



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## **PUBLIC DISCLOSURE**

July 18, 2011

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

The First National Bank of Oneida  
Charter Number 8039  
18418 Alberta Avenue  
Oneida, Tennessee 37841

Office of the Comptroller of the Currency

5200 Maryland Way, Suite 104  
Brentwood, Tennessee 37027

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

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

- ◆ The loan-to-deposit ratio is reasonable when compared to banks of similar size and characteristics.
- ◆ A substantial majority of the loans sampled were originated within the bank's assessment area (AA).
- ◆ The distribution of loans to borrowers of different income levels and businesses of different sizes is reasonable.
- ◆ The geographical distribution of loans across different income census tracts is reasonable.
- ◆ The bank has not received any consumer complaints regarding community reinvestment act (CRA) performance.

**SCOPE OF EXAMINATION**

This Performance Evaluation (PE) is a full scope review and covers the period of January 1, 2006 through December 31, 2010. Results were consolidated for comparative and analysis purposes and evaluated using 2000 Census demographic information. First National Bank of Oneida has no bank owned affiliates.

Conclusions regarding the Lending Test are based on a sample of both residential and commercial loans originated by the bank during the review period. The residential loans selected for review included home purchase, home improvement, and home refinance transactions. The bank is not subject to the data collection and reporting requirements of the Home Mortgage Disclosure Act (HMDA).

**DESCRIPTION OF INSTITUTION**

The First National Bank of Oneida (FNB) is a community bank headquartered in Oneida, Tennessee. The main office and three full service branches are located within Scott County. The main office, that includes a drive-in facility, is located at 18418 Alberta Avenue in Oneida, Tennessee. These branch locations include: 250 National Drive, Helenwood, Tennessee; 131 Bank Street, Huntsville, Tennessee; and 24907 Scott Highway, Winfield, Tennessee. A fourth branch, within Campbell County, is located at 2408 Jacksboro Pike, Jacksboro, Tennessee. FNB also operates two proprietary automated teller machines (ATM's). One ATM is located at the main bank and one is located at the Helenwood branch. FNB also has one (1) cash dispensing machine located in the Fast Lane convenience store in Huntsville, Tennessee.

The bank’s primary focus is to serve commercial and consumer customers in Scott and Campbell Counties. The bank meets these needs by providing traditional loan and deposit products and services, telephone and Internet access, and trust services. As of December 31, 2010, FNB’s total assets equaled \$202 million, of which \$148 million, or 80%, were composed of various types of loans to individuals and commercial businesses. Specifically, the bank’s loan portfolio consists of the following:

<b>Loan Category</b>	<b>\$ (000s)</b>	<b>Percent</b>
Residential Mortgage Loans	\$66,341	44.78%
Commercial & Commercial Real Estate	\$52,556	35.48%
Construction & Land Development	\$12,504	8.44%
Individuals	\$8,916	6.02%
Obligations	\$7,731	5.22%
Farmland and Agriculture	\$75	0.05%
All Other	\$0	0.00%
<b>Total</b>	<b>\$148,123</b>	<b>100%</b>

*\* Data obtained from 12/31/2010 Call Report*

FNB offers convenient banking hours and a variety of loan and deposit products to meet the needs of the assessment area. There are no financial impediments that would limit the bank’s ability to help meet the credit needs in its assessment area.

FNB provides a wide range of traditional deposit and loan products. Branches are generally located in areas that make them accessible to bank customers. Lobby and drive-up hours are set to meet customer needs. Three full-service branches and a non-deposit taking ATM are located in moderate- income tracts within the bank’s assessment area. Two additional branches are located in middle-income tracts.

<b>Distribution of Bank Office and ATMs by Census Tract</b>						
<b>Census Tract Income Level</b>	<b>Tracts</b>		<b>Full-Service Branches with ATMs</b>		<b>Non-Deposit taking ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
LOW	0	0	0	0	0	0
MODERATE	11	69	3	60	1	100%
MIDDLE	5	31	2	40	0	0
UPPER	0	0	0	0	0	0
NA	0	0	0	0	0	0
<b>TOTAL</b>	<b>16</b>	<b>100</b>	<b>3</b>	<b>100%</b>	<b>1</b>	<b>100%</b>

(ATM – Automated Teller Machine)

The bank’s last CRA examination was performed as of January 1, 2006 and was rated **Satisfactory**.

**DESCRIPTION OF ASSESSMENT AREA(S)**

FNB’s assessment area (AA) meets the legal requirement of the regulation and does not arbitrarily exclude low- and moderate-income geographies. The AA includes all sixteen census tracts within Scott and Campbell counties. These two counties are

contiguous and define the Bank’s assessment area. The AA is comprised of eleven moderate-income and five middle-income census tracts. There are no low- or upper-income tracts within the AA. Each of the middle-income census tracts has been categorized as Distressed, by the U.S. Census Bureau.

The following table shows the demographic and economic characteristics of the AA:

<b>Demographic Information for FNB Oneida’ Assessment Area (AA)</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts/BNAs)	16	0	68.75%	31.25%	0	0
Population by Geography	60,981	0	62.29%	37.71%	0	0
Owner-Occupied Housing by Geography	27,436	0	61.34%	38.66%	0	0
Businesses by Geography	0	0	0	87.33%	0	0
Farms by Geography	0	0	0	86.90%	0	0
Family Distribution by Income Level	17,646	0	61.68%	38.32%	0	0
Distribution of low- and moderate- income families throughout AA geographies	8,855	0	68.83%	31.17%	0	0
Median Family Income	= \$29,596	Median Housing Value		= \$56,696		
HUD Adjusted Median Family Income for 2010	= \$46,400	Unemployment Rate		= 21%		
Households below the Poverty Level	= 23.02%					

(\*) The NA category consists of geographies that have not been assigned an income classification. Source: 2000 U.S. Census and 2010 HUD updated MFI.

Huntsville serves as the county seat of Scott County. Service related industry is the largest sector of businesses (46.45%) within the AA. The local employment base is not well diversified, with principal industries and the largest provider of jobs being healthcare, small manufacturing, and retail trade. The major employers are Tennier Industries (500 employees), JDS Enterprises (100 employees), and Container Technologies (76 employees). Some of the other major employers in the county include HBD Industries and Takahata Precision America. Scott County has a high unemployment rate of 21%; while the Campbell County unemployment rate is 12.8%. This rate elevates the AA unemployment rate above the state and national average of 9.4% as of December 31, 2010. The 2010 updated median family income for Tennessee was \$29,596. With 23% of the households below the income poverty level, it would be difficult for these families to afford the median housing cost of \$56,696.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The bank’s performance, under the Lending test, has demonstrated a reasonable level of lending within its assessment areas. Based on a full-scope review, the bank’s performance in the AA is satisfactory.

### Loan-to-Deposit Ratio

FNB’s loan-to-deposit (LTD) ratio is reasonable. The LTD ratio meets the standard for satisfactory performance with consideration given to the credit needs of the AA, the bank’s size, and financial condition. The quarterly loan-to-deposit ratio for the twenty quarters ending December 31, 2010 averaged 85.36%. The ratio has ranged from a low of 78.26% at January 30, 2007 to a high of 95.59% at March 31, 2009. We compared this LTD ratio to three similarly situated community banks within the AA; and four community banks located just outside of the AA, having similar asset sizes. As of December 31, 2010, FNB’s LTD ratio of 85.36% compared favorably with the other banks with a LTD average ratio of 84.13%.

LOAN-TO-DEPOSIT REVIEW PERIOD					03/31/2006 to 12/31/2010	
BANK NAME	CITY	STATE	COUNTY	CERT #	TOTAL ASSETS (000s)*	Avg. LTD Ratio
The First National Bank of Oneida	Oneida	TN	SCOTT	4958	\$202,034	85.36%
First Trust and Savings Bank	Oneida	TN	SCOTT	6109	\$146,997	84.98%
Peoples Bank of The South	Lafollette	TN	CAMPBELL	4945	\$153,534	97.46%
Union Bank	Jellico	TN	CAMPBELL	1693	\$60,191	69.25%
Citizens Bank	New Tazewell	TN	CLAIBORNE	1695	\$154,603	76.07%
Community Bank of the Cumberlands	Jamestown	TN	FENTRESS	57111	\$133,888	85.99%
Citizens First Bank	Wartburg	TN	MORGAN	34311	\$152,687	83.72%
Bank of McCreary County	Whitley City	KY	MCCREARY	303	\$139869	90.41%

\*as of 12/31/2010

### Lending in Assessment Area

FNB’s lending within its AA exceeds the standard for satisfactory performance. A substantial majority of the number of FNB’s loans was originated within the AA. Our sample was comprised of the Bank’s two primary loan products, residential mortgage and commercial loans. Based on this sample, approximately 77.51% of the total number and 72.16% of the total dollar amount of loans were originated in the AA. A substantial majority of both mortgage and commercial loans were originated in the AA. Lending within the AA is detailed in the following table.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Mortgage	79	81.44	18	18.56	97	\$6,360,638	76.97	\$1,902,960	23.03	\$8,263,598
Commercial	52	77.61	15	22.39	72	\$9,459,908	69.26	\$4,199,572	30.74	\$13,659,480
Totals	131	77.51	33	22.49	169	\$15,820,546	72.16	\$6,102,532	27.84	\$21,923,078

Source: sampled home mortgage loans and business loans from 2006, 2007, 2008, 2009, and 2010.

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

Overall, the distribution of loans to borrowers of different incomes and businesses of different sizes reflects a satisfactory performance by the bank. This examination analyzed the bank’s loan penetration, the demographics of the AA, and the current economic conditions of the community. While FNB demonstrated poor penetration among borrowers of different income levels, it reflected reasonable loan penetration among businesses of different sizes within its AA.

- The percentage of residential mortgage loans originated to low-income families compared to the percentage of low-income families within the AA is significantly lower than the ratio of AA families. FNB only originated 15% of the loans sampled to families with low-incomes compared with 29.42% of the AA families that are considered low-income. There are several factors that would inhibit lending opportunities to low-income families. The current economic conditions indicate that 49.67% of the civilian population is not in the workforce. The remaining population is experiencing 21% unemployment rate, and 23% of households are below the poverty level. These are just a few of the factors. Low-income families within the assessment area have a maximum annual income of only \$23,200; and median housing costs for the AA is \$56,696 making affordable housing opportunities for low-income families difficult.
- Residential mortgage loans to moderate-income families within the AA are also significantly lower than the percentage of moderate-income families residing in the assessment area. Only 11.25% of the bank’s loans sampled were made to moderate-income families compared to the 20.76% of the AA families with moderate incomes. The same economic conditions are present for moderate-income families as described for low-income families. However, the annual incomes for moderate-income families range between \$23,200 and \$37,199. Median housing costs of \$56,696 should improve the ability of moderate-income families to purchase a home. Community resources within the AA identified financial institutions within the assessment area are willing to provide financing for both residential and business related purposes. However, due to the current economic conditions, many families are choosing not to pursue purchasing homes or obtaining further debt. Considering current economic conditions, and consumer credit needs; the bank’s lending of residential mortgage loans to moderate-income families is reasonable.

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
Mortgage	29.42	15.00	20.76	11.25	22.59	22.50	27.23	51.25

*Source: sampled home mortgage loans from 2006, 2007, 2008, 2009, and 2010.*

- The distribution of loans to small businesses is reasonable compared to the number of small businesses in the AA. As on page 6, table 2A, our sample of business loans reveals that the percent of loans by number in the AA exceeds the

percent of small businesses in the AA. However, the percent by dollar was significantly lower than the percent of small business in the AA.

Table 2A - Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	77.26%	03.17%	19.58%	100%
% of Bank Loans in AA by #	82.69%	17.31%	0.00%	100%
% of Bank Loans in AA by \$	45.00%	55.00%	0.00%	100%

Source: sampled commercial loans from 2006, 2007, 2008, 2009, and 2010.

\*Demographic data source: Dunn & Bradstreet

### Geographic Distribution of Loans

The Bank’s distribution of residential mortgage loans reflects excellent dispersion throughout the AA. According to the US Census Bureau, 61.34% of the owner-occupied housing units are located within moderate-income census tracts. There are no low-income tracts within the AA. FNB’s dispersion of residential loans to borrowers within moderate-income tracts at 65% exceeds the demographics of the AA.

Table 3A - Geographic Distribution of Residential Real Estate Loans in the AA								
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
Mortgage	0.00	0.00	61.34	65.00	38.66	35.00	0.00	0.00

The geographic distribution of business loans reflects a reasonable dispersion throughout the AA. According to Dunn and Bradstreet data, 44.76% of businesses were located in moderate-income census tracts within the AA. The bank’s lending performance of 42.31% is near the ratio of the AA businesses in moderate-income census tracts.

Table 3A - Geographic Distribution of Loans to Businesses/Farms within the AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses / Farms	% of Number of Loans	% of AA Businesses / Farms	% of Number of Loans	% of AA Businesses / Farms	% of Number of Loans	% of AA Businesses / Farms	% of Number of Loans
Commercial	0.00	0.00	44.76	42.31	55.24	57.69	0.00	0.00

### Responses to Consumer Complaints

No complaints have been received by the bank or the OCC regarding the bank’s Community Reinvestment Act performance since the prior evaluation of January 1, 2006.

### **Compliance with Anti-discrimination Laws and Regulations**

No violations of the substantive provisions of the anti-discriminatory laws and regulations were identified during this evaluation.

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

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