



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

July 16, 2009

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank  
Charter Number: 8673

200 E. Broadway  
Lenoir City, TN 37771-0000

Office of the Comptroller of the Currency

NASHVILLE Field Office  
5200 Maryland Way Suite 104  
Brentwood, TN. 37027-5018

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

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

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

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

First National Bank (**FNB**) has a satisfactory record of meeting community credit needs. **FNB** has an outstanding record of meeting the community development test. This is based on the following:

- The bank's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance given the bank's size, financial condition, and Assessment Area credit needs. **FNB's** loan-to-deposit ratio averaged 84.69% during the evaluation period. **FNB's** loan-to-deposit ratio ranged from a low of 73.2% March 2009 to a high of 91.16% March 2008.
- A majority of **FNB's** loans and other lending-related activities are in the bank's Assessment Areas. Approximately 75% of the number and 77% of the dollar volume of loans were to borrowers within the Assessment Areas.
- **FNB's** record of lending to borrowers of different incomes (including low- and moderate-income) and to businesses of different sizes reflects reasonable penetration in its Assessment Areas.
- **FNB's** record of geographic distribution of residential real estate loans in its Assessment Areas in low- and moderate-income census tracts reflects excellent dispersion. **FNB's** record of geographic distribution of loans to small businesses in low- and moderate-income census tracts reflects reasonable dispersion.
- **FNB's** record of meeting the community development test during this evaluation period is outstanding based on the 18 loans and investments aggregating \$5,726,000. **FNB** activities and level of community development services targeted to low- and moderate-income individuals is also outstanding.

## **Scope of Examination**

This Performance Evaluation is based on the period February 8, 2005 through July 16, 2009. Results were consolidated for comparative and analysis purposes and evaluated using 2000 Census Demographic information.

Conclusions regarding the Lending Test are based on residential loans including home purchases, home improvements, and home refinances. Residential loans considered in the Lending Test originated from January 1, 2006 through March 31, 2009. Small business loans originated from January 1, 2007 through July 16, 2009 were also considered in the Lending Test. First National Bank (**FNB**) is a Home Mortgage

Disclosure Act (HMDA) reporter. A sample of small business loans was selected based on internal bank reports. A data integrity review was conducted prior to this evaluation.

Lending products considered during this review period include reportable Home Mortgage Disclosure Act (HMDA) loans (home purchases, home improvements, and home refinance) that originated during 2006, 2007, 2008, and through March 31, 2009. Also considered during this review period were business and farm loans that originated during 2007, 2008, and through July 16, 2009. No other loan products offered by the bank or any affiliate were considered during this evaluation period.

## Description of Institution

**FNB** is an independent community bank with offices located in Loudon, Knox, Blount, and Bradley County, Tennessee. There have been no significant changes to **FNB's** corporate structure, including merger and acquisition activities, since the last Community Reinvestment Act (CRA) examination dated February 7, 2005 when the bank received a satisfactory rating. **FNB** has no wholly-owned subsidiaries or affiliates. However, **FNB** is a wholly-owned subsidiary of MoneyTree Corporation, a one-bank holding company, which reported total assets of \$437 million as of December 31, 2008. The bank's primary focus has not changed and continues to be commercial and industrial loans, residential real estate loans, and construction and land development loans.

There are no legal or financial impediments to **FNB's** ability to meet the credit needs in its Assessment Area(s) (AAs) including retail and community development loans, qualified investments, and community development services needs. The bank offers a full-range of loan and deposit services.

**FNB's** main office is located in Lenoir City, Tennessee. The bank has four branches located in Loudon County, one branch each located in Knoxville and Maryville, and two branches located in Bradley County, Tennessee. Since the previous CRA examination, the bank has not opened or relocated any branch office. Effective February 27, 2009, the bank did close its Eaton Office which was located in Lenoir City.

As of March 31, 2009, **FNB** had total assets of \$451 million, of which net loans comprised 62.71%. The following table reflects the composition of **FNB's** loan portfolio based on the March 31, 2009 Report of Condition.

	Product Category	
	Dollar (000's)	Percent
Commercial & Industrial Including Commercial Real Estate	127,514	43.95
Residential Mortgage Loans	99,625	34.33
Construction & Land Development	51,317	17.69
Individuals	11,579	3.99
Agricultural Loans	110	0.04
<b>TOTAL</b>	290,145	100.00

Source: March 31, 2009 Report of Condition.

**FNB** provides a wide-range of traditional deposit and loan products. The main office and branches are located in areas accessible to persons from different areas of the community. Lobby hours and drive-up hours also help to meet customer needs during the week. **FNB** has an ATM at each office location. There are no free standing ATMs.

Customers have 24-hour access to their accounts through telephone banking and through the internet (<http://www.fnbtn.com>). Internet and phone banking services include transfers between **FNB** accounts, review of account balances and transactions, access to loan account information, and the payment of loans. Internet banking customers also have bill-paying capability. The bank offers Visa debit cards that provide customers with additional access to their accounts at point-of-sale or ATM locations.

Distribution of Bank Offices and ATMs by Census Tract						
Census Tract Income Level	Tracts		Full-Service Branches		Automated Teller Machines (ATM)*	
	#	%	#	%	#	%
Low	5	6.76	0	0	0	0
Moderate	8	10.81	0	0	0	0
Middle	39	52.70	5	55.56	5	55.56
Upper	21	28.38	4	44.44	4	44.44
NA	1	1.35	0	0	0	0
<b>TOTAL</b>	74	100.00	9	100.00	9	100.00

\*An ATM machine is located at each bank office. Each ATM machine accepts deposits and dispenses cash. There are no free-standing ATMs.

**FNB's** business strategy includes continued marketing of commercial credit to small businesses through its products, staff, and location to AA businesses. The bank offers a variety of small business loans including loans for new business startups and to expand existing businesses. Commercial and residential construction and development loans are also offered. **FNB** also offers a Homeownership Program through Tennessee Housing Development Authority (THDA) which is designed for low- and moderate-income borrowers.

## Description of Assessment Area(S)

**FNB** is located in eastern Tennessee, approximately 25-miles west of Knoxville, Tennessee and 75-miles northeast of Chattanooga, TN. The bank's main office is located in Lenoir City, TN which is located on I-75, a major north-south interstate highway. I-75 also passes through Atlanta, GA and Louisville, KY. The following counties are in **FNB's** AAs: Blount, Bradley, Loudon, Knox, Monroe, and Roane. Respective county seats for each county are: Maryville, Cleveland, Loudon, Knoxville, Madisonville, and Kingston. All six counties border each other.

First National Bank (**FNB**) has three Assessment Areas (AA). The Knoxville, TN Metropolitan Statistical Area (MSA) #28940 AA (includes Anderson, Blount, Knox, Loudon, & Union County)(Knoxville AA), the Cleveland, TN MSA #17420 AA (includes Bradley & Polk County)(Cleveland AA), and the Monroe and Roane County Non-MSA AA(Monroe and Roane County AA). The bank's Knoxville AA does not include any census tracts located in Anderson County or Union County, 15 of 18 census tracts located in Blount County, 32 of 129 census tracts located in Knox County, and all 7 census tracts located in Loudon County. In total, there are 54 census tracts in the bank's Knoxville AA. The bank's Cleveland AA includes 14 of 22 census tracts in Bradley County but does not include any census tracts in Polk County. The bank's Monroe and Roane County AA includes 3 of 6 census tracts in Monroe County and 3 of 10 census tracts in Roane County. Blount, Knox, Loudon, Bradley, Monroe, and Roane Counties are adjacent to each other. In total, 74 census tracts comprise the bank's AAs. **FNB's** main office (Lenoir City) and 4 branches (2 offices each in Lenoir City and Loudon) are located in Loudon County, one branch office is located in west Knoxville (Knox County), one branch office is located in Maryville (Blount County), and 2 branch offices are located in Cleveland (Bradley County). For analytical purposes, a full-scope review was performed on each AA. The bank's overall rating is based on a review of the three AAs.

The bank's three AAs include 74 census tracts. Five of the census tracts (6.76%) are low-income census tracts, eight (10.81%) are moderate-income census tracts, 39 (52.70%) are middle-income census tracts, 21 are (28.38%) are upper-income census tracts, and one census tract (1.35%) is Not Applicable (NA). Fifty four of the census tracts (72.97%) are located in the Knoxville AA, 14 (18.92%) are located in the Cleveland AA, and three census tracts each (4.05%) are located in the Monroe and Roane County AA. **FNB** has 55.56% and 44.44% of their branches, including the main office located in middle-income and upper-income census tracts, respectively.

The AAs meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income areas. There are no natural boundaries within the AAs that hinder accessibility.

Demographic Information for Knoxville AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	54	7.41	9.26	50.00	31.48	1.85
Population by Geography	317,825	3.42	4.43	56.67	35.41	0.07
Owner-Occupied Housing by Geography	141,407	1.81	3.04	57.63	37.52	0
Businesses by Geography	29,716	2.75	8.60	46.41	42.21	0.03
Farms by Geography	676	1.48	3.55	59.61	35.36	0
Family Distribution by Income Level	89,211	16.32	16.07	21.32	46.92	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	28,895	50.39	49.61	-	-	0
Median Family Income (MFI)	= \$55,109			Median Housing Value	= \$116,843	
HUD Adjusted Median Family Income (MFI) for 2008	= \$58,800			Unemployment Rates	= 8.8%	
Households Below the Poverty Level	= 13,840					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 U.S. Census and 2008 HUD updated MFI. Unemployment rate is as of May 2009.

The Knoxville AA economy is diverse. Respective populations for Knox, Loudon, and Blount counties during the 2000 census were 382,032, 39,086, and 87,965. The aggregate population for **FNB's** Knoxville AA at the 2000 census was 317,825. The local employment base includes education, communications, and manufacturing. Major employers in Knox county are: The University of Tennessee (public university) 7,000 employees and 26,000 students; Jewelry Television by ACN (home shopping cable network and corporate office) 2,218 employees; Sea Ray Boats, Inc. (fiberglass boats & corporate office) 1,464 employees; Elavon (credit card processing) 1,177 employees; Pilot Travel Centers (convenience stores and corporate office) 1,091 employees; First Tennessee Bank (bank and regional office) 939 employees; Scripps Networks (cable television networks and corporate office) 800 employees; Comcast (cable and internet) 800 employees; AT&T (telecommunications provider) 750 employees; and some 26 other manufacturers and distributors employing 12,000 workers. Knox County's natural resources include limestone, zinc, and various hardwoods, pine, and cedar. Agricultural products include greenhouse and nursery plants. Largest employers in Loudon County include: Yale Norton (security products) 340 employees; Hubbell Lenoir City, Inc. (concrete polymer products) 264 employees; Famil Brands International (meat processing) 114 employees; Wampler Farm Sausage (meat processing) 101 employees; and 8 other processors, manufacturers, and distributors employing 260 workers. Natural resources include barite, granite, pine, hickory, and oak. Agriculture products include tobacco, small grains, and vegetables. Largest employers in Blount County include: DENSO Manufacturing (automotive parts) 2,500 employees; ALCOA (aluminum ingot and coiled steel) 1,660 employees; Clayton Homes (manufactured homes) 1,373 employees; Sanford Brands-Rubbermaid (office products supplier) 900

employees; APAC-TN/Harrison Division (concrete) 500 employees; I. J. Company (wholesale food distribution) 483 employees; and 23 other manufacturers, fabricators, and processors employing 3,150 workers. Blount County’s natural resources include marble, crushed stone, hardwood and pine wood products. Agriculture products include hay, small grain, corn, and tobacco. Seven (77.78%) of the bank’s nine offices are located in the Knoxville AA.

There are four low-income census tracts (7.41%) and five moderate-income census tracts (9.26%) within **FNB’s** Knoxville AA. Of the 89,211 families residing in the Knoxville AA, 14,560 (16.32%) and 14,335 (16.07%), respectively, are low- and moderate-income families based on the family distribution by income levels. As of May 31, 2009, the unemployment rate for Knoxville AA was 8.8%. For the same time period, the unemployment rate for the State of Tennessee was 10.7% and the national average was 9.4%.

Demographic Information for Cleveland AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	14	7.14	21.43	50.00	21.43	0
Population by Geography	72,283	3.45	13.93	58.66	23.96	0
Owner-Occupied Housing by Geography	30,487	1.59	9.98	63.68	24.75	0
Businesses by Geography	6,298	1.59	13.62	62.10	22.69	0
Farms by Geography	146	2.05	5.48	64.38	28.08	0
Family Distribution by Income Level	20,092	18.96	17.32	22.05	41.67	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	7,289	52.27	47.73	-	-	0
Median Family Income (MFI)	= \$43,118	Median Housing Value		= \$95,335		
HUD Adjusted Median Family Income (MFI) for 2008	= \$51,200	Unemployment Rates		= 9.9%		
Households Below the Poverty Level	= 3,991					

(\* ) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2000 U.S. Census and 2008 HUD updated MFI. Unemployment rate is as of May 2009.

Although the Cleveland AA is comprised of Bradley and Polk County, **FNB** has defined its AA as Bradley County only. Cleveland serves as the county seat of Bradley County which reported a population of 87,965 during the 2000 census. The aggregate population for **FNB’s** Cleveland AA at the 2000 census was 72,283. The local employment base includes manufacturing, distribution, and food products. Major employers are: Whirlpool Corporation (electric and gas ranges) 1,700 employees; Peytons Southeastern, Inc. (distribution for Kroger) 950 employees; Masterfoods USA (candy and cookies) 800 employees; Duracell Global Business Management Group

(alkaline batteries) 525 employees; Cleveland Chair Company (upholstered furniture) 525 employees; Schering-Plough Health Care Products (foot care and sun care products) 500 employees; and some 19 other manufacturers and food product distributors employing 4,800 workers. Bradley County's natural resources include limestone, cedar, hickory, oak, pine, and popular wood products. Agricultural products include small grains and vegetables. Two (22.22%) of the bank's nine branches are located in the Cleveland AA.

There is one low-income census tract (7.14%) and three moderate-income census tracts (21.43%) in **FNB's** Cleveland AA. Of the 20,092 families residing in the AA, 3,810 (18.96%) and 3,479 (17.32%), respectively, are low- and moderate-income families based on the family distribution by income levels. As of May 31, 2009, the unemployment rate for Bradley County was 9.9%. For the same time period, the unemployment rate for the State of Tennessee was 10.7% and the national average was 9.4%.

Demographic Information for Monroe and Roane County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	6	0	0	83.33	16.67	0
Population by Geography	35,805	0	0	84.26	15.74	0
Owner-Occupied Housing by Geography	15,829	0	0	83.48	16.52	0
Businesses by Geography	2,576	0	0	86.53	13.47	0
Farms by Geography	71	0	0	81.69	18.31	0
Family Distribution by Income Level	10,511	16.33	17.68	22.28	43.71	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	3,575	48.03	51.97	-	-	0
Median Family Income (MFI)	= \$40,387	Median Housing Value		= \$80,893		
HUD Adjusted Median Family Income (MFI) for 2007	= \$46,300	Unemployment Rates		= 18% Monroe		
Households Below the Poverty Level	= 1,892			= 9.3% Roane		

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2000 U.S. Census and 2008 HUD updated MFI. Unemployment rate is as of May 2009.

Of the six census tracts in Monroe County and ten census tracts in Roane County, **FNB** includes three census tracts in each county for its Monroe and Roane County AA. There are no branch offices in either county. However, **FNB** branch offices located in Loudon and Maryville serve customers in Monroe County and two branch offices located in Lenoir City serve customers in Roane County. Monroe and Roane County reported populations of 38,961 and 51,910, respectively, during the 2000 census. The aggregate population for the six census tracts in **FNB's** Monroe and Roane County AA



at the 2000 census was 35,805. There are no low- or moderate-income census tracts within the bank's Monroe and Roane County AA. Manufacturing dominates Monroe County's employment base. Major employers are: JTEKT Automotive TN – Vonore Co. (automotive steering systems) 775 employees; Mastercraft, Sea Ray Boats, and Tennessee Watercraft, Inc. (pleasure boats) employing 590, 544, and 305 employees, respectively; Commercial Vehicle Group (truck & boat seats) 460 employees; Carlex Glass Company (automotive glass sets) 382 employees; and 12 other manufacturers employing 957 workers. Monroe County's natural resources include barite, sand, oak, pine, poplar, & hickory wood products. Agricultural products include small grains and tobacco. Roane County's employment base is centered in manufacturing and distribution concerns. Major employers are: H. T. Hackney (distribution) 386 employees; TVA Kingston Steam Plant (electricity) 318 employees; Energy Solutions (industrial waste disposal) 300 employees; Harrison Construction (concrete) 100 employees, and 11 other manufacturers which employ another 331 workers. Natural resources include iron ore, coal, hardwoods, and softwoods. Agriculture products include corn and tobacco.

There are no low- and moderate-income census tracts within **FNB's** Monroe and Roane County AA. Of the 10,511 families residing in the AA, 1,717 (16.33%) and 1,858 (17.68%), respectively, are low- and moderate-income families based on the family distribution by income levels. As of May 31, 2009, the unemployment rate for Monroe and Roane County was 18% and 9.3%, respectively. For the same time period, the unemployment rate for the State of Tennessee was 10.7% and the national average was 9.4%.

No business opportunities were identified by FNB through outreach activities or through bank surveys during this evaluation period. A local, government agency was interviewed for a community contact. The agency supports banks through either small business or housing guaranteed loan programs. Area banks including **FNB** were contacted by the agency about the availability of these loan programs. It was reported that **FNB** has not identified any loan applicants who might take advantage of the loan programs. For example, the agency's program could provide loan funding to businesses in excess of \$10 million with a 60% guarantee. Under the program, a business loan of \$5 million or less could be guaranteed up to a maximum of 80%. Additionally, the agency provides residential real estate financing to moderate-income families in rural areas.

## Conclusions with Respect to Performance Tests

### LENDING TEST

The bank's performance under the Lending Test is rated "**Satisfactory.**" Based on a full-scope review, the bank performance in its AAs is satisfactory.

## Loan-to-Deposit Ratio

**FNB's** loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance given the bank's size, financial condition, and AA credit needs. The quarterly average loan-to-deposit ratio for **FNB** was 84.69% for the eighteen quarters ending March 31, 2009. **FNB's** quarterly average loan-to-deposit ratio compared favorably to other competitor banks in the AAs for the same period. Of the nine independent banks doing business in the AAs, **FNB** had the sixth highest quarterly average loan-to-deposit ratio for the period. The highest quarterly average loan-to-deposit ratio for the period was held by Greenbank, Greeneville, TN at 107.10%, the second highest ratio was Bank of Cleveland, Cleveland, TN 105.45%, followed by Citizens Bank, Maryville, TN 96.88%, United Community Bank, Blairsville, GA 96.62%, Citizens National Bank, Athens, TN 93.50%, **FNB Lenoir City, TN 84.69%**, Southern Heritage Bank, Cleveland, TN 83.07%, Peoples Bank of East TN, Madisonville, TN 80.40%, and Bankeast, Knoxville, TN 78.52%. Other competitors are large holding company banks headquartered elsewhere. These institutions had a quarterly average loan-to-deposit ratio ranging from 123.61% to 80.14% for the period. Home Federal Bank of TN, a savings bank headquartered in Knoxville, had a quarterly average loan-to-deposit ratio of 54.09% for the period. **FNB's** highest loan-to-deposit ratio was 91.16% as of March 2008 and the lowest was 73.2% as of March 2009. During the eighteen quarter period ending March 31, 2009, the highest loan-to-deposit ratio for the nine independent banks doing business in the AAs was Bank of Cleveland, Cleveland, TN at 117.27% as of September 2008. Bankeast, Knoxville, TN reported the lowest loan-to-deposit ratio for the period of 62.87% as of June 2005. As for large, holding company banks headquartered elsewhere, First Tennessee Bank, Memphis, TN reported the highest loan-to-deposit ratio of 158.6% as of June 2008. Conversely, Bank of America, Charlotte, NC reported the lowest loan-to-deposit ratio of 70.3% as of March 2009.

As of June 30, 2008, 49 financial institutions with 311 offices within the Knoxville AA, Cleveland AA, and Monroe and Roane County AA controlled \$12.532 billion in deposits. At \$330 million, **FNB** controlled the 7<sup>th</sup> largest share of the local market. Of the nine independent banks in the AA, **FNB** controlled the 2nd largest market share. At \$2.4 billion, First Tennessee Bank, NA, a large regional bank headquartered in Memphis, TN, controlled the largest share of the deposit market at 19.48%, followed by Regions Bank, another large regional bank headquartered in Birmingham, AL, \$2.1 billion (16.36%) in deposits, Suntrust Bank, also a large regional bank headquartered in Atlanta, GA, \$1.9 billion (15.30%) in deposits, Home Federal Bank of Tennessee, a savings association headquartered in Knoxville, TN, \$1.3 billion (10.67%), and Branch Banking & Trust Co., also a large regional bank headquartered in Winston-Salem, NC \$1.3 billion (10.00%). Of the nine independent banks, United Community Bank, headquartered in Blairsville, GA, controlled \$388 million (3.10%) in deposits followed by **FNB, Lenoir City, TN** which controlled \$330 million (**2.63%**) in deposits. The remaining 41 institutions controlled from 1.96% (\$242 million) to 0.00% (\$113 thousand) of the deposit market in the six county market.

Loan-To-Deposit Ratios		
Institution	Assets as of 03/31/09(*)	Average LTD Ratio % (**)
<b>First National Bank, Lenoir City, TN</b>	<b>\$451</b>	<b>84.69</b>
First Tennessee, NA, Memphis, TN	\$30,971	123.61
Suntrust Bank, Atlanta, GA	\$174,237	105.13
Branch Banking and Trust, Winston-Salem, NC	\$139,275	103.37
United Community Bank, Blairsville, GA	\$8,115	96.62
Citizens Bank, Blount County, Maryville, TN	\$333M	96.88
Greenbank, Greeneville, TN	\$2,792	107.10
Bank of Cleveland, Cleveland, TN	\$273	105.45
Bankeast, Knoxville, TN	\$352	78.52
Southern Heritage Bank, Cleveland, TN	\$221	83.07
FSGBank, NA, Chattanooga, TN	\$1,272	92.58
Citizens National Bank, Athens, TN	\$602	93.50
Bank of America, NA Charlotte, NC	\$1,434,037	80.14
Peoples Bank of East TN, Madisonville, TN	\$180	80.40
Home Federal Bank of TN, Knoxville, TN	\$1,859	54.09

\*Asset sizes of institutions are in millions (000,000's)

\*\*The quarterly average LTD ratio for **First National Bank** and the 14 comparable banks in Bradley, Blount, Knox, Loudon, Monroe, and Roane Counties is for the period December 31, 2004 through March 31, 2009.

### Lending in Assessment Area

**FNB's** record of lending in its AA is satisfactory. A majority of **FNB** loans and other lending-related activities are in the bank's AAs. The number of residential and business loans inside the bank's AAs was 74.80% and 89.47%, respectively. Similarly, the dollar amount of residential and business loans inside the bank's AAs was 76.74%% and 92.61%, respectively. Collectively, the number and dollar amount of loans was 75.39% and 77.27%, respectively. Conclusions are based on all HMDA reportable loans originated during 2006, 2007, 2008, and through March 31, 2009 and a sample of business loans originated during 2007, 2008, and through July 16, 2009.

<b>Lending in Knoxville, Cleveland, Monroe and Roane County AAs,</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	532	69.36	235	30.64	767	87,624	74.85	29,436	25.15	117,060
Home Improvement	89	91.75	8	8.25	97	1,307	89.46	154	10.54	1,461
Home Refinance	394	79.92	99	20.08	493	48,760	80.07	12,133	19.93	60,893
<b>Sub-total</b>	<b>1,015</b>	<b>74.80</b>	<b>342</b>	<b>25.20</b>	<b>1,357</b>	<b>137,691</b>	<b>76.74</b>	<b>41,723</b>	<b>23.26</b>	<b>179,414</b>
Business Loans	51	89.47	6	10.53	57	5,706	92.61	455	7.39	6,161
<b>Total</b>	<b>1,066</b>	<b>75.39</b>	<b>348</b>	<b>24.61</b>	<b>1,414</b>	<b>143,397</b>	<b>77.27</b>	<b>42,178</b>	<b>22.73</b>	<b>185,575</b>

*Source: All HMDA reportable residential loans originated during 2006, 2007, 2008, and through March 31, 2009 are included. Residential loans include home purchase, home improvement, and home refinances loans. Business loans include sample of loans which originated during 2007, 2008, and through July 15, 2009; 2000 U.S. Census Data.*

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

Given the demographics of the AAs, **FNB's** record of lending to borrowers of different incomes and to businesses of different sizes reflects reasonable dispersion among individuals of different income levels (including low-and moderate-income) and businesses of different sizes.

At 13.00%, 4.27%, and 6.25%, the number of HMDA reportable residential loans (home purchase, home improvement, refinance) to low-income families is less than the 16.32%, 18.96%, and 16.34% of low-income families within the Knoxville AA, Cleveland AA, and Monroe and Roane County AAs. At 17.28%, 10.90%, and 20.00%, the number of HMDA reportable residential loans to moderate-income families compares satisfactorily with the 16.07%, 17.32%, and 17.68% of moderate-income families in the respective AAs.

**FNB's** record of lending to businesses of different sizes is satisfactory. Business revenues within the Knoxville AA, Cleveland AA, and Monroe and Roane County AA reflect that 62.50%, 60.46%, and 57.54%, respectfully, have annual sales less than \$1 million, 5.04%, 3.69%, and 3.40% exceed \$1 million in annual revenues, and 32.46%, 35.85%, and 39.06% of business sales are unavailable. At 77.78% and 73.59%, 78.43% and 85.91%, and 90.90% and 74.25%, both the number and dollar amount of loans to small businesses is satisfactory in the respective AAs. Please refer to the tables on page 13 for specifics. The bank does a good job in obtaining business revenue information on its business loan customers as reflected by the generally low percentage of unavailable information.

<b>Borrower Distribution of Residential Real Estate Loans in Knoxville AA</b>								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	16.32		16.07		21.32		46.29	
Loan Type(s)	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Residential Loans	13.00	4.45	17.28	9.92	20.97	17.51	39.44	53.73

Source: All HMDA reportable residential loans originated during 2006, 2007, 2008, and through March 31, 2009 are included. Residential loans include home purchase, home improvement, and home refinances loan for the period; 2000 U.S. Census Data. 9.31% of the number and 14.39 % of the amount of loans recorded on the bank's HMDA LAR are N/A. That is residential real estate loans were made to corporations and other entities that are not required to report income level. Income is NA for 10.91% of the number of home purchase loans, 1.56% of home improvement, and 9.12% of refinance.

<b>Borrower Distribution of Residential Real Estate Loans in Cleveland AA</b>								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	18.96		17.32		22.05		41.67	
Loan Type(s)	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Residential Loans	4.27	2.17	10.90	6.99	20.85	17.40	49.76	59.21

Source: All HMDA reportable residential loans originated during 2006, 2007, 2008, and through March 31, 2009 are included. Residential loans include home purchase, home improvement, and home refinances loan for the period; 2000 U.S. Census Data. 7.50% of the number and 5.06 % of the amount of loans recorded on the bank's HMDA LAR are N/A. That is residential real estate loans were made to corporations and other entities that are not required to report income level. Income is NA for 0.00% of the number of home purchase loans, 10.00% of home improvement, and 13.89% of refinance.

<b>Borrower Distribution of Residential Real Estate Loans in Monroe and Roane County AA</b>								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	16.34		17.68		22.28		43.71	
Loan Type(s)	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Residential Loans	6.25	1.22	20.00	10.65	18.75	14.02	47.50	69.04

Source: All HMDA reportable residential loans originated during 2006, 2007, 2008, and through March 31, 2009 are included. Residential loans include home purchase, home improvement, and home refinances loan for the period; 2000 U.S. Census Data. 14.22% of the number and 14.23 % of the amount of loans recorded on the bank's HMDA LAR are N/A. That is residential real estate loans were made to corporations and other entities that are not required to report income level. Income is NA for 14.49% of the number of home purchase loans, 0.00% of home improvement, and 14.08% of refinance.

<b>Borrower Distribution of Loans to Businesses &amp; Farms in Knoxville AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
<b>Full Review: Knoxville MSA AA</b>				
% of AA Businesses & Farms	62.50	5.04	32.46	100%
% of Bank Loans in AA by #	77.78	15.55	6.67	100%
% of Bank Loans in AA by \$	73.59	24.69	1.72	100%

Source: 2007 Business Geodemographic data compared to 2007, 2008, and through July 15, 2009 loan sample.

<b>Borrower Distribution of Loans to Businesses &amp; Farms in Cleveland AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
<b>Full Review: Cleveland MSA AA</b>				
% of AA Businesses & Farms	60.46	3.69	35.85	100%
% of Bank Loans in AA by #	78.43	19.61	1.96	100%
% of Bank Loans in AA by \$	85.91	13.21	0.88	100%

Source: 2007 Business Geodemographic data compared to 2007, 2008, and through July 15, 2009 loan sample.

<b>Borrower Distribution of Loans to Businesses in Monroe and Roane County AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
<b>Full Review: Monroe and Roane County Non MSA AA</b>				
% of AA Businesses & Farms	57.54	3.40	39.06	100%
% of Bank Loans in AA by #	90.90	2.55	4.55	100%
% of Bank Loans in AA by \$	74.25	2.02	23.73	100%

Source: 2007 Business Geodemographic data compared to 2007, 2008, and through July 15, 2009 loan sample.

## Geographic Distribution of Loans

**FNB's** geographic distribution of residential real estate loans in Knoxville AA, Cleveland AA, and Monroe and Roane County AA in low- and moderate-income census tracts reflects excellent dispersion throughout the combined AAs. **FNB's** record of geographic distribution of loans to businesses and farms in low- and moderate-income census tracts reflects low dispersion in the Knoxville AA, no penetration in low-income census tracts but good dispersion in moderate-income census tracts in the Cleveland AA. The comparison for Monroe and Roane County AA is meaningless since there are no low- or moderate-income census tracts within the AA.

There are a total of fourteen low- and moderate-income census tracts in the Knoxville AA, Cleveland AA, and Monroe and Roane County AA. A geographic comparison of

the distribution of all residential real estate loans shows excellent dispersion of the number of loans generated in low- and moderate-income census tracts. At 6.76% and 10.81%, respectively, of geographic low- and moderate-income census tracts within the combined AAs, **FNB** originated 8.53% and 10.90% of HMDA reportable loans within low- and moderate-income census tracts.

Based on our business and farm loan sample during the period 2007, 2008, and through July 16, 2009, the number of loans made to businesses and farms located in low- and moderate-income census tracts in the Knoxville AA at 0.00% and 4.44% is less than the 2.72% and 8.49% of businesses and farms within these census tracts. Based on our business and farm loan sample, the number of loans made in the Cleveland AA in low-income census tracts at 0.00% is less than the 1.60% of businesses and farms within these census tracts. However, loans to businesses and farms located in moderate-income census tracts at 13.72% compares favorable to the 13.44% of businesses and farms located in these census tracts. Since there are no low- and moderate-income census tracts in the Monroe and Roane County AA, this comparison is not meaningful.

2006 -2009 Geographic Distribution of HMDA Reportable Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Census Tracts	% of Number of Loans	% of AA Census Tracts	% of Number of Loans	% of AA Census Tracts	% of Number of Loans	% of AA Census Tracts	% of Number of Loans
Residential Loans	6.76	8.53	10.81	10.90	52.70	57.82	28.38	22.75

*Source: All HMDA reportable residential loans originated during 2006, 2007, 2008, and through March 31, 2009 are included. Residential loans include home purchase, home improvement, and home refinances loan for the period; 2000 U.S. Census Data.*

2007 -2009 Geographic Distribution of Loans to Businesses & Farms KnoxvilleAA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Businesses/Farms	2.72	0.00	8.49	4.44	46.70	60.00	42.09	35.56

*Source: Loan sample for 2007,2008, and through July 15, 2009.*

2006 -2008 Geographic Distribution of Loans to Businesses & Farms Cleveland AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Businesses/Farms	1.60	0.00	13.44	13.72	62.15	45.10	22.81	41.18

Source: Loan sample for 2007,2008, and through July 15, 2009

2006 -2008 Geographic Distribution of Loans to Businesses & Farms Monroe and Roane County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Businesses/Farms	0.00	0.00	0.00	0.00	86.40	72.73	13.60	27.27

Source: Loan sample for 2007,2008, and through July 15, 2009

### Responses to Complaints

There have been no consumer complaints relating to the bank’s Community Reinvestment Act performance during this evaluation period, therefore this criterion is not applicable.

### COMMUNITY DEVELOPMENT TEST

The bank’s performance under the Community Development Test is rated “**Outstanding.**” Based on a full-scope review, the bank’s performance is outstanding.

### Number and Amount of Community Development Loans

**FNB** originated 18 community development loans and investments totaling \$5,726,000 during this evaluation period. As evidenced by the table below, 9 loans and 9 investments totaling \$1,434,000 and \$4,292,000, respectively, were for community development.

### Community Development Loan

Qualifying community development loans are loans that meet the definition of community development, as defined in the CRA regulation. During the evaluation period, **FNB** originated nine community development loans aggregating \$1,434,000. Specific examples of loans qualifying community development organizations are described below.



**Loans to Remodel Apartment Building in a Low-Income Census Tract**

**FNB** originated two loans aggregating \$400,000 to remodel an apartment building in a low-income census tract of Knox County. The building will be converted into apartments which are projected to sell in the \$65,000 to \$75,000 range. The project is part of an effort to revitalize a distressed area of downtown Knoxville.

**Multi-family and Single Family Housing Loans to Individuals**

**FNB** originated a \$297,500 multi-family housing loan to an individual to purchase an apartment complex located in a moderate-income census tract in Blount County. All the units are rented to LMI families making less than \$20,000 income annually.

Also, **FNB** originated a \$155,700 loan to an individual to purchase two homes in Knox County for temporary housing for women with little to no income and recovering from substance abuse. Tenants living at the center are low-income.

**Loan to Non-Profit Corporation**

**FNB** originated a \$240,000 loan to a non-profit corporation in Roane County that operates a ranch to build temporary housing for abused children and adults to live in while receiving abuse therapy.

**Loan to Loudon County Habitat for Humanity**

In 2006 **FNB** originated a \$100,000 loan used to purchase 17.8 acres to develop a subdivision to build 64 single family housing units in Loudon County. Habitat for Humanity serves low- to moderate-income individuals. This loan was made under the Zero Interest Fund Program. **FNB** renewed this loan in 2008.

**Loan to Non-Profit**

**FNB** originated a \$75,000 loan to an individual in Knox County who founded a non-profit that serves the needs of poor and indigent children of Tennessee.

**Loan to Boys & Girls Clubs of Loudon County**

**FNB** renewed a \$65,952 loan made to purchase the building that houses the Boys and Girls Club in Loudon County. This is a non-profit organization that serves low- to moderate-income families within the community.

**Number and Amount of Qualified Investments**

**Community Development Investments**

Qualifying investments are investments, deposits, membership share, or grants that have as their purpose community development, as defined in the CRA regulation. During the evaluation period, **FNB** had nine investments aggregating \$4,292,000. **FNB** purchased two investment securities which qualify. A \$1,460,331 FNMA Mortgage

Backed Security and a \$1,269,202 GNMA Mortgage Backed Security were purchased during this evaluation period. The FNMA and GNMA securities are 30-year pool of mortgages secured by 11 loans and 10 loans, respectively, made to low-income individuals in census tracts within or close to **FNB’s** Knoxville AA. All credits are within the average median income for these census tracts.

**FNB** has also been an active supporter in the community through donations targeted for low- and moderate-income individuals in Knox and Loudon County. Donations include: \$5,000 to Loudon County Education Foundation which provides educational opportunities for low- to moderate-income students and families; \$2,500 to The Good Samaritan Center of Loudon County which serves the needs of low- and moderate-income individuals; and 5 other donations ranging from \$250 to \$500 to organizations that support school lunches, award scholarships, and promotes literacy to students from low- to moderate-income families.

<b>Community Development Lending and Investments in AA</b>			
<b>Community Development Lending</b>		#	\$ Amount (000's)
Originated CD Loans	AA	9	\$1,434
Unfunded Commitments*	N/A	0	0
Total CD Loans		9	\$1,434
<b>Community Development Investments</b>			
Qualified Investments	AA	9	\$4,292
Originated Grants/Donations	AA	0	0
Unfunded Commitments*	N/A	0	0
Total Qualified Investments		9	\$4,292
Total Community Development Lending and Investments	AA	18	\$5,726

*\*"Unfunded Commitments" means legally binding loan and investment commitments that are tracked and recorded by the bank's financial reporting system.*

**Extent to Which the Bank Provides Community Development Services**

The level of community development services is “outstanding.” Among other activities, community development services are targeted to low- and moderate-income individuals.

The following are examples of more recent qualifying community development services. **FNB** has participated in and sponsored several programs that provide community services for low- and moderate-income individuals.

**Habitat for Humanity**

Since April 2008, Branch Manager Sandi Bright-Green has served as a Board Member during banking hours. Her role includes reviewing applications from low-income families who are accepted in the program.

**Mr. and Mrs. L. Cecil Robert Scholarship**

During banking hours, President and CEO David Allen serves as Trustee for scholarships on an ongoing basis. His role includes reviewing applications from students needing financial assistance. More than 50% of the students in Loudon County are eligible to receive federal benefits.

**Good Samaritan Center**

Marketing Vice President Sandra Chaffin serves as a Board Member during banking hours. Her role includes offering guidance in the distribution of funds to LMI individuals in Loudon County with needs such as paying utility bills, housing, medical assistance, food, clothing, and financial counseling.

**FHLB 2009 Hope Haven Affordable Housing Program (AHP) Project**

During banking hours, Senior Vice President and Chief Financial Officer Mark Hackney represented the bank during the recent application process for Loudon County Habitat for Humanity. The original proposal was for \$225,000. FHLB approved the project for \$190,000. Habitat for Humanity serves low- and moderate-income individuals.

**Ivan's Place, Hope Resource Center of Loudon County, and The Christian Women's Job Corp**

During banking hours, bank employees volunteer their time to provide basic financial training to low-income women. Scheduled training is provided in a classroom setting.

During this evaluation period, other community development services that **FNB** has participated in include: Loudon County Career Center, Fort Loudon Middle School, Ocoee Middle School, Lenoir City High School, Loudon County Department of Human Services, Hispanic Outreach, Loudon County Economic Development, Loudon County Education Foundation, Loudon County Literacy Council, and Department of Children Services. These programs are aimed at providing assistance and educating low- to moderate-income individuals and students of low- to moderate-income families about financial matters.

**Responsiveness to Community Development Needs**

**FNB's** responsiveness to Community Development Needs is "outstanding." Among other activities, community development needs are targeted to low- and moderate-income individuals and redevelopment of downtown commercial properties.

The following are examples of responses to community development needs.

**FNB** serves as a member bank for the Loudon County Habitat for Humanity. The bank may receive funds from the Federal Home Loan Bank of Cincinnati and disburse the funds to Habitat for Humanity for the completion of houses in

Loudon County. During 2008, monies disbursed totaled \$43,336 for two projects.

**FNB** has a Homeownership Program through Tennessee Housing Development Authority (THDA) which is designed for low- and moderate-income borrowers. THDA has two programs that are offered to customers: (1) Great Rate Program which offers a below market interest rate, and (2) Great Advantage/Start which offers loans at a slightly higher interest rate with the borrower also being provided assistance with down payment and closing costs. In 2008, **FNB** closed 9 loans totaling \$781,000 to low- and moderate-income borrowers.

**FNB** has committed \$300,000 to The Downtown Low Interest Loan Program which is designed to assist in the redevelopment of downtown commercial properties in Loudon County and Lenoir City. The program is intended to encourage local businesses to renovate the façade of their buildings. The program is administered through the Loudon County Economic Development Agency.

In 2009 **FNB** established a program to ensure that every effort to prevent foreclosures on consumer primary residential loans. The objective of this program is to provide affordable, sustainable, long-term relief to homeowners, mitigate credit losses, preserve customer relationships, and maintain stable community neighborhoods.

## **Fair Lending or Other Illegal Credit Practices Review**

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