



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

September 19, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank, Scottsboro, Alabama
Charter Number 8963**

**402 South Broad Street
Scottsboro, AL 35768**

**Comptroller of the Currency
Nashville Field Office
5200 Maryland Way, Suite 104
Brentwood, TN 37027**

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

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

The Lending Test is rated: **“Satisfactory.”**

The Community Development Test is rated: **“Satisfactory.”**

The First National Bank of Scottsboro (FNB) has an overall satisfactory record of meeting community credit needs. This is based on the following:

- The bank’s loan-to-deposit ratio is reasonable and averaged 61% during the evaluation period. FNB’s loan-to-deposit ratio increased from 45% as of March 31, 2003 to 89% as of June 30, 2006.
- Lending in the bank’s assessment area is excellent. A substantial majority of FNB’s loans are within the bank’s Assessment Area. Approximately 93% of the number and 85% of the dollar of loans were to borrowers within the Assessment Area.
- FNB’s distribution of loans to borrowers of different income (including low-and moderate-income) levels and business of different sizes is reasonable.
- The geographic distribution of residential and business loans in low- and moderate-income census tracts is low and needs improvement.
- FNB’s community development performance demonstrates adequate responsiveness to the community development needs of its Assessment Area.
- There have been no complaints with respect to FNB’s CRA performance.

SCOPE OF EXAMINATION

This Performance Evaluation is based on two distinct time periods: January 1, 2004 through December 31, 2004 and January 1, 2005 through September 19, 2006. Results were consolidated into one Evaluation Period for comparative and analysis purposes and evaluated using 2000 Census Demographic information. FNB has one, wholly-owned subsidiary, Jackson Financial Services, Inc (JFS). JFS is a small loan finance company operating out of one office located in Scottsboro. The finance company does not hinder the bank’s CRA activities. Consumer activities conducted by JFS are not included in this evaluation. There has been no data integrity reviews conducted prior to this evaluation. We also reviewed all of the bank’s community development investments and community development loans and services to ensure they met the definition for community development.

Conclusions regarding the Lending Test are based on residential loans including home purchases, home improvements, and home refinances. Residential loans considered in the Lending Test originated between January 1, 2004 and September 19, 2006. Small business loans originated during the same time period were also considered in the Lending Test. A sample of

loans was selected for each loan category based on internal bank reports. The First National Bank of Scottsboro is not a Home Mortgage Disclosure Act (HMDA) reporter. The evaluation covers the period January 22, 2003 through September 19, 2006.

As of June 30, 2006, FNB's investment in JFS totaled \$2,794,554. JFS had total assets of \$3,024,919 and generated net income of \$68,658 for the six month period ending June 30, 2006. Net income for the year ending December 31, 2005 was \$169,189.

DESCRIPTION OF INSTITUTION

The First National Bank of Scottsboro (FNB) is an intrastate bank headquartered in Scottsboro, Alabama. As of June 30, 2006, FNB had total assets of \$285 million. FNB is owned by FNS Bancshares, Inc., a one-bank holding company with consolidated assets of \$324 million which is also headquartered in Scottsboro.

There have not been any major changes in the bank's corporate structure, including merger or acquisition activities, since the last Community Reinvestment Act (CRA) examination dated January 21, 2003 when the bank received a **satisfactory** rating. However, the bank's strategic direction has changed over the past two years from an investment targeted bank to the more traditional lending based bank. There are no legal or financial impediments to FNB's ability to meet the credit needs in its Assessment Area including retail and community development loans, qualified investments, and community development services needs. The bank offers a full-range of loan and deposit services. FNB's primary business focus is commercial and industrial loans, including commercial real estate loans and residential mortgage loans. In January 2005, FNB opened a mortgage loan department which originates long-term mortgage loans for the secondary mortgage market.

FNB's main office is located in Scottsboro, Alabama. The bank also operates seven full-service branch offices and two deposit taking and deposit withdrawal branch offices within its four-county Assessment Area (AA). Within Jackson County, there are eight branch offices. Three branch offices are located in Scottsboro and one each is located in Bridgeport, Pisgah, Section, Skyline, and Woodville. Within adjoining DeKalb County, there is one branch office located in Henagar. Although there are no branch offices in either of the adjoining counties of Madison or Marshall, these two counties are included in FNB's AA. Seven of nine branch offices provide 24-hour ATM banking. Additionally, there is one, free-standing cash disbursing ATM located in Scottsboro. Since the previous CRA examination, the bank has neither opened nor closed any branch offices. FNB has invested heavily in data processing systems, which support banking via the Internet.

As of June 30, 2006, FNB had total assets of \$285 million, of which net loans comprised 74.04%. The following table reflects the composition of FNB's loan portfolio based on the June 30, 2006 Report of Condition.

	Product Category	
	Dollar (000's)	Percent
Commercial & Industrial Including Commercial Real Estate	76,754	36.03
Residential Mortgage Loans	46,852	22.00
Construction & Land Development	48,506	22.77
Individuals	17,582	8.25
All Other	8,099	3.80
Farmland and Agriculture	15,223	7.15
Total	213,016	100.00

Source: June 30, 2006 Report of Condition.

FNB provides a wide range of traditional deposit and loan products. The branches are generally located in areas that make them accessible to persons from different areas of the community they serve. Lobby hours and drive-up hours are set by location to meet customer needs. FNB has ATMs at seven branches and one other location in their market to make customer accounts accessible.

Distribution of Bank Offices and ATMs by Census Tract						
Census Tract Income Level	Tracts		Full-Service Branches		Automated Teller Machines*	
	#	%	#	%	#	%
Low	6	5.31%	0	0.00%	0	0.00%
Moderate	19	16.82%	0	0.00%	0	0.00%
Middle	61	53.98%	9	100.00%	8	100.00%
Upper	27	23.89%	0	0.00%	0	0.00%
N/A	0	0.00%	0	0.00%	0	0.00%
Total	113	100%	9	100%	8	100%

- Seven ATMs contiguous with banking locations are cash dispersing non-deposit taking only. Two branches do not have an ATM. There is one free standing, non-deposit taking ATM.

Customers have 24-hour access to their accounts through telephone banking and through the Internet (www.fnbscottsboro.com). Internet and phone banking services include transfers between FNB accounts, review of account balances or transactions, access to loan account information, and making loan payments. Internet banking customers also have bill-paying capability. On-line applications are available to apply for a loan or to open an account. The bank also offers Visa Check Card that provides customers with additional access to their accounts at point of sale or ATM locations. Weekday transactions made during normal business hours are posted to customer accounts the same day with the exception of Saturday transactions. On weekdays, offices are opened until 4:00 PM or 5:00 PM depending on location.

FNB's business strategy includes continued marketing of commercial credit to small businesses through its products, staff, and locations. The bank offers Small Business Administration (SBA) loans for new business startups and to expand an existing business. FNB supports the purchase and long-term financing of residential home loans through its conventional secondary market home mortgage, Veterans Administration home mortgage, and Farmers Home Administration (FHA) home mortgage.

DESCRIPTION OF FNB's ASSESSMENT AREA (AA)

The bank's assessment area (AA) includes all census tracts in Jackson, DeKalb, Madison, and Marshall Counties, Alabama (total 113 census tracts). Of the 113 census tracts, 73 census tracts are located in Madison County which is in the Huntsville MSA. However, FNB has no branch offices located in Madison County. Effective February 2006, Madison County was added to the bank's AA. The remaining 40 census tracts located in Jackson, DeKalb, and Marshall County are not located in an MSA. Marshall County was also added to the bank's AA in February 2006. Several of FNB's branch offices are convenient to Madison County. The AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas. There are no natural boundaries within the AA that hinder accessibility. All census tracts are contiguous.

FNB is located in northeastern Alabama approximately 30 miles south of the Tennessee State Line, 35 miles west of the Georgia State Line, and 45 miles east of Huntsville, Alabama. Scottsboro is located on U.S. Highway 72, a major east-west interstate connector. Located on the scenic Tennessee River, Scottsboro offers abundant fishing and boating recreational activities. Major cities within FNB's AA are: Scottsboro (Jackson County), Fort Payne (DeKalb County), Huntsville (Madison County), Guntersville and Albertville (Marshall County). Scottsboro, Fort Payne, Huntsville, and Guntersville also serve as the county seat for their respective counties.

Demographic Information for Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	113	5.31%	16.82%	53.98%	23.89%	0
Population by Geography	477,309	2.51%	14.44%	58.81%	24.24%	0
Owner-Occupied Housing by Geography	137,755	0.83%	10.77%	61.48%	26.93%	0
Businesses by Geography	34,841	6.42%	12.22%	58.51%	22.85%	0
Farms by Geography	1,195	3.01%	8.62%	69.12%	19.25%	0
Family Distribution by Income Level	134,202	2.16%	12.52%	59.87%	25.45%	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	19,700	14.74%	85.26%	0	0	0
Median Family Income	= \$48,325		Median Housing Value	= \$86,939		
HUD Adjusted Median Family Income for 2006	= \$57,862		Unemployment Rate	= 3.6%		
Households Below the Poverty Level	= 13.00%					

(*) The NA category consists of geographies that have not been assigned an income classification. Source: 2000 U.S. Census and 2005 HUD updated MFI. Unemployment rate is as of June 2006.

Of the 113 census tracts within the bank's AA, 6 are low-income tracts (5.31%), 19 are moderate-income (16.82%), 61 are middle-income (53.98%), and 27 are upper-income (23.89%). Of the 134,202 families residing within the bank's AA, 2,903 (2.51%) and 16,797

families (14.44%) reside in low- and moderate-income census tracts, respectively. The low- and moderate-income census tracts as well as families residing in low- and moderate-income census tracts are all located in Madison County. Effective February 2006, the bank's AA was expanded to include Madison and Marshall Counties. As of June 30, 2006, 3.6% unemployment rate for the State of Alabama compared favorably to the national average of 4.6%.

Major employers in Jackson County are: Maples Industries (bath sets and scatter rugs) employs 2,600; Beaulieu Fabric, Inc. and Beaulieu Fibers Inc. (stable fiber and nylon yarn) employs 900; Jackson County School Board of Education (county-wide school system) employs 825; Shaw Industries (nylon carpet yarn) employs 500; Lozier Corp. (retail merchandising systems) employs 485; Smurfit-Stone Container, Corp. (paper mill and corrugated medium) employs 425; and, TVA Widows Creek (electricity producer) employs 397.

Major employers in DeKalb County are: V I Pruett (hosiery) employs 1,400; Cagle's (poultry farm) employs 1,000; Cooper Hosiery (sock wear) employs 900; Rainsville Technology 9 (manufactures parts for Honda cars) employs 430; Heil, (manufactures garbage trucks) employs 400; Shaw Industries (carpet mill) employs 336; Vulcraft (steel manufacturer) employs 320; Siemens (electrical component manufacturer) employs 313; DeSota Hosiery (socks) employs 303; Game Time (children's playground equipment manufacturer) employs 285; The Gas House (tractor part manufacturer) employs 200; and Ferguson's (plumbing and supply warehouse) employs 167.

Major employers in Madison County are: U.S. Army/Redstone Arsenal (national defense) employs 11,141; Huntsville Hospital System (health care) employs 4,355; Sanmina-SCI (electronic contract manufacturer) employs 3,300; Huntsville City Schools (education) employs 3,000; DaimlerChrysler Corp. (automobile manufacturer) and CINRAM (manufacturer of pre-recorded media) employ 2,800 each; NASA/Marshall Space Flight Center (space exploration) employs 2,754; and The Boeing Company (aircraft manufacturer) employs 2,700. Additionally, there are six other major employers in Madison County/Huntsville which have 1,500 to 2,200 employees.

Major employers in Marshall County are: Gold Kist, Inc. (chicken processing) employs 2,909; Ala Trade Foods, LLC (poultry processing) employs 1,275; Wayne Farms, LLC (poultry processing) employs 989; Tyson Foods (poultry processing) employs 758; TS Tech Alabama, LLC (automobile seats) employs 705; Muller Co. (fire hydrants) employs 612; Mitchell Grocery Corp. (distributes groceries) employs 520; and Sunrise Foods, LLC (poultry processing) employs 475. Some twenty-four industries employ 100 to 450 workers. An additional seventy-five firms employ from two to 100 workers.

Agriculture products include timber, poultry, beef cattle, row crops, and orchards.

No business opportunities were identified by FNB through outreach activities or through bank surveys during this evaluation period. A community contact was also made during this evaluation. The contact identified no specific credit needs. The contact indicated local financial institutions were actively involved in the community and were accommodating local commercial and residential credit needs. FNB has been an active, community development lender within its AA during this evaluation period. These loans have promoted new businesses, provided

employment opportunities, and financed the residential needs of individuals located within the bank's AA.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Based on a full-scope review, the bank's small business and home mortgage lending performance in the AA is overall satisfactory. For the years 2004, 2005, and through September 19, 2006, FNB originated approximately 600 residential loans totaling in excess of \$41 million. For the same time period, FNB originated approximately 2,400 small business and small farm loans totaling \$122 million. Through the secondary market, FNB offered innovative and flexible home loan purchase products targeted to low- and-moderate-income individuals in the form of 100% home loan financing, Farmers Home Administration (FHA), and Veterans Administration (VA) loans. Since January 2005, the bank financed 22 100% home loans totaling \$1.7 million, nine FHA loans totaling \$687 thousand, and three VA loans totaling \$382 thousand. Through the secondary market, FNB's mortgage loan department generated 158 home financing loans aggregating approximately \$17 million. The bank's mortgage loan department opened for business in January 2005. Conclusions to support this rating are based on the following:

LENDING TEST

Loan-to-Deposit Ratio Meets the Standards for Satisfactory Performance

FNB's loan-to-deposit ratio is satisfactory when compared to similar situated banks. FNB's competition consists of twelve, independent community banks. All are headquartered within the AA. For the fourteen quarters from March 2003 to June 2006, FNB's quarterly average loan to deposit ratio was 60.88%. When compared to similar bank's within FNB's AA, FNB's quarterly average loan-to-deposit ratio ranked 10th among its competitors for the period. This highest quarterly average loan-to deposit ratio was First Commercial Bank, Huntsville with 99.75%, followed by North Jackson Bank 85.65%, First Bank of the South 75.54%, First State Bank of DeKalb Co.73.25%, Community Bank 71.47%, Citizens Bank & Trust Co.68.97%, First Southern State Bank 68.37%, Horizon Bank 64.44%, and Liberty Bank 61.70%.

During the fourteen quarter period from March 2003, FNB's highest quarterly loan-to-deposit ratio was 89.49% as of June 30, 2006. The lowest quarterly loan-to-deposit was 42.22% as of December 31, 2003. A substantial portion of FNB's recent loan growth has been through participations purchased.

Loan-To-Deposit Ratios		
Institution	Total Assets in Millions (As of 06/30/2006)	Average Loan – to-Deposit Ratio
Jackson County:		
First National Bank of Scottsboro, Scottsboro, AL	\$285	60.88%
First Southern State Bank, Stevenson, AL	\$175	68.37%
North Jackson Bank, Stevenson, AL	\$155	85.65%
DeKalb County:		
First State Bank of DeKalb Co., Fort Payne, AL	\$76	73.25%
Horizon Bank, Fyffe, AL	\$85	64.44%
Liberty Bank, Geraldine, AL	\$83	61.70%
First Bank of the South, Rainsville, AL	\$71	75.54%
DeKalb Bank, Crossville, AL	\$28	58.16%
Madison County:		
First Commercial Bank, Huntsville, AL	\$498	99.75%
Community Bank, Blountsville, AL	\$568	71.47%
Marshall County:		
First Bank of Boaz, Boaz, AL	\$138	50.05%
Citizens Bank & Trust Co., Boaz, AL	\$131	68.97%
Peoples Independent Bank of Boaz, Boaz, AL	\$136	56.92%

Source: Institution Reports of Condition from March 2003 to June 2006.

As of June 30, 2005, 32 financial institutions with 163 offices controlled \$6.8 billion in deposits within the AA. FNB ranked 6th and controlled \$223 million, or 3.27%, of the market. Other independent banks included: First Commercial Bank 5.28%; First American Bank (headquartered in Birmingham) 2.95%; The Bank 2.05%; Renasant Bank (headquartered in Tupelo, MS) and First Southern State Bank 2.03% each; Peoples Independent Bank 1.69%; North Jackson Bank 1.48%; SouthBank, A Federal Savings Bank 1.31%; First Bank of Boaz 1.28%; Citizens Bank & Trust Co. 1.27%; North Alabama Bank 1.25%; Community Bank 1.15%; and thirteen other independent banks with 1% or less of market share. Six large regional banks controlled 17.40%, 15.86%, 11.93%, 10.71%, 6.81%, and 3.08%, respectively, of total deposits for the period.

Lending in Assessment Area Exceeds the Standards for Satisfactory Performance

Lending in the bank's assessment area is excellent. Based on our residential and business loan samples for the period 2004 through June 2006, 94.44% and 91.84% of the number were made in the bank's assessment area. Similarly, 88.58% and 83.18% of the dollar amounts were made in the bank's assessment area. This resulted in an average of 92.94% and 85.16%, respectively, for the number and dollar amount of loans sampled. These are strong numbers and reflect positively on the bank's effort to lend within its assessment area.

Lending in FNB AA										
Loan Sample	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2004-2006 Residential Loans	34	94.44%	2	5.56%	36	2,211	88.58%	285	11.42%	2,496
2004-2006 Business Loans	45	91.84%	4	8.16%	49	3,570	83.18%	722	16.82%	4,292
Total	79	92.94%	6	7.06%	85	5,781	85.16%	1,007	14.84%	6,788

Source: Loan Sample for 2004, 2005, and 2006.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes Meets the Standard for Satisfactory Performance

FNB's distribution by borrower income for residential loans is reasonable. The percentage of the number of bank loans to low-income borrowers is significantly less than the percentage of low-income AA families. However, the percentage of residential loans, by number, made to moderate-income borrowers exceeds the percentage of moderate-income families within the AA.

2004 – 2006 Borrower Distribution of Residential Real Estate Loans for AA								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	19.49%		17.47%		21.48%		41.56%	
Loan Type(s)	% of Number	% of Amount						
Residential Loan Sample	5.56%	2.69%	25.00%	16.70%	22.22%	23.11%	47.22%	57.50%

Source: Residential loan sample includes residential home purchases, home improvement loans, and home refinancing loans. (Data reported under 2004, 2005, and 2006 is 2000 U.S. Census data.)

FNB's distribution of loans to small businesses is very good. Our review of business loans show that 65.30% of the number of loans sampled was made to small businesses, which compares favorably with the 59.06% of small businesses in the AA. The bank has done a reasonable job in collecting income information on all the business loans within our loan sample. The results of our business loan sample are somewhat skewed as 36% (approximately 4 in 10) of the businesses in the demographics data failed to provide adequate income information.

2004 – 2006 Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	59.06%	4.56%	36.38%	100%
% of Bank Loans in AA by #	65.30%	14.29%	20.41%	100%
% of Bank Loans in AA by \$	26.53%	67.60%	5.87%	100%

Source: 2005 Geodemographic data and loan sample.

Geographic Distribution of Loans meets the standards for satisfactory performance

Based on our loan samples, the geographic distribution of residential and business loans in low- and moderate-income census tracts is low and needs improvement. Based on our residential loan sample, no loans were made for owner occupied housing in low-income census tracts. However, the demographic data shows there is less than 1% of owner occupied housing available in the low-income tracts. However, 2.78% of the number and 3.40% of the dollar amount of residential loans in our loan sample were made to owner occupied housing in moderate-income census tracts. Of the loans in our business loan sample, there were no loans made to businesses located in low- or moderate-income census tract.

In the past two years FNB has switched from an investment bank to a lending bank. This strategic change has helped their loan-to-deposit ratio. Prior to adding Madison and Marshall Counties to the bank's assessment area in February 2006, there was no low- and-moderate income census tracts within the bank's AA. All low- and-moderate income census tracts are located in Madison County. The low geographic distribution of lending is mitigated by the short time these low- and moderate-income census tracts have been part of the bank's assessment area. Considering the bank's current assessment area, they do need to make efforts to improve the distribution.

Based on our loan samples, there were no loans to businesses geographically located in low- and moderate-income census tracts and only one residential loan made for owner occupied housing in a moderate-income census tract. However, bank records reflect four residential loans totaling \$144 thousand were originated in low- and moderate-income census tracts. Bank records also indicate that 282 loans totaling \$17.1 million were originated to businesses in low- and moderate-income census tracts. Although these loans were not part of our sample, it helps to mitigate the poor penetration our sample showed.

2004 – 2006 Geographic Distribution of Residential Real Estate Loans in AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of Owner Occupied Housing	0.83%		10.77%		61.48%		26.93%	
LOANS	% of Number	% of Amount						
Residential Loan Sample	0.00%	0.00%	2.78%	3.40%	88.89%	87.61%	8.33%	8.99%

Source: Residential loan sample included residential home purchases, home improvement loans, and home refinance loans. (Data reported under 2004, 2005, and 2006 is 2000 U.S. Census data.)

2004 – 2006 Geographic Distribution of Loans to Businesses in AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	6.30%		12.11%		58.86%		22.73%	
LOANS	% of Number	% of Amount						
Small Business Loans	0.00%	0.00%	0.00%	0.00%	91.11%	86.67%	8.89%	13.33%

Source: Loan sample (Data reported under 2004, 2005, and 2006 is 2000 U.S. Census data)

Responses to Complaints

There have been no consumer complaints relating to the bank's Community Reinvestment Act performance during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test is rated "Satisfactory". FNB has demonstrated responsiveness to the community development needs of its Assessment Area considering the limited opportunities.

Number and amount of community development loans

Qualifying community development loans are loans that meet the definition of community development, as defined in the CRA regulation. During the evaluation period, FNB originated 3 community development loans approximating \$651 thousand. FNB also provided a \$1.9 million Irrevocable Standby Letter of Credit and a \$400 thousand Standby Letter of Credit which receives some consideration. The loans for qualifying community development organizations are described below.

Alabama Multi-family Loan Consortium (AMLC)

The bank participated in the Alabama Multi-family Loan Consortium (AMLC). AMLC is a non-profit organization sponsored by Alabama banks. These banks participate in a loan pool targeted to provide housing for low-and-moderate-income individuals. As of September 2006, FNB's share of the pool is \$614 thousand. This total represents loans in 28 state-wide apartment projects. Through the funding of these loans, AMLC aided the construction of approximately 1600 housing units for low-or moderate-income individuals. AMLC has designed the entire state of Alabama as its target area including the bank's AA.

Downtown Rescue Mission, Inc.

Downtown Rescue Mission, Inc. is a non-profit organization. In 2005, a \$15,000 loan to lease a new telephone system was made to improve the operations of the rescue mission which is located in a low-income census tract in Madison County/Huntsville. In 2006, a \$22,000 loan to lease additional equipment was also made. The entity is a non-profit agency which provides food and shelter to the homeless, including low- and moderate-income individuals.

Pecan Hills of Milledgeville, L.P., Fyffe, AL

In 2005, a \$1.9 million Irrevocable Standby Letter of Credit was issued payable to Georgia Housing and Finance Authority, Atlanta, GA. Funds if drawn would be for the purpose of providing subsidized housing for low- and moderate-income families. The letter of credit is renewable annually.

Industrial Development Board of Scottsboro, AL

The Industrial Development Board of Scottsboro is a non-profit organization. A Standby Letter of Credit for \$400,000 has been approved and expires December 1, 2007. The

Letter of Credit is renewable annually and is related to the Hisan, Inc. Project, which is located in Scottsboro. Hisan manufactures automobile parts for Mercedes Benz, Honda Motors, and other automobile makers. The project provides employment to local residents including low- and moderate-income individuals.

Number and amount of qualified investments

The number and amount of qualified investments is “satisfactory.” During the evaluation period, FNB had one qualified investment aggregating \$1.2 million with a current balance of \$756 thousand. FNB also had qualifying donations during the period. The investment and donations are described below.

FHLMC Gold Pool #C74650

In 2003, the bank purchased a CRA pool investment totaling \$1.2 million. Loans in this pool provided funding for the purchase of a residence for low-and moderate-income families. 12 loans in the pool are located in Alabama and 1 of the 12 loans is located in Madison County/Huntsville AA. The investment matures in 2032. As of June 30, 2006, the pool balance was \$756,000.

Donations

Cash donations have been made to various civic organizations during this evaluation period to assist underprivileged children and senior citizens. Most of these are from low- and moderate-income families. Donations totaling \$600 have been made to Habitat for Humanity during this evaluation period. This nationally recognized organization helps to provide housing for low- and moderate income families. During 2005, donations totaling approximately \$6,600 were made to the Housing Authorities of Scottsboro, Jackson County, Bridgeport, and other entities which benefited low-and moderate-income families. In 2002, the bank pledged \$25,000 over five years to the Chamber of Commerce/Impact Learning Center initiative. The Learning Center is a non-profit organization which retrains workers who have lost their jobs from either plant closings or plant down sizing. More than 51% of these workers are low-and moderate- income individuals.

Extent to which the bank provides community development services

FNB’s record of providing community development services is **generally satisfactory**. The bank has designed low-cost checking accounts and implemented a lending program to benefit low-and moderate-income individuals.

No service charge checking account packages were developed to primarily serve the employees of select businesses with direct deposits as well as to help serve the needs of the bank's low- and moderate-income customers receiving direct deposits (ACH) from the Social Security Administration. These accounts have no minimum balance and unlimited check writing privileges.

Effective January 1, 2005, FNB designed a lending program targeting individuals with low credit (beacon) scores including low- and moderate-income individuals. Candidates must also have a 50% or less debt-to-income (DTI) ratio. DTI and the credit score determine if a customer is a

candidate. Through counseling, loan officers also work with individuals to help improve their credit score.

Bank's responsiveness, through community development activities including community development lending, investment, and service needs

The bank's overall responsiveness through community development activities, to community development lending, investment, and services needs is reasonable. This is supported by the community development loans and investments originated during the period. These loans help promote employment; stabilize, support local economies; and, help provide affordable housing to low and-moderate income families within FNB's AA.

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.