

## **PUBLIC DISCLOSURE**

May 7, 2012

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

**CapitalMark Bank & Trust  
801 Broad Street  
Chattanooga, Tennessee 37402**

**RSSD ID Number: 3560783**

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

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

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**INSTITUTION'S CRA RATING**

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

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The following table indicates the performance level of CapitalMark Bank &Trust (CapitalMark) with respect to the lending and community development tests.

PERFORMANCE LEVELS	<u>CapitalMark Bank &amp;Trust</u>	
	PERFORMANCE TESTS	
	Lending Test	Community Development Test
Outstanding		
Satisfactory	X	X
Needs to Improve		
Substantial Noncompliance		

\*\*Note: The lending test and the community development test are weighted equally when arriving at an overall rating.

Major factors supporting the institution's rating include:

- The average loan-to-deposit ratio is reasonable.
- A majority of the loans were made inside its assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The distribution of lending to borrowers of different income levels and businesses of different revenue sizes is reasonable.
- The level of community development loans, investments, and services reflects adequate responsiveness to community development needs in its assessment area.

## INSTITUTION

### SCOPE OF EXAMINATION

The CRA performance evaluation assesses the bank's record of meeting the credit needs of its community, including low- and moderate-income neighborhoods, within the context of information such as asset size and financial condition of the institution, competitive factors, as well as the economic and demographic characteristics of its defined assessment areas. CapitalMark's CRA performance evaluation was based on CRA activities within its assessment areas using the Interagency Intermediate Small Institution Examination Procedures. Currently, intermediate small banks are defined as banks with assets of at least \$290 million as of December 31 of both of the prior two calendar years and less than \$1.160 billion as of December 31 of either of the prior two calendar years. These thresholds are adjusted annually and published by the Board of Governors of the Federal Reserve System. Under these procedures, effective as of September 1, 2005, institutions meeting the threshold size are evaluated using two separately rated tests: a lending test, and a community development test that includes an evaluation of community development loans, investments, and services in light of community needs within its assessment areas and the capacity of the bank.

CapitalMark's CRA rating was determined by conducting a full-scope review on one of the bank's two assessment areas – Hamilton County in Tennessee. This assessment area was selected for full scope review because a majority of the bank's deposit and loan activity is in this assessment area. The bank's other assessment area, Knox County in Tennessee, was reviewed using limited-scope examination procedures and did not impact the overall CRA rating for the bank.

The lending test evaluation included an analysis of HMDA<sup>1</sup> and commercial loans originated from January 1, 2010 through December 31, 2011. For the purposes of the CRA, HMDA loans are those loans defined in the Federal Reserve Board's Regulation C. Commercial loans were also reviewed during this evaluation because they represent the bank's major product line. Commercial loans exceeded HMDA loans by both number of loans and dollar amount; therefore, commercial lending was given more weight than HMDA lending in evaluating the bank's lending test performance.

For the community development test, the evaluation included a review of qualified community development loans, investments, and services from May 5, 2008 through May 7, 2012. The CRA defines a community development activity as having a primary purpose of providing any of the following: affordable housing or community services for low- or moderate-income persons, economic development through the financing of small businesses, revitalizing or stabilizing low- or moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies that benefit the assessment area or a larger statewide or regional area that includes the assessment area.

As part of this evaluation, information from two community contacts was considered. The community contacts are local economic development representatives who are familiar with the economic and demographic characteristics as well as community development opportunities in the bank's assessment areas. Information obtained from these contacts was used to establish a context for the communities in which the bank operates and to gather information on the bank's performance. Specific information obtained from the community contacts is included in the applicable section of the evaluation for each assessment area.

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<sup>1</sup> Home mortgage loans are reported by institutions on the Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR). The register includes home purchase, refinance, home improvement, and multi-family loans originated and purchased by the institution

## DESCRIPTION OF INSTITUTION

CapitalMark is a community bank that was chartered in March 2007 as a member of the Federal Reserve System. The bank was formed without a holding company. The bank's assessment areas have not changed since the previous examination. For purposes of the CRA, CapitalMark has defined two assessment areas, which are listed below.

- Hamilton County, Tennessee – part of the Chattanooga, Tennessee-Georgia MSA
- Knox County, Tennessee – part of the Knoxville MSA

In addition, the bank's branch network also has not changed since the previous examination. CapitalMark is headquartered in Chattanooga, Tennessee. The bank operates two banking offices with ATM services and a stand-alone drive thru with a full-service ATM. The main office is located in downtown Chattanooga, Tennessee, in a middle-income census tract. The other branch is in Knoxville, Tennessee, in a low-income census tract.

CapitalMark's business strategy is to target small-to-mid-sized businesses and business owners in Hamilton and Knox counties. Many of the bank's loan customers and product lines tend to be larger and more complex than those of a typical community bank. As such, the bank's primary focus is commercial lending, which comprises the majority of its lending. However, the bank also offers traditional residential mortgages, adjustable rate mortgages, consumer purpose loans, and consumer lines of credit.

### Loan Portfolio

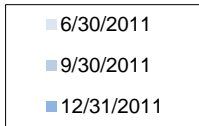
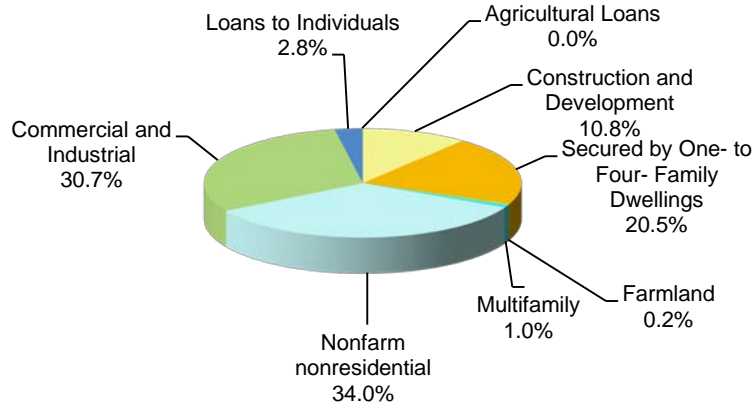
According to the December 31, 2011, Consolidated Reports of Condition and Income (Call Report), the bank's assets totaled \$662.1 million, which represents a significant increase (222.5 percent) since the previous CRA evaluation conducted on May 5, 2008, when the bank's asset size was \$205.3 million. Additionally, net loans and leases increased (103.2 percent) from \$174.2 million, to \$353.9 million and total deposits increased (229.7 percent) from \$173.8 million to \$573.0 million.

The following table and graphs show the composition of the loan portfolio according to the Consolidated Reports of Condition and Income.

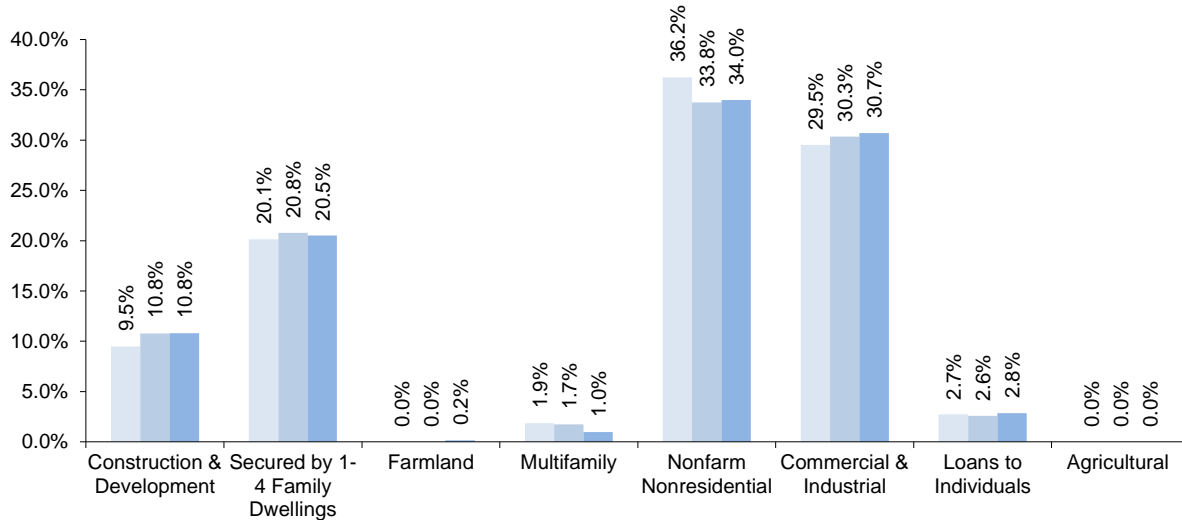
COMPOSITION OF LOAN PORTFOLIO						
Loan Type	12/31/2011		9/30/2011		6/30/2011	
	\$ (000s)	Percent	\$ (000s)	Percent	\$ (000s)	Percent
Construction and Development	39,292	10.8%	36,307	10.8%	30,310	9.5%
Secured by One- to Four- Family Dwellings	74,478	20.5%	69,961	20.8%	64,266	20.1%
Other Real Estate: Farmland	577	0.2%	0	0.0%	0	0.0%
Multifamily	3,588	1.0%	5,881	1.7%	5,928	1.9%
Nonfarm nonresidential	123,405	34.0%	113,601	33.8%	115,615	36.2%
Commercial and Industrial	111,458	30.7%	102,109	30.3%	94,222	29.5%
Loans to Individuals	10,346	2.8%	8,691	2.6%	8,718	2.7%
Agricultural Loans	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>\$363,144</b>	<b>100.00%</b>	<b>\$336,550</b>	<b>100.00%</b>	<b>\$319,059</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.

**Loan Portfolio  
 as of  
 12/31/2011**



**Loan Portfolio Trend**



As illustrated in the chart and tables above, the bank remains primarily focused on commercial real estate and commercial lending. Loans secured by nonfarm nonresidential property (34.0 percent) make up the largest percentage of the loan portfolio, followed by commercial and industrial loans (30.7 percent). Loans secured by one-to-four family dwellings (20.5 percent) also comprise a significant portion of the bank’s loan portfolio. While total loans have increased, the loan mix has not changed significantly.

CapitalMark complies with the requirements of the CRA. No known legal impediments exist that would restrict the bank from meeting the credit needs of its assessment areas. The bank received a “Satisfactory” rating at its previous evaluation conducted by the Federal Reserve Bank of Atlanta dated May 5, 2008, under the small bank examination procedures. This evaluation represents the bank’s second CRA examination since its inception in March 2007, and the first CRA examination as an intermediate small bank.

Loan-to-Deposit Ratio

The bank’s net average LTD ratio for the 16 quarters ending December 31, 2011, was 86.7 percent, which is considered reasonable given the bank’s size, financial condition, and assessment area credit needs. The bank’s LTD ratio ranged from a high of 100.3 percent as of March 31, 2008, to a low of 62.6 percent as of December 31, 2011. The bank’s average LTD ratio was compared to the average LTD ratios of eight other financial institutions of similar asset size with branch offices in the assessment area. The average LTD ratios for these eight financial institutions ranged from 68.8 percent to 97.5 percent.

Assessment Area Concentration

The bank originated a majority of its loans in its assessment areas.

**Lending Inside and Outside the Assessment Area**

Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Improvement	3	75.0	\$292	85.4	1	25.0	\$50	14.6
Home Purchase - Conventional	17	89.5	\$5,181	94.2	2	10.5	\$321	5.8
Refinancing	81	61.4	\$18,168	61.2	51	38.6	\$11,504	38.8
<b>Total HMDA related</b>	<b>101</b>	<b>65.2</b>	<b>\$23,641</b>	<b>66.6</b>	<b>54</b>	<b>34.8</b>	<b>\$11,875</b>	<b>33.4</b>
Small Business	216	86.7	\$49,950	84.8	33	13.3	\$8,935	15.2
<b>Total Small Bus. related</b>	<b>216</b>	<b>86.7</b>	<b>\$49,950</b>	<b>84.8</b>	<b>33</b>	<b>13.3</b>	<b>\$8,935</b>	<b>15.2</b>
<b>TOTAL LOANS</b>	<b>317</b>	<b>78.5</b>	<b>\$73,591</b>	<b>78.0</b>	<b>87</b>	<b>21.5</b>	<b>\$20,810</b>	<b>22.0</b>

Note: Affiliate loans not included

As shown above, the commercial loan sample indicated that 86.7 percent (by number) and 84.8 percent (by dollar amount) were originated within the assessment areas. Furthermore, the HMDA data indicates that 65.2 percent (by number) and 66.6 percent (by amount) of the bank’s HMDA loans were originated in the assessment areas. This level of lending within the assessment area demonstrates the bank’s willingness to originate loans that meet the credit needs of its assessment areas.

**METROPOLITAN AREA - FULL-SCOPE REVIEW**

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE HAMILTON COUNTY ASSESSMENT AREA**

Overview

The assessment area includes all of Hamilton County and is part of the Chattanooga, Tennessee-Georgia MSA. CapitalMark’s performance in the Hamilton County assessment area was evaluated using full-scope examination procedures. The bank’s main office and a remote drive-thru facility, both of which have ATMs, are located in this assessment area. Of the 216 commercial loans used in the analysis, 191 (88.4 percent) by number volume and \$45.1 million (92.4 percent) by dollar volume were in the Hamilton County assessment area. Additionally, of the 101 HMDA loans used in the analysis, 96 (95.1 percent) by number volume and \$21.9 million (92.4 percent) by dollar volume were also in this assessment area.

Population Information

According to the 2000 census, the population of the Hamilton County assessment area was 307,896, which represented 64.6 percent of the Chattanooga MSA population of 476,531, and 5.4 percent of the state of Tennessee population of 5,689,283. The Chattanooga MSA, which includes Hamilton, Marion, and Sequatchie Counties in Tennessee and Catoosa, Dade, and Walker Counties in Georgia, grew from 476,531 people as of the 2000 census, to 529,222 people as of the 2010 census, representing a 9 percent increase from 2000 to 2010.<sup>2</sup> The state experienced faster growth than both the MSA and the assessment area between 2000 and 2010. The estimated population of the assessment area in 2010 was 336,463 representing about 9.3 percent growth since 2000, while the population of the state grew by about 11.5 percent to 6,346,105.<sup>3</sup>

Income Characteristics

For purposes of classifying borrower income, this evaluation uses the Department of Housing and Urban Development’s (HUD) estimated median family income for the relevant area. The following table sets forth the estimated median family income for years 2010 and 2011 for the Chattanooga Multi-State MSA. The table also provides a range of the estimated annual family income for each income category (low, moderate, middle, and upper).

The median family income for the Chattanooga Multi-State MSA was \$55,900 and \$57,000 for 2010 and 2011, respectively. According to the 2000 census data, there were 84,284 families in the assessment area. Of those families, 18.4 percent were low-income, 16.4 percent were moderate-income, 21.0 percent were middle-income, and 44.2 percent were upper-income. Of the total families, 9.2 percent had incomes below the poverty level.

**Borrower Income Levels  
Chattanooga Multi-State MSA**

HUD Estimated Median Family Income	Low	Moderate	Middle	Upper
	0 - 49.99%	50% - 79.99%	80% - 119.99%	120% - & above
<b>2010   \$55,900</b>	0 - \$27,949	\$27,950 - \$44,719	\$44,720 - \$67,079	\$67,080 - & above
<b>2011   \$57,000</b>	0 - \$28,499	\$28,500 - \$45,599	\$45,600 - \$68,399	\$68,400 - & above

Demographic Data by Census Tracts

<sup>2</sup> American FactFinder. United States Census Bureau. Retrieved June 2012

<sup>3</sup> American FactFinder. United States Census Bureau. Retrieved June 2012



The Hamilton County assessment area consists of 69 census tracts. Of these census tracts, 6 (8.7 percent) are low-income census tracts, 14 (20.3 percent) are moderate-income census tracts, 30 (43.5 percent) are middle-income census tracts, and 19 (27.5 percent) are upper-income census tracts.

### Housing Characteristics

According to the U.S. Department of Housing and Urban Development, the housing sales market in the Chattanooga metropolitan area is soft, because the local economy is still recovering from the recession. As of July 1, 2011, the estimated sales vacancy rate was 2.8 percent compared with the 2.9 percent rate recorded by the 2010 Census. Home sales estimates, including foreclosures and short sales, declined to about 25 percent of total sales in the area during the past 12 months. As a result, the average home sales price in the area increased 4 percent to \$158,100 during the 12 months ending June 2011, compared with prices during the previous 12 months. The number of home building permits has decreased in the last 12 months (18 percent fewer than the prior year). Overall rental housing market conditions in the metropolitan area are soft as well, but improving because of job growth. The overall rental vacancy rate as of July 1, 2011, is estimated to be 9.3 percent, less than rental vacancy rate at 10 percent according to the 2010 Census. Apartments comprise about two-thirds of the rental market in the metropolitan area. The average apartment rent in the area was \$702 in January 2011, up nearly 7 percent from the average in January 2010. Average rents in the area for one-, two-, and three-bedroom apartment units are \$594, \$747, and \$900, respectively.<sup>4</sup>

Based on the 2000 census, the Hamilton County assessment area contains 134,692 total housing units. 60.9 percent are owner-occupied, 31.5 percent are rental units, and 7.6 percent are vacant units. The median age of housing in the assessment area was 30 years, compared to a median age of 25 for the entire state. The age of the area's housing stock shows a potential need for home improvement lending in the area. The median value of housing units in 2000 was \$92,991, which was approximately 5.3 percent higher than the median housing value for the state of Tennessee at \$88,300. The housing affordability ratio for the assessment area is 42. The affordability ratio is defined as the median household income divided by the median housing value. A higher ratio means the housing is considered more affordable while a lower ratio means the housing is considered less affordable. By comparison, the affordability ratio for the state of Tennessee is 41. Therefore, housing in the assessment area is slightly more affordable than the state of Tennessee as a whole.

### Employment Statistics

The Chattanooga MSA economy is largely based on the government, trade, manufacturing, and education and health services sectors. The new \$1 billion Volkswagen Group of America, Inc. assembly plant that opened in May 2011 has had many positive effects on the local economy. Although nonfarm employment growth has been slow, at 0.4 percent a year since 2000, the Volkswagen plant will add 800 jobs by the end of 2012, ramping up its workforce to 3,500 workers in the Chattanooga plant.<sup>5</sup>

One of the nation's oldest manufacturing cities, Chattanooga's employment in that sector has decreased slightly in recent years to 16.5 percent. Increases have occurred in information, financial activities, and professional and business services. In addition, Chattanooga has experienced a modest growth trend in transportation, trade, and utilities. As a whole, the city is a diversified business location with no single dominant industry.<sup>6</sup>

According to the latest Regional Economic Information Systems (REIS) data available (2009), total employment in the assessment area was 234,747, which mainly consisted of industries including government and government enterprises (12.1 percent), health care and social assistance (10.7 percent), retail trade (9.6

<sup>4</sup> U. S. Department of Housing and Urban Development. U.S. Housing Market Conditions – Housing Market Profile. [www.huduser.org](http://www.huduser.org). Retrieved July 2012.

<sup>5</sup> Times Free Press. VW Adds Jobs in Chattanooga. [www.timesfreepress.com/news/2012/mar/22/vw-adds-jobs](http://www.timesfreepress.com/news/2012/mar/22/vw-adds-jobs). Retrieved July 2012.

<sup>6</sup> U. S. Department of Housing and Urban Development. Comprehensive Housing Market Analysis. [www.huduser.org](http://www.huduser.org). Retrieved June 2012.

percent), and manufacturing (9.2 percent). According to the bank, the Chattanooga job market has remained somewhat stable due to the Volkswagen plant, and the expansion of the Amazon.com distribution centers in Chattanooga and Cleveland, Tennessee.

According to the U.S. Department of Housing and Urban Development, the top five largest employers in the city are Hamilton County Department of Education, BlueCross Blue Shield, McKee Foods Corporation, UnumProvident Corporation, and Memorial Health Care System.<sup>7</sup>

The following table shows the unemployment rates percentages for the Hamilton County assessment area, the Chattanooga MSA, and the state of Tennessee for the years 2010 and 2011.

**Unemployment Rates**

Assessment Area: Hamilton

Area	Years - Annualized	
	2010	2011
Hamilton Co.	8.6	8.2
Chattanooga MSA	8.8	8.3
<b>Tennessee</b>	<b>9.8</b>	<b>9.2</b>

Not Seasonally Adjusted

Source: Bureau of Labor Statistics

Unemployment rates in the Hamilton County assessment area and in the Chattanooga MSA are lower than the state of Tennessee overall, and show a declining trend overall from 2010 to 2011.

Competition

The bank operates in a competitive market. According to the FDIC Market Share Report, as of June 30, 2011, there are 16 other financial institutions in the Hamilton County assessment area operating 114 branches. With \$363.5 million in deposits, CapitalMark ranked 5<sup>th</sup> in deposit market share among the competing financial institutions in the assessment area. This represented approximately 5.6 percent of the deposit market share in Hamilton County. The number of branches operated by a single financial institution in the assessment area ranged from one to 29 branches. Credit products and deposit services are highly competitive with large regional and national banks leading the competition; however, CapitalMark has been able to remain competitive while only holding a small portion of the market share.

Community Contacts

A community contact in the Hamilton County assessment area was performed in conjunction with this examination. The contact indicated a need for financing for start-up businesses. The contact stated that because of today's economy, local banks have been less willing to provide funding. Therefore, individuals interested in starting their own business have very limited access to capital. The contact believes that providing start-up capital to small businesses would stimulate job creation and greatly benefit the local economy.

<sup>7</sup> U. S. Department of Housing and Urban Development. Comprehensive Housing Market Analysis. [www.huduser.org](http://www.huduser.org). Retrieved June 2012

Assessment Area Demographics

The following table provides demographic characteristics of the bank's assessment area based on the 2000 U.S. Census data used to analyze the bank's CRA performance. Certain components of the data in the table are discussed in this evaluation as they apply to specific parts of the analysis.

**Assessment Area Demographics**

Assessment Area: Hamilton

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	6	8.7	4,284	5.1	1,911	44.6	15,536	18.4	
Moderate-income	14	20.3	9,495	11.3	1,939	20.4	13,824	16.4	
Middle-income	30	43.5	40,055	47.5	2,808	7.0	17,687	21.0	
Upper-income	19	27.5	30,450	36.1	1,079	3.5	37,237	44.2	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
<b>Total Assessment Area</b>	<b>69</b>	<b>100.0</b>	<b>84,284</b>	<b>100.0</b>	<b>7,737</b>	<b>9.2</b>	<b>84,284</b>	<b>100.0</b>	
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>							
		<b>Owner-Occupied</b>			<b>Rental</b>		<b>Vacant</b>		
		#	%	%	#	%	#	%	
Low-income	8,796	1,863	2.3	21.2	5,775	65.7	1,158	13.2	
Moderate-income	17,186	8,342	10.2	48.5	6,590	38.3	2,254	13.1	
Middle-income	66,275	40,014	48.8	60.4	21,675	32.7	4,586	6.9	
Upper-income	42,435	31,836	38.8	75.0	8,349	19.7	2,250	5.3	
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0	
<b>Total Assessment Area</b>	<b>134,692</b>	<b>82,055</b>	<b>100.0</b>	<b>60.9</b>	<b>42,389</b>	<b>31.5</b>	<b>10,248</b>	<b>7.6</b>	
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>							
		<b>Less Than or = \$1 Million</b>			<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		#	%	#	%	#	%	#	%
Low-income	921	5.4	732	4.8	125	10.8	64	7.6	
Moderate-income	2,211	12.9	1,851	12.2	256	22.2	104	12.3	
Middle-income	9,071	52.9	7,926	52.3	629	54.5	516	61.2	
Upper-income	4,956	28.9	4,653	30.7	144	12.5	159	18.9	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
<b>Total Assessment Area</b>	<b>17,159</b>	<b>100.0</b>	<b>15,162</b>	<b>100.0</b>	<b>1,154</b>	<b>100.0</b>	<b>843</b>	<b>100.0</b>	
	<b>Percentage of Total Businesses:</b>			<b>88.4</b>		<b>6.7</b>		<b>4.9</b>	

Based on 2000 Census Information

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**  
**LENDING TEST**

Overview

As mentioned previously, an analysis of the HMDA loan originations and a sample of commercial loans originated from January 1, 2010 through December 31, 2011 was performed. For the lending test analysis, 191 (66.5 percent) commercial loans and 96 (33.5 percent) HMDA loans were reviewed in the Hamilton County assessment area. Since commercial loans represented the higher lending volume in the assessment area, commercial lending was given greater consideration in determining the bank’s lending test rating.

Loan-to-Deposit Ratio (LTD) Commercial Lending

The following table illustrates the geographic distribution of the commercial loan sample in the Hamilton County assessment area compared to the geographic distribution of businesses in the area.

**Geographic Distribution of Commercial Loans**

Assessment Area: Hamilton

Tract Income Levels	Bank Lending & Demographic Data Comparison				
	2010, 2011				
	Bank				Small Businesses
	Count		Dollar		%
	#	%	\$ (000s)	\$ %	%
Low	12	6.3%	\$5,488	12.2%	4.8%
Moderate	28	14.7%	\$4,967	11.0%	12.2%
Middle	104	54.5%	\$25,020	55.5%	52.3%
Upper	47	24.6%	\$9,619	21.3%	30.7%
Unknown	0	0.0%	\$0	0.0%	0.0%
Tr Unknown	0	0.0%	\$0	0.0%	0.0%
<i>Total</i>	<i>191</i>	<i>100.0%</i>	<i>\$45,093</i>	<i>100.0%</i>	<i>100.0%</i>

Originations & Purchases

The geographic distribution of commercial loans reflects excellent dispersion throughout the assessment area. Of the 191 commercial loans sampled in the Hamilton County assessment area, 6.3 percent were extended to businesses in low-income census tracts, which is greater than the 4.8 percent of small businesses located in low-income census tracts. Additionally, the bank originated 14.7 percent of its commercial loans in moderate-income census tracts, which is greater than the 12.2 percent of the area’s businesses that are located in moderate-income census tracts.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

For this analysis, the distribution of HMDA and commercial lending by borrower income and business revenue size was compared with available demographic information; the distribution of HMDA lending was also compared to aggregate lending data. Performance context issues including the economic climate, business strategies, and information from the community contact were also taken into consideration.

Based on the following analysis, the overall distribution of CapitalMark’s HMDA and commercial lending by borrower income and business revenue reflects reasonable dispersion throughout the assessment area. As previously mentioned, because commercial lending is the bank’s primary loan product and comprises a substantial majority of the bank’s loan portfolio, greater consideration was given to commercial lending in the evaluation.

Residential Real Estate (HMDA) Lending

The following table shows the distribution of the bank's HMDA-reportable loans by the income level of the borrowers. The aggregate lending comparison for 2010 is also included.

**Borrower Distribution of HMDA Loans**

Assessment Area: Hamilton

PRODUCT TYPE	Borrower Income Levels	Bank Lending & Demographic Data Comparison					Bank & Aggregate Lending Comparison					
		2010, 2011					2010					
		Bank		Families by Family Income		Count		Dollar				
		Count	Dollar	%	%	Bank	Agg	Bank	Agg	Agg		
#	%	\$ (000s)	\$ %	%	#	%	%	\$ (000s)	\$ %	\$ %		
HOME PURCHASE	Low	1	6.3%	\$56	1.2%	18.4%	1	10.0%	8.3%	\$56	1.9%	4.4%
	Moderate	0	0.0%	\$0	0.0%	16.4%	0	0.0%	24.5%	\$0	0.0%	17.4%
	Middle	3	18.8%	\$471	9.8%	21.0%	2	20.0%	21.2%	\$222	7.5%	19.6%
	Upper	11	68.8%	\$4,052	84.3%	44.2%	7	70.0%	35.3%	\$2,678	90.6%	47.7%
	Unknown	1	6.3%	\$226	4.7%	0.0%	0	0.0%	10.7%	\$0	0.0%	10.9%
	<i>Total</i>	16	100.0%	\$4,805	100.0%	100.0%	10	100.0%	100.0%	\$2,956	100.0%	100.0%
REFINANCE	Low	0	0.0%	\$0	0.0%	18.4%	0	0.0%	3.8%	\$0	0.0%	2.0%
	Moderate	1	1.3%	\$282	1.7%	16.4%	0	0.0%	14.1%	\$0	0.0%	9.4%
	Middle	1	1.3%	\$159	0.9%	21.0%	0	0.0%	18.4%	\$0	0.0%	14.7%
	Upper	28	36.4%	\$5,279	31.5%	44.2%	11	29.7%	41.8%	\$2,832	33.7%	50.7%
	Unknown	47	61.0%	\$11,038	65.9%	0.0%	26	70.3%	22.0%	\$5,572	66.3%	23.3%
	<i>Total</i>	77	100.0%	\$16,758	100.0%	100.0%	37	100.0%	100.0%	\$8,404	100.0%	100.0%
HOME IMPROVEMENT	Low	0	0.0%	\$0	0.0%	18.4%	0	0.0%	10.9%	\$0	0.0%	2.2%
	Moderate	0	0.0%	\$0	0.0%	16.4%	0	0.0%	17.5%	\$0	0.0%	8.9%
	Middle	0	0.0%	\$0	0.0%	21.0%	0	0.0%	23.4%	\$0	0.0%	18.2%
	Upper	2	66.7%	\$175	59.9%	44.2%	1	100.0%	34.3%	\$90	100.0%	45.2%
	Unknown	1	33.3%	\$117	40.1%	0.0%	0	0.0%	13.9%	\$0	0.0%	25.5%
	<i>Total</i>	3	100.0%	\$292	100.0%	100.0%	1	100.0%	100.0%	\$90	100.0%	100.0%
MULTI FAMILY	Low	0	0.0%	\$0	0.0%	18.4%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Moderate	0	0.0%	\$0	0.0%	16.4%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Middle	0	0.0%	\$0	0.0%	21.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Upper	0	0.0%	\$0	0.0%	44.2%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	100.0%	\$0	0.0%	100.0%
	<i>Total</i>	0	0.0%	\$0	0.0%	100.0%	0	0.0%	100.0%	\$0	0.0%	100.0%
HMDA TOTALS	Low	1	1.0%	\$56	0.3%	18.4%	1	2.1%	5.8%	\$56	0.5%	2.8%
	Moderate	1	1.0%	\$282	1.3%	16.4%	0	0.0%	18.3%	\$0	0.0%	11.9%
	Middle	4	4.2%	\$630	2.9%	21.0%	2	4.2%	19.6%	\$222	1.9%	15.8%
	Upper	41	42.7%	\$9,506	43.5%	44.2%	19	39.6%	38.9%	\$5,600	48.9%	46.7%
	Unknown	49	51.0%	\$11,381	52.1%	0.0%	26	54.2%	17.4%	\$5,572	48.7%	22.9%
	<i>Total</i>	96	100.0%	\$21,855	100.0%	100.0%	48	100.0%	100.0%	\$11,450	100.0%	100.0%

Originations & Purchases

HMDA lending by borrower income in the Hamilton assessment area is considered poor when compared to the demographic characteristics of the community, as well as the performance of aggregate HMDA lenders with loan originations or purchases in the assessment area. The volume of the specific loan products was also considered.

CapitalMark originated only one loan each to a low- and moderate-income borrower during the review period. Aggregate lenders were able to originate loans at an adequate level to low- and moderate-income borrowers in the assessment area, indicating available lending opportunities.

Commercial Lending

For this analysis, the distribution of commercial lending across business revenue size was compared with available demographic information. The following table shows, by loan size and business revenue, the number and dollar volume of the commercial loans sampled for the review period.

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

Assessment Area: Hamilton

Business Revenue & Loan Size		Bank Lending & Demographic Data Comparison				
		2010, 2011				
		Bank		Total		Businesses
Count		\$ (000s)		%		
		#	%		\$	%
BUSINESS REVENUE	\$1million or Less	90	47.1%	\$19,062	42.3%	88.4%
	Over \$1 Million	66	34.6%	\$15,860	35.2%	6.7%
	<i>Total where Rev is available</i>	156	81.7%	\$34,922	77.5%	95.1%
	Rev. Not Known	35	18.3%	\$10,171	22.6%	4.9%
	<i>Total</i>	<i>191</i>	<i>100.0%</i>	<i>\$45,093</i>	<i>100.0%</i>	<i>100.0%</i>
LOAN SIZE	\$100,000 or Less	84	44.0%	3,434	7.6%	
	\$100,001 - \$250,000	48	25.1%	7,483	16.6%	
	\$250,000 - \$1 Million	59	30.9%	34,176	75.8%	
	Over \$1 Million	0	0.0%	0	0.0%	
	<i>Total</i>	<i>191</i>	<i>100.0%</i>	<i>45,093</i>	<i>100.0%</i>	
LOAN SIZE Rev \$1 Mill or Less	\$100,000 or Less	41	45.6%	1,743	9.1%	
	\$100,001 - \$250,000	24	26.7%	3,648	19.1%	
	\$250,000 - \$1 Million	25	27.8%	13,671	71.7%	
	Over \$1 Million	0	0.0%	0	0.0%	
	<i>Total</i>	<i>90</i>	<i>100.0%</i>	<i>19,062</i>	<i>100.0%</i>	

Originations & Purchases

Of the 191 commercial loans included in the analysis, 156 had revenue information available. Of those 156 loans, 57.7 percent were extended to businesses with revenues of \$1 million or less, which is less than the percentage of businesses in the Hamilton County assessment area at 88.4 percent. It is significant to note that 44.0 percent of the bank’s commercial loans were in amounts of \$100,000 or less, and 69.1 percent were in amounts of \$250,000 or less, indicating the bank’s willingness to make loans in smaller dollar amounts to meet the needs of the small businesses in the community. According to bank management, the bank does limited advertisements for its credit products. As such, a vast majority of its commercial loans are from referrals, community involvement, or previous banking relationships. These factors may have attributed to the disparity between the bank’s lending to small businesses and comparable demographic data. Overall, CapitalMark’s commercial lending by business revenue reflects reasonable dispersion throughout the assessment area.

COMMUNITY DEVELOPMENT TEST

Overview

CapitalMark’s performance under the community development test is rated satisfactory. The bank’s 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 for community development in the assessment area. In evaluating the bank’s community development

performance, consideration was given to the level of competition in the assessment area, as well as the bank's relatively short time in the market.

CapitalMark has approximately \$2.2 million in qualified investments, which is considered adequate in relation to the bank's capacity and the need and availability of qualified investments in its assessment area. The bank's investments include support for affordable housing, small business and economic development, and community services for low- and moderate-income people. Bank employees also used their financial expertise to provide services that benefit low-and moderate-income residents in the Hamilton County assessment area. Community development services were provided to 7 organizations and included approximately 144 hours.

**METROPOLITAN AREA - LIMITED-SCOPE REVIEW**  
**Knox County, Tennessee**

The following assessment area was reviewed using limited-scope examination procedures. Through these procedures, conclusions regarding the institution's CRA performance are drawn from the review of available facts and data, including performance and demographic information. The limited-scope review revealed the bank's CRA performance in this assessment area is not consistent with the area that received a full-scope review. Please refer to the tables in Appendix B for additional information regarding the area. The following table compares assessment areas reviewed using limited-scope examination procedures to the bank's overall performance.

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE KNOX COUNTY ASSESSMENT AREA**

Description of Assessment Area

The assessment area is comprised of Knox County, which makes up a portion of the Knoxville, Tennessee MSA. The assessment area includes 83 census tracts; 15 (18.1 percent) are low-income, 18 (21.7 percent) are moderate-income, 30 (36.1 percent) are middle-income, and 19 (22.9 percent) are upper-income. Of total families, 19.4 percent are low-income, 16.8 percent are moderate-income, 20.6 percent are middle-income, and 43.1 percent are upper-income. The 2000 census indicates the area population was 382,032.

The bank has a very small presence in this assessment area. One office and one ATM are located in the Knox County assessment area, representing 50.0 percent of the bank's total branch network. The FDIC Deposit Market Share report from June 30, 2011 shows there were 36 other banks operating 159 offices in the assessment area, and CapitalMark had 0.63 percent of the deposit market share.

Conclusions with Respect to Performance Tests

The review included 5 HMDA loans and a sample of 25 commercial loans originated or renewed during the review period. The bank's performance with regard to the level and distribution of lending in the Knox County assessment area was less than and consequently inconsistent with the bank's overall performance. Also, the bank's community development performance in the Knox County assessment area was less than the bank's overall performance. The bank's small and recent presence in this area, along with the highly competitive market in which it operates, may account for this disparity. Demographic and lending data can be found in Appendix B.

<b>Performance for Limited-Scope Review Metropolitan Assessment Areas</b>		
<b>Assessment Area</b>	<b>Lending Test</b>	<b>Community Development Test</b>
<b>Knox County</b>	Below	Below



FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of prohibited discrimination or the use of illegal credit practices was noted during the examination. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations.

**APPENDIX A**

<b>SCOPE OF EXAMINATION</b>			
<b>TIME PERIOD REVIEWED</b>			
January 1, 2010 through December 31, 2011 – Lending Test			
May 5, 2008 through May 7, 2012 - Community Development Test			
<b>FINANCIAL INSTITUTION</b>			<b>PRODUCTS REVIEWED</b>
CapitalMark Bank & Trust			HMDA and Commercial loans
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>	<b>PRODUCTS REVIEWED</b>	
N/A	N/A	N/A	
<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>
Hamilton County	Full-scope Review	801 Broad Street	N/A
Knox County	Limited-scope Review	N/A	N/A

APPENDIX B – DEMOGRAPHIC, GEOGRAPHIC, AND BORROWER DISTRIBUTION TABLES  
(Knox County, Tennessee)

Assessment Area Demographics

Assessment Area: Knox

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	15	18.1	7,629	7.6	2,670	35.0	19,608	19.4
Moderate-income	18	21.7	13,411	13.3	1,956	14.6	16,978	16.8
Middle-income	30	36.1	48,712	48.3	3,014	6.2	20,791	20.6
Upper-income	19	22.9	31,157	30.9	800	2.6	43,532	43.1
Unknown-income	1	1.2	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>83</b>	<b>100.0</b>	<b>100,909</b>	<b>100.0</b>	<b>8,440</b>	<b>8.4</b>	<b>100,909</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	18,096	5,061	4.8	28.0	10,587	58.5	2,448	13.5
Moderate-income	29,352	13,284	12.6	45.3	12,916	44.0	3,152	10.7
Middle-income	76,623	52,491	49.7	68.5	18,881	24.6	5,251	6.9
Upper-income	47,368	34,758	32.9	73.4	9,894	20.9	2,716	5.7
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>171,439</b>	<b>105,594</b>	<b>100.0</b>	<b>61.6</b>	<b>52,278</b>	<b>30.5</b>	<b>13,567</b>	<b>7.9</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	2,208	11.0	1,769	10.0	262	18.6	177	16.9
Moderate-income	2,754	13.7	2,363	13.4	206	14.6	185	17.7
Middle-income	7,500	37.2	6,774	38.3	431	30.6	295	28.1
Upper-income	7,691	38.2	6,789	38.4	511	36.2	391	37.3
Unknown-income	5	0.0	5	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>20,158</b>	<b>100.0</b>	<b>17,700</b>	<b>100.0</b>	<b>1,410</b>	<b>100.0</b>	<b>1,048</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>87.8</b>		<b>7.0</b>		<b>5.2</b>

Based on 2000 Census Information.

APPENDIX B – DEMOGRAPHIC, GEOGRAPHIC, AND BORROWER DISTRIBUTION TABLES  
(Knox County, Tennessee) - Continued

Geographic Distribution of HMDA Loans

Assessment Area: Knox

PRODUCT TYPE	Tract Income Levels	Bank Lending & Demographic Data Comparison 2010, 2011					Bank & Aggregate Lending Comparison 2010					
		Bank				Owner Occupied Units %	Count			Dollar		
		Count		Dollar			Bank #	Agg %	Bank		Agg \$ %	
		#	%	\$ (000s)	\$ %	#			%	\$ (000s)		\$ %
HOME PURCHASE	Low	0	0.0%	\$0	0.0%	4.8%	0	0.0%	2.6%	\$0	0.0%	1.7%
	Moderate	0	0.0%	\$0	0.0%	12.6%	0	0.0%	9.9%	\$0	0.0%	5.9%
	Middle	0	0.0%	\$0	0.0%	49.7%	0	0.0%	47.0%	\$0	0.0%	39.3%
	Upper	1	100.0%	\$376	100.0%	32.9%	1	100.0%	40.5%	\$376	100.0%	53.0%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	<i>Total</i>	<i>1</i>	<i>100.0%</i>	<i>\$376</i>	<i>100.0%</i>	<i>100.0%</i>	<i>1</i>	<i>100.0%</i>	<i>100.0%</i>	<i>\$376</i>	<i>100.0%</i>	<i>100.0%</i>
REFINANCE	Low	0	0.0%	\$0	0.0%	4.8%	0	0.0%	1.7%	\$0	0.0%	1.1%
	Moderate	0	0.0%	\$0	0.0%	12.6%	0	0.0%	6.8%	\$0	0.0%	4.1%
	Middle	0	0.0%	\$0	0.0%	49.7%	0	0.0%	43.4%	\$0	0.0%	35.3%
	Upper	4	100.0%	\$1,410	100.0%	32.9%	2	100.0%	48.1%	\$980	100.0%	59.5%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	<i>Total</i>	<i>4</i>	<i>100.0%</i>	<i>\$1,410</i>	<i>100.0%</i>	<i>100.0%</i>	<i>2</i>	<i>100.0%</i>	<i>100.0%</i>	<i>\$980</i>	<i>100.0%</i>	<i>100.0%</i>
HOME IMPROVEMENT	Low	0	0.0%	\$0	0.0%	4.8%	0	0.0%	4.1%	\$0	0.0%	2.3%
	Moderate	0	0.0%	\$0	0.0%	12.6%	0	0.0%	11.7%	\$0	0.0%	6.2%
	Middle	0	0.0%	\$0	0.0%	49.7%	0	0.0%	48.7%	\$0	0.0%	36.6%
	Upper	0	0.0%	\$0	0.0%	32.9%	0	0.0%	35.5%	\$0	0.0%	54.9%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	<i>Total</i>	<i>0</i>	<i>0.0%</i>	<i>\$0</i>	<i>0.0%</i>	<i>100.0%</i>	<i>0</i>	<i>0.0%</i>	<i>100.0%</i>	<i>\$0</i>	<i>0.0%</i>	<i>100.0%</i>
MULTI FAMILY				Multi-Family Units								
	Low	0	0.0%	\$0	0.0%	22.6%	0	0.0%	20.0%	\$0	0.0%	7.7%
	Moderate	0	0.0%	\$0	0.0%	25.8%	0	0.0%	30.0%	\$0	0.0%	11.1%
	Middle	0	0.0%	\$0	0.0%	29.3%	0	0.0%	45.0%	\$0	0.0%	80.1%
	Upper	0	0.0%	\$0	0.0%	22.3%	0	0.0%	5.0%	\$0	0.0%	1.2%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
<i>Total</i>	<i>0</i>	<i>0.0%</i>	<i>\$0</i>	<i>0.0%</i>	<i>100.0%</i>	<i>0</i>	<i>0.0%</i>	<i>100.0%</i>	<i>\$0</i>	<i>0.0%</i>	<i>100.0%</i>	
HMDA TOTALS	Low	0	0.0%	\$0	0.0%	4.8%	0	0.0%	2.1%	\$0	0.0%	1.4%
	Moderate	0	0.0%	\$0	0.0%	12.6%	0	0.0%	8.0%	\$0	0.0%	4.8%
	Middle	0	0.0%	\$0	0.0%	49.7%	0	0.0%	44.8%	\$0	0.0%	37.2%
	Upper	5	100.0%	\$1,786	100.0%	32.9%	3	100.0%	45.0%	\$1,356	100.0%	56.6%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	<i>Total</i>	<i>5</i>	<i>100.0%</i>	<i>\$1,786</i>	<i>100.0%</i>	<i>100.0%</i>	<i>3</i>	<i>100.0%</i>	<i>100.0%</i>	<i>\$1,356</i>	<i>100.0%</i>	<i>100.0%</i>

Originations & Purchases

APPENDIX B – DEMOGRAPHIC, GEOGRAPHIC, AND BORROWER DISTRIBUTION TABLES  
(Knox County, Tennessee) - Continued

Borrower Distribution of HMDA Loans

Assessment Area: Knox

PRODUCT TYPE	Borrower Income Levels	Bank Lending & Demographic Data Comparison					Bank & Aggregate Lending Comparison					
		2010, 2011					2010					
		Bank		Dollar		Families by Family Income	Count			Dollar		
		Count					Bank	Agg		Bank	Agg	
#	%	\$ (000s)	\$ %	%	#	%	%	\$ (000s)	\$ %	\$ %		
HOME PURCHASE	Low	0	0.0%	\$0	0.0%	19.4%	0	0.0%	11.3%	\$0	0.0%	5.8%
	Moderate	0	0.0%	\$0	0.0%	16.8%	0	0.0%	24.0%	\$0	0.0%	17.1%
	Middle	0	0.0%	\$0	0.0%	20.6%	0	0.0%	22.7%	\$0	0.0%	21.1%
	Upper	1	100.0%	\$376	100.0%	43.1%	1	100.0%	34.6%	\$376	100.0%	48.6%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	7.3%	\$0	0.0%	7.4%
	<i>Total</i>	1	100.0%	\$376	100.0%	100.0%	1	100.0%	100.0%	\$376	100.0%	100.0%
REFINANCE	Low	0	0.0%	\$0	0.0%	19.4%	0	0.0%	5.5%	\$0	0.0%	2.9%
	Moderate	0	0.0%	\$0	0.0%	16.8%	0	0.0%	14.6%	\$0	0.0%	9.5%
	Middle	0	0.0%	\$0	0.0%	20.6%	0	0.0%	20.1%	\$0	0.0%	15.9%
	Upper	4	100.0%	\$1,410	100.0%	43.1%	2	100.0%	43.4%	\$980	100.0%	56.1%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	16.3%	\$0	0.0%	15.6%
	<i>Total</i>	4	100.0%	\$1,410	100.0%	100.0%	2	100.0%	100.0%	\$980	100.0%	100.0%
HOME IMPROVEMENT	Low	0	0.0%	\$0	0.0%	19.4%	0	0.0%	12.7%	\$0	0.0%	3.8%
	Moderate	0	0.0%	\$0	0.0%	16.8%	0	0.0%	17.6%	\$0	0.0%	10.9%
	Middle	0	0.0%	\$0	0.0%	20.6%	0	0.0%	23.5%	\$0	0.0%	19.5%
	Upper	0	0.0%	\$0	0.0%	43.1%	0	0.0%	38.8%	\$0	0.0%	54.2%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	7.4%	\$0	0.0%	11.6%
	<i>Total</i>	0	0.0%	\$0	0.0%	100.0%	0	0.0%	100.0%	\$0	0.0%	100.0%
MULTI FAMILY	Low	0	0.0%	\$0	0.0%	19.4%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Moderate	0	0.0%	\$0	0.0%	16.8%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Middle	0	0.0%	\$0	0.0%	20.6%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Upper	0	0.0%	\$0	0.0%	43.1%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	100.0%	\$0	0.0%	100.0%
	<i>Total</i>	0	0.0%	\$0	0.0%	100.0%	0	0.0%	100.0%	\$0	0.0%	100.0%
HMDA TOTALS	Low	0	0.0%	\$0	0.0%	19.4%	0	0.0%	7.8%	\$0	0.0%	3.9%
	Moderate	0	0.0%	\$0	0.0%	16.8%	0	0.0%	18.0%	\$0	0.0%	12.0%
	Middle	0	0.0%	\$0	0.0%	20.6%	0	0.0%	21.1%	\$0	0.0%	17.6%
	Upper	5	100.0%	\$1,786	100.0%	43.1%	3	100.0%	40.1%	\$1,356	100.0%	52.9%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	13.0%	\$0	0.0%	13.6%
	<i>Total</i>	5	100.0%	\$1,786	100.0%	100.0%	3	100.0%	100.0%	\$1,356	100.0%	100.0%

Originations & Purchases

APPENDIX B – DEMOGRAPHIC, GEOGRAPHIC, AND BORROWER DISTRIBUTION TABLES  
(Knox County, Tennessee) - Continued

Geographic Distribution of Commercial Loans

Assessment Area: Knox

Tract Income Levels	Bank Lending & Demographic Data Comparison				
	2010, 2011				
	Bank				Small Businesses
	Count		Dollar		
#	%	\$ (000s)	\$ %	%	
Low	5	20.0%	\$1,065	21.9%	10.0%
Moderate	2	8.0%	\$121	2.5%	13.4%
Middle	3	12.0%	\$645	13.3%	38.3%
Upper	15	60.0%	\$3,025	62.3%	38.4%
Unknown	0	0.0%	\$0	0.0%	0.0%
Tr Unknown	0	0.0%	\$0	0.0%	0.0%
<i>Total</i>	25	100.0%	\$4,856	100.0%	100.0%

Originations & Purchases

Commercial Loans by Business Revenue & Loan Size

Assessment Area: Knox

Business Revenue & Loan Size		Bank Lending & Demographic Data Comparison				
		2010, 2011				
		Bank				Total Businesses
		Count		\$ (000s)		
#	%	\$	%	%		
BUSINESS REVENUE	\$1million or Less	11	44.0%	\$2,064	42.5%	87.8%
	Over \$1 Million	10	40.0%	\$2,370	48.8%	7.0%
	<i>Total where Rev is available</i>	21	84.0%	\$4,434	91.3%	94.8%
	Rev. Not Known	4	16.0%	\$423	8.7%	5.2%
	<i>Total</i>	25	100.0%	\$4,856	100.0%	100.0%
LOAN SIZE	\$100,000 or Less	9	36.0%	435	9.0%	
	\$100,001 - \$250,000	10	40.0%	1,726	35.5%	
	\$250,000 - \$1 Million	6	24.0%	2,695	55.5%	
	Over \$1 Million	0	0.0%	0	0.0%	
	<i>Total</i>	25	100.0%	4,856	100.0%	
LOAN SIZE Rev \$1 Mill or Less	\$100,000 or Less	5	45.5%	164	7.9%	
	\$100,001 - \$250,000	2	18.2%	400	19.4%	
	\$250,000 - \$1 Million	4	36.4%	1,500	72.7%	
	Over \$1 Million	0	0.0%	0	0.0%	
	<i>Total</i>	11	100.0%	2,064	100.0%	

Originations & Purchases

**APPENDIX C - DEFINITIONS AND GENERAL INFORMATION**

**Definitions**

ATM -	Automated Teller Machine
CDC -	Community Development Corporation
CDFI -	Community Development Financial Institution
CRA -	Community Reinvestment Act (Regulation BB)
FDIC -	Federal Deposit Insurance Corporation
FFIEC -	Federal Financial Institutions Examination Council
HMDA -	Home Mortgage Disclosure Act (Regulation C)
HUD -	Department of Housing and Urban Development
LMI -	Low- and Moderate-Income
LTD -	Loan-to-Deposit
LTV -	Loan-to-Value Ratio
MD -	Metropolitan Division
MSA -	Metropolitan Statistical Area
OMB -	Office of Management and Budget
REIS -	Regional Economic Information System
SBA -	Small Business Administration
USDA -	United States Department of Agriculture

**Rounding Convention**

Because the percentages presented in tables were rounded to the nearest tenth in most cases, some columns may not total exactly 100 percent.

**APPENDIX C – DEFINITIONS AND GENERAL INFORMATION (Continued)**

**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 CRA performance of **CapitalMark Bank & Trust** prepared by the **Federal Reserve Bank of Atlanta**, the institution's supervisory agency, as of **May 7, 2012**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.



## APPENDIX D - 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.

**Census tract:** A small subdivision of metropolitan and other densely populated 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 upon 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 development:** All Agencies have adopted the following language. Affordable housing (including multi-family rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; 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; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- I. Low-or moderate-income geographies;
- II. Designated disaster areas; or
- III. Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**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.

**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).

## APPENDIX D – GLOSSARY (Continued)

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

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

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

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

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, 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.

**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.

## APPENDIX D – GLOSSARY (Continued)

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

**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.

**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 loan(s) to business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report 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 either secured by 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):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

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