



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

January 18, 2011

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Pulaski  
Charter Number: 14619

206 South First Street  
Pulaski, TN 38478-0000

Office of the Comptroller of the Currency

NASHVILLE Field Office  
The Parklane Building 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.**

- The bank's loan-to-deposit ratio is reasonable and averaged 68.11% during the evaluation period. FNB's loan to deposit ratio ranged from a low of 63.96% June 2010 to a high of 74.22% September 2008.
- A substantial majority of FNB's loans are inside the bank's Assessment Areas. During this evaluation period, approximately 90.26% of the number and 87.49% of the dollar volume of loans were to borrowers within the Assessment Areas.
- FNB's record of lending to borrowers of different income (including low- and moderate-income) demonstrates excellent penetration. FNB's performance of lending to businesses of different sizes is reasonable and ranges from lower than ratio to near the ratio.
- FNB's geographic distribution of residential loans reflects excellent dispersion and meets the standard for outstanding performance. FNB's geographic distribution of loans to businesses of different sizes is reasonable and ranges from lower than ratio to near the ratio.
- FNB's community development performance demonstrates excellent responsiveness to the community development needs in each Assessment Area. The bank's overall responsiveness through community development activities, to community development lending, investment, and services needs is excellent.

## **Scope of Examination**

This Performance Evaluation (PE) covers the period August 8, 2006 through January 18, 2011 and is a full scope review. Results were consolidated for comparative and analysis purposes and evaluated using 2000 Census demographic information. First National Bank of Pulaski (FNB) has no bank owned affiliates. A data integrity review was conducted prior to this evaluation. The review concluded that the bank's internal data was reliable. We also reviewed the bank's community development loans, investments, and services to ensure they meet the definition of community development. For the community development test the evaluation period runs from August 8, 2006 through January 18, 2011.

Conclusions regarding the Lending Test are based on residential loans including home purchases, home improvements, and home refinances. FNB became a Home Mortgage Disclosure Act (HMDA) reporter in 2009. All residential loans originated from January 1, 2009 through December 31, 2010 were considered in our Lending Test analysis. Based on internal bank reports, all small business loans originated during 2008, 2009, and 2010 were considered in the Lending Test.

## Description of Institution

FNB is an independent, interstate bank which opened for business in 1949. Effective October 31, 1981, the bank became wholly-owned by First Pulaski National Corporation, a one-bank holding company. Both the holding company and bank are located in Pulaski, Tennessee. Pulaski is approximately 80 miles south of Nashville, Tennessee and 45 miles northwest of Huntsville, Alabama. There have not been any major changes in the bank's corporate structure, including merger or acquisition activities, since the last CRA examination dated August 7, 2006, when the bank received a Satisfactory rating. There are no legal or financial impediments to FNB's ability to meet the credit needs of its Assessment Areas (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 primary business focus is commercial and industrial loans, including commercial real estate loans, and mortgage loans. As of September 30, 2010, the bank had total assets and loans of \$616 and \$357 million, respectively. Gross loans comprised 58% of total assets. Total assets for the holding company were \$601 million as of December 31, 2010. The following table reflects the composition of FNB's loan portfolio based on September 30, 2010 Report of Condition.

|  | Product Category  |               |
|--|-------------------|---------------|
|  | Dollar<br>(000's) | Percent       |
| Construction & Land Development                          | 32,400            | 9.07          |
| Commercial & Industrial Including Commercial Real Estate | 205,357           | 57.46         |
| Residential Mortgage Loans                               | 90,314            | 25.27         |
| Individuals  | 23,369            | 6.54          |
| Miscellaneous  | 5,926             | 1.66          |
| <b>TOTAL</b>   | <b>357,366</b>    | <b>100.00</b> |

*Source: September 30, 2010 Report of Condition.*

Branches are generally located in areas that make them accessible to bank customers. Including the bank's main office there are eleven offices located in the bank's AAs. Nine offices are located in the State of Tennessee and two offices are located in the State of Alabama. Within Tennessee, five offices are located in Giles County including three in Pulaski and one each in Ardmore and Lynnville, two offices located in adjacent Lincoln County including one each in Fayetteville and City Park, and two offices located in adjacent Marshall County including one each in Lewisburg and Belfast. Offices located in the State of Alabama include one each in Huntsville which is in Madison County and Athens which is in Limestone County. Since the previous examination, the two new Alabama branches were opened. The Huntsville and Athens branches were opened in January and April 2008, respectively. There have been no branch offices closed since the previous examination. Lobby hours and drive-up hours are set to meet customer needs. ATM's that disburse cash and take deposits are located at each branch office. Additionally, there are 3 free-standing ATMs that disburse cash only and one cash dispersing and deposit taking ATM. The bank also operates a mortgage loan office in Pulaski/Giles County which is part of the bank's main office.

### Distribution of Bank Offices and ATMs by Census Tract

| Census Tract<br>Income Level | Tracts     |                | Full-Service Branches |                | Automated Teller<br>Machines * |                |
|------------------------------|------------|----------------|-----------------------|----------------|--------------------------------|----------------|
|                              | #          | %              | #                     | %              | #                              | %              |
| Low                          | 6          | 5.45           | 1                     | 9.09           | 1                              | 6.67           |
| Moderate                     | 25         | 22.73          | 0                     | 0              | 0                              | 0              |
| Middle                       | 49         | 43.64          | 8                     | 72.73          | 10                             | 66.67          |
| Upper                        | 29         | 28.18          | 2                     | 18.18          | 4                              | 26.66          |
| NA                           | 0          | 0              | 0                     | 0              | 0                              | 0              |
| <b>TOTAL</b>                 | <b>109</b> | <b>100.00%</b> | <b>11</b>             | <b>100.00%</b> | <b>15</b>                      | <b>100.00%</b> |

*There are 11 branch offices with contiguous ATMs. All of the ATM machines at the branch offices accept deposits and dispense cash. There are 3 free-standing ATMs which dispense cash only and 1 cash dispersing & deposit taking ATM.*

Customers may also access their accounts through telephone banking or by the Internet ([www.fnbforyou.com](http://www.fnbforyou.com)). Internet and telephone banking include transfers between FNB accounts, review of bank balances and transactions, access to loan account information and bill-paying capability for the Internet banking product. The Bank also offers Master Card debit cards that can be used to access customer accounts at point of sale (POS) or ATM locations. Additionally, Visa and MasterCard credit cards are offered by the bank. Investment, brokerage, and insurance services are also available through third-party providers.

FNB's business strategy includes continued marketing of commercial credit to small businesses and individuals through its products, staff, and locations. The bank actively generates commercial, mortgage, and consumer loans to customers located primarily in Giles, Lincoln, and Marshall County, Tennessee and Limestone and Madison County, Alabama. Commercial loan activity includes all types of commercial real estate development and construction. Small Business Administration (SBA) loans are offered for new business startups as well as to expand existing businesses. FNB also supports the purchase and long-term financing of residential home loans through conventional secondary market home mortgage and Farmers Home Administration programs.

The economic downturn has impacted the bank's AAs and resulted in manufacturing plant closures and layoffs as local industries adjust to declining sales and lower demand. Business and retail loan demand have declined significantly as borrowers defer business expansion, development, residential and retail purchases. The housing downturn also significantly impacted employment in the Tennessee nonMSA and Huntsville MSA AAs. Weaknesses in the housing market have severely curtailed independent contractors and other trades livelihood.

We completed a community contact with a Giles County economic development organization and a Northeast Alabama small business development center. Representatives of these organizations did not comment on either FNB's or any other banks performance in the AAs during this evaluation period. Also, no business opportunities were identified by FNB through outreach activities during this evaluation period. FNB has been an active, community development lender within its two AAs during this evaluation period. These loans have

promoted new business, provided employment opportunities for residents within the AAs, and bolstered local economies.

## **Selection of Areas for Full-Scope Review**

FNB's assessment areas (AA) include the counties of Giles, Lincoln, and Marshall in the state of Tennessee (Tennessee nonMSA) and Madison and Limestone counties in the state of Alabama (Huntsville MSA). Both AAs were selected for full scope reviews due to deposit and loan volumes. With the bank's headquarters located in Pulaski, Tennessee, 9 of 11 offices located in Tennessee, and length of banking in the State of Tennessee, the overall performance ratings are weighed more heavily towards the Tennessee nonMSA AA.

## **Ratings**

FNB's overall rating is a blend of the state ratings where the bank operates. The Tennessee nonMSA AA of Giles, Lincoln, and Marshall Counties was more heavily weighted based on the location of the bank's headquarters and the volume of deposits in this assessment area. To determine a rating for the bank's lending performance in the Tennessee nonMSA AA, we reviewed residential loans and loans to small businesses. Due to the volume of lending activity in the Huntsville MSA AA, we also reviewed residential loans and loans to small businesses.

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

### **LENDING TEST**

FNB's performance under the Lending Test is rated "satisfactory." Based on full-scope reviews, the bank's performance in their two AAs is satisfactory. FNB's overall loan-to-deposit ratio is reasonable and a majority of the bank's loans are within its AAs. The loan-to-deposit ratio and in/out ratio are based on bank wide data. Additional information obtained from the full scope reviews of the bank's lending in its AA was also used to determine the overall lending test rating.

### **Loan-to-Deposit Ratio (LTD)**

At 68.11%, the quarterly average LTD ratio for FNB is reasonable for the seventeen quarters ending September 30, 2010. Although lower than all but one similar bank for the period, FNB's quarterly average LTD ratio compared satisfactorily to competitor banks in the AA for the period. Of the twelve similarly situated independent banks headquartered in FNB's two AAs, FNB had the second lowest quarterly average LTD ratio for the period at 68.11%. Other competitor bank's LTD ratios averaged from a high of 87.56% to a low of 58.10%. During the present economic downturn, loan demand has weakened. This is reflected in declining LTD ratios.

| <b>Loan-To-Deposit Ratios</b>                   |   |  |
|---|---|--|
| <b>Institution</b>                              | <b>Total Assets in Millions<br/>(As of 09/30/10*)</b> | <b>Average Loan-to-Deposit Ratio(**)</b> |
| <i>Giles County Tennessee:</i>                  |   |  |
| First National Bank, Pulaski, TN                | \$616   | 68.11%                                   |
| Bank of Frankewing, Frankewing, TN              | \$207   | 83.15%                                   |
| First Farmers & Merchants Bank, Columbia, TN    | \$959   | 72.85%                                   |
| CB&S Bank, Russellville, AL ***                 | \$1,254   | 58.10%                                   |
| Peoples State Bank of Commerce, Nolensville, TN | \$284   | 70.12%                                   |
| <i>Lincoln County Tennessee:</i>                |   |  |
| Bank of Lincoln County, Fayetteville, TN        | \$143   | 78.00%                                   |
| <i>Marshall County Tennessee:</i>               |   |  |
| First Commerce Bank, Lewisburg, TN              | \$251   | 75.00%                                   |
| Farmers Bank of Lynchburg, Lynchburg, TN        | \$208   | 73.97%                                   |
| <i>Madison County Alabama:</i>                  |   |  |
| North Alabama Bank, Hazel Green, AL             | \$132   | 86.08%                                   |
| First Jackson Bank, Stevenson, AL               | \$203   | 84.07%                                   |
| <i>Limestone County Alabama:</i>                |   |  |
| Bank Independent, Sheffield, AL                 | \$993   | 87.56%                                   |
| Reliance Bank, Athens, AL                       | \$156   | 82.65%                                   |

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

\*\*Source: Institution Reports of Condition for 17 quarter period from September 2006 through September 2010.

\*\*\*Formerly Citizens Bank & Savings Co., Russellville, AL

As of June 30, 2010, 35 financial institutions with 149 offices reside within Giles, Lincoln, and Marshall Counties Tennessee and Madison and Limestone Counties Alabama. In total, these institutions controlled \$8.739 billion in deposits. FNB controlled the sixth largest market share at \$546 million, or 6.25% of total deposits for all institutions. The five institutions controlling a higher percentage of the market are large holding company banks headquartered elsewhere. Of the approximately 19 other independent banks in the market, FNB controlled the largest market share. FNB's deposit market share of 6.25% exceeded all other competitor banks. Similarly situated banks in the market included: First Commerce Bank, Lewisburg, TN controlled \$212 million (2.43%), CB&S Bank, Russellville, AL controlled \$149 million (1.70%), Bank of Frankewing, Frankewing, TN controlled \$145 million (1.66%), Bank of Lincoln County controlled \$133 million (1.52%), North Alabama Bank, controlled \$128 million (1.47%), Reliance Bank controlled \$120 million (1.38%), First Farmers & Merchants Bank, Columbia, TN controlled \$100 million (1.15%), and six other banks which controlled \$137 million (ranging from 0.51% to 0.11%) of the deposit market.

## Lending in Assessment Area

A substantial majority of FNB’s lending is inside its two AAs. The number of residential and business loans inside the bank’s combined AAs was 90.57% and 90.14%, respectively. Similarly, the dollar amount of residential and business loans inside the bank’s AAs was 88.32% and 87.14%, respectively. Collectively, 90.26% and 87.49% of the number and dollar amount of residential and business loans were inside the bank’s combined AAs. Conclusions are based on all HMDA reportable loans originated during 2009 and 2010, and business loans originated during 2008, 2009, and 2010. FNB was not a HMDA reporter prior to 2009.

| <b>Table 1 - Lending in FNB AAs</b>  |                 |       |         |       |       |                  |       |         |       |         |
|--|-----------------|-------|---------|-------|-------|------------------|-------|---------|-------|---------|
| <b>Tennessee nonMSA AA of Giles/055, Lincoln/103, and Marshall/117 Counties, TN and Huntsville MSA (#26620) AA of Madison/089 and Limestone/083 Counties, AL</b> |                 |       |         |       |       |                  |       |         |       |         |
| Loan Type  | Number of Loans |       |         |       |       | Dollars of Loans |       |         |       |         |
|  | Inside          |       | Outside |       | Total | Inside           |       | Outside |       | Total   |
|  | #               | %     | #       | %     |       | \$               | %     | \$      | %     |         |
| Home Purchase  | 373             | 89.02 | 46      | 10.98 | 419   | 39,638           | 86.02 | 6,444   | 13.98 | 46,082  |
| Home Improvement   | 177             | 95.16 | 9       | 4.84  | 186   | 4,429            | 94.25 | 270     | 5.75  | 4,699   |
| Home Refinance   | 641             | 90.28 | 69      | 9.72  | 710   | 64,514           | 89.41 | 7,643   | 10.59 | 72,157  |
| Total HMDA Residential Loans   | 1,191           | 90.57 | 124     | 9.43  | 1,315 | 108,581          | 88.32 | 14,357  | 11.68 | 122,938 |
| Business Loans   | 3,110           | 90.14 | 340     | 9.86  | 3,450 | 255,815          | 87.14 | 37,757  | 12.86 | 293,572 |
| Total  | 4,301           | 90.26 | 464     | 9.74  | 4,765 | 364,396          | 87.49 | 52,114  | 12.51 | 416,510 |

Source: All HMDA reportable residential loans originated during 2009 and 2010 are included. Residential loans include home purchase, home improvement, and home refinances loans. Business loans include loans which originated during 2008, 2009 and 2010; 2000 U.S. Census Data. Bank became a HMDA reporter in 2009.

## 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.

## State Rating

## **State of Tennessee**

CRA Rating for State of Tennessee is: Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

The major factors that support this rating include:

- The distribution of loans demonstrates excellent penetration among borrowers of different income levels and reasonable penetration among businesses of different sizes
- The geographic distribution of loans reflects reasonable dispersion within the assessment area.
- FNB demonstrated excellent responsiveness to Community Development needs in its Tennessee nonMSA AA through CD lending, investments, and services.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN TENNESSEE**

The Tennessee nonMSA AA includes all census tracts in Giles, Lincoln, and Marshall Counties, Tennessee (total 22 census tracts). The AA meets the requirement of the regulation and does not arbitrarily exclude any low- or moderate-income areas. There are no natural boundaries within the AA that hinder accessibility. The three counties in Tennessee are contiguous to each other. Respective census tracts are also contiguous.

FNB is located approximately 80 miles south of Nashville, Tennessee near the Tennessee/Alabama state line. Interstate 65, a major North/South interstate, is nearby. Major cities within FNB's Tennessee nonMSA AA are: Pulaski (Giles County), Fayetteville (Lincoln County), and Lewisburg (Marshall County). Pulaski, Fayetteville, and Lewisburg also serve as the county seat for their respective counties.

There are no low-income census tracts within FNB's Tennessee nonMSA AA. Of the 22 census tracts within the AA, one (4.55%) is moderate, 14 (63.64%) are middle, and 7 (31.82%) are upper. Of the 25,017 families residing within the AA, 3,796 families, or 15.17%, are low-income families and only 3.7% or 927 families reside in the moderate-income census tract.

| <b>Demographic Information for Tennessee nonMSA Assessment Area</b><br><b>Giles (#055), Lincoln (#103), and Marshall (#117) County, Tennessee</b> |            |                      |                 |               |                |                  |
|---|------------|----------------------|-----------------|---------------|----------------|------------------|
| Demographic Characteristics   | #          | Low % of #           | Moderate % of # | Middle % of # | Upper % of #   | NA* % of #       |
| Geographies (Census Tracts/BNAs)  | 22         | 0                    | 4.55            | 63.64         | 31.82          | 0                |
| Population by Geography   | 87,554     | 0                    | 4.35            | 61.99         | 33.66          | 0                |
| Owner-Occupied Housing by Geography   | 25,890     | 0                    | 2.39            | 63.00         | 34.60          | 0                |
| Businesses by Geography   | 6,943      | 0                    | 4.23            | 62.35         | 33.41          | 0                |
| Farms by Geography  | 768        | 0                    | 0.52            | 60.68         | 38.80          | 0                |
| Family Distribution by Income Level   | 25,017     | 15.17                | 15.88           | 21.16         | 47.79          | 0                |
| Distribution of Low- and Moderate-Income Families throughout AA Geographies   | 7,769      | 48.86                | 51.14           | -             | -              | 0                |
| Median Family Income (MFI)  | = \$42,509 | Median Housing Value |                 | = \$77,119    |                |                  |
| HUD Adjusted Median Family Income (MFI) for 2007  | = \$46,300 | Unemployment Rates   |                 | = 12.7% Giles | = 6.3% Lincoln | = 16.2% Marshall |
| Households Below the Poverty Level  | = 13.45%   |                      |                 |               |                |                  |

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 U.S. Census and 2007 HUD updated MFI. Unemployment rate is as of November 2010.

As of November 30, 2010, the unemployment rate for the State of Tennessee and nationally was 9.4% and 9.8%, respectively. Major industrial employers in Giles County/Pulaski include: Frito-Lay, Inc. (Snack Foods) 513 employees; Timken Com. (Ball Bearings) 277 employees; Johnson Controls, Inc. (Auto Seat Cushions) 221 employees; and, Magotteaux, Inc. (Steel Grinding Balls) 217 employees. In addition there are 9 other firms which employ 748 employees. Number of employees range from 56 to 144 workers. Major industrial employers in Lincoln County/Fayetteville include: Goodman Co., LP (Air Conditioners & Furnaces) 1,250 employees; Frito-Lay, Inc. (Snack Foods); & Franke Foodservice Systems, Inc. (Stainless Steel Kitchen Equipment). In addition there are 13 other firms which employ 665 employees. Number of employees range from 20 up to 120 workers. Major industrial employers in Marshall County/Lewisburg include: CKNA of Lewisburg (Plastic Injection Molding) 1,100 employees; Walker Die Casting (Aluminum Die Castings) 550 employees; Cosmolab, Inc. (Cosmetic Preparations) 350 employees; and, Teledyne Electronics Mfg. Services (Electronics) 300 employees. In addition there are 9 other firms which employ 1,000 employees. Number of employees range from 50 to 299 workers. Agriculture products for the Tennessee nonMSA AA include beef and dairy cattle, horses, hay, corn, soybeans, cotton, wheat, and orchards. Seven of the nine census tracts in Giles County and one of seven in Marshall County have been designated as distressed due to high unemployment.

## **SCOPE OF EVALUATION IN TENNESSEE**

We performed a full-scope review of the Tennessee nonMSA AA due to the volume of deposits and bank activity in this location. Both the Lending Test and Community Development Test ratings were analyzed to arrive at the overall state rating.

Conclusions regarding the bank's lending performance in the Tennessee nonMSA are based on HMDA reportable loans. These include home purchase, home improvement, and home refinance loans. Small business loans are also part of the bank's lending performance. The Community Development Test includes a review of loans, investments, grants and donations made in the bank's AA that meet the definition of community development as well as community development services provided in the bank's AA.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TENNESSEE**

### **LENDING TEST**

Based on a full-scope review, the bank's performance under the Lending Test in Tennessee is "Satisfactory".

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

FNB's overall record of lending to borrowers of different incomes demonstrates excellent penetration (see Table 2A). FNB's overall record of lending to businesses of different sizes demonstrates reasonable penetration (see Table 2C). In the bank's Tennessee non-MSA AA, the percent of low-income families is 15.17% and the percent of moderate-income families is 15.88%. HMDA data for 2009 and 2010 reflects that the number of residential loans (home purchase, home improvement, and refinance) was above or near the ratio (15.17%) of low-income families at 13.41%, 25.19%, and 13.35% and also above or near the ratio (15.88%) of moderate-income families at 18.44%, 22.14%, and 13.87%. This reflects excellent penetration and exceeds standards for satisfactory performance. Additionally, the bank frequently directs low- and moderate-income home loans into government home loan programs such as Rural Development and Farmers Home Administration (FHA). The bank also assists low- and moderate-income borrowers through the secondary market program.

FNB participates in the USDA Rural Development loan program, which assists in the development of affordable housing and revitalization efforts in rural markets. The bank does not fund these loans prior to selling into the secondary market so they are not included in Tables 2A & 2B. Since the previous PE dated August 7, 2006 FNB originated 137 USDA Rural Development loans (\$13 million), 64 Farmers Home Administration loans (\$7.8 million), and 13 Veteran Administration loans (\$2.3 million). In aggregate, FNB originated 214 of these type loans totaling \$23.1 million. These loans were for the purchase of residential housing for low- and moderate-income individuals. The majority of these loans were in FNB's AAs. Additionally, FNB has an excellent record of supporting the purchase and long-term financing of residential home loans through secondary market lending activities. FNB underwrites these

loans to specified guidelines, receives a fee for its efforts, and then the loan is funded by a third party in the secondary market. Since these loans are never funded by the bank, they are not reported on the bank’s HMDA-LAR report and not reflected in the data in Table 2A & 2B. Since the previous PE dated August 7, 2006 FNB underwrote 551 conventional secondary mortgage loans totaling \$71.9 million. The majority of these loans were in FNB’s AAs.

| <b>Table 2A - Borrower Distribution of Residential Real Estate Loans in FNB’s Tennessee nonMSA AA Giles/055, Lincoln/103, and Marshall/117 Counties, TN</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 |
| Home Purchase   | 15.17            | 13.41                | 15.88            | 18.44                | 21.16            | 30.17                | 47.79            | 37.99                |
| Home Improvement  | 15.17            | 25.19                | 15.88            | 22.14                | 21.16            | 24.43                | 47.79            | 28.24                |
| Refinance   | 15.17            | 13.35                | 15.88            | 13.87                | 21.16            | 22.51                | 47.79            | 50.26                |

Source: Data reported under 2009 and 2010 HMDA; U.S. Census data.

FNB’s performance of lending to businesses of different sizes range from lower than ratio to near the ratio. The bank’s overall performance is reasonable and meets the standards for satisfactory performance (see Table 2C). Business revenues within the bank’s Tennessee non MSA AAs reflect that 79.84% have annual revenues/sales less than \$1 million. At 66.65% by number and 36.49% by dollar, both the number and dollar amount of loans to AA businesses were lower than the demographic data for the Tennessee nonMSA AA. Overall, the bank did a satisfactory job in obtaining business revenue information on its business loans as reflected by the percentage of unavailable information in this AA.

| <b>Table 2C - Borrower Distribution of Loans to Businesses in FNB’s Tennessee nonMSA AA of Giles/055, Lincoln/103, and Marshall/117 Counties, TN</b> |              |              |                     |       |
|--|--------------|--------------|---------------------|-------|
| Business Revenues (or Sales)   | ≤\$1,000,000 | >\$1,000,000 | Unavailable/Unknown | Total |
| % of AA Businesses   | 79.84        | 3.23         | 16.94               | 100%  |
| % of Bank Loans in AA by #   | 66.65        | 20.41        | 12.94               | 100%  |
| % of Bank Loans in AA by \$  | 36.49        | 55.44        | 8.07                | 100%  |

Source: Small business loans generated during 2008, 2009, and 2010; Dunn and Bradstreet data.

**Geographic Distribution of Loans**

FNB’s overall geographic distribution of residential loans reflects reasonable dispersion and meets the standard for satisfactory performance (see Table 3A). FNB’s overall geographic distribution of loans to businesses of different sizes also reflects reasonable dispersion and meets the standards for satisfactory performance (see Table 3C).

There is no low-income and only one moderate-income census tract (CT) in the Tennessee nonMSA AA. At 2.11%, 1.46% and 2.68%, the number of residential loans (home purchase, home improvement, and home refinance) in the moderate-income census tract ranged from lower than to slightly above the ratio of 2.39% of owner occupied houses within the Tennessee nonMSA AA.

| <b>Table 3A - Geographic Distribution of Residential Real Estate Loans in Tennessee non-MSA AA of Giles/055, Lincoln/103, and Marshall/117 Counties, TN</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 |
| Home Purchase   | 0.00                           | 0.00                 | 2.39                           | 2.11                 | 63.00                          | 68.42                | 34.60                          | 29.47                |
| Home Improvement  | 0.00                           | 0.00                 | 2.39                           | 1.46                 | 63.00                          | 71.53                | 34.60                          | 27.01                |
| Refinance   | 0.00                           | 0.00                 | 2.39                           | 2.68                 | 63.00                          | 72.99                | 34.60                          | 24.33                |

Source: Data reported under HMDA; U.S. Census data.

At 1.41%, the number of business loans in moderate-income census tracts was significantly lower than the 4.23% of AA businesses in the Tennessee nonMSA AA.

| <b>Table 3C - Geographic Distribution of Loans to Businesses in Tennessee non-MSA AA of Giles/055, Lincoln/103, and Marshall/117 Counties, TN</b> |                    |                      |                    |                      |                    |                      |                    |                      |
|---|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| Census Tract Income Level   | Low                |                      | Moderate           |                      | Middle             |                      | Upper              |                      |
| Loan Type   | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans |
| Businesses  | 0.00               | 0.00                 | 4.23               | 1.41                 | 62.35              | 78.10                | 33.41              | 20.50                |

Source: Data collected by bank; D & B data

### Responses to Complaints

There have been no consumer complaints relating to the bank’s CRA performance in the Tennessee nonMSA AA during this evaluation period. Therefore, this criterion is not applicable.

### COMMUNITY DEVELOPMENT TEST

The bank’s performance under the community development test in the State of Tennessee is rated “Outstanding.”

The bank’s performance under the Community Development Test is rated “outstanding.” FNB demonstrated excellent responsiveness to Community Development needs in its Tennessee nonMSA AA through CD lending, investments, and services. Based on a full-scope review, the bank’s performance is outstanding.

## Number and Amount of Community Development Loans

FNB originated 30 community development loans, investments, and grants/donations totaling \$8,754,000 during this evaluation period. As evidenced by the table on page 14, 17 loans and 4 investments totaling \$8,412,000 and \$337,000, respectively, were for community development purposes. Additionally, the bank had \$5,000 in grants and donations.

Based on the composition of the bank's branches, deposits, and loan markets, the Tennessee nonMSA AA comprises a larger portion of the bank's business and therefore was given more consideration in the community development loan analysis. Specific examples of qualifying loans for community development organizations follow:

### Affordable Housing Resources, Inc.

In 2010, FNB originated two loans for \$866,500 and \$133,440 to this non-profit organization which assists low- and moderate-income families with affordable housing. Funds were used to develop a subdivision and construct two homes. In 2008, the bank originated a \$1,000,000 Line of Credit for the purpose of constructing affordable houses. In 2006, FNB also originated a \$1,000,000 loan to construct residential housing for low- and moderate-income families.

### Industrial Development Board (IDB)

The IDB is a Tennessee corporation organized by the Alderman and Mayor of Pulaski as provided by Chapter 53 of Title 7 of Tennessee State law. The purposes of the IDB corporation is to finance, acquire, own, lease, and/or dispose of properties to the end that such corporation shall be able to maintain and increase employment opportunities by promoting industry, trade, commerce, tourism, and recreation by inducing manufacturing, industrial, governmental, educational, financial, services to come to or remain in Pulaski, Tennessee. In 2008, FNB originated a \$766,491 loan to purchase land which would be used to construct buildings to attract industry to Giles County, and to further provide jobs for Giles County and the surrounding area. The purchase and development is known as Giles County Industrial Park South and is located in middle-income Census Tract 9804 which has been designated a "distressed" Census Tract due to high unemployment. Three automotive related industries are located in the complex, signed guarantees, and provided jobs to help stabilize and revitalize the Pulaski/Giles County community.

### Economic Development Commission

In 2008, FNB originated 2 loans of \$604,352 each to construct speculative buildings in the Giles County Industrial Park (middle-income Census Tract 9804 which has been designated a "distressed" Census Tract) for future industry. In 2007, FNB originated a \$1,300,000 loan to construct a speculative building in the Giles County Industrial Park. In 2006, FNB originated a \$1,035,383 loan to construct a speculative building in the Giles County Industrial Park South. The purpose of these buildings was to attract new industry. The buildings are complete and occupied by automotive related industries which provide long-term employment to low- and moderate-income individuals. These factories provide in excess of 500 needed jobs for the area with LMI employees comprising 79% to 90% of the labor force.

Michael Chad Ingram Properties, Inc.

In 2006, FNB originated a \$1,946,220 loan to this organization to finance an eighty unit apartment complex. Fifteen of the units were subsidized by HUD and eight units were subsidized under Section 8 public housing. Twenty-three of the eighty units, or 29%, of the apartment complex provides housing for low-and moderate-income families. No other units are rented to LMI families. For CRA purposes, 29% of the loan, or \$564,404, can be counted for community development loan purposes.

**Loans to 4 Individuals to Open Markets in LMI areas**

In 2007, FNB originated 7 loans totaling \$537,031 to 4 individuals (all were bank customers doing business with the Lewisburg, TN banking office) for purposes of purchasing, renovating, and opening new markets (grocery and convenience stores) in LMI areas in Nashville, TN and Decatur, AL. The new markets are located in LMI Census Tracts and provide convenient shopping for densely populated LMI tracts. In each situation, the closest markets were the distance of one mile from these new facilities. These entities also provide long-term jobs for LMI individuals.

**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.

**Federal National Mortgage Association (FNMA) Securities (Tennessee nonMSA and Huntsville MSA)**

In 2010, FNB purchased the above mortgaged-backed security totaling \$1,118,644 which supported a pool of low-and moderate mortgages in Lincoln County Tennessee (nonMSA) and Madison County Alabama (MSA). This investment helped provide affordable housing to one low-and moderate-income family in Lincoln County and six low-and moderate-income families in Madison County (MSA). For Tennessee nonMSA CRA purposes, credit is given for one mortgage totaling \$159,806.

**Morgan Keegan Mezzanine Fund**

In 2002, FNB committed \$500,000 to this Small Business Investment Corporation (SBIC). In 2006, three loans were originated (\$60,000, \$62,500, and \$55,000) to fund the SBIC commitment. As a SBIC, the fund provides financing to small businesses. The fund serves a wider area that includes the bank’s AA and has total resources of approximately \$100 million. The fund has made investments in businesses in middle Tennessee operating statewide.

**Originated Donations**

There were 9 donations within FNB’s Tennessee nonMSA AA for the period 2007 through 2010 totaling \$4,780. These donations were to organizations such as boys & girls clubs (provide services to the children of low- and moderate-income families), schools systems in Pulaski, Lewisburg, and Giles County where a majority of the students are from low- and moderate-income families. There was also a small donation to the Pulaski Housing Authority.

| <b>Community Development Lending and Investments in Tennessee AA</b> |     |    |                   |
|--|-----|----|-------------------|
| <b>Community Development Lending</b>                                 |     |    |                   |
|  |     | #  | \$ Amount (000's) |
| Originated CD Loans  | AA  | 17 | 8,412             |
| Unfunded Commitments*  | N/A | 0  | 0                 |
| Total CD Loans   |     | 17 | 8,412             |
| <b>Community Development Investments</b>                             |     |    |                   |
| Qualified Investments  | AA  | 4  | 337               |
| Originated Grants/Donations  | AA  | 9  | 5                 |
| Unfunded Commitments*  | N/A | 0  | 0                 |
| Total Qualified Investments  |     | 13 | 342               |
|  |     |    |                   |
| Total Community Development Lending and Investments                  | AA  | 30 | 8,754             |

*\*"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**

FNB's record of providing community development services is satisfactory. A number of the bank's officers are members of civic clubs and community boards. Board members actively support recruiting, expansion, and promoting new and existing industries in FNB's Tennessee nonMSA AA.

Bank management actively encourages bank employees to support local civic services. FNB employees individually have been involved in civic organizations which assist and support low- and moderate-income individuals and children of low- and moderate income families. Employees assist food banks, boys and girls clubs, area charities, schools, and other organizations which assist low- and moderate-income individuals and children of low- and moderate-income families. Bank officers and employees frequently meet with and instruct low- and moderate-income individuals and children of low- and moderate-income families on how to build good credit, budgeting, money management and savings plans. In some instances, attendees are provided educational booklets and view power point presentations.

FNB has an array of alternative delivery systems which benefit low- and moderate-income individuals. These include ATMs (First Place Banker), account access (by 24-hour telephone inquiry with a Voice Response system), and Internet Banking capabilities which provides deposit account information, loan account information including the ability to make payments, transfer funds, and bill payment. Additionally, FNB has 5 branches in Giles County which have been designated as "distressed census tracts" due to high unemployment.

### **Responsiveness to Community Development Needs**

The bank's overall responsiveness through community development activities, to community development lending, investment, and services needs is excellent. This is best supported by the number and volume of community development loans originated during the period. These loans help promote employment; stabilize, promote and support local economies; and, help provide affordable housing to low- and-moderate-income families within FNB's Tennessee nonMSA AA. FNB has taken a lead role and been a strong supporter of community development loans. Service needs are also being met through outreach meetings targeted to low- and moderate-income individuals and children of low- and moderate-income families. Additionally, bank officers serve and often take a lead role on various community boards. Bank officers are also active in local civic clubs, which in many instances, assist and promote under privilege individuals including low- and moderate-income individuals and children of low- and moderate-income families within the community.

## **State Rating**

## State of Alabama

CRA Rating for State of Alabama is: Satisfactory.

The Lending test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

The major factors that support this rating include:

- The distribution of loans demonstrates excellent penetration among borrowers of different income levels and reasonable penetration among businesses of different sizes
- The geographic distribution of loans reflects reasonable dispersion within the assessment area.
- FNB demonstrated excellent responsiveness to Community Development needs in its Alabama Huntsville MSA AA through CD lending, investments, and services.

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN ALABAMA

One of the bank’s two AAs is located in the State of Alabama. The Huntsville MSA includes all census tracts in Madison and Limestone Counties Alabama (total 87 census tracts). The AA meets the requirement of the regulation and does not arbitrarily exclude any low- or moderate-income areas. There are no natural boundaries within the AA that hinder accessibility. The two counties in Alabama are contiguous to each other. Respective census tracts are also contiguous.

FNB’s main office is located approximately 45 miles northwest of Huntsville, Alabama. Interstate 65, a major North/South interstate and Alabama State Highway 72, a major east-west state highway, are nearby. Major cities within FNB’s Huntsville MSA AA are: Athens (Limestone County) and Huntsville (Madison County). The cities of Athens and Huntsville also share a city limit boundary. Athens (Limestone County) and Huntsville (Madison County) also serve as the county seat for their respective counties.

| <b>Demographic Information for Huntsville MSA Assessment Area (#26620)</b> |   |     |          |        |       |     |
|--|---|-----|----------|--------|-------|-----|
| <b>Madison (#089) and Limestone (#083) County, Alabama</b>                 |   |     |          |        |       |     |
| Demographic Characteristics  | # | Low | Moderate | Middle | Upper | NA* |

|   |            | % of # | % of # | % of #               | % of #                             | % of # |
|---|------------|--------|--------|----------------------|------------------------------------|--------|
| Geographies (Census Tracts/BNAs)  | 87         | 6.90   | 27.59  | 40.23                | 25.69                              | 0      |
| Population by Geography   | 342,376    | 3.50   | 25.68  | 44.04                | 26.78                              | 0      |
| Owner-Occupied Housing by Geography   | 95,899     | 1.20   | 20.78  | 47.79                | 30.24                              | 0      |
| Businesses by Geography   | 31,312     | 8.11   | 22.81  | 42.73                | 26.35                              | 0      |
| Farms by Geography  | 926        | 3.67   | 19.22  | 54.86                | 22.25                              | 0      |
| Family Distribution by Income Level   | 94,234     | 21.15  | 17.80  | 21.00                | 40.05                              | 0      |
| Distribution of Low- and Moderate-Income Families throughout AA Geographies | 36,704     | 54.31  | 45.69  |                      |                                    | 0      |
| Median Family Income (MFI)  | = \$52,360 |        |        | Median Housing Value | = \$97,250                         |        |
| HUD Adjusted Median Family Income (MFI) for 2007                            | = \$68,000 |        |        | Unemployment Rates   | = 7.0% Madison<br>= 7.3% Limestone |        |
| Households Below the Poverty Level  | = 11%      |        |        |                      |                                    |        |

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 U.S. Census and 2007 HUD updated MFI. Unemployment rate is as of November 2010.

Within FNB’s Huntsville MSA AA, there are 87 census tracts. Of these, there are 6 (6.90%) low census tracts, 24 (27.59%) moderate, 35 (40.23%) middle, and 22 (25.29%) upper-income census tracts. Of the 94,234 families residing within the AA, 19,933 families, or 21.15% are low-income but only 2,903 total families or 3.08% reside in low-income census tracts. Another 21,931 families, or 23.27%, reside in moderate-income census tracts. As of November 30, 2010, the unemployment rate for the State of Alabama and nationally was 9.1% and 9.8%, respectively.

Major industrial employers in Athens/Limestone County include: Steelcase, Inc. (Office Furniture) 850 employees; Aviagen –North America (Poultry Breeders) 221 employees; DHS Systems (Military Shelter Infrastructure) 210 employees; and Federal Mogul (Automotive Gaskets) 200 employees. In addition there are 6 other firms which employ 569 employees. Number of employees range from 77 to 140. Located on the Tennessee River near Athens is the Tennessee Valley Association’s (TVA) first nuclear power plant Browns-Ferry which employees 1,147 employees.

Huntsville/Madison County serves a diverse economy with several key industry sectors. The area’s strengths include technology development, integration, and value-added manufacturing. The area is home to the NASA Marshall Space Flight Center and the U.S. Army’s Redstone Arsenal, both combining to drive a strong research and development economy and affecting spin-off and commercial activity of technology innovations. Nearly every major U.S. aerospace corporation is represented with 90+ companies employing more than 11,000 people in the local aerospace industry. Huntsville also plays a key role in the U.S. Army’s technology development programs. A majority of the Army’s weapons procurement budget is managed by Huntsville-based operations. Likewise, more than half of the Army’s foreign weapons sales are handled through Redstone Arsenal. Military and support contract employment tops 32,000. Huntsville’s Cummings Research Park is the country’s second largest research and technology park, containing 285 companies employing 25,000 people involved in technology research and

development. The areas manufacturing base is a diverse mix of traditional and technology manufacturers comprising approximately one fifth of the overall local area employment. This sector has over 220 companies with 32,000 workers, with many workers being highly trained and skilled to perform technology-based precision manufacturing. Agriculture products include beef and dairy cattle, hay, corn, soybeans, and cotton. There are no distressed or underserved census tracts in the Huntsville MSA AA.

## **SCOPE OF EVALUATION IN ALABAMA**

We performed a full-scope review of the Huntsville MSA AA due to the volume of deposits and bank activity in this location. Both the Lending Test and Community Development Test ratings were analyzed to arrive at the overall state rating.

Conclusions regarding the bank’s lending performance are based on HMDA reportable loans. These include home purchase, home improvement, and home refinance loans. Small business loans are also part of the bank’s lending performance. The Community Development Test includes a review of loans, investments, grants and donations made in the bank’s Huntsville MSA AA that meet the definition of community development as well as community development services provided in this AA.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ALABAMA**

### **LENDING TEST**

Based on a full-scope review, the bank’s performance in the Alabama AA is satisfactory. Overall, the bank’s performance under the lending test in Alabama is rated “Satisfactory.”

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

FNB’s overall record of lending to borrowers of different incomes demonstrates excellent penetration (see Table 2B). FNB’s overall record of lending to businesses of different sizes demonstrates reasonable penetration (see Table 2D). In the bank’s Huntsville MSA AA, bank data reflects that residential loans were above or near the ratio (21.15%) for low-income families at 21.35%, 21.05%, and 12.87% and also above the ratio (17.80%) for moderate-income families at 22.47%, 32.58%, and 23.76%. This reflects excellent penetration and exceeds standards for satisfactory performance. Additionally, the bank frequently directs low- and moderate-income home loans into government home loan programs such as Rural Development and Farmers Home Administration (FHA). The bank also assists low- and moderate-income borrowers through the secondary market program.

FNB’s performance of lending to businesses of different sizes ranges from lower-than the ratio to near the ratio. The bank’s overall performance is reasonable and meets the standards for satisfactory performance (see Table 2D). Business revenues within the bank’s AAs reflect that 76.67% have annual revenues/sales less than \$1 million. At 67.06% by number and 44.20% by dollar, both the number and dollar amount of loans to AA businesses were lower than the

demographic data for the AA. Overall, the bank did a satisfactory job in obtaining business revenue information on its business loans as reflected by the percentage of unavailable information in the AA.

| <b>Table 2B - Borrower Distribution of Residential Real Estate Loans in Huntsville MSA (#26620) AA of Madison/089 and Limestone/083 Counties, AL</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 |
| Home Purchase  | 21.15            | 21.35                | 17.80            | 22.47                | 21.00            | 19.10                | 40.05            | 37.08                |
| Home Improvement   | 21.15            | 21.05                | 17.80            | 31.58                | 21.00            | 31.58                | 40.05            | 15.79                |
| Refinance  | 21.15            | 12.87                | 17.80            | 23.76                | 21.00            | 26.73                | 40.05            | 36.63                |

Source: Data reported under 2009 and 2010 HMDA; U.S. Census data.

| <b>Table 2D - Borrower Distribution of Loans to Businesses in FNB's AA Huntsville MSA (#26620) AA of Madison/089 and Limestone/083 Counties, AL</b> |              |              |                     |       |
|---|--------------|--------------|---------------------|-------|
| Business Revenues (or Sales)  | ≤\$1,000,000 | >\$1,000,000 | Unavailable/Unknown | Total |
| % of AA Businesses  | 76.67        | 4.20         | 19.12               | 100%  |
| % of Bank Loans in AA by #  | 67.06        | 21.18        | 11.76               | 100%  |
| % of Bank Loans in AA by \$   | 44.20        | 50.97        | 4.83                | 100%  |

Source: Small business loans generated during 2008, 2009, and 2010; Dunn and Bradstreet data.

**Geographic Distribution of Loans**

FNB’s overall geographic distribution of residential loans and loans to businesses in the Huntsville MSA AA reflects reasonable dispersion and meets the standard for satisfactory performance (see Table 3B & 3D).

Six low-income and 24 moderate-income census tracts exist in the Huntsville MSA AA. While the number of residential loans in low-income census tracts was less than the percent of owner occupied houses within the Huntsville MSA AA there are 11% of households below poverty level that may not qualify for residential housing loans. The number of residential loans in moderate-income census tracts generally exceeded the percent of owner occupied houses within the Huntsville MSA AA (see Table 3B). The number of loans to business in low- and moderate-income census tracts is significantly lower than the ratios of businesses located in low- and moderate-income census tracts (see Table 3D). This does not meet the standards for satisfactory performance.

| <b>Table 3B - Geographic Distribution of Residential Real Estate Loans in Huntsville MSA (#26620) AA of Madison/089 and Limestone/083 Counties, AL</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 |
| Home Purchase  | 1.20                           | 0.00                 | 20.78                          | 29.41                | 47.79                          | 64.71                | 30.24                          | 5.88                 |
| Home Improvement   | 1.20                           | 0.00                 | 20.78                          | 15.79                | 47.79                          | 84.21                | 30.24                          | 0.00                 |
| Refinance  | 1.20                           | 0.83                 | 20.78                          | 22.31                | 47.79                          | 72.73                | 30.24                          | 4.13                 |

Source: Data reported under HMDA; U.S. Census data.

| <b>Table 3D - Geographic Distribution of Loans to Businesses in Huntsville MSA (#26620) AA of Madison/089 and Limestone/083 Counties, AL</b> |                    |                      |                    |                      |                    |                      |                    |                      |
|--|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| Census Tract Income Level  | Low                |                      | Moderate           |                      | Middle             |                      | Upper              |                      |
| Loan Type  | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans | % of AA Businesses | % of Number of Loans |
| Businesses   | 8.11               | 2.10                 | 22.81              | 15.36                | 42.73              | 72.60                | 26.35              | 9.94                 |

Source: Data collected by bank; D & B data.

### Responses to Complaints

There have been no consumer complaints relating to the bank’s CRA performance in the Huntsville MSA AA during this evaluation period. Therefore, this criterion is not applicable.

### COMMUNITY DEVELOPMENT TEST

Based on a full-scope review, the bank’s performance under the Community Development (CD) test in the State of Alabama is rated “Outstanding.”

FNB demonstrated excellent responsiveness to Community Development needs in its Huntsville MSA AA through CD lending, investments, and services.

### Number and Amount of Community Development Loans

FNB originated 51 CD loans, investments, and grants/donations totaling \$7,145,000 during this evaluation period. As evidenced by the table on page 22, 26 loans and 13 investments totaling \$5,134,000 and \$2,003,000, respectively, were for CD purposes. Additionally, the bank had

\$8,000 in grants and donations.

Specific examples of qualifying loans for CD organizations follow:

**Habitat for Humanity of Athens-Limestone County, Alabama**

In 2010, FNB originated a \$250,000 Line of Credit and a \$40,000 loan to this organization. The Line of Credit was used to establish a Habitat ReStore (building inventory) and to assist with constructing Habitat homes. The \$40,000 loan was for the development of a subdivision in Athens, Alabama to be used to construct homes for low- and moderate-income families. In 2009, FNB originated a \$60,000 loan for the construction of a residence in Athens, Alabama. The residence is located in moderate-income Census Tract # 0205.00. In 2008, FNB originated a \$130,000 loan for the development of a subdivision to be used to construct home for low- and moderate-income families. Habitat for Humanity is a national and international organization which builds affordable houses for low- and moderate-income families.

**Tennessee Valley Investment Group, LLC**

In 2008, FNB originated 11 loans totaling \$3,445,120, in 2007 FNB originated a \$534,000 loan, and in 2006, FNB originated three loans (\$72,000, \$188,000, & \$46,927) to this entity which leases 160 rental properties (72% leased to LMI individuals) in low- and moderate-income tracts in north Alabama. Also in 2007, FNB originated loans of \$188,000 and \$72,000 for 22 rental dwellings (62% rented to LMI individuals) in LMI tracts. These properties are located in Madison, Limestone, and Morgan Counties Alabama. The bank's AA includes Madison and Limestone Counties.

**LMK Properties, LLC**

In 2006, FNB originated 5 loans totaling \$515,160 to purchase residences for rental to low- and moderate-income families. The company has a contract with Redstone Arsenal and holds about 35 rental properties from Ardmore to Huntsville, Alabama. Four of the properties are located in low- to moderate-income Census Tracts. Seven residences are rented to LMI individuals. For CRA purposes, 21% of the loans, or \$108,184, can be counted for community development loan purposes.

**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.

**Federal National Mortgage Association (FNMA) Securities**

In 2010, FNB purchased the above mortgaged-backed security totaling \$1,118,644 which supported a pool of low- and moderate-income mortgages in Lincoln County Tennessee (non- MSA) and Madison County Alabama (MSA). This investment helped provide affordable housing to one low- and moderate-income family in Lincoln County and six low- and moderate-income families in Madison County (MSA). For Alabama MSA CRA purposes, credit is given for six mortgages totaling \$958,836.

**Federal National Mortgage Association (FNMA) Securities**

In 2007, FNB purchased the above mortgaged-backed security totaling \$1,044,135 which supported a pool of low-and moderate-mortgages in Madison County, Alabama. This investment helped provide affordable housing to 7 low- and moderate-income families in the banks Huntsville MSA AA.

**Originated Donations**

There were 12 donations within FNB’s Huntsville MSA AA for the period 2008 through 2010 totaling \$8,454. These donations were to organizations such as boys & girls clubs (provide services to children of low- and moderate-income families) and school systems in Huntsville, Alabama where a majority of the students are from low- and moderate-income families.

| <b>Community Development Lending and Investments in Alabama AA</b> |     |    |                   |
|--|-----|----|-------------------|
| <b>Community Development Lending</b>                               |     |    |                   |
|  |     | #  | \$ Amount (000’s) |
| Originated CD Loans  | AA  | 26 | 5,134             |
| Unfunded Commitments*  | N/A | 0  | 0                 |
| Total CD Loans   |     | 26 | 5,134             |
| <b>Community Development Investments</b>                           |     |    |                   |
| Qualified Investments  | AA  | 13 | 2,003             |
| Originated Grants/Donations  | AA  | 12 | 8                 |
| Unfunded Commitments*  | N/A | 0  | 0                 |
| Total Qualified Investments  |     | 25 | 2,011             |
|  |     |    |                   |
| Total Community Development Lending and Investments                | AA  | 51 | 7,145             |

*\*"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 bank’s community development services reflect satisfactory responsiveness. A number of the bank’s officers are members of civic clubs and community boards. Board members actively support recruiting, expansion, and promoting new and existing industries in the Huntsville MSA AA.

Bank management actively encourages bank employees to support local civic services. FNB employees individually have been involved in civic organizations which assist and support low- and moderate-income individuals and children of low- and moderate income families.

Employees assist food banks, boys and girls clubs, area charities, schools, and other organizations which assist low- and moderate-income individuals and children of low- and moderate-income families. Bank officers and employees frequently meet with and instruct low- and moderate-income individuals and children of low- and moderate-income families on how to build good credit, budgeting, money management and savings plans. In some instances, attendees are provided education tool booklets and view power point presentations.

FNB has an array of alternative delivery systems which benefit low- and moderate-income individuals. These include ATMs (First Place Banker), account access (by 24-hour telephone

inquiry with a Voice Response system), and Internet Banking capabilities which provides deposit account information, loan account information including the ability to make payments, transfer funds, and bill payment.

### **Responsiveness to Community Development Needs**

The bank's overall responsiveness through community development activities, to community development lending, investment, and services needs is excellent. This is best supported by the number and volume of community development loans originated during the period. These loans help promote employment; stabilize, promote and support local economies; and, help provide affordable housing to low- and-moderate-income families within FNB's Huntsville MSA AA. FNB has taken a lead role and been a strong supporter of community development loans. Service needs are also being met through outreach meetings targeted to low- and moderate-income individuals and children of low- and moderate-income families. Additionally, bank officers serve and often take a lead role on various community boards. Bank officers are also active in local civic clubs, which in many instances, assist and promote under privilege individuals including low- and moderate-income individuals and children of low- and moderate-income families within the community.

## 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”).

|   |   |   |
|---|---|---|
| <b>Time Period Reviewed</b>   | Lending Test: 08/08/06 to 01/18/11<br>Community Development Test:: 08/08/06 to 01/18/11 |   |
| <b>Financial Institution</b>  | First National Bank of Pulaski, Pulaski, TN   | <b>Products Reviewed</b><br>Residential and<br>Commercial Loans |
| <b>Affiliate(s)</b>   | <b>Affiliate Relationship</b>   | <b>Products Reviewed</b>  |
| None  |   |   |
| <b>List of Assessment Areas and Type of Examination</b>                     |   |   |
| <b>Assessment Area</b>  | <b>Type of Exam</b>   | <b>Other Information</b>  |
| Tennessee nonMSA AA - Giles, Lincoln, & Marshall County                     | Full Scope  |   |
| Huntsville MSA AA – Huntsville MSA consisting of Madison & Limestone County | Full Scope  |   |

## Appendix B: Summary of multistate Metropolitan Area and State Ratings

| <b>Overall Bank</b> | <b>Lending Test Rating</b> | <b>Community Development Test Rating</b> | <b>Overall Bank/State/Multistate Rating</b> |
|---------------------|----------------------------|--|---|
| FNB                 | Satisfactory               | Outstanding                              | Satisfactory                                |
| Tennessee           | Satisfactory               | Outstanding                              | Satisfactory                                |
| Alabama             | Satisfactory               | Outstanding                              | Satisfactory                                |
|                     |                            |  |   |