



PUBLIC DISCLOSURE

August 29, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Home Federal Bank of Tennessee
Charter Number 703879

515 Market Street
Knoxville, TN 37902-2145

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, and should not 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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Overall CRA Rating

Institution’s CRA Rating: This institution is rated **Outstanding**.

The following table indicates the performance level of **Home Federal Bank of Tennessee** with respect to the Lending, Investment, and Service Tests:

Performance Levels	(Name of Depository Institution) Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X	X	X
High Satisfactory			
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- The distribution of mortgage and small business loans among low- and moderate-income geographies is excellent.
- A substantial majority of the bank’s loans were originated within the bank’s assessment areas.
- The bank’s lending levels reflect an excellent responsiveness to meeting the credit needs of its assessment areas.
- The distribution of home mortgage and small business loans among borrowers of different income levels is good.
- The number and dollar volume of community development loans originated during the period under review demonstrated a significant positive responsiveness to community credit needs, including the needs of low- and moderate-income borrowers and low- and moderate-income areas.
- The dollar amount of investments in the assessment areas is excellent given the available community development opportunities.
- The bank’s product delivery systems are readily accessible to geographies and individuals of different income levels. In addition, the bank’s community development activities within its assessment areas reflect an excellent penetration among low- and moderate-income individuals and geographies.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

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 (MA)/assessment area.

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

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under Housing and Urban Development (HUD) Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives 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 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 that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing).

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancing, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

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

Limited 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 MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A

Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical is comprised of the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

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.

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

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

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

Rated Area: A rated area is a state or multi-state 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 multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the 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.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

Description of Institution and Assessment Areas

Home Federal Bank of Tennessee (Home Federal) is an intrastate bank headquartered in Knoxville, Tennessee, which is located in Knox County. As of June 30, 2016, the bank reported total assets of \$2.2 billion, with Tier 1 Capital of \$378 million. Home Federal is mutually owned, with two wholly owned subsidiaries: Investors Trust Company and Home Financial Services, with neither of these subsidiaries included in this exam review based on their activities. Investors Trust Company provides real estate appraisal and home inspection services for the bank and Home Financial Services is a securities brokerage firm. Home Federal's primary lending focus is retail lending secured by one-to-four family housing and commercial lending. As of June 30, 2016, the bank's loan portfolio consisted primarily of 48.3 percent loans secured by one-to-four family residential real estate loans, and 42.9 percent consisting of Commercial Real Estate (CRE) lending. There has been no merger or acquisition activity by this bank during the review period.

The bank delivers its products and services throughout the communities it serves through 23 branch office locations and 24 automated teller machines (ATMs). The bank serves two assessment areas. One is composed on Anderson, Knox, and Blount Counties, which are located in the Knoxville, Tennessee Metropolitan Statistical Area (MSA). The bank operates 19 branch locations in this assessment area. Anderson and Blount counties have no low income census tracts and 10 moderate income census tracts, with five of these 10 moderate income census tracts possessing significant physical impediments to owner occupied housing, such as state parks, mountains, lakes, and mountainous areas. Knox County has 26 low- and moderate-income census tracts, with many of those tracts having challenges to available owner-occupied housing based on significant levels of commercial/retail/rental development within those tracts. The unemployment rate in Knox County has steadily decreased since 2013 and has stayed below the rates for the State of Tennessee and the country as a whole. As of 2015 the rate was 4.8%, compared to a state rate of 5.8% and a national figure of 5.3%. Knoxville is the largest city in the Knoxville MSA assessment area and East Tennessee. Major employers within Knoxville County and surrounding counties is Covenant Health, which is a community-owned health system; the University of Tennessee; and Knox County Schools. Blount County has employment generated by Maryville College and manufacturing centers, such as DENSO Manufacturing, Clayton Homes and Alcoa, Inc. It is also the site of the McGhee Tyson Airport and Air National Guard Base. Anderson County, and specifically the City of Oak Ridge, is home to the Department of Energy's Oak Ridge Reservation, which includes Oak Ridge National Laboratory, the Y-12 National Security Complex, the Spallation Neutron Source and the Uranium Processing Facility.

The other assessment area is made up of Sevier County, Tennessee, which is not located in an MSA. Sevier County has no low-income census tract and only one moderate income census tract, which is largely occupied by government and commercial retail structures. The bank operates four locations in Sevier County. Sevier County is a major tourist destination with the Great Smoky Mountain National Park being the most visited national park in the nation. A few mountain resort cities that are located within Sevier County are Gatlinburg, Pigeon Forge and Sevierville. The tourism industry drives the county's economy, which includes the Dollywood theme park in Pigeon Forge, as well as Ripley's Aquarium and Ober Gatlinburg (ski resort), which are both located in Gatlinburg. Development and tourism is considered booming, to the point some businesses are challenged to find employees to fill their needs. One of the biggest hurdles is the housing market. Housing prices are often 20%-25% above state average, while wages are 25% below state average. The part-time and seasonal nature of many of the job opportunities equate to lower wages. Community leaders acknowledge that the high price of land and limited transportation options combine to create problems for the lower-paid. However, local

government does not foresee developing any type of public housing or starting a local housing authority. It prefers to rely on the private market to address those needs.

There is significant competition from other financial institutions and mortgage loan providers within Home Federal's MSA and Non-MSA assessment areas. As of June 30, 2015, Home Federal competes with 50 FDIC-insured financial institutions operating 264 branch offices within the MSA assessment area and nine FDIC-insured financial institutions operating 52 branch offices within the non MSA assessment area of Sevier County. As of June 30, 2015, the top four financial institutions based on total of deposits in the bank's MSA assessment areas were First Tennessee Bank (\$2.6 billion in deposits), SunTrust Bank (\$2.5 billion in deposits), Regions Bank (\$2.2 billion in deposits), and Home Federal (\$1.6 billion in deposits or 10.6% of total deposits). Within the Sevier County assessment area Home Federal only possessed 3.6 % of the total deposits.

Home Federal offers mortgages for the purchase, construction, and refinancing of residential dwellings, as well as mortgages secured by rental properties and lot loans. Varying mortgage loan terms are available. Conventional fixed-rate and adjustable-rate mortgages, as well as government secured and guaranteed mortgages (FHA/VA) are available. Consumer lending products include automobile loans, loans for home improvement, home equity installment loans, and home equity lines of credit. The bank also offers commercial loans for various purposes including working capital, to provide short term lines of credit, and financing of equipment and inventory. In addition, Home Federal offers commercial real estate financing for income producing properties, as well as residential construction and development loans. The bank also makes secured loans to churches and other non-profit organizations.

Home Federal did not open or close any branch offices during the period under review. There has been no merger or acquisition activity during the review period. There are no legal, financial, or other factors that impede the bank's ability to help meet the credit needs of its assessment areas. Home Federal received an overall rating of Outstanding during its last CRA examination dated September 16, 2013.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This performance evaluation assessed the bank's performance under the Lending, Investment, and Service Tests. To evaluate lending performance, we reviewed data concerning residential home mortgages reported by the bank pursuant to HMDA requirements, as well as small business/small farm and community development loans. Consumer lending did not constitute a substantial majority of the bank's business, and therefore was not considered in the lending performance. Small farm lending is not a major lending consideration based on only six loans granted during the review period. In assessing performance with respect to the Investment Test, we evaluated the bank's bond investments, grants and donations that satisfied the definition of community development. Performance under the Service Test was assessed based on such factors as alternative delivery systems, hours of operation, and the availability of products and programs throughout the assessment areas, including low- and moderate-income geographies. We also considered any services the bank provided in its assessment areas tailored to the needs of low- and moderate-income individuals and geographies. The evaluation period for HMDA and small business/small farm loans is January 1, 2014, through June 30, 2016. For community development lending, investments and services the review period was January 1, 2014, through June 30, 2016.

Data Integrity

Prior to conducting the CRA Performance Evaluation, we reviewed the integrity of the bank's reportable HMDA and small business/small farm loan data. We also reviewed records pertaining to community development lending, investments, and services. The review focused on Home Federal's policies and procedures for collecting and ensuring the accuracy of its data, and included transactional sampling. We did not note any accuracy/reliability concerns with reviewed loan data or with the community development lending, investments and services information.

Selection of Areas for Full-Scope Review

The current CRA Evaluation included full scope reviews for both of Home Federal's two assessment areas. These include the Knoxville MSA assessment area, which encompasses Anderson, Blount, and Knox Counties, and the Sevier County assessment area. The two assessment areas are contiguous to one another. Refer to Appendix A for further information.

Ratings

As noted above, both the Knoxville MSA assessment area and the Sevier County assessment area received full scope reviews. The weighting of performance in each of these assessment areas toward determining ratings for the Lending, Investment, and Service Tests, was based upon a number of factors. These factors include loan origination activity for various loan products, deposit activity and the branch office presence in each of the two assessment areas. Under each of these tests, performance in the Knoxville MSA AA carried the most weight as most of the bank's loans, deposits, and branches are located in this AA.

Other

To assist us in understanding the credit needs within Home Federal's Knoxville assessment area, we contacted a city official for the city of Knoxville. The contact for this organization stated that the local economy is stable and thriving, and numerous opportunities existed within the City of Knoxville for local financial institutions to assist in meeting affordable housing needs. He did state that banks in the Knoxville area, including Home Federal, were doing their part with community development efforts to meet the credit needs of the community, subject to regulatory constraints. To assist us in understanding the credit needs within Home Federal's Sevier County assessment area, we contacted a city official with the Sevierville Housing Authority. He stated that the economy centered on tourism, that current economic conditions were good with high employment, and the tourist season extending almost the entire year. He expressed concerns for low and moderate income persons/families having limited options for permanent and temporary housing in Sevier County because available land and buildings on that land generate a far greater return from commercial development for tourism purposes versus the alternative use for housing. This same official stated that the banks in the area have done what they could regarding community development.

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. No CRA related complaints were noted since the previous CRA examination and the fair lending exams performed in 2014 and 2015 did not identify any cases of disparate treatment or evidence of discriminatory acts or practices.

Conclusions with Respect to Performance Tests

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated "Outstanding".

Lending Activity

Overall, lending levels reflect excellent responsiveness to the credit needs of the assessment areas, including the needs of low- and moderate-income borrowers and geographies, and small businesses. In addition, a significant majority of home mortgage, small business, and small farm loans originated during the review period (91.7) percent were made within the bank's assessment areas.

Analysis of lending activities disclosed an excellent penetration of home mortgage, small business loans, and small farm loans among low- and moderate-income geographies within the assessment area. The loan penetration among low- and moderate-income borrowers during the review period was good. During the period under review of January 2014 through June 2016, Home Federal originated 15 loans in the total approximate amount of \$9.9 million that meet the definition of community development, which demonstrates the bank's commitment to community revitalization and to meeting the credit needs of the low- and moderate-income segment of its assessment areas.

During 2014, 2015, and the six-month period ended June 2016 combined, Home Federal originated 90.3 percent of its HMDA-reportable loans in the Knoxville MSA assessment area, and only 9.7 percent in its Sevier County assessment area. For that same time period, the bank originated 91.9 percent of its small business loans in its Knoxville MSA assessment area, while only 8.1 percent were originated in Sevier County. The bank has a much larger branch office presence in the Knoxville MSA assessment area, as 19 of its 23 branch offices are located in Anderson, Blount, and Knox Counties. Consequently, for the Lending Test, more weight was given to the bank's HMDA and small business lending performance in the Knoxville MSA assessment area than in Sevier County.

Distribution of Loans by Income Level of the Geography

Knoxville MSA Assessment Area (Anderson, Blount, and Knox Counties)

Home Mortgage Loans

Analysis presented in the following table reflects the adequacy of dispersion of home mortgage lending among census tracts of different income levels within the Knoxville MSA assessment area. The analysis is based upon 2014, 2015, and the six-month period ended June 2016 HMDA data. The analysis compares the percentage of Home Federal's home mortgage originations in census tracts of different income levels to the percentage of owner-occupied housing units (OOHUs) located within those areas. The following table also compares Home Federal's record of lending in census tracts of different income levels to the lending activity of other FDIC-insured lenders subject to the reporting requirements of HMDA that reported loans within the Institution's Knoxville MSA assessment area.

Distribution of Loans by Income Level of the Geography Knoxville MSA Assessment Area						
Income Category	Percent of MFI	Bank Loan #	Bank Loan %	Peers Loan # (1)	Peers Loan #	Distribution of OOHUs (2)
Low	<50%	23	2.0 %	267	1.5%	2.2 %
Moderate	≥50-<80%	102	9.1 %	1,843	10.1%	12.6 %
Middle	≥80-<120%	523	46.6 %	9,244	50.8%	52.5 %
Upper	≥120%	475	42.3 %	6,831	37.6%	32.7 %
Total		1,123	100.0%	18,185	100.0%	100.0%

(1) 2015 Aggregate HMDA Geographic Distribution Analysis for Mortgage Loan Originations of Similar Products of Other Lenders in the Knoxville MSA Assessment Area.

(2) Percentage of OOHUs is derived from 2010 Census Data.

As reflected in the aforementioned table, the bank’s percentage of lending in low- and moderate-income census tracts in the Knoxville MSA assessment area is reasonable in relation to the percentage of OOHUs located in those census tracts.

Information contained in the aforementioned table also indicates that Home Federal’s level of HMDA-reportable lending in low income census tracts within its Knoxville MSA assessment area exceeds the aggregate percentage of peer HMDA loans for the review period. Home Federal’s HMDA lending in moderate-income census tracts is commensurate with the aggregate percentage of peer HMDA loans for the review period. Overall, the penetration of home mortgage loans among census tracts of different income levels in the Knoxville MSA assessment area is excellent in light of the limited owner-occupied housing units for loan and moderate income census tracts.

Small Loans to Businesses

The following table present an analysis of Home Federal’s 2014, 2015 and six-month period ended June 2016 commercial lending in census tracts of different income levels in the Knoxville MSA assessment area. The information presented is based upon reportable small business loan data. The analysis compares the percentages of the bank’s overall small business lending originated in low- and moderate-income census tracts, to the percentages of small businesses located in those tracts.

Geographic Distribution of Loans to Businesses in Knoxville MSA Assessment Area Compared to Demographics								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of SB in AA	% of Bank # of Loans	% of SB in AA	% of Bank # of Loans	% of SB in AA	% of Bank # of Loans	% of SB in AA	% of Bank # of Loans
Businesses	4.6	8.4	18.4	19.6	40.9	36.4	35.0	35.6

Analysis presented in the aforementioned table indicates that the percentage of Home Federal’s small business loans originated in low- and moderate-income census tracts exceeds the percentages of small business located in those tracts. We also compared the geographic distribution of Home Federal’s small business lending in the Knoxville MSA to the aggregate percentages of other lenders originating small business loans in low- and moderate-income tracts. This analysis is presented in the following table.

Aggregate Comparison of Geographic Distribution of Loans to Businesses in Knoxville MSA Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	Peer Lenders % of #	Bank % of #	Peer Lenders % of #	Bank % of #	Peer Lenders % of #	Bank % of #	Peer Lenders % of #	Bank % of #
Businesses	4.2	8.4	16.4	19.6	39.4	36.4	40.0	35.6

Information contained in the aforementioned table indicates that Home Federal’s level of small business lending in low- and moderate-income census tracts within its Knoxville MSA assessment area well exceeds the aggregate percentages of small business loans reported in the assessment area for those years. The geographic analysis of small business lending in the Knoxville MSA assessment area demonstrates a strong commitment by Home Federal to meeting lending needs in low- and moderate-income census tracts.

Sevier County Assessment Area

The Sevier County assessment area does not contain any low-income census tracts and only one moderate-income census tract. The one moderate income census tract is limited in owner-occupied housing based on most of that census tract consisting of county government offices and commercial/retail structures as well as a school. Consequently, a geographic distribution analysis of lending within the Sevier County assessment area would not be meaningful.

Lending Gap Analysis

The geographic distribution of home mortgage loans and small loans to businesses were analyzed to determine whether any unexplained conspicuous gaps existed. None were identified. This performance had a positive effect on the bank’s overall geographic distribution analysis.

Inside/Outside Ratio

Overall, lending levels reflect excellent responsiveness to the credit needs of the assessment areas. A substantial majority of home mortgage, small business, and small farm loans originated during the review period were made within the bank’s assessment area. The inside/outside ratio was performed at the bank level and not at the separate AA levels. This ratio was derived from bank originations, with no purchased loan activity or affiliate credit activity existing during the review period. Data in the table below revealed that 91.7 percent of loans based on number and 90.4 percent of loans based on dollar volume were originated inside the combined assessment areas. These ratios had a positive effect on the bank’s overall geographic distribution performance.

Lending in Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total #	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000s)	%	\$(000s)	%	
Home Mortgage Loans	1,243	90.7	127	9.3	1,370	\$208,838	89.3	\$25,026	10.7	\$233,864
Commercial	284	95.9	12	4.1	296	61,671	94.4	3,664	5.6	65,335
Total	1,527	91.7	139	8.3	1,666	\$270,509	90.4	\$28,690	9.6	\$299,199

Source: Reportable HMDA and Small Business Data for 2014, 2015, and six-month period ended June 2016.

Distribution of Loans by Income Level of the Borrower

Knoxville MSA AA

Home Mortgage Loans

Analysis presented in the following table is based upon Home Federal’s HMDA data for 2014, 2015, and the six-month period ended June 30, 2016. The analysis compares the bank’s record of lending to borrowers of different income levels to the percentages of assessment area families of different incomes. For purposes of this analysis, family income levels were stratified as a percentage of the updated median family income for the Knoxville MSA. The median family income figure for 2015 was \$56,103.

Lending to Borrowers of Different Income Levels						
Knoxville MSA Assessment Area						
Income Category	% of Median Family Income	Bank Loan #	Bank Loan %	Other Lenders Loan # (1)	Other Borrowers Loan %	Distribution Of Families (2)
Low	<50%	104	9.3%	128,670	4.0%	8.5%
Moderate	≥50-<80%	160	14.3%	400,912	12.5%	22.6%
Middle	≥80-<120%	243	21.6%	572,508	17.9%	53.0%
Upper	≥120%	610	54.3%	1,612,204	50.5%	15.9%
Total		1,123(3)	100%(3)	3,196,644(4)	100%(4)	100 %

- (1) 2015 Aggregate HMDA Borrower Income Analysis for Mortgage Loan
 Originations of similar products by other lenders within the Knoxville MSA Assessment Area.
- (2) This column represents the percentage of families by income level within the boundaries of the assessment area.
- (3) Applicant income was not available for 6 or 0.5% of the bank’s loan originations.
- (4) Applicant income was not available for 482,350 or 15.1% of the Other Borrowers loan originations.

As reflected in the above table, Home Federal’s level of loan originations to low-income borrowers in the Knoxville MSA assessment area is higher in relation to the percentage of families that are low- and moderate-income. The above table, also reflects that Home Federal’s level of loan originations to moderate-income borrowers in the Knoxville MSA assessment area is lower in relation to the percentage of families that are low- and moderate-income. The aforementioned table also reflects that Home Federal’s record of lending to low- and moderate-income borrowers of different income levels was higher when compared to the lending activity of other FDIC-insured lenders subject to the reporting requirements of HMDA that reported loans within the Knoxville MSA assessment area. Data in the above table reflects that the bank’s penetration of home mortgages to low-and moderate-income borrowers in the Knoxville MSA assessment area is higher than aggregate peer lending levels.

Small Loans to Businesses

The following table reflect Home Federal’s lending to businesses of different sizes within the Knoxville MSA assessment area, as well as the sizes of business loan originations. Data presented is based upon

the bank’s reportable small business data for 2014, 2015 and the six-month period ended June 2016. In the table below Home Federal originated 36.9 percent of its business loans and 35.8 percent of its business loans by loan amount to small business loans with revenues less than \$1 million, which is lower than the aggregate.

Borrower Distribution of Loans to Businesses in Knoxville MSA Assessment Area				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	79.7%	20.3%	0%	100%
% of Bank Loans in AA by #	36.9%	61.9%	1.2%	100%
% of Bank Loans in AA by \$	35.8%	63.9%	0.3%	100%

The following table reflect the bank’s small business lending activity for 2014, 2015 and the six-month period based on number and dollar size of the business loans, and shows that Home Federal originated a high level (70.5 percent) of small business loans in amounts of \$250,000 or less within its Knoxville MSA assessment area.

Borrower Distribution of Small Business Loans to Businesses by Loan Size in Knoxville MSA Assessment Area				
Loan Size (\$000’s)	Number of Loans	% of Number of Loans	Dollar Volume of Loans (\$000s)	% of Loan Dollar Volume
\$0 - \$100,000	46	48.4%	\$1,610	8.0%
\$100,001 - \$250,000	21	22.1%	\$3,390	16.8%
\$250,001 - \$1,000,000	28	29.5%	\$15,168	75.2%

Sevier County Assessment Area

Home Mortgage Loans

Analysis presented in the following table is based upon HMDA data for Home Federal for 2014, 2015, and six-month period ended June 30, 2016. The analysis compares the bank’s record of lending to borrowers of different income levels to the percentages of assessment area families of different incomes. For purposes of this analysis, family income levels were stratified as a percentage of the updated median family income for the Sevier County assessment area.

Lending to Borrowers of Different Income Levels Sevier County Assessment Area						
Income Category	% of Median Family Income	Bank Loan #	Bank Loan %	Other Lenders # (1)	Other Lenders Loan %	Distribution Of Families (2)
Low	<50%	3	2.5%	8,936	1.8%	0.0%
Moderate	≥50-<80%	13	10.8%	47,973	9.9%	4.3%
Middle	≥80-<120%	24	20.0%	71,055	14.6%	65.2%
Upper	≥120%	80	66.7%	295,522	60.6%	30.5%
Total		120	100%	487,462(3)	100%(3)	100.0%

- (1) 2015 Aggregate HMDA Borrower Income Analysis for Mortgage Loan
Originations of similar products by other lenders within the Sevier County Assessment Area.
- (2) This column represents the percentage of families by income level within the boundaries of the assessment area.
- (3) Applicant income was not available for 63,976 or 13.1% of the Other Borrowers loan originations.

As reflected in the above table, Home Federal’s level of loan originations to low- and moderate-income borrowers in the Sevier County assessment area is higher in relation to the percentage of families that are low- and moderate-income. The aforementioned table also reflects that Home Federal’s record of lending to low- and moderate-income borrowers of different income levels was higher when compared to the lending activity of other FDIC-insured lenders subject to the reporting requirements of HMDA that reported loans within the Sevier County assessment area. Data in the above table reflects that the bank’s penetration of home mortgages to low- and moderate-income borrowers in the Sevier County assessment area is higher than aggregate peer lending levels. This analysis demonstrates an excellent responsiveness to the home mortgage needs of low- and moderate-income borrowers in Sevier County.

Small Loans to Businesses

The following tables reflect Home Federal’s lending to businesses of different sizes within the Sevier County assessment area, as well as the sizes of business loan originations. Data presented is based upon the bank’s reportable small business data for 2014, 2015, and the six-month period ended June 2016. In the table below Home Federal originated 45.5 percent of its business loans and -12.7 percent of its business loans by loan amount to small business loans with revenues less than \$1 million, which is lower than the aggregate

Borrower Distribution of Loans to Businesses in Sevier County Assessment Area				
Business Revenues (or Sales)	£\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	82.6%	17.4%	0.0%	100%
% of Bank Loans in AA by #	45.5%	45.5%	9.0%	100%
% of Bank Loans in AA by \$	12.7%	81.8%	5.5%	100%

The following table reflect the bank’s small business lending activity for 2014, 2015 and the six-month period based on number and dollar size of the business loans, and shows that Home Federal originated a

high level (100.0 percent) of small business loans in amounts of \$250,000 or less within its Knoxville MSA assessment area.

Borrower Distribution of Loans to Businesses by Loan Size in Sevier County Assessment Area				
Loan Size (\$000's)	Number of Loans	% of Number of Loans	Dollar Volume of Loans (\$000s)	% of Dollar Volume of Loans
\$0 - \$100,000	8	80%	\$342	54.1%
\$100,001 - \$250,000	2	20%	\$290	45.9%
\$250,001 - \$1,000,000	0	0%	0	0%

The bank originated all its small business loans in amounts of \$250,000 or less within its Sevier County assessment area, which reflects positively on the bank’s small business lending in its Sevier County assessment area.

Community Development Lending

The level of CD lending in the Knoxville MSA AA reflects a significant positive impact concerning the bank’s responsiveness to CD needs of the AA.

The bank granted 15 community development loans totaling \$9.9 million during the review period that primarily benefitted the Knoxville MSA assessment area. These loans were to various non-profit organizations that provide housing, housing assistance, educational/sports programs, behavioral health services or home-based care to low- and moderate-income individuals who are elderly or suffering from terminal illness. Loan proceeds were primarily for the construction, renovation, or purchase of facilities, with several operating lines of credit extended to these organization for the purpose of cash flow needs. The following loans are an example of the CD loans granted by the bank.

- In November 2014 a \$480,000 line of credit for operating expenses was granted to Project Grad, an organization headquartered in a moderate income census tract of Knoxville that provides community services, primarily to low- and moderate- income individuals to assist students from economically challenged circumstances complete high school.
- In November 2014 a \$400,000 construction loan for transitional housing and a building for administrative/community needs was granted to The Restoration House (TRH), an organization that provides community services and housing for low- and moderate-income single mothers and their children.
- In September 2015 a \$750,000 loan was granted to the Knoxville Area Rescue Ministries, which provides transitional housing and community services such as job training opportunities, clothing, meals and other basic needs to low- and moderate-income individuals in the Knoxville area.
- In November 2015 a \$250,000 loan was granted for operating expenses to the Knoxville Leadership Foundation, which is headquartered in a moderate income census tract and provides services to low- and moderate-income individuals such as housing for the working poor, home repairs for persons who cannot afford it, support for children with parents in prison, etc.

- In June 2016 a \$4.4 million loan was granted to DRT properties, LLC to purchase and renovate several buildings in a moderate income census tract of Knoxville Tennessee, to house the operations of Charles Tombras Advertising, which employs 150 employees. The borrower also qualifies for additional financing from the Knoxville city government through Tax Increment Financing, which is provided to real estate owners to make improvement investments and create jobs in certain economically disadvantaged areas.
- In April 2016 a \$650,000 loan was granted to Steps House to purchase additional affordable housing, Steps House is an organization located within a low income census tract in Knoxville that currently has 38 houses utilized for housing of individuals, who are homeless and have drug addiction problems.

Two loans totaling approximately \$1 million benefitted Sevier County assessment area as well as other counties including Knox, Anderson and Blount counties. These loans were to two non-profit organizations that provide behavioral health services and senior care services for low- and moderate-income individuals and families. Loan proceeds were used primarily as operating lines of credit for cash flow needs for Union Hill Enterprises and Helen Ross McNabb Foundation. CRA Officer/Vice President Jan Evridge stated that the nature of Sevier County's primary industry being tourism has placed greater profitability from real estate being utilized for commercial developments versus residential development, which has provided limitations regarding the bank's opportunities for CD loans in Sevier County.

Product Innovation and Flexibility

During the period under review, Home Federal provided the loan program described below which was designed to assist low- and moderate-income home owners to obtain affordable home improvement financing:

Affordable Home Improvement Loan is an "in house" program that offers fixed-rate loans with amounts as low as \$500 with a maximum of \$3,500 and a maximum term of 48 months. No lien is placed upon the property and loans are limited to low- and moderate-income borrowers or property located in low- and moderate-income census tracts. Ten loans were made under this program during the evaluation period totaling approximately \$30 thousand. Bank management provide information about the program to non-profit organization which work with low-to moderate-income borrowers, such as Habitat for Humanity, to share with their clients. In addition, branch lenders have been informed to provide information about the program to assist customers who might qualify for this loan program, including borrowers that lack property equity for a normal loan.

Conclusions for Areas Receiving Limited-Scope Reviews

No areas were targeted for limited-scope reviews.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Investment Test is rated "Outstanding". Based on full-scope reviews of the bank's AAs, Home Federal's level of qualified community development investments reflects an excellent responsiveness to meeting the needs of the community. The majority of qualified investments

were to organizations that benefit both the Knoxville MSA assessment area and Sevier County assessment area (the assessment areas are contiguous). Therefore, it would not be meaningful to group the analyses separately for each of the assessment areas with respect to the Investment Test. For the period under review, Home Federal made a substantial volume of qualified investments/charitable donations in its assessment areas totaling \$1.4 million representing 216 donations that addressed community development needs. Based upon the examiner's review of an itemized list of the recipients of these contributions, it was determined these investments met the definition of community development investments. The bank donates funds to a variety of organizations, with the bulk providing important and varied services to low-income and moderate-income individuals and families. Donations help provide services including (but not limited to) food for the hungry, medical-related services, education, job resources and affordable housing. An example of some of the organizations receiving these bank donations include the following organizations:

- Knoxville Habitat for Humanity, an organization that sells homes to families at no profit, with zero-percent interest loans, in order to make them affordable for people who cannot otherwise afford a house with a conventional mortgage, received donations totaling \$80 thousand.
- Project Grad, an organization headquartered in a moderate census tract income of Knoxville that provides community services, primarily to low and moderate individuals to assist students from economically challenged circumstances complete high school, received donations totaling \$150 thousand.
- United Way (Knox and Sevier Counties), an organization serving primarily low- and moderate-income individuals and families by (1) empowering people to achieve a stable financial situation with proven methods such as job training and financial wellness classes (2) encouraging students and adults in education/literacy opportunities to succeed in life and (3) expanding access to quality health care, received donations totaling \$325 thousand.
- Knox Area Rescue Ministries, an organization which provides transitional housing and community services such as job training opportunities, clothing, meals and other basic needs to low and moderate income individuals in the Knoxville area, received donations totaling \$87 thousand.
- Emerald Youth Foundation, serving economically disadvantaged students, received donations totaling \$51 thousand.

Other examples of organizations receiving bank donations were Inter-Faith Health Clinic, Volunteer Ministry Center, Sevier County Economic Development Council, and the YMCA (Knox County). During the current evaluation period, Home Federal also had eight investments totaling \$230 thousand, which qualified as community development investments for CRA purposes, located in the broader statewide area that has the potential to benefit the bank's assessment area either partially within the assessment areas or outside the AAs. These investments demonstrate the bank's willingness to invest in the economic development for underserved or distressed areas, as well as serving low- to moderate-income individuals and families.

The bank has purchased several bonds issued by the Tennessee Housing Development Agency (THDA). The THDA was created to promote the production of affordable housing for low and very low income individuals and families throughout the state of Tennessee, including Home Federal's assessment areas.

The agency has been granted the authority to issue tax-exempt mortgage revenue bonds to support its mission. As of the date of the current CRA Evaluation, Home Federal had outstanding THDA bonds with total outstanding book values of approximately \$560 thousand. During the review period the bank purchased \$122 thousand in these bonds.

Home Federal has invested in Tennessee State School Board Authority (TSSBA) bonds. The TSSBA is a corporate governmental agency whose purpose is to finance capital projects for public institutions of higher education. Projects include dormitories, athletic facilities and major equipment purchases, and benefit the entire state, including Home Federal's assessment areas. As of the date of the current CRA Evaluation, Home Federal had two outstanding TSSBA bonds with total outstanding book values of approximately \$194 thousand. During the review period the bank purchased \$5 thousand in these bonds.

Conclusions for Area Receiving Limited-Scope Reviews

No areas were targeted for limited-scope reviews.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "Outstanding". The majority of community development services were to organizations that benefit both the Knoxville MSA assessment area and Sevier County assessment area. Therefore, it would not be meaningful to group the analyses separately for each of the assessment areas with respect to the Service Test. Based on full-scope reviews, the bank's performance in the bank's AAs is excellent.

Retail Banking Services

Home Federal serves the combined assessment areas with 23 branch offices located in Anderson, Blount, Knox, and Sevier Counties, Tennessee. The table below sets forth the branch office and ATM locations, as well as the income level of the census tract in which each office is located.

County	City Location	Income Level of Geography	ATM
Anderson, TN	Oak Ridge	Moderate	Yes
Blount, TN	Maryville	Middle	Yes
Knox, TN	Corryton Knoxville Knoxville Knoxville Powell	Middle Moderate (3) Middle (8) Upper (4) Middle	Yes All Yes All Yes All Yes All Yes Yes
Sevier, TN	Gatlinburg Pigeon Forge Sevierville Seymour	Middle Middle Moderate Upper	Yes Yes Yes Yes
Total	23 Branch Offices		23 ATMs

In addition to the ATM locations listed in the table above, Home Federal also operates one ATM not connected with branch offices. The non-branch ATM is located in Knoxville on the Johnson University campus in a middle-income census tract. The bank ceased operating one non-branch ATM in a moderate area of Knoxville when the bank lost the lease on the ATM space. However a bank branch is located near that nonoperational ATM site. The bank did not close any branch office locations during the period under review.

The office hours of all branch offices are considered convenient and consistent with those offered by other financial institutions within their respective area. Lobby hours are from 8:30 a.m. to 4:00 p.m. on Mondays through Thursdays and until 6:00 p.m. on Friday, with no operating hours on Saturday. The drive-in windows are generally open from Monday through Thursday from 8:00 a.m. to 4:00 p.m. and until 6:00 p.m. on Friday.

Within both the Knoxville MSA assessment area and the Sevier assessment area, the use of alternative systems for delivering retail banking services is considered excellent. All 24 ATMs allow customers to perform transfers between accounts, check account balances, and make withdrawals. All but one of the ATMs allow customers to make deposits. Customers also have the ability to access their accounts online or over the phone. By telephone, customers can make balance and transaction inquiries and transfer funds between accounts. Over the Internet, customers can view account balances and review account history, transfer money between accounts and pay bills owed to any merchant, institution, or creditor. Cash management services are also available to commercial customers.

Home Federal offers a wide range of deposit products including personal and commercial checking accounts, which are well tailored to meet retail banking needs within the community. Home Federal’s “Basic Checking” product has features typically attractive to low- and moderate-income individuals. This account has a \$100.00 daily minimum balance requirement to avoid the \$2.00 monthly service charge, a \$.25 per check fee, an opening deposit of \$100.00, free online banking, and the initial order of checks is free. Other retail product offerings include “55+ Checking”, targeted to accountholders over the age of 55, and Student Checking. The “55+ Checking” product offers unlimited check writing, an opening deposit of \$100.00, no monthly service fee, no minimum balance, free direct deposit, free online banking, an ATM card, and debit cards are available. The Student Checking account offers no charge for check writing for the first ten checks and a \$.25 per check fee thereafter, an opening deposit of \$100.00, no monthly service fee, no minimum balance required, free online bill banking, free first order of checks, and ATM and debit cards are available.

Community Development Services

Home Federal provided a high level of services within its assessment areas that met the definition of community development. The innovativeness and responsiveness of community development services to the needs of low-income and moderate-income individuals and geographies is considered excellent. During the evaluation period, there were bank managers and senior management, including the bank's Chairman of the Board/CEO, who used their banking knowledge and expertise to serve in 50 organizational positions within organizations relating to low-income to moderate-income individuals/families located within the AAs they serve. During the period under review, community development services were provided to local government entities that promote affordable housing and economic development, education-based organizations that offer financial assistance to underprivileged students, organizations dedicated to providing financial literacy, and charitable groups that provide various types of assistance to low- and moderate-income individuals as well as to needy and abused children. Some of the organizations receiving services from bank personnel included the following organizations:

- Serving on the Board for Equal Coalition Housing Opportunities, which provides scholarships to low- and moderate-income residents to attend an annual Fair Housing Conference and engage in fair housing issues.
- Serving on the Board for the Restoration House, which provides supportive transitional housing, ally teams, and family advocacy for low income single mother families.
- Serving on the Board for Inter-Faith Health Clinic, which provides access to affordable and quality health care to the low income, working uninsured and underserved individuals and families.
- Serving on the Board of Family Promise of Knoxville, which help homeless and low income families achieve sustainable independence
- Member of Committee on Income and Basic Needs for the United Way Knox County, where banking knowledge is used to help facilitate resources to improve the lives of people in the community.
- Serving on the Board for the Helen Ross McNabb Foundation, which provides behavioral health care and support for children, adults and families experiencing social challenges.

Some examples of the other organizations receiving bank personnel services include the Sevier County Economic Development Council, Knox County Housing Partnership DBA Home-Source East Tennessee, and Project Help.

CRA Officer/Vice President Jan Evridge stated that Home Federal continues to seek community development opportunities to serve Sevier County citizens, however, Sevier County is a very close-knit area with a number of well-established, financial institutions centered in the area. These institutions continue to garner top priority with local business and organizations regarding available community development opportunities.

Conclusions for Areas Receiving Limited-Scope Reviews

No areas were targeted for limited-scope reviews.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD Loans): 01/31/14 to 12/31/15 Investment and Service Tests and CD Loans: 01/31/14 to 6/30/16	
Financial Institution	Products Reviewed	
Home Federal Bank of Tennessee Knoxville, Tennessee	Home Mortgages Small Business/Small Farm Loans Community Development Loans Community Development Investments Community Development Services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
N/A	N/A	N/A
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Knoxville MSA Assessment Area Sevier County Assessment Area	Full Scope Full Scope	

Appendix B: Market Profiles for Full-Scope Areas

Home Federal has designated two separate assessment areas consisting of four contiguous counties. One assessment area includes the counties of Knox, Anderson and Blount which are part of the Knoxville MSA. The other is a Non-MSA assessment area consisting of Sevier County. The current examination included full scope reviews for both assessment areas.

The tables below, which are based on 2010 U.S. Census data, set forth demographic summaries for the Knoxville MSA assessment area and the Sevier County assessment area. A low-income census tract/borrower is one with a median family income (MFI) of less than 50.0 percent of the MFI of an MSA, a moderate-income census tract/borrower is one with a MFI of at least 50.0 percent, and less than 80 percent of the MFI of an MSA, a middle-income census tract/borrower is one with a MFI of at least 80.0 percent, and less than 120.0 percent of the MFI of an MSA, and an upper-income census tract/borrower is one with a MFI of 120.0 percent or more of the MFI of an MSA.

Demographic Information for the Knoxville MSA Assessment Area (Anderson, Blount, and Knox Counties)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	158	5.7	17.09	45.57	28.48	3.16
Population by Geography	630,365	5.37	14.82	49.20	29.65	0.95
Owner-Occupied Housing by Geography	178,451	2.16	12.64	52.52	32.67	0.01
Businesses by Geography	37,504	4.62	18.42	40.94	35.01	1.01
Farms by Geography	971	2.16	12.46	52.52	31.82	1.03
Family Distribution by Income Level	162,913	19.02	15.95	21.06	43.97	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	56,962	8.51	22.65	52.97	15.87	0.00
Median Family Income = \$56,103			Median Housing Value = \$152,710			
HUD Adjusted Median Family Income for 2016 = \$60,900			Unemployment Rate = 3.13%			
Households Below the Poverty Level = 14%						

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census, and 2016 FFIEC updated MFI.

Demographic Information for Non-MSA Assessment Area (Sevier County)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	18	0.0	5.56	55.56	33.33	5.56
Population by Geography	89,889	0.0	3.31	58.83	37.87	0.0
Owner-Occupied Housing by Geography	25,813	0.0	1.48	59.40	39.12	0.0
Businesses by Geography	6,483	0.0	7.84	62.39	29.34	0.43
Farms by Geography	159	0.0	4.40	54.72	40.88	0.0
Family Distribution by Income Level	27,123	16.99	16.34	21.68	45.00	0.0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	9,039	0.0	4.34	65.23	30.43	0.0
Median Family Income = \$44,386			Median Housing Value = \$157,160			
HUD Adjusted Median Family Income for 2016 = \$47,800			Unemployment Rate = 3.80%			
Households Below the Poverty Level = 14%						

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census, and 2016 FFIEC updated MFI.

The bank serves two assessment areas. One is composed on Anderson, Knox, and Blount Counties, which are located in the Knoxville, Tennessee Metropolitan Statistical Area (MSA). The bank operates 19 branch locations in this assessment area. Anderson and Blount counties have no low income census tracts and 10 moderate income census tracts, with five of these 10 moderate income census tracts possessing significant physical impediments to owner occupied housing, such as state parks, mountains, lakes, and mountainous areas. Knox County has 26 low- and moderate-income census tracts, with many of those tracts having challenges to available owner-occupied housing based on significant levels of commercial/retail/rental development within those tracts. The unemployment rate in Knox County has steadily decreased since 2013 and has stayed below the rates for the State of Tennessee and the country as a whole. As of 2015 the rate was 4.8%, compared to a state rate of 5.8% and a national figure of 5.3%. Knoxville is the largest city in the Knoxville MSA assessment area and East Tennessee. Major employers within Knoxville County and surrounding counties is Covenant Health, which is a community-owned health system; the University of Tennessee; and Knox County Schools. Blount County has employment generated by Maryville College and manufacturing centers, such as DENSO Manufacturing, Clayton Homes and Alcoa, Inc. It is also the site of the McGhee Tyson Airport and Air National Guard Base. Anderson County, and specifically the City of Oak Ridge, is home to the Department of Energy's Oak Ridge Reservation, which includes Oak Ridge National Laboratory, the Y-12 National Security Complex, the Spallation Neutron Source and the Uranium Processing Facility.

The other assessment area is made up of Sevier County, Tennessee, which is not located in an MSA. Sevier County has no low-income census tract and only one moderate income census tract, which is largely occupied by government and commercial retail structures. The bank operates four locations in Sevier County. Sevier County is a major tourist destination with the Great Smoky Mountain National Park being the most visited national park in the nation. A few mountain resort cities that are located within Sevier County are Gatlinburg, Pigeon Forge and Sevierville. The tourism industry drives the county's economy, which includes the Dollywood theme park in Pigeon Forge, as well as Ripley's Aquarium and Ober Gatlinburg (ski resort), which are both located in Gatlinburg. Development and tourism is considered booming, to the point some businesses are challenged to find employees to fill their needs. One of the biggest hurdles is the housing market. Housing prices are often 20%-25% above state average, while wages are 25% below state average. The part-time and seasonal nature of many of the job opportunities equate to lower wages. Community leaders acknowledge that the high price of land and limited transportation options combine to create problems for the lower-paid. However, local government does not foresee developing any type of public housing or starting a local housing authority. It prefers to rely on the private market to address those needs.

There is significant competition from other financial institutions and mortgage loan providers within Home Federal's MSA and Non-MSA assessment areas. As of June 30, 2015, Home Federal competes with 50 FDIC-insured financial institutions operating 264 branch offices within the MSA assessment area and nine FDIC-insured financial institutions operating 52 branch offices within the non MSA assessment area of Sevier County. As of June 30, 2015, the top four financial institutions based on total of deposits in the bank's MSA assessment areas were First Tennessee Bank (\$2.6 billion in deposits), SunTrust Bank (\$2.5 billion in deposits), Regions Bank (\$2.2 billion in deposits), and Home Federal (\$1.6 billion in deposits or 10.6% of total deposits). Within the Sevier County assessment area Home Federal only possessed 3.6 % of the total deposits.

