

PUBLIC DISCLOSURE

May 2, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Community Bank of East Tennessee
Certificate Number: 33794

809 West Main Street
Rogersville, Tennessee 37857

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Dallas Region – Memphis Area Office

6060 Primacy Parkway, Suite 300
Memphis, Tennessee 38119

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.

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INSTITUTION RATING

INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING: This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory performance regarding the Lending Test supports the overall rating. The bank did not request consideration of its investments and services, nor did examiners identify any discriminatory or other illegal credit acts or practices. Therefore, these considerations did not affect the overall rating. The following discussion summarizes the bank's performance under the applicable test.

- The bank exhibited a reasonable record regarding its loan-to-deposit ratio. Reasonable performances regarding the ratio's overall level and comparative level support this conclusion.
- The institution granted an overall majority of its loans inside its assessment area, including small business and home mortgage loans, to support this conclusion.
- The bank achieved a reasonable record regarding its geographic distribution. Reasonable performances regarding small business and home mortgage loans support this conclusion.
- The institution achieved a reasonable record regarding its borrower profile. Reasonable performances regarding small business and home mortgage loans support this conclusion.
- The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated May 29, 2012, to the current evaluation dated May 2, 2018. Examiners used the Interagency Small Institution Examination Procedures to evaluate the CRA performance of First Community Bank of East Tennessee (FCBET), which consist of the Lending Test.

The Lending Test considered the bank's performance according to the following criteria:

- Loan-to-deposit ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

Full-Scope Review

The bank operates in one assessment area (AA) in the State of Tennessee. Examiners applied full-scope procedures to evaluate performance in the institution's sole AA.

Loan Products Reviewed

For the Lending Test, CRA Small Institution procedures require examiners to determine the bank's major product lines to review. Examiners may select from among the same loan categories used for CRA Large Institution evaluations: home mortgage, small business, small farm, and consumer loans.

Examiners determined that the bank's major product lines by both number and dollar volume include commercial and residential lending. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. The following table shows the bank's originations and purchases for the year ending December 31, 2017, by loan type.

Loans Originations and Purchases in 2017				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	3,970	10.8	21	7.6
Secured by Farmland	72	0.2	1	0.4
1-4 Family Residential	9,196	25.1	74	26.9
Multi-Family (5 or more) Residential	1,155	3.1	2	0.7
Commercial Real Estate	8,686	23.7	11	4.0
Commercial and Industrial	12,134	33.1	58	21.1
Agricultural	0	0.0	0	0.0
Consumer	773	2.1	101	36.7
Other Loans	717	2.0	7	2.5
Total Loans	36,703	100.0	275	100.0
<i>Source: Bank Records 1/1/17 through 12/31/17; includes loan renewals</i>				

As the table shows, commercial (commercial real estate and commercial and industrial) lending represents 56.8 percent by dollar volume and 28.2 percent by number and residential (1-4 family residential and multi-family residential) lending represents 25.1 percent by dollar volume and 27.6 percent by number of the bank's total loan portfolio for 2017.

Although consumer loans comprise a large percentage by number (36.7 percent), the percentage by dollar volume (2.1 percent) is low and; therefore, these loans are not presented in the evaluation. Since agricultural lending (secured by farmland and agricultural) does not represent a major product line by dollar volume (0.2 percent) and the result of this product would not materially affect conclusions or ratings, examiners also did not present this category of lending in the evaluation. Refer to Appendix A for terms and definitions on what constitutes small business and home mortgage loans for purposes of the CRA analysis.

Since FCBET does not voluntarily collect or report small business loan data, this evaluation considered a sample of small business loans originated in calendar year 2017, as the basis for analysis. As such, from the universe of 66 small business loans totaling approximately \$9.4 million, examiners selected an initial random sample of 39 small business loans totaling approximately \$5.2 million for use under the AA concentration performance factor. Examiners selected this sample based on a 90 percent confidence interval with a 15 percent level of precision. D&B data for 2017 provided the primary standard of comparison for the bank's level of small business lending.

The bank reports residential real estate loans pursuant to the Home Mortgage Disclosure Act (HMDA). Therefore, this evaluation considered all home mortgage loans reported on the bank's 2016 and 2017 HMDA Loan Application Register (LAR). Therefore, examiners analyzed 49 home mortgage loans totaling approximately \$4.2 million in 2016, and 68 loans totaling approximately \$8.7 million in 2017. Examiners did not identify any trends between 2016 and 2017 that materially affected conclusions. Therefore, this evaluation places more weight on information for 2016, the most recent year for which aggregate data was available.

Loan Category Weighting

Examiners considered the universes by the number and dollar volume of loans originated in 2017 for the loan categories reviewed as well as managements' stated business strategy to determine the weighting applied to those loan categories. The following table shows that, considering both the number and dollar volume percentages, small business loans account for 49.3 percent and 51.9 percent, respectively. Home mortgage loans account for 50.7 percent and 48.1 percent, by number and dollar volume, respectively. Consequently, small business loans and home mortgage loans receive equal weighting when arriving at applicable conclusions.

Loan Category Weighting				
Loan Category Reviewed	Universes of Loan Categories Reviewed			
	\$(000s)	%	#	%
Home Mortgage	8,668	48.1	68	50.7
Small Business	9,356	51.9	66	49.3
Total Reviewed Categories	18,024	100.0	134	100.0

Source: Bank records (1/1/17 – 12/31/17)

For the Lending Test, examiners reviewed the number and dollar volume of small business and home mortgage loans. While this evaluation presents the number and dollar volume of loans, examiners focused on performance by number of loans because the number of loans is a better indicator of the number of businesses and individuals served.

DESCRIPTION OF INSTITUTION

Background

FCBET is a full-service community bank headquartered in Rogersville, Tennessee and operates offices in Hawkins and Sullivan Counties. First Community Corporation, Rogersville, Tennessee, a one-bank holding company, wholly owns FCBET. The bank maintains no affiliates or subsidiaries. FCBET received a “Satisfactory” rating at its previous Performance Evaluation, dated May 29, 2012, based on Interagency Small Institution Examination Procedures.

Operations

FCBET operates as a retail bank and emphasizes commercial and real estate loans from its six full-service offices: four in Hawkins County, including the main office, and two in Sullivan County. Each of the full-service offices has a deposit-taking automated teller machine. FCBET’s delivery systems include readily accessible services and business hours tailored to the needs of the area served. No branches opened or closed, nor did the bank participate in any merger or acquisition activities since the previous evaluation. The following table illustrates the institution’s distribution of offices by census tract.

Office Distribution by Census Tract Income				
Office Name	Office Type	Census Tract	CT Income Level	Opened or Closed Since Last Examination
Main	Full-Service	0503.01	Middle	No
East Main	Full-Service	0503.01	Middle	No
Church Hill	Full-Service	0505.03	Middle	No
Wal-Mart	Full-Service	0503.01	Middle	No
Kingsport Downtown	Full-Service	0403.00	Moderate	No
Colonial Heights	Full-Service	0410.00	Upper	No

Source: 2015 ACS Census & Bank Data

Banking services offered include several types of personal deposit account services (checking, savings, and time deposits) and business accounts (checking, savings, time deposits, and card services.) Loan products include real estate loans (variety of home mortgage loans), consumer loans (automobile, overdraft protection, credit cards, and personal loans), business loans, and agricultural loans. The bank also maintains a website used primarily for advertising, electronic mail, fund transfers, bill pay services, and internet banking. Other account products and services include debit cards, safe deposit boxes, electronic statements, direct deposits, notary service, wire transfers, cashier's check, night depository, mobile banking, and telephone banking.

Ability and Capacity

FCBET's assets totaled approximately \$171.3 million as of December 31, 2017, and included total loans of approximately \$114.9 million and securities totaling \$24.1 million. The following table illustrates the loan portfolio distribution, by loan type.

Loan Portfolio Distribution as of December 31, 2017		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	12,009	10.4
Secured by Farmland	1,509	1.3
Secured by 1-4 Family Residential Properties	31,204	27.2
Secured by Multi-family (5 or more) Residential Properties	1,281	1.1
Secured by Non-farm Non-Residential Properties	47,188	41.1
<i>Total Real Estate Loans</i>	<i>93,191</i>	<i>81.1</i>
Commercial and Industrial Loans	12,432	10.8
Agricultural Production and Other Loans to Farmers	3	0.0
Consumer	4,577	4.0
Obligations of States and Political Subdivisions in the United States	949	0.8
Other Loans	3,792	3.3
Total Loans	114,944	100.0
<i>Source: 12/31/2017 Call Report (Schedule RC-C)</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet AA credit needs.

DESCRIPTION OF ASSESSMENT AREA

FCBET designated its one AA as all of Hawkins and Sullivan Counties. This AA is located in northeast Tennessee and includes only the Tennessee portion of the Kingsport-Bristol-Bristol, Tennessee-Virginia Metropolitan Statistical Area (MSA). The AA conforms to CRA regulatory requirements. The following sections discuss demographic and economic information for the AA.

Demographic and Economic Data

As shown in the following table, the 52 census tracts in this AA reflect the following income designations according to the 2015 American Community Survey (ACS): 11 moderate-income tracts, 30 middle-income tracts, and 11 upper-income tracts. This was slightly different from the 2010 U.S. Census, which noted the following census tract income designations: one low-income tract, 10 moderate-income tracts, 27 middle-income tracts, and 14 upper-income tracts.

This area included 89,588 households as of the 2015 ACS. Of the area’s families, 39.9 percent reported low- or moderate-incomes, and 13.7 percent reported incomes below the poverty level. Of the area’s 100,838 housing units, owner-occupied units comprise 65.6 percent, occupied rental units at 23.3 percent, and vacant units at 11.1 percent. According to the 2015 ACS, families below the poverty level increased from the 2010 U.S. Census from 12.8 percent to 13.7 percent. The number of owner-occupied housing units decreased from 68,458 to 66,136 and the number occupied rental units increased from 21,795 to 23,452. In addition, the population in the AA slightly decreased from 213,656 to 213,347. The table below presents additional demographic data for the area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	52	0.0	21.2	57.7	21.2	0.0
Population by Geography	213,347	0.0	21.2	56.6	22.2	0.0
Housing Units by Geography	100,838	0.0	22.3	56.5	21.2	0.0
Owner-Occupied Units by Geography	66,136	0.0	18.0	57.9	24.2	0.0
Occupied Rental Units by Geography	23,452	0.0	33.0	52.4	14.6	0.0
Vacant Units by Geography	11,250	0.0	25.4	57.1	17.5	0.0
Businesses by Geography	10,389	0.0	27.3	52.6	20.1	0.0
Farms by Geography	383	0.0	17.5	59.3	23.2	0.0
Family Distribution by Income Level	59,882	20.9	19.0	19.9	40.2	0.0
Household Distribution by Income Level	89,588	23.6	16.9	17.1	42.5	0.0
Median Family Income MSA - 28700 Kingsport-Bristol-Bristol, TN-VA MSA	\$51,210	Median Housing Value				\$121,284
		Median Gross Rent				\$605
		Families Below Poverty Level				13.7%

Source: 2015 ACS Census and 2017 D&B Data; Due to rounding, totals may not equal 100.0
 (*) The NA category consists of geographies that have not been assigned an income classification

This evaluation used the 2016 and 2017 Federal Financial Institutions Examination Council (FFIEC)-estimated median family income figures (MFI) for the Kingsport-Bristol-Bristol, TN-VA MSA for the borrower profile analysis. The following table shows each income level designation.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Kingsport-Bristol-Bristol, TN-VA MSA Median Family Income (28700)				
2016 (\$50,700)	<\$25,350	\$25,350 to <\$40,560	\$40,560 to <\$60,840	≥\$60,840
2017 (\$54,500)	<\$27,250	\$27,250 to <\$43,600	\$43,600 to <\$65,400	≥\$65,400
<i>Source: FFIEC-estimated Median Family Income</i>				

The 2010 U.S. Census MFI for this MSA determined the income levels of the census tracts within the area used to analyze the geographic loan distribution of home mortgage loans.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by gross annual revenues (GAR). According to 2017 D&B data, there were 10,389 businesses in the AA. A breakdown of these businesses by GAR is below:

- 80.1 percent reported GAR of \$1 million or less,
- 5.7 percent reported GAR of more than \$1 million, and
- 14.2 percent did not report GAR.

Industry categories indicate that service industries represent the largest portion of businesses in the area with 43.6 percent of total businesses; followed by retail trade (15.6 percent); construction (8.7 percent); finance, insurance, and real estate (7.7 percent); non-classifiable establishments (7.2 percent); wholesale trade (4.0 percent); and transportation and communication (3.9 percent). In addition, 66.4 percent of area businesses have four or fewer employees, and 85.1 percent operate from a single location. The following table lists major employers in the AA.

Major Employers in Assessment Area		
Company Name	City	Estimated Number of Employees
Eastman Chemical Company	Kingsport	5,000 to 9,999
UPM Pharmaceuticals Inc.	Bristol	1,000 to 4,999
Holston Valley Medical Center	Kingsport	1,000 to 4,999
Wellmont Bristol Regional Medical Center	Bristol	1,000 to 4,999
<i>Source: Tennessee Department of Labor and Workforce Development</i>		

The following table provides the unemployment rates and trends for the two counties within the Tennessee portion of the Kingsport-Bristol-Bristol, TN-VA MSA, the State of Tennessee, and the United States. Overall, unemployment rates decreased for each of areas over the past three years, with both Hawkins and Sullivan Counties' rates slightly higher than the State of Tennessee and lower than the national levels.

Unemployment Rates			
Area	December 2017	December 2016	December 2015
Hawkins County	3.5	5.7	5.9
Sullivan County	3.3	5.4	5.5
Kingsport-Bristol-Bristol, TN-VA MSA	3.4	5.2	5.2
State of Tennessee	3.1	4.9	5.3
United States	3.9	4.5	4.8
<i>Source: Tennessee Department of Labor and Workforce Development</i>			

The December 2017 Moody’s Analytics states “the Kingsport-Bristol-Bristol TN-VA MSA economy is recovering sluggishly and is among Tennessee’s worst performers. Despite low joblessness, average hourly earnings remain relatively stagnant. However, industrial production is rising and the pivotal manufacturing industry has regained some of the jobs lost in 2016. In addition, the housing market is improving with a notable increase in multifamily building.”

Competition

FCBET operates in a moderately competitive environment in its AA. Competition includes other local, regional, and national banks, as well as mortgage companies and credit unions. According to the FDIC Deposit Market Share data, as of June 30, 2017, there were 17 financial institutions operating 56 offices within the Kingsport-Bristol-Bristol TN-VA MSA. FCBET ranked 6th with 5.5 percent of the deposit market share. The top three institutions in the AA account for 54.9 percent of the deposit market share.

Since FCBET does not collect or report its small business loan data, the analysis of small business loans does not include comparison against aggregate data. Nevertheless, the peer data provides information regarding the general demand for small business loans in the AA and the level of competition from large banks operating in Kingsport-Bristol-Bristol TN-VA for these loans. In 2016, 66 institutions reported 2,267 small business loans in the AA. This peer information indicates a moderate degree of competition for small business loans.

There is a very high level of competition for home mortgage loans among banks, credit unions, non-depository mortgage lenders, and online mortgage lenders. In 2016, 245 lenders reported 5,203 originated or purchased residential mortgage loans. FCBET ranked 25th in this group of lenders with a market share of 0.8 percent. The three most prominent home mortgage lenders accounted for 30.5 percent of total market share.

Community Contact

As part of the evaluation process, examiners contact third parties active in the AA to assist in identifying the credit and community development needs. This information helps to determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

For this evaluation, examiners relied upon a recent contact with an economic development organization that serves the AA. The contact stated that the local economy steadily improved and the area experienced a significant decrease in unemployment rates over the last two years. The contact further noted that affordable housing remains the primary credit need in the AA.

Overall, the contact indicated that financial institutions remain responsive to the credit and community development needs.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, aggregate loan information, and demographic and economic data, examiners determined that small business and home mortgage loans represent the primary credit needs in this AA. The large number and volume of home mortgage lending demonstrated by aggregate lenders, the significant percentage of businesses with GAR of \$1 million or less, along with the large number of businesses with four or fewer employees in the AA support these conclusions. Additionally, demographic data indicates that 39.9 percent of the AA's families are low- or moderate-income, with 13.7 percent below the poverty level. This further signifies a continued need for community development services and affordable housing in this area.

CONCLUSIONS ON PERFORMANCE CRITERIA

FCBET demonstrated reasonable performance under the Lending Test as summarized under the rating section in the evaluation. Geographic Distribution and Borrower Profile performance primarily support this conclusion.

Format

This evaluation presents information for the bank as a whole regarding the loan-to-deposit (LTD) ratio and the lending concentration performance factors under the Lending Test. Examiners only considered small business and home mortgage loans extended within the AA for the Geographic Distribution and Borrower Profile performance factors.

Loan-to-Deposit Ratio

The institution exhibited a reasonable record regarding its loan-to-deposit ratio (LTD). The reasonable overall and comparative performances support this conclusion. Examiners considered the institution's size, business strategy, and capacity relative to the AA credit needs when arriving at this conclusion.

Overall Level

The bank's average, net LTD ratio over the past 23 quarters equates to 71.1 percent, which demonstrates reasonable responsiveness to the credit needs of the bank's AA. The ratio ranged from a low of 59.4 percent as of March 31, 2013, to a high of 83.1 percent as of September 30, 2016. Since the last evaluation, the LTD increased moderately until the third quarter of 2016, and has remained stable through the present. The LTD decreased significantly since the last CRA evaluation as the average, net LTD was 95.6 percent at that time. FCBET contracted assets, including the loan portfolio since the last evaluation.

Comparative Level

The comparative level of the bank's average, net LTD ratio reflects reasonable performance. Examiners selected the comparable institutions based on asset size, geographic location, and lending focus. As illustrated in the following table, FCBET maintained a ratio that falls in the lower range of three and is higher than one of the comparable institutions. Specifically, the bank's ratio falls 15.8 percentage points higher than the lowest ratio and 4.1 percentage points below the highest ratio. Consequently, considering the overall and comparative levels, the institution's level of lending shows reasonable performance.

Loan-to-Deposit Ratio Comparison		
Institution	Total Assets as of 12/31/2017 \$(000s)	Average, Net LTD Ratio (%)
First Community Bank of East Tennessee	171,255	71.1
First Farmers & Commercial Bank	118,495	55.3
Civis Bank	100,902	71.7
First Peoples Bank of Tennessee	144,430	75.2
Millennium Bank	171,095	75.1

Source: Reports of Condition and Income 06/30/12 through 12/31/17

Assessment Area Concentration

FCBET originated a majority of its lending inside of the bank's AA. As illustrated in the following table, FCBET overall originated a majority of its small business and home mortgage loans by number in its AA. Examiners noted less than majority of 2017 home mortgage lending originated within the AA; however, this factor did not outweigh the overall percentages originated inside the AA.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business										
2017	32	82.1	7	17.9	39	4,157	80.3	1,018	19.7	5,175
Home Mortgage										
2016	39	79.6	10	20.4	49	3,388	79.4	877	20.6	4,265
2017	41	60.3	27	39.7	68	3,868	44.6	4,800	55.4	8,668
Subtotal	80	68.4	37	31.6	117	7,256	56.1	5,677	43.9	12,933

Source: HMDA Data (2016 and 2017); Bank Records(2017) ; Due to rounding, totals may not equal 100.0

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AA for both small business and home mortgage lending. In the analysis, examiners primarily focused on the bank's number of loans in the moderate-income census tracts compared to the performance of the demographics of the AA and aggregate HMDA lenders. This criterion only considers loans originated inside the AA.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion. The following table shows that the bank made 21.9 percent of its loans in moderate-income census tracts, which is 5.4 percentage points below the percentage of businesses in the area but considered within reasonable limits.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	27.3	7	21.9	1,852	44.6
Middle	52.6	22	68.8	2,145	51.6
Upper	20.1	3	9.4	160	3.8
Totals	100.0	32	100.0	4,157	100.0

Source: 2017 D&B Data; 1/1/2017 - 12/31/2017 Bank Data; Due to rounding, totals may not equal 100.0

Home Mortgage Loans

The bank's geographic dispersion of home mortgage loans reflects reasonable performance throughout the AA during the review period. The analysis shows that, during 2016, FCBET originated 17.9 percent of its home mortgage loans in moderate-income census tracts in the AA, which is 2.9 percent greater than the aggregate lender's performance in these tracts. This trend continued in 2017. The bank's lending level in moderate-income census tracts of 22.0 percent exceeded the percentage of owner-occupied housing by 4.0 percent. Both levels are reflective of reasonable performance.

Geographic Distribution of Home Mortgage Loans							
Tract Income Level		% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low							
	2016	1.0	1.0	0	0.0	0	0.0
	2017	0.0	--	0	0.0	0	0.0
Moderate							
	2016	18.8	15.0	7	17.9	470	13.9
	2017	18.0	--	9	22.0	464	12.0
Middle							
	2016	50.4	44.8	30	76.9	2,388	70.5
	2017	57.9	--	31	75.6	3,353	86.7
Upper							
	2016	29.8	39.1	2	5.1	530	15.6
	2017	24.2	--	1	2.4	51	1.3
Totals							
	2016	100.0	100.0	39	100.0	3,388	100.0
	2017	100.0	--	41	100.0	3,868	100.0

Source: 2010 U.S. Census & 2015 ACS Census; 2016 and 2017 HMDA Data, 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0

Borrower Profile

The bank established a reasonable record regarding its borrower profile. Reasonable performance regarding small business and home mortgage loans support this conclusion. Examiners focused on the percentage by number of small business loans to businesses with GAR of \$1 million or less. As noted, small business and home mortgage loans received equal weighting for rating purposes.

Examiners considered the loan product types reviewed relative to the available comparable data and any performance context issues. They focused on the percentages by the number of loans when arriving at this conclusion. This factor only considered loans granted inside the bank's AA.

Small Business Loans

The distribution of small business loans based on the borrowers' profiles reflects reasonable performance within the bank's AA. Examiners focused on the bank's record to businesses with GAR of \$1 million or less compared to D&B's percentage of businesses when arriving at this conclusion. The company's GAR define the borrowers' profile for this analysis.

The following table illustrates the reasonable penetration among businesses of different sizes. According to 2017 D&B business data, 80.1 percent of the businesses in the bank's AA reported GAR of \$1 million or less. FCBET originated 68.8 percent of its small business loans to businesses (by number) with GAR of \$1 million or less during 2017, while 11.3 percent lower than D&B data and represents reasonable performance.

Detailed Distribution of Small Business Loans by Gross Annual Revenues					
Gross Annual Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	36.3	3	9.4	151	3.6
\$100,000 - \$249,999	29.7	3	9.4	515	12.4
\$250,000 - \$499,999	9.1	15	46.9	1,787	43.0
\$500,000 - \$1,000,000	5.0	1	3.1	64	1.5
Subtotal <= \$1,000,000	80.1	22	68.8	2,517	60.5
>\$1,000,000	5.7	4	12.5	1,431	34.4
Revenue Not Available	14.2	6	18.8	209	5.0
Total	100.0	32	100.0	4,157	100.0

Source: 2017 D&B Data, Bank Data; Due to rounding, totals may not equal 100.0

Home Mortgage Loans

The distribution of home mortgage loans based on the borrower profiles within the bank's AA reflects reasonable performance. Reasonable performance with lending to low- and moderate-income borrowers supports this conclusion. Examiners focused on the comparison to aggregate data when arriving at this conclusion. The borrowers' income designations define the borrowers' profiles for this analysis.

The following table shows that to low-income borrowers in 2016, the bank's percentage of the number of loans exceeds aggregate data by 3.3 percent, reflective of reasonable performance. Although lending to low-income borrowers in 2017 shows a slight decline, this still reflects reasonable performance. The bank's lending to moderate-income borrowers in 2016 exceeds aggregate data by 2.9 percent, displaying reasonable performance. Although lending to moderate-income borrowers declined slightly in 2017, the level continues to reflect reasonable performance. Consequently, the borrower profile distribution of home mortgage loans in the AA indicates reasonable performance.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	21.2	7.0	4	10.3	30	0.9
2017	20.9	--	4	9.8	120	3.1
Moderate						
2016	17.3	17.6	8	20.5	438	12.9
2017	19.0	--	6	14.6	238	6.2
Middle						
2016	20.5	20.8	10	25.6	863	25.5
2017	19.9	--	9	22.0	747	19.3
Upper						
2016	41.0	36.6	16	41.0	2,054	60.6
2017	40.2	--	19	46.3	2,498	64.6
Not Available						
2016	0.0	18.0	1	2.6	3	0.1
2017	0.0	--	3	7.3	265	6.9
Totals						
2016	100.0	100.0	39	100.0	3,388	100.0
2017	100.0	--	41	100.0	3,868	100.0
<i>Source: 2010 U.S. Census & 2015 ACS Census; 2016 and 2017 HMDA Data, 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Response to Complaints

The bank received no CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

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.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

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.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

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 non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family 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).

Family Income: Includes the income of all members of a family that are age 15 and older.

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, 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 applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

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 to purchase manufactured homes, and refinancing 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.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, 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 Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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 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 and less than 80 percent in the case of a geography.

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

Nonmetropolitan Area: All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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.

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.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: 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, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.