



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

August 05, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FSGBank, National Association
Charter Number 24425

531 Broad Street Chattanooga, TN 37402

Office of the Comptroller of the Currency

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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.

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

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The primary factors supporting the rating are summarized below:

- The bank's loan-to-deposit is reasonable;
- The bank originated a majority of its loans within the designated assessment areas (AA);
- Borrower distributions are reasonable for residential real estate and small business loans reasonable;
- The bank's geographic distribution of residential real estate and small business loans reflects a reasonable dispersion;
- The bank demonstrated adequate responsiveness to meeting the Community Development needs of their AA through loans, investments and services.

Scope of Examination

We evaluated FSGBank, National Association (FSG) using the Intermediate Small Bank (ISB) examination procedures, which include Lending and Community Development Tests. The Lending Test evaluates the bank's record of meeting the credit needs of its AA through lending activities. The Community Development Test evaluates the bank's responsiveness to the identified needs in its AA through lending, qualified investments, and services.

Our review focused on the bank's primary loan products, which are residential real estate loans and small business loans. In our analysis for loan originations in the years 2010-2011, we compared the bank's performance to AA demographics in the 2000 census. For our analysis of loan originations in 2012, we used demographics from the 2010 census data as the comparative data.

Our analysis of residential real estate loans included a review of all loans submitted pursuant to the Home Mortgage Disclosure Act of 1975 (HMDA) in the years 2010 – 2012 and all business loans submitted pursuant to the Community Reinvestment Act of 1977 (CRA) in the years 2010 - 2012. Although FSG's total assets do not meet or exceed the asset size threshold for CRA data reporting requirements, the bank voluntarily submitted loan data. For our analysis of the bank's 2010 – 2011 small business loan originations, we compared the bank's performance to the 2011 Dunn & Bradstreet (D&B) business demographic data. We used the 2012 D&B demographic data as the comparator for small business lending performance in 2012. In addition, we

used the applicable 2000 and 2010 census data in our business loan geographic distribution analysis.

When evaluating the bank's lending volume within its AAs, we used HMDA data and CRA data originated during the years 2010 - 2012. We validated the integrity of the HMDA and CRA data and system-generated bank reports and concluded that the data was reliable. We tested the community development (CD) loans, investments, and services submitted by management to ensure they met the regulatory definition for CD.

The evaluation period for the Community Development Test covers the period since our last CRA evaluation September 30, 2009 to the start date of this evaluation, August 5, 2013.

Description of Institution

FSGBank, National Association (FSG) is an interstate bank headquartered in Chattanooga, Tennessee. As a wholly owned subsidiary of First Security Group, Inc., (FSGI), FSG operates 30 full-service branches along the eastern and middle corridors of Tennessee (24) and northern Georgia (6). FSG became a national bank in June 2003 as a successor to three state banks: Dalton Whitfield Bank, Frontier Bank, and First State Bank. In June 2003, the three banks merged under the national charter previously held by Frontier Bank. The banks operate under the name FSGBank, except in Dalton, Georgia where FSG operates under the name of "Dalton Whitfield Bank" and in Jackson and Putnam Counties in Tennessee where it operates under the name of "Jackson Bank & Trust".

The bank's primary market area is Tennessee with approximately 50 percent of total deposits and 53 percent of branch locations. The bank has 16 branches in Tennessee, with six located in the Knoxville metropolitan statistical area (MSA), four in the Putnam/Jackson non-MSA AA, three in the McMinn/Monroe non-MSA AA, two in the Morristown MSA and two in the Cleveland MSA AA. Additionally, FSG has nine branches in the multi-state Chattanooga MSA AA and five branches in the Dalton Georgia MSA.

FSG offers a full range of credit and deposit services throughout its AAs. Deposit services are available to meet a variety of needs for commercial and consumer customers. The primary lending strategy includes single and multi-family real estate and commercial lending, with an emphasis on small and mid-size businesses.

As of June 30, 2013, FSG had total assets of \$1.06 billion, with net loans and leases comprising 50 percent of this total. The bank's loan products include business, agricultural, consumer, and residential real estate loans. The following table depicts FSG's loan portfolio composition.

LOAN PORTFOLIO SUMMARY BY PRODUCT		
JUNE 30, 2013		
Loan Type	Dollar Volume \$(000)	% of Outstanding Dollar Volume
Real Estate (RE) Construction and Land Development	40,564	7.43
Loans Secured by Farmland	6,299	1.15
RE Residential (1-4 Family)	181,094	33.18
RE Multifamily	12,833	2.35
Commercial RE	231,774	42.46
Business	57,450	10.53
Agricultural Production	453	0.08
Consumer	10,591	1.94
Other Loans	4,746	0.88
TOTAL	545,804	100%

Source: Institution Consolidated Reports of Condition as of June 30, 2013

Since the previous September 30, 2009 CRA examination, FSG has closed nine branches, eight in Tennessee and one in Georgia. Closed branches were located within a reasonable proximity (5 to 10 miles) of an operating branch, assuring customers living in areas near closed branches continued to have access to banking facilities.

The bank received a "Satisfactory" rating at the September 30, 2009 CRA examination. We did not identify any specific legal or financial circumstances impeding the bank's ability to help meet the credit needs of the community, however, the bank has been under regulatory orders since early 2010 that affected the bank's ability to generate loans. The bank's focus on complying with the regulatory orders also had a direct impact on community development activities during this CRA evaluation period.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, a sample of AAs must be reviewed. For FSG, a full-scope review includes the Chattanooga MSA AA since it is a multistate MSA. This area includes the bank's headquarters location. The state of Tennessee includes a full-scope review for the Knoxville MSA and the Putman/Jackson Counties AA. Refer to the "Scope" section under each State Rating for further details regarding how the areas were selected.

For the state of Georgia, FSG has one AA, the Dalton MSA AA, which was evaluated based on a full-scope review.

Ratings

The bank's overall rating is a blend of the multistate metropolitan area rating and state ratings. Because the Tennessee AA contains the highest level of bank deposits (49.9 percent), more weight was placed on this area in determining ratings. The least amount of weight was given to the state of Georgia AA since it represents only 14.6 percent of the bank's deposits.

The Tennessee state rating is based primarily on those areas that received full-scope reviews. Refer to the "Scope" section in the Tennessee section of this evaluation for details regarding how the areas were weighted in arriving at the overall state rating. In reaching our conclusions, HMDA lending received more weight in the state of Tennessee rating due to lending volumes.

For the Chattanooga MSA AA and state of Georgia ratings, more weight was given to small business lending due to lending volumes.

Conclusions with Respect to Performance Criteria

The bank's geographic distribution of loans is reasonable. The dispersion of loans by borrower income level or revenues of the business is also reasonable.

Loan-to-Deposit Ratio

FSG's loan-to-deposit ratio (LTD) is reasonable given the bank's size, financial condition, and the credit needs of the AAs.

FSG's average LTD ratio is 62.2 percent. The average LTD ratio was calculated over the last 14 quarters (December 2009 to March 2013). During the evaluation period, FSG's LTD ratio ranged from a low of 53.5 percent to a high of 78.1 percent. The average LTD ratio of similarly situated institutions within the AAs for the same period was 67.4 percent. Of these institutions, the high average LTD ratio was 79.7 percent and the low average LTD ratio was 52.4 percent.

The bank's LTD ratio has been steadily declining during the evaluation period, but a similar trend was also noted with the similarly situated institutions. This declining trend is indicative of the weak economy in the bank's AAs and significant competition from much larger competitors in these markets. The bank's LTD trend is also the result of the bank's focus on complying with the regulatory orders effective April 28, 2010.

FSG also made 60 loans under the USDA Rural Development Single Family Housing Guaranteed Loan Program and one loan under the Tennessee Housing Development Agency during the evaluation period. These loans totaled \$6.7 million and were not reflected on the bank's balance sheet or loans reported under HMDA.

The quarterly average LTD ratio for each similarly situated financial institution in the AAs is depicted below.

Loan-to-Deposit Ratios		
Institution	Total Assets \$ (000's) (As of 3/31/2013)	Average Loan-to-Deposit Ratio
FSGBank, National Association	1,041,667	62.16
Capitalmark Bank & Trust	790,025	73.97
First Volunteer Bank	891,604	79.71
Bank of Putnam County	384,909	52.40
Jefferson Federal Bank	506,361	76.78
Northwest Georgia Bank	435,422	54.29

Source: Institution Reports of Condition from December 2009 to March 2013

Lending in Assessment Area

A majority of FSG's primary loan products were made within the bank's AAs. The following table details the bank's lending within the AA's by number and dollar amount of loans. Approximately 87.1 percent of the number loans and 88.1 percent of the dollar volume of loans originated in these primary loan products were made within the bank's AAs.

The following table reflects FSG's level of lending in all AAs.

Lending in Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2010-11 Data										
Home Purchase	179	84.83	32	15.17	211	20,819	86.34	3,293	13.66	24,112
Home Improvement	224	92.18	19	7.82	243	4,494	93.37	319	6.63	4,813
Home Refinance	693	85.77	115	14.23	808	86,418	85.57	14,572	14.43	100,990
Small Business	1,119	87.49	160	12.51	1,279	166,152	88.76	21,031	11.24	187,183
Subtotal	2,215	87.17	326	12.83	2,541	277,883	87.63	39,215	12.37	317,098
2012 Data										
Home Purchase	60	88.24	8	11.76	68	9,471	94.33	569	5.67	10,040
Home Improvement	49	90.74	5	9.26	54	854	97.16	25	2.84	879
Home Refinance	226	81.00	53	19.00	279	29,439	81.99	6,465	18.01	35,904
Small Business	438	89.75	50	10.25	488	82,971	91.21	7,996	8.79	90,967
Subtotal	773	86.95	116	13.05	889	122,735	89.07	15,055	10.93	137,790
Totals	2,988	87.11	442	12.89	3,430	400,618	88.07	54,270	11.93	454,888

Source : Loans reported under 2010 - 2012 HMDA and CRA data submissions.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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

Multistate Metropolitan Area Rating

Chattanooga, TN-GA

CRA Rating for the Chattanooga Multistate MSA AA¹: Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

- The bank's geographic distribution of loans is reasonable. Their dispersion of loans by borrower income level or revenues of the business is also reasonable.
- The bank demonstrated adequate responsiveness to meeting the CD needs of the community through loans, investments, and services.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN CHATTANOOGA MULTISTATE MSA ASSESSMENT AREA

FSG operates nine branches and six automated teller machines (ATMs) in the Chattanooga Multistate MSA AA. As of June 30, 2012, this AA has \$366.6 million in total deposits and that represents approximately 35.5 percent of total deposits. The AA accounts for approximately 25.4 percent of home mortgage and small business loans analyzed for this evaluation. The number of branches in the Chattanooga Multistate MSA AA represents 30.0 percent of FSG's banking facilities, while the number of ATMs in the AA represents 18.2 percent of ATMs.

The Chattanooga Multistate MSA AA includes only a portion of the MSA, specifically Hamilton County in Tennessee and Catoosa County in Georgia. The AA meets the legal requirements of the CRA and does not arbitrarily exclude low- or moderate-income geographies.

The following table provides detailed information about the demographic characteristics of the AA.

¹This rating reflects performance within the multistate metropolitan area. The statewide evaluations do not reflect performance in the parts of those states contained within the multistate metropolitan area.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF CHATTANOOGA MULTISTATE MSA ASSESSMENT AREA		
	<u>2000 Census Data</u>	<u>2010 Census Data</u>
<i>Population</i>		
Number of Families	99,685	104,405
Number of Households	144,960	158,051
<i>Geographies</i>		
Number of CT's	77	93
% Low-Income CT's	7.79%	9.68%
% Moderate-Income CT's	18.18%	19.35%
% Middle-Income CT's	48.05%	36.56%
% Upper-Income CT's	25.97%	33.33%
% N/A-Income CT's	0.00%	0.00%
<i>Median Family Income (MFI)</i>		
MFI for Hamilton & Catoosa Counties	\$48,973	\$61,068
HUD-Adjusted MFI <small>*2011 ^2012</small>	\$57,000*	\$57,800^
<i>Economic Indicators</i>		
Unemployment Rate	3.33%	5.45%
Median Housing Value	\$93,765	\$147,454
% of Households Below Poverty Level	12.04%	13.62%

Source: 2000 and 2010 US Census data

Chattanooga is located in the Southeastern corner of Tennessee in Hamilton County. According to the 2010 Census, the total population for this AA is 400,405 and approximately 171,279 people or 43 percent of the population reside in Chattanooga. Chattanooga is the fourth largest city in Tennessee behind Memphis, Nashville, and Knoxville. Within the AA, there are nine low-income census tracts and 18 moderate-income census tracts. Catoosa County has one moderate-income census tract and the remaining low-and moderate-income census tracts are located in Hamilton County.

Housing is generally affordable in the AA, with a median house price of \$147,454 based on the 2010 US Census data and prices have increased over recent years. The median price is higher than the overall Tennessee median housing value. Low-income families and to a lesser extent moderate-income families do face housing affordability issues.

Unemployment in the Chattanooga Multistate MSA for June 2013 was 8.5 percent and exceeded the national level of 7.6 percent, according to the Bureau of Labor Statics.

Chattanooga enjoys a diversified economy that includes manufacturing, health care, retail, tourism, and services. According to the Tennessee Department of Labor, the Chattanooga MSA experienced an increase of 3,000 service industry jobs over a 12-month period from June 2012 to June 2013 and lost 300 goods-producing jobs. During 2012, Amazon expanded its Chattanooga Plant increasing its employee base to 2,700 and recently announced plans to hire additional staff. Volkswagen's new auto plant

located in the Chattanooga MSA, has also helped to boost the economy. According to bank management, a recent study indicates Volkswagen and its suppliers created approximately 12,400 jobs since opening in 2011.

Banking competition is strong in the AA. FSG ranked sixth in deposit market share as of June 30, 2012, with 20 financial institutions operating 130 locations in the AA. Competition includes national, regional, and community banks. FSG also competes with small business and mortgage lenders that do not take deposits in the market.

Chattanooga offers a variety of opportunities for community development throughout the AA, although the level of opportunities has declined along with the economic downturn as some organizations involved in community development have smaller budgets or lost funding. According to the 2010-2014 City of Chattanooga Strategic Plan, the city has been a recipient of HUD funds as an Entitlement Community since 1974. Over the past 36 years, the city has implemented quality programs and projects that positively impact the quality of life standards and experiences of the city's low- to moderate-income citizens, eventually benefitting the total populace of the city. The City coordinates its community development housing efforts with public and private housing development organizations.

A community contact conducted at this examination identified needs for affordable housing and foreclosure prevention assistance as the biggest financial needs in the AA.

SCOPE OF EVALUATION IN CHATTANOOGA MULTISTATE MSA ASSESSMENT AREA

A full-scope analysis was conducted for the Chattanooga Multistate MSA AA. This AA accounts for approximately 18.9 percent of the HMDA reportable loans and 31.3 percent of the CRA reportable loans, and 35.5 percent of overall deposits.

Loan products include home purchase, home improvement and home refinance loans reported under HMDA and small business loans reported under CRA for 2010 through 2012.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN IN CHATTANOOGA MULTISTATE MSA ASSESSMENT AREA

FSG's overall performance in the Chattanooga Multistate MSA AA is satisfactory.

- During the evaluation period, the bank originated \$46.6 million in home mortgage loans and \$99.5 million in small business loans, representing approximately 36.6 percent of the bank's home mortgage and small business loans by dollar volume.
- The bank's geographic distribution of loans is reasonable.

- The dispersion of loans by borrower income level or revenues of the business is also reasonable.
- The bank demonstrated adequate responsiveness to meeting the Community Development needs of the community through loans, investments and services.

LENDING TEST

The bank's performance under the lending test in the Chattanooga Multistate MSA AA is rated "Satisfactory".

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

The distribution of loans in the Chattanooga Multistate MSA AA reflects a reasonable penetration among individuals of different income levels and businesses of different sizes, given the bank's product offerings and local economic conditions.

Home Mortgage Loans

The distribution of home loans to borrowers reflects reasonable penetration among borrowers of different income levels.

For 2010-2011 lending, FSG originated/purchased 193 home loans in this AA, including 40 loans to low- and moderate-income borrowers. The level of lending to low-income borrowers is below the demographic comparable. More weight was given to the bank's performance related to moderate-income borrowers due to the difficulties many low-income borrower have in qualifying for mortgage loans. There were a number of factors affecting the origination of loans to low-income borrowers during the evaluation period, including an increase in poverty rates from 12.0 percent to 13.6 percent, higher unemployment rates, and increasing home values from \$93,765 to \$147,454. More restrictive underwriting standards that occurred during the economic downturn and increased home values during the evaluation period have made it more challenging for low-income borrowers to qualify for mortgages. One of the credit needs identified for this area was affordable housing.

The borrower distribution of home purchase loans is reasonable. The percent of home purchase loans to low-income borrowers is lower than the percent of low-income families in the AA. For moderate-income borrowers, the percent of loans is near the percent of moderate-income families.

The borrower distribution of home refinance loans is reasonable. The percent of home refinance loans to low-income borrowers is lower than the percent of low-income families in the AA. The percent of loans to moderate-income borrowers is near the percent of moderate-income families in the AA.

No analysis was conducted on home improvement loans. The volume of loans (19) was insufficient for a meaningful analysis.

The following table shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2010 through December 31, 2011 as compared to the percent of families in each income category

Borrower Distribution of Residential Real Estate Loans in Chattanooga Multistate AA 2010-2011 HMDA Reportable Loans								
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	18.14	4.88	16.68	14.63	21.86	21.86	43.32	63.41
Home Improvement	18.14	11.11	16.68	22.22	21.86	33.33	43.32	33.33
Home Refinance	18.14	9.43	16.68	15.09	21.86	17.92	43.32	57.55

Source: 2010-2011 HMDA Reported Loans; 2000 U.S. Census data.

For 2012 lending, FSG originated/purchased 78 home loans in this AA, including 16 loans to low- and moderate-income borrowers.

The borrower distribution of home purchase loans is reasonable. The percent of home purchase loans to low-income borrowers is lower than the percent of low-income families in the AA. For moderate-income borrowers, the percent of loans is exceeds the percent of moderate-income families.

The borrower distribution of home refinance loans is reasonable. The percent of home refinance loans to low-income borrowers is lower than the percent of low-income families in the AA. The percent of loans to moderate-income borrowers is somewhat lower than the percent of moderate-income families in the AA.

No analysis was conducted on home improvement loans. The volume of loans (5) was insufficient for a meaningful analysis.

The following table shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2012 through December 31, 2012 as compared to the percent of families in each income category.

Borrower Distribution of Residential Real Estate Loans in Chattanooga Multistate AA 2012 HMDA Reportable Loans								
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	20.31	14.29	16.19	19.05	19.69	14.29	43.81	52.38
Home Improvement	20.31	0.00	16.19	40.00	19.69	40.00	43.81	20.00
Home Refinance	20.31	8.57	16.19	11.43	19.69	22.86	43.81	57.14

Source: 2012 HMDA Reported Loans; 2010 U.S. Census data.

Business Loans

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes.

For 2010-2011 lending, FSG originated/purchased 315 business loans in the AA. Fifty five percent of the bank’s loans were made to small businesses. Small businesses are businesses with gross annual revenues of \$1 million or less. This is considered reasonable compared to demographic data that show 68.2 percent of the area’s businesses are considered small businesses.

The following table shows the distribution of commercial loans among different sized businesses in the AA.

Borrower Distribution of Loans to Businesses in Chattanooga Multistate AA 2010-2011 CRA Reportable Loans				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	68.24	2.96	28.80	100%
% of Bank Loans in AA by #	54.60	45.40	0.00	100%
% of Bank Loans in AA by \$	45.73	54.27	0.00	100%

Source: 2010-2011 CRA Reported Loans; Dunn and Bradstreet data.

For 2012 lending, FSG originated/purchased 173 business loans in this AA. Fifty percent of the bank’s loans were made to small businesses. This is considered reasonable compared to demographic data that show 70.3 percent of the area’s businesses are considered small businesses.

The following table shows the distribution of commercial loans among different sized businesses in the AA.

Borrower Distribution of Loans to Businesses in Chattanooga Multistate AA 2012 CRA Reportable Loans				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70.29	3.79	26.01	100%
% of Bank Loans in AA by #	50.29	49.71	0.00	100%
% of Bank Loans in AA by \$	40.15	59.85	0.00	100%

Source: 2012 CRA Reported Loans; Dunn and Bradstreet data.

Geographic Distribution of Loans

The distribution of loans reflects a reasonable dispersion in the Chattanooga Multistate MSA AA. There were no conspicuous gaps identified within the area. More weight was placed on the distribution in moderate-income census tracts due to the limited number of owner-occupied housing units and businesses located in low-income census tracts.

Home Loans

For 2010-2011 lending, the bank’s geographic distribution of home loans in the AA reflects a reasonable dispersion in the moderate-income census tracts. In particular, the percentage of home refinance loans originated in the moderate-income census tracts is excellent. While the level of home purchase loans originated in the moderate-income is poor. This received less weight as only 8.5 percent of owner-occupied housing units are located in moderate-income census tracts. There were no home purchase or home refinance loans located in low-income census tracts.

No analysis was conducted on home improvement loans. The volume of loans (19) was insufficient for a meaningful analysis.

The following table details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Geographic Distribution of Residential Real Estate Loans in Chattanooga Multistate AA 2010-2011 HMDA								
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	1.91	0.00	8.52	2.13	55.09	63.83	34.48	34.04
Home Improvement	1.91	0.00	8.52	10.53	55.09	52.63	34.48	36.84
Home Refinance	1.91	0.00	8.52	11.81	55.09	47.24	34.48	39.37

Source: 2010-2011 HMDA Reportable Loans; 2000 U.S. Census data.

For 2012 lending, the bank’s geographic distribution of home purchase loans in the AA reflects an excellent dispersion in both low- and moderate-income census tracts as the level of bank loans exceeds the percent of owner-occupied housing units. The geographic dispersion of home refinance loans in low-income census tracts is excellent.

In moderate-income census tracts, lending performance is poor as the percent of loans is significantly lower than the percent of owner-occupied housing units in these geographies.

No analysis was conducted on home improvement loans. The volume of loans (5) was insufficient for a meaningful analysis.

The following table details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Geographic Distribution of Residential Real Estate Loans in Chattanooga Multistate AA 2012 HMDA								
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	3.27	8.33	10.13	16.67	42.04	12.50	44.56	62.50
Home Improvement	3.27	0.00	10.13	0.00	42.04	20.00	44.56	80.00
Home Refinance	3.27	10.20	10.13	4.08	42.04	38.78	44.56	46.94

Source: 2012 HMDA Reportable Loans; 2010 U.S. Census data.

Business Loans

The bank’s geographic distribution of business loans reflects an excellent dispersion throughout the census tracts of different income levels.

For 2010-2011 CRA loans and 2012 CRA loans, the percent of loans exceeds the percent of businesses located in low- and moderate-income census tracts.

The following tables detail the bank’s performance as compared to the percentage of businesses in each census tract income level.

Geographic Distribution of Loans to Businesses in Chattanooga Multistate AA 2010-2011 CRA Reportable Loans								
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
	4.14	7.62	10.10	14.92	56.09	57.46	29.67	20.00

Source: 2010-2011 CRA Reported Loans; Dunn and Bradstreet data

Geographic Distribution of Loans to Businesses in Chattanooga Multistate AA 2012 CRA Reportable Loans								
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
	6.54	15.03	21.56	28.32	36.03	31.21	35.81	25.43

Source: 2012 CRA Reported Loans; Dunn and Bradstreet data.

Responses to Complaints

No CRA related complaints were made against the bank during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the Community Development Test in Chattanooga Multistate MSA AA is rated “Satisfactory”.

FSG showed adequate responsiveness to CD needs in its AAs through CD lending, investments, and community services.

Number and Amount of Community Development Loans

The level of CD lending in the Chattanooga Multistate MSA AA reflects an adequate responsiveness to CD needs of the AA. The level of CD lending reflects the impact of the bank’s focus on complying with the regulatory orders effective April 28, 2010.

FSG originated five CD loans in the Chattanooga Multistate MSA AA totaling \$3.8 million. CD lending assisted in the revitalization of downtown Chattanooga under a 20-year Federal Renewal Community Program, as well as, providing quality affordable housing for low- and moderate-income individuals and families. FSG funded a \$3 million construction loan to build a movie theater in downtown Chattanooga creating jobs for low- and/or moderate-income individuals. In addition, FSG originated four lines of credit totaling \$815 thousand to two non-profit housing entities to fund affordable 1-4 family housing projects and provide bridge financing for affordable housing projects until the non-profit received grant funding.

Number and Amount of Qualified Investments

FSG’s level of CD investments reflects an excellent responsiveness to meeting the needs of the community.

During the current evaluation period, FSG had five investments for this AA. Three investments totaling \$4.5 million consisting of mortgage-backed securities (MBS) were comprised of individual loans funding housing loans to low- and/or moderate-income individuals located in the AA. In addition, FSG made two donations totaling \$7.9

thousand to two non-profit entities. Approximately \$7.5 thousand was donated to Habitat for Humanity to fund affordable 1-4 housing projects. An additional \$400 was donated to Launch Chattanooga, which provides business training and supports small business entrepreneurs located in underserved areas of Chattanooga.

In addition, there are two outstanding MBS investments from the prior evaluation period totaling \$513.6 thousand.

Extent to Which the Bank Provides Community Development Services

FSG's level of CD services reflects adequate responsiveness to meeting the needs of the community in the Chattanooga Multistate MSA AA. During the evaluation period, seven bank employees provided financial services to four different qualified CD organizations. Examples of the types of services provided include:

- Providing financial expertise and assistance in processing Federal Home Loan Bank (FHLB) grant application for Habitat for Humanity to build six houses for low- and/or moderate-income individuals.
- Serving on the Board for an organization that provides affordable housing in the AA.
- Providing financial literacy classes at a local school where a majority of students are low- and /or moderate income.
- Providing financial expertise and assistance in processing FHLB grant application for Chattanooga Regional Homeless Coalition to build a 50-unit homeless shelter.

In addition, the bank facilitated, as a "Preferred Lender", the origination of six USDA mortgage loans to low- and moderate-income borrowers using the USDA Rural Development Single Family Housing Guaranteed Loan Program and one loan with the state of Tennessee's Housing Development Authority's down payment and closing assistance loan program. These loans are not reflected under the Lending Test.

Responsiveness to Community Development Needs

FSG demonstrated adequate responsiveness to meeting the CD needs of the community. This is evidenced by their participation on various boards that provide affordable housing or community services to low- or moderate-income individuals or that provide economic development to the community. Of the nine branches in this AA, two locations are in moderate-income census tracts, which is responsive to banking needs in the AA.

State Rating

State of Tennessee

CRA Rating for Tennessee: 2 Satisfactory.

The Lending test is rated: Satisfactory.

The Community development test is rated: Satisfactory.

- The distribution of loans by borrower income represents a reasonable penetration among individuals of different income levels. The geographic dispersion of loans is also reasonable.
- CD investments, loans and services reflect an adequate responsiveness in the full scope AAs.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN TENNESSEE

FSG's primary operations are located in Tennessee with 16 branches and 19 ATMs. Tennessee accounts for the largest portion of branches, bank deposits, and loans analyzed during this evaluation. The number of branches in Tennessee represents 53.3 percent of FSG's banking facilities, while the number of ATMs in Tennessee represents 54.6 percent of ATMs.

For 2010 – 2012, HMDA lending in Tennessee represented approximately 67.7 percent of the reported loans and approximately 53.2 percent of the CRA reported loans. As of June 30, 2012 FDIC Deposit Market Share Report, Tennessee deposits totaled \$515.6 million and represented approximately 49.9 percent of the bank's total deposits.

Competition in Tennessee is very strong with 227 financial institutions with 2,275 banking offices. FSG ranked 18th in the state of Tennessee with a deposit market share 0.74 percent. Approximately 10 of the financial institutions with a higher deposit market share consist of branches of the largest banks in the nation, including Bank of America, Wells Fargo, First Tennessee, US Bank, and Sun Trust.

FSG has branches located in three Tennessee MSAs and four rural counties (non-MSAs). Since the prior CRA examination dated September 30, 2009, FSG has closed seven branches in their Tennessee AAs.

² For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation does not reflect performance in the parts of this state contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

Full-Scope Assessment Area Market Profiles:

Description of the Putnam/Jackson Counties Assessment Area:

FSG has identified all of Putnam and Jackson Counties as an AA. These rural, non-MSA counties are contiguous. The AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The following table provides detailed demographic information about the AA:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF PUTNAM/JACKSON COUNTIES ASSESSMENT AREA		
	<u>2000 Census</u> <u>Data</u>	<u>2010 Census</u> <u>Data</u>
Population		
Number of Families	19,633	20,962
Number of Households	29,346	32,208
Geographies		
Number of CT's	17	19
% Low-Income CT's	0.00%	0.00%
% Moderate-Income CT's	17.65%	26.32%
% Middle-Income CT's	70.59%	47.37%
% Upper-Income CT's	11.76%	26.32%
% N/A-Income CT's	0.00%	0.00%
Median Family Income (MFI)		
MFI for Jackson & Putnam Counties	\$38,592	\$47,439
HUD-Adjusted MFI <small>*2011, ^2012</small>	\$45,400*	\$46,000^
Economic Indicators		
Unemployment Rate	3.20%	3.83%
Median Housing Value	\$86,079	\$119,751
% of Households Below Poverty Level	18.21%	21.90%

Source: 2000 and 2010 US Census data

Gainesboro is the county seat of Jackson County and located approximately 90 miles northeast of Nashville. Jackson County has four census tracts, one moderate-income census tract and three middle-income census tracts, which are designated distressed due to high levels of poverty. According to the Bureau of Labor Statistics, the unemployment rate for Jackson County is 9.5 percent, which exceeds the national rate of 7.6 percent.

Putnam County main cities include Cookeville, Algood, Baxter, and Monterey. Cookeville is approximately 80 miles east of Nashville and serves as a regional center for retail, healthcare, and recreation. Putnam County has 15 census tracts, of which four are moderate-income, six are middle-income and five are designated upper-income. All middle-income census tracts are designated distressed due to high levels

of poverty. The average unemployment rate for the 2012 for Putnam County was 7.6 percent, which is comparable with the national rate according to the Bureau of Labor Statistics. According to 2010 U.S. Census data, 21.90 percent of households in the AA are living below the poverty level.

Major employers in the AA include Cummins Filtration (heavy duty filters), Tennessee Technical University (education), Cookeville Medical Center (hospital), Dura Automotive (auto systems and parts), and Putnam Board of Education (education).

Housing costs in the AA is generally affordable based the median home value of \$119,751 and the HUD 2012 median income of \$46,000.

Banking competition is strong in Putnam County. FSG ranked seventh in deposit market share as of June 30, 2012, with 15 financial institutions with 32 locations. There are also mortgage, credit card, and finance companies operating in this market.

FSG is an especially important financial services provider in Jackson County. FDIC data as of June 30, 2012 shows two commercial banks, each with one office. FSG ranked first in deposit market share in this AA.

Opportunities for economic development exist in the AA. There are several CD and civic groups that are directly involved with or support charitable organizations that provide services to low- and moderate-income individuals.

Description of Knoxville MSA Assessment Area

FSG's AA includes a portion of the Knoxville MSA consisting of Knox, Loudon, and Union Counties. The AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The following table provides details about the demographic characteristic of the AA:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF KNOXVILLE MSA ASSESSMENT AREA		
	<u><i>2000 Census Data</i></u>	<u><i>2010 Census Data</i></u>
<i>Population</i>		
Number of Families	117,988	128,111
Number of Households	180,423	204,686
<i>Geographies</i>		
Number of CT's	94	126
% Low-Income CT's	15.96%	7.14%
% Moderate-Income CT's	23.40%	20.63%
% Middle-Income CT's	38.30%	42.06%
% Upper-Income CT's	21.28%	28.57%
% N/A-Income CT's	1.06%	1.59%
<i>Median Family Income (MFI)</i>		
MFI for Knox, Loudon & Union Counties	\$50,683	\$65,136
HUD-Adjusted MFI <small>*2011, ^2012</small>	\$61,300*	\$62,200^
<i>Economic Indicators</i>		
Unemployment Rate	3.00%	3.74%
Median Housing Value	\$99,806	\$156,807
% of Households Below Poverty Level	13.64%	14.13%

Source: 2000 and 2010 US Census data

Knoxville is the third largest city in Tennessee, and as indicated in the above table, the MSA experienced population growth since the previous CRA examination. Approximately 36 percent of the Knoxville MSA population resides in the city of Knoxville. Within the AA, there are nine low-income census tracts and 26 moderate-income census tracts. All of the low-income census tracts and 21 of moderate-income census tracts are located in the Knox County.

Recently, the economy has shown improvement. The June 2013 estimated unemployment rate is 7.5 percent, which is identical to the June 2012 rate and below the national rate of 7.6 percent by a basis point based on the Bureau of Labor Statistics. According to the Tennessee Department of Labor report, non-agriculture employment increased by 7,900 positions from June 2012 to June 2013 and includes 500 goods producing jobs and 7,400 service providing jobs.

Major employers in Knoxville include Department of Energy – Oak Ridge Operations (government), University of Tennessee (education), Knox County Public Schools (education), Covenant Health (health services), and Mercy Health Partners (health services). Many warehouse, distributions and hospitality operations are also located in the area.

Housing in Knoxville is relatively affordable with an estimated median home value of \$156,807, according to 2010 Census data. Housing values have increased since the 2000 Census where the estimated median value was \$99,806.

Banking competition is strong in the Knoxville MSA AA. FDIC data as of June 30, 2012 shows 44 banking institutions with 255 offices operating in the entire MSA. Competition for mortgages and small business loans is even stronger and includes mortgages and credit card companies that do not take deposits in Knoxville. Many non-bank financial services companies operate in Knoxville in addition to banks and credit unions.

Community contacts for the Tennessee AAs indicate needs for housing related finance including affordable housing and small business lending. Ample CD opportunities exist in the Knoxville MSA AA. These include organizations involved with affordable housing and economic development. Within the city of Knoxville, there was a Federal Empowerment Zone that provided opportunities for CD projects during the majority of the CRA evaluation period. This specific Federal Empowerment Zone expired in 2011.

SCOPE OF EVALUATION IN TENNESSEE

Five Tennessee AAs were considered for the Tennessee ratings:

- Putnam and Jackson Counties, Non-MSA
- A portion of Knoxville MSA, specifically Knox, Loudan and Union Counties.
- A portion of the Cleveland MSA, specifically Bradley County
- A portion of the Morristown MSA, specifically Jefferson County
- McMinn and Monroe Counties, Non-MSA

Full-scope analyses were conducted for the Putnam/Jackson Counties AA and the Knoxville MSA AA. These two areas account for approximately 54.5 percent of the bank's Tennessee deposits and approximately 64.1 percent of Tennessee loans evaluated. Both areas contribute to the overall rating conclusions for Tennessee equally unless otherwise described in this report.

Loan products include home purchase, home improvement, and home refinance loans reported under HMDA and small business loans reported under CRA for 2010 through 2012.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TENNESSEE

FSG's overall performance in Tennessee is "Satisfactory" based primarily upon our full-scope reviews of the Putnam/Jackson Counties and Knoxville MSA AAs.

- During the evaluation period, the bank originated \$88.9 million in home mortgage loans and \$111.6 million in small business loans representing approximately 50.5 percent of the bank's home mortgage and small business loans by dollar volume.

- Overall, the bank's loans are reasonably distributed among borrowers of different incomes and in geographies of different income levels.
- The bank's CD loans, services, and investments reflect adequate responsiveness in the full-scope AAs.
- Lending and CD performance in the limited-scope AAs is consistent with the performance in full-scope AAs.

LENDING TEST

The bank's performance under the lending test in Tennessee is rated "Satisfactory".

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

Borrower distribution of loans in the Putnam/Jackson AA is reasonable. In the Knoxville AA, borrower distribution is reasonable.

Putnam and Jackson AA

Home Mortgage Loans

The distribution of home mortgage loans to borrowers reflects reasonable penetration among borrowers of different income levels.

For 2010-2011 lending, FSG originated/purchased 306 home loans in this AA, including 111 loans to low- and moderate-income borrowers. More weight was given to the bank's performance related to moderate-income borrowers due to the difficulties many low-income borrowers have in qualifying for mortgage loans. There were a number of factors affecting the origination of loans to low-income borrowers during the evaluation period, including an increase in poverty rates from 18.1 percent to 21.9 percent, higher unemployment rates and increasing home values from \$86,079 to \$119,751. As also noted previously in the PE, more restrictive underwriting standards that occurred during the economic downturn and increased home values during the evaluation period have made it more challenging for low-income borrowers to qualify for mortgages.

The borrower distribution of home purchase loans is reasonable. The percent of home purchase loans to low-income borrowers is lower than the percent of low-income families in the AA. This performance is reasonable given the percentage of households living below poverty level. For moderate-income borrowers, the percent of loans exceeds the percent of moderate-income families in the AA.

The borrower distribution of home refinance loans is reasonable. The percent of home refinance loans to low-income borrowers is near the percent of low-income families in the AA. For moderate-income borrowers, the percent of loans exceeds the percent of moderate-income families in the AA. Home improvement lending is excellent as the

percent of loans to low- and moderate-income borrowers exceeds the percent of low- and moderate-income families.

The following table shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2010 through December 31, 2011 as compared to the percent of families in each income category

Borrower Distribution of Residential Real Estate Loans in Putnam/Jackson AA 2010-2011 HMDA Reportable Loans								
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	18.97	4.44	17.74	20.00	23.61	17.78	39.68	57.78
Home Improvement	18.97	21.05	17.74	27.37	23.61	25.26	39.68	26.32
Home Refinance	18.97	16.23	17.74	18.83	23.61	27.92	39.68	37.01

Source: 2010-2011 HMDA Reported Loans; 2000 U.S. Census data.

For 2012 lending, FSG originated/purchased 68 home loans in this AA, including 34 loans to low- and moderate-income borrowers. No analysis was conducted on home purchase or home improvement loans. The volume of home purchase loans (5) and home improvement loans (14) was insufficient for a meaningful analysis.

The borrower distribution of refinance loans is reasonable. The percent of home refinance loans to low-income borrowers is lower than the percent of low-income families in the AA. For moderate-income borrowers, the percent of loans exceeds the percent of moderate-income families.

The following table shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2012 through December 31, 2012 as compared to the percent of families in each income category.

Borrower Distribution of Residential Real Estate Loans in Putnam/Jackson AA 2012 HMDA Reportable Loans								
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	21.56	0.00	16.65	0.00	20.80	20.00	40.99	80.00
Home Improvement	21.56	42.86	16.65	35.71	20.80	21.43	40.99	0.00
Home Refinance	21.56	16.33	16.65	30.61	20.80	16.33	40.99	28.57

Source: 2012 HMDA Reported Loans; 2010 U.S. Census data

Business Loans

The distribution of loans to businesses reflects an excellent penetration among businesses of different sizes.

For 2010-2011 lending, FSG originated/purchased 207 business loans in the AA. Loans to businesses with annual revenues of \$1 million or less (small businesses) exceeded the percentage of businesses that reported revenues of \$1 million or less in the AA. Eighty-six percent of the bank’s loans were made to small businesses.

The following table shows the distribution of commercial loans among different sized businesses in the AA.

Borrower Distribution of Loans to Businesses in Putnam/Jackson AA 2010-2011 CRA Reportable Loans				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	70.48	2.50	27.02	100%
% of Bank Loans in AA by #	85.51	14.49	0.00	100%
% of Bank Loans in AA by \$	77.08	22.92	0.00	100%

Source: 2010-2011 CRA Reported Loans, Dunn and Bradstreet data

For 2012 lending, FSG originated/purchased 45 business loans in this AA. Seventy three percent of the bank’s loans were made to small businesses. This is excellent performance when compared to demographic data that show 73.9 percent of the area’s businesses are considered small businesses.

The following table shows the distribution of commercial loans among different sized businesses in the AA.

Borrower Distribution of Loans to Businesses in Putnam/Jackson AA 2012 CRA Reportable Loans				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	73.88	3.33	22.79	100%
% of Bank Loans in AA by #	73.33	26.67	0.00	100%
% of Bank Loans in AA by \$	54.22	45.78	0.00	100%

Source: 2012 CRA Reported Loans; Dunn and Bradstreet data.

Knoxville MSA AA

Home Mortgage Loans

The distribution of home mortgage loans to borrowers reflects reasonable penetration among borrowers of different income levels.

For 2010-2011 lending, FSG originated/purchased 212 home loans in this AA, including 70 loans to low- and moderate-income borrowers. While the level of lending to low-

income borrowers is below the demographic comparable, when the AA’s poverty rate of 13.6 percent (2000 census) and 14.1 percent (2010 census), the bank’s level of lending to low-income borrowers is somewhat mitigated.

The borrower distribution of home purchase loans is reasonable. The percent of home purchase loans to low-income borrowers is lower than the percent of low-income families in the AA. This performance is reasonable given the percentage of households living below poverty level. According to 2000 Census data, the AA’s poverty rate is 13.6 percent making it challenging for low-income borrowers to meet lending qualification requirements. For moderate-income borrowers, the percent of loans exceeds the percent of moderate-income families in the AA.

The borrower distribution of home refinance loans is reasonable. The percent of home refinance loans to low-income borrowers is lower than the percent of low-income families in the AA. For moderate-income borrowers, the percent of loans exceeds the percent of moderate-income families in the AA.

Home improvement lending is reasonable. The percent of loans to low-income borrowers exceeds the percent of low-income families in the AA. For moderate-income borrowers, the percent of loans is lower than the percent of moderate-income families.

The following table shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2010 through December 31, 2011 as compared to the percent of families in each income category

Borrower Distribution of Residential Real Estate Loans in Knoxville AA 2010-2011 HMDA Reportable Loans								
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	20.00	11.76	17.31	23.53	21.10	23.53	41.59	41.18
Home Improvement	20.00	42.50	17.31	12.50	21.10	22.50	41.59	22.50
Home Refinance	20.00	11.43	17.31	28.57	21.10	16.19	41.59	43.81

Source: 2010-2011 HMDA Reported Loans; 2000 U.S. Census data

For 2012 lending, FSG originated/purchased 63 home loans in this AA, including 20 loans to low- and moderate-income borrowers. No analysis was conducted on home purchase or home improvement loans. The volume of home purchase loans (8) and home improvement loans (8) was insufficient for a meaningful analysis to be performed.

The borrower distribution of home refinance loans is excellent. The percent of home refinance loans to low- and moderate-income borrowers exceeds the percent of low- and moderate-income families in the AA.

The following table shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2012 through December 31, 2012 as compared to the percent of families in each income category.

Borrower Distribution of Residential Real Estate Loans in Knoxville AA 2012 HMDA Reportable Loans								
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	20.65	0.00	17.17	12.50	20.47	50.00	41.71	37.50
Home Improvement	20.65	0.00	17.17	12.50	20.47	75.00	41.71	12.50
Home Refinance	20.65	22.50	17.17	22.50	20.47	25.00	41.71	30.00

Source: 2012 HMDA Reportable Loan; U.S. Census data.

Business Loans

The distribution of loans to businesses reflects a reasonable penetration among businesses of different sizes.

For 2010-2011 lending, FSG originated/purchased 190 business loans in the AA. Loans to businesses with annual revenues of \$1 million or less (small businesses) was lower than the percentage of businesses that reported revenues of \$1 million or less in the AA. Fifty eight percent of the bank's loans were made to small businesses.

The following table shows the distribution of commercial loans among different sized businesses in the AA.

Borrower Distribution of Loans to Businesses in Knoxville AA 2010-2011 CRA Reportable Loans				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	66.90	3.04	30.05	100%
% of Bank Loans in AA by #	57.89	42.11	0.00	100%
% of Bank Loans in AA by \$	39.95	60.05	0.00	100%

Source: Loan sample; Dunn and Bradstreet data.

For 2012 lending, FSG originated/purchased 60 business loans in this AA. Sixty three percent of the bank's loans were made to small businesses, which is lower than the percentage of businesses. This is reasonable performance when compared to demographic data that show 73.9 percent of the area's businesses are considered small businesses.

The following table shows the distribution of commercial loans among different sized businesses in the AA.

Table 2A - Borrower Distribution of Loans to Businesses in Putnam/Jackson AA 2012 CRA Reportable Loans				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	73.88	3.33	22.79	100%
% of Bank Loans in AA by #	73.33	26.67	0.00	100%
% of Bank Loans in AA by \$	54.22	45.78	0.00	100%

Source: 2012 CRA Reported Loans; Dunn and Bradstreet data.

Conclusions for Areas Receiving Limited Scope Reviews:

Based on limited-scope reviews, the bank’s performance for borrower distribution in the Morristown, McMinn/Monroe, and Cleveland AAs is consistent with the performance in the full-scope AAs.

Based on 2010-2011 HMDA and 2012 HMDA reportable loans, there was an insufficient volume of lending for home purchase and home improvement loans to conduct a meaningful analysis. Home refinance lending in Morristown and McMinn/Monroe AAs was consistent with the performance in the full-scope AAs. The Cleveland AA demonstrated weaker performance for home refinance lending.

Based on 2010-2011 CRA and 2012 CRA reportable loans in the Limited-Scope AA, borrower distribution was consistent with the performance in the full-scope AAs.

Geographic Distribution of Loans

The geographic dispersion of loans is reasonable in the state of Tennessee. The geographic distribution of mortgage loans is reasonable. Mortgage lending is weighed slightly more than small loans to businesses given lending volumes. Overall, the geographic distribution for small loans to businesses in the Putnam/Jackson AA is excellent and reasonable in the Knoxville MSA AA.

Putnam/Jackson AA

The geographic distribution of loans reflects a reasonable dispersion in the Putnam/Jackson AA. There were no conspicuous gaps identified within the area. More weight was placed on the distribution in moderate-income census tracts as there are no low-income census tracts in this AA according to 2000 Census and 2010 Census data.

Home Loans

For 2010-2011 lending, the bank’s geographic distribution of home loans in the AA reflects an excellent dispersion in the moderate-income census tracts. In particular, the percentage of home improvement and home refinance loans originated in the moderate-income census tracts is excellent. The level of home purchase loans originated in the moderate-income census tracts is near the percentage of owner-occupied units.

The following table details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Geographic Distribution of Residential Real Estate Loans in Putnam/Jackson AA 2010-2011 HMDA Lending								
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	7.28	6.52	85.79	89.13	6.93	4.35
Home Improvement	0.00	0.00	7.28	16.49	85.79	79.38	6.93	4.12
Home Refinance	0.00	0.00	7.28	7.98	85.79	87.73	6.93	4.29

Source: 2010-2011HMDA Reportable Loans. U.S. Census data.

For 2012 lending, the bank’s geographic distribution of home refinance loans in the AA reflects an excellent dispersion in moderate-income census tracts as the level of bank loans exceeds the percent of owner-occupied housing units.

No analysis was conducted on home purchase or home improvement loans. The volume of home purchase loans (5) and home improvement loans (14) was insufficient for a meaningful analysis.

The following table details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Geographic Distribution of Residential Real Estate Loans in Putnam/Jackson AA 2012 HMDA Reportable Loans								
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	17.05	40.00	55.34	20.00	27.61	40.00
Home Improvement	0.00	0.00	17.05	28.57	55.34	71.43	27.61	0.00
Home Refinance	0.00	0.00	17.05	24.49	55.34	65.31	27.61	10.20

Source: 2012 HMDA Reportable Loans; U.S. Census data.

Business Loans

The geographic distribution of small loans to businesses reflects an excellent dispersion throughout the census tracts of different income levels.

For both 2010-2011 and 2012 CRA reported loans, the percent of loans exceeds the percent of businesses located in moderate-income geographies. As noted above, there are no low-income census tracts in this AA according to 2000 Census and 2010 Census data.

The following tables detail the bank’s performance as compared to the percentage of businesses in each census tract income level.

Geographic Distribution of Loans to Businesses in Putnam/Jackson AA 2010-2011 CRA Reportable Loans								
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
	0.00	0.00	16.49	16.91	74.32	75.85	9.19	7.25

Source: 2010-2011 CRA Reportable Loans; Dunn & Bradstreet data.

Geographic Distribution of Loans to Businesses in Putnam/Jackson AA 2012 CRA Reportable Loans								
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
	0.00	0.00	26.74	26.67	37.87	60.00	35.39	13.33

Source: 2012 CRA Reportable Loans; Dunn & Bradstreet data.

Knoxville MSA AA

The geographic distribution of loans reflects a reasonable dispersion in the Knoxville MSA AA. There were no conspicuous gaps identified within the area.

Home Loans

For 2010-2011 lending, the bank’s geographic distribution of home loans in the AA reflects a reasonable dispersion in the low- and moderate-income census tracts. The performance in low-income census tracts received less weight as only 4.09 percent of owner-occupied housing units are located in low-income census tracts limiting lending opportunities in these census tracts. There were no home purchase or home improvement loans located in the low-income census tracts. The percentage of home refinance loans originated in low-income census tracts is excellent.

The following table details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Geographic Distribution of Residential Real Estate Loans in Knoxville MSA AA 2010-2011 HMDA Reportable Loans								
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	4.09	0.00	15.15	29.17	50.53	41.67	30.23	29.17
Home Improvement	4.09	0.00	15.15	50.00	50.53	31.82	30.23	18.18
Home Refinances	4.09	17.36	15.15	29.86	50.53	31.94	30.23	20.83

Source: 2010-2011 HMDA Reportable Loans. U.S. Census data.

For 2012 lending, the bank's geographic distribution of home refinance loans in the AA reflects an excellent dispersion in moderate-income census tracts as the level of bank loans exceeds the percent of owner-occupied housing units. There were no home refinance loans in low-income census tracts. The performance in low-income census tracts received less weight as only 2.73 percent of owner-occupied housing units are located in low-income census tracts.

No analysis was conducted on home purchase or home improvement loans. The volume of home purchase loans (8) and home improvement loans (8) was insufficient for a meaningful analysis.

The following table details the bank's performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Geographic Distribution of Residential Real Estate Loans in Knoxville MSA AA 2012 HMDA Reportable Loans								
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	2.73	12.50	16.80	37.50	45.39	37.50	35.07	12.50
Home Improvement	2.73	0.00	16.80	50.00	45.39	37.50	35.07	12.50
Refinance	2.73	0.00	16.80	44.68	45.39	34.04	35.07	21.28

Source: 2012 HMDA Reportable Loans; U.S. Census data.

Business Loans

The geographic distribution of small loans to businesses reflects a reasonable dispersion throughout the census tracts of different income levels.

For 2010-2011 CRA reported loans, the penetration of small loans to businesses is reasonable in low-income census tracts and excellent in the moderate-income geographies.

The following table details the bank’s performance as compared to the percentage of businesses in each census tract income level.

Geographic Distribution of Loans to Businesses in Knoxville MSA AA 2010-2011 CRA Reportable Loans								
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
	8.35	7.37	14.17	22.11	40.18	23.68	37.28	46.85

Source: 2010-2011 CRA Reported Loans; Dunn and Bradstreet data.

For 2012 CRA reported loans, the geographic distribution of small loans to businesses is excellent. In both low- and moderate-income geographies, the percent of loans exceeds the percent of businesses located in those geographies.

The following table details the bank’s performance as compared to the percentage of businesses in each census tract income level.

Geographic Distribution of Loans to Businesses in Knoxville MSA AA 2012 CRA Reportable Loans								
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
	5.52	6.67	19.77	28.33	36.31	35.00	37.94	30.00

Source: 2012 CRA Reported Loans; Dunn and Bradstreet data.

Conclusions for Areas Receiving Limited Scope Reviews:

Based on limited-scope reviews, the bank’s performance for geographic dispersion of lending in low- and moderate-income geographies in the Morristown, McMinn/Monroe and Cleveland AAs is consistent with the performance in the full-scope AAs.

Based on 2010-2011 HMDA and 2012 HMDA reportable loans, there was an insufficient volume of lending for home purchase and home improvement loans to conduct a meaningful analysis. Home refinance lending in Cleveland and McMinn/Monroe AAs was consistent with the performance in the full-scope AAs. The Morristown AA did not have any low- or moderate-income census tracts, therefore an analysis would not be meaningful.

Based on 2010-2011 CRA and 2012 CRA reportable loans in the Limited-Scope AAs, the geographic dispersion of loans was consistent with the performance in the full-scope AAs.

Responses to Complaints

No CRA related complaints were made against the bank during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test in the state of Tennessee is rated "Satisfactory".

FSG showed adequate responsiveness to CD needs in its AAs through CD lending, investments, and community services.

Number and Amount of Community Development Loans

The level of CD lending in the state of Tennessee reflects an adequate responsiveness to CD needs. The level of CD lending reflects the impact of the bank's focus on complying with the regulatory orders effective April 28, 2010.

Jackson/Putnam AA

The level of CD lending in the Jackson/Putnam AA reflects a poor responsiveness to CD needs of the AA through CD lending. There were no CD loans in this AA.

Knoxville MSA AA

The level of CD lending in the Knoxville MSA AA reflects an adequate responsiveness to CD needs of the AA through CD lending.

There were six CD loans in the Knoxville MSA AA totaling \$7.9 million. FSG funded a CD loan totaling \$1.9 million and subsequent \$1.7 million renewal to finance affordable residential condominiums that were converted from an old school building located in a moderate-income census tract in the Knoxville Federal Empowerment Zone. A \$2.4 million CD loan was to rehabilitate a building to provide affordable housing and retail office space in a low-income census tract in the Empowerment Zone. Another \$1.6 million renewal loan originally to finance affordable residential condominiums was made in a low-income census tract in the Empowerment Zone. The remaining two loans totaling \$314 thousand were to fund a multi-family affordable housing apartment complex located in a moderate-income census tract.

Conclusion for limited-scope AAs

The level of CD lending in the Morristown AA, Monroe/McMinn AA, and Cleveland AA reflects a poor responsiveness to CD needs of the AA through CD lending. The limited-scope AAs did not have any CD lending during the evaluation period.

Number and Amount of Qualified Investments

FSG's level of investments reflects an adequate responsiveness to meeting the needs of the state of Tennessee.

Jackson/Putnam AA

In the Jackson/Putnam AA, FSG's level of CD investments reflects adequate responsiveness to meeting the needs of the community.

FSG had two investments for this AA totaling \$352 thousand. One investment consisting of a MBS was comprised of individual loans funding housing loans to low- and/or moderate-income individuals located in the AA. In addition, FSG made a \$3 thousand donation to a local school in which over 75 percent of the students are from low- and/or moderate-income households.

Knoxville MSA AA

The level of CD investments reflects excellent responsiveness to meeting the needs of the community in the Knoxville MSA AA.

During the current evaluation period, FSG purchased five MBS totaling \$4.5 million where the underlying mortgage loans were to low- and/or moderate-income individuals located in the AA. In addition, FSG funded two Low-Income Housing Tax Credits (LIHTCs) totaling \$2.1 million. These projects provided affordable multi-family housing for low- and moderate-income individuals. In addition, one of these projects housed a special needs population of homeless individuals using an FSG investment in a Federal Historical Tax Credit of \$1.8 million.

In addition, there are two outstanding MBS investments from the prior evaluation period totaling \$770 thousand and \$237 thousand for a LIHTC for a multi-family affordable housing project.

Other Investments outside the bank's AAs

During the evaluation period, FSG purchased a \$2.8 million LIHTC in the Nashville AA that is outside of the bank's AA. This investment does not provide any direct benefit to any of the FSG's AAs. However, this investment is noted as it is within the larger regional area and has a positive impact on low- and moderate-income individuals in the state of Tennessee.

Conclusion for limited-scope AAs:

The level of CD investments in the Morristown, Monroe/McMinn, and Cleveland AAs is consistent with the performance in the full-scope AAs.

The Morristown AA had \$363.2 thousand in CD investments. The Monroe/McMinn AA had two MBS totaling \$178 thousand and a \$100 thousand demand deposit in a low-income community credit union that serves low- and moderate-income individuals and is located in a non-metropolitan distressed middle-income census tract adjacent to

McMinn County. The Cleveland AA had one current period MBS totaling \$134 thousand and one prior period MBS with an outstanding balance of \$19 thousand.

Extent to Which the Bank Provides Community Development Services

FSG's level of CD services reflects an adequate responsiveness to meeting the needs of the state of Tennessee.

Jackson/Putnam AA

In the Jackson/Putnam AA, FSG's level of CD services reflects adequate responsiveness to meeting the needs of the community. Two CD services consisted of:

- Providing financial literacy classes at a local school where a majority of students are low- and/or moderate-income.
- Serving on the Board for a non-profit organization that provides affordable housing.

In addition, the bank facilitated, as a "Preferred Lender" the origination of eight USDA mortgage loans to low- and moderate-income borrowers using the USDA Rural Development Single Family Housing Guaranteed Loan Program. These loans are not reflected under the Lending Test.

Knoxville MSA AA

FSG's level of CD services reflects adequate responsiveness to meeting the needs of the community in the Knoxville MSA AA. During the evaluation period, five bank employees provided financial services to six different qualified CD organizations. Examples of the types of services provided include:

- Serving on the Board for an organization that provides affordable housing.
- Serving on the Board for a nonprofit organization that provides accessible and affordable healthcare to low-income individuals.
- Serving on the Board for an organization that promotes economic development in Union County.

In addition, FSG facilitated, as a "Preferred Lender", the origination of two USDA mortgage loans to low- and/or moderate-income borrowers using the USDA Rural Development Single Family Housing Guaranteed Program. These loans are not reflected under the Lending Test.

Conclusion for limited-scope AAs:

The level of CD services in the Morristown and Monroe/McMinn AAs is consistent with the performance in the full-scope AAs. The performance in the Cleveland AA is weaker than the performance in the full-scope AAs.

In addition, FSG facilitated the origination of 32 mortgage loans using USDA's Home Purchase Guaranty program to low- and moderate-income borrowers in the bank's limited-scope AAs. Serving as a "Preferred Lender" and assisting in the origination of

these mortgage loans to low- and moderate-income borrowers is considered responsive to affordable housing needs within the limited-scope AAs. Another 17 loans using the same program were made outside the bank's AAs, but within the state of Tennessee.

Responsiveness to Community Development Needs

Jackson/Putnam AA

FSG demonstrated adequate responsiveness to meeting the CD needs of the community. While CD services were somewhat limited, employees did participate on a local non-profit board that provides affordable housing and participated in financial literacy. FSG also purchased MBS investments that also address housing for low- and moderate-income individuals. Of the four branches in this AA, one location is in a moderate-income census tract. In addition, the two locations in middle-income census tracts have been designated as distressed areas.

Knoxville MSA AA

FSG demonstrated adequate responsiveness to meeting the CD needs of the community. This is evidenced by their participation on various boards that provide affordable housing or community services to low- or moderate-income individuals or that provide economic development to the community. Three of FSG's five branches in this AA are located in moderate-income census tracts, which demonstrates a responsiveness to AA banking needs.

The bank has demonstrated a commitment to the community by financing CD loans in the community.

Conclusion for limited-scope AAs:

The level of CD responsiveness in the Morristown, Monroe/McMinn and Cleveland AAs is consistent with the performance in the full-scope areas.

State Rating

State of Georgia

CRA Rating for Georgia: 3 Satisfactory.

The Lending test is rated: Satisfactory.

The Community development test is rated Satisfactory.

- The distribution of loans by borrower income represents a reasonable penetration among individuals of different income levels. The geographic dispersion of loans is also reasonable.
- CD investments, loans and services reflect an adequate responsiveness in the Dalton MSA AA.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN GEORGIA

FSG operates five branches and six ATMs in the Dalton MSA AA. As of June 30, 2012, the Dalton MSA AA reported \$150 million in deposits. This represents approximately 14.6 percent of the bank's total deposits. At this examination, approximately 13 percent of the HMDA reported loans and 16 percent of the CRA reported loans are attributed to the Dalton MSA AA. In Georgia, FSG operates under the name Dalton Whitfield Bank.

Dalton MSA AA

FSG's AA includes a portion of the Dalton MSA consisting of Whitfield County. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude low- and moderate-income geographies.

The following table provides demographic information about the AA:

³ For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation does not reflect performance in the parts of this state contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF DALTON MSA ASSESSMENT AREA		
	<i>2000 Census Data</i>	<i>2010 Census Data</i>
<i>Population</i>		
Number of Families	22,293	25,004
Number of Households	29,362	34,292
<i>Geographies</i>		
Number of CT's	18	18
% Low-Income CT's	0.00	5.56%
% Moderate-Income CT's	22.22%	11.11%
% Middle-Income CT's	61.11%	50.00%
% Upper-Income CT's	16.67%	33.33%
% N/A-Income CT's	0	0
<i>Median Family Income (MFI)</i>		
MFI for Whitfield County	\$46,187	\$49,662
HUD-Adjusted MFI *2011 ^2012	\$50,200*	\$50,800^
<i>Economic Indicators</i>		
Unemployment Rate	2.34%	5.7%
Median Housing Value	\$87,388	\$129,139
% of Households Below Poverty Level	11.44%	17.38%

Source 2000 and 2010 US Census Data

According to the 2010 Census, the total population of the AA is approximately 102,599. About 32 percent of the population resides in the city of Dalton, the seat of Whitfield County. The AA has one low-income census tract and two moderate-income census tracts, which are located in the city of Dalton. According to the 2010 Census, approximately 17 percent of households in the AA live below the poverty level.

Housing in the AA is generally affordable when comparing income with housing costs, particularly for moderate-income families. The HUD Median Family Income for the AA in 2012 was \$50,800 and the median home value was \$129,139 according to Census Data. Housing values have increased since the 2000 Census where the estimated median value was \$87,388. Having adequate funds for the down payment and closing costs are the biggest barriers to home ownership.

The economy remains sluggish and the unemployment rate in the AA for June 2013 was 11.5 percent according to the Bureau of Labor Statistics. The AA's unemployment rate exceeds both state and national rates. According to a community contact, the Dalton MSA suffered drastic economic decline due to the ailing carpet industry. Since 2009, Dalton's carpet manufacturers have undergone substantial downsizing, resulting in rising poverty and unemployment in the area. The economic decline has also increased the need for more affordable housing in the area. The community contact also stated a large number of small businesses have closed in the Dalton area in recent years, increasing the need for economic development.

Banking competition is strong in the AA. FSG ranked fourth in deposit market share as of June 30, 2012, with 14 financial institutions operating 38 offices in the Dalton MSA AA. Competition includes national, regional, and community banks, and non-bank financial service providers. FSG also competes with small business and mortgage lenders, such as mortgage and credit card companies that lend in the AA but do not take deposits.

Opportunities are limited for CD related to lending, investments and services in the Dalton MSA AA based on the size and number of CD organizations. CD opportunities include working with and providing financing to the several organizations whose mission is to provide affordable housings and/or community service for low- and moderate-income persons, as well as organizations with a mission of economic development.

SCOPE OF EVALUATION IN GEORGIA

A full-scope review was conducted for the Dalton MSA AA. This AA accounts for approximately 13.4 percent of the HMDA loans and 15.5 percent of CRA reportable loans.

Loan products include home purchase, home improvement, and home refinance loans reported under HMDA and small business loans reported under CRA. Loans to small businesses account for a larger portion of loans originated in the AA and carried more weight in performance conclusions for the Dalton MSA AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN GEORGIA

FSG's overall performance in Georgia is satisfactory.

- During the evaluation period, the bank originated \$16.0 million in home mortgage loans and \$35.4 million in small business loans, representing approximately 12.9 percent of the bank's home mortgage and small business loans by dollar volume.
- The dispersion of loans by borrower income level or revenues of the business is excellent.
- The bank's geographic distribution of loans is reasonable.
- The bank demonstrated adequate responsiveness to meeting the CD needs through loans, investments, and services.

LENDING TEST

The bank's performance under the lending test in Georgia is rated "Satisfactory".

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

The distribution of loans in the Dalton AA reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.

Home Loans

The distribution of home loans to borrowers reflects reasonable penetration among borrowers of different income levels. There was a limited level of lending during the evaluation period. No analysis was conducted on home purchase or home improvement loans. The lending volume for home purchase (19) and home improvement loans (16) was insufficient for a meaningful analysis

The borrower distribution of home refinance loans is reasonable. For 2010-2011 lending, FSG originated/purchased 146 home loans in this AA, including 40 loans to low- and moderate-income borrowers. The percent of home refinance loans to low-income borrowers is lower than the percent of low-income families in the AA. For moderate-income borrowers, the percent of loans exceeds the percent of moderate-income families.

The following table shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2010 through December 31, 2011 as compared to the percent of families in each income category

Borrower Distribution of Residential Real Estate Loans in Dalton AA 2010 – 2011 HMDA Reportable Loans								
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	17.76	6.25	19.28	25.00	22.72	37.50	40.24	31.25
Home Improvement	17.76	18.75	19.28	31.25	22.72	25.00	40.24	25.00
Home Refinance	17.76	11.25	19.28	22.50	22.72	21.25	40.24	45.00

Source: 2010-2011 HMDA Reported Loans; 2000 U.S. Census data.

For 2012, FSG originated/purchased 46 home loans in this AA, including 23 loans to low- and moderate-income borrowers. The borrower distribution of home refinance loans reflects an excellent penetration to low- and moderate-income borrowers. The percent of home refinance loans to low- and moderate-income borrowers exceeds the percent of low- and moderate-income families in the AA.

No analysis was conducted on home purchase or home improvement loans. The lending volume for home purchase (6) and home improvement loans (5) was insufficient for a meaningful analysis.

The following tables shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2012 through December 31, 2012 as compared to the percent of families in each income category.

Borrower Distribution of Residential Real Estate Loans in Dalton AA 2012 HMDA Reportable Loans								
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	22.47	0.00	16.21	40.00	20.03	20.00	41.29	40.00
Home Improvement	22.47	20.00	16.21	40.00	20.03	0.00	41.29	40.00
Home Refinancing	22.47	28.57	16.21	35.71	20.03	0.00	41.29	35.71

Source: 2012 HMDA Reported Loans; 2010 U.S. Census data.

Business Loans

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes.

For 2010-2011 lending, FSG originated/purchased 184 business loans in the AA. Seventy-five percent of the bank’s loans were made to small businesses. Small businesses are businesses with gross annual revenues of \$1 million or less. This performance is excellent when compared to demographic data that show 65 percent of the area’s businesses are considered small businesses.

The following table shows the distribution of commercial loans among different sized businesses in the AA.

Borrower Distribution of Loans to Businesses in Dalton AA 2010 – 2011 CRA Reportable Loans				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	64.96	3.80	31.24	100%
% of Bank Loans in AA by #	75.00	25.00	0.00	100%
% of Bank Loans in AA by \$	60.37	39.63	0.00	100%

Source: 2010-2011 CRA Reported Loans; Dunn and Bradstreet data.

For 2012 lending, FSG originated/purchased 57 business loans in the AA. Approximately 73.7 percent of the bank’s loans were made to small businesses. This is considered excellent compared to demographic data that show 69.1 percent of the area’s businesses are considered small businesses.

The following table shows the distribution of commercial loans among different sized businesses in the AA.

Borrower Distribution of Loans to Businesses in Dalton AA 2012 CRA Reportable Loans				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	69.06	5.12	25.82	100%
% of Bank Loans in AA by #	73.68	26.32	0.00	100%
% of Bank Loans in AA by \$	67.07	32.93	0.00	100%

Source: 2012 CRA Reported Loans; Dunn and Bradstreet data.

Geographic Distribution of Loans

The distribution of loans reflects a reasonable dispersion in the Dalton AA. There were no conspicuous gaps identified within the area. More weight was placed on the distribution in moderate-income census tracts as there were no low-income census tracts under the 2000 U.S. Census and a limited number of owner-occupied housing units and businesses located in low-income census tracts in the 2010 U.S. Census.

Home Loans

For 2010-2011 lending, the bank’s geographic distribution of home refinance loans in the AA reflects an excellent dispersion in the moderate-income census tracts.

No analysis was conducted on home purchase or home improvement loans. The lending volume for home purchase (19) and home improvement loans (16) was insufficient for a meaningful analysis.

The following table details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Geographic Distribution of Residential Real Estate Loans in Dalton AA 2010 – 2011 HMDA Reportable Loans								
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	13.31	21.05	69.32	73.68	17.36	5.26
Home Improvement	0.00	0.00	13.31	25.00	69.32	68.75	17.36	6.25
Home Refinance	0.00	0.00	13.31	22.52	69.32	60.36	17.36	17.12

Source: 2010-2011 HMDA Reported Loans; 2000 U.S. Census data

For 2012 lending, the bank’s geographic distribution of home refinance loans in the AA reflects a reasonable dispersion in low- and moderate-income census tracts. The geographic dispersion of home refinance loans in low-income census tracts is excellent. In moderate-income census tracts, lending performance is poor as the percent of loans is significantly lower than the percent of owner-occupied housing units in these geographies.

No analysis was conducted on home purchase or home improvement loans. The lending volume for home purchase (6) and home improvement loans (5) was insufficient for a meaningful analysis.

The following table details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Geographic Distribution of Residential Real Estate Loans in Dalton AA 2012 HMDA Reportable Loans								
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	2.15	0.00	9.35	16.67	49.68	66.67	38.82	16.67
Home Improvement	2.15	0.00	9.35	0.00	49.68	40.00	38.82	60.00
Home Refinance	2.15	2.86	9.35	5.71	49.68	48.57	38.82	42.86

Source: 2012 HMDA Reported Loans; 2010 U.S. Census.

Business Loans

The bank’s geographic distribution of business loans reflects a reasonable dispersion throughout the census tracts of different income levels.

For 2010-2011 CRA loans, the percent of loans exceeds the percent of businesses located in moderate-income census tracts. For the 2000 U.S. Census, the AA did not have any low-income census tracts.

The following table details the bank’s performance as compared to the percentage of businesses in each census tract income level.

Geographic Distribution of Loans to Businesses in Dalton AA 2010 – 2011 CRA Reportable Loans								
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
	0.00	0.00	33.13	37.50	51.90	47.28	14.97	15.22

Source: 2010-2011 CRA Reported Loans; Dunn and Bradstreet data.

For 2012 CRA loans, the penetration of small loans to businesses is excellent in low-income census tracts and poor in the moderate-income geographies.

The following table details the bank’s performance as compared to the percentage of businesses in each census tract income level.

Geographic Distribution of Loans to Businesses in Dalton AA 2012 CRA Reportable Loans								
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
	4.68	7.02	25.83	19.30	39.17	42.11	30.32	31.58

Source: 2012 CRA Reported Loans; Dunn and Bradstreet data.

Responses to Complaints

No CRA related complaints were made against the bank during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the Community Development Test in Georgia is rated “Satisfactory”.

FSG showed an adequate responsiveness to CD needs in the Dalton MSA AA through CD loans, qualified investments, and services.

Number and Amount of Community Development Loans

The level of CD lending in the Dalton MSA AA reflects an adequate responsiveness to CD needs of the AA. The level of CD lending reflects the impact of the bank’s focus on complying with regulatory orders effective April 28, 2010.

FSG originated two community development loans in the Dalton MSA AA totaling \$301 thousand. A \$200 thousand loan financed the acquisition of a multi-family apartment building that provides below market rate rentals. In addition, FSG refinanced a \$101 thousand loan for an affordable multi-family apartment building

Number and Amount of Qualified Investments

FSG’s level of CD investments reflects an adequate responsiveness to meeting the needs of the community.

During the current evaluation period, FSG had two investments in this AA consisting of two MBS totaling \$434 thousand. The MBS were comprised of individual loans funding housing loans to low- and/or moderate-income individuals located in the AA.

Extent to Which the Bank Provides Community Development Services

FSG's level of CD services reflects adequate responsiveness to meeting the needs of the community in the Dalton MSA AA. During the evaluation period, seven bank employees provided financial services to five different qualified CD organizations. Examples of the types of services provided include:

- Serving on the Board for an organization that provides affordable housing.
- Serving on the Board for a nonprofit corporation certified by the U.S. Small Business Administration that facilitates small business development through business financing assistance.
- Providing financial literacy classes at a local school where a majority of students are low- and /or moderate income.
- Serving as Chairman for the oversight of local indigent care trust.

FSG has also donated branch office space on a weekly basis to the local Consumer Credit Counseling agency to conduct consumer credit counseling.

Responsiveness to Community Development Needs

FSG demonstrated adequate responsiveness to meeting the CD needs of the community. This is evidenced by their participation on various boards that provide affordable housing or community services to low- or moderate-income individuals or that provide economic development to the community. FSG has two banking locations in moderate-income census tracts in this AA.

Appendix A: Scope of Examination

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

Time Period Reviewed	Lending Test: 01/01/2010 – 12/31/2012 Community Development Test: 10/01/2009 – 08/05/2013	
Financial Institution	Products Reviewed	
FSGBank, National Association (FSG) Chattanooga, Tennessee	Home Purchase, Home Improvement and Home Refinance; Small Business, Community Development	
Affiliate(s)	Affiliate Relationship	Products Reviewed
No affiliate products were included in CRA evaluation		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Chattanooga Multistate MSA Tennessee Knoxville (MSA 28940) Cleveland (MSA 17420) Morristown (MSA 34100) Putnam/Jackson Non-MSA McMinn/Monroe Non-MSA Georgia Dalton (MSA 19140)	Full-Scope Full-Scope Limited-Scope Limited-Scope Full-Scope Limited-Scope Full-Scope	

Appendix B: Summary of Multistate Metropolitan Area and State Ratings

Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
FSG	Satisfactory	Satisfactory	Satisfactory
Chattanooga Multistate MSA	Satisfactory	Satisfactory	Satisfactory
Tennessee	Satisfactory	Satisfactory	Satisfactory
Georgia	Satisfactory	Satisfactory	Satisfactory