



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**January 23, 2006**

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

**The First National Bank of Pikeville  
Charter Number 10470**

**441 Spring Street  
Pikeville, TN 37367**

**Comptroller of the Currency  
Nashville  
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 major factors that support this rating include:

- The bank's lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area.
- The bank's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.
- The bank generates a substantial majority of its loans within the defined assessment area.
- The bank meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes.

First National Bank of Pikeville, Tennessee is committed to serving the community. This is demonstrated by satisfactory lending performance as described in this Public Disclosure.

## DESCRIPTION OF INSTITUTION

First National Bank of Pikeville (FNB) is a community bank headquartered in Pikeville, Tennessee. The bank is a wholly owned subsidiary of First Pikeville Bancshares, Inc., a one-bank holding company. The main bank and drive-in facility are located at 441 Spring Street in Pikeville, Tennessee. On September 15, 2003, FNB opened its first full service branch with a drive-in facility at 16893 Rankin Avenue in Dunlap, Tennessee. FNB also operates three cash dispensing automated teller machines (ATM's). One ATM is located at the main bank; one at the Dunlap branch and the third is located at nearby Fall Creek Falls State Resort Park.

The bank's primary focus is to serve commercial and consumer customers in Bledsoe and Sequatchie Counties. The bank meets these needs by providing traditional loan and deposit products and services, as well as telephone access.

As of September 30, 2005, FNB's total assets equaled \$71.4 million, of which \$43.9 million, or 61.43 percent, 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>\$ (000)</b>	<b>%</b>
Commercial Real Estate Loans	16,412	37.40%
Residential Real Estate Loans	12,420	28.30%
Consumer Loans	7,254	16.53%
Commercial Loans	4,680	10.67%
Agricultural Loans	2,642	6.02%
Other Loans	473	1.08%
<b>Total</b>	<b>43,881</b>	<b>100.00%</b>

There are no legal or financial impediments to prevent the bank from meeting the credit needs within the assessment area. The bank received a "Satisfactory" rating at the prior CRA examination, dated October 12, 1999.

## DESCRIPTION OF THE ASSESSMENT AREA

The assessment area adopted by FNB consists of whole geographies, does not reflect illegal discrimination and does not arbitrarily exclude low- or moderate-income geographies. It meets the requirements of the CRA regulation.

The following demographic and economic characteristics for the assessment area are based on 2000 U.S. Census data.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	6,750
Number of Households	8,898
<i>Geographies</i>	
Number of Census Tracts/BNA	5
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	20%
% Middle-Income Census Tracts/BNA	80%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	35,505
2004 HUD-Adjusted MFI	45,580
<i>Economic Indicators</i>	
2000 Median Housing Value	\$69,691
# of Households Below Poverty Level	1,646

FNB has defined their assessment area as five contiguous census tracts within Bledsoe and Sequatchie Counties in Southeastern Tennessee. There are no low-income census tracts, but one of the census tracts is moderate-income and four are middle-income. The Pikeville location is in Bledsoe County, which consists of 3 middle-income census tracts. The Dunlap branch is located in the moderate-income tract in Sequatchie County. The total population of the assessment area equates to 23,737. Nineteen percent of the households in the assessment area are below the poverty level, twenty-eight percent are receiving social security and four percent are receiving public assistance.

The local economic conditions in Bledsoe County are stagnant, while Sequatchie County is a growing community. Sequatchie County is a bedroom type community to the city of Chattanooga, with some residents commuting to Chattanooga to work. The Pikeville area has lost some of their major employers over the past five years. The major employers currently in Bledsoe County are the State of Tennessee (2 correction centers and Fall Creek Falls State Resort), the school system and Hubbard Farms (chicken hatchery). The major employers in Sequatchie County are Tecumseh Manufacturing (small engine parts), Seymour Tubing Manufacturing and Precision Parachute. The unemployment rate for 2004 in Bledsoe County was 7.4 percent and 5.4 percent in Sequatchie County. For the same period, the Tennessee

statewide unemployment rate was 5.5 percent and the National unemployment rate was 5.4 percent.

FNB faces competition from a couple of banks headquartered in Sequatchie County, as well some mortgage companies in that area. The competition in Pikeville comes from a branch of one of the banks headquartered in the city of Dunlap.

A community contact was made during the examination to help ascertain the credit needs of the assessment area. It was reported that there is a need for affordable housing and small business lending. FNB is involved in community activities and programs in the area.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This review concentrated on the bank’s primary loan products. As of September 30, 2005, the bank’s primary loan products are commercial and residential real estate loans. The bank became a Home Mortgage Disclosure Act (HMDA) reporter in 2004. Therefore, we utilized 2004 and 2005 originations for these loan types to evaluate the lending performance component.

### Loan-to-Deposit Ratio

The bank’s loan-to-deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance given the institution’s size, financial condition, and assessment area credit needs. This determination is based on the bank’s quarterly average LTD ratio from September 30, 1999 through September 30, 2005 of 67.10 percent. The ratio has ranged from a low of 61.07 percent at March 31, 2003 to a high of 72.82 percent at December 31, 2000. The average quarterly LTD of the twelve banks chartered in Bledsoe, Cumberland, Grundy, Hamilton, Marion, Rhea, Sequatchie and Van Buren Counties in Tennessee range from a low of 51.61 percent to a high of 95.49 percent.

### Lending in Assessment Area

FNB’s lending in their assessment area exceeds the standard for satisfactory performance. A substantial majority of the loans are originated in the bank’s assessment area. This conclusion is based on the 127 home mortgage loans and 26 commercial loans that originated in 2004 and 2005, as depicted in the following table:

<b>Table 1 - Lending in the Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	108	85.04%	19	14.96%	127	\$5,870,000	83.53%	\$1,157,000	16.47%	\$7,027,000
Commercial	24	92.31%	2	7.69%	26	\$1,608,303	95.96%	\$67,639	4.04%	\$1,675,942
Totals	132	86.28%	21	13.72%	153	\$7,478,303	85.93%	\$1,224,639	14.07%	\$8,702,942

*Source: Loans reported in the 2004 and 2005 HMDA reports and loan sample.*

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

FNB meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes. Tables 2 and 2A show a reasonable distribution of lending based on the 108 home mortgage loans and 24 commercial loans extended within the assessment area.

The number of residential real estate loans extended to low-income families is lower than the percent of low-income assessment area families. However, the number of residential real estate loans made to moderate-income families exceeds that of the assessment area demographics.

Table 2 - Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Mortgage Loans	26.41%	15.74%	18.52%	25.00%	23.90%	22.22%	31.17%	35.19%

Source: Loans reported in the 2004 and 2005 HMDA reports and U.S. Census data. Income information was not available for 2 loans (1.85%).

The sample of commercial loans revealed that a majority of both the number and dollar was extended to small businesses with annual gross revenues of less than \$1 million per year. Both of these percentages exceeded the percent of assessment area small businesses.

Table 2A - Borrower Distribution of Loans to Businesses				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	66.74%	4.77%	28.49%	100%
% of Bank Loans in AA by #	91.67%	8.33%	0%	100%
% of Bank Loans in AA by \$	70.20%	29.80%	0%	100%

Source: Loan sample and U.S. Census data.

## Geographic Distribution of Loans

The geographic distribution of loans meets the standard for satisfactory performance. There are no low-income or upper-income census tracts in the assessment area. The following tables represent a reasonable distribution of lending based on the 108 home mortgage loans and 24 commercial loans extended within the assessment area.

Table 3 shows that the percent of residential real estate lending in the moderate-income census tract is slightly lower than the percentage of owner occupied housing units located in the moderate-income tract in the assessment area.

Table 3 - Geographic Distribution of Residential Real Estate Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential Real Estate	0%	0%	33.72%	25.93%	66.28%	74.07%	0%	0%

*Source: Loans reported in the 2004 and 2005 HMDA reports and U.S. Census data.*

However, Table 3A shows favorable distribution of business loans in moderate-income census tracts when compared to the percentage of businesses located in the moderate-income tract in the assessment area.

Table 3A - Geographic Distribution of Loans to Businesses								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business/Farm	0%	0%	48.06%	57.90%	51.94%	42.10%	0%	0%

*Source: Loan sample and U.S. Census data.*

## Responses to Complaints

FNB has not received any complaints about its performance in helping to meet assessment area needs during this evaluation period.

## Fair Lending or Other Illegal Credit Practices Review

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