PUBLIC DISCLOSURE

March 12, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Triumph Bank
RSSD# 3395293

5699 Poplar Avenue
Memphis, Tennessee 38119

Federal Reserve Bank of St. Louis

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

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

TABLE OF CONTENTS

INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY.

The Lending Test is rated: Satisfactory
The Community Development Test is rated: Satisfactory

Triumph Bank meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending and community development activities.

Under the Lending Test, the bank's loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs, and while a majority of loans and other lending-related activities are outside the assessment area, this performance conclusion did not impact the overall Lending Test rating.[1] Furthermore, the distribution of loans to borrowers reflects reasonable penetration among individuals of different income levels, including low- and moderate-income (LMI) levels and businesses of different sizes); however, the geographic distribution of loans reflects poor dispersion throughout the assessment area. Lastly under the Lending Test, there were no CRA-related complaints filed against the bank since the previous CRA evaluation.

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

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) intermediate small bank procedures. The intermediate small bank examination procedures entail two performance tests: the Lending Test and the Community Development Test. Residential real estate and small business loans were used to evaluate the bank's lending performance, as these loan categories are considered the bank's core business lines based on lending volume and the bank's stated business strategy. Therefore, the loan activity represented by these credit products is deemed indicative of the bank's overall lending performance. However, the bank has a particular emphasis on home mortgage lending, as evidenced by a high level of activity attributable to the bank's mortgage division operations; consequently, performance based on the Home Mortgage Disclosure Act (HMDA) loan category carried the most significance toward the bank's overall performance conclusions. The following table details the performance criterion and the corresponding time periods used in each analysis.

[1] While a majority of the loans considered for this analysis were made outside of the bank's assessment area, this did not impact the bank's Lending Test rating, as is discussed in more detail as part of the *Assessment Area Concentration* section of this report.

Performance Criterion	Time Period
LTD Ratio	September 30, 2014 – December 31, 2017
Assessment Area Concentration	January 1, 2016 – December 31, 2016
Geographic Distribution of Loans	January 1, 2016 – December 31, 2016
Loan Distribution by Borrower's Profile	January 1, 2016 – December 31, 2016
Response to Written CRA Complaints	September 8, 2014 – March 11, 2018
Community Development Activities	September 8, 2014 – March 11, 2018

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on HMDA and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2010 U.S. Census data; certain business demographics are based on 2016 Dun & Bradstreet data. When analyzing bank performance by comparing lending activity to both demographic and aggregate lending data, greater emphasis is generally placed on the aggregate lending data, because it is expected to describe many factors impacting lenders in an assessment area. Aggregate lending datasets are also updated annually and are therefore expected to predict more relevant comparisons. In addition, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating in the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from $352.4 million to $551.8 million as of December 31, 2017.

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

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

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

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

DESCRIPTION OF INSTITUTION

Triumph Bank is a full-service retail bank offering both consumer and commercial loan and deposit products. Triumph Bank is owned by Triumph Bancshares, Inc., a one-bank holding company headquartered in Memphis, Tennessee. The bank's branch network consists of four full-service branches, including the main office in Memphis, each of which has a full-service automated teller machine on site, as well as drive-up accessibility. In addition to the main office in Memphis, which is located in an upper-income census tract, the other branches are also located in upper-income geographies in nearby Germantown, Collierville, and Arlington, Tennessee. While the bank has not opened or closed any full-service offices during the review period, the Germantown branch was relocated in 2015 within one-half mile of its previous location. In addition to the previously discussed branch structure, the bank operates two loan production offices—one in Memphis, Tennessee and one in Brentwood, Tennessee (a southern suburb of Nashville, Tennessee), which opened in March 2018. Based on the bank's limited branch network in the relatively expansive and competitive Memphis banking market, it is not necessarily reasonable to expect that the bank can effectively serve its entire assessment area. As three of the bank's branches are located in the southeastern quadrant of Shelby County and one branch is in the northeast corner of the county, the bank's financial services are primarily available in the central and eastern parts of the county, with tangential accessibility to customers in the northwest and southwest areas of Shelby County (the western half of Shelby County contains the bulk of the county's LMI geographies, including the City of Memphis downtown area).

For this review period, no legal impediments or financial constraints were identified that would have hindered the bank from serving the credit needs of its customers, and the bank appeared capable of meeting assessment area credit needs based on its available resources and financial products. As of December 31, 2017, the bank reported total assets of $722.2 million. As of the same date, loans and leases outstanding were $544.4 million (75.4 percent of total assets), and deposits totaled $649.0 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of December 31, 2017		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$49,041	9.0%
Commercial Real Estate	$188,393	34.6%
Multifamily Residential	$43,689	8.0%
1–4 Family Residential	$94,864	17.4%
Farmland	$776	0.1%
Commercial and Industrial	$158,765	29.2%
Loans to Individuals	$5,869	1.1%
Total Other Loans	$3,037	0.6%
TOTAL	**$544,434**	**100%**

As indicated by the previous table, a significant portion of the bank's lending resources is directed to commercial real estate loans, commercial and industrial loans, and loans secured by 1–4 family residential properties. The bank also originates and subsequently sells a significant volume of loans related to residential real estate. As previously noted, the bank has a particular emphasis on home mortgage lending, which is conducted through its mortgage division. As part of this operation, the bank makes home mortgage loans to Internet applicants and to applicants via third parties (while this loan activity entails borrowers both inside and outside of the Memphis, Tennessee area, the vast majority of this loan activity is to borrowers outside of Memphis). As these loans are sold on the secondary market shortly after origination, this activity would not be captured in the previous table. Based on 2016 HMDA data, the bank originated and subsequently sold 1,225 residential real estate loans totaling $268.9 million.

The bank received a Satisfactory rating at its previous CRA evaluation conducted on September 8, 2014, by this Reserve Bank.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank's assessment area is located in the westernmost part of the state of Tennessee, and it is comprised of Shelby County, Tennessee in its entirety and the westernmost seven census tracts in adjacent Fayette County, Tennessee. These counties are two of the three counties comprising the Tennessee portion of the larger Memphis, Tennessee-Mississippi-Arkansas metropolitan statistical area (Memphis MSA), which also includes an additional four counties from the state of Mississippi and one county from Arkansas. The assessment area, with a population of 950,773, has more urban areas to the west (including the City of Memphis downtown area), transitioning to suburban and more rural areas to the eastern section of the assessment area. According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2017, there are 35 FDIC-insured depository institutions in Shelby County that operate 225 offices. Triumph Bank (operating four, or 1.8 percent, offices in the county) ranked ninth in terms of deposit market share, with 2.2 percent of the total deposit dollars.

As the assessment area's demographics cover urban, suburban, and rural portions of a metropolitan area, credit needs in the area are varied and include a blend of consumer, business, and, to a significantly lesser degree, agricultural credit products. According to community contact interviews, the assessment area has a high level of older housing in need of repair (particularly in LMI areas), a significant "unbanked" population, and growth in small business startups. As such, highlighted credit needs in the community as identified by community contacts include home improvement loans (particularly in small dollar amounts), individual development deposit accounts, and micro-business loans.

Also based on information from community contacts, the assessment area has significant need, particularly in the western portion of Shelby County. Although there are a number of community development intermediaries (e.g., institutions of higher education, nonprofit agencies, and government assistance entities), there is still a high level of opportunity for financial institutions to play a constructive role in community development.

Income and Wealth Demographics

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

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	53	53	48	69	5	**228**
	23.2%	23.2%	21.1%	30.3%	2.2%	**100%**
Family Population	33,700	50,672	50,604	94,801	0	**229,777**
	14.7%	22.1%	22.0%	41.3%	0.0%	**100%**

As shown above, 46.4 percent of assessment area census tracts are categorized as LMI, while a lower percentage, 36.8 percent, of the family population resides in those geographies. Nearly all of the low-income geographies are located in the western half of Shelby County, as are a majority of moderate-income geographies, which include and surround the older, urban areas of downtown Memphis.

Based on 2010 U.S. Census data, the median family income for the assessment area was $56,309. At the same time, the median family income for the Memphis MSA was $56,100. More recently, the FFIEC estimates the 2016 median family income for the Memphis MSA to be $59,100. The following table displays population percentages of assessment area families by income level compared to the Memphis MSA family population as a whole.

Family Population by Income Level							
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area	57,142	36,888	38,196	97,551	0	**229,777**
	24.9%	16.1%	16.6%	42.5%	0.0%	**100%**
Memphis MSA	79,221	52,586	58,047	136,897	0	**326,751**
	24.2%	16.1%	17.8%	41.9%	0.0%	**100%**

As shown in the previous table, 41.0 percent of families in the assessment area were considered LMI, which is just slightly higher than LMI family percentages of 40.3 percent for the entire Memphis MSA. The percentage of families living below the poverty threshold in the assessment area, 15.1 percent, is also slightly higher than the overall percentage of Memphis MSA families below the poverty level, 14.5 percent. Consequently, despite marginally higher levels of LMI families and families below the poverty level in the assessment area, overall, assessment area family population income levels are substantially similar to the MSA as a whole.

Housing Demographics

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be less affordable than in the Memphis MSA overall. The median housing value for the assessment area is $136,985, which is above the figure for the Memphis MSA, $134,598. The assessment area housing affordability ratio of 32.9 percent is below the Memphis MSA figure of 34.2 percent. In addition, the median gross rent for the assessment area of $782 per month is above the same figure for the Memphis MSA overall, $773 per month. Also worth noting, the median age of housing stock in the assessment area, 36 years, is significantly older than the median age of the housing for the Memphis MSA overall, 31 years.

Industry and Employment Demographics

According to 2015 County Business Patterns data from the U.S. Census Bureau, the assessment area supports a variety of economic sectors with the three largest being service-related categories. Of the 437,464 paid employees in Shelby and Fayette Counties, 68,545 (15.7 percent) are employed in health care and social assistance, 49,246 (11.3 percent) in transportation and warehousing, and 48,012 (11.0 percent) in administration and support, waste management, and remediation services. The following table details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for the assessment area counties compared to the Memphis MSA as a whole.

Unemployment Levels				
Dataset	Time Period (Annual Average)			
	2014	2015	2016	2017
Fayette County	7.2%	6.2%	5.2%	4.2%
Shelby County	7.6%	6.4%	5.5%	4.5%
Memphis MSA	7.4%	6.2%	5.3%	4.4%

As shown in the table above, unemployment levels for both counties were substantially similar to the MSA overall, and all datasets in the previous table reflect a strong downward trend in unemployment rates from 2014 through 2017.

Community Contact Information

Information from five community contacts was used to help shape the performance context in which the bank's activities in this assessment area were evaluated. Of these community contact interviews, three were with individuals specializing in affordable housing, and two were with individuals specializing in economic development. Generally speaking, information from these contacts indicated multiple segments of the assessment area facing numerous, significant, challenges. One such challenge is that a large portion of the workforce is unskilled, a problem that multiple contacts attributed to troubled public school systems. Furthermore, more people are starting their own business in light of several significant layoffs and business shut-downs; however, many of these individuals are deciding to start their small business in Mississippi to pursue cost savings. Other major challenges facing the assessment area include a significant level of LMI housing stock that is older and in need of rehabilitation and a public transit system that is not accessible to all areas, particularly LMI areas.

Some contacts stated there are many opportunities for banks to become involved in the community but there is a lack of voluntary engagement. In addition, a high percentage of residents still remain unbanked and rely on alternative financial providers, despite the fact that many financial intuitions serve the area. Contacts believe that the LMI population remains unbanked because of distrust of financial institutions, along with the fees the institutions charge.

To reach the unbanked community, the contacts suggested banks should better use financial literacy/credit counseling programs, along with offering banking products/services tailored to the needs of the unbanked; such products include individual development accounts, "second chance" checking accounts, small dollar residential mortgage loans, and micro-business loans. Another contact stated the area is in "overwhelming" need of safe and updated affordable housing (single and multifamily) for low-income families. Similarly, there is an increasing need for stable senior housing in Memphis, as the baby boomer generation is a large and growing population. Lastly, contacts noted a strong need for workforce development solutions, such as technical schools and vocational training programs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Loan-to-Deposit (LTD) Ratio

One indication of the bank's overall level of lending activity is its LTD ratio. The chart below displays the bank's average LTD ratio compared to those of regional peers. The average LTD ratio represents a 14-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	**Headquarters**	**Asset Size ($000s) as of December 31, 2017**	**Average LTD Ratio**
Triumph Bank	Germantown, Tennessee	$722,208	96.0%
Regional Banks	Piperton, Tennessee	$551,763	97.3%
	Memphis, Tennessee	$535,222	137.0%
	Bartlett, Tennessee	$352,367	59.6%

Based on data from the table above, the bank has maintained a high level of lending. During the review period, the LTD ratio peaked at 104.9 percent (1Q 2017), representing a generally increasing trend since the bank's last CRA evaluation. Therefore, based on the bank's level of lending compared to deposit dollars during the review period, the banks average LTD ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs.

Assessment Area Concentration

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

Lending Inside and Outside of Assessment Area January 1, 2016 through December 31, 2016						
Loan Type	**Inside Assessment Area**		**Outside Assessment Area**		**TOTAL**	
HMDA	374	27.5%	988	72.5%	1,362	**100%**
	$76,481	25.4%	$224,139	74.6%	$300,620	**100%**
Small Business	61	78.2%	17	21.8%	78	**100%**
	$12,044	77.7%	$3,463	22.3%	$ 15,507	**100%**
TOTAL LOANS	435	30.2%	1,005	69.8%	1,440	**100%**
	$88,525	28.0%	$227,602	72.0%	$316,127	**100%**

As shown in the preceding table, a majority of loans reviewed for this analysis were extended to borrowers or businesses that reside or operate outside the bank's assessment area. In total, 30.2 percent of the loans reviewed for this evaluation were made inside the assessment area, accounting for 28.0 percent of the total dollar volume of loans. Both of these levels of lending are below the performance standard for this Lending Test criterion.

As previously noted in the *Description of Institution* section, the bank has a particular emphasis on home mortgage loans to be sold on the secondary market, which is conducted through its mortgage division operations (non-retail loan activity); the vast majority of this activity originates via lending channels outside of the bank's assessment area, although it also includes lending channels in the assessment area. Alternatively, as evidenced by the small business loan category, activity from retail loan operations results in a majority of loans by number and dollar amounts in the bank's assessment area. Similarly, the bank actively markets and originates home mortgage loans in its assessment, which, notwithstanding lending levels outside of the assessment area, resulted in a relatively high number and dollar amount of home mortgage loans inside the assessment area (374 loans totaling $76.5 million). Furthermore, based on this home mortgage lending activity, the bank was a prominent mortgage lender in the assessment area in 2016.[2] Consequently, it is evident that the bank is actively meeting the credit needs of its assessment area, in addition to pursuing home mortgage lending opportunities outside of the assessment area. Therefore, despite information in the previous table reflecting lending performance that is below the acceptable standard, this performance conclusion did not negatively affect the overall Lending Test rating determination.

[2] Based on 2016 HMDA Aggregate lending data, the bank ranked 14th by number of home mortgage loan originations, out of 452 lenders who originated or purchased a home mortgage loan in the assessment area.

Loan Distribution by Borrower's Profile

Despite the very poor small business loan distribution by borrower's profile, overall performance under this Lending Test criterion is reasonable, based on the excellent HMDA loan distribution by borrower's profile. Greater significance is placed on performance in the HMDA loan category given the bank's previously discussed emphasis on home mortgage lending.

Borrowers are classified into low-, moderate-, middle- and upper-income categories by comparing their reported income to the applicable median family income figure as estimated by the FFIEC ($59,100 for the Memphis MSA as of 2016). The following table shows the distribution of HMDA reported loans by borrower income level in comparison to family population income demographics for the assessment area. Additionally, 2016 aggregate data for the assessment area is displayed.

Distribution of Loans Inside Assessment Area by Borrower Income

January 1, 2016 through December 31, 2016

	Borrower Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Home Purchase	15	5.3%	50	17.6%	60	21.1%	155	54.6%	4	1.4%	**284**	**100%**
Refinance	1	1.2%	8	9.6%	11	13.3%	49	59.0%	14	16.9%	**83**	**100%**
Home Improvement	0	0.0%	1	14.3%	2	28.6%	3	42.9%	1	14.3%	**7**	**100%**
TOTAL HMDA	**16**	**4.3%**	**59**	**15.8%**	**73**	**19.5%**	**207**	**55.3%**	**19**	**5.1%**	**374**	**100%**
Family Population	24.9%		16.1%		16.6%		42.5%		0.0%		**100%**	
2016 HMDA Aggregate	3.1%		10.5%		15.6%		42.9%		28.0%		**100%**	

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (4.3 percent) is substantially below the low-income family population figure (24.9 percent), but the bank's performance is above the 2016 aggregate lending level to low-income borrowers (3.1 percent), reflecting reasonable performance. The bank's level of lending to moderate-income borrowers (15.8 percent) is very similar to the moderate-income family population percentage (16.1 percent) but well above the 2016 aggregate lending level to moderate-income borrowers (10.5 percent), reflecting excellent performance. Combined, the bank's level of lending to LMI borrowers is significantly above that of aggregate lenders; therefore, considering performance in both income categories, the bank's overall distribution of loans by borrower's profile is excellent.

Next, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2016 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate lending data.

Distribution of Loans Inside Assessment Area by Business Revenue January 1, 2016 through December 31, 2016								
Gross Revenue	**Loan Amounts in $000s**						**TOTAL**	
	≤$100		**>$100 and ≤$250**		**>$250 and ≤$1,000**			
$1 Million or Less	5	8.2%	4	6.6%	4	6.6%	**13**	**21.3%**
Greater than $1 Million/Unknown	29	47.5%	5	8.2%	14	23.0%	**48**	**78.7%**
TOTAL	**34**	**55.7%**	**9**	**14.8%**	**18**	**29.5%**	**61**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**87.9%**	
2016 CRA Aggregate Data							**43.1%**	

The bank's level of lending to small businesses is very poor. Of 61 small business loans reviewed, only 13 (21.3 percent) were made to small businesses with revenues of $1 million or less. This percentage of small business loans made to small businesses is substantially below assessment area demographics estimating that 87.9 percent of businesses in the assessment area had annual revenues of $1 million or less, and it is also well below the 2016 aggregate lending level to small businesses, 43.1 percent.

Geographic Distribution of Loans

As noted previously, the assessment area includes 53 low- and 53 moderate-income census tracts, representing 46.4 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans in the assessment area reflects poor penetration throughout the LMI census tracts. Despite excellent small business lending levels in LMI census tracts, LMI lending levels in the HMDA category, which carried the most weight, were poor. Furthermore, analysis of HMDA and small business loan dispersion in the assessment area revealed that a disproportionately low number of LMI geographies had loan activity, as compared to middle- and upper-income areas.

The following table displays the geographic distribution of 2016 HMDA loans compared to owner-occupied housing demographics and aggregate performance for the assessment area.

Distribution of Loans Inside Assessment Area by Geography Income Level
January 1, 2016 through December 31, 2016

	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	2	0.7%	11	3.9%	43	15.1%	228	80.3%	0	0.0%	**284**	**100%**
Refinance	3	3.6%	7	8.4%	9	10.8%	64	77.1%	0	0.0%	**83**	**100%**
Home Improvement	0	0.0%	0	0.0%	1	14.3%	6	85.7%	0	0.0%	**7**	**100%**
TOTAL HMDA	**5**	**1.3%**	**18**	**4.8%**	**53**	**14.2%**	**298**	**79.7%**	**0**	**0.0%**	**374**	**100%**
Owner-Occupied Housing	9.9%		19.0%		23.0%		48.1%		0.0%		**100%**	
2016 HMDA Aggregate	2.6%		7.7%		20.2%		69.5%		0.0%		**100%**	

The analysis of HMDA loans revealed poor lending performance to borrowers residing in low-income geographies. Of 374 HMDA loans reviewed, only 5 (1.3 percent) were made to borrowers residing in a low-income census tract, which is below the percentage of assessment area owner-occupied housing units located in low-income geographies (9.9 percent) and also below the aggregate lending level in low-income geographies (2.6 percent). Similarly, the bank's level of HMDA loans in moderate-income census tracts (4.8 percent) is also poor, as it is below the percentage of owner-occupied housing units in moderate-income geographies (19.0 percent), and also below the aggregate lending level of HMDA loans made in moderate-income geographies (7.7 percent). The low distribution of loans in LMI areas is further exacerbated by a substantial majority of the bank's HMDA loans made in upper-income census tracts (79.7 percent), well exceeding the owner-occupied housing percentage (48.1 percent) and aggregate lending level (69.5 percent) in upper-income geographies. Therefore, the bank's overall geographic distribution of HMDA lending activity is poor.

Second, the bank's geographic distribution of small business loans was reviewed. The following table displays 2016 small business loan activity by geography income level compared to the location of businesses throughout the bank's assessment area and 2016 small business aggregate data.

Distribution of Loans Inside Assessment Area by Geography Income Level
January 1, 2016 through December 31, 2016

	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	10	16.4%	9	14.8%	19	31.1%	23	37.7%	0	0.0%	**61**	**100%**
Business Institutions	10.4%		18.7%		21.2%		48.8%		0.9%		**100%**	
2016 Small Business Aggregate	7.8%		16.2%		18.1%		56.1%		1.8%		**100%**	

The bank's level of lending in low-income census tracts (16.4 percent) is well above the estimated percentage of businesses operating inside these census tracts (10.4 percent) and 2016 aggregate lending levels in low-income census tracts (7.8 percent); consequently, the bank's distribution of small business loans in low-income areas is excellent. The bank's percentage of loans in moderate-income census tracts (14.8 percent) is somewhat below the estimated percentage of small businesses in moderate-income census tracts (18.7 percent) and the 2016 aggregate lending percentage in moderate-income census tracts (16.2 percent); while the bank's performance in moderate-income areas is below demographic and aggregate lending data used for comparison, it still reflects reasonable performance. Therefore, driven primarily by excellent performance in the low-income category, the bank's overall geographic distribution of small business loans is excellent.

Lastly, based on reviews from both loan categories, the bank had loan activity in 110 of 228 (48.2 percent) assessment area census tracts. Furthermore, the percentage of LMI census tracts in the assessment area with loan activity (24 of 106, or 22.6 percent) was disproportionately low compared to middle- and upper-income geographies in the assessment area (86 of 117, or 73.5 percent), reflecting a poor distribution of loans. Such lending gaps in LMI areas are evident in the areas just south of two bank branches centrally located in Shelby County, reflecting a poor dispersion of lending activity in LMI areas.

Responses to Complaints

No CRA-related complaints were filed against the bank during this review period (September 8, 2014 through March 12, 2018).

COMMUNITY DEVELOPMENT TEST

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

During the review period, the bank made 22 community development loans totaling approximately $7.5 million. Of these loans, 18 were to a borrower that buys distressed properties in LMI areas for the purpose of improving these affordable housing units to be sold or rented to LMI households. Two loans supported elder care facilities where a majority of residents are LMI. The two remaining loans supported significant improvements to multifamily, affordable, and/or mixed-income housing developments located in low-income areas.

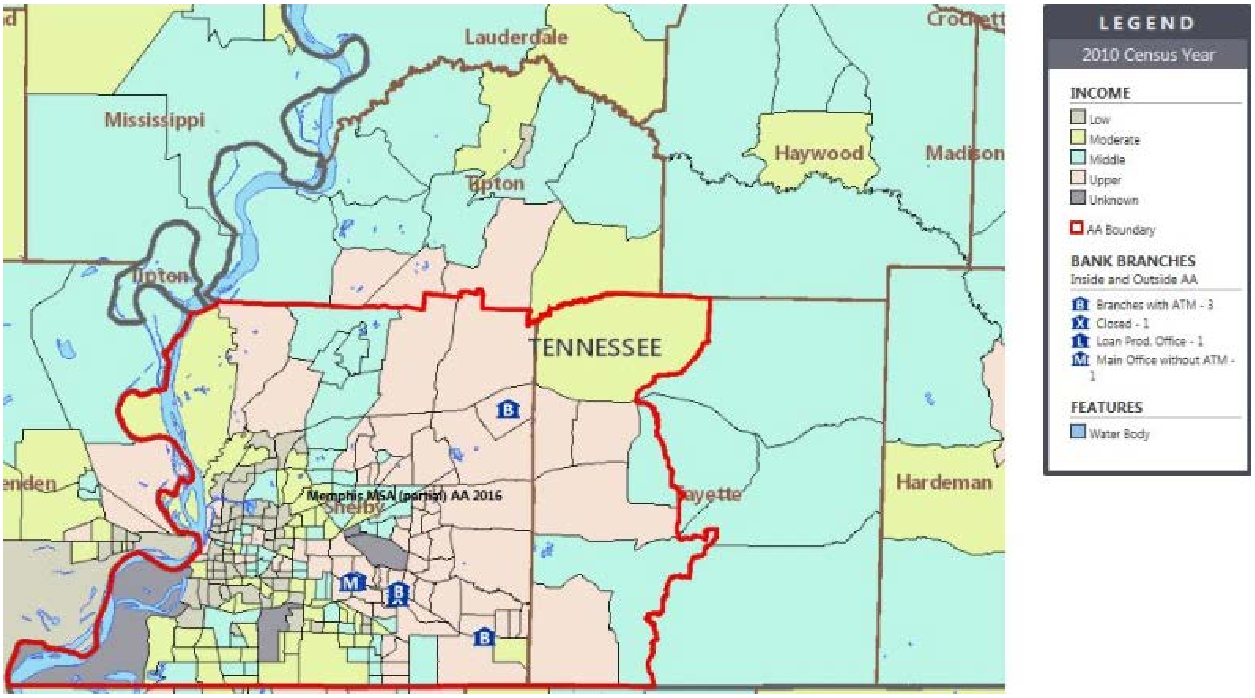
Community development investments made during the review period include the purchase of a $500,000 Federal National Mortgage Association bond; bond proceeds were used to make improvements to a mixed-income housing development located in a moderate-income geography. Secondly, the bank opened a $250,000 certificate of deposit account at a Memphis community development financial institution. In addition to these investments, the bank made numerous donations to various community development organizations in the assessment area totaling $93,609. Examples of key organizations benefitting from these donations include neighborhood community development corporations, schools, and related organizations tied to these schools, such as Boy Scouts of America, supporting community services to LMI individuals and revitalization/stabilization of LMI areas. Other examples include a health center providing low-cost services to LMI individuals and an agency supporting small business economic development of minority- and woman-owned businesses.

Lastly, 79 bank representatives provided 990 community development service hours benefiting 22 community development organizations in the assessment area. In addition to providing services to many of the same organizations receiving donations as previously described, bank personnel support the Triumph Community Development Foundation, which has a mission to support nonprofit entities in the Memphis area having a primary purpose in CRA community development. Other notable service examples include (1) fundraising, committee participation, and job coaching skills provided to an agency focusing on workforce development of LMI individuals; and (2) board meetings, budget meetings, and fund raising activities for a program working to support teachers and students in LMI areas.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

ASSESSMENT AREA DETAIL



GLOSSARY

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

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

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

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

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

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

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

Distressed nonmetropolitan middle-income geography: A middle-income, nonmetropolitan geography will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20 percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

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

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

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

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

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

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

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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