



## PUBLIC DISCLOSURE

February 03, 2014

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Tennessee  
Charter Number 15550  
214 East Main Street, Livingston, TN 38570

Office of the Comptroller of the Currency  
320 Seven Springs, Way, Suite 310, Brentwood, TN 37027

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

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

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

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

First National Bank of Tennessee (FNBOTN) has a satisfactory record of meeting community credit needs. This is based on the following:

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- The bank's loan-to-deposit ratio is more than reasonable and averaged 80.43% during the evaluation period. FNBOTN's loan-to-deposit ratio ranged from a low of 71.59% as of March 31, 2013 to a high of 91.02% as of September 30, 2010.
- A substantial majority of FNBOTN's lending is within the bank's Assessment Area. Based on the 2010 US Census data, approximately 91% of the number and 95% of the dollar volume of loans sampled were to borrowers within the Assessment Area (AA). Based on the 2000 US Census data, approximately 88% of the number and 94% of the dollar volume of loans sampled were to borrowers within the AA.
- FNBOTN's distribution of lending to borrowers of different income (including low-and moderate-income) levels based on the 2010 US Census data is poor. However, the distribution is reasonable based on the 2000 US Census data. The distribution of lending to business of different sizes is excellent.
- The geographic distribution of residential real estate and business loans reflect reasonable dispersion throughout the AA.
- FNBOTN's community development performance demonstrates adequate responsiveness to the community development needs of its AA.

## **Scope of Examination**

This Performance Evaluation is based on full-scope examination procedures for the time period January 1, 2010 through December 31, 2013. For comparative and analytical purposes, results were evaluated using 2000 and 2010 Census demographic information. FNBOTN has no bank owned affiliates. No data integrity review was conducted prior to the evaluation. We reviewed all of the bank's community development investments and community development loans and services to ensure they met the definition for community development.

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 between January 1, 2010 and December 31, 2013. Small business loans, including farm loans, originated during the same time period were also considered in the

Lending Test. A sample of loans was selected for each loan category based on internal bank reports. FNBOTN is not a Home Mortgage Disclosure Act (HMDA) reporter. This evaluation covers the period October 1, 2009 through February 2, 2014.

## Description of Institution

FNBOTN is an intrastate bank that is not a subsidiary of a bank holding company. There have not been any major changes in the bank's corporate structure, including merger or acquisition activities, since the last Community Reinvestment Act (CRA) examination dated January 4, 2010, when the bank received an **Outstanding** rating on the examination. There are no legal or financial impediments to FNBOTN's ability to meet the credit needs of its AA including retail and community development loans, qualified investments, and community development service needs. The bank offers a full-range of loan and deposit services. FNBOTN's primary business focus is commercial and industrial loans, including commercial real estate loans, and residential mortgage loans.

FNBOTN's main office is located in Livingston, TN. The bank also operates six full-service branch offices within its AA. The bank has two branch offices in Crossville, one branch each in Cookeville, Sparta, and Algood, and one branch in addition to the main office in Livingston, TN. Full-service drive-thru ATM's are located at each of the seven bank offices. Two additional free-standing ATM's are available at convenience stores located in Crossville, TN. Additionally, one ATM is located at a shopping center in a free-standing building in Cookeville, TN. FNBOTN has not closed any branch offices during this evaluation period, however; one free standing ATM location was eliminated. FNBOTN continues to invest heavily in data processing equipment and technology, which supports internet banking.

As of December 31, 2013, FNBOTN had total assets of \$689 million, of which net loans comprised 64%. The following table reflects the composition of FNBOTN's loan portfolio based on the December 31, 2013 Call Report.

Product Category	Gross Loans as of December 31, 2013	
	Dollar (000's)	Percent
Commercial & Industrial Including Commercial Real Estate	238,273	53.72
Residential Mortgage Loans	129,697	29.24
Individuals	19,818	4.47
Construction & Land Development	33,836	7.63
Farmland and Agriculture	20,632	4.65
All Other	1,278	0.29
<b>Total</b>	443,534	100.00

*Source: December 31, 2013 Report of Condition.*

FNBOTN provides a wide range of traditional deposit and loan products. The branches are generally located in areas that make them accessible to persons from different areas of the communities they serve. Lobby hours and drive-up hours are set by location to meet customer needs. FNBOTN has ATMs at branches and other locations in their market to make customer's accounts accessible.

<b>Distribution of Bank Offices and ATMs by Census Tract (Per 2010 U. S. Census Data)</b>						
<b>Census Tract Income Level</b>	<b>Tracts</b>		<b>Full-Service Branches</b>		<b>Automated Teller Machines*</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	0	0%	0	0%	0	0%
Moderate	11	26.19%	1	14.28%	3	30.00%
Middle	22	52.38%	3	42.86%	4	40.00%
Upper	9	21.43%	3	42.86%	3	30.00%
N/A	0	0%	0	0%	0	0%
<b>Total</b>	<b>42</b>	<b>100%</b>	<b>7</b>	<b>100%</b>	<b>10</b>	<b>100%</b>

*\*Three ATMs are non-deposit taking. Seven ATMs contiguous with banking locations are deposit taking.*

<b>Distribution of Bank Offices and ATMs by Census Tract (Per 2000 U. S. Census Data)</b>						
<b>Census Tract Income Level</b>	<b>Tracts</b>		<b>Full-Service Branches</b>		<b>Automated Teller Machines*</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	0	0%	0	0%	0	0%
Moderate	5	15.15%	0	0%	1	10.00%
Middle	26	78.79%	7	100%	9	90.00%
Upper	2	6.06%	0	0%	0	0%
N/A	0	0%	0	0%	0	0%
<b>Total</b>	<b>33</b>	<b>100%</b>	<b>7</b>	<b>100%</b>	<b>10</b>	<b>100%</b>

*\*Three ATMs are non-deposit taking. Seven ATMs contiguous with banking locations are deposit taking.*

Customers may also access their accounts through telephone banking or the Internet ([www.fnbotn.com](http://www.fnbotn.com)). Internet and phone banking services include transfers between FNBOTN accounts, review of account balances or transactions, access loan account information, and bill-paying capability for the Internet banking product. The bank also offers a Visa Check Card that provides customers with additional access to their accounts at point of sale or ATM locations.

FNBOTN's business strategy includes continued marketing of commercial credit to small businesses through its products, staff, and locations. FNBOTN supports the purchase and long-term financing of residential home loans through its conventional secondary market home mortgage, Tennessee Housing Development Agency (THDA) home mortgage, and rural housing

guaranteed home mortgage programs. Although an approved lender through the Veterans Administration home mortgage program, FNBOTN has not had any recent requests under this program. The bank's home loan products include special programs for first time home buyers, buyers with less than perfect credit history, and low- and moderate-income family home buyers.

During this review period, the economic downturn impacted the bank's AAs and resulted in manufacturing plant closures and layoffs as local industries adjusted to declining sales and lower demand. Business and retail loan demand declined significantly as borrowers deferred business expansion, development, residential and retail purchases. The housing downturn also significantly impacted employment in the bank's AA. Weaknesses in the housing market severely curtailed independent contractors and other trades' livelihood during this period.

## Description of Assessment Area

The bank has one AA that includes four counties in rural Tennessee. None of the bank's AA is located in a Metropolitan Statistical Area (MSA). The AA is reasonable and meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. The bank's AA includes the contiguous counties of Putnam, Overton, Cumberland, and White. Respective principal cities within the AA are: Cookeville, Livingston, Crossville, and Sparta. Each city serves as the respective county seat of Putnam, Overton, Cumberland, and White County. The bank's main office is located in Livingston, TN, which is approximately 80 miles east of Nashville, Tennessee on I-40 and 20 miles north of Cookeville, Tennessee on Highway 111.

No banking facilities have closed since the previous CRA examination. There are seven full-service bank locations. One branch is located in a moderate-income census tract, three in middle-income census tracts, and three in upper-income census tracts. Each full-service office also provides an ATM with 24-hour availability. Routine business transactions such as cash disbursements, deposit taking, transfers, balance inquiries, and loan payments are available through these island secured units. Three other cash disbursing only ATMs are also available within the AA. Four ATMs are located in middle-income census tracts, three are located in moderate-income census tracts, and three are located in upper-income tracts. Based on the 2010 U.S. Census, there are 42 census tracts within the AA. There are no low-income census tracts within the AA. There are 11 moderate, 22 middle, and nine upper-income census tracts. Four of the eight Census Tracts in Overton County, six of the 15 Census Tracts in Putnam County, and five of the seven Census Tracts in White County are designated "distressed" due to high unemployment. Per the 2010 U.S. Census information, 176,298 individuals reside within FNBOTN's AA. The geographic dispersion of the population closely resembles the census tract geographies. Within the AA, there are approximately 51,000 owner-occupied homes and 16,000 businesses. Almost 59% of owner-occupied housing is located in middle-income census tract with 19% and 22%, respectively, being located in moderate and upper-income census tracts respectively. 46% of the businesses are located in middle-income census tracts with 29% and 25% of businesses being located in moderate and upper-income tracts respectively. The family distribution by income levels show approximately 20% and 19%, respectively, are low- and moderate-income families. Approximately 19% of households in the AA are below the poverty level. At December 31, 2013, the preliminary unemployment rate average for the four county

AA was 8.23%. Nearly 86% of the bank offices are located in middle- and upper-income census tracts with the remaining 14% being located in moderate-income census tracts. Similarly, 70% of the bank’s ATMs are also located in middle- and upper-income census tracts, with the remaining 30% being located in moderate-income census tracts. The second table also provides similar demographic information for the AA based on 2000 US Census data.

Demographic Information for Assessment Area (Per 2010 Census Data)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	42	0	26.19%	52.38%	21.43%	0
Population by Geography	176,298	0	26.02%	53.99%	19.99%	0
Owner-Occupied Housing by Geography	50,510	0	19.19%	58.98%	21.83%	0
Businesses by Geography	15,886	0	28.62%	46.28%	25.10%	0
Farms by Geography	721	0	20.11%	66.85%	13.04%	0
Family Distribution by Income Level	46,959	20.23%	19.03%	22.00%	38.75%	0
Distribution of Low- and Moderate- Income Families throughout AA Geographies	11,048	0%	100%	0	0	0
Median Family Income	= \$44,871		Median Housing Value		= \$119,847	
HUD Adjusted Median Family Income (MFI) for 2012	= \$46,000		Unemployment Rate		= 8.23%	
Households Below the Poverty Level	= 19.19%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2010 U.S. Census and 2012 HUD updated MFI. Preliminary unemployment rate for December 2013 for 4 counties in banks AA (Cumberland, Overton, Putnam, & White). Preliminary December 2013 unemployment rate was 7.8% and 6.7%, respectively, for State of Tennessee and US.

Demographic Information for Assessment Area (2000 Census Data)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	33	0	15.15%	78.79%	6.06%	0
Population by Geography	152,337	0	9.18%	87.34%	3.48%	0
Owner-Occupied Housing by Geography	45,958	0	6.36%	90.64%	3.00%	0
Businesses by Geography	17,573	0	9.88%	85.77%	4.35%	0
Farms by Geography	724	0	8.70%	90.06%	1.24%	0
Family Distribution by Income Level	43,778	19.78%	18.87%	23.72%	37.63%	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	3,174	0%	100%	0	0	0
Median Family Income	= \$36,579	Median Housing Value		= \$82,469		
HUD Adjusted Median Family Income (MFI) for 2011	= \$45,400	Unemployment Rate		= 10.10%		
Households Below the Poverty Level	= 16.50%					

\* The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2000 U.S. Census and 2011 HUD updated MFI. Average annual unemployment rate for 2011 for 4 counties in banks AA (Cumberland, Overton, Putnam, & White). Average annual unemployment rate for 2011 was 9.2% and 8.9%, respectively, for State of Tennessee and US.

Education and the medical services are major industry employers within the AA. Tennessee Technological University is located in Putnam County/Cookeville and employs 2,400 people. The Cumberland, Overton, Putnam, and White County School Boards employ approximately 4,000 people. Respective medical centers in each county employ an aggregate of 3,300 workers. Major employers in Putnam County/Cookeville include: Cummins Filtration (air/water/oil filters), 875 employees; Oreck (vacuum cleaners), 400 employees; Tutco, Inc.(heating elements), 360 employees; Flowserve (hydraulic valves), 320 employees; ARC-Diversified (manufacturer of cooking oil and baked goods), 300 employees; and some eight smaller industries employing approximately 1,250 employees. Major employers in Overton County/Livingston include: Hutchinson FTS, Inc. (automotive air conditioning components), 595 employees; Parker Hannifin Corp. (seals, o-rings, & gaskets), 207 employees, Eaton Inoac (external auto trim), 185 employees, and some seven smaller industries employing approximately 400 employees. Major employers in Cumberland County/Crossville include: Flowers Bakery, LLC (cakes and rolls), 480 employees; CoLinks (warehouse and distribution), 477 employees; FICOSA North America (bus and truck mirrors), 423 employees; Avigen North America (Agri-business), 180 employees; Durable Products (Bonding rubber on coasters), 176 employees; and some 20 smaller industries employing approximately 1,100 workers. Major employers in White County/Sparta include: Moeller Marine Products (rotation molding, tanks, seats), 310 employees; Genlyte Thomas Group LLC (Industrial lighting fixtures), 252 employees; Phillips Lighting (industrial lighting fixtures), 252 employees, Federal Mogul Lighting (mini-incandesant lamps), 238 employees; Tri-State Distribution, Inc. (prescription vials), 230 employees; Acument Global Technologies (cold form specials), 213 employees; and some 12 smaller industries employing approximately

1,250 employees. Agricultural products within the four counties include beef, corn, dairy, row crops, hay, and tobacco. Natural resources within the four counties include sandstone, coal, and limestone. Timber products include hardwoods (oak, ash, hickory), pine, and poplar.

No business opportunities or credit needs of the community including community development lending, investment, and service needs have been identified through outreach activities. One community contact was made in February 2014. FNBOTN was identified as an active participant in Habitat for Humanity of Putnam County. Habitat for Humanity of Putnam County builds affordable housing for low-income families through a sweat equity building program. Prospective homeowners attend homeowner education classes and volunteer at least 400 man hours to build their homes in return for a home at a zero percent interest rate. The community contact indicated the need to provide more credit counseling and credit education services for median-income families.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

The bank's performance under the Lending Test is rated "Outstanding." Based on a full scope review, the bank's performance in the AA is outstanding.

### **Conclusions for AA Full-Scope Review**

FNBOTN's lending performance is outstanding in the full-scope review of its AA. For the years 2010, 2011, 2012, and 2013, FNBOTN internal tracking reports reflect that the bank originated approximately 1,000 residential mortgage loans totaling \$96 million. For the same period, FNBOTN's internal tracking reports reflect that the bank also originated approximately 2,200 small business and small farm loans totaling \$380 million. Through its home loan program, FNBOTN originated 65 Rural Housing Guaranteed Home loans totaling \$5.0 million during the same period.

### **Loan-to-Deposit Ratio**

The quarterly average loan-to-deposit ratio for FNBOTN was more than reasonable at 80.43% for the sixteen quarters ending September 2013. FNBOTN's quarterly average loan-to-deposit ratio compared very favorably to competitor banks in the AA for the same period. Of the six independent banks headquartered in the AA and eight headquartered outside of the AA, F&M Bank (Clarksville) had the highest quarterly average loan-to-deposit ratio of 97.50% followed by Clayton Bank and Trust (Knoxville) of 96.23%, Southeast Bank (Athens) of 86.23%, then American Bank & Trust Company (Livingston) of 83.68%. The quarterly average loan-to-deposit ratio of the other nine institutions ranged from a high of 79.99% to a low of 50.25%. FNBOTN's highest loan-to-deposit ratio was 91.02% on September 30, 2010 and the lowest was 71.59% on March 31, 2013. For the same period, F&M Bank (Clarksville) had the highest quarterly loan-to-deposit ratio of 103.96% as of June 30, 2012. Cumberland County Bank reported the lowest quarterly loan-to-deposit ratio for the period of 42.87% at September 30, 2013.



<b>Loan-To-Deposit Ratios</b>		
<b>Institution</b>	<b>Total Assets (As of 09/30/13*)</b>	<b>Average Loan-to-Deposit Ratio(**)</b>
<b><i>First National Bank of Tennessee, Livingston, TN</i></b>	<b><i>\$689</i></b>	<b><i>80.43%</i></b>
American Bank & Trust Co., Livingston, TN	\$148	83.68%
Bank of Putnam County, Cookeville, TN	\$382	52.21%
Citizens Bank, Carthage, TN	\$514	56.09%
Progressive Savings Bank FSB, Jamestown, TN***	\$261	70.91%
Southeast Bank, McMinnville, TN	\$500	86.23%
Putnam 1 <sup>st</sup> Mercantile Bank, Cookeville, TN	\$97	79.99%
Highland FS & LA, Crossville, TN	\$65	68.43%
Clayton Bank & Trust, Knoxville, TN	\$692	96.23%
First Volunteer Bank of TN, Chattanooga, TN	\$891	78.91%
F&M Bank, Clarksville, TN	\$789	97.50%
First National Bank of Pikeville, Pikeville, TN	\$109	61.17%
Union Bank & Trust Co., Livingston, TN	\$78	70.43%
Cumberland County Bank, Crossville, TN	\$280	50.25%
First Bank, Lexington, TN	\$2,190	71.50%

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

\*\*Source: Institution Reports of Condition for 16 quarter period from December 2009 to September 2013.

\*\*\*Source data available for this institution covers the 12 quarter period from December 2010 to September 2013.

As of June 30, 2013, twenty-one financial institutions with 66 offices controlled \$3.170 billion in deposits within the AA. Of the independent banks, FNBOTN controlled the largest market share within the AA at \$605 million, or 19.09%, of total deposits. Five large regional banks controlled 14.92%, 8.60%, 5.68%, 1.45% and 0.06%, respectively of total deposits for the period. Other independent banks included: Bank of Putnam County 11.05%; Cumberland County Bank 8.21%; Citizens Bank 5.27%; American Bank & Trust Co of the Cumberlands 4.32%; Progressive Savings Bank FSB 3.96%; SouthEast Bank 3.15%; First Bank 2.72%; Putnam 1<sup>st</sup> Mercantile Bank 2.59%; FSG Bank, N.A. 2.46%; Union Bank & Trust Co 2.20%; Highland Federal Savings and Loan Association 1.59%; F&M Bank 0.84%; First Volunteer Bank 0.83%; The First National Bank of Pikeville 0.63%; and Clayton Bank and Trust 0.36%.

### **Lending in Assessment Area**

FNBOTN's record of lending in its AA is outstanding. A substantial majority of the number and dollar amount of residential and business loans made were within the bank's AA as evidenced by the chart below. Conclusions are based on the number and dollar amount of residential and business loans in our loan sample, which originated during 2010, 2011, 2012, and 2013. 2012 and 2013 loan samples are based on 2010 US Census data while 2010 and 2011 loan samples are based on 2000 US Census data.

<b>Table 1 – Lending in AA Cumberland (035), Overton (133), Putnam (141), and White (185) Counties Tennessee</b>										
Loan Sample	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2012-2013 Residential Loans	48	92.31	4	7.69	52	4,657	93.27	336	6.73	4,993
2012-2013 Business Loans	45	90.00	5	10.00	50	9,072	95.80	398	4.20	9,470
<b>Total</b>	<b>93</b>	<b>91.18</b>	<b>9</b>	<b>8.82</b>	<b>102</b>	<b>13,729</b>	<b>94.92</b>	<b>734</b>	<b>5.08</b>	<b>14,463</b>

Source: 2010 Census Data; Loan Sample for 2012 and 2013. Residential loan sample includes home purchases, home improvements, and home refinances. Business loan sample also includes farm loans.

<b>Table 1 – Lending in AA Cumberland (035), Overton (133), Putnam (141), and White (185) Counties Tennessee</b>										
Loan Sample	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2010-2011 Residential Loans	40	86.96	6	13.04	46	3,671	90.29	395	9.71	4,066
2010-2011 Business Loans	44	94.70	5	5.30	49	11,631	94.70	651	5.30	12,282
<b>Total</b>	<b>84</b>	<b>88.42</b>	<b>11</b>	<b>11.58</b>	<b>95</b>	<b>15,302</b>	<b>93.60</b>	<b>1,046</b>	<b>6.40</b>	<b>16,348</b>

Source: 2000 Census Data; Loan Sample for 2010 and 2011. Residential loan sample includes home purchases, home improvements, and home refinances. Business loan sample also includes farm loans.

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

FNBOTN’s record of lending to borrowers of different incomes reflects poor penetration based on the 2010 US Census data. However, FNBOTN’s record of lending to borrowers of different incomes reflects reasonable penetration based on the 2000 US Census data. FNBOTN’s record of lending to businesses of different sizes reflects excellent penetration. Both the number and dollar of loans in our residential loan sample are reasonably consistent with borrower income levels within the bank’s AA. Based on 2010 and 2000 US Census data within the AA, low-income families comprised 20.23% and 19.79% of the population, moderate-income families 19.03% and 18.87%, middle-income families 22.00% and 23.72%, and upper-income families 38.75% and 37.62%. As reflected by the schedules below, the number of our loan sample is poor when compared to borrowers of different income levels within the AA based on 2010 US Census data. However, the number of our loan sample is reasonable when compared to borrowers of different income levels within the AA based on 2000 US Census data. Business revenues within the AA reflect that 86.22% and 79.07% have annual sales less than \$1 million, 1.78% and 3.26% exceed \$1 million, and 12.00% and 17.67% of business sales are unavailable. Comparatively, the number and dollar amount of loans to businesses of different sizes is excellent. The bank does a good job in obtaining business revenue information on its business loans as reflected by the 0.55% and 0% rate of unavailable information.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Loan Sample	20.23	10.41	19.03	0.00	22.00	14.58	38.75	75.00

Source: 2010 U.S. Census data. Residential loan sample included residential home purchases, home improvement loans, and home refinance loans for the period 2012 and 2013.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Loan Sample	19.79	7.50	18.87	25.00	23.72	17.50	37.62	50.00

Source: 2000 U.S. Census data. Residential loan sample included residential home purchases, home improvement loans, and home refinance loans for the period 2010 and 2011.

<b>Table 2A - Borrower Distribution of Loans to Businesses Including Farms in AA Cumberland (035) , Overton (133), Putnam (141), and White (185) Counties Tennessee</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses/Farms	86.22%	1.78%	12.00%	100%
% of Bank Loans in AA by #	95.79%	4.21%	0%	100%
% of Bank Loans in AA by \$	87.72%	11.73%	0.55%	100%

Source: Data collected by bank; Dun and Bradstreet data. Loan Sample for the period 2012 and 2013.

<b>Table 2A – Borrower Distribution of Loans to Businesses Including Farms in AA Cumberland (035) , Overton (133), Putnam (141), and White (185) Counties Tennessee</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses/Farms	79.07%	3.26%	17.67%	100%
% of Bank Loans in AA by #	94.70%	5.30%	0%	100%
% of Bank Loans in AA by \$	79.54%	20.46%	0%	100%

Source: Data collected by bank; Dun and Bradstreet data. Loan Sample for the period 2010 and 2011.

**Geographic Distribution of Loans**

FTNOTN’s geographic distribution of loans reflects a reasonable rate of penetration and meets the standard for satisfactory performance.

Based on 2010 and 2000 US Census data, no low-income census tracts (CT) exist in the bank’s AA. At 18.75%, the number of residential loans in moderate-income census tracts shows reasonable penetration based on the 2012 and 2013 loan sample. At 12.50%, the number of residential loans in moderate –income census tracts shows excellent penetration based on the 2010 and 2011 loan sample. At 24.45%, the number of business loans in moderate-income census tracts exceeds the percent of AA businesses/farms based on the 2012 and 2013 loan sample. At 11.37%, the number of business loans in moderate-income census tracts is lower than the percent of AA businesses/farms based on the 2010 and 2011 loan sample. Some of this difference is attributed to revisions in 2010 US Census data. There were no gaps or areas of low penetration in the bank’s lending patterns identified during this review period.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential Loan Sample	0.00	0.00	19.19	18.75	58.98	60.42	21.83	20.83

Source: 2010 U.S. Census data: Residential loan sample included residential home purchases, home improvement loans, and home refinance loans for the period 2012 and 2013.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential Loan Sample	0.00	0.00	6.36	12.50	90.64	87.50	3.00	0.00

Source: 2000 U.S. Census data: Residential loan sample included residential home purchases, home improvement loans, and home refinance loans for the period 2010 and 2011.

<b>Table 3A - Geographic Distribution of Loans to Businesses including Farms in AA</b>								
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	14.29	24.45	80.00	64.44	5.71	11.11

Source: Data collected by bank; Dunn & Bradstreet data. Loan Sample for period 2012 and 2013.

<b>Table 3A - Geographic Distribution of Loans to Businesses including Farms in AA</b>								
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	15.16	11.37	78.79	77.27	6.05	11.36

Source: Data collected by bank; Dunn & Bradstreet data. Loan Sample for period 2010 and 2011.

### Responses to Complaints

There were no consumer complaints regarding the bank’s Community Reinvestment Act performance during the evaluation period.

### COMMUNITY DEVELOPMENT TEST

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

### Number and Amount of Community Development Loans

FNBOTN originated 92 community development loans and investments totaling \$5,465,000 during this evaluation period. As evidenced by the table below, 91 loans and one investment totaling \$5,425,000 and \$40,000, respectively, were for community development.

### Community Development Loans

Qualifying community development loans are loans that meet the definition of community development, as defined in the CRA regulation. During the evaluation period, FNBOTN originated 91 community development loans aggregating \$5,425,000. Specific examples of qualifying loans for community development organizations for 2013 are described below:

Scotty Wilson and Lynn Hickey

FNBOTN originated \$303,000 and \$50,000 loans to purchase lower dollar rental homes located in distressed census tracts in the bank’s AA. Residences will be rented to low- and moderate-income families.

Brence Bean

FNBOTN originated two \$105,000 loans to construct spec homes for low- and moderate-income families. These homes were located in distressed census tracts in the bank's AA, provided jobs for low-and moderate-income workers, and marketed to first-time home buyers.

Robert H. Austin d/b/a Austin Machine Shop

In 2012 and 2013, FNBOTN originated \$100,000 and \$150,000 loans, respectively. The 2012 loan expanded the machine shop and the 2013 loan purchased a new commercial facility, which permitted the business to expand. The business is located in a distressed census tract in the bank's AA. These loans helped create and retain jobs.

G Meeks Construction LLC

In 2012 and 2013, FNBOTN originated \$226,000 and \$100,000 loans, which purchased new construction equipment for water and sewer pipeline construction. The business is located in a distressed census tract in the bank's AA. These loans helped create and retain jobs.

Compugeeks

In 2011, 2012, and 2013, FNBOTN originated \$30,000, \$15,000, \$185,000, and \$20,000, respectively, working capital loans for this small but growing computer repair and data wiring company. The business has been successful in bidding several contracts across the eastern US. The company is located in a distressed census tract in the bank's AA. These loans helped create and retain jobs.

Other

Additionally, FNBOTN originated 18 smaller loans aggregating \$648,778. Funds were advanced to local businesses located in distressed census tracts within the bank's AA. Loans helped create and retain jobs. Some of the originations also purchased residences that were rented to low-and moderate-income families.

Specific examples of qualifying loans for community development organizations for 2012 are described below:

Mark, Glenn, and Diana Ray

FNBOTN originated a \$150,000 start-up loan for a winery located in a distressed census tract in the bank's AA. The winery will also have a sales outlet. The loan helped create and retain jobs.

Ronald V. Jolley and Donny Haley

FNBOTN originated a \$140,000 loan to purchase a building to expand a scrap metal facility located in a distressed census tract in the bank's AA. The loan helped create and retain jobs.

Habitat for Humanity Overton

FNBOTN originated a short-term \$65,000 construction loan, which assisted in providing a new residence to a low- to moderate-income family. Residence was located in a distressed census tract.

Other

Additionally, FNBOTN originated 15 loans aggregating \$251,736. Funds were advanced to local businesses located in distressed census tracts within the bank's AA. Loans helped create and retain jobs. Some of the originations also purchased residences that were rented to low-and moderate-income families.

Specific examples of qualifying loans for community development organizations for 2011 are described below:

The Lord's Table

FNBOTN originated \$417,600 and \$100,000 loans to this assembly manufacturing Company, which is located in a distressed census tract in the bank's AA. The loans helped create and retain jobs.

Fire Tree, Inc.

FNBOTN originated a \$450,000 loan for the development of a new, food additive production process. The business is located in a distressed census tract in the bank's AA. The loan helped create and retain jobs.

H&E Enterprises, a TN General Partnership

FNBOTN originated a \$405,000 loan to finance 5 investment units in the Cookeville City limits targeted to low-and moderate-income home buyers. The homes are not located in a distressed census tract in the bank's AA. The partnership offered owner-financing to the home buyers.

JAI Ganeshay, Inc.

FNBOTN originated a \$356,800 loan to purchase an existing business. The entity is located in a distressed census tract in the bank's AA. The new owners are expanding the business and adding new products. The loan helped create and retain jobs.

Other

Additionally, FNBOTN originated 32 loans aggregating \$726,000. Funds were advanced to local businesses located in distressed census tracts within the bank's AA. Loans helped create and retain jobs. Some of the originations also purchased residences that were rented to low-and moderate-income families.

Specific examples of qualifying loans for community development organizations for 2010 are described below:

Cumberland County Habitat for Humanity

In 2010, 2011, and 2013, FNBOTN originated \$80,000 Lines of Credit for building expansion and operating capital. Habitat for Humanity is an organization that partners with volunteers and constructs affordable housing for low-and moderate-income families.

H. J. Stephens Center

In 2010 and 2012, FNBOTN originated a \$40,000 Line of Credit to this organization, which assists rural community at risk families. Clients are typically low-and moderate-income families.

Other

Additionally, FNBOTN originated a \$5,000 loan to a not for profit corporation which provided affordable housing for the elderly. Individuals are primarily low-and moderate-income widows.

## **Number and Amount of Qualified Investments**

Qualifying investments are investments, deposits, membership shares, or grants that have as their purpose community development, as defined in the CRA regulation. Although FNBOTN desired to identify and purchase qualifying investments during this evaluation period, there were no such opportunities identified. FNBOTN has committed to support the Highland Initiative Phase II project, an economic development program administered through the City of Sparta, TN, through grants over the last four years at \$10,000 per year. This initiative includes White, Overton, Jackson, and Putnam Counties. It invites business owners to “come on up” to the highlands and provides current and potential business owners with multi-year strategic business plans, unusually cooperative arrangements among the founding counties, and preapproved incentive packages. The initiative’s main goal includes economic growth and job creation in the highland area. Although not tracked internally, FNBOTN provides financial donations to AA schools where a majority of the students qualify for the free or reduced school lunch program. Typically, qualifying school lunch program students are from low-and moderate-income families.



<b>Community Development Lending and Investments in AA</b>			
<b>Community Development Lending</b>			
		#	\$ Amount (000's)
Originated CD Loans	AA	91	5,425
Unfunded Commitments*	N/A	0	0
Total CD Loans		91	5,425
<b>Community Development Investments</b>			
Qualified Investments	AA	0	0
Originated Grants/Donations	AA	1	40
Unfunded Commitments*	N/A	0	0
Total Qualified Investments		0	0
Total Community Development Lending and Investments	AA	92	5,465

*\*"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**

Among other activities, community development services are targeted to low- or moderate-income individuals.

The level of qualified community development services is "excellent." Bank officers have provided technical assistance to organizations, which provide community services for low- and moderate-income individuals, or serve the financial needs of small businesses in the AA. Bank officers have provided credit counseling, financial literacy education, and prospective home buyers counseling. The following are examples of qualifying community development services.

#### Habitat for Humanity

FNBOTN representatives provide financial education classes to potential homeowners in the AA on behalf of Habitat for Humanity. Bank personnel provide financial services to the organization, which include balancing their books, reconciling their bank statements and processing their accounts payable. Bank representatives attend various meetings held by the organization and help assist in the collaboration between Habitat for Humanity and Creative Compassion, Inc. Creative Compassion, Inc. provides affordable housing, home ownership, and mortgage loans for low to moderate income families in Crossville, Tennessee and neighboring communities. Creative Compassion also develops apartment style housing for low income seniors and disabled persons who cannot live alone. The bank has a strong relationship with the Overton and Putnam County Habitat for Humanity offices.

Cumberland Area Investment Corporation (CAIC)

Bank representatives have served on the Board and held offices such as Chairman of the Board, in addition to serving in the Loan Committee. FNBOTN representatives assist in reviewing loan applications for submission to the Executive Board that help create and maintain jobs in Cumberland County. These loans help fund small business expansions and promote small business start-ups.

Personal Economics Program (PEP)/University of Tennessee (UT) Extension Program

Banking education is provided to students in the public education system through the Personal Economics Program (PEP) with an emphasis on personal finances, banking and economics. The schools participating in PEP have numerous students from low-and moderate-income families. The program addresses personal finances, credit counseling, identity theft prevention, predatory lending, and similar issues. The UT Extension Program is a similar program to PEP. Students are educated in personal money management and many of the schools participating have students from low-and-moderate-income households. In 2011, the UT Extension Program facilitated a training for teachers on the topics of personal money management and credit counseling in order for them to teach that information to their students, which was instructed by an FNBOTN representative.

Safe Senior Symposium at Overton County Senior Citizens Center and Other Venues

FNBOTN personnel met with senior citizens including handicapped seniors at the Livingston, TN Citizens Center and other venues during this evaluation period. Meetings topics included financial safety, identity theft, and elderly scams. Participants are typically loan-and moderate-income individuals.

Small Business Loan Promotion Program

FNBOTN targeted the small business community with a loan promotion designed to offer low rate, fixed term loans on equipment purchases or a first or second lien on real estate purchases or renovations. Ten million dollars were set aside to fund this promotion.

Special Home Loan Program

In 2011, FNBOTN introduced a low interest rate, primary residence home purchase or lot purchase program to build a principal residence within the next three years. The program was extended and ran through May 2012.

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

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