



PUBLIC DISCLOSURE

March 29, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens National Bank
Charter Number 16076

200 Forks of River Parkway, Sevierville, TN 37864

Office of the Comptroller of the Currency

320 Seven Springs Way, Suite 310 Brentwood, TN 37027

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

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

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

Major factors that support this rating include:

- The Bank's loan-to-deposit ratio is more than reasonable.
- A substantial majority of loan originations and purchases are within the Bank's assessment area (AA), exceeding the standard for satisfactory performance.
- The distribution of loans to borrowers of different income levels for residential mortgage lending and for businesses of different sizes exhibit a reasonable penetration yielding performance that meets the standard for satisfactory performance.
- The overall level and responsiveness of community development lending, investments, and services is excellent.

Scope of Examination

This Performance Evaluation (PE) assesses Citizens National Bank's (CNB or the Bank) performance under the Lending and Community Development Tests. The evaluation period ranges from June 4, 2013 through March 29, 2016. However, the Lending Test concentrated on activity from January 1, 2013 to December 31, 2015. In evaluating the Bank's lending performance, the Bank's primary loan products include residential mortgages and business loans, with an emphasis on small business lending. We placed the most weight for rating the borrower distribution of loans on small business lending considering the Bank's strategic focus is business lending. In evaluating the Community Development Test, we reviewed community development (CD) loans, investments, and services for the whole evaluation period.

Our evaluation is based on accurate data, which was assessed by our Data Integrity examination performed in February 2016. We tested Home Mortgage Disclosure Act (HMDA) data for residential mortgages and business loan reports provided by the Bank to verify the accuracy of data used for this examination. We used the Bank's database of originated and purchased business loans tracked by revenue code to conduct our analysis of business loans. We also verified community development loans, investments, and services submitted by management to ensure they met the regulatory definition for community development. We excluded any items that did not meet the definition or purpose of community development.

Sevier County, a non-Metropolitan Statistical Area (non-MSA), received a full scope review, which considers complete performance context information, quantitative factors, and qualitative factors. Sevier County received the full scope review because most of the Bank's deposits (79%), loans analyzed (61%), and offices (68%) are in Sevier County. The Knoxville MSA (partial)

and Morristown MSA (partial) received limited scope reviews that consider primarily quantitative factors with performance context data limited to the comparable demographics.

Description of Institution

CNB is an independent, intrastate bank that opened for business in 1973. Effective April 1984, the Bank became wholly owned by CNB Bancshares, Inc. (CNB Bancshares), a one-bank holding company. The main office for both CNB Bancshares and CNB are located in Sevierville, Tennessee. CNB Bancshares owns CNB Community Development (CNBCD), a community development corporation project that owns two apartment complexes that provide housing to low-income individuals. By virtue of the fact that CNB and CNBCD are both owned by CNB Bancshares, CNB and CNBCD are affiliates. Therefore, CNBCD's activities are included in this evaluation. CNB Bancshares also owns two wholly-owned subsidiary grantor trusts known as CNB Statutory Trust I and Trust II. These subsidiaries have no activities that meet the definition of community development activities. CNB owns Courthouse Title and Escrow, LLC (Courthouse Title), which provides professional real estate and other loan closing services (title services and title insurance). Courthouse Title neither conducts nor impedes any Community Reinvestment Act (CRA) activities that would be included in this evaluation. The trust subsidiaries and the title escrow entity have neutral CRA implications and therefore are not considered in the CNB's CRA activities for this PE.

Sevierville is approximately 20 miles east of Knoxville, Tennessee. There have been no major changes in the Bank's corporate structure, including merger or acquisition activities, since the last CRA examination dated June 3, 2013, when the Bank received an "Outstanding" rating. There are no legal or financial impediments to CNB's ability to meet the credit needs of its Assessment Area (AA) including retail and community development loans, qualified investments, and community development services needs. The Bank offers a full-range of loan and deposit services. CNB's primary business focus is commercial lending, including commercial real estate (CRE) loans and commercial non-mortgage loans. As of December 31, 2015, the Bank had total assets totaling \$902 million and gross loans totaling \$640 million, or 70.96% of total assets. CNB's CRE loans and commercial non-mortgage loans represented 66.4% and 7.1% of gross loans, respectively, with the balance of CNB's gross loans comprised primarily of first-lien residential mortgage loans at 20.6%.

Branches are generally located in areas that make them accessible to CNB customers. Thirteen branches are located in Sevier County, two branches in Knox County, three branches in Jefferson County, and one branch (South Chapman Highway) is located in Blount County near the Sevier County line. Lobby hours and drive-up hours are set to meet customer needs. CNB has Automated Teller Machines (ATMs) that disburse cash and take deposits located at each branch office and 27 other ATMs cited by the Bank's website that are located primarily in Sevier County. Customers may also access their accounts through telephone banking or thru CNB's internet site. Internet and telephone banking activities include transfers between CNB accounts, review of bank balances and transactions, access to loan account information and bill paying capability for the Internet banking product. The Bank also offers Visa debit cards that can be used to access customer accounts at point of sale or ATM locations. Additionally, Visa and Mastercard credit cards are offered by the Bank.

CNB's business strategy includes the continued marketing of commercial credit to small businesses and individuals through its products, staff, and locations. The Bank actively generates commercial, mortgage, and consumer loans to customers located primarily in Sevier, Jefferson, Knox, and Blount Counties. Commercial loan activity includes all types of CRE development and construction lending. Small Business Administration (SBA) loans are offered for new business startups as well as to expand existing businesses. CNB also offers United States Department of Agriculture (USDA) and SBA's Americas Recovery Capital Loan Program (SBA ARC) loans to qualifying businesses. Government guarantees can be as high as 100%. CNB also supports the purchase and long-term financing of residential home loans through its conventional secondary residential mortgage market; including: Federal Housing Administration (FHA), Veterans Administration (VA), and USDA Rural Housing Service mortgage guarantee programs.

Description of Assessment Area(s)

Based on the 2010 Census, CNB's AA have 28 geographies within Sevier, Blount, Knox, and Jefferson Counties. Census tract reconfigurations since the previous examination created a reduction in CNB's geographies by three, which consisted of two middle-income geographies lost in Jefferson County and one moderate-income geography lost in Knox County. CNB has no low-income geographies and only one moderate-income geography within its AA. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude low- and moderate-income geographies. The AA includes all 17 geographies in Sevier County with one moderate-income geography, six upper-income and 10 middle-income geographies; one middle-income geography in Blount County; five middle-income geographies in Knox County; and five middle-income geographies in Jefferson County. Sevier County is in a non-Metropolitan Statistical Area (MSA). Blount and Knox Counties are part of the Knoxville Metropolitan Statistical Area (MSA #28940). Jefferson County is part of the Morristown MSA #34100.

CNB has the following deposit shares within the four counties CNB operates, based on the June 30, 2015, Federal Deposit Insurance Corporation (FDIC) Summary of Deposits Report. Sevier County had 10 banks within the market, with CNB possessing a 26.8% deposit market share and ranking first in the level of deposits for all banks. The FDIC report had included the South Chapman Highway branch in Sevier County calculations, but the examiner excluded that branch from Sevier County numbers since that branch is located in Blount County. Knox County had 35 banks within the market, with CNB possessing a 0.3% deposit market share and ranking twenty-third in the level of deposits for all banks. Jefferson County had 9 banks within the market, with CNB possessing a 12.3% deposit market share and ranking fourth in the level of deposits for all banks. Blount County had 17 banks within the market, with CNB possessing a 2.2% deposit market share and ranking tenth in the level of deposits for all banks.

During the evaluation period, the national and local economies have been improving with slow but stable economic trends and an increased level of jobs. These economic improvements occurred despite a temporary national government shutdown in 2013 and limited bipartisan cooperation in Congress during the period. Both of these events held back possible government budget funding that could provide further impetus to the national economy. Job growth had been

concentrated in various private services sectors, such as education, health services, professional, business, with the leisure and hospitality sector being a major player, especially in Sevier County. The manufacturing, information, and government sectors have remained mostly unchanged, while the construction and financial activities sectors have seen modest job gains. Improving property valuations and declining levels of foreclosed properties have improved the real estate market, but hampered the ability of low- and moderate-income families to afford the purchase of residential housing at a reasonable price. Tightened loan underwriting standards for business and residential loans have also negatively impacted home purchases for low-and moderate-income borrowers.

Sevier County

Sevier County has been one of the fastest-growing counties in Tennessee. Based on the 2010 Census, the population grew from 85,927 to an estimated 95,946 as of July 1, 2015. The county seat is Sevierville, which is the largest city in the county. Other cities include Pigeon Forge and Gatlinburg. Also known as, the "Gateway" to the Great Smoky Mountains National Park (GSMNP), Sevier County is located off the major East-West connector Interstate I-40. From its beginnings as a traditional subsistence-based farming society, Sevier County has grown into a major tourist destination. The GSMNP dominates the southern part of the county. It is the most visited national park in the United States. A new National Park Service (NPS) report shows the economic impact of visitation to GSMNP brought \$874 million to communities surrounding the park in 2015. The report shows visitor-spending supports 13,709 jobs in the regional economy. This traffic has had a positive impact on motels, restaurants, shopping, theme parks, theaters, and festivals in the cities of Sevierville, Pigeon Forge, and Gatlinburg. Tourism also caused tremendous interest and growth in the commercial cabin rental industry. The top industries in Sevier County are hospitality/tourism (45.7%) and retail/services (20.1%), based on a Dunn and Bradstreet report dated June 2014. Dollywood Country (a theme park) and the Sevier County School system are major employers in Sevier County.

According to the Bureau of Labor and Statistics, the unemployment rates for the state of Tennessee and the United States (US) were 7.8% and 7.6%, respectively, as of April 2013, at the beginning of the evaluation period. Although the Sevier County has experienced good economic and employment growth, the April 2013 unemployment rate was 8.1%. Typically, unemployment for Sevier County is higher during the winter months versus spring, summer, and fall seasons when tourism thrives. As of December 2015, the unemployment rates for Tennessee, the US, and for Sevier County were 5.3%, 5.0%, and 5.5%, respectively. The poverty rate for Sevier County was high for 2014 at 17.7%, based on the US Census Bureau Poverty Estimates report, with poverty rates for Tennessee and the US at 18.2% and 15.5%, respectively. Sevier County's Median Family Income (MFI) levels, based on Housing and Urban Development (HUD) reports, have been fairly stable during the evaluation period ranging from \$46,700 in 2013 to \$46,900 in 2015, which represents a minimal increase from the level at 2010 of \$45,400.

The following is a description and discussion of the economic conditions of the adjacent counties of Knox, Jefferson, and Blount:

Knox County

Knox County is part of the Knoxville MSA. Knoxville and Farragut are the major cities in Knox County. Knoxville is the third-largest city in the state of Tennessee and is the county seat of Knox County. It is also the largest city in East Tennessee. Knoxville's economy is largely fueled by the regional location of the main campus of the University of Tennessee, the Oak Ridge National Laboratory, other Department of Energy facilities in nearby Oak Ridge, the National Transportation Research Center, and the Tennessee Valley Authority (TVA). Because of its central location in the eastern half of the United States and proximity to two major Interstate highways, many warehousing and distribution companies, operate in and around Knoxville. As of December 2015, Knox County's unemployment rate of 4.3%, lower than both the states and the US unemployment rates. The Knox County poverty rate was high as of 2014 at 17.7%. MFI has remained fairly stable at \$61,600 for 2015, compared to \$61,300 in 2010 for the Knoxville MSA.

Blount County:

Blount County is part of the Knoxville MSA. Blount County is bordered on the east by the GSMNP and on the west by the great chain of lakes created by the TVA. The city of Maryville (county seat) is bordered on the north by its twin city, Alcoa, a number of small suburbs to its east and west, and Townsend to its south. Manufacturing and services are major employment sectors for Blount County. Some of the top employers for Blount County are DENSO Manufacturing TN, Inc., Blount Memorial Hospital, and the Blount County School system. During the evaluation period, Blount County's unemployment rate has ranged from 6.8% at April 2013 to 5.0% as of December 2015. Blount County's unemployment rate is comparable to the state and US unemployment rates. The poverty rate was 14.7% for 2014. The MFI was the same as the Knoxville MSA as discussed for Knox County.

Jefferson County

Jefferson County is part of the Morristown MSA. Major cities in Jefferson County include Dandridge, Jefferson City, White Pine, and Baneberry. Dandridge is a short drive from Pigeon Forge and Gatlinburg, Knoxville and the University of Tennessee. Situated only two miles from the intersection of Interstate-40 and Interstate-81, Dandridge is a prime destination for anyone visiting the Smoky Mountains. Jefferson City is approximately twenty miles northeast of Knoxville. Jefferson City offers a small town atmosphere with all the amenities and entertainment of Knoxville, Pigeon Forge, and Gatlinburg. In the heart of the Lakeway Area, Jefferson City is minutes from Cherokee Lake and Douglas Lake. These TVA operated recreational facilities offer excellent opportunities to sportsmen and fishermen, as well as campers and recreational watercraft owners. Baneberry is primarily a resort community nestled at the foot of the Smoky Mountains. It is partially surrounded by Douglas Lake that has almost 600 miles of shoreline and is one of the premier fishing lakes in Tennessee. A championship golf course winds through the heart of the city. Baneberry is just minutes from Knoxville, Gatlinburg, and Pigeon Forge, home of Dollywood, a variety of music theaters and outlet stores. One of the major employers within Jefferson County is Carson-Newman University. Jefferson County's unemployment rate during the evaluation period ranged from 8.9% at April 2013 to

6.0% at December 2015, which was higher than the state rate and US rate. The Morristown MSA poverty level was 17.8% for 2014. MFI decreased from \$48,700 at 2010 to \$46,900 for 2015 for the Morristown MSA.

We determined the community credit needs in the assessment area by reviewing CRA Public Evaluations of other banks operating in the same assessment area and by conducting a community contact with a non-profit organization that primarily focused on economic development and the resulting job opportunities for the residents within Sevier County. We determined that the most pressing credit needs in the AA are small business lending and affordable housing. Other needs included financial literacy and banking services provided to low- and moderate-income individuals at minimal or no costs, such as checking accounts.

Conclusions with Respect to Performance Tests

LENDING TEST

The Bank's performance under the Lending Test is rated "Satisfactory".

Loan-to-Deposit Ratio

- Based on the Bank's resources, capacity, competitive environment, and other performance context factors, the Bank's loan-to-deposit ratio exceeds the standard for satisfactory performance.

CNB's quarterly average loan-to-deposit ratio since the last CRA examination is more than reasonable at 87.58% exceeding the 69.96% quarterly average loan-to-deposit ratio for three similarly situated banks in the assessment area. The range of the average loan-to-deposit ratios was 62.38% to 75.91% for the banks. The three similarly situated banks include Smart Bank, Tennessee State Bank, and Sevier County Bank.

Lending in Assessment Area

- Lending in the assessment area exceeds the standard for satisfactory performance.

CNB originated or purchased a substantial majority of loans in the assessment area. We performed this analysis at the bank level as opposed to the assessment area level. As illustrated in Table 1, CNB originated or purchased 89% of the bank's loans by number and 72.5% by dollar during the evaluation period in the assessment area.

Table 1 - Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	392	91.6	36	8.4	428	65,173	88.2	8,730	11.8	73,903
Home Improvement	87	95.6	4	4.4	91	3,642	95.2	182	4.8	3,824
Home Refinance	132	93.6	9	6.4	141	23,539	96.0	984	4.0	24,523
Business Loans	551	85.3	95	14.7	646	205,773	66.6	103,076	33.4	308,849
Totals	1,162	89	144	11	1,306	298,127	72.5	112,972	27.5	411,099

Source: HMDA Data and Bank business loan origination reports from January 1, 2013 through December 31, 2015.

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

- The distribution of loans to borrowers of different income levels for residential mortgage lending and for businesses of different sizes exhibits reasonable penetration yielding performance that meets the standard for satisfactory performance.

Loans to moderate-income borrowers were reasonable, while loans to low-income borrowers were below the percentage of low-income families in the AA. Since the last CRA examination, the MFI decreased from \$46,000 to \$42,900. Low-income is defined as less than 50% of MFI or less than \$21,450. Moderate income is defined 50% to less than 80% of the MFI or \$21,450 to less than \$33,999. The median price of a home in 2015 was \$158,000 in Sevier County. Considering the increase in home values and the decrease in the MFI, the ability to repay loans could be difficult for potential low-income borrowers, which would include borrowers living below the poverty level.

CNB offers mortgages for low- and moderate-income borrowers through the USDA Rural Housing. Other programs include the Federal Housing Authority (FHA) and the Veterans Administration (VA). CNB underwrites these loans to agency guidelines and receives a fee, and the loans are funded by a third-party in the secondary market. The loans are not HMDA reportable for CNB. During the evaluation period, the CNB closed thirty-nine USDA Rural Housing program loans totaling \$4.95 million and we gave positive CRA consideration under the CD Test.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Sevier County								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	17.0	3.2	16.3	9.7	21.7	13.6	45.0	65.5
Home Improvement	17.0	4.5	16.3	16.4	21.7	13.4	45.0	25.4
Home Refinance	17.0	8.8	16.3	10.8	21.7	23.5	45.0	52.9

Source: HMDA Data from January 1, 2013 through December 31, 2015; 2010 U.S. Census data. Income was N/A for 8% of home purchases, 40.3% of home improvements, and 4% of refinance loans.

The number of the Bank’s loans to small businesses is below the percentage of small businesses in the assessment area, as depicted in the following table. However, business revenues for 19.73% of loans (by number) are unknown. The dollar volume of the Bank’s loans is below the percentage of small businesses in the assessment area. The number of loans received the most weight in arriving at a rating to determine performance under this component.

Table 2A - Borrower Distribution of Loans to Businesses in Sevier County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	77.0	4.2	18.8	100%
% of Bank Loans in AA by #	58.98	21.29	19.73	100%
% of Bank Loans in AA by \$	47.43	44.54	8.03	100%

Source: Bank business loan origination reports from January 1, 2013 through December 31, 2015; Dunn and Bradstreet data

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the Bank’s performance under the Lending Test in the Knoxville MSA (Knox and Blount Counties) and the Morristown MSA (Jefferson County) is consistent with the Bank’s overall “Satisfactory” performance under the Lending Test. The following tables detail the Bank’s lending activities compared to the respective demographic percentages for the limited scope AAs.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Knoxville MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	18.5	5.0	16.0	32.5	20.9	22.5	44.6	25.0
Home Improvement	18.5	20.0	16.0	20.0	20.9	0.0	44.6	20.0
Home Refinance	18.5	10.5	16.0	21.1	20.9	15.8	44.6	42.1

Source: HMDA Data from January 1, 2013 through December 31, 2015; 2010 U.S. Census data. Income is NA for 15% of home purchase borrowers, 40% of home improvement borrowers, and 10.5% of refinance borrowers.

Table 2A - Borrower Distribution of Loans to Businesses in Knoxville MSA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	75.7	5.6	18.7	100%
% of Bank Loans in AA by #	68.75	25.0	6.25	100%
% of Bank Loans in AA by \$	42.71	57.10	.19	100%

Bank business loan origination reports from January 1, 2013 through December 31, 2015; Dun and Bradstreet data.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Morristown MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	21.1	9.5	18.1	14.3	19.8	14.3	41.0	54.8
Home Improvement	21.1	10.0	18.1	0.0	19.8	10.0	41.0	50.0
Home Refinance	21.1	9.1	18.1	9.1	19.8	36.4	41.0	45.4

Source: Bank business loan origination reports from January 1, 2013 through December 31, 2015; Dunn and Bradstreet data. For bank loans income is NA for 7.1% of home purchase and 30% of home improvement loans.

Table 2A - Borrower Distribution of Loans to Businesses in Morristown MSA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	79.2	3.3	17.5	100%
% of Bank Loans in AA by #	56.79	35.8	7.41	100%
% of Bank Loans in AA by \$	71.32	27.69	1.00	100%

Source: Bank business loan origination reports from January 1, 2013 through December 31, 2015; Dun and Bradstreet data.

Geographic Distribution of Loans

An analysis of the geographic distribution of business and residential loans is not meaningful considering that there are no low-income geographies and only one moderate-income geography in Sevier County AA.

Responses to Complaints

The Bank has not received any complaints regarding its CRA performance during the evaluation period.

COMMUNITY DEVELOPMENT TEST

- The Bank’s responsiveness to the community development needs of the AA through CD lending, investments, and services is excellent.

Our conclusion is based on the Bank’s performance context and the full scope review of the Sevier County AA. Due to the existence of one moderate-income and no low-income geographies in Sevier County and competition from other financial institutions in the AA, CD lending and investment opportunities are limited in Sevier County. In response, CNB continues to take advantage of opportunities in low-income areas of the Knoxville MSA AA that are not in the Bank’s AA. These opportunities focus on affordable housing for low- and moderate-income residents as well as transitional housing for homeless individuals and families. CNB also participated in affordable housing for low- and moderate-income residents in Grainger County near the Bank’s Jefferson City branch. Grainger County is part of the Morristown MSA that is not part of the Bank’s AA. These actions had a favorable impact on the CD Test rating considering the Bank has met the needs of its defined AA.

Number and Amount of Community Development Loans

Considering the needs and opportunities in the Sevier County AA, and CNB's performance context and capacity, the Bank's performance is excellent relative to CD lending.

During the evaluation period, CNB originated a \$400 thousand loan to expand an existing low-income housing complex in Seymour. Proceeds from the loan were used to rehabilitate and expand the complex, which provides affordable housing to low- and moderate-income Sevier County residents.

Performance in Limited Scope Assessment Areas

Performance in limited scope AAs, the Knoxville MSA and the Morristown MSA, was consistent with the excellent responsiveness in Sevier County. During the evaluation period, CNB originated four loans totaling \$4.7 million.

- \$672 thousand for the renovation of a 36 unit restricted income apartment complex, which will provide affordable housing for low- and moderate-income individuals.
- \$2.7 million for the rehabilitation of a 78 unit affordable housing complex in Morristown, which will provide affordable housing for low- and moderate-income individuals.
- \$1.3 million for the renovation of a 51 unit low income housing complex in Knoxville, which will provide affordable housing for low- and moderate-income individuals.

CD Lending Outside the Assessment Area

CNB did not originate any CD loans outside the assessment area.

Number and Amount of Qualified Investments

Considering the needs and opportunities in the Sevier County AA, and CNB's performance context and capacity, the Bank's performance is excellent for qualified investments.

During the evaluation period, CNB did not purchase any qualified debt or equity investments in the Sevier County AA.

Other qualified investments include donations and contributions to organizations that support low- and moderate-income people. Donations to organizations in the Sevier County AA totaled \$109 thousand through 53 separate donations. The most notable were the following:

- \$38 thousand to Boys and Girls Club of Smoky Mountains,
- \$26 thousand to 11 schools and the school system in Sevier County in which more than 50% of the students come from low- and moderate-income families,
- \$7 thousand to United Way of Sevier County that allocates and gives grants to 19 community partner agencies focusing on services targeted to low- and moderate-income families, individuals, seniors & special needs,
- \$4 thousand to Smoky Mountain Area Rescue Ministries,

CNB makes its donations in accordance with its stated goals of adequately meeting community services such as child/youth care and health care for low- and moderate-income people within its AA.

Performance in Limited Scope Assessment Areas

Performance in limited scope AAs, the Knoxville MSA and the Morristown MSA, was consistent with the excellent responsiveness in Sevier County.

CNB made two qualified investments totaling \$3.8 million.

- \$2.9 million investment in a 101 unit retirement home for low- and moderate-income individuals.
- \$820 thousand investment for the rehabilitation of a 78 unit low income housing complex.

CNB made cash donations totaling \$1.6 thousand dollars to qualifying CD organizations in the Morristown MSA. There were no donations made in the Knoxville MSA AA during the evaluation period; however, CNB does not have a significant presence in the Knoxville MSA.

Investments Outside the Assessment Area

In the Knoxville MSA, outside the AA, CNB continued its \$1.2 million equity investment in Minvilla Manor, a 57 unit permanent housing facility for the chronically homeless. At the time of CNB's investment, the property was located in a low-income geography. In the 2010 Census, the census tract changed to moderate-income. We gave positive consideration to this investment activity given the Bank has met the needs of its defined AA.

Extent to Which the Bank Provides Community Development Services

CNB meets the CD service needs of the AA through volunteer activities by its officers and employees. By providing financial services that take advantage of bank employees' financial expertise, the Bank is responsive to the needs of low- and moderate-income people. These services include developing and conducting financial educational programs to students and individuals and providing technical financial assistance to CD organizations. During 2015, various CNB personnel provided 52 hours to conduct financial literacy programs at schools throughout the Sevier County School System (System), with a majority of the students attending the System's schools being low- and moderate-income. In 2014-2015, CNB employee Judy Molla was awarded the Outstanding PEP Banker for superior educational contributions to the community by the Young Bankers Division of the Tennessee Banker Association.

During the evaluation period, CNB processed thirty-nine USDA Rural Housing program loans totaling \$4.95 million. Provided the property is in a USDA approved rural area, low- and moderate-income homebuyers can qualify for this no-down payment loan provided income and credit score criteria are met. CNB underwrites these loans to agency guidelines, receives a fee for its efforts, and the loan is funded by a third party in the secondary market.

Performance in Limited Scope Assessment Areas

Performance in limited scope AAs of the Knoxville MSA and the Morristown MSA was consistent with the excellent responsiveness in Sevier County.

Responsiveness to Community Development Needs

The volume and responsiveness of CNB to the CD needs of the AA is excellent. The Board has identified affordable housing needs and basic community services such as child/youth care and health care as its CD goals. It has allocated dollar and manpower resources to achieve those goals particularly through CD lending and investments, housing finance programs, active participation in providing financial management tools to low-and moderate-income youth and individuals to become successful with their finances, banking products to assist individuals rebuilding their credit, and cash donations and service hours to specific community service organizations.

Performance in Limited Scope Assessment Areas

Performance in limited scope AAs of the Knoxville MSA and the Morristown MSA was consistent with the excellent responsiveness in Sevier County.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or Federal Savings Association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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