



## PUBLIC DISCLOSURE

April 30, 2018

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Middle Tennessee  
Charter Number 2221

200 East Main Street, McMinnville, TN 37110

Office of the Comptroller of the Currency  
Nashville Field Office  
320 Seven Springs Way, Suite 310  
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, 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

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

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

First National Bank of Middle Tennessee (FNB or bank) has a satisfactory record of meeting community credit needs. This is based on the following factors:

- The bank's loan-to-deposit (LTD) quarterly ratio is reasonable.
- A majority of FNB's loans were originated inside the bank's assessment areas (AAs).
- FNB's distribution of loans to individuals of different income levels and businesses of different sizes reflects reasonable penetration.
- FNB's overall geographic distribution of residential loans and loans to businesses reflects reasonable dispersion.
- FNB's responsiveness to community development (CD) needs through CD lending, investments, and services is adequate.
- There were no complaints regarding FNB's Community Reinvestment Act (CRA) activities during the evaluation period.

## 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 generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. 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 Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**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 conduct 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 applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, 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 refinancing, 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 five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) 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 Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

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

FNB is an independent, intrastate bank that opened for business in 1874. The bank is a wholly owned subsidiary of First McMinnville Corporation, a one-bank holding company. Additionally, First Community Title and Escrow Company is a wholly owned subsidiary of FNB. The bank does not have any affiliates with lending products. There have not been any material changes in the bank's corporate structure, including merger or acquisition activities since the previous CRA evaluation dated April 28, 2015, when the bank received a "Satisfactory" rating. There are no legal or financial impediments to FNB's ability to meet the credit needs of its AAs, including retail and CD loans, qualified investments, and CD service needs. The bank offers a full range of loan and deposit services.

The holding company, bank, and subsidiary are located in McMinnville, Tennessee, approximately 75 miles southeast of Nashville, Tennessee. The bank operates eight full-service offices within its AAs located in Tennessee. The bank has five offices in Warren County, two branches in addition to the main office in McMinnville and one branch each in Morrison and Viola. The bank has two branches in Rutherford County, both in Murfreesboro. In December 2017, the bank opened a branch in Bedford County, Shelbyville. Full-service, drive-up windows and automated teller machines (ATMs) are located at each of the bank's offices. FNB did not close any branch offices during this evaluation period. As of December 31, 2017, deposits were held by bank offices within each AA by the following amounts: Warren County (\$346 million or 90.4 percent), Rutherford County (\$36 million or 9.5 percent), and Bedford County (\$280 thousand or 0.1 percent).

FNB's primary business focus is commercial and industrial loans, including commercial real estate loans, and first-lien residential mortgage loans. As of December 31, 2017, FNB had total assets and gross loans of \$490 million and \$302 million, respectively. Gross loans comprised 61.6 percent of total assets. The following table reflects the composition of FNB's loan portfolio based on the December 31, 2017, Report of Condition.

Product Category	Gross Loans as of December 31, 2017	
	Dollar (000's)	Percent (%)
Residential Mortgage Loans	\$125,978	41.7
Commercial & Industrial/Commercial Real Estate	122,782	40.7
Construction & Land Development	34,577	11.5
Farmland and Agriculture	6,631	2.2
Individuals	2,535	0.8
All Other	9,356	3.1
<b>Total</b>	<b>\$301,859</b>	<b>100.00</b>

Source: December 31, 2017 Report of Condition

FNB provides a range of traditional deposit and loan products. Branches are located in areas accessible to bank customers. There are no significant geographical barriers in the AA. Lobby hours and drive-up hours are set to meet customer needs. The main office and all bank branches have ATMs that disburse cash and accept deposits. The bank does not have any freestanding ATMs. Customers have 24-hour access to their accounts through telephone banking, the internet at [www.fnbmt.com](http://www.fnbmt.com), and FNB's mobile banking application for smartphones. Internet, phone, and mobile banking services include review of account

balances and transactions, including loans, transfers between FNB accounts, and loan payments. Internet and mobile banking customers may also use bill-pay and e-statement services. The bank also offers account access through bank-issued debit cards allowing point-of-sale or ATM transactions. Visa or MasterCard credit cards are also available through a third-party provider.

FNB's business strategy includes continued marketing of commercial credit to small businesses through products, staff, and locations. The bank is actively involved in all types of commercial real estate development and construction lending. Small business loans are available for new business startups and to expand existing businesses. FNB also supports the purchase and long-term financing of residential home loans through its conventional secondary market home mortgage department, Tennessee Housing Development Association (THDA), and rural housing guaranteed home mortgage programs, as well Veterans Administration (VA) and Farmers Home Administration (FHA) loan programs that provide lending to low- and moderate-income (LMI) individuals.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

The bank's Performance Evaluation (PE) is based on the Intermediate Small Bank criteria, which utilizes an assessment of the bank's performance under the Lending Test and the Community Development Test, and is based on the bank having total assets between \$313 million and \$1.3 billion as of December 31 for both of the prior two calendar years. Total assets for December 31, 2016, and December 31, 2017, were \$495 million and \$490 million, respectively. This PE covers the period of April 2015 through March 2018 and is a full scope review. Results concerning 2015 and 2016 were consolidated for comparative and analysis purposes and evaluated using 2010 United States Census demographic information. A separate lending analysis was performed and based on analysis information for 2017 generated from 2015 American Community Survey (ACS) data. For the Community Development Test, the evaluation period is January 01, 2015, through December 31, 2017. In evaluating the bank's lending performance, the primary loan products include residential mortgages and business loans. Consumer lending and farm lending did not constitute a substantial lending activity during the review period; therefore, these loan products were not considered in the lending performance evaluation. Conclusions regarding the Lending Test are based on residential real estate loans, including home purchase, home improvement, and home refinance loans. All residential real estate loans originated from January 01, 2015, through December 31, 2017, were considered in our Lending Test analysis. Based on internal bank reports, all small business loans originated during 2015, 2016, and 2017 were also considered in the Lending Test. Full scope reviews were performed for the Warren County AA and Rutherford County AA, with primary consideration given to both AAs for the Lending and Community Development rating. The bank added an additional AA in December 2017 when it opened a branch in Bedford County; activity in this AA was not sufficient to warrant review in this assessment.

## **Data Integrity**

A data integrity review, including Home Mortgage Disclosure Act (HMDA) loan data, was conducted prior to this evaluation. The review concluded that the bank's internal data was reliable.

## **Selection of Areas for Full-Scope Review**

The bank has three AAs that are all in Tennessee. Two of the AAs are comprised of Warren County and Bedford County, which are not in a metropolitan statistical area (MSA), and the third AA contains a portion of CTs served by bank offices in Murfreesboro within Rutherford County, which is in the Nashville MSA. Warren County is not contiguous to either of the other two bank AAs, but Rutherford County and Bedford County are contiguous. Cannon County is situated between Warren and Rutherford counties; however, Cannon County is not included in the bank's AAs because the bank does not have a branch location within the county and cannot reasonably serve that county.

The only AA change since the last CRA exam was the addition of the Bedford County AA in December 2017 after the bank opened a branch in Shelbyville. The Bedford County AA has nine CTs, with no low-income CTs, one moderate-income CT, six middle-income CTs with none distressed or underserved, and two upper-income CTs. All CTs within Bedford County are included within that AA. As noted above, activity in this AA was not sufficient to warrant review in this assessment.

The bank's AAs include its main office, branches, and deposit-taking ATMs. A majority of the bank's loans are originated within the bank's AAs. Our review noted no illegal discrimination as it relates to the bank's establishment of its AAs. The bank's established AAs have not arbitrarily excluded any LMI area(s) within the counties comprising the bank's AAs.

Please refer to Appendix A and Appendix B for more information.

## **Ratings**

The bank's overall rating is based primarily on those areas that received full-scope reviews.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c), “Community Reinvestment Act and Interstate Deposit Production Regulations” or 195.28(c), “Community Reinvestment”, respectively, in determining a national bank’s or federal savings association’s (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution [or any affiliate whose loans have been considered as part of the institution’s lending performance] has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution’s next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

# Conclusions with Respect to Performance Tests

## LENDING TEST

The bank's performance under the Lending Test is rated "Satisfactory". The LTD ratio is reasonable. FNB originated a majority of loans within the bank's AAs. The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes, given local economic conditions. The geographic distribution of residential real estate loans and business loans reflects reasonable dispersion. There were not CRA-related complaints during the evaluation period.

### Loan-to-Deposit Ratio

FNB's net LTD ratio is reasonable given the bank's size, financial condition, and credit needs of its AAs and meets the standard for satisfactory performance. The bank's quarterly net LTD ratio averaged 71.9 percent for the period of March 2015 through December 2017. During the evaluation period, the net LTD ratio ranged from a low of 65.1 percent at December 2015 to a high of 80.3 percent at September 2017.

FNB's average LTD ratio is reasonable when compared to similarly situated banks in or near the AAs with consideration given to available lending opportunities as well as demographic and economic factors present in the AAs. The average LTD ratio of similarly-situated banks over the evaluation period was 82.7 percent. Similarly-situated banks include those with total assets between \$143 million and \$492 million with an operating presence within or adjacent to counties in the bank's AAs.

The following table depicts quarterly average LTD ratios for the bank and similarly-situated banks.

Loan-to-Deposit Ratios		
Institution	Total Assets (\$000s) March 2018	Average Loan-to-Deposit Ratio (%)
<b>First National Bank of Middle TN (FNB)</b>	<b>\$507,535</b>	<b>71.86</b>
Homeland Community Bank	\$142,652	58.35
Security FSB of McMinnville	\$211,153	78.36
First Vision Bank of Tennessee	\$217,420	85.37
Southern Bank of Tennessee	\$268,245	83.82
First Community Bank of Tennessee	\$492,103	107.72

Source: Institution's Reports of Condition for 12 quarter period from March 2015 to Dec. 2017.

As of June 30, 2017, seven financial institutions with 19 offices controlled \$846 million in deposits within the bank's non-MSA AA represented by Warren County. Of the local competitor banks, FNB controlled the largest market share within Warren County at \$354 million or 41.8 percent of total deposits. Independent competitor banks with a notable market share of deposits within Warren County include Security FSB of McMinnville and Homeland Community Bank with 20.2 percent and 15.2 percent of total deposits, respectively. Branches

of large holding company institutions in the area are Regions Bank, FSNB, N.A., and US Bank, N.A., with a combined 15.2 percent of total deposits.

Within the bank’s AA in Rutherford County, which is a part of the Nashville MSA, 22 financial institutions with 75 offices controlled \$4.2 billion in deposits. Of the local competitor banks, FNB controlled the 16th largest market share within Rutherford County at \$30 million or 0.7 percent of total deposits. Branches of large holding company institutions controlling a significant portion of the deposits in Rutherford County were Pinnacle Bank with 22 percent, First Tennessee Bank, N.A. with 11.8 percent, SunTrust Bank with 11.5 percent, and Regions Bank with 11.4 percent.

**Lending in Assessment Area**

FNB’s record of lending levels in its AAs reflect satisfactory responsiveness to the credit needs of its AAs. A majority of the bank’s home mortgage and small business loan originations during the review period were made within the bank’s combined AAs. The inside/outside ratio was evaluated at the bank level, not at the separate AA levels, and is primarily derived from bank originations with some limited business loans purchased. FNB originated 61.2 percent of loans based on number of loans and 53 percent of loans based on dollar volume inside the combined AAs during the evaluation period. See Table 1 - Lending in AAs.

<b>Table 1 - Lending in AAs</b>										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Purchase	1,547	62.20	940	37.80	2,487	\$18,347	62.97	\$10,791	37.03	\$29,138
Improvement	69	62.16	42	37.84	111	555	83.46	110	16.57	665
Refinance	346	57.67	254	42.33	600	3,895	60.83	2,508	39.17	6,403
HMDA Loan Subtotal	1,962	61.35	1,236	38.65	3,198	\$22,797	62.96	\$13,409	37.04	\$36,206
Small Business Loans	493	60.71	319	39.29	812	\$155,839	51.78	\$145,109	48.22	\$300,948
Total Loans	2,455	61.22	1,555	38.78	4,010	\$178,636	52.98	\$158,518	47.02	\$337,154

Source: HMDA and Small Business Loan Activity 2015-2017

President Pieter van Vuuren stated that the bank’s compliance committee, composed of several board members with President van Vuuren also in attendance, monitors the bank’s lending activity in and outside the bank’s AAs on a quarterly basis with the full board subsequently receiving these reports. President van Vuuren stated that the bank’s lending activity within its AAs has been impacted by loan originations generated outside the bank’s AAs by several senior lenders hired during the review period who had loan customers in other counties outside the bank’s AAs. The bank has established a loan production office in Williamson County (Spring Hill) and a mortgage loan office in Davidson County (Nashville) which has led to increased lending outside the bank’s AAs. Some of the Tennessee counties where these senior lenders have originated large business loans of \$1 million or more in non-AA counties were Williamson, Davidson, Wilson, and Maury. President van Vuuren anticipates that the level of non-AAs loan originations will not be as significant going forward as these senior loan officers address their loan customer portfolios from their previous banks. The December 2017 opening of the Shelbyville branch office (Bedford County) should also increase the level of loans in the bank’s AAs. Management continues to originate loans within its existing AAs, but faces limited economic growth in Warren County and extensive

competition from large regional and local banks in Rutherford County. Management initiated a more extensive calling effort by lenders in Warren County to generate loan originations in that county. President van Vuuren stated that the bank has initially opened loan production offices in various areas and subsequently opened a branch at that same location after experiencing consistent lending performance and optimal market conditions.

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

Warren County AA

The distribution of loans in the Warren County AA reflects reasonable penetration among individuals of different income levels and businesses of different sizes and meets the standard for satisfactory performance.

*Residential Real Estate Loans*

FNB’s overall record of lending to borrowers of different incomes demonstrates reasonable penetration and meets the standards for satisfactory performance. The bank’s lending to LMI borrowers is impacted by a number of factors, including the poverty level and the affordability of housing within this AA. Additionally, limited borrower income in the AA is reflected in the fact that all three middle-income CTs are cited by the Federal Financial Institutions Examination Council (FFIEC) as distressed on a poverty basis. In 2017, 19.7 percent of households within this AA had incomes below the poverty level, 39.4 percent of households were on social security, and the average median housing value was \$98,322.

In 2015 - 2016, low-income families and moderate-income families represented 22.6 percent and 18.3 percent, respectively, of families in the Warren County AA. For this period, bank residential real estate loan originations, as reported under HMDA, were reasonably near the percentage of low-income families for both home purchase loans (10.6 percent) and home improvement loans (10.3 percent); however, the number of refinance loans was low (6.5 percent) compared to the percentage of low-income families. The bank’s lending to moderate-income families for home purchase loans (24.6 percent) and home refinance loans (21.7 percent) exceeded the percentage of moderate-income families while the number of home improvement loans (13.8 percent) was with a reasonable range. See Table 2 - Borrower Distribution of Residential Real Estate Loans in Warren County AA – 2015 & 2016.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Purchase	22.55	10.55	18.27	24.62	19.24	24.12	39.93	36.68
Improvement	22.55	10.34	18.27	13.79	19.24	31.03	39.93	44.83
Refinance	22.55	6.52	18.27	21.74	19.24	20.65	39.93	41.30

*Source: Data reported under HMDA. Income NA for 4.02% of home purchase, and 9.78% of home refinancing loans.*

In 2017, low-income families and moderate-income families represented 20.8 percent and 19.2 percent, respectively, of families in the Warren County AA. FNB’s residential real estate

lending in 2017 for refinance loans for both LMI families (both 14.3 percent) was reasonably near the percentage of LMI families in the AA. While the volume of lending to low-income families for home purchase loans (6.1 percent) and home improvement loans (7.7 percent) was low for low-income families in the AA, lending to moderate-income families for home purchase loans (19.4 percent) and home improvement loans (30.8 percent) exceeded the percentage of moderate-income families in the AA. See Table 2 - Borrower Distribution of Residential Real Estate Loans in Warren County AA – 2017.

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
Purchase	20.79	6.12	19.23	19.39	18.19	22.45	41.79	47.96
Improvement	20.79	7.69	19.23	30.77	18.19	23.08	41.79	38.46
Refinance	20.79	14.29	19.23	14.29	18.19	25.71	41.79	40.00

*Source: Data reported under HMDA. Income NA for 4.08% of home purchase, and 5.71% of home refinancing loans*

Residential lending activity is also negatively impacted by limited owner-occupied housing available in the AA. Owner-occupied housing compared to total owner-occupied units in the AA was only 29.9 percent in LMI areas with no low-income CTs. The bank offers LMI borrowers the opportunity to obtain loans through government home loan programs such as Rural Housing Services, VA, and FHA. The bank also assists low-income and moderate-income borrowers through the bank's secondary market lending program.

### *Business Loans*

FNB's overall record of lending to businesses of different sizes demonstrates reasonable penetration. In 2015 - 2016, 87.6 percent of loans by number and 50.4 percent of loans by dollar amount originated or purchased by FNB were to businesses with revenues of \$1 million or less. This compares favorably to demographic data that reflects that businesses with revenues of less \$1 million represented 80.3 of businesses in the Warren County AA. See Table 2A - Borrower Distribution of Loans to Businesses in Warren County AA – 2015 & 2016.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	80.33	6.34	13.33	100%
% of Bank Loans in AA by #	87.57	8.88	3.55	100%
% of Bank Loans in AA by \$	50.35	48.21	1.44	100%

*Source: Data collected by bank; Dunn and Bradstreet data.*

In 2017, 83.6 percent of loans by number and 68.7 percent of loans by dollar amount originated or purchased by FNB were to business with revenues of \$1 million or less compared to demographic data that reflects 79.9 percent of businesses in the AA had revenues of \$1 million or less. See Table 2A - Borrower Distribution of Loans to Businesses in Warren County AA – 2017.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	79.90	6.73	13.37	100%
% of Bank Loans in AA by #	83.58	11.94	4.48	100%
% of Bank Loans in AA by \$	68.72	30.79	0.49	100%

Source: Data collected by bank; Dunn and Bradstreet data.

Small business lending support is also reflected in the high volume of smaller dollar loans. For 2015 - 2016, 91.7 percent of FNB's business loans by number of loans were in amounts of \$250 thousand or less; for 2017, these loans represented 89.6 percent of total loans. See Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in Warren County AA - 2015 & 2016 and Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in Warren County AA - 2017.

Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans (000's)	Percent of Dollar Volume
\$0 - \$100,000	123	72.78	\$2,482	10.55
\$100,001 - \$250,000	32	18.93	5,459	23.20
\$250,001 - \$500,000	8	4.73	2,529	10.75
\$500,001 - \$1,000,000	2	1.18	1,543	6.55
Over \$1,000,000	4	2.37	11,519	48.95

Source: Data collected by bank.

Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans (000's)	Percent of Dollar Volume
\$0 - \$100,000	43	64.18	\$1,496	20.42
\$100,001 - \$250,000	17	25.37	2,769	37.80
\$250,001 - \$500,000	4	5.97	1,393	19.02
\$500,001 - \$1,000,000	3	4.48	1,667	22.76
Over \$1,000,000	0	0.00	0	0.00

Source: Data collected by bank.

## Rutherford County AA

The distribution of loans in the Rutherford County AA reflects reasonable penetration among individuals of different income levels and businesses of different sizes and meets the standard for satisfactory performance.

### *Residential Real Estate Loans*

FNB's overall record of lending to borrowers of different incomes within the Rutherford County AA demonstrates reasonable penetration and meets the standards for satisfactory performance. The bank's lending to LMI borrowers within this AA is impacted by a number of factors, including poverty level and affordability of housing. Approximately 12.4 percent of households within the AA have incomes below the poverty level, 23.3 percent are on social security, and the average median housing value was \$178,228 for 2017.

In 2015 – 2016, low-income families and moderate-income families represented 17.4 percent and 18.3 percent, respectively, of families in the Rutherford County AA. For 2015 - 2016, bank residential real estate loan originations and purchases to low-income borrowers for home purchase loans (7.8 percent) was within a reasonable range of the percentage of low-income families; however, the volume of refinance loans (2.6 percent) and home improvement loans (0.0 percent) were low compared to the percentage of low-income families. Bank residential real estate lending to moderate-income families for home purchase loans (24.7 percent) exceeded the percentage of moderate-income families in the AA while the volume of home refinance loans (13.8 percent) was within a reasonable range of the percent of moderate-income families. As with home improvement lending to low-income families, FNB made no home improvement loans to moderate-income families. See Table 2 - Borrower Distribution of Residential Real Estate Loans in Rutherford County AA – 2015 & 2016.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Purchase	17.39	7.83	18.31	24.66	21.61	30.14	42.69	36.20
Improvement	17.39	0.00	18.31	0.00	21.61	37.50	42.69	62.50
Refinance	17.39	2.59	18.31	13.79	21.61	24.14	42.69	51.72

*Source: Data reported under HMDA. Income NA for 1.17% of home purchase, and 7.76% of home refinancing loans.*

In 2017, low-income families and moderate-income families represented 16.2 percent and 18.5 percent, respectively, of families in the AA. FNB's residential real estate lending in 2017 for home improvement loans (9.1 percent) was within a reasonable range of the percentage of low-income families while both home purchase loans (3.7 percent) and home refinance loans (2.13 percent) were low compared to the percentage of low-income families. Bank residential real estate lending for home purchase loans (19 percent) and home improvement loans (27.3 percent) both exceeded the percentage of moderate-income families in the AA while home refinance loans (14.9 percent) were within a reasonable range. See Table 2 - Borrower Distribution of Residential Real Estate Loans in Rutherford County AA – 2017.

**Table 2 - Borrower Distribution of Residential Real Estate Loans in Rutherford County AA – 2017**

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
Purchase	16.23	3.36	18.53	19.03	21.71	26.49	43.53	49.25
Improvement	16.23	9.09	18.53	27.27	21.71	18.18	43.53	45.45
Refinance	16.23	2.13	18.53	14.89	21.71	10.64	43.53	72.34

Source: Data reported under HMDA. Income NA for 1.87 % of home purchase, and 0.00% of home refinancing loans.

Residential lending is negatively impacted by the limited owner-occupied housing available in the AA. Owner-occupied housing compared to total owner-occupied units within the AA was only 1.8 percent in low-income areas and 12 percent in moderate-income areas. The bank offers LMI borrowers the opportunity to obtain loans through government home loan programs such as Rural Housing Service, VA, and FHA. The bank also assists LMI borrower through the bank’s secondary market lending program.

### Business Loans

FNB’s overall record of lending to businesses of different sizes demonstrates reasonable penetration. In the bank’s Rutherford County AA, businesses with revenues or sales of less than \$1 million represented 83.9 percent of businesses in 2015/2016 and 84.3 percent in 2017. While FNB’s lending to these businesses was low (39.1 percent of the number of loans) compared to the demographic data in 2015/2016, the bank’s lending to these businesses was within a reasonable range (63.1 percent of the number of loans) in 2017. See Table 2A - Borrower Distribution of Loans to Businesses in Rutherford County AA – 2015 & 2016 and Table 2A - Borrower Distribution of Loans to Businesses in Rutherford County AA – 2017.

FNB’s support of small business lending is reflected in the high volume of business loans in amounts of \$500,000 or less. These loans represented 93.2 percent of the bank’s business loans in 2015/2016 and 94.2 percent of business loans in 2017. See Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in Rutherford County AA - 2015 & 2016 and Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in Rutherford County AA – 2017.

**Table 2A - Borrower Distribution of Loans to Businesses in Rutherford County AA – 2015 & 2016**

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	83.92	4.59	11.49	100%
% of Bank Loans in AA by #	39.09	60.26	0.65	100%
% of Bank Loans in AA by \$	31.76	67.14	1.10	100%

Source: Data collected by bank; Dunn and Bradstreet data.

**Table 2A - Borrower Distribution of Loans to Businesses in Rutherford County AA - 2017**

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	84.27	4.56	11.17	100%
% of Bank Loans in AA by #	63.10	36.90	0.0	100%
% of Bank Loans in AA by \$	48.00	52.00	0.0	100%

Source: Data collected by bank; Dunn and Bradstreet data.

**Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in Rutherford County AA - 2015 & 2016**

Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	48	15.64	\$ 1,536	1.54
\$100,001 - \$250,000	168	54.72	28,288	28.37
\$250,001 - \$500,000	70	22.80	22,372	22.44
\$500,001 - \$1,000,000	8	2.61	6,289	6.31
Over \$1,000,000	13	4.23	41,217	41.34

Source: Data collected by bank.

**Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in Rutherford County AA - 2017**

Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans (\$000's)	Percent of Dollar Volume
\$0 - \$100,000	22	21.36	\$1,290	5.06
\$100,001 - \$250,000	47	45.63	8,084	31.71
\$250,001 - \$500,000	28	27.18	9,695	38.02
\$500,001 - \$1,000,000	4	3.88	3,230	12.67
Over \$1,000,000	2	1.94	3,198	12.54

Source: Data collected by bank.

## Geographic Distribution of Loans

### Warren County AA

The geographic distribution of loans in the Warren County AA reflects excellent dispersion among home mortgage loans and reasonable dispersion for business loans and meets the standard for satisfactory performance.

#### *Residential Real Estate Loans*

FNB's overall geographic distribution of residential loans within the Warren County AA reflects excellent dispersion and meets the standard for outstanding performance. For the review period of 2015/2016 and 2017, there were no low-income CTs in the AA. In 2017, there were three moderate-income CTs in the AA; however, there was only one moderate-income CT for

the 2015/2016 review period. FNB has limitations in its ability to originate residential or business loans within these moderate CTs since a substantial portion of the sole moderate-income CT in 2015/2016 was populated by municipal structures and multifamily structures. Census data reflects that 10.2 percent of owner-occupied housing in the AA is in the moderate-income CT.

In 2015 - 2016, FNB's lending in the sole moderate-income CTs for home purchase, home improvement, and home refinance loans (14.1 percent, 17.2 percent, and 13 percent, respectively) exceeded the comparative ratio of 10.2 percent of owner-occupied housing in the CT. See Table 3 - Geographic Distribution of Residential Real Estate Loans in Warren County AA – 2015 and 2016. Similarly, FNB's lending in 2017 for home purchase, home improvement, and home refinance loans (34.7 percent, 30.8 percent, and 31.4 percent, respectively) exceeded the comparative ratio of 29.9 percent for owner-occupied housing within moderate-income CTs. See Table 3 - Geographic Distribution of Residential Real Estate Loans in Warren County AA – 2017.

**Table 3 - Geographic Distribution of Residential Real Estate Loans in Warren County AA – 2015 and 2016**

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
Purchase	0.00	0.00	10.16	14.07	73.59	69.85	16.26	16.08
Improvement	0.00	0.00	10.16	17.24	73.59	72.41	16.26	10.34
Refinance	0.00	0.00	10.16	13.04	73.59	68.48	16.26	18.48

Source: Data reported under HMDA; U.S. Census data.

**Table 3 - Geographic Distribution of Residential Real Estate Loans in Warren County AA – 2017**

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
Purchase	0.00	0.00	29.87	34.69	39.14	27.55	30.99	37.76
Improvement	0.00	0.00	29.87	30.77	39.14	53.85	30.99	15.38
Refinance	0.00	0.00	29.87	31.43	39.14	40.00	30.99	28.57

Source: Data reported under HMDA; U.S. Census data.

### Business Loans

FNB's overall geographic distribution of loans to businesses of different sizes within the Warren County AA reflects reasonable dispersion and meets the standard for satisfactory performance. In 2015-2016, FNB originated 15.4 percent of the number of business loans in the only moderate-income CT in the AA. This is reasonable compared to the 25.3 percent of AA businesses. See Table 3A - Geographic Distribution of Loans to Businesses in Warren

County AA – 2015 and 2016. In 2017, FNB originated 40.4 percent of business loans in moderate-income CTs which is reasonable compared to the 52 percent of AA businesses. See Table 3A - Geographic Distribution of Loans to Businesses in Warren County AA – 2017.

Table 3A - Geographic Distribution of Loans to Businesses in Warren County AA – 2015 and 2016								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
	0.00	0.00	25.31	15.39	59.97	66.86	14.72	17.75

Source: Data collected by bank; Dunn and Bradstreet data.

Table 3A - Geographic Distribution of Loans to Businesses in Warren County AA - 2017								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
	0.00	0.00	51.99	40.40	29.45	37.21	18.56	22.39

Source: Data collected by bank; Dunn and Bradstreet data.

### Rutherford County AA

The geographic distribution of loans in the Rutherford County AA reflects reasonable dispersion among home mortgage loans and reasonable dispersion for business loans within this AA and meets the standard for satisfactory performance.

#### *Residential Real Estate Loans*

FNB’s overall geographic distribution of residential loans within the Rutherford County AA reflects reasonable dispersion and meets the standard for satisfactory performance. The bank has limitations in its ability to originate residential or business loans within the LMI CTs of this AA based on the existence of municipal structures, government housing, and multifamily structures within those CTs, and the low level of owner-occupied housing in those CTs.

In 2015 - 2016, FNB’s lending in low-income CTs for home purchase loans (2.4 percent) and home refinance loans (6 percent) exceeded the comparative ratio of 2.1 percent of owner-occupied housing in low-income CTs; the bank did not have any home improvement lending during this period for these CTs. FNB’s lending in moderate-income CTs for home improvement loans (25 percent) exceeded the comparative ratio of 9 percent of owner-occupied housing in the CTs while home purchase loans(7.1 percent) and home refinance loans (6 percent) were within a reasonable range. See Table 3 - Geographic Distribution of Residential Real Estate Loans in AA - 2015 & 2016.

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
Purchase	2.08	2.35	9.04	7.05	55.26	60.86	33.62	29.75
Improvement	2.08	0.00	9.04	25.00	55.26	37.50	33.62	37.50
Refinance	2.08	6.03	9.04	6.03	55.26	61.21	33.62	26.72

Source: Data reported under HMDA; U.S. Census data.

In 2017, FNB's lending in low-income CTs for home purchase loans (1.5 percent) was within a reasonable range of the comparative ratio of 1.8 percent of owner-occupied housing in low-income CTs; the bank did not have any home improvement or home refinance lending during this period for low-income CTs. FNB's lending in moderate-income CTs for home improvement loans (18.2 percent) exceeded the comparative ratio of 12 percent of owner-occupied housing in the CTs while home purchase loans (11.9 percent) and home refinance loans of loans 8\*.5 percent) were within a reasonable range. See Table 3 - Geographic Distribution of Residential Real Estate Loans in AA - 2017.

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
Purchase	1.83	1.49	12.04	11.94	51.40	60.45	34.72	26.12
Improvement	1.83	0.00	12.04	18.18	51.40	63.64	34.72	18.18
Refinance	1.83	0.00	12.04	8.51	51.40	70.21	34.72	21.28

Source: Data reported under HMDA; U.S. Census data.

### *Business Loans*

FNB's overall geographic distribution of loans to businesses of different sizes within the Rutherford County AA reflects reasonable dispersion and meets the standards for satisfactory performance.

In 2015 - 2016, FNB originated 7.5 percent of the number of business loans in both low-income and moderate-income CTs. This is reasonable compared to the 10.3 percent and 15.8 percent, respectively, of AA businesses. See Table 3A - Geographic Distribution of Loans to Businesses in Rutherford County AA – 2015 and 2016. In 2017, FNB originated 40.4 percent of business loans in moderate-income CTs which is reasonable compared to the 52 percent of AA businesses. See Table 3A - Geographic Distribution of Loans to Businesses in Warren County AA – 2017.

In 2017, FNB originated 3.9 percent of business loans in low-income CTs compared to 10.8 percent of AA businesses and originated 10.7 percent of business loans in moderate-income

CTs compared to 21.8 percent of AA businesses. While the bank’s lending was lower than the comparative ratio, it was within a reasonable range. See Table 3A - Geographic Distribution of Loans to Businesses in Rutherford County AA – 2017.

<b>Table 3A - Geographic Distribution of Loans to Businesses in Rutherford County AA – 2015/2016</b>								
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
	10.30	7.49	15.82	7.49	47.55	36.16	25.89	48.96

Source: Data collected by bank; D & B data.

<b>Table 3A - Geographic Distribution of Loans to Businesses in Rutherford County AA - 2017</b>								
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
	10.84	3.88	21.81	10.68	46.64	63.11	20.41	22.33

Source: Data collected by bank; D & B data.

### Responses to Complaints

There have been no consumer complaints relating to the bank’s CRA performance during this evaluation period.

## COMMUNITY DEVELOPMENT TEST

The bank's performance under the community development test is rated satisfactory. FNB demonstrated adequate responsiveness to community development needs in its AAs through CD lending, investments, and services originated during this evaluation period.

### Number and Amount of Community Development Loans

#### Warren County AA

From January 01, 2015, through December 31, 2017, FNB originated 21 community development loans, investments, and grants/donations totaling \$1.95 million. As evidenced by the following table, 12 loans and three investments totaling \$790 thousand and \$1.1 million, respectively, were for community development purposes. Additionally, the bank had \$62,375 in CD donations to six organizations.

Community Development (CD) Lending and Investments in Warren County AA			
		#	\$ Amount (000's)
CD Loans	AA	12(1)	\$790 (1)
CD Investments	AA	3	\$1,100
CD Grants/Donations	AA	6	\$62
<b>Total Community Development Lending and Investments *</b>	<b>AA</b>	<b>21</b>	<b>\$1,952</b>

(1) CD Loan Activity within the Warren County AA Last Exam – 17 loans / \$6.2 million

#### *Qualifying CD Loans*

- *Loan to purchase and rehabilitate a multi-family residence:* During this evaluation period, FNB originated two loans totaling \$296 thousand to a limited liability company to purchase and remodel an eight-unit apartment complex located in a middle-income distressed CT. Rent on the units averages \$570 per month and provides affordable housing to LMI individuals.
- *Loans to purchase single family homes for rental to LMI individuals:* During this evaluation period, FNB originated four loans totaling \$163,375 to purchase four single family residences in moderate- and middle-income distressed CTs. Rents average \$500 per month and provide affordable housing for LMI individuals.
- *Other loans serving LMI individuals and geographical areas:* FNB originated five smaller loans totaling \$318,650. All the loans were used to purchase rental properties located in moderate- and middle-income distressed CTs. All properties provide affordable housing to LMI individuals.
- *Loan to purchase a rescue vehicle:* During this evaluation period, FNB originated a loan totaling \$12,000 to a rescue squad located in Warren County. This is a non-profit organization that serves LMI individuals in the bank's AA.

## Rutherford County AA

From January 01, 2015 through December 31, 2017, FNB originated 18 community development loans, investments, and grants/donations totaling \$3.1 million. As evidenced by the following table, 16 loans totaling \$3.05 million were for community development purposes. Additionally, the bank had approximately \$6 thousand in CD donations to two organizations.

<b>Community Development (CD) Lending and Investments in Rutherford County AA</b>			
		#	\$ Amount (000's)
CD Loans	AA	16 (1)	\$3,053(1)
CD Investments/Grants/Donations	AA	2	\$6
<b>Total Community Development Lending and Investments *</b>	<b>AA</b>	<b>18</b>	<b>\$3,059</b>

(1) CD Loan Activity within the Rutherford County AA Last Exam – 16 loans / \$3.9 million

### *Qualifying CD Loans*

- *Loan to purchase rental housing for LMI individuals.* During this evaluation period, FNB originated two loans totaling \$178,500 to a real estate investor to purchase a single-family residence and a multi-family rental consisting of two units. The properties are located in low-income CTs in the bank's AA. The rentals provide affordable housing to LMI individuals.
- *Loan to purchase an ambulance by an ambulance company.* During this evaluation period, FNB originated a loan totaling \$52 thousand to purchase an ambulance which is used by a company where the bulk of their business is to LMI individuals. While the business is in an upper-income CT, it serves the LMI individuals in that tract.
- *Loan to construct an urgent care facility which will serve LMI individuals.* During this evaluation period, FNB originated a loan for \$750 thousand to fund the building, start-up costs, and operating expenses for an urgent care facility. While the facility is located in middle-income CT, it will serve the surrounding LMI areas and LMI individuals.
- *Loan to purchase multi-family housing for rental to LMI individuals.* During this evaluation period, FNB originated two loans totaling \$246.5 thousand to purchase multi-family housing to rent to LMI individuals. The units purchased are both located in a low-income census tract in the bank's AA. The units rent for an average of \$550 per month. The apartments provide affordable rental housing to LMI individuals.
- *Loan to purchase multi-family housing for rental to LMI individuals.* During this evaluation period, FNB originated a loan totaling \$293.5 thousand to a real-estate investor to purchase two multi-family units. The units purchased are both located in a low-income census tract in the bank's AA. The units rent for an average of \$500 per month and provide affordable rental housing to LMI individuals.
- *Loan to purchase rental housing for LMI individuals.* During this evaluation period, FNB originated two loans totaling \$268.6 thousand to purchase a single-family residence and

a multi-family residence to be rented to LMI individuals. Both units are located in a low-income census tract in the bank's AA and provide affordable housing to LMI individuals.

- *Loan to purchase multi-family townhouse unit to rent to LMI individuals.* During this evaluation period, FNB originated a loan totaling \$707 thousand to a property management company for the purchase of a six-unit townhouse property. The property is located in a moderate-income census tract and rents for an average of \$1 thousand per month. The units provide affordable housing to LMI individuals.
- *Loan to purchase single-family home for rental to LMI individuals.* During this evaluation period, FNB originated a loan totaling \$125 thousand to purchase a single-family residence for rent to LMI individuals. The home is located in a moderate-income census tract within the bank's AA and provides affordable housing to LMI individuals.
- *Loan to purchase multiple single-family residences for rental to LMI individuals.* During this evaluation period, FNB originated a loan for \$168.5 thousand to purchase three single-family residences to be rented to LMI individuals. Rent on the units averages \$730 per month and provides affordable housing to LMI individuals.
- *Other loans serving LMI individuals and geographical areas.* FNB originated four smaller loans totaling \$263.9 thousand. All the loans were used to purchase rental properties located in LMI census tracts. All properties provide affordable housing to LMI individuals.

## **Number and Amount of Qualified Investments**

### Warren County AA

Qualifying investments are investments, deposits, membership shares, or grants that have community development as their purpose, as defined in the CRA regulation.

During the prior evaluation period, FNB purchase three Tennessee Housing Development (THDA) Bonds currently totaling \$1 million. Funds are being used on an ongoing basis to sponsor various THDA home ownership programs including Homeownership Choices and New Start Programs. These proceeds provide down payment and closing cost assistance to very low-income individuals. Additionally, THDA mortgages are typically guaranteed by FHA, U.S. Department of Housing and Urban Development, VA, or United States Department of Agriculture and Rural Development.

### *Originated Donations*

The bank made individual donations for CD purposes within FNB's Warren County AA for the period January 01, 2015, through December 31, 2017, to six organizations totaling approximately \$62 thousand.

- *Kids of the Community:* Between 2015 and 2017, FNB donated \$34,990 to Kids of the Community, which is a non-profit organization that helps needy children with food and school supplies. These children mostly come from low-income families.
- *Warren County Schools:* Between 2015 and 2017, FNB donated \$18,335 to all the schools in Warren County. These funds support all the fundraising efforts for different clubs as well as sports teams. The majority of the students in the Warren County school system are from LMI families.
- *McMinnville Housing Authority:* FNB provided donations totaling \$2,700 (\$75 per month) to the McMinnville Housing Authority to benefit government subsidized housing including LMI individuals.
- *Meals on Wheels:* Between 2015 and 2017, FNB donated \$2,000 and canned foods to the organization. Meals on Wheels is a non-profit organization that delivers hot meals to 185 seniors around Warren County.
- *Hamilton Street of Warren County:* FNB provided donations of \$750 to the organization. This organization is an after-school program which helps at-risk children with homework and provides a healthy snack/meal.
- *American Cancer Society Transportation Grant Program:* FNB donated \$3,600 to the organization which provides transportation to appointments for cancer patients who receive Medicaid.

## Rutherford County AA

### *Originated Donations*

The bank made individual donations for CD purposes within FNB's Rutherford County AA for the period January 01, 2015 through December 31, 2017 to two organizations totaling approximately \$6 thousand.

- *Boys and Girls Club of Rutherford County:* Between 2015 and 2017, FNB donated \$3,550 to the Boys and Girls Club of Rutherford County. This organization is dedicated to providing a positive impact on the life of a child. The club reaches out to kids who cannot afford or may lack access to other community programs. No child is turned away based on the inability to pay. This includes children from LMI families.
- *Habitat for Humanity:* FNB originated donations to the Rutherford County Habitat for Humanity Organizations, which promotes affordable housing for LMI individuals and other non-profit organizations. Between 2015 and 2017, FNB has provided financial support totaling \$2,500.

## Extent to Which the Bank Provides Community Development Services

### Warren County AA

FNB's record of providing community development services within the Warren County AA is satisfactory. Bank personnel are members of various civic clubs and community boards serving the Warren County AA and its people. Bank management actively encourages bank employees to be involved and support local civic services and school systems. Individually, FNB employees have been involved in civic organizations and other organizations which assist and support LMI individuals and children of LMI families. Here are examples of those CD services that have been provided within the Warren County AA.

- *Money Island:* FNB has introduced the availability of Money Island, an educational online platform for children between the ages of eight and 14 in three key financial areas: Saving and Spending, Earning and Investing, and Using Credit Wisely. Money Island is a virtual world for children that makes learning fun and teaches financial literacy. For encouragement, rewards are built into the game and includes t-shirts and certificates. The program is targeted to schools within the bank's AA which consists of predominantly LMI individuals.
- *Lunch and Learn Speakers:* During business luncheons in Warren County, FNB employees educated local realtors about mortgage products including affordable housing products for LMI families.
- *The Steve and Kate Smith Community Trust:* FNB's provides services reflecting a financial institution's employees' areas of expertise at the institution. Their in-house Trustee manages the trust which makes grants to non-profit organizations located in Warren County. The trust is located in and serves non-profit organizations in a LMI geography.
- *Welcome Home Program:* FNB offered a luncheon where their mortgage team educated local residents about Federal Home Loan Bank grants available to LMI borrowers to assist with down payment and closing costs of purchasing a new home.
- *Reality Check:* A number of FNB employees participate in local high school programs providing support on personal finances to simulate the importance of budgeting their money. The majority of the students qualify for free/reduced lunch program. The majority of these students are economically disadvantaged and come from LMI families.
- *Kids of the Community:* FNB has an SVP Loan Officer who serves on this organization's Board of Directors and provides technical assistance related to the provision of financial services. Kids of the Community is a non-profit organization that helps LMI children with food and school supplies.

## Rutherford County AA

FNB's record of providing community development services within the Rutherford County AA is satisfactory. Bank personnel are members of various civic clubs and community boards serving the bank's Rutherford County AA and its people. Bank management actively encourages bank employees to be involved and support local civic services and school systems. Individually, FNB employees have been involved in civic organizations and other organizations which assist and support LMI individuals and children of LIM families. Here are examples of those CD services that have been provided within the Rutherford County AA.

- *Habitat for Humanity:* FNB has an AVP Mortgage Officer who serves on the Board of Directors and provides technical assistance activities related to the provision of financial services. Habitat for Humanity Organizations promote affordable housing for LMI individuals and other non-profit organizations.
- *Stepping Stones Homeless Shelter for Women and Children:* FNB has an AVP Branch Manager who provides technical assistance using his financial knowledge to provide financial services by serving as the bookkeeper for this organization, which provides shelter for homeless women and children in Rutherford County.
- *Murfreesboro City Grant:* FNB provides local LMI individuals information and assistance applying for the Murfreesboro City Grant for down-payment assistance on a home purchase, which low-income borrowers are eligible for within the bank's AA.
- *TN Housing Development Authority:* FNB provides local LMI individuals information and assistance applying for the Hardest Hit Fund through the THDA, which targets LMI individuals in areas which were hit hardest during the last economic downturn. Two zip codes in the bank's AA qualify for the grant.
- *Exchange Club of Murfreesboro:* FNB has an SVP Loan Officer who serves as a board member and President of this organization. This bank employee provides technical assistance regarding activities that are related to the provision of financial services. The Exchange Club supports local non-profits and provides parenting classes to LMI individuals.
- *Lunch and Learn Speakers:* During business luncheons in Rutherford County, FNB employees informed local realtors about mortgage products including affordable housing products for LMI families.

## **Responsiveness to Community Development Needs**

The bank's overall responsiveness through community development activities, to community development lending, investment, and services needs is satisfactory, based on the number and volume of community development loans, investments, and donations originated during this evaluation period.

## Appendix A: Scope of Examination

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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): (1/01/15 to 12/31/17) Investment and Service Tests and CD Loans: (1/01/15 to 12/31/17)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
FNB of Middle Tennessee (bank or FNB) McMinnville, TN	Residential Real Estate Loans Business Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Warren County AA	Full-Scope	
Rutherford County AA	Full Scope	

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

### Warren County AA

Demographic Information for Full-Scope Area: (Name of Multistate Metropolitan Area)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	9	0%	33.3%	33.3%	33.3%	0%
Population by Geography	40,015	0%	37.3%	34.5%	28.2%	0%
Owner-Occupied Housing by Geography	10,804	0%	29.9%	39.1%	31.0%	0%
Businesses by Geography	2,139	0%	52.0%	29.5%	18.5%	0%
Farms by Geography	183	0%	17.0%	55.7%	27.3%	0%
Family Distribution by Income Level	10,427	0%	33.7%	36.7%	29.6%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	4,173	0%	43.5%	35.7%	20.8%	0%
Median Family Income = \$47,235 HUD Adjusted Median Family Income for 2017 = \$47,900 Households Below the Poverty Level = 3,092						Median Housing Value = \$98,322 Unemployment Rate = 4.5%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2015 ACS US Census and 2017 HUD updated MFI.

### Assessment Area 1: Warren County AA

The Warren County AA has nine CTs, with no low-income CTs, three moderate-income CTs, three middle-income CTs which are all distressed from a poverty basis, and three upper-income CTs. All CTs within Warren County are included within that AA. The unemployment rate in December 2017 for Warren County was 4.5 percent and the weighted average of median household income was only \$36 thousand. The bank had 41.8 percent market share of the Warren County deposits as of June 30, 2017. The leading industries for Warren County's economic base are manufacturing, healthcare, retail industries, and services from government entities. Many individuals commute to nearby Murfreesboro (37 miles) for employment. Some of the major employers of Warren County are Yorozu Automotive Tennessee, Inc. (metal stamping), Bridgestone Americas Tire Operations, LLC (tires), Warren County School District, River Park Hospital, Inc., Wal-Mart Stores, Inc., and Warren County government.

Distribution of Bank Offices and ATMs by CT in Warren County AA						
Census Tract Income Level	Tracts		Full Service Branches		ATMs	
	#	%	#	%	#	%
Low	0	0%	0	0%	0	0%
Moderate	3	33%	3	60%	3	60%
Middle	3	33%	2	40%	2	40%
Upper	3	33%	0	0%	0	0%
Total	9	100%	5	100%	5	100%

## Rutherford County AA

Demographic Information for Full-Scope Area: (Name of Multistate Metropolitan Area)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	31	6.4%	19.4%	45.2%	25.8%	3.2%
Population by Geography	188,634	4.6%	20.0%	46.4%	27.5%	1.5%
Owner-Occupied Housing by Geography	26,024	0.3%	7.9%	67.8%	24.0%	0.0%
Businesses by Geography	10,073	10.8%	21.8%	46.7%	20.4%	0.3%
Farms by Geography	290	5.5%	12.1%	55.9%	26.5%	0.0%
Family Distribution by Income Level	46,625	3.7%	16.2%	49.9%	30.2%	0.0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	16,206	8.2%	27.1%	45.9%	18.8%	0.0%
Median Family Income = \$71,490 HUD Adjusted Median Family Income for 2017 = \$66,404 Households Below the Poverty Level = 12.4%				Median Housing Value = \$178,288 Unemployment Rate = 5.0%		

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2015 ACS US Census and 2017 HUD updated MFI.

### Assessment Area 2: Rutherford County AA

The Rutherford County AA has 31 CTs, with two low-income CTs, six moderate-income CTs, 14 middle-income CTs with none distressed or underserved, eight upper-income CTs, and one CT with no income information available. The bank's Rutherford County AA excludes the cities of Smyrna and La Vergne, which are located in the northern portion of the county and are not in close proximity to the bank's two Murfreesboro branches. Within Rutherford County, the cities of Murfreesboro, Smyrna, and La Vergne are served by multiple financial institutions ranging in size from large national and regional corporations to small community banks. Although Rutherford County is

part of the 14-county Nashville MSA, the bank’s defined AA within Rutherford County is reasonable, as the bank cannot reasonably serve the entire MSA with only two branches located on the outskirts of the MSA. The unemployment rate in December 2017 for Rutherford County was 5 percent. Numerous large financial institutions with a larger footprint within Rutherford County create a significant challenge for FNB in obtaining business from the area residents. The bank only had 0.7 percent market share of the Rutherford County deposits as of June 30, 2017. Rutherford County has a strong, dynamic economic base. Primary industries include manufacturing, retail trade, accommodation and food services, and healthcare. Many individuals commute to Nashville/Davidson County (30 miles) for employment. Some of the major employers of Rutherford County are: Nissan North America Inc. (auto manufacturing), Rutherford County Government, Middle Tennessee State University, National HealthCare Corp., Department of Veterans Affairs Healthcare System, State Farm Medical Insurance Co, and Asurion (technology device protection services).

<b>Distribution of Bank Offices and ATMs by CT in Rutherford County AA</b>						
<b>Census Tract Income Level</b>	<b>Tracts</b>		<b>Full Service Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	2	7%	0	0%	0	0%
Moderate	6	20%	0	0%	0	0%
Middle	14	47%	1	50%	1	50%
Upper	8	27%	1	50%	1	50%
Total	30	100%	2	100%	2	100%