PUBLIC DISCLOSURE

January 22, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Hardin County Bank
RSSD #526854

235 Wayne Road
Savannah, Tennessee 38372

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.**

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

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

The Hardin County Bank meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending and community development activities. The factors supporting the institution's rating are as follows:

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.

- A majority of loans and other lending-related activities are in the assessment area.

- The borrower's profile analysis reveals excellent penetration among businesses of different revenue sizes and individuals of different income levels, including low- and moderate-income (LMI) levels.

- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

- There were no CRA-related complaints filed against the bank since the previous CRA evaluation.

- The bank's overall community development performance demonstrates excellent responsiveness to the community development needs of its assessment area, considering the bank's capacity and the need and availability of such opportunities for community development in its assessment area. The bank has responded to these needs through community development loans, qualified investments, qualified donations, and community development services.

During the COVID-19 pandemic, the bank responded to the needs of the community through its participation in the CARES Act[1] Paycheck Protection Program (PPP). The bank's participation in the PPP was also considered in the bank's rating.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) *Intermediate Small Institution Examination Procedures.* The intermediate small bank examination procedures entail two performance tests: the Lending Test and the Community Development Test. Small business, 1–4 family residential real estate (RRE), and consumer motor vehicle 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, as the bank has a particular

[1] Coronavirus Aid, Relief, and Economic Security Act, signed into law on March 27, 2020

emphasis on commercial lending, performance based on the small business lending 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.

Performance Criterion	Time Period
LTD Ratio	March 31, 2019 – September 30, 2023
Assessment Area Concentration	January 1, 2022 – December 31, 2022
Loan Distribution by Borrower's Profile	
Geographic Distribution of Loans	
Response to Written CRA Complaints	February 11, 2019 – January 21, 2024
Community Development Activities	February 11, 2019 – January 21, 2024

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on Home Mortgage Disclosure Act (HMDA) and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2016–2020 U.S. Census: American Community Survey data; certain business demographics are based on 2022 Dun & Bradstreet data. When analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is generally placed on the aggregate lending data, because it is expected to describe many factors impacting lenders within an assessment area. Aggregate lending datasets are 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 $346.0 million to $694.3 million as of September 30, 2023.

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, one community contact interview was referenced with a member of the local community to ascertain specific credit needs, opportunities, and local market conditions within the bank's assessment area. Information from this interview also assisted in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from this community contact interview are included in the *Description of Assessment Area* section.

DESCRIPTION OF INSTITUTION

The Hardin County Bank is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by Hardin County Bancshares, a one-bank holding company headquartered in Savannah, Tennessee. The bank's branch network consists of five branches, including the main office and one limited-service branch with drive-up capabilities only. All locations have cash-dispensing-only automated teller machines (ATMs) on site. The bank did not open or close any branch offices during this review period. Based on this branch network and other service delivery systems, such as mobile banking and full-service online banking capabilities, the bank is well positioned to deliver financial services to its entire assessment 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 September 30, 2023, the bank reported total assets of $590.9 million. As of the same date, loans and leases outstanding were $485.5 million (82.2 percent of total assets), and deposits totaled $529.9 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of September 30, 2023		
Credit Category	**Amount $ (000s)**	**Percentage of Total Loans**
Commercial and Industrial	$166,784	34.4%
Commercial Real Estate	$127,987	26.4%
1–4 Family Residential	$93,627	19.3%
Construction and Development	$43,851	9.0%
Farmland	$19,796	4.1%
Loans to Individuals	$19,221	4.0%
Multifamily Residential	$13,631	2.8%
Farm Loans	$566	0.1%
Total Other Loans	$0	0.0%
TOTAL	**$485,463**	**100%**
Note: Percentages may not total 100.0% due to rounding.		

As indicated by the table above, a significant portion of the bank's lending resources is directed to commercial and industrial loans, commercial real estate loans, and loans secured by 1–4 family residential properties.

While not reflected in the previous table, it is also worth noting that by number of loans originated, loans to individuals, such as consumer motor vehicle loans, represent a significant product offering for the bank. Consumer loans not related to RRE are typically made in smaller dollar amounts relative to other credit products.

The bank received a Satisfactory rating at its previous CRA evaluation conducted on February 11, 2019, by this Reserve Bank.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank's assessment area, which has a population of 52,697, is located in southwest Tennessee and consists of Hardin and McNairy counties in their entireties. These counties are located in the nonmetropolitan statistical area (nonMSA) portion of Tennessee bordering the states of Alabama and Mississippi. Geographically, Hardin County is divided into east and west sections by the Tennessee River, which creates opportunities for waterway industry and tourism, but also creates transportation difficulties with few bridges in the county crossing the river. Conversely, McNairy County is located near several major east-west and north-south highways, which creates more opportunity for development and growth through the transportation of goods and overall accessibility. Hardin County is comprised of two moderate- and six middle-income census tracts, and McNairy County is comprised of two moderate- and six middle-income census tracts. There are no low-income census tracts in either county. Additionally, the middle-income census tracts in Hardin County were considered distressed in 2020 due to poverty levels.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2023, there are 9 FDIC-insured depository institutions in the assessment area that operate 21 offices. The Hardin County Bank (operating five, or 23.8 percent, offices in the assessment area) is ranked first in terms of deposit market share, with 43.9 percent of the total assessment area deposit dollars.

Credit needs in the assessment area include a standard blend of consumer and commercial loan products. Specific needs noted by the community contact include affordable, quality housing and improved infrastructure for both housing and business development.

Income and Wealth Demographics

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

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown-**	**TOTAL**
Census Tracts	0	4	12	0	0	**16**
	0.0%	25.0%	75.0%	0.0%	0.0%	**100%**
Family Population	0	2,438	11,273	0	0	**13,711**
	0	17.8%	82.2%	0.0%	0.0%	**100%**
Note: Percentages may not total 100.0% due to rounding.						

As shown above, 25.0 percent of the census tracts in the assessment area are LMI geographies, but only 17.8 percent of the family population resides in these tracts.

Based on 2020 U.S. Census data, the median family income for the assessment area was $52,096[2]. At the same time, the median family income for the nonMSA Tennessee area was $56,418. More recently, the FFIEC estimates the 2022 median family income for nonMSA Tennessee to be

[2] Median family incomes have been inflation-adjusted and are expressed in 2020 dollars.

$64,700. The following table displays population percentages of assessment area families by income level compared to nonMSA Tennessee as a whole.

Family Population by Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown-**	**TOTAL**
Assessment Area	3,196	2,770	2,842	4,903	0	**13,711**
	23.3%	20.2%	20.7%	35.8%	0.0%	**100%**
NonMSA Tennessee	78,772	73,505	79,147	157,361	0	**388,785**
	20.3%	18.9%	20.4%	40.5%	0.0%	**100%**
Note: Percentages may not total 100.0% due to rounding.						

As shown in the table above, 43.5 percent of families within the assessment area are considered LMI, which is higher than LMI family percentages of 39.2 percent in nonMSA Tennessee. The percentage of families living below the poverty threshold in the assessment area, 13.8 percent, is slightly above the 12.6 percent level in nonMSA Tennessee. Considering these factors, the assessment area appears less affluent than nonMSA Tennessee as a whole.

Housing Demographics

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be more affordable than in nonMSA Tennessee. The median housing value for the assessment area is $110,628, which is below the figure for nonMSA Tennessee, $131,942. The assessment area housing affordability ratio of 37.5 percent is above the nonMSA Tennessee figure of 33.0 percent. Additionally, the median gross rent for the assessment area of $613 per month is lower than the $679 per month for nonMSA Tennessee. Although housing affordability in the assessment area is above that of nonMSA Tennessee, homeownership for LMI individuals in the assessment area could prove difficult. Based on the community contact interview, there is a lack of affordable housing in the assessment area, and newly constructed homes are priced in the million-dollar range.

Industry and Employment Demographics

The assessment area supports a large and diverse business community, including a strong small business sector. According to the Bureau of Labor Statistics (BLS), there are 13,430 paid employees in both private and government industries in the assessment area. By percentage of employees, the three largest job categories in the assessment area are government (23.1 percent), followed by manufacturing (22.8 percent) and retail trade (14.1 percent). The table below details unemployment data from the U.S. Department of Labor, BLS (not seasonally adjusted) for the assessment area compared to nonMSA Tennessee as a whole.

Unemployment Levels for the Assessment Area		
Time Period (Annual Average)	**Assessment Area**	**NonMSA Tennessee**
2019	4.7%	4.0%
2020	7.6%	8.0%
2021	5.1%	4.6%
2022	4.3%	3.8%
2023 YTD (January – September)	4.4%	3.9%

As shown in the table above, unemployment levels for the assessment area, as well as nonMSA Tennessee, increased in 2020 due to the economic disruption resulting from the pandemic; however, both have since recovered and are lower than pre-pandemic levels of unemployment. Overall, assessment area unemployment figures were generally higher than nonMSA Tennessee as a whole.

Community Contact Information

Information from one community contact was used to help shape the performance context in which the bank's activities in this assessment area were evaluated. The community contact interview was with an individual specializing in economic development, small business development, and affordable housing. The community contact interviewee categorized the economy as good and stable. Both Hardin and McNairy counties are a considerable distance from major metropolitan areas and rely on local small businesses for professional and retail services. Hardin County's primary economic driver is tourism, while McNairy County is reliant on manufacturing and agriculture. Per the community contact, there are many resource and training centers in the area that support local businesses. However, despite the number of resources available, the area still has a shortage of workers and skilled laborers. Lastly, the contact noted a shortage of affordable housing in the area, and homes sell immediately when they are placed on the market.

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 in comparison to those of regional peers. The average LTD ratio represents a 19-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	**Headquarters**	**Asset Size $ (000s) as of September 30, 2023**	**Average LTD Ratio**
The Hardin County Bank	Savannah, Tennessee	$590,925	88.2%
Regional Banks	Florence, Alabama	$588,984	91.2%
	Clifton, Tennessee	$346,028	87.3%
	Trezevant, Tennessee	$694,293	82.4%

Based on data from the previous table, the bank's level of lending is similar to that of other banks in the region. Since the prior review period, the average LTD ratio slightly decreased, with a 19-quarter average of 88.2 percent. In comparison, the average LTD ratios for the regional peers also decreased. Therefore, compared to data from regional banks, the bank's average LTD ratio is 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 the bank's assessment area.

Lending Inside and Outside of Assessment Area January 1, 2022 through December 31, 2022						
Loan Type	**Inside Assessment Area**		**Outside Assessment Area**		**TOTAL**	
Small Business	84	68.9%	38	31.1%	122	100%
	$6,446	47.0%	$7,275	53.0%	$13,721	100%
1–4 Family RRE	57	74.0%	20	26.0%	77	100%
	$7,258	57.2%	$5,430	42.8%	$12,688	100%
Consumer Motor Vehicle	99	90.0%	11	10.0%	110	100%
	$1,645	81.8%	$365	18.2%	$2,010	100%
TOTAL LOANS	**240**	**77.7%**	**69**	**22.3%**	**309**	**100%**
	$15,349	**54.0%**	**$13,070**	**46.0%**	**$28,419**	**100%**
Note: Percentages may not total 100.0% due to rounding.						

A majority of loans and other lending-related activities were made in the bank's assessment area. As shown above, 77.7 percent of the total loans were made inside the assessment area, accounting for 54.0 percent of the dollar volume of total loans.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is excellent, based on performance in the loan categories reviewed. The bank's lending to small businesses of different revenue sizes and its lending to consumer motor vehicle borrowers is excellent, while the bank's lending performance to 1–4 family RRE borrowers is reasonable. As previously described, greater significance is placed on performance in the small business loan category, given the bank's emphasis on small business lending.

Small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2022 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Small Business Loans by Revenue and Loan Size
Assessment Area: Southwestern Tennessee

Business Revenue and Loan Size		2022 Count Bank #	2022 Count Bank %	2022 Count Aggregate %	2022 Dollars Bank $ (000s)	2022 Dollars Bank $ %	2022 Dollars Aggregate $ %	Total Businesses %
Business Revenue	$1 Million or Less	77	91.7%	51.8%	$5,352	83.0%	41.2%	90.6%
Business Revenue	Over $1 Million/ Unknown	7	8.3%	48.2%	$1,093	17.0%	58.8%	9.4%
Business Revenue	**TOTAL**	**84**	**100.0%**	**100.0%**	**$6,445**	**100.0%**	**100.0%**	**100.0%**
Loan Size	$100,000 or Less	67	79.8%	94.6%	$1,937	30.1%	42.7%	
Loan Size	$100,001– $250,000	11	13.1%	3.1%	$1,670	25.9%	19.5%	
Loan Size	$250,001– $1 Million	6	7.1%	2.3%	$2,838	44.0%	37.8%	
Loan Size	Over $1 Million	0	0.0%	0.0%	$0	0.0%	0.0%	
Loan Size	**TOTAL**	**84**	**100.0%**	**100.0%**	**$6,445**	**100.0%**	**100.0%**	
Loan Size – Revenue $1 Million or Less	$100,000 or Less	65	84.4%		$1,816	33.9%		
Loan Size – Revenue $1 Million or Less	$100,001–$250,000	8	10.4%		$1,225	22.9%		
Loan Size – Revenue $1 Million or Less	$250,001– $1 Million	4	5.2%		$2,311	43.2%		
Loan Size – Revenue $1 Million or Less	Over $1 Million	0	0.0%		$0	0.0%		
Loan Size – Revenue $1 Million or Less	**TOTAL**	**77**	**100.0%**		**$5,352**	**100.0%**		

Source: 2022 FFIEC Census Data
2022 Dun & Bradstreet Data
2016–2020 U.S. Census Bureau: American Community Survey
NOTE: Percentages may not total 100.0 percent due to rounding.

The bank's level of lending to small businesses is excellent. The bank originated the majority of its small business loans (91.7 percent) to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that 90.6 percent of businesses in the assessment area had annual revenues of $1 million or less, and the 2022 aggregate lending level to small businesses is 51.8 percent.

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

($64,700 for nonMSA Tennessee). The following table shows the distribution of 1–4 family RRE loans by borrower income level in comparison to family population income demographics for the assessment area. Additionally, 2022 aggregate data for the assessment area is displayed.

Borrower Distribution of RRE Loans Assessment Area: Southwestern Tennessee							
Borrower Income Levels	**2022**						
	Count			**Dollars**			**Families**
	Bank		**HMDA Aggregate**	**Bank**		**HMDA Aggregate**	
	#	**%**	**%**	**$ (000s)**	**$ %**	**$ %**	**%**
Low	6	10.5%	5.6%	$393	5.4%	2.4%	23.3%
Moderate	9	15.8%	15.2%	$861	11.9%	10.0%	20.2%
Middle	17	29.8%	21.8%	$1,613	22.2%	18.2%	20.7%
Upper	25	43.9%	36.6%	$4,391	60.5%	49.8%	35.8%
Unknown	0	0.0%	20.8%	$0	0.0%	19.6%	0.0%
TOTAL	**57**	**100.0%**	**100.0%**	**$7,258**	**100.0%**	**100.0%**	**100.0%**
Source: 2022 FFIEC Census Data *2016–2020 U.S. Census Bureau: American Community Survey* *NOTE: Percentages may not total 100.0 percent due to rounding.*							

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (10.5 percent) is below the low-income family population figure (23.3 percent) but in line with the aggregate lending level to low-income borrowers (8.4 percent), reflecting reasonable performance. Similarly, the bank's level of lending to moderate-income borrowers (15.8 percent) is below the moderate-income family population percentage (20.2 percent) but in line with the aggregate lending level to moderate-income borrowers (16.9 percent), reflecting reasonable performance. Therefore, considering performance to both income categories, the bank's overall distribution of 1–4 family RRE loans by borrower's profile is reasonable.

The last product reviewed was the bank's borrower distribution of consumer motor vehicle loans. The following table displays consumer motor vehicle loan activity by borrower income levels compared to the number of household income demographics for the assessment area.

Distribution of 2022 Consumer Lending By Borrower Income Level					
Borrower Income Levels	**2022**				
	Count		**Dollar**		**Households**
	#	**%**	**$ (000s)**	**$ %**	**%**
Low	29	29.3%	$273	16.6%	25.7%
Moderate	28	28.3%	$416	25.3%	18.0%
Middle	22	22.2%	$408	24.8%	17.0%
Upper	20	20.2%	$548	33.3%	39.3%
Unknown	0	0.0%	$0	0.0%	0.0%
TOTAL	**99**	**100.0%**	**$1,645**	**100.0%**	**100.0%**

Source: 2022 FFIEC Census Data
2016–2020 U.S. Census Bureau: American Community Survey
NOTE: Percentages may not total 100.0 percent due to rounding.

The borrower distribution of consumer motor vehicle lending is excellent. As displayed in the table above, the bank's lending to low-income borrowers (29.3 percent) marginally exceeds the percentage of low-income households in the assessment area (25.7 percent). However, the bank's lending to moderate-income borrowers (28.3 percent) is substantially higher than the household comparator of 18.0 percent. When combined, the bank's lending to LMI borrowers exceeds the percentage of LMI households in the assessment area.

<u>Geographic Distribution of Loans</u>

As noted previously, the assessment area includes no low-income and four moderate-income census tracts, representing 25.0 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects reasonable penetration throughout these LMI census tracts, based on the small business, 1–4 family RRE, and consumer motor vehicle loan categories. As previously stated, performance in the small business loan category carried the most significance in the overall rating of reasonable for geographic distribution.

The following table displays 2022 small business loan activity by geography income level compared to the location of businesses throughout the bank's assessment area and 2022 small business aggregate data.

Geographic Distribution of Small Business Loans Assessment Area: Southwestern Tennessee							
Tract Income Levels	**2022**						
	Count			**Dollars**			**Businesses**
	Bank		**Aggregate**	**Bank**		**Aggregate**	
	#	**%**	**%**	**$ (000s)**	**$ %**	**$ %**	**%**
Low	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%
Moderate	18	21.4%	21.6%	$2,665	41.3%	26.2%	27.0%
Middle	66	78.6%	77.7%	$3,781	58.7%	73.6%	73.0%
Upper	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.7%	$0	0.0%	0.2%	0.0%
TOTAL	**84**	**100.0%**	**100.0%**	**$6,446**	**100.0%**	**100.0%**	**100.0%**

Source: 2022 FFIEC Census Data
2022 Dun & Bradstreet Data
2016–2020 U.S. Census Bureau: American Community Survey
NOTE: Percentages may not total 100.0 percent due to rounding.

The bank's percentage of loans in moderate-income census tracts (21.4 percent) is in line with the aggregate lending percentage in moderate-income census tracts (21.6 percent) and lower than the percentage of small businesses in moderate-income census tracts (27.0 percent), representing reasonable performance. Therefore, the bank's overall geographic distribution of small business loans is reasonable.

Next, the bank's geographic distribution of 1–4 family RRE loans was reviewed. The following table displays the geographic distribution of 2022 1–4 family RRE loans compared to owner-occupied housing demographics and aggregate performance for the assessment area.

Geographic Distribution of RRE Loans Assessment Area: Southwestern Tennessee							
Tract Income Levels	**2022**						
	Count			**Dollars**			**Owner-Occupied Units**
	Bank		**HMDA Aggregate**	**Bank**		**HMDA Aggregate**	
	#	**%**	**%**	**$ (000s)**	**$ %**	**$ %**	**%**
Low	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%
Moderate	15	26.3%	22.3%	$1,406	19.4%	23.5%	16.7%
Middle	42	73.7%	77.7%	$5,852	80.6%	76.5%	83.3%
Upper	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%
TOTAL	**57**	**100.0%**	**100.0%**	**$7,258**	**100.0%**	**100.0%**	**100.0%**

Source: 2022 FFIEC Census Data
2016–2020 U.S. Census Bureau: American Community Survey
NOTE: Percentages may not total 100.0% due to rounding.

The analysis of 1–4 family RRE loans revealed excellent lending performance to borrowers residing in LMI geographies. The bank's penetration of moderate-income census tracts by number of loans (26.3 percent) substantially exceeds the percentage of owner-occupied housing units in moderate-income census tracts (16.7 percent). The bank's performance in moderate-income census tracts also exceeds other lenders in the assessment area based on HMDA aggregate data, which indicates that 20.7 percent of aggregate 1–4 family RRE loans inside this assessment area were made to borrowers residing in moderate-income geographies. Therefore, the bank's geographic distribution of 1–4 family RRE loans in LMI geographies is excellent.

The last product reviewed was the bank's geographic distribution of consumer motor vehicle loans. The following table displays 2022 consumer motor vehicle loan activity by geographic income levels compared to household income demographics for the assessment area.

Distribution of 2022 Consumer Lending By Income Level of Geography					
Tract Income Levels	**Bank Loans**				**% of Households**
	#	**#%**	**$ (000s)**	**$ %**	
Low	0	0.0%	$0	0.0%	0.0%
Moderate	21	21.2%	$250	15.2%	18.9%
Middle	78	78.8%	$1,395	84.8%	81.1%
Upper	0	0.0%	$0	0.0%	0.0%
Unknown	0	0.0%	$0	0.0%	0.0%
TOTAL	**99**	**100.0%**	**$1,645**	**100.0%**	**100.0%**
Source: 2022 FFIEC Census Data 2016-2020 U.S. Census Bureau: American Community Survey NOTE: Percentages may not total 100.0 percent due to rounding.					

The geographic distribution of consumer motor vehicle loans is reasonable. The distribution of consumer motor vehicle loans to moderate-income census tracts (21.2 percent) compared to the demographic (18.9 percent) is reasonable.

Lastly, based on reviews from all loan categories, The Hardin County Bank had loan activity in 91.7 percent of all assessment area census tracts and in 100 percent of LMI census tracts in the assessment area. Therefore, there were no conspicuous lending gaps noted in LMI areas. This information supports the conclusion that the bank's overall geographic distribution of loans is reasonable.

Responses to Complaints

No CRA-related complaints were filed against the bank during this review period (February 11, 2019 through January 21, 2024).

COMMUNITY DEVELOPMENT TEST

The bank's overall community development performance demonstrates excellent 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. The bank has addressed the community development needs of the assessment area through community development loans, qualified investments, and community development services.

During the review period, the bank made 226 qualifying loans totaling approximately $14.6 million. Two of those loans were to community service organizations, and two were for affordable housing. The other 222 qualifying loans were the bank responding to community development needs through PPP lending during the pandemic. The bank's responsiveness of $14.3 million in small business lending in LMI or middle-income distressed/underserved geographies positively affected the bank's overall rating.

Community development investments and donations made to the assessment area totaled $4.3 million. This amount included three qualified investments totaling $4.1 million and 212 donations totaling $240,100. The three investments made inside the assessment area were for revitalization/stabilization. Those included investor capital for a New Markets Tax Credit community development entity and a community development bond purchase. Furthermore, the 212 donations were to 41 separate organizations having a community development purpose. Examples of organizations benefitting from these donations include a nonprofit that provides backpacks of food weekly for students in the free and reduced lunch program in Hardin County and another that provides eyeglasses and advanced eye care for those unable to afford services.

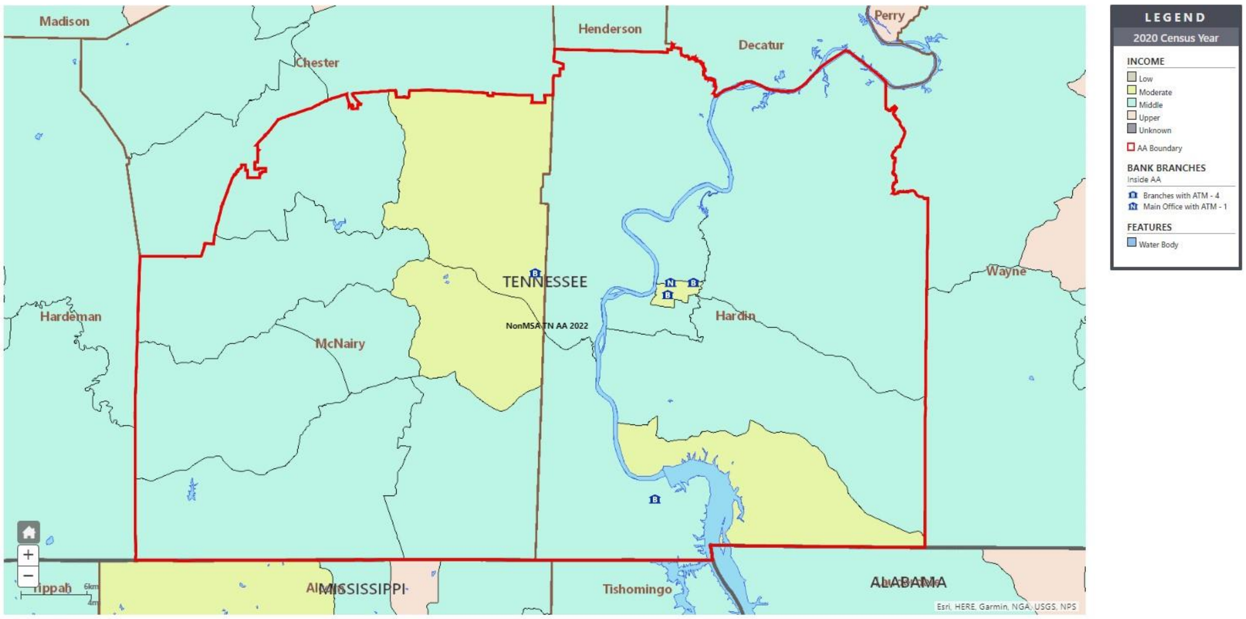
In addition, ten employees contributed community development services to 11 different agencies with a community development purpose. Examples of organizations benefiting from the employees' financial expertise include a food pantry and a disaster recovery nonprofit.

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.

APPENDIX A – ASSESSMENT AREA DETAIL

Hardin Cty Bk - Savannah, TN 2024
NonMSA TN AA



2022 PE Map

APPENDIX B – 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) <u>affordable housing</u> (including multifamily rental housing) for low- or moderate-income individuals; (2) <u>community services</u> targeted to low- or moderate-income individuals; (3) activities that promote <u>economic development</u> 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 <u>revitalize or stabilize</u> low- or moderate-income 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 (e.g., age, race, sex, and income) 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 income of applicants; 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: 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.