



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

August 17, 2009

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

Pinnacle National Bank  
Charter Number: 24083

The Commerce Center, 211 Commerce Street, Suite 300  
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Office of the Comptroller of the Currency

Nashville Field Office  
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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, and should not 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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## Overall CRA Rating

**Institution's CRA Rating:** This institution is rated Satisfactory.

The following table indicates the performance level of Pinnacle National Bank with respect to the Lending, Investment, and Service Tests:

Performance Levels	(Name of Depository Institution) Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\*The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- Lending activity reflected an excellent responsiveness to the credit needs of the bank's assessment areas.
- The geographic distribution of small loans to businesses was excellent and the geographic distribution of home mortgage loans was good.
- The distribution of loans to borrowers of different income levels was good.
- Community development lending was at a relatively high level and responsive to identified needs in the community.
- Community development investments were responsive to credit and community development needs of the bank's assessment areas.
- Service delivery systems were accessible to geographies and individuals of different income levels in the bank's assessment areas.
- The bank provided a relatively high level of community development services that were responsive to identified needs in the community.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include additional data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

Pinnacle National Bank (PNB), founded in 2000, is an intrastate bank headquartered in Nashville, Tennessee. Pinnacle is a wholly owned subsidiary of Pinnacle Financial Partners, Inc., a one-bank holding company also headquartered in Nashville. PNB is the second largest commercial bank headquartered in Tennessee. Pinnacle Financial Partners operates the Pinnacle Community Development Inc., a certified Community Development Entity (CDE). We considered the lending and investment activities of the CDE in evaluating the bank's CRA performance. PNB does not have any other affiliates or operating subsidiaries that influence the bank's capacity to lend or invest in the community.

As of June 30, 2009, PNB reported total assets of \$2.4 billion, and net Tier One Capital of \$364 million. The loan to deposit ratio was 89.4%. There are no significant financial, legal, or other types of barriers limiting PNB's ability to lend or provide credit services in its communities.

PNB expanded its retail footprint during the evaluation period, acquiring Calvary Bancorp Inc. in Murfreesboro in 2006, and through a merger with Mid-America Bancshares, Inc. in 2008, the acquisition of Bank of the South in Mount Juliet. PNB currently operates 32 full-service branches and 40 automated teller machines (ATMs) in Tennessee. During the evaluation period, PNB opened three branches, most recently expanding into the Knoxville market. PNB did not close any branches during the evaluation period. PNB has defined three assessment areas (AAs) in Tennessee. The Nashville AA is comprised of eight counties in the Nashville-Davidson-Murfreesboro, TN Metropolitan Statistical Area (MSA). The Knoxville AA is limited to Knox County in the Knoxville, TN MSA, and Bedford County, a non-metropolitan MSA AA.

The bank primarily engages in generating deposits and originating loans. The company's deposit products include personal and business checking deposits, NOW accounts, money market deposit accounts, savings deposits, and certificates of deposit. The company's loan portfolio includes commercial real estate, residential real estate and consumer loans such as home equity loans and lines of credit, and automobile loans. PNB also provides treasury management services, card services for commercial clients, trust administration, and investment management services. In addition, the company offers online banking with bill pay. The company's strategic focus is to serve small to medium-sized businesses in the Nashville and Knoxville MSAs. As a result, a relatively high percentage of the bank's loan portfolio consists of commercial loans primarily to small and medium-sized businesses. Loans represent approximately 69.7% of total assets. The portfolio is comprised of 74.1% commercial loans, 22.3% real estate loans, and 3.1% consumer and other loans and leases. Farm and agricultural loans comprise 0.5% of the total loan portfolio.

The last evaluation of PNB's CRA performance was on August 15, 2006, at which time PNB received a "Satisfactory" rating. A review of the Office of the Comptroller of the Currency (OCC) records and the bank's CRA Public File did not reveal any complaints relating to the bank's CRA performance. During the review of three community contacts made in the AAs, we noted that opportunities exist in the bank's markets to participate in community development lending, investment, and service activities. The primary community needs identified by the contacts are affordable housing, small business loans, and technical assistance (financial education).



## Scope of the Evaluation

### Evaluation Period/Products Evaluated

This Performance Evaluation assesses the bank's performance under the Lending, Investment, and Service Tests. In our evaluation of the bank's lending performance, we reviewed PNB's residential mortgage loans and small business loans. We did not consider farm and multi-family real estate loans in the evaluation of the bank's performance because these loan types comprise 0.5% and 1.1% of the bank's loan portfolio, respectively. At the bank's option, we also excluded consumer and other loans and leases, which represent 3.1% of the total loan portfolio. The evaluation period under the Lending Test is January 1, 2006 through December 31, 2008.

For community development (CD) loans and the Investment and Service tests, the evaluation period is August 16, 2006 through December 31, 2008. The Investment Test conclusions derive from the evaluation of investments, grants and donations made in the bank's AAs that meet the definition of community development. The Service Test evaluation conclusions derive from the assessment of branch distribution, hours of operation, branch openings and closings, alternative delivery systems, retail and commercial deposit products and services, loan products and services, and community development services.

### Data Integrity

Prior to this CRA examination, OCC personnel verified the accuracy of data made available to the public in accordance with the Home Mortgage Disclosure Act (HMDA) and the CRA regulation. Public data includes information on home mortgages and small loans to businesses and farms. In addition, we reviewed non-public data submitted by bank management for CD loans, services, and investments to ensure they qualified as community development. Based on verification work performed, we consider publicly reported data accurate. In this evaluation, we included all the data reported in the above categories.

### Selection of Areas for Full-Scope Review

In each state where the bank has an office, a representative sample of assessment areas (AAs) within the state are subject to a full-scope review. The Nashville MSA AA received a full-scope review because this is a significant market for the bank. PNB headquarters are in Nashville. The Nashville MSA AA accounts for 93.8% of the branch network, 94.8% of total deposits, and 92.4% of the CRA reportable loans during the evaluation period.

### Ratings

We base the bank's overall rating on those areas that receive a full-scope review. The Nashville MSA AA receives the greatest weight in our determination of the overall rating. Approximately 92% by number and dollar volume of loan originations are within the Nashville MSA AA. Refer to the table in Appendix A for information describing the scope of examination.

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

We found no evidence of illegal discrimination or other illegal credit practices.

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Lending Test is rated "High Satisfactory." Based on full-scope reviews, the bank's performance in the Nashville MSA AA is good.

#### Lending Activity

Refer to Tables 1 Lending Volume and in appendix C for the facts and data used to evaluate the bank's lending activity.

PNB's lending activity demonstrates good responsiveness to the credit needs of its AA considering its size, resources, deposit market share, and primary business focus. As of June 30, 2008, PNB ranked fourth among 60 depository institutions with a 9.6% share of the Nashville MSA market. Those institutions with a greater market share include Regions Bank, Bank of America, N.A., and Suntrust Bank, which captured 18.7%, 13.8%, and 13% of the market, respectively, and are significantly larger than PNB in total assets.

PNB has an excellent record of lending inside of its AAs. A substantial majority of originated and purchased loans reported by PNB during the evaluation period are within the bank's AAs. Ninety-two percent by number and dollar volume of all loans are located within the bank's AAs. A substantial majority of small business/farm and home improvement lending (92%) originated within the AAs, while 90% of home purchase and refinance lending occurred within those areas. PNB originated all of its CD loans within the bank's Nashville MSA AA. These calculations are on a bank-wide basis, and affiliate lending is not included. This record of lending within the AAs factored positively into the geographic distribution conclusions.

#### Distribution of Loans by Income Level of the Geography

The geographic distribution of PNB's loans is good. The geographic distribution of home mortgage loans is good and the geographic distribution of small loans to businesses is excellent.

#### *Home Mortgage Loans*

Refer to Tables 2, 3, 4 and 5 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The geographic distribution of home purchase loans is excellent. The percentage of PNB's loans in both the low- and moderate-income geographies exceeds the percentage of owner-occupied housing units that are located in those segments of the AA. PNB's 2007 market share of home purchase loans in low- and moderate-income geographies significantly exceeded its overall home purchase market share in the AA.

The geographic distribution of home improvement loans is good. The percentage of loans in low-income areas exceeds the demographic, and is very near the demographic in moderate-income areas. PNB's market share of home improvement loans exceed its overall market share in low-income geographies, and are near its overall market share in moderate-income geographies.

The geographic distribution of home refinance loans is good. The percentage of loans in low-income geographies exceeds the demographic and is near the demographic in moderate-income geographies. PNB's market share of home refinance loans exceeds its overall market share in low-income geographies, and is near its overall market share in moderate-income geographies.

PNB's volume of multifamily loans is too low for meaningful analyses.

### ***Small Loans to Businesses***

Refer to Table 6 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The geographic distribution of small loans to businesses is excellent. The percentage of PNB's loans in both the low- and moderate-income geographies exceeds the percentage of businesses located in those segments of the AA. PNB's 2008 market share in low- and moderate-income areas also exceeds its overall market share of small loans to businesses in the AA.

### ***Small Loans to Farms***

Refer to Table 7 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

Small Loans to farms do not constitute a significant majority of the bank's business. A geographic analysis of small loans to farms was not meaningful as a result we did not include small farm loans in the evaluation of the bank's geographic or borrower distribution of loans.

### ***Lending Gap Analysis***

We reviewed summary reports detailing PNB's lending activity over the evaluation period for home mortgage loans and small loans to businesses to identify gaps in the geographic distribution of loans. We did not identify any unexplained conspicuous gaps. We determined that all of the bank's AAs consist of whole geographies, meet the requirements of the Community Reinvestment Act regulation, and do not arbitrarily exclude any low- or moderate-income areas.

### ***Inside/Outside Ratio***

PNB has an excellent record of lending inside of its AAs. A substantial majority of originated and purchased loans reported by the bank during the evaluation period are within the bank's AA. Ninety-two percent by number and dollar volume of all loans are located within the bank's

AAs. A substantial majority of small business/farm and home improvement lending (92%) originated within the AAs, while 90% of home purchase and refinance lending occurred within those areas. PNB originated all its CD loans within the bank's Nashville MSA AA. These calculations are on a bank-wide basis, and affiliate lending is not included. This performance record factored positively in the overall analysis of the geographic distribution of lending.

## **Distribution of Loans by Income Level of the Borrower**

The distribution of PNB's loans to borrowers of different incomes is good. PNB achieved adequate penetration to low- and moderate-income borrowers with its home mortgage lending. The distribution of small loans to businesses with revenues of \$1 million or less is good.

### ***Home Mortgage Loans***

Refer to Tables 8, 9, and 10 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

In evaluating the borrower distribution of home mortgage loans, we considered the number of families that live below the poverty level and the barriers that this may have on homeownership. In the Nashville MSA AA, 7% of families have incomes below the poverty level. Of primary impact to lending to low-income borrowers is the price of a home. Statewide and in middle Tennessee home prices have risen faster than income, widening the gap between median income and median home prices. This makes housing even more out of reach for workers with stagnant wages. Of the 15 counties the Tennessee Housing Development Agency identified as having the highest priced homes, seven are in the Nashville MSA AA. This has a significant impact on the opportunity to lend to the low-income population of the assessment area. Refer to the Market Profiles in appendix C for the demographic information, including poverty rates.

The distribution of home purchase loans to borrowers of different income levels is adequate. The percentage of home purchase loans to low-income borrowers is well below the percentage of low-income families in the AA, but is adequate when considering the percentage of households living below the poverty level. Market share analysis indicates that the bank's performance of home purchase lending to low-income families is below its overall market share. The percentage of home purchase loans to moderate-income borrowers is very near the percentage of moderate-income families in the AA. The bank's market share of loans to moderate-income borrowers is near its overall market share.

The distribution of home improvement loans to borrowers of different income levels is good. The percentage of home improvement loans to low-income borrowers is near the percentage of low-income families in the AA. Market share analysis indicates that the bank's performance of lending to low-income families significantly exceeds its overall market share. The percentage of home improvement loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. The bank's market share of loans to moderate-income borrowers also exceeds its overall market share.

The distribution of home refinance loans to borrowers of different income levels is adequate. The percentage of refinance loans to low-income borrowers is significantly below the percentage of low-income families in the AA. Market share analysis indicates that the bank's performance of lending to low-income families is below its overall market share. The percentage of home refinance loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. Market share analysis reflects that the bank's market share of lending to moderate-income families is near its overall market share.

### ***Small Loans to Businesses***

Refer to Table 11 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The borrower distribution of small loans to businesses is good. The percentage of small loans to businesses with revenues of \$1 million or less is below the percentage of small businesses within the AA. However, PNB's market share of loans to businesses with revenues of \$1 million or less exceeds its overall market share performance.

### **Community Development Lending**

Refer to Table 1 Lending Volume in appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multi-family loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

PNB's level of community development lending is excellent and CD lending had a positive impact on the Lending Test rating. During the evaluation period, PNB originated 12 CD loans totaling \$11.7 million in the AA. The CD loans reflect a variety of community development purposes including affordable housing, funding for organizations providing community services targeted to low- and moderate-income individuals and families, and economic development by financing small businesses.

For example, PNB provided an affordable housing organization with two loans totaling \$4 million to fund the development of a 112-home and a 350-home community, both located in north Nashville. PNB provided a \$1.5 million loan to the only Community Development Financial Institution (CDFI) in Tennessee with a statewide presence. The CDFI operates four loan funds that provide small businesses with access to non-traditional financing for start-up costs, equipment purchases, and working capital. PNB provided a non-profit housing provider with a \$1.3 million loan to rehabilitate existing rental property. The agency provides over 600 units of affordable housing for low- and moderate-income families. Approximately one-third of the residents were previously homeless. In addition to providing housing, the agency offers case management services, assists with recovery from alcohol and substance abuse, provides transportation services for its residents, basic social and employment related skills training, and other programs based on need. Lastly, although not reflected in the Table 1 totals, Pinnacle Community Development Inc. originated a series of community development loans totaling \$5.5 million using New Market Tax Credits that support economic development projects in an area designated for development by the Metropolitan Development and Housing Agency and originated loans to non-profit organizations that provide services to low- and

moderate-income families. These efforts helped to address affordable housing and economic development needs as identified by community contacts.

## **Product Innovation and Flexibility**

The use of innovative and flexible loan products has a neutral impact on the bank's performance under the Lending Test. PNB offers one innovative or flexible loan program to address the credit needs of low- or moderate-income individuals. The Pinnacle 100 loan program assists borrowers who may not qualify for a loan based on secondary market underwriting standards. Under this program, there is no minimum loan amount, 100% maximum loan-to-value, and funds may be used to purchase or refinance a mortgage loan anywhere in PNB's assessment area. The borrower is only required to contribute \$500 toward the down payment. During the evaluation period, PNB originated eight loans totaling \$881,000. Although the program is not income restricted, six borrowers were classified as low- or moderate-income, and one low-income borrower received a grant through the Tennessee Department of Mental health and Development Disabilities to defray closing costs and provide down payment assistance.

## **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited scope reviews, the bank's performance under the Lending Test in the Knoxville and non-metropolitan MSA AAs is not consistent with the bank's overall "High Satisfactory" performance under the Lending Test. In the Knoxville and non-metropolitan MSA AAs, the bank's performance is weaker. Performance is weaker in the Knoxville MSA AA because this is a relatively new market for the bank. Performance in the non-metropolitan AA is weaker due to limited opportunities for community development lending in this AA. Weaker performance in these AAs did not materially affect the overall conclusions for lending.

Refer to Tables 1 through 12 in appendix C for the facts and data that support these conclusions.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Investment Test is rated "High Satisfactory." Based on full-scope reviews, the bank's performance in the Nashville MSA AA is good.

During the evaluation period, PNB originated 73 investments and donations in the AA totaling \$12.3 million. The investments supported affordable housing, community services, and economic development. Approximately 85% of the investments bank-wide benefited the Nashville MSA AA, focusing on economic development, including small business development in rural and low- and moderate-income areas and job creation in disadvantaged communities.

For example, in 2004, the Community Development Financial Institutions Fund (CDFI) of the U.S. Department of the Treasury certified Pinnacle Community Development Inc. as a Community Development Entity (CDE). Certification as a CDE means that Pinnacle Community Development Inc. meets the eligibility requirements governing the New Market Tax Credits Program. The mission of the CDE is to make loans for the purpose of establishing,

supporting, encouraging, and promoting small businesses located in low-income communities in Davidson County. The bank has a prior period investment of \$6.6 million and current investment of \$1.5 million in the CDE. Leveraging this investment, the CDE originated eight loans in the Nashville MSA AA totaling \$5.5 million that otherwise qualify for consideration as community development loans.

PNB also invested \$1 million in a CDFI that provides loans to businesses that lack access to traditional financing, with emphasis on low- and moderate-income communities. The CDFI operates three loan funds targeting businesses in Knox County, Nashville, and in the rural areas of Tennessee. One of the funds, the Rural Opportunity Fund, is a \$10 million revolving loan fund, the first of its kind in the state. PNB was the first financial institution to invest in this fund, making a \$1.7 million investment in a program that benefits the broader, statewide region, but also has the potential to benefit the bank's AA.

Refer to Table 13 in appendix C for the facts and data used to evaluate the bank's level of qualified investments.

### **Conclusions for Area Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the Investment Test in the Knoxville and non-metropolitan MSA AAs is not consistent with overall "High Satisfactory" performance under the Investment Test. In the Knoxville and non-metropolitan MSA AAs, the bank's performance is weaker than the bank's overall performance. The Knoxville MSA AA is a relatively new market for the bank and opportunities for investment are limited in the non-metropolitan AA. While performance is weaker in these AAs, it is adequate, and does not change the overall conclusions for investments.

Refer to Table 13 in appendix C for the facts and data that support these conclusions.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Service Test is rated ("High Satisfactory"). Based on full-scope reviews, the bank's performance in the Nashville MSA AA is good.

### **Retail Banking Services**

Refer to Table 14 in appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

The distribution of bank branches in the AA is good, as they are accessible to all portions of the AA. PNB operates 30 full-service branches and 38 automated teller machines (ATMs) in the AA. Thirty percent of the branches and 37% of the ATMs are in a moderate-income geography. There are no branches or ATMs located in a low-income geography in the AA. During the evaluation period, the bank opened two branches resulting in an increase in a middle-income geography. The bank did not close any branches.



The services offered at each branch are generally consistent and do not vary in a way that would inconvenience portions of the AA. Branch hours are convenient and include extended weekday and Saturday hours. All offices, except the downtown Nashville Office, have drive-thru facilities.

PNB offers a full range of standard deposit and loan products to consumers and businesses. To facilitate customer access to funds, PNB charges no ATM fees, no charge for check card usage, and no charge for online banking. There are no services tailored specifically to low- or moderate-income geographies or individuals. However, PNB's basic checking account product features a minimum opening deposit of \$100, no monthly maintenance fee or balance requirement, and includes free online banking with bill pay.

### **Community Development Services**

The bank provided a relatively high level of community development services to the Nashville MSA AA. The foundation of PNB's community development involvement is helping promote affordable housing in its communities. Leveraging partnerships with community groups and organizations, PNB successfully assisted their community development partners by:

- Securing 148 in grants from the Federal Home Loan Bank of Cincinnati, totaling \$3.2 million;
- Sponsored applications from eight non-profit community development organizations, resulting in the creation of 203 new affordable single family housing units; and
- Assisted 32 homebuyers with down payment assistance grants and helped 48 families bring their real estate mortgages current and avoid foreclosure.

Bank employees hold leadership positions in many organizations, including board and committee memberships of community development organizations that address needs including affordable housing and small business development. During the evaluation period, bank employees, including senior bank officers, provided services to over 700 clients of organizations engaged in serving the community development needs of low- and moderate-income residents, geographies, and small businesses within the AA.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the Service Test in the Knoxville and non-metropolitan MSA AAs is not inconsistent with the bank's overall "High Satisfactory" performance under the Service Test.

## Appendix A: Scope of Examination

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

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): 01/01/06 to 12/31/08 Investment and Service Tests and CD Loans: 08/16/06 to 12/31/08	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Pinnacle National Bank Nashville, Tennessee	Home Mortgage Loans Small Loans to Businesses Community Development Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
<i>Pinnacle Community Development Inc.</i>	Holding Company Subsidiary	Community Development Loans
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Nashville-Davidson MSA #34980  Knoxville MSA #28940 Knox County non MSA	Full Scope  Limited Scope Limited Scope	

## Appendix B: Market Profiles for Full-Scope Areas

### Nashville-Davidson-Murfreesboro MSA AA

Demographic Information for Full-Scope Area: (Name of MA or Nonmetropolitan Area)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	234	6.84	20.09	51.28	21.37	0.43
Population by Geography	1,155,664	4.50	16.77	55.82	22.90	0.00
Owner-Occupied Housing by Geography	295,369	1.84	11.92	59.33	26.92	0.00
Businesses by Geography	116,647	3.62	19.91	49.53	26.62	0.33
Farms by Geography	2,163	1.62	11.42	61.53	25.20	0.23
Family Distribution by Income Level	302,811	18.23	17.72	23.30	40.75	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	108,864	8.51	24.47	56.17	10.85	0.00
Median Family Income HUD Adjusted Median Family Income for 2008 Households Below the Poverty Level	= \$51,844 = \$63,200 =10%	Median Housing Value = \$130,879 Unemployment Rate = 2.45%				

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

In the state of Tennessee, the bank's primary market is the Nashville MSA AA, which is comprised of eight counties in the Nashville-Davidson-Murfreesboro, TN MSA, including Cheatham, Davidson, Dickson, Robertson, Rutherford, Sumner, Williamson, and Wilson. There are 234 census tracts in the AA of which, 16 (6.8%) are low-income, 47 (20.1%) are moderate-income, 120 (51.3%) are middle-income, and 50 (21.4%) are upper-income. One census tract in the AA does not have income information and is classified NA.

The Nashville MSA AA represents 93.8% of the bank's branch network, 94.8% of the bank's deposit base, and 92.4% of total reportable loans during the evaluation period. PNB ranks as the fifth largest commercial bank in the State of Tennessee and the fourth largest in the Nashville MSA AA. The five largest competitors in the AA include Regions Bank; Bank of America, N.A.; SunTrust Bank; First Tennessee Bank, N.A.; and Fifth Third Bank, N.A. PNB operates 30 branches and 38 ATMs in the Nashville MSA AA.

### Population

The population living in the Nashville MSA AA was 1,155,664 in 2000 according to the U. S. Census Bureau data. Of this total population, 18.2% were low-income families, 17.7% were moderate-income families, 23.3% were middle-income families, and 40.8% were upper-income families. Approximately 7.4% of the families in the population had income below the poverty level. Nashville is the capital of Tennessee and the second most populous city in the state. In the City of Nashville, principally Davidson County, the level of poverty is significantly higher at

10%. The total number of families in Davidson County was 139,234 in 2000, and 22.3% were low-income, 18.8% were moderate-income, 22.6% were middle-income, and 36.3% were upper-income families.

### Housing Demographic Summary

In 2000, the housing stock in the Nashville MSA AA was 479,417 units. Approximately 4.4% are in low-income geographies, 17.2% are in moderate-income geographies, 56.5% are in middle-income geographies, and 22% are in upper-income geographies. In 2000, the median housing value in the Nashville MSA AA was \$130,879, compared to \$142,900, in June 2009. Of the housing units available in 2000, 61.6% were owner-occupied, 32.6% were occupied rental units, and 5.8% were vacant. The percentage of owner-occupied housing units located in the low-, moderate-, middle-, and upper-income geographies was 25.9%, 42.7%, 64.7%, and 75.5%, respectively.

### Business Demographic Summary

In 2008, Dun & Bradstreet reported that there were 116,647 businesses and 2,163 farms in the Nashville MSA AA. By revenue category, 61.1% of the businesses in the Nashville MSA AA reported gross annual revenue of \$1 million or less, 4.6% reported annual revenue greater than \$1 million, and 34.3% did not report revenue. Approximately, 97% of the farms reported revenue of \$1 million or less, 1.5% reported annual revenue greater than \$1 million, and 1.5% did not report revenue. Approximately, 54.9% of the businesses have ten employees or less, and 89.6% of the businesses operate from one location. By geographic location, 3.6% of all businesses are in a low-income census tract, 19.9% are in a moderate-income tract, 49.5% are in a middle-income tract, and 26.6% are in an upper-income census tract. By SIC classification code, service-related industries represent 35.9% of all businesses in the Nashville MSA AA. Approximately 13.6% of the businesses are in the retail trade sector and 22.4% are non-classified establishments.

### Economic Conditions

Nashville's economy is shrinking, although declines in construction and manufacturing are reducing at a slower pace than those in private service-producing industries. Nashville has become a major recording center and tourist destination. However, the largest industry is health care and the MSA is headquarters for more than 250 health care companies including Vanderbilt University & Medical Center, and Hospital Corporation of America, the largest private operator of hospitals in the world. The automotive industry is also dominant in the MSA. Nissan North American is the fourth largest employer. Other top employers include Wal-Mart Stores, Inc. and Dell Corporation. Nashville continues to experience slowdown in job growth as automobile-related employers in the area cut production and downsize in response to the overall downfall in the national economy. In the third quarter of 2009, the U. S. Bureau of Labor Statistics reported that the unemployment rate in the Nashville MSA was 9.6%, and increasing in trend, although unemployment remains below the statewide rate of 10.7%. Economists do not expect the metropolitan area to emerge from recession until the first half of 2010.

## Community Contacts

As part of our evaluation of the bank's CRA performance, we contacted an affordable housing organization and reviewed the *State of Tennessee 2005-2010 Consolidated Plan for Housing and Community Development* to determine the area's economic conditions and identify critical needs in the community. We determined that affordable housing for low- and moderate-income people was in short supply, and the demand has risen as foreclosures escalate. Funding for affordable housing projects, flexible mortgage loan products, and home ownership financial education are also needs in the community. Additionally, banks have an opportunity to participate in their community through service to non-profits and small businesses with technical support related to financial advice and service on boards to provide technical expertise.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Tables without data are not included in this PE.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. See Interagency Q&As \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2 Description.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2 Description.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the

bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8 Description.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8 Description.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the

table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.



Table 1. Lending Volume

LENDING VOLUME		Geography: TENNESSEE						Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008				
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Review:</b>												
Nashville MSA AA	93.17	2,128	386,199	4,127	829,640	69	5,783	12	11,727	6,426	1,233,349	94.86
<b>Limited Review:</b>												
Knoxville MSA AA	4.54	64	15,852	249	66,926	0	0	0	0	313	82,778	3.76
Bedford County Non MSA	2.29	81	4,816	72	11,770	5	953	0	0	158	17,539	1.39

\* Loan Data as of December 31, 2008 Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is August 16, 2006 to December 31, 2008.

\*\*\* Deposit Data as of June 30, 2008 Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE		Geography: TENNESSEE						Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008							
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Nashville MSA AA	1,202	95.40	1.84	2.33	11.92	13.81	59.33	62.31	26.92	21.55	0.32	0.79	0.51	0.29	0.29
<b>Limited Review:</b>															
Knoxville MSA AA	36	2.86	4.79	2.78	12.58	2.78	49.71	30.56	32.92	63.89	0.06	0.00	0.00	0.03	0.12
Bedford County Non MSA AA	22	1.75	0.00	0.00	0.00	0.00	82.21	68.18	17.79	31.82	0.98	0.00	0.00	0.57	3.64

\* Based on 2007 Peer Mortgage Data: Eastern Region.

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT												Geography: TENNESSEE					Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography										
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp						
<b>Full Review:</b>																					
Nashville MSA AA	285	87.96	1.84	2.46	11.92	9.82	59.33	67.37	26.92	20.35	2.11	2.25	1.72	2.63	0.95						
<b>Limited Review:</b>																					
Knoxville MSA AA	4	1.23	4.79	0.00	12.58	0.00	49.71	100.00	32.92	0.00	0.14	0.00	0.00	0.28	0.00						
Bedford County Non MSA AA	35	10.80	0.00	0.00	0.00	0.00	82.21	71.43	17.79	28.57	13.98	0.00	0.00	10.26	33.33						

\* Based on 2007 Peer Mortgage Data: Eastern Region.

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 2000 Census information.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE											Geography: TENNESSEE					Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography									
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp					
<b>Full Review:</b>																				
Nashville MSA AA	634	92.96	1.84	2.21	11.92	7.89	59.33	59.78	26.92	30.13	0.28	0.59	0.23	0.30	0.24					
<b>Limited Review:</b>																				
Knoxville MSA AA	24	3.52	4.79	12.50	12.58	0.00	49.71	41.67	32.92	45.83	0.06	0.00	0.00	0.07	0.09					
Bedford County Non MSA AA	24	3.52	0.00	0.00	0.00	0.00	82.21	75.00	17.79	25.00	1.14	0.00	0.00	1.25	0.70					

\* Based on 2007 Peer Mortgage Data: Eastern Region.

\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 2000 Census information.

Table 5. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY			Geography: TENNESSEE				Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008					Market Share (%) by Geography				
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Over all	Low	Mod	Mid	Upp	
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans						
<b>Full Review:</b>																
Nashville MSA AA	7	100.0	7.99	0.00	23.48	28.57	51.70	57.14	16.84	14.29	0.00	0.00	0.00	0.00	0.00	
<b>Limited Review:</b>																
Knoxville MSA AA	0	0.00	22.60	0.00	25.85	0.00	29.25	0.00	22.29	0.00	0.00	0.00	0.00	0.00	0.00	
Bedford County Non MSA AA	0	0.00	0.00	0.00	0.00	0.00	99.32	0.00	0.68	0.00	0.00	0.00	0.00	0.00	0.00	

\* Based on 2007 Peer Mortgage Data: Eastern Region.

\*\* Multifamily loans originated and purchased in the MA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

\*\*\* Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 2000 Census information.

Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES												Geography: TENNESSEE		Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008				
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*							
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Overall	Low	Mod	Mid	Upp	
<b>Full Review:</b>																		
Nashville MSA AA	4,187	92.88	3.62	3.73	19.91	22.35	49.53	42.99	26.62	30.93	4.87	6.31	6.78	4.71	4.41			
<b>Limited Review:</b>																		
Knoxville MSA AA	249	5.52	12.07	14.46	14.93	10.84	36.42	33.73	36.55	40.96	1.16	1.96	1.08	1.12	1.10			
Bedford County Non MSA AA	72	1.60	0.00	0.00	0.00	0.00	86.27	90.28	13.73	9.72	2.78	0.00	0.00	3.24	0.85			

\* Based on 2008 Peer Small Business Data: US.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2008).

Table 7. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS															Geography: TENNESSEE					Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008				
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography													
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	Overall	Low	Mod	Mid	Upp									
<b>Full Review:</b>																								
Nashville MSA AA	69	93.24	1.62	1.45	11.42	2.90	61.53	79.71	25.20	15.94	15.61	33.33	2.50	19.51	12.28									
<b>Limited Review:</b>																								
Knoxville MSA AA	0	0.00	5.41	0.00	11.13	0.00	48.57	0.00	34.89	0.00	0.00	0.00	0.00	0.00	0.00									
Bedford County Non MSA AA	5	6.76	0.00	0.00	0.00	0.00	68.98	60.00	31.02	40.00	18.75	0.00	0.00	14.29	50.00									

\* Based on 2008 Peer Small Business Data: US.

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2008).

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE			Geography: TENNESSEE				Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008					Market Share				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Over all	Low	Mod	Mid	Upp	
	#	% of Total**	% Families ***	% BANK Loans****	% Families ***	% BANK Loans****	% Families ***	% BANK Loans****	% Families ***	% BANK Loans****						
<b>Full Review:</b>																
Nashville MSA AA	1,202	95.40	18.23	6.46	17.72	14.99	23.30	19.98	40.75	58.57	0.28	0.13	1.16	0.14	0.44	
<b>Limited Review:</b>																
Knoxville MSA AA	36	2.86	19.51	2.94	16.86	5.88	20.64	17.65	42.99	73.53	0.06	0.10	0.00	0.03	0.09	
Bedford County Non MSA AA	22	1.75	15.93	0.00	15.66	13.64	23.04	13.64	45.36	72.73	1.12	0.00	1.17	0.52	1.56	

\* Based on 2007 Peer Mortgage Data: Eastern Region.

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 14.5% of loans originated and purchased by Bank.



Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT			Geography: TENNESSEE				Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008					Market Share				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers							
	#	% of Total**	% Families***	% BANK****	% Families***	% BANK****	% Families***	% BANK****	% Families***	% BANK****	Over all	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
Nashville MSA AA	285	87.96	18.23	12.12	17.72	22.35	23.30	24.62	40.75	40.91	2.04	3.15	2.26	1.73	1.90	
<b>Limited Review:</b>																
Knoxville MSA AA	4	1.23	19.51	50.00	16.86	0.00	20.64	50.00	42.99	0.00	0.00	0.00	0.00	0.00	0.00	
Bedford County Non MSA AA	35	10.80	15.93	12.12	15.66	24.24	23.04	21.21	45.36	42.42	14.13	60.00	14.29	12.50	10.20	

\* Based on 2007 Peer Mortgage Data: Eastern Region.

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 7.7% of loans originated and purchased by Bank.

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE												Geography: TENNESSEE					Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share										
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Over all	Low	Mod	Mid	Upp						
<b>Full Review:</b>																					
Nashville MSA AA	634	92.96	18.23	4.54	17.72	18.69	23.30	18.69	40.75	58.08	0.23	0.10	0.15	0.09	0.37						
<b>Limited Review:</b>																					
Knoxville MSA AA	24	3.52	19.51	4.55	16.86	0.00	20.64	13.64	42.99	81.82	0.06	0.00	0.00	0.00	0.14						
Bedford County Non MSA AA	24	3.52	15.93	0.00	15.66	26.09	23.04	17.39	45.36	56.52	1.27	0.00	1.05	1.25	1.42						

\* Based on 2007 Peer Mortgage Data: Eastern Region.

\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 12.6% of loans originated and purchased by Bank.

Table 11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES					Geography: TENNESSEE		Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008		
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share	
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
Nashville MSA AA	4,217	92.93	61.10	47.81	52.03	22.81	25.16	4.87	5.77
<b>Limited Review:</b>									
Knoxville MSA AA	249	5.49	62.40	30.92	40.96	20.88	38.15	1.16	1.16
Bedford County Non MSA AA	72	1.59	56.19	45.83	63.89	16.67	19.44	2.78	3.54

\* Based on 2008 Peer Small Business Data: US.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2008).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 14.87% of small loans to businesses originated and purchased by the Bank.

Table 12. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS				Geography: TENNESSEE		Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008			
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
Nashville MSA AA	69	93.24	96.99	43.48	82.61	5.80	11.59	15.61	10.00
<b>Limited Review:</b>									
Knoxville MSA AA	0	0.00	96.99	0.00	0.00	0.00	0.00	0.00	0.00
Bedford County Non MSA AA	5	6.76	100.00	80.00	60.00	0.00	40.00	18.75	20.00

\* Based on 2008 Peer Small Business Data: US.

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2008).

\*\*\*\* Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 36.49% of small loans to farms originated and purchased by Bank.

Table 13. Qualified Investments

QUALIFIED INVESTMENTS		Geography: TENNESSEE				Evaluation Period: AUGUST 16, 2006 TO DECEMBER 31, 2008			
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Nashville MSA AA	5	7,730	68	4,598	73	12,328	86.03	0	0
<b>Limited Review:</b>									
Knoxville MSA AA	0	0	2	251	2	251	1.75	0	0
Bedford County Non MSA AA	0	0	1	1	1	1	0.01	0	0
Statewide (Broader Region)	0	0	2	1,750	2	1,750	12.21	0	0

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

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

Table 14. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS Geography: TENNESSEE Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Nashville MSA AA	94.86	30	93.75	0.00	30.00	33.3	36.7	2	0	0	0	2	0	4.50	16.77	55.82	22.90
<b>Limited Review:</b>																	
Knoxville MSA AA	3.76	1	3.13	0.00	100.0	0.00	0.00	1	0	0	1	0	0	9.06	14.77	45.06	31.04
Bedford County Non MSA AA	1.39	1	3.13	0.00	0.00	100	0.00	0	0	0	0	0	0	0.00	0.00	84.64	15.36