



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**January 26, 2004**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Manchester  
Charter Number 5528**

**100 West High Street  
Manchester, TN 37355**

**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.**

We assigned the rating based on the following information:

- The bank's loan-to-deposit ratio is reasonable.
- The bank originated a substantial majority of its loans within their assessment area (AA).
- No public complaints related to CRA have been filed since the previous evaluation.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Manchester (FNB) is wholly owned by FCB Corporation, which also owns 51% of a smaller state bank. FCB Corporation is headquartered in Manchester, Tennessee (TN). FNB is a \$134 million institution with two branches. At December 31, 2002, the holding company reported total assets of \$207 million. Both First National and the holding company are headquartered in Manchester, Tennessee located in Coffee County approximately 50 miles southeast of Nashville, Tennessee. The bank's primary business is residential real estate and commercial and industrial lending. The bank was not a Home Mortgage Disclosure Act (HMDA) reporter during this evaluation period. The bank received a satisfactory CRA rating at its last CRA evaluation dated June 30, 1998. There are no financial or legal impediments that would impair the bank's performance under the Community Reinvestment Act.

First National Bank provides a full range of banking services in its primary market area of Coffee and Cannon County. The bank has a main office and two full service branches with automated teller machine (ATM) service in Manchester (Coffee County) and Woodbury (Cannon County), Tennessee. There is one free standing ATM located on Woodbury Highway in Manchester, however, this ATM does not accept deposits. There have been no branch openings or closings since the previous performance evaluation. At December 31, 2002, net loans comprised 62% of total assets.

<b>Product Category</b>	<b>Gross Loans as of December 31, 2002*</b>	
	<b>Dollar (000's)</b>	<b>Percent</b>
Construction, Land development, and other land loans	4,501	5.35
Real Estate Secured by Farmland (inc. farm residential and other improvements)	2,664	3.16
Real Estate secured by 1-4 Family	30,434	36.14
Farm Land Agriculture	8,563	10.17
Commercial & Industrial	24,011	28.52
Other	1,161	1.38
Individuals	12,867	15.28
<b>Total</b>	<b>84,204</b>	<b>100</b>

\* Data obtained from Call Report.

## DESCRIPTION OF COFFEE AND CANNON COUNTIES, TN.

FNB’s AA includes the entire geography of U.S. census tracts for Cannon and Coffee Counties, with the exception of two census tracts (9710.98 and 9709) in Coffee County that is occupied by Arnold Engineering Development Center, a large U.S. government complex. There are no low- or moderate-income tracts within the bank’s AA. The AA area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The AA encompasses two counties with total population of 50,806 (1990 U.S. Census.) The 2000 U.S. Census Data total population for the AA is 60,840, a 6% growth rate. The 2000 U.S. Census shows the unemployment rate for Coffee and Cannon Counties have changed slightly at 3.8 % and 2.9%, respectively, compared to 3% (for both counties) in 1990. Unemployment for the State was 4% in 1990 and 3.5% in 2000.

Manchester serves as the County Seat of Coffee County and has an assortment of businesses, industry, services, and manufacturing. The Census weighted average of MSA/Non-MSA Updated Median Family Income is \$42,600.

The following table includes the general demographic data describing the AA.

Demographic Information for Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	11	0.00	0.00	81.82	18.18	0.00
Population by Geography	40,739	0.00	0.00	71.85	72.26	0.00
Owner-Occupied Housing by Geography	11,581	0.00	0.00	71.56	28.44	0.00
Businesses by Geography	2,326	0.00	0.00	65.05	34.95	0.00
Family by Geography	12,028	17.33	14.47	21.57	46.62	0.00
Family Distribution by Income Level						
Medium Family Income	= \$24,935		Median Housing Value	= \$50,144		
HUD Adjusted Median Family Income for 2002	= \$42,600		Unemployment Rate	= 2%		
Households below the Poverty Level	= 17%					

\* The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 U.S. Census, and 2002 HUD updated MFI.

**COMMUNITY CONTACTS** – We conducted one community contact during this examination with the Chamber of Commerce in the AA. They stated that the banking industry is adequately serving the credit need of the community and local businesses. They did not identify any unmet credit needs in the bank’s AA.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

The loan to deposit ratio is reasonable given FNB's size, financial condition, and AA credit needs.

The quarterly average loan-to-deposit ratio since the previous CRA examination (June 30, 1998) is satisfactory at 62.39%. The ratio has ranged between a low of 53.32% and a high of 69.60% during this eighteen-quarter period.

There are two similarly situated community banks that afford moderate competition for FNB. FNB's net loan-to-deposit ratio of 72.89% as of September 30, 2003 was slightly lower than that of the two similarly situated community banks of 81.50% and 101.17%, respectively. FNB's average net loan-to-deposit ratio for the eighteen quarters from September 30, 1998 through December 31, 2002 was 62.07%. For the same time period, the average net loan-to-deposit ratios for the two similarly situated community banks were 74.95% and 49.70%. During this eighteen-month period, the highest loan-to-deposit ratio was 83.07% (September 30, 2002) while the lowest was 46.55% (December 31, 1998). Additionally, moderate competition is provided by branches of two community banks headquartered in nearby Tullahoma, TN, a branch of a large regional bank, and various finance companies. FNB also competes with a large, aggressive credit union headquartered in Tullahoma, TN. The Woodbury branch (Cannon County) of FNB also competes with a branch of a regional bank.

As of June 30, 2003, FNB's Coffee County deposit market share was 17.21%. FNB ranked third in deposit market share out of the eight commercial banks in Coffee County. Two-community banks had deposit market shares of 21.44% and 18.88%, respectively. The remaining five institutions market share ranged from 10.44% down to 4.14%. The five institutions include two regional bank branches.

### **Lending in Assessment Area**

FNB originated a majority of its total loans within their AA. For home mortgage loans 92% of the number and 88% of the dollar amount were within the AA. For small loans to businesses 87% of the number and 98% of the dollar amount were within the AA. The analysis of lending in the bank's AA included samples of two primary loan types, Home Mortgage Loans and Commercial loans. The bank is not a HMDA reporter.

The table that follows provides details on the loan samples used in our analysis.

**Sampled Loans Inside the Assessment Area**

Assessment Area:	Total Home Mortgage Loans				Total Small Loans to Businesses			
	#	% of Total	\$ (000's)	% of \$ Total	#	% of Total	\$ (000's)	% of \$ Total
Coffee & Cannon County	50	92%	\$2,686	88%	45	87%	\$1,682	98%

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

**Borrower Distribution of Home Mortgage Loans**

Evaluation Period: July 1, 1998 through December 31, 2002										
Assessment Area:	Total Loans Sampled		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrower		Upper-Income Borrowers	
Manchester Assessment Area	#	% of Total	% Families	% Bank Loans	% Families	% Bank Loans	% Families	% of Bank Loans	% of Families	% of Bank Loans
		45	100%	17%	19%	14%	26%	22%	31%	47%

\* Percentage of families is based on 1990 Census Information.

The table above illustrates the findings from our sample of the distribution of home mortgage loans within the income levels compared to the percentage of families in each income level. The distribution of home mortgage loans to both low- and moderate-income borrowers is excellent compared to demographics.

**Borrower Distribution of Small Loans to Businesses**

Evaluation Period: July 1, 1998 through December 31, 2002									
Assessment Area:	Businesses With Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size					
	% Of Businesses	% # BANK Loans	% \$ Bank Loans (000's)	\$100,000 or less		>\$100,000 to \$250,000		>\$250,000 to \$1,000,000	
				#	\$ (000's)	#	\$ (000's)	#	\$ (000's)
Manchester Assessment Area	79%	100%	100%	42	\$1,183	3	\$500	0	0

The table above illustrates the findings from our sample of the number and dollar volume of loans by size and the percentage of small loans to businesses compared to the percentage of businesses that are small within the bank's AA. Our limited testing revealed that 100% of the loans sampled were made to small business with annual revenues of less than \$1 million. The bank does not track this information at origination. The distribution of loans to small businesses (businesses with \$1 million or less in gross annual revenues) compared to demographics is reasonable.

**Geographic Distribution of Loans**

There is no low- or moderate-income census tracts within the bank's AA; therefore, we did not perform an analysis of geographic distribution of loans since the findings from the analysis would be meaningless.

## **Responses to Complaints**

First National Bank of Manchester has not received any CRA related complaints since the previous Performance Evaluation.

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

An analysis of the most recent years' public comments, consumer complaint information, and HMDA lending data was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in December 2000.

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