of small business loans. Total businesses by tract income level are included as a basis for comparison. Businesses with the tract not reported were excluded from the analysis.

<b>GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS</b>				
<b>CENSUS TRACT INCOME LEVEL</b>	<b>LOANS</b>		<b>TOTAL BUSINESSES *</b>	
	<b>Number</b>	<b>Percentage</b>	<b>Number</b>	<b>Percentage</b>
Low-Income	3	1.9%	341	4.4%
Moderate-Income	23	14.4%	1,578	20.2%
Middle-Income	91	56.9%	3,534	45.1%
Upper-Income	43	26.8%	2,380	30.3%
<i>Total</i>	<i>160</i>	<i>100.0%</i>	<i>7,833</i>	<i>100.0%</i>

Tri-City Bank's percentage of small business lending in low-income and moderate-income tracts is less than the percentage of businesses in those tracts in the Blountville assessment area, although the next analysis shows that the bank's lending is comparable to the aggregate. The bank's percentage of small business loans in low-income and moderate-income tracts increased slightly from the last quarter of 1997 to the end of 1998.

The following table compares the geographic distribution of small business loans between Tri-City Bank and the aggregate. Businesses by tract income level are included as a basis for comparison. The aggregate includes all financial entities reporting small business loans in Tri-City Bank's Blountville assessment area. The percentages in the table exclude loans and businesses with the tract not reported. 1998 aggregate data were used in the analysis.

**METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)**

**Lending Test (Continued)**

Geographic Distribution of Loans (Continued)

<b>TRI-CITY BANK VERSUS AGGREGATE SMALL BUSINESS LENDING IN 1998</b>				
<b>CENSUS TRACT INCOME LEVEL</b>	<b>TRI-CITY BANK AND AFFILIATES</b>		<b>AGGREGATE</b>	<b>TOTAL BUSINESSES</b>
	<b>Number</b>	<b>Percentage</b>	<b>Percentage</b>	<b>Percentage</b>
Low-Income	3	2.2%	3.5%	4.4%
Moderate-Income	20	14.5%	16.2%	20.2%
Middle-Income	76	55.1%	40.0%	45.1%
Upper-Income	39	28.2%	40.3%	30.3%
<i>Total</i>	<i>138</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>

Compared to aggregate, Tri-City Bank has a similar performance in small business lending. Both have small business lending percentages below the demographic percentage of total businesses in low-income and moderate-income tracts. The bank's penetration in middle- and upper-income tracts is good.

Lending by Borrower Characteristics

Tri-City Bank's consumer lending to borrowers of different incomes is good. HMDA lending to various income borrowers is adequate. The bank's small business lending to businesses of various revenue sizes is excellent and by loan size is adequate.

**METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)**

**Lending Test (Continued)**

Lending by Borrower Characteristics (Continued)

The following table shows the percentage distribution of the bank's consumer purpose loans by the income level of the borrowers with reported incomes.

<b>DISTRIBUTION OF CONSUMER LOANS FOR BORROWER INCOME LEVEL</b>			
<b>Borrower Income Level</b>	<b>Percentage of Families</b>	<b>Tri-City Bank and Affiliates</b>	
		<b>Number</b>	<b>Percentage</b>
Low-Income	19.2%	520	14.5%
Moderate-Income	17.0%	757	21.1%
Middle-Income	19.9%	810	22.5%
Upper-Income	43.9%	1,507	41.9%
<i>Total</i>	<i>100.0%</i>	<i>3,594</i>	<i>100.0%</i>

Tri-City Bank's consumer lending by borrower income is very good. Considering that 11.3 percent of total families are below the poverty level, the bank's lending to low-income borrowers is quite good. Individuals with incomes below the poverty level may be able to qualify for consumer loans since these loans are generally for smaller loan amounts compared to HMDA loans. Moderate-income lending is also considered very good. Lending percentages in middle- and upper-income tracts mirror the percentage of families in those tracts.



**METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)**

**Lending Test (Continued)**

Lending by Borrower Characteristics (Continued)

The following table depicts HMDA originations by the income level of the borrowers with reported incomes.

<b>DISTRIBUTION OF HMDA LOANS BY BORROWER INCOME LEVEL</b>			
<b>Borrower Income Level</b>	<b>Percentage of families</b>	<b>Tri-City Bank and Affiliates</b>	
		<b>Number</b>	<b>Percentage</b>
Low-Income	19.2%	37	9.6%
Moderate-Income	17.0%	78	20.2%
Middle-Income	19.9%	93	24.0%
Upper-Income	43.9%	179	46.2%
<i>Total</i>	<i>100.0%</i>	<i>387</i>	<i>100.0%</i>

The bank has an adequate record of lending to borrowers of all income levels. The distribution of HMDA loans to low-income borrowers is reasonable considering the fact that many low-income families are at or below poverty level, and many low-income applicants may be unable to qualify for mortgage loans. HMDA lending to borrowers of other incomes generally reflects the percentage of families in the assessment area by income level.

Tri-City Bank's small business lending to small businesses with revenues of \$1 million or less is excellent. Of the 160 small business loans in the assessment area, 157 (98.1 percent) were extended to entities which are classified as small businesses under the guidelines of CRA. Aggregate lenders originated a much lower percentage to these businesses at 61.9 percent. The bank's lending percentage also compares favorably to the percentage of small businesses in the assessment area at 89.7 percent. All 15 small farm loans were to farms with revenues equal to or less than \$1 million.

**METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)**

**Lending Test (Continued)**

Lending by Borrower Characteristics (Continued)

The following table depicts, by loan size, the number and dollar volume of loans originated by Tri-City and its affiliates that are considered small business loans. 1998 aggregate data were used as a comparison.

<b>TRI-CITY BANK VERSUS AGGREGATE SMALL BUSINESS LENDING IN 1998</b>				
<b>LOAN SIZE</b>	<b>TRI-CITY BANK AND AFFILIATES</b>		<b>AGGREGATE</b>	
	<b>Number</b>	<b>Percentage</b>	<b>Number</b>	<b>Percentage</b>
\$100,000 or less	106	76.8%	2,142	83.9%
\$100,001 - \$250,000	27	19.6%	231	9.1%
\$250,000 - \$1 million	5	3.6%	180	7.0%
<i>Total</i>	<i>138</i>	<i>100.0%</i>	<i>2,553</i>	<i>100.0%</i>

Tri-City Bank has a generally similar percentage of small business loans by loan size compared to the aggregate. According to management of the bank, a substantial portion of its commercial loan requests is from small businesses, and many are for amounts less than \$25,000.

Community Development Lending

Since the previous examination, the bank has financed three community development projects totaling \$1.57 million in the Blountville assessment area. A \$500,000 line of credit, a \$750,000 loan, and a \$322,595 loan were made to organizations providing affordable housing for low- and moderate-income senior citizens in Johnson City, Tennessee. Refer to the community development section for the overall institution for additional information.

**Investment Test**

Tri-City Bank's record of helping to meet the Blountville assessment area's credit needs through qualified investments is very good considering the bank's size, competition from other banks in the assessment area, and the lack of availability of such investments. The bank's qualified investments include the purchase of three bonds through a state-housing agency. These investments impact a larger region, the state of Tennessee, than the assessment area. Under the CRA regulation, the bank can receive credit for these investments, although the investment funds that benefit the assessment area directly cannot be

<b>METROPOLITAN AREAS REVIEWED USING EXAMINATION PROCEDURES (Continued)</b>
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**Investment Test (Continued)**

determined. Contributions to organizations in the assessment area with community development as a primary function totaled \$5,330. Investments are covered in more detail on page 23 of this evaluation.

**Service Test**

The bank's 13 branches are reasonably accessible to all portions of the assessment area. One branch is located in a low-income census tract; one is in a moderate-income census tract; six branches are in middle-income tracts, and five are in upper-income census tracts. A review of branches on a map revealed that branches in middle- and upper-income tracts are generally accessible to residents in low- and moderate-income tracts.

Tri-City Bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies. Since the previous examination, the bank has not closed or opened any branches in the Blountville assessment area. Branch services and business hours do not vary in a manner that inconveniences portions of the assessment area.

The bank operates ten ATMs in middle- and upper-income tracts. Since the previous examination, the bank closed one free standing ATM and opened an ATM in the Blountville branch. Tri-City Bank's ATMs are readily accessible to all geographies in the bank's assessment areas except moderate-income census tracts in Hawkins County. The branch office located closest to these moderate-income tracts does not have an ATM. The closest branch to these moderate-income tracts with an ATM is the Mount Carmel branch, which is more than five miles away.

Alternative delivery systems available for obtaining credit include the Internet and loans by phone. Refer to the overall bank service test for detailed information.

Tri-City Bank provides an adequate level of community development services in the Blountville assessment area. Information about these services can be found on page 27 of the evaluation.

<b>NONMETROPOLITAN AREAS REVIEWED WITHOUT EXAMINATION PROCEDURES</b>
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**PERFORMANCE CONCLUSION**

The institution's lending, investment, and service test performance in the Greene County assessment area is consistent with its performance for the overall institution.

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN GREENE COUNTY, TENNESSEE**

The Greene County assessment area includes all of Greene County. Tri-City Bank operates one branch and one ATM, located in an upper-income census tract, in the assessment area.

The table on the next page shows selected demographic characteristics for the Greene County assessment area compared to demographics for all the bank's assessment areas combined.

**NONMETROPOLITAN AREAS REVIEWED WITHOUT EXAMINATION PROCEDURES  
(Continued)**

DEMOGRAPHIC COMPARISON - TRI - CITY BANK AND TRUST CO.												
Category	WHOLE BANK						GREENE COUNTY					
	Number			Percent			Number			Percent		
Distribution of Tracts												
Low-Income Tracts	6			7.0%			4			21.1%		
Moderate-Income Tracts	16			18.6%			2			10.5%		
Middle-Income Tracts	41			47.7%			11			57.9%		
Upper-Income Tracts	23			26.7%			2			10.5%		
Total Assessment Area	86			100.0%			19			100.0%		
Housing Units - Tract Distribution	Owner-Occupied		Rental		Vacant		Owner-Occupied		Rental		Vacant	
Low-Income Tracts	0	0.0%	47	0.1%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate-Income Tracts	12,560	13.0%	9,551	27.5%	2,311	23.5%	2,095	12.7%	1,268	25.7%	220	12.3%
Middle-Income Tracts	57,447	59.6%	15,960	45.9%	5,339	54.2%	11,543	69.8%	2,520	51.1%	1,239	69.3%
Upper-Income Tracts	26,442	27.4%	9,194	26.5%	2,199	22.3%	2,910	17.6%	1,146	23.2%	329	18.4%
Total	96,449	100.0%	34,752	100.0%	9,849	100.0%	16,548	100.0%	4,934	100.0%	1,788	100.0%
Housing Units - Percentage in Tract												
Low-Income Tracts	0.0%		100.0%		0.0%		0.0%		0.0%		0.0%	
Moderate-Income Tracts	51.4%		39.1%		9.5%		58.5%		35.4%		6.1%	
Middle-Income Tracts	73.0%		20.3%		6.8%		75.4%		16.5%		8.1%	
Upper-Income Tracts	69.9%		24.3%		5.8%		66.4%		26.1%		7.5%	
Total Assessment Area	68.4%		24.6%		7.0%		71.1%		21.2%		7.7%	
Population - Tract Distribution	Families		Households		Population		Families		Households		Population	
Low-Income Tracts	8	0.0%	42	0.0%	53	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate-Income Tracts	14,633	15.0%	22,021	16.8%	55,602	16.5%	2,460	15.0%	3,330	15.5%	8,541	15.3%
Middle-Income Tracts	56,567	57.9%	73,521	56.0%	190,074	56.5%	11,062	67.2%	14,165	65.7%	37,111	66.4%
Upper-Income Tracts	26,508	27.1%	35,621	27.1%	90,600	26.9%	2,929	17.8%	4,049	18.8%	10,201	18.3%
Total	97,716	100.0%	131,205	100.0%	336,329	100.0%	16,451	100.0%	21,544	100.0%	55,853	100.0%
Population - Percentage by Income												
Low-Income	18,688	19.1%	30,096	22.9%			3,065	18.6%	4,769	22.1%		
Moderate-Income	16,859	17.3%	19,604	14.9%			3,030	18.4%	3,332	15.5%		
Middle-Income	19,882	20.3%	22,737	17.3%			3,704	22.5%	4,264	19.8%		
Upper-Income	42,287	43.3%	58,768	44.8%			6,652	40.4%	9,179	42.6%		
Total	97,716	100.0%	131,205	100.0%			16,451	100.0%	21,544	100.0%		
Families - Tract Distribution	Families < Poverty Level	Low-Income Families	Moderate-Income	Middle-Income	Upper-Income	Families < Poverty Level	Low-Income Families	Moderate-Income	Middle-Income	Upper-Income		
Low-Income Tracts	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
Moderate-Income Tracts	28.2%	25.4%	19.6%	13.8%	9.1%	26.1%	24.5%	18.7%	12.7%	10.1%		
Middle-Income Tracts	58.3%	59.9%	61.1%	62.5%	53.6%	63.4%	63.8%	66.3%	71.6%	66.8%		
Upper-Income Tracts	13.4%	14.7%	19.4%	23.7%	37.3%	10.5%	11.7%	15.0%	15.7%	23.1%		
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		
Families - Percentage in Tract												
Low-Income Tracts	100.0%		100.0%		0.0%		0.0%		0.0%		0.0%	
Moderate-Income Tracts	21.9%		32.4%		22.5%		18.7%		26.3%		22.6%	
Middle-Income Tracts	11.7%		19.8%		18.2%		22.0%		40.1%		12.2%	
Upper-Income Tracts	5.7%		10.4%		12.3%		17.8%		59.5%		7.6%	
Total Assessment Area	11.6%		19.1%		17.3%		20.3%		43.3%		12.9%	
Households Receiving Public Assistance	8.2%						9.0%					
State Non-Metro Median Family Income							\$24,938					
Population Age	Age 65 and Over			Age 18 and Over			Age 65 and Over			Age 18 and Over		
	14.0%			77.5%			13.8%			77.3%		

Totals in percentage columns are calculated independently and may not be exactly equal to the sum of the components due to rounding of the components. These rounding errors are immaterial and have no effect on related analyses or conclusions.

**NONMETROPOLITAN AREAS REVIEWED WITHOUT EXAMINATION PROCEDURES  
(Continued)**

**Summary of lending test performance compared to whole bank:** Tri-City Bank's lending performance in the Greene County assessment area is consistent with the performance of the institution overall.

LENDING PERFORMANCE TEST COMPARISON								
Lending by Business/Farm Revenue	WHOLE BANK				GREENE COUNTY			
	Small Business		Small Farm		Small Business		Small Farm	
\$1 Million or Less	176	97.8%	25	100.0%	19	95.0%	10	100.0%
Over \$1 Million	4	2.2%	0	0.0%	1	5.0%	0	0.0%
Not Available	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Lending by Tract Income</b>								
Low-Income Tracts	3	1.7%	0	0.0%	0	0.0%	0	0.0%
Moderate-Income Tracts	23	12.8%	0	0.0%	0	0.0%	0	0.0%
Middle-Income Tracts	106	58.9%	20	80.0%	15	75.0%	8	80.0%
Upper-Income Tracts	48	26.7%	5	20.0%	5	25.0%	2	20.0%
<b>Loan Size</b>								
\$100,000 or Less	141	78.3%	25	100.0%	16	80.0%	10	100.0%
\$100,001 - \$250,000	32	17.8%	0	0.0%	3	15.0%	0	0.0%
\$250,001 and Up *	7	3.9%	0	0.0%	1	5.0%	0	0.0%
<b>Total</b>	<b>180</b>	<b>100.0%</b>	<b>25</b>	<b>100.0%</b>	<b>20</b>	<b>100.0%</b>	<b>10</b>	<b>100.0%</b>
<b>Lending by Tract Income</b>								
			HMDA				HMDA	
Low-Income Tracts			0	0.0%			0	0.0%
Moderate-Income Tracts			39	9.2%			8	22.9%
Middle-Income Tracts			295	69.2%			21	60.0%
Upper-Income Tracts			92	21.6%			6	17.1%
<b>Lending by Borrower Income</b>								
Low-Income Borrowers			40	9.4%			3	8.6%
Moderate-Income Borrowers			81	19.0%			3	8.6%
Middle-Income Borrowers			100	23.5%			7	20.0%
Upper-Income Borrowers			201	47.2%			22	62.9%
Income Not Available			4	0.9%			0	0.0%
<b>Total</b>			<b>426</b>	<b>100.0%</b>			<b>35</b>	<b>100.0%</b>

Small business lending to businesses with revenues of \$1 million or less reflects excellent responsiveness to the Greene County assessment area credit needs. Small business lending by tract income level is adequate considering the fact that the low-income tracts contain no businesses and the moderate-income tracts contain only 198 businesses, 167 of which are small businesses. Tri-City Bank originates small business loans of different loan sizes in amounts of \$1 million or less. HMDA lending by tract income level reflects excellent penetration throughout the assessment area. HMDA lending reflects reasonable penetration among borrowers of different income levels when considering the poverty level, which is 12.9 percent of total families. All 10 small farm loans were to farms with revenues equal to or less than \$1 million.

**NONMETROPOLITAN AREAS REVIEWED WITHOUT EXAMINATION PROCEDURES  
 (Continued)**

The following table compares Tri-City Bank's volume of consumer loans to the percentage of tracts and families by income level in the Greene County assessment area.

<b>GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS</b>			
<b>Census Tract Income Level</b>	<b>Percentage of Total Tracts Excluding Low-Income Tracts Without Population</b>	<b>Percentage of Total Families</b>	<b>Percentage of Consumer Loans</b>
Low-Income	0.0%	0.0%	0.0%
Moderate-Income	13.3%	15.0%	13.9%
Middle-Income	73.3%	67.2%	61.2%
Upper-Income	13.4%	17.8%	24.9%
<i>Total</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>

The geographic distribution of consumer loans is adequate. As indicated by the table above, consumer lending was nonexistent in low-income census tracts. However, this level of lending is expected because no families reside in low-income census tracts. Lending in moderate-income census tracts is reasonable when compared to the percentage of families residing in moderate-income census tracts. Consumer lending in middle- and upper-income census tracts is reasonable given the percentage of families residing in these tracts.

**NONMETROPOLITAN AREAS REVIEWED WITHOUT EXAMINATION PROCEDURES  
 (Continued)**

The following table shows the percentage distribution of the bank's consumer purpose loans by the income level of the borrowers with reported incomes.

<b>DISTRIBUTION OF CONSUMER LOANS BY BORROWER INCOME</b>			
<b>Borrower Income Level</b>	<b>Percentage of Families</b>	<b>Total Loans</b>	<b>Percentage of Total Loans</b>
Low-Income	18.6%	43	13.4%
Moderate-Income	18.4%	59	18.4%
Middle-Income	22.5%	95	29.7%
Upper-Income	40.5%	123	38.5%
<i>Total</i>	<i>100.0%</i>	<i>320</i>	<i>100.0%</i>

The overall distribution of consumer loans by borrower income is good, although the percentage of consumer loans extended to low-income families is slightly below the percentage of families. This can be expected since 12.9 percent of families in the assessment area have incomes below the poverty level. Although some of these families can qualify for consumer loans, some have difficulty because of lower incomes. Lending to borrowers of other incomes correlates with the demographic percentage of families.

No community development loans have been originated in the Greene County assessment area because of a lack of demand. The bank has participated in qualified investments and donations totaling \$650.

The branch and ATM are reasonably accessible to all portions of the bank's assessment area. The variety of services offered at the branch is consistent with branches in the Blountville assessment area. Branch hours are convenient to serve the banking needs of the general populace in the assessment area. Opportunities for community development services in the assessment area are virtually non-existent.



**APPENDIX A**

**SCOPE OF EXAMINATION**

<b>TIME PERIOD REVIEWED</b>			
September 30, 1997 to December 31, 1998			
<b>FINANCIAL INSTITUTION</b>		<b>PRODUCTS REVIEWED</b>	
Tri-City Bank and Trust Company, Blountville, Tennessee		Consumer Loans HMDA Loans Small Business Loans Small Farm Loans	
<b>AFFILIATES</b>	<b>AFFILIATE RELATIONSHIP</b>	<b>PRODUCTS REVIEWED</b>	
First Virginia Mortgage Company	Lead Bank Subsidiary	HMDA Loans	
First Virginia Credit Services, Inc.	Lead Bank Subsidiary	Consumer Loans	
<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
MSA 3660 – Washington, Hawkins, and Sullivan Counties	On-Site	West State Branch Southside Branch	None
Greene County	Off-Site	None	None