



## **PUBLIC DISCLOSURE**

April 21, 2014

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The First National Bank of Manchester  
Charter Number 5528

100 West High Street  
Manchester, TN 37355

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

- The bank's loan-to-deposit ratio is reasonable and averaged 63.50% during the evaluation period. FNB's loan-to-deposit ratio ranged from a low of 53.66% March 2013 to a high of 73% December 2008.
- A substantial majority of FNB loans are inside the bank's Assessment Areas. Approximately 85% of the number and 81% of the dollar volume of loans were to borrowers inside the Assessment Areas.
- FNB's overall distribution of loans to borrowers of different income (including low- and moderate-income) levels is reasonable. FNB's distribution of loans to businesses of different sizes is excellent.
- The geographic distribution of loans reflects excellent dispersion.

## **SCOPE OF EXAMINATION**

This Performance Evaluation is a full scope review and covers the period December 16, 2008 through April 20, 2014. Results were consolidated for comparative and analysis purposes and evaluated using 2010 Census demographic information. FNB has two operating subsidiaries First National Mortgage Services, LLC and FCB Reinsurance Company and one affiliate Bank of Waynesboro. First National Mortgage Services, LLC commenced business on August 1, 2007. A data integrity review was conducted at the bank prior to this evaluation and data was found to be accurate and reliable.

Conclusions regarding the Lending Test are based on residential loans including home purchases, home improvements, and home refinances. FNB is a Home Mortgage Disclosure Act (HMDA) reporter. All residential loans considered in the Lending Test originated from January 1, 2012 through December 31, 2013 were included in our analysis. A sample of small business loans originated during the period January 1, 2012 through December 31, 2013 was also considered in the Lending Test.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Manchester (FNB) is a wholly owned subsidiary of FCB Corporation, a bank holding company. FCB Corporation is headquartered in Manchester, Tennessee and also owns 51% of a smaller state bank. FNB is a \$227 million institution with a main office and three branches. As of December 31, 2013, the holding company reported total assets of \$38 million. Manchester is located halfway between Nashville and Chattanooga on Interstate 24.

There have been no significant changes to the bank's corporate structure, including merger and acquisition activities, since the last Community Reinvestment Act (CRA) examination dated December 15, 2008 when the bank received a satisfactory rating. There have been no significant changes in senior management since the last CRA examination. The bank's primary focus has not changed and continues to be residential real estate loans, commercial and industrial loans, and construction and land development loans. There are no legal or financial impediments to FNB's ability to meet the credit needs in its Assessment Area(s) (AA). The bank offers a full-range of loan and deposit services.

FNB's main office is located in Manchester, Tennessee. The bank also has branches in Manchester (Coffee County), Woodbury (Cannon County), and Murfreesboro (Rutherford County), Tennessee. Additionally, there are four cash dispensing ATMs at other locations in Manchester, Coffee County, Tennessee. Since the previous CRA examination, the bank has not relocated or closed any branch offices. A new branch office was opened in Murfreesboro, TN on December 17, 2008. In August 2007, FNB opened a mortgage loan department that originates long-term mortgage loans for sale on the secondary mortgage market.

As of December 31, 2013, FNB had total assets of \$227 million with net loans comprising 50.28% of total assets. The following table reflects the composition of FNB's loan portfolio based on the December 31, 2013 Report of Condition.

	Product Category	
	Dollar (000's)	Percent
Residential Mortgage Loans	44,173	38.03
Commercial & Industrial Including Commercial Real Estate	39,986	34.42
Individuals	13,779	11.86
Farmland and Agriculture	8,420	7.25
Construction & Land Development	8,254	7.11
Other	1,549	1.33
<b>Total</b>	<b>116,161</b>	<b>100.00</b>

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

FNB provides a wide-range of traditional deposit and loan products. The main office and branches are located in areas that are accessible to persons from different areas of the community. Lobby and drive-up hours also help to meet customer needs during the week. Each bank office has a deposit taking and cash dispensing ATM. Additionally, there are four free-standing cash dispensing only ATMs located in Manchester/Coffee County.

Customers have 24-hour access to their accounts through telephone banking and through the internet (<http://www.fnbmanchester.com/>). Internet and phone banking services include transfers between FNB accounts, review of account balances and transactions, access to loan account information, and the payment of loans. Internet banking customers also have bill-paying and e-statement capabilities. Customers have access to mobile banking and text banking. FNB also offers fraud prevention via anti-fraud text alerts. Customers have the option of obtaining

either a Visa or Master Card credit card. Additionally the bank also offers Visa and Master Card Check Cards that provide customers access to their accounts at point-of-sale or ATM locations.

The bank’s AAs include 61 census tracts. Nine of the census tracts (six middle-, two upper-incomes, and one N/A census tract) are located in the Coffee County. The remaining 52 census tracts are located in the Cannon and Rutherford County. The three census tracts in Cannon County are all moderate-income census tracts. The remaining 49 census tracts are located in Rutherford County. Two of these census tracts are low-income, seven are moderate-income, 29 are middle-income, 10 are upper-income, and one is N/A. Coffee County is not in a MSA. The three census tracts in Cannon County and the 49 census tracts in Rutherford County are part of the Nashville-Davidson-Murfreesboro-Franklin, TN MSA (#34980). The bank’s main office and branch in Coffee County are located in middle-income census tracts, while the Cannon County and Rutherford County branches are located in moderate-income census tracts. Two of eight ATMs a located in moderate-income census tracts with the remaining six ATMs located in middle-income census tracts.

<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	2	3.28	0	0.00	0	0.00
Moderate	10	16.39	2	50.00	2	25.00
Middle	35	57.38	2	50.00	6	75.00
Upper	13	21.31	0	0.00	0	0.00
N/A	1	1.64	0	0.00	0	0.00
<b>Total</b>	<b>61</b>	<b>100</b>	<b>4</b>	<b>100</b>	<b>8</b>	<b>100</b>

*\*All branch offices have contiguous ATMs which accept deposits and dispense cash. Four additional free-standing ATMs are located in Coffee County and dispense cash only.*

FNB’s business strategy includes continued marketing of residential and commercial credit to small businesses through its products, staff, and locations. The bank offers small business loans for new business startups and to expand an existing business.

During this evaluation 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 AAs. Weaknesses in the housing market severely curtailed independent contractors and other trades livelihood.

No business opportunities or credit needs of the community were identified by FNB during this evaluation period. A representative from a local non-profit organization was contacted during this review. While the representative did not identify any specific loan or deposit product needs within Coffee County that were not being met by financial institutions, he reported that many

low- and moderate-income individuals were unbanked. Consequently, money management and budgeting skills were lacking. These individuals need banking and budgeting training. The contact was complimentary of area financial institution support mentioning several including FNB by name. Officers of FNB have worked with this agency which provides housing for low- and moderate-income families.

## DESCRIPTION OF ASSESSMENT AREA(S)

FNB has two assessment areas (AAs) which include the contiguous counties of Coffee, Cannon, and Rutherford. All are located in Tennessee. The AAs are described below.

### Coffee County Non-MSA AA

The Coffee County Non-MSA AA is comprised of the entirety of Coffee County, excluding three census tracts (9708.01, 9709, and 9710). The excluded CTs are primarily in the city limits of Tullahoma, Tennessee, which is in the southwest corner of the county. There are no nearby branch offices of FNB convenient to these three CTs. Several financial institutions in the City of Tullahoma offer a full range of loan and deposit services to these CTs. The Coffee County Non-MSA AA includes six middle-income tracts, two upper-income tracts, and one unknown-income tract. This AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas.

Demographic Information for Non-MSA Assessment Area Coffee (031) County, TN Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	9	0	0	66.67	22.22	11.11
Population by Geography	38,719	0	0	79.79	20.17	0.04
Owner-Occupied Housing by Geography	16,583	0	0	77.20	22.80	0
Businesses by Geography	2,529	0	0	76.16	22.66	1.19
Farms by Geography	195	0	0	80.00	18.97	1.03
Family Distribution by Income Level	10,638	18.21	14.44	20.06	47.29	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	3,473	55.77	44.23	-	-	-
Median Family Income	= \$51,516		Median Housing Value		= \$122,089	
HUD Adjusted Median Family Income (MFI) for 2012	= \$46,700		Unemployment Rate		= 6.10%	
Households Below the Poverty Level	= 17.16%					

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

Source: 2010 U.S. Census and 2012 HUD updated MFI. The March 2014 unemployment rate for Coffee County was 6.10% The March 2014 unemployment rate was 6.7% for the State of Tennessee and US.

As of the 2010 U.S. Census, the county's population was 38,719. The county seat of Coffee County is the City of Manchester. Coffee County's economic base is diverse. The economy has

moved from an agricultural economy into an industrial and service economy. At 6.10%, the March 2014 unemployment rate for the AA compared favorably to the 6.7% of the State of Tennessee and the US.

Coffee County is home to the United States Air Force Arnold Engineering Development Center (AEDC), which is one of the leading employers in Coffee County and the surrounding areas. The growth of the Arnold Engineering Development Center, a 41,300 acre facility (with portions located in Franklin County), has served as a stimulus for growth in the county. AEDC provides testing for the development of turbojets, ramjets, turboprop engines, aircraft, missiles, rockets, and related components. During fiscal year 2013, AEDC directly employed over 2,235 people with an annual payroll in excess of \$241 million. AEDC estimates that an additional 1,542 secondary jobs (include those created by home construction and at local supermarkets, car dealerships and department stores, etc.) were created in the local area. AEDC's aggregate economic impact exceeded \$612 million for fiscal year 2013. Other major employers include M-Tek, Inc. (819 workers), an interior auto trim manufacturer; Batesville Casket Company (498 workers), steel casket manufacturer; Tennessee Apparel Corporation (342 workers), men's military slacks/camo pants; and VIAM TN LP (310 workers), automotive floor mats, truck mats, trunk liners manufacturer. Over 40 other manufacturers, fabricators and service providers employ 25 or more workers each. These firms offer a variety of manufactured products and services including auto floor mats, metal stampings, power tools, wiring harnesses, warehousing, wire products, steel tubing, military dress and government apparel, envelopes and letterheads, airport landing gear, styrofoam packaging material, precision machinery, soft drink bottling services, newspaper printing and publishing, fiberglass boats, boat trailers, and other products. Residents also commute to Murfreesboro and Nashville for suitable employment.

Since 2002, Coffee County is home to the annual Bonnaroo Music Festival. The economic impact has been estimated at \$14 million in revenues for the county. During the four day event, fan attendance has ranged from 60,000 up to 100,000.

Natural resources include crushed stone. Important agricultural products include hay, soybeans, corn, and wheat.

There are 10 financial institutions serving the bank's assessment area, including some large regional and national institutions.

### **Cannon and Rutherford Counties MSA AA**

The Nashville-Davidson-Murfreesboro-Franklin Metropolitan Statistical Area (MSA) includes all of Cannon and Rutherford Counties as well as 11 other counties. The bank's portion of the MSA was adjusted downward as the bank cannot reasonably serve the entire MSA. Cannon County is contiguous to Coffee County to its south and Rutherford County to its west. Cannon and Rutherford County are located on the southern edge of the much larger Nashville-Davidson-Murfreesboro-Franklin MSA.

The Cannon and Rutherford County MSA AA include 52 CTs, three CTs in Cannon County and all 49 CTs in Rutherford County. All CTs in Cannon County are moderate-income. Rutherford County includes two low-income CTs, 20 middle-income CTs, seven moderate-income CTs, 10

upper-income CTs, and one unknown-income CT. This AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas.

<b>Demographic Information for MSA Assessment Area                      Cannon (015) &amp; Rutherford (143) County Which is Part of the Nashville-Davidson-                      Murfreesboro-Franklin MSA Assessment Area (#34980)</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	52	3.85	19.23	55.77	19.23	1.92
Population by Geography	276,405	3.51	17.03	56.45	21.94	1.07
Owner-Occupied Housing by Geography	105,476	1.26	14.66	59.24	24.84	0
Businesses by Geography	20,639	6.45	17.34	55.93	20.05	0.22
Farms by Geography	659	1.37	26.10	53.72	18.82	0
Family Distribution by Income Level	68,235	18.91	19.51	23.30	38.28	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	26,217	49.21	50.79	-	-	-
Median Family Income (MFI)	= \$63,532	Median Housing Value		= \$152,835		
HUD Adjusted Median Family Income (MFI) for 2007	= \$62,300	Unemployment Rates				
Households Below the Poverty Level	= 12.43%	Cannon County		= 5.60%		
		Rutherford County		= 5.10%		

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2010 U.S. Census and 2013 HUD updated MFI. Unemployment rate is as of March 2014. The March 2014 unemployment rate for Cannon and Rutherford County was 5.60% and 5.10%, respectfully. The March 2014 unemployment rate was 6.7% for the State of Tennessee and US.

As of the 2010 U.S. Census, the population of Cannon and Rutherford Counties was 13,801 and 262,604, respectively. The county seats of Cannon and Rutherford Counties are Woodbury and Murfreesboro. Cannon County’s economic base is agricultural while Rutherford County’s economic base is diverse. The March 2014 unemployment rate for Cannon County was 5.60% and Rutherford County was 5.10%. Both unemployment percentages were lower than the State of Tennessee and US at 6.7% for the period.

There are approximately 6,000 people employed full- and part-time in Cannon County and 146,000 people employed full- and part-time in Rutherford County. Cannon County serves as a bedroom community for workers who commute to nearby Murfreesboro (Rutherford County) and Nashville (Davidson County). The largest employers in Cannon County include: Crane Interiors, Inc. (165 workers), a boat interior manufacturer; Quality Tool & Engineering Corp. (60 workers), wholesales industrial machine tools and accessories; Cumberland Molded Products LLC (52 workers), injection molded plastic products; and BMC of Barfield Inc. (40 workers), aluminum fabricating, enclosures, brackets and pole accessories. Ten other manufacturers employ over 10 employees and offer a variety of manufactured products including automotive parts, machined tools, dies, jigs, and fixtures, electronic components, computer equipment, metals, and welding. Important agricultural products are hay, soybeans, corn, wheat, cattle, horses, swine, and chicken. The county also has an active nursery industry.

The largest employers in Rutherford County include: Nissan North America Inc. (6,250 workers), small trucks and cars; Rutherford County Government (6,073 workers), county government and school system; Middle Tennessee State University (2,205 workers), state university; and National Healthcare Corporation (2,071 workers), healthcare; State Farm Insurance Companies (1,500 workers), insurance; and Ingram Content Group (1,500 workers), books and multimedia. There are eight other employers in Rutherford County employing between 900 and 1,400 workers in areas such as healthcare, wireless device refurbishing, distribution and warehousing, wireless phone customer service, city government, vehicle tire manufacturer, and electrical distribution and control products.

There are 19 financial institutions serving the bank's MSA AA, including some large regional and national institutions.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **LENDING TEST**

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

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

The quarterly average loan-to-deposit ratio for FNB is reasonable at 63.50% for the twenty-one quarters ending December 31, 2013. For the period, FNB's loan-to-deposit ratio ranged from a low of 53.66% as of March 2013 to a high of 73.00% as of December 2008. When compared to other competitor banks in the AAs, FNB's average loan-to-deposit ratio for the period is reasonable given the bank's size, financial condition, and credit needs within its assessment areas. Thirteen similarly situated banks serving FNB's AAs had a quarterly average loan-to-deposit ratio ranging from a low of 62.80% to a high of 97.45% over the same period. Banks used for comparative purposes have a presence in FNB's AAs, are headquartered in Tennessee, and have total assets of less than \$2 billion as of December 31, 2013.

FNB's loan-to-deposit ratio is impacted by a significant volume of city, county, and municipality deposits. At any given time, FNB has approximately \$25 million in these funds. During the 2012 – 2013 review period, the economy has been in a very low rate environment that has encouraged home purchases and home refinances. For FNB, a significant volume of this activity has been at the mortgage company level, First National Mortgage Services, LLC (FNMS). FNMS, an operating subsidiary of FNB, originates and sells mortgage loans on the secondary market. Since these loans are funded by a third party in the secondary market, they are not included as part of the bank's loans. In 2012, FNMS originated and sold 304 mortgage loans totaling \$40.3 million in the secondary market. For 2013, FNMS originated and sold 323 loans totaling \$42.1 million.



As of June 30, 2013, twenty-five financial institutions with 101 offices within the combined AA controlled \$4.1 billion in deposits. Of the similarly situated community banks within the combined AAs, FNB controlled the third largest market share at \$199 million, or 4.84%, of total deposits. Other institutions in the combined AAs include: Midsouth Bank \$229 million in deposits, or 5.57%; Wilson Bank and Trust \$209 million in deposits, or 5.07%; First Bank \$194 million in deposits, or 4.72%; American City Bank of Tullahoma \$166 million in deposits, or 4.02%; Southern Community Bank \$124 million in deposits, or 3.01%; Coffee County Bank \$104 million in deposits, or 2.52%; Traders Bank \$101 million in deposits, or 2.46%; Peoples Bank & Trust Company \$72 million or 1.78%; Citizens Tri-County Bank \$70 million in deposits, or 1.71%; First Vision Bank of Tennessee \$63 million in deposits, or 1.52%; F&M Bank \$60 million in deposits, or 1.46%; The First National Bank of McMinnville \$39 million in deposits, or 0.95%; and Southern Bank of Tennessee \$34 million in deposits, or 0.81%. Five large regional and holding company banks control from a high of \$734 million in deposits (17.82%) to a low of \$288 million (6.99%) in the combined AAs.

<b>Loan-To-Deposit Ratios</b>		
<b>Institution</b>	<b>Total Assets in Millions (As of 12/31/2013*)</b>	<b>Average Loan-to- Deposit Ratio(**)</b>
<i>Coffee County Tennessee:</i>		
The First National Bank of Manchester, Manchester, TN	\$227	63.50%
American City Bank of Tullahoma, Tullahoma, TN	\$269	95.32%
Traders Bank, Tullahoma, TN	\$154	78.36%
First Vision Bank of Tennessee, Tullahoma, TN	\$58	94.06%
Southern Community Bank, Tullahoma, TN	\$146	84.22%
Coffee County Bank, Manchester, TN	\$122	91.32%
Peoples Bank & Trust Company, Manchester, TN	\$84	70.81%
Citizens Tri-County Bank, Dunlap, TN	\$594	62.80%
The First National Bank of McMinnville, McMinnville, TN	\$474	72.91%
<i>Cannon County and Rutherford County Tennessee:</i>		
Midsouth Bank, Murfreesboro, TN	\$58	76.06%
Wilson Bank & Trust, Lebanon, TN	\$1,733	81.00%
First Bank, Lexington, TN	\$2,256	74.63%
F&M Bank, Clarksville, TN	\$820	97.45%
Southern Bank of Tennessee, Mount Juliet, TN	\$160	68.55%

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

\*\*Source: Institution Reports of Condition for 21 quarter period from December 2008 through December 2013.

## Lending in Assessment Area

FNB's record of lending in its AA is excellent. A substantial majority of FNB loans are within the bank's AA. The number of residential and business loans inside the bank's AA was 86.27% and 81.73%, respectively. Similarly, the dollar amount of residential and business loans inside the bank's AA was 81.18% and 82.11%, respectively. Collectively, the number and dollar amount of loans was 85.35% and 81.38%, respectively. Conclusions are based on all HMDA reportable loans originated during 2012 and 2013 and a sample of business loans originated during the same period.

<b>Table 1 – Lending in AAs</b>										
<b>Coffee County Non-MSA AA and Cannon and Rutherford County MSA AA</b>										
Loan Sample	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	111	85.38	19	14.62	130	8152	86.74	1,246	13.26	9,398
Home Improvement	112	92.56	9	7.44	121	2,519	87.25	368	12.75	2,887
Refinance	129	82.17	28	17.83	157	11,501	76.54	3,526	23.46	15,027
Sub-total	352	86.27	56	13.73	408	22,172	81.18	5,140	18.82	27,312
2012-2013 Business Loans	85	81.73	19	18.27	104	6,229	82.11	1,357	17.89	7,586
Total	437	85.35	75	14.65	512	28,401	81.38	6,497	18.62	34,898

Source: 2010 Census Data; All 2012 and 2013 HMDA Loan originations and 2012 and 2013 Business Loan Sample.

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

FNB's record of lending to borrowers of different incomes in the Coffee County Non-MSA AA is poor. Ranging from 7.02% to 8.89%, the number of HMDA reportable residential loans to low-income families is less than the 56.09% of low-income families within the Coffee County AA. Ranging from 7.02% to 15.56%, the number of HMDA reportable residential loans to moderate-income families is less than the 21.51% of moderate-income families in the Coffee County AA.

FNB's record of lending to borrowers of different incomes in the Cannon County and Rutherford County MSA AA is reasonable. Ranging from 16.67% to 34.33%, the number of HMDA reportable residential loans to low-income families is less than the 56.09% of low-income families within the Cannon County and Rutherford County AA. Ranging from 12.96% to 26.87%, the number of HMDA reportable residential loans to moderate-income families is less than and exceeds the 21.51% of moderate-income families in the Cannon County and Rutherford County AA.

Additionally, home loan products offered by FNB’s operating subsidiary, First National Mortgage Services, LLC include Tennessee Housing Development Authority (THDA) home financing. The THDA home ownership program is designed for low- and-moderate income borrowers. The program is intended for modest homes and generally first-time home buyers. Mortgages must be insured or guaranteed by the Veterans Administration (VA), Federal Housing Authority (FHA), or Rural Development (RD). First National Mortgage Services, LLC originates these loans which are underwritten to THDA guidelines. The loans are funded by a third party in the secondary market and the operating subsidiary receives a fee for its efforts. Since THDA loans are never funded by the bank, they are not reported on the bank’s HMDA report. Consequently, they are not reflected in the table below. First National Mortgage Services, LLC originated 9 THDA loans within its AAs during the review period totaling approximately \$966 thousand. These loans were to low-and moderate-income families.

FNB’s record of lending to businesses of different sizes is excellent. Business revenues within the Coffee County AA and Cannon County/Rutherford County AA reflect that 74.57% and 71.51%, respectfully, have annual sales less than \$1 million, 3.01% and 2.69% exceed \$1 million, and 22.42% and 25.80% of business sales are unavailable. Comparatively, both the number and dollar amount of loans in our loan sample 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 0.00% of unavailable business revenue information.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Non-MSA AA Coffee (031) County, Tennessee</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	56.09	7.02	21.51	7.02	12.65	26.32	9.76	59.65
Home Improvement	56.09	8.89	21.51	15.56	12.65	37.78	9.76	35.56
Refinancing	56.09	8.06	21.51	7.74	12.65	20.97	9.76	50.00

*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. Note: Income not reported on 4.08% of residential loan sample.*

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in MSA AA Cannon (015) County and Rutherford (149) County, Tennessee</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	56.09	16.67	21.51	12.96	12.65	27.78	9.76	37.04
Home Improvement	56.09	34.33	21.51	26.87	12.65	14.93	9.76	23.88
Refinancing	56.09	17.91	21.51	16.42	12.65	14.93	9.76	38.81

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. Note: Income not reported on 4.08% of residential loan sample.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Non-MSA AA Coffee (031) County, Tennessee</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	74.57%	3.01%	22.42%	100%
% of Bank Loans in AA by #	100.00%	0.00%	0.00%	100%
% of Bank Loans in AA by \$	100.00%	0.00%	0.00%	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 in MSA AA Cannon (015) County and Rutherford (149) County, Tennessee</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	71.51%	2.69%	25.80%	100%
% of Bank Loans in AA by #	95.65%	4.35%	0.00%	100%
% of Bank Loans in AA by \$	92.44%	7.56%	0.00%	100%

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

### Geographic Distribution of Loans

FNB’s geographic distribution of residential loans in low- and moderate-income census tracts in the Cannon County/Rutherford County AA is excellent. FNB’s geographic distribution of loans to businesses in low-and moderate-income census tracts in the Cannon County/Rutherford County AA is also excellent.

There are no low-and moderate-income census tracts in the Coffee County AA. Therefore, a geographic distribution analysis of residential and business loans would not be meaningful. Within the Cannon County/Rutherford County AA, there are two low-income and ten moderate-income census tracts. Ranging from 0.00% to 1.85%, the number of HMDA reportable

residential loans to low-income families is satisfactory when compared to the 1.08% of owner occupied housing located in low-income census tracts within the AA. Ranging from 57.41% to 89.55%, the number of HMDA reportable residential loans to moderate-income families is excellent when compared to the 12.52% of owner occupied housing located in moderate-income census tracts within the AA.

FNB’s geographic distribution of loans to businesses in low-and moderate-income census tracts in the Cannon County/Rutherford County AA is excellent. With 6.45% and 17.34% of AA businesses located in low-and moderate-income census tracts, 6.52% and 84.78%, respectively, of the loans in our business loan sample originated to businesses located in low-and moderate-income census tracts.

There were no significant 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 MSA AA Cannon (015) County and Rutherford (149) County, Tennessee</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	1.08	1.85	12.52	57.41	61.86	20.37	24.54	20.37
Home Improvement	1.08	0.00	12.52	89.55	61.86	7.46	24.54	2.99
Refinancing	1.08	1.49	12.52	65.67	61.86	25.37	24.54	7.46

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 3A - Geographic Distribution of Loans to Businesses in MSA AA Cannon (015) County and Rutherford (149) County, Tennessee</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	6.45	6.52	17.34	84.78	55.93	8.70	20.05	0.00

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

### Responses to Complaints

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

## **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.