

Public Disclosure

Community Reinvestment Act Performance Evaluation

July 6, 1998

**First American National Bank
Charter Number: 3032**

**326 Union Street at Fourth Avenue North
Nashville, Tennessee 37237**

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NOTE: 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.

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General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **First American National Bank , Nashville Tennessee** prepared by the **Comptroller of the Currency**, the institution's supervisory agency, as of **July 6, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated *Satisfactory*.

The following table indicates the performance level of **First American National Bank** with respect to the lending, investment, and service tests.

Performance Levels	First American National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding		X	
High satisfactory	X		X
Low satisfactory			
Needs to improve			
Substantial noncompliance			

*** Note:** **The lending test is weighted more heavily than the investment and service tests in the overall rating.**

Description of Institution and Description of Assessment Area (AA)

First American National Bank (FANB) is a subsidiary of First American Corporation headquartered in

Nashville, Tennessee. As of 3/31/98, First American had total assets of \$10.7 billion and operated 153 branches and 416 free standing ATMs in its Assessment Areas (AA). The AAs are primarily located in the state of Tennessee with two counties in Kentucky and one county in a multistate MSA that includes a county in Virginia. First American has the second largest consumer deposit market share in Tennessee and has the largest small business and middle market share in the state. As of 3/31/98, the bank's loan portfolio totaled \$6.6 billion. There are no legal, financial, or other reasons that would impede the bank's ability to meet the credit needs of its AAs. First American National Bank received a rating of "**Satisfactory Record of Meeting Community Credit Needs**" at the last CRA examination, dated April 25, 1996.

In assessing FANB's performance under the CRA, we selected the two largest MSAs in the state (Knoxville and Nashville), the Johnson City-Kingsport TN-VA Multistate MSA and the two counties in Kentucky to perform full scope analysis. In addition, a small rural county (Bradley) in the state of TN was selected for full scope analysis. The bank's performance in the full scope areas is individually discussed in the latter portion of this evaluation. In the remaining AAs we performed limited scope analysis sufficient to determine if the bank's level of performance was consistent with the overall performance in the state.

The data used in this evaluation for residential and small business/farm is for the full years 1996, 1997 and the first quarter 1998. At the request of bank management, consumer loans are included for 1997 and the first quarter 1998. This evaluation covers FANB's performance from January 1, 1996 to March 31, 1998.

Conclusions about Performance Tests

As detailed in this evaluation, the ratings for geographies were **Satisfactory** for the state of Tennessee and the Multistate MSA of Johnson City/Bristol and **Outstanding** for the state of Kentucky. These geography ratings are weighted into the overall bank rating in proportion to their size within FANB operations. Key factors supporting the bank's overall rating include:

- < First American has originated a sufficient level of loans within its assessment areas.
- < The bank's overall geographic and borrower distribution of loans reflected reasonable penetrations throughout its assessment areas.
- < The bank has made an excellent level of community development loans within its assessment areas (AAs).
- < First American has made an excellent level of qualified community development investments within its AAs. Bank management's Affordable Mortgage Securitization program reached all FANB AAs and accounted for most of the dollars invested.

- < Delivery systems were reasonably accessible to essentially all portions of the bank's assessment areas and to individuals of different income levels.
- < To the extent that changes have been made, the opening and closing of branches have not adversely affected the accessibility of delivery systems, particularly in low and moderate income areas.
- < The bank has provided a good level of community development services.
- < Some weaknesses were noted in lending to low income census tracts and these are noted in the individual AA analyses within this evaluation.

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified. First American's policies, procedures, training programs and internal assessment efforts are satisfactory.

Community credit and community development needs were determined by contacting community groups and reviewing U. S. Department of Housing and Urban Development (HUD) Consolidated Strategies and Plans for the dominant cities and counties in the bank's AAs. Identified credit and community development related needs and services within the bank's assessment areas include the following:

- < Affordable housing (i.e., single family rental, multi-family rental, home ownership, and rehabilitation) for low and moderate income geographies and individuals.
- < Home Buyers and Credit Counseling Seminars.
- < Flexible lending programs for small businesses.

Specific results of community contacts are detailed in each assessment area analysis.

FIRST AMERICAN NATIONAL BANK Demographic Data Multistate MSA of Johnson City - Kingsport - Bristol, TN-VA							
Assessment Areas	Census Tracts	% of LMI Tracts	Population (000)	Families (000)	% of LMI Families	Deposits (\$000)	Median Family Income \$
MSA	99	26.2	396	115	38.73	899,748	\$34,000

FIRST AMERICAN NATIONAL BANK Demographic Data State of Tennessee								
Assessment Areas	Census Tracts	% of LMI Tracts	Population (000)	Families (000)	% of LMI Families	Deposits (\$000)	% Deposits in State	Median Family Income \$
Bradley	17	11.8	74	22	29.50	121,930	1.95	33,200
Chattanooga	71	32.4	286	79	36.04	47,592	.76	39,500
Clarksville	30	16.7	100	27	34.67	134,945	2.16	34,900
Jackson	21	47.6	78	21	39.67	173,733	2.78	38,200
Knoxville	134	31.3	572	161	38.07	1,367,020	21.89	40,600
Memphis	185	44.9	826	214	38.69	498,771	7.99	42,800
Nashville	184	30.4	881	236	36.72	3,025,874	48.45	47,500
Non-MSA Counties	132	4.6	449	131	35.65	875,689	14.02	33,200
Total	774	29.3	3,266	891		6,245,554	100	

FIRST AMERICAN NATIONAL BANK Demographic Data State of Kentucky							
Assessment Areas	Census Tracts	% of LMI Tracts	Population (000)	Families (000)	% of LMI Families	Deposits (\$000)	Median Family Income \$
Warren & Simpson Counties	23	13.4	92	25	28.91	194,840	28,800

Multistate MSA
JOHNSON CITY-KINGSPORT-BRISTOL, TN-VA MSA # 3660

CRA Rating for Johnson City-Kingsport-Bristol, TN-VA (Tri-Cities) MSA:
Satisfactory

The Lending test is rated:	<u>Needs to Improve</u>
The Investment test is Rated:	<u>Outstanding</u>
The Service test is rated:	<u>High Satisfactory</u>

Description of Institution's Operation

The Multistate MSA of Johnson City, Kingsport, Bristol (Tri-Cities) is included in FANB's assessment area (AA). Located in northeast Tennessee, this AA area is made up of the Tennessee Counties of Carter, Hawkins, Sullivan, and Washington, along with the Virginia County of Washington and Bristol City, Virginia. FANB operates 43 full service branches and 25 ATMs. As of June 30, 1997, FANB's deposits of approximately \$899 million represented a 21% market share in the five county area. The major competitors are regional banks such as First Tennessee Bank NA, First Union and SunTrust Bank NA. There are no financial or legal obstacles impacting the bank's ability to meet community credit needs.

There are ninety-nine census tracts in the assessment area. Of these, 1% are low income, 25% are moderate income, 47% are middle income, 24% are upper income, and 2% are not classified.

The entire MSA has a population of approximately 396 thousand persons and 115 thousand families. Twenty-one percent of the families are low income and 18% are moderate income. Sixteen percent of the households are below the poverty level.

The AAs economy is diverse and growth has been solid. Major employers include Quebecor, AFG Glass Products, Exide, Bristol Steel, and SmithKline Beecham and the state's largest private employer, Eastman Chemical. Unemployment levels in the Tri-Cities MSA were 4.9% in 1996 and 5.0% in 1997. These rates compare favorably to the 1997 Tennessee Annual Average of 5.4% and the United States Average of 4.9%.

To help determine community credit needs and lending opportunities, we conducted one community contact in the Tri-Cities MSA during this examination. The contact identified the greatest needs in the area as: flexible lending programs for small business; affordable housing and home buyers programs for individuals; and credit counseling for individuals and businesses with credit problems.

In addition, we reviewed the Consolidated Plans prepared for the U.S. Department of Housing and

Urban Development (HUD) for Bristol, Kingsport and Johnson City. Bristol has identified housing inventory as adequate, but lower priced housing quality is low. Kingsport has targeted a large portion of its federal funds to specific neighborhoods in order to take a comprehensive approach to revitalization. Johnson City has identified rental housing as a critical need.

Conclusions about Performance Tests

Lending Test

Lending Activity

FANB provides a variety of real estate, small business, and consumer loans which are distributed throughout the AA. During this evaluation period, the bank generated 2,673 HMDA reportable (residential loans) totaling \$158 million. The bank also extended 1,101 small business loans totaling \$71 million and 10,230 consumer loans totaling \$85 million. Sixty-eight percent, 96% and 95% of the residential, small business and consumer loans, respectively, were made within the bank's AA.

Geographic Distribution

FANB's geographic distribution of small business, residential and consumer lending show acceptable penetration throughout the bank's AA.

The bank's residential lending in low income tracts equals the demographic make up of those tracts. This analysis is difficult, however, because there is only one low income census tract with few residents. The lending in moderate income tracts at 13% is below the demographic make up of those tracts at 18%. In 1996, FANB's market share of 7.96% was below its overall market share of 9.49% for residential loans.

The geographic distribution of loans to small businesses is good. During this evaluation period, the bank granted 20% of its small business loans in LMI tracts. This performance almost equals the 23% of small businesses operating in those tracts.

Consumer lending in LMI tracts at 15% is below the 19% demographic make up of those tracts.

Distribution by Borrower Characteristics

FANB's residential and consumer lending to low income customers was poor. Small business/farm lending and residential and consumer lending to moderate income families was reasonable to good.

Residential lending to low income families represented 6-7% of FANB's residential totals in 1996 and 1997. This compares unfavorably with the 21% demographic of low income families. Additionally,

these lending percentages were the lowest in all of FANB's assessment areas.

The bank's lending percentages to moderate income families were much higher and were comparable to the demographic numbers.

Consumer lending percentages were similar to the results for residential lending. Lending percentages to low income families were poor, but were much higher for moderate income families.

Forty-seven percent of the bank's business lending was to businesses with revenues of less than \$1 million and 87% were loans for amounts of less than \$100,000. This is reasonable compared to the market percentage of 59% of businesses with revenues less than \$1 million and the market percentage of 91% of loans less than \$100,000.

The bank's level of consumer lending to LMI at 29% is well below the 39% demographic make up of those tracts and is considered poor.

Community Development Lending

The bank did not grant any community development loans in this MSA during the evaluation period.

Flexible Lending

The bank offers several flexible lending products. There are two flexible mortgage loan products targeted at LMI borrowers. These offer more flexible underwriting terms compared to other residential loan types. During the evaluation period, the bank generated 108 loans totaling \$5.5 million under the affordable mortgage and 194 loans for \$690 thousand for affordable home improvement.

The bank also had a consumer loan product designed for LMI individuals where the underwriting criteria are more flexible than normal. The debt to income ratios are raised and alternative sources of credit verification can be used. This product resulted in 1,131 loans totaling \$ 4.3 million for 1997 and year to date 1998.

Investment Test

The Tri-Cities MSA's level of investment securities is excellent. The majority of the investments are centered in the Affordable Loan Securitization program and total \$ 5.3 million. The dollar volume of grants and donations is commensurate with the bank's position in the AA.

FANB's contributions address various affordable housing and small business development needs. The highest single contribution was \$10 thousand per year to Habitat for Humanity. In addition, there were numerous \$1 thousand to \$5 thousand contributions for a total of approximately \$118 thousand for 1996, 1997 and 1998 year to date.

Service Test

Accessibility of Services

First American National Bank's delivery systems are accessible to all portions of the bank's Johnson City, Bristol, and Kingsport TN/VA Multistate MSA (#3660) assessment area. FANB provides a wide range of services through branches and alternative delivery service. In addition to the bank's branches, FANB has identified its network of ATMs, Loan-by-Phone services, Bank-by-Mail, and PC banking as alternative ways to deliver banking services.

FANB maintains seventeen branches within the Multistate AA. Twenty-nine percent of its branches are in LMI census tracts. The percentage distribution of the bank's branches in low income (5.9%) and moderate income (23.5%) geographies exceeds the percentage of low income (1%) and moderate income (25%) geographies in the AA. During the evaluation period, the bank closed three branches and opened two in the AA. One was closed and none were opened in LMI areas. These relocations did not adversely affect the accessibility of delivery systems in these LMI areas.

The bank has a good distribution of ATMs. There are 53 ATMs at 43 locations throughout the Multistate AA. This includes 25 stand alone ATMs. Thirty-two percent of the ATMs are located in LMI areas. All of the ATMs dispense cash and 62% accept deposits. Numerous ATMs provide additional services such as dispensing stamps.

The bank offers the traditional line of banking products and services at all of its branches. Alternative delivery systems address some of the needs of LMI geographies and individuals. The bank offers checking accounts targeted for small business, non-for-profit organizations, and LMI individuals. These accounts have lower minimum balance requirements and smaller monthly maintenance fees. The bank has also established a no-cost savings account for customers receiving government benefits provided all withdrawals are done by ATM. FANB also provides Loan-by-Phone banking. This service had 19% LMI usage in the MSA during 1997. PC banking, another service offered by bank, was used 8% of the time in the Multistate AA by LMI individuals.

Branch hours are reasonable and convenient to all portions of the bank's AA. Saturday hours are available at 35% of the branches. Twenty percent of the branches in LMI census tracts have Saturday hours.

Community Development Services

FANB and its employees provide a good level of community development services in the MSA. Technical assistance for small business owners, home ownership counseling, and access to financial services are the primary areas of involvement. These services were provided to eleven different groups. The bank is also providing mortgage servicing for Habitat for Humanity loans. This service is provided for Habitat without charge by the bank.

FIRST AMERICAN NATIONAL BANK
Multistate MSA of Johnson City, Bristol, Kingsport TN/VA
LENDING TEST
1996, 1997, 1Q 1998

Loan Type	#	\$ (000)	Low Income			Moderate Income	
				% of #	% Demographics	% of #	% Demographics
Residential	2,673	158,558	Census Tract	.04	.03	9.32	18.22
			Borrower	6.85	20.79	19.12	17.9
Consumer	10,230	85,468	Census Tract	.14	.01	14.58	19.77
			Borrower	9.96	20.79	19.33	17.94
Small Business	1,101	70,690	Census Tract	4.54	3.42	14.99	19.46
Community Development	0	0					
Total	14,004	314,716					

FIRST AMERICAN NATIONAL BANK Johnson City, Bristol, Kingsport TN/VA Multistate MSA Residential Lending Market Share 1996			
Assessment Area	Market Share		
	Overall	LMI CTs	LMI Borrowers
Bristol, Johnson City, Kingsport TN/VA	9.49	7.96	9.72

FIRST AMERICAN NATIONAL BANK Multistate MSA of Johnson City, Kingsport, Bristol TN/VA CRA QUALIFIED INVESTMENTS 1996, 1997, 1Q 1998 (\$ In thousands)					
Assessment Area	Investment Securities	Community Development Corporations	Grants and Contributions	Affordable Loan Securities	Total
Johnson City TN Kingsport TN Bristol TN/VA	0	0	118	5,265	5,383

FIRST AMERICAN NATIONAL BANK Multistate MSA of Johnson City - Kingsport - Bristol, TN-KY SERVICES TEST 1996, 1997, 1Q 1998							
Assessment Area	Number of Branches	% of Branches in MSA	# of ATMs	Low Income Tract % of Branches	Moderate Income Tract % of Branches	Middle Income Tract % of Branches	Upper Income Tract % of Branches
Johnson City TN Kingsport TN Bristol TN/VA	17	100	53	5.9	23.5	47.1	23.5

STATE OF TENNESSEE RATING

CRA Rating for Tennessee:

Satisfactory

The lending test is rated:

High Satisfactory

The investment test is rated:

Outstanding

The service test is rated:

High Satisfactory

Description of Institutions's Operation

FANB's assessment area (AA) in the state of Tennessee includes all or portions of six Metropolitan Statistical Areas (MSAs), those being Chattanooga, Clarksville-Hopkinsville, Jackson, Knoxville, Memphis, and Nashville. In addition, the bank has designated 14 non-MSA counties as being in its AA. These counties are: Bradley, Bedford, Cannon, DeKalb, Cumberland, Gibson, Giles, Henry, Jefferson, Maury, Putnam, Rhea, Roane, and Trousdale.

The bank's total AA in the state includes 774 census tracts and 3.2 million people which comprise 65% of the population. Of the tracts in the bank's AA, 11% are low income, 19% moderate income, 45% middle income, 21% upper income, and 4% are unclassified.

FANB operates 132 branches and 352 free standing ATMs in the state. As of 6/30/97, the bank had total deposits in the state of approximately \$7 billion (12% market share), which included deposits from the Johnson City-Kingsport Multi state MSA. FANB is the second largest bank in the state. Other major competitors include First Tennessee Bank, NA; NationsBank of Tennessee, NA; SunTrust Bank, NA; and Union Planters National Bank.

Conclusions About Performance Tests

Lending Test

The bank's overall performance in meeting the lending test is good. During the evaluation period, the bank originated a satisfactory level of residential, small business, and consumer loans in the state.

The geographic distribution of the bank's residential, small business, and consumer lending reflected adequate penetration throughout the bank's AAs both in comparison to demographic data and to the aggregate market data. No unexplained gaps in lending from residential, small business, and consumer loans were noted.

The bank's distribution of residential and consumer loans by borrower income level were generally good both in comparison to demographic data and to the aggregate market. This was particularly true in the Knoxville and Nashville MSAs. There were some exceptions to the good performance. Bradley had poor lending to low income borrowers for consumer loans.

The bank's level of loans to businesses with annual revenues less than \$1 million closely matches the percentage of businesses in LMI census tracts. FANB's level of community development lending was very good. Most of the loans were made in the Nashville and Knoxville MSAs.

The bank offers several flexible loan products. There are two mortgage loan products targeted to LMI borrowers. During the evaluation period, the bank generated 1,246 loans totaling \$39 million under these two programs to LMI borrowers.

The bank's performance in the lending test is further described in the individual AA discussions which follow the overall state discussion.

Investment Test

FANB has provided an excellent level of qualified community development investments within the state of Tennessee. Although these investments are unevenly distributed in the state, the dollar volume is commensurate with the deposit share throughout the state.

The largest single investment occurred in 1997. FANB securitized more than \$35 million of loans from its own Affordable Mortgage Loan products and swapped the securities with the Federal Home Loan Bank Board (FHLBB) for similar securities. The securities received, and carried on the bank's books, are backed by affordable mortgages throughout the state of Tennessee. Thirty-three million dollars of the securities were within FANB's AAs and are reported in each AA. We consider this transaction both innovative and complex.

FANB's ongoing investments in affordable housing and small business development investments that provided statewide benefits totaled \$2.2 million and included: Tennessee Home Ownership Revenue Bonds, and Tennessee Venture Capital Stock. These investment securities originated in 1994 and \$2 million matured in 1998. These investments were allocated to the AAs based on their relative size in FANB's overall operation.

FANB has made a good level of contributions to various housing, small business development and community service agencies targeted to LMI individuals. FANB is perceived by community leaders in its major market areas as an active, willing participant. Additional details on investment test performance is located in the AA analyses.

Service Test

Accessibility of Services

FANB's delivery systems are accessible to all portions of the bank's AA in the state. The bank provides a wide range of services through branches and alternative delivery service. In addition to the bank's branches, FANB has identified its network of ATMs, Loan-by-Phone services, Bank-by-Mail, and PC banking as alternative ways to deliver banking services within its AA.

FANB maintains 132 branches within the state of Tennessee, excluding the Johnson City, Bristol, and Kingsport Multistate MSA. Twenty-two percent of the branches are in LMI census tracts. The percentage distribution of the bank's branches in LMI geographies almost equals the percentage of LMI geographies in the state. During the evaluation period, the bank closed 13 branches and opened 21 in the state. Three branches were closed and four branches were opened in LMI areas. These changes did not adversely affect the accessibility of the bank's delivery systems in the LMI areas.

The bank has a good distribution of ATMs. The 352 ATMs include 180 stand alone ATMs. Twenty-five percent of the ATMs are located in LMI areas. There are 12 additional ATMs in Tennessee located outside the bank's assessment areas.

The bank offers the traditional line of banking products and services at almost all of its 132 branches. Alternative delivery systems address some of the needs of LMI geographies and individuals. The bank offers checking accounts targeted for small business, not-for profit organizations, and LMI individuals. These accounts have lower minimum balance requirements and smaller monthly maintenance fees. FANB also provides Loan-by-Phone banking.

Branch hours are reasonable and are convenient to all portions of the communities that the bank serves. Saturday hours are available at 49% of the branches and 28% of the branches in LMI census tracts have Saturday hours.

Community Development Services

FANB and its employees provide a relatively high level of community development services throughout its assessment areas in the state. These include technical assistance for small business owners, home ownership counseling, and access to financial services. The bank is also providing mortgage servicing for Habitat for Humanity loans throughout the entire state. FANB employees serve as board members and provide technical expertise to a number of community development organizations. The bank is also directly and indirectly involved in the community services of local government programs.

The bank's performance in the service test is further described in the individual AA analyses.

Metropolitan Areas in Tennessee

Knoxville, TN MSA

MSA # 3840

Description of the Bank's Operations

FANB's AA includes Anderson, Blount, Knox, Loudon, and Sevier counties. There are 134 census tracts in the AA of which 7% are low income, 24% moderate income, 48% middle income, 19% upper income, and 2% are unclassified. There are 572 thousand people living in the AA, comprising 161 thousand families of which 20.45% are low income and 17.62% are moderate income, 21.92% middle income and 40.02% upper income.

As of 6/30/97, FANB had total deposits of approximately \$1.4 billion in the AA, which comprised 22% of the deposits in the state. The bank operates 27 branches and 82 ATMs in the AA.

During this examination, we held discussions with one community representative to help determine the community and lending needs in the AA. We also reviewed information from previous conducted community meetings by other regulatory agencies and the Consolidated HUD plan for the MSA. Based on the foregoing, the following credit and investment needs were identified: affordable housing loans either directly from banks or through existing nonprofit agencies; consumer credit counseling for LMI individuals who do not know how to deal with banks or need help to clean up a credit report; loans to small businesses.

Lending Test

Lending Activity

FANB originated an adequate volume of real estate, small business, and consumer loans. The volume and distribution of these loans show that FANB has been responsive to the credit needs of its AA. During this evaluation period, FANB originated 2,154 residential loans for \$159 million. The bank originated 2,447 small business loans totaling \$199 million and 13, 823 consumer loans for \$126 million. There were no conspicuous gaps in the bank's lending patterns.

Geographic Distribution

FANB's geographic distribution of residential, small business and consumer loans show good penetration throughout the bank's AA.

The bank's origination of 16% of its residential loans in LMI census tracts is below the 18%

demographic of owner occupied families in those tracts. However, the bank's penetration of residential loans in LMI tracts is above average when compared to the aggregate market. In 1996, FANB's 4.3% market share for residential loans in LMI census tracts exceeded its overall market share for residential loans of 4.09%.

The bank's origination of small business loans is excellent when compared to the aggregate market. The bank originated 38% of its small business loans in LMI census tracts during the evaluation period. This exceeds the demographic comparator of 29% (percentage of businesses in LMI tracts). Consumer lending of 18% in LMI trails the demographics of 21% in LMI census tracts. Lending percentages to low income tracts was particularly good in residential, small business/farm and consumer loans.

Distribution by Borrower Characteristics

FANB has done a good job of originating loans to moderate income persons. During the evaluation period, the bank made 19% of its residential loans to moderate income persons, which is above the 18% of moderate income families in the AA. Lending to low income borrowers is weak. Only 9% of loans were made to low income borrowers compared to the 20% of low income families in the AA.

The bank originated a good level of its small business loans to businesses with revenues less than \$1 million. During the evaluation period, 81% of the bank's business loan originations were less than \$100,000 compared to the 1996 market average of 88%. In addition, 36% of the bank's small loan originations were to businesses with revenues less than \$1 million which compares favorably to the 27% of small businesses in the AA.

Consumer lending to low income borrowers is weak at 12% when compared to the 20% of low income families in the AA. However, consumer lending to moderate income borrowers of 17% almost equals the 18% of moderate income families in the AA.

Community Development Lending

The bank had a good level of community development loans in its AA. During the evaluation period, the bank made five loans totaling \$2.4 million for community development purposes. Several of the largest loans include:

- < A \$1.2 million loan to a nonprofit organization. Proceeds were used to renovate a building to provide a 32 unit assisted living facility for low income seniors. In addition, the building will also house a child development center for 50 low income preschoolers.
- < A \$500 thousand loan to a builder to renovate a 9 unit apartment building. This project is part

of the city's residential redevelopment plan.

- < A \$400 thousand loan to a nonprofit organization that will provide health care, education, health screening and prevention to low income individuals in the AA.

Investment Test

FANB has made an adequate volume of qualified community development investments within its AA.

Knoxville's share of the Affordable Mortgage-Backed Securities program was \$2.4 million and FANB has an additional \$470 thousand in statewide Home Ownership Revenue Bonds that carried over from previous years. This demonstrates a reasonable response to the area's need for affordable housing.

In addition to the statewide initiatives, FANB participated in local community development investments. These included:

- < A \$100 thousand investment in a foundation that created a loan pool that is used to provide low interest loans to housing and community-based development organizations in Knoxville. The fund is designed to assist low and moderate income individuals to purchase or renovate owner occupied housing or rental housing. Also, developers could use the funds to build middle income housing in low and moderate income neighborhoods. FANB made its initial contribution November 1997.
- < A \$50 thousand investment in January 1998 to a loan pool that provides micro-loans to small businesses in Anderson, Roane, Jefferson, Loudon, and Sevier counties of Tennessee.

The dollar volume of grants and donations is commensurate with the bank's position in assessment areas with moderate opportunities and meet most of the identified community needs. FANB has made \$186 thousand in grants and donations to community development and community service organizations in Knoxville. The largest grants were for small business development in Knoxville. There were numerous \$500 to \$20,000 contributions that were for various programs supporting housing and community service needs of low and moderate income individuals.

Our contact with community leaders and a review of the HUD plans for Knoxville identified housing and small business development as the predominate needs. Most of the investments that address these needs have been initiated on a statewide basis rather than by any local initiatives.

Service Test

Accessibility of Services

FANB delivery systems are readily accessible to all portions of the Bank's AA. The bank provides a wide variety of services through branches and alternative delivery service. In addition to the bank's branches, FANB has identified its network of ATMs, Loan-by-Phone Services, Bank-by-Mail, and PC banking as alternative ways to deliver banking services within the AA.

FANB maintains 27 branches within its AA. Thirty-three percent of its branches are in LMI census tracts. The percentage distribution of the bank's branches in LMI geographies exceeds the percentage of LMI geographies in the AA. Eleven percent of the bank's branches are in low income tracts compared to 7% low income census tracts in the AA.

During the evaluation period, the bank closed one branch and opened one in the AA. The branch that closed was in a LMI census tract. The change did not adversely affect the accessibility of delivery services to LMI areas within the bank's AA.

The bank has a good distribution of ATMs. There are 82 ATMs at 72 locations throughout the AA. The 82 ATMs include 45 stand alone units. Thirty-four percent of the ATMs are located in LMI census tracts. All of the ATMs disperse cash and 51% accept deposits.

The bank offers the traditional line of banking products and services at almost all of its branches. Alternative delivery systems address some of the needs of LMI geographies and individuals. The bank offers checking accounts targeted for small business, not-for profit organizations, and LMI individuals. These accounts have lower minimum balance requirements and smaller monthly maintenance fees. The bank also established a no-cost savings account for LMI persons. FANB also provides Loan-by-Phone banking. LMI individuals represent 27% of the usage of this service in the AA during 1997. PC Banking, another service offered by the bank was used 15% of the time by LMI individuals.

Branch hours are reasonable and are convenient to all portions of the community that branch serves. Saturday hours are available at 37% of the branches. Thirty-three percent of the branches in LMI census tracts have Saturday hours.

Community Development Services

FANB and its employees provide a good level of community development services in the Knoxville AA. Home ownership counseling, and other financial services are the primary areas of involvement. Bank employees worked with seven different community groups in these areas. The bank is also servicing mortgage loans for Habitat for Humanity loans throughout the AA at no cost. FANB

provides technical expertise to a number of community development organizations. The bank is also directly and indirectly involved in service programs sponsored by local agencies.

Nashville, TN MSA
MSA#5360

Description of the Bank's Operations

FANB operates 44 branches and 166 ATMs in the Nashville AA which covers Davidson, Rutherford, Sumner, Williamson, and Wilson Counties. There are 184 census tracts in the Nashville AA. Of these, 9% are low income, 21% moderate income, 49% middle income, 20% upper income, and 1% unclassified. The bank's market share in deposits totaled \$3 billion or 48% of the bank's deposits in the state of Tennessee.

Nashville has experienced significant growth over the past several years. Nashville's economy is diverse and growth has been solid. Nashville benefits from low unemployment and consistent job growth. According to the Tennessee Labor Force Summary, the unemployment level for the Nashville MSA is 3.5% and well below the state and national averages of 5.4% and 4.9%, respectively.

There are 881,331 families residing in the Nashville AA of which 19% are categorized as low income families and 17% as moderate income. Eleven percent of the households in the AA are below the poverty level.

To help determine community credit needs and lending opportunities, we conducted a community contact in the city of Nashville and used previous reports of contacts made by other regulatory agencies. From these contacts we determined that there is a need for affordable housing for low and moderate income families. Also, there is a need for flexible mortgage products for individuals and small businesses. According to the contacts, no individual or group has stepped up to take a leadership role in improving the availability of housing.

In addition to community contacts, we reviewed the Nashville-Davidson, Tennessee Consolidated Plan prepared by the U. S. Department of Housing and Urban Development (HUD). The most critical need in the community is affordable housing.

Conclusions About Performance Tests

Lending Test

Lending Activity

FANB originates a good volume of real estate, small business, and consumer loans. The volume, geographic and borrower distribution of these loans shows that FANB has been responsive to the

credit needs of its AA. During this evaluation period, FANB originated 5,532 residential loans for \$523 million. In addition, FANB originated 4,122 small business loans totaling \$355 million and 31,239 consumer loans for \$265 million. There were no conspicuous gaps in the bank's lending patterns.

Geographic Distribution

FANB's geographic distribution of residential, small business, and consumer loans show good penetration throughout the bank's AA. The bank originated 14% of its residential loans in LMI census tracts. This percentage trails the demographics which indicate 16% of the AAs owner occupied housing is located in LMI census tracts. Consumer lending, with 16% of loans in LMI is slightly below the 21% of total families located in such tracts. Lending to low income tracts is weak for both loan categories.

The bank's small business lending is excellent. Thirty-two percent of the bank's small business loans were in LMI census tracts. This percentage is above the demographic patterns which show 29% of businesses in LMI census tracts.

The penetration of residential loans in LMI census tracts is good when compared to the aggregate market. In 1996, FANB's 6% market share for residential loans in LMI exceeded its overall market share for residential loans of 4.78%.

The bank's geographic distribution of small business loans is good when compared to the aggregate market. The bank originated 32% of small business loans in LMI census tracts during the evaluation period. This percentage exceeds the 1996 market's average for all small business reporters of 26%.

Distribution by Borrower Characteristics

FANB has done a good job of originating loans to moderate income persons. During the evaluation period, the bank made 29% of its residential loans to moderate income persons which compares favorably to 17% of moderate income families in the AA. Residential loans to low income persons were weak. Only 9% of the residential loans were to low income individuals compared to 19% of low income families in the AA.

The bank does a good job of originating small loans to business with revenues less than \$1 million. Over 90% of FANB's small business loans were to these smaller firms compared to the market average of 64%. During the evaluation period, 81% of the bank's small business loan originations were less than \$100,000 and trails the market average of 84%.

Community Development Lending

The bank has an excellent level of community development lending in the AA. During the evaluation period, FANB made 11 loans totaling \$12.9 million for community development purposes. Examples of the largest loans include:

- < A \$2.4 million loan to a nonprofit organization that manages the state and federal Medicaid reimbursement program. Most of the participants in these programs are uninsurable LMI individuals.
- < A \$2 million loan to a Small Business Investment Corporation that makes venture capital loans to small privately owned companies.
- < A \$1.3 million loan to a nonprofit organization that provides a variety of services to LMI individuals.
- < A \$1.2 million loan to a Housing Development Agency to acquire and improve blighted low income tracts as part of the city's Redevelopment Plan.

Investment Test

FANB has provided an excellent volume of qualified community development investments within the Nashville MSA.

Nashville's share of the new Affordable Mortgage-Backed Securities program was \$14,205 thousand and FANB has \$1,085 thousand in state-wide Home Ownership Revenue Bonds that carried over from previous years. This demonstrates an excellent response to the area's need for affordable housing. The Affordable Mortgage-Backed Securities are considered innovative and complex.

Another example that was especially responsive to the housing needs of the community was a \$250 thousand investment in a project that supports the funding of a loan pool that allows qualified low-and moderate-income families to borrow from the fund for downpayment and closing cost assistance. The fund also allows assistance to developers working in either low or moderate income neighborhoods or with projects that are affordable to buyers and tenants with incomes that do not exceed 80% of the area median income. FANB's contribution was made in November 1996. There are also \$72 thousand of ongoing investments in various smaller local community development initiatives.

FANB has made numerous grants and donations to community development and community services organizations in Nashville. The dollar volume of grants and donations is commensurate with the bank's position in assessment areas with moderate opportunities. These totaled approximately \$750 thousand during the evaluation period.

Our contact with community leaders and a review of the Housing and Urban Development Plans for Nashville indicate that most of the investments that meet Nashville's identified need of affordable housing have been initiated on a state-wide basis rather than by local initiatives.

Service Test

Accessibility of Services

FANB delivery systems are accessible to all portions of the bank's Nashville MSA Assessment Area.

The bank provides a wide range of services through branches and alternative delivery service. In addition to the bank's branches, FANB has identified its network of ATMs, Loan-by-Phone Services, Bank-by-Mail, and PC banking as alternative ways to deliver banking services within the AA.

FANB maintains 44 branches within the Nashville AA. Twenty-three percent of its branches are in LMI census tracts versus the 30% LMI tracts in the AA. The percentage distribution of the bank's branches in LMI geographies is reasonable. During the evaluation period of January 1996, through March 1998, the bank closed 6 branches and opened 11 in the AA. One was closed and three were opened in LMI areas. Four of the closures were related to merger activities that resulted in duplicate services in the local areas. These relocations improved the accessibility of delivery services, particularly to LMI areas within the bank's AA.

The bank has a good distribution of ATMs. There are 166 ATMs at 136 locations throughout the Nashville AA. The ATMs include 97 stand alone units. Twenty-six percent of the ATMs are located in LMI areas. All of the ATMs disperse cash and 54% accept deposits.

The bank offers the traditional line of banking products and services at almost all of its branches. Alternative delivery systems address some of the needs of LMI geographies and individuals. The bank offers checking accounts targeted for small business, non-for-profit organizations, and LMI individuals. These accounts have lower minimum balance requirements and smaller monthly maintenance fees. The bank has also established a no-cost savings account for customers receiving government benefits provided all withdrawal are done by ATM. FANB also provides Loan-by-Phone banking. LMI individuals represent 26% of the usage of this service in the AA during 1997. PC banking, another service offered by bank, was used 17% of the time in the Nashville AA by LMI individuals.

Branch hours are reasonable and are convenient to the community that each branch serves. Saturday hours are available at 59% of the branches. Thirty percent of the branches in LMI census tracts have Saturday hours.

Community Development Services

FANB and its employees provide a good level of community development services throughout the AA. Technical assistance for small business owner, home ownership counseling, economic development, community development activities, and access to financial services are the primary areas of involvement. Fourteen different groups/organizations were involved in these efforts. The bank also provides mortgage servicing to Habitat for Humanity throughout the AA at no cost. FANB employees provide technical expertise to a number of community development organizations.

OTHER METROPOLITAN STATISTICAL AREAS

Four other MSAs in FANB's assessment areas were reviewed on a limited scope basis. These MSAs are Chattanooga, Clarksville, Jackson and Memphis. Details on demographics and bank services available in these AAs are listed in the overall bank summary, tables for the state of Tennessee and in the Appendix section of this evaluation.

Lending Test

The bank's lending performance in the Memphis MSA is consistent with the bank's lending performance in the state.

The lending performance in Chattanooga, Clarksville and Jackson MSAs is worse than the bank's lending performance for the state. It does not, however, change the rating for the state.

Investment Test

The bank's investment test performance in the Chattanooga MSA, Clarksville MSA, and Memphis MSA assessment areas was consistent with the institution's performance in Tennessee.

The bank's investment test performance in Jackson MSA assessment area was worse than the institution's performance in Tennessee; however, it does not change the conclusion for the state.

Service Test

FANB's service test performance in the Chattanooga, Clarksville, Jackson and Memphis MSAs is worse than the bank's service performance for the overall state; however, it does not change the rating for the state.

Nonmetropolitan Areas

Bradley County

Description of Institution

FANB operates four branches and 11 ATMs in Bradley County. There are 17 census tracts in the AA. Of these, 12% are moderate, 35% middle, 47% upper, and 6% unclassified. There are no low income census tracts in the Bradley County AA. The bank's market share in deposits totaled 1.95% of the bank's deposits in the state of Tennessee.

Bradley County has experienced significant growth over the past seven years. The overall economy is improving. Major employers are Magic Chef, Southern Paper Company, Olin Mathison, and Duracell. The county's unemployment for 1997 was 5.5% compared to the state average of 5.4% according to the Tennessee Department of Employment Security.

There are 21,607 families residing in Bradley County of which 16% are categorized as low income families and 13% as moderate income families. Fourteen percent of the households in the AA are below the poverty level.

In order to determine community credit needs and lending opportunities, we conducted a community contact in the county. From this contact, it was determined that the primary credit needs in the county are affordable housing for low and moderate income families.

Conclusions About Performance Tests

Lending Test

Lending Activity

FANB provides a variety of real estate, small business, and consumer loans which are widely distributed throughout its AA. During this evaluation period, the bank generated 350 HMDA reportable (residential) loans totaling \$17 million. The bank also extended 118 small business loans totaling \$13 million and 1,890 consumer loans totaling \$13 million. In all three categories, the majority of the loans were granted in 1997. There were no conspicuous gaps in the bank's lending patterns as loans were granted generally in all of the census tracts in the AA.

Geographic Distribution

FANB's geographic distribution of residential, small business, and consumer lending show acceptable penetration throughout the Bradley County AA.

There are no low income census tracts in the AA. The bank's residential lending in moderate income tracts at 5.7% mirrors the percentage of the owners occupied housing units of 6.12%. In 1996, FANB's 5.69% market share for residential loans in moderate income tracts was below its overall market share for residential loans of 6.13%.

The bank's geographic distribution of small business loans is excellent when compared to the aggregate market. The bank originated 13% of its small business loans in moderate income census tracts during this evaluation period. This exceeds the 1996 market average for all small business reporters of 11% and the 10% demographic comparator of percentage of businesses in these tracts.

The geographic distribution of consumer loans in moderate income census tracts of 7% is good compared to the 8% of moderate income families in those tracts.

Distribution by Borrower Characteristics

FANB's residential lending to low income borrowers at 4% is poor compared to the percentage of families that are considered low income at 16%. The bank's residential lending to moderate income borrowers at 14% is good when compared to the 13% of families that are considered moderate income. In 1996, FANB's 3.50% market share for LMI borrowers was below its overall market share of 6.13%.

The bank does a good job of originating small business loans to businesses with revenues less than \$1 million. During this evaluation period, 89% of the bank's small business loans were to businesses with revenues less than \$1 million, which exceeded the 1996 market average of 73%. Additionally, over 50% of small business loans were under \$100,000 in size.

FANB originated only 6% of its consumer loans to low income persons which is poor compared to the percentage of low income families of nearly 17%. Consumer lending to moderate income individuals is good with 18% of loans made compared to 13% of moderate income families.

Community Development Lending

The bank made three community development loans during the evaluation period. These loans totaling \$161,000 were construction loans for affordable housing for LMI families in the AA.

Investment Test

The bank's level of community development investments, grants, and donations in Bradley County was excellent. There were \$1.2 million in Affordable Mortgage-Backed Securities and \$44 thousand in statewide Home Ownership Revenue Bonds. In addition, contributions and in-kind donations to qualified organizations totaled \$6 thousand. These contributions were distributed throughout the AA with the largest dollar amount representing donations to housing organizations. Other donations were to social service organizations that targeted low and moderate income families.

Service Test

FANB's delivery systems are reasonably accessible to all segments of the bank's AA. FANB provides an assorted range of services through branches and alternative delivery service. In addition to the bank's branches, FANB has identified its network of ATMs, Loan-by-Phone services, Bank-by-Mail, and PC banking as alternative ways to deliver banking services within the AA.

FANB maintains four branches with the Bradley County AA. None of the branches are in moderate income census tracts. During this evaluation period, the bank did not close or open any branches.

There are 11 ATMs throughout the AA including seven stand alone ATMs. None of the ATMs are located in moderate income areas. All of the ATMs dispense cash and 55% accept deposits.

The bank offers the traditional line of banking products and services at all of its branches. Alternative delivery systems do not fully address the needs of LMI geographies and individuals. The bank offers checking accounts targeted for small business, not-for-profit organizations, and LMI individuals. These accounts have lower minimum balance requirements and smaller monthly maintenance fees. FANB also provides Loan-by-Phone. This service has 13% LMI usage in the AA during 1997. PC banking, another service offered by the bank, was used 4% of the time in the AA by LMI individuals.

Branch hours are reasonable and convenient to all portions of the communities that the branches serve. Saturday hours are available at 25% of the branches.

Community Development Services

FANB and its employees provide a limited level of community development services. During this evaluation period, the bank provided assistance in the fund raising for a LMI housing assistance service.

OTHER NONMETROPOLITAN STATISTICAL AREAS

The remaining non-MSA counties were reviewed on a combined basis in a limited scope manner. These counties are: Bedford, Cannon, Cumberland, DeKalb, Gibson, Giles, Henry, Jefferson, Maury, Putnam, Rhea, Rhone and Trousdale.

Lending Test

The bank's lending performance in the combined non-MSAs area is worse than the institution's performance in the state. It did not, however, change the rating for the state.

Investment Test

The bank's investment performance in these non-MSA assessment areas is worse than the state's performance, however, it does not change the conclusion/ rating for the state of the institution.

Services Test

The bank's service test performance in the combined non-MSAs area is worse than the institution's performance in the state. It did not, however, change the rating for the state.

**FIRST AMERICAN NATIONAL BANK
State of Tennessee
Residential Lending Market Share 1996**

Assessment Area	Market Share		
	Overall	LMI CTs	LMI Borrowers
Bradley County	6.13	5.69	3.50
Chattanooga MSA	.78	0.45	0.56
Clarksville MSA	4.80	7.69	7.79
Jackson MSA	6.02	10.26	7.65
Knoxville MSA	4.09	4.32	4.56
Memphis MSA	1.07	1.37	1.64
Nashville MSA	4.78	6.01	6.41
Non-MSAs	22.70	16.33	29.09

FIRST AMERICAN NATIONAL BANK
State of Tennessee
SMALL BUSINESS AND COMMUNITY DEVELOPMENT LENDING

1996, 1997, 1Q 1998

	Demographics			Distribution			Bank Totals		Community Development Loans	
	% of Businesses in LMI CTs	% of Reporters Loans in LMI CTs	% of Small Businesses **	% of Bank's Loans in LMI CTs	% of Loans less than \$100,000	% of Loans to Small Businesses **	#	\$ (000)	#	\$ (000)
Bradley County	9.60	11	75.73	12.56	50.25	89.45	199	12,957	3	161
Chattanooga MSA	28.85	30	27.44	27.75	72.25	45.05	364	40,039	1	1,000
Clarksville MSA	32.31	16	33.14	18.78	85.36	50.00	362	24,352	0	0
Jackson MSA	30.64	25	31.11	31.96	85.76	39.56	316	21,514	0	0
Knoxville MSA	28.66	11	27.38	37.56	81.36	35.80	2,447	199,458	5	2,416
Memphis MSA	26.87	21	27.54	26.72	82.22	46.23	928	87,922	2	2,750
Nashville MSA	29.36	26	28.94	32.05	80.52	46.87	4,122	35,805	11	12,910
Other Non-MSAs	8.55	5	77.37	7.53	87.16	91.72	1,714	96,724	12	2,046
Total							10,452	518,771	34	21,283

** Small Businesses are businesses with revenues less than \$ 1 million when revenue was known.

FIRST AMERICAN NATIONAL BANK
State of Tennessee
CRA QUALIFIED INVESTMENTS

1996, 1997, 1Q 1998

(\$ in thousands)

Assessment Area	Investment Securities	Community Development Corporations	Grants and Contributions	Affordable Loan Securities	Total
Bradley County	44	0	6	1,208	1,258
Chattanooga MSA	67	0	20	678	765
Clarksville MSA	48	0	23	702	773
Jackson MSA	87	0	6	356	449
Knoxville MSA	620	0	186	2,428	3,234
Memphis MSA	211	0	67	3,554	3,832
Nashville MSA	1,350	0	750	14,205	16,305
Other Non-MSA Counties	335	0	35	2,912	3,282
TOTAL	2,762	0	1,093	26,043	29,898

FIRST AMERICAN NATIONAL BANK
State of Tennessee
Service Test

1996, 1997, 1Q 1998

Assessment Area	Number of Branches	% of Branches in State	# of ATMs	Low Income Tract % of Branches	Moderate Income Tract % of Branches	Middle Income Tract % of Branches	Upper Income Tract % of Branches	N/A Tract % of Branches *
Bradley County	4	3.0	11	0.0	0.0	25.0	75.0	
Chattanooga MSA	2	1.5	10	50.0	0.0	50.0	0.0	
Clarksville MSA	5	3.8	9	0.0	60.0	20.0	20.0	
Jackson MSA	5	3.8	8	20.0	0.0	60.0	20.0	
Knoxville MSA	27	20.5	82	11.1	22.2	48.2	18.5	
Memphis MSA	17	12.9	27	5.9	5.9	29.4	58.8	
Nashville MSA	44	33.3	166	4.5	18.2	54.5	20.5	2.3
Non-MSA Areas	28	21.2	39	0.0	10.7	75.0	14.3	
Total	132	100	352	6.1	15.9	52.3	25.0	0.8

* Represents Branches located in Non-Classified Census Tracts (according to 1990 Census Bureau.)

STATE OF KENTUCKY RATING

CRA Rating for the state of Kentucky (Simpson & Warren Counties): **Outstanding**

The lending test is rated: **High Satisfactory**
The investment test is rated: **Outstanding**
The service test is rated: **Outstanding**

Description of Institution's Operations

FANB operates four branches and 11 ATMs in the assessment area (AA) which covers two counties (Simpson and Warren) in south-central Kentucky. Bowling Green is in Warren county and serves as the industrial, health care, business and trade hub for a ten-county area. There are 23 census tracts in the AA. Of the tracts in the bank's AA, 13% are moderate income tracts, 35% middle income tracts, and 52% upper income tracts. There are no low income tracts in the bank's AA. As of 6/30/97, the bank had total deposits in the state of approximately \$194 million or 2.65% of FANB's deposit share.

There are 24,538 families residing in Simpson and Warren counties, Kentucky of which 16% are categorized as low income families and 12% as moderate income families. Seventeen percent of the households in these counties are below the poverty level.

To help determine community credit needs and lending opportunities, we conducted one community contact in Bowling Green, Kentucky. According to the community contact, the AA is basically rural. There has been a significant amount of unemployment or re-employment in the last few years with the closing of an Eaton plant (1,500 jobs). The Fruit of the Loom plant is scaling back (500 jobs to date). The population is stagnant to declining but there is still a critical need for housing because the housing stock is old and needs to be rehabilitated or replaced. Also, there is a need for new jobs and credit counseling.

Conclusions About Performance Tests

Lending Test

Lending Activity

FANB provides a variety of real estate, small business, and consumer loans which are widely distributed throughout its AA. The bank's overall performance in meeting the lending needs of the community is acceptable. During this evaluation period the bank made 1,280 HMDA reportable (residential) loans totaling \$86 million; 218 small business loans totaling \$17 million; and 2,314 consumer loans totaling \$20 million. More than 70% of all residential loans were within the bank's

defined AA. In addition, over half of the bank's small business loans and a substantial majority of the bank's consumer loans were in its AA. There were no conspicuous gaps in the bank's lending patterns.

Geographic Distribution

FANB's overall geographic distribution of residential, small business, and consumer lending shows mixed results in lending percentages in the AA in comparison to demographic data and to the aggregate market. The bank originated 5% of its residential loans in moderate income census tracts. This percentage is good compared with the demographic which indicates 5.4% of the AAs owner occupied housing is located in moderate income census tracts. Consumer lending, with 3% of loans in moderate income census tracts, is below the demographics which show 9% of total families being located in such tracts. In 1996, FANB's 1.35% market share for residential loans in moderate income tracts was below the bank's overall market share for residential loans of 2.25%.

The bank's geographic distribution of small business loans is good when compared to the aggregate market. The bank originated 10% of its small business loans in moderate income tracts. This performance is below the 1996 market's average for all small business reporters of 12%.

Distribution by Borrower Characteristics

Residential lending to LMI persons was weak. Residential lending to LMI borrowers of 11% is lower than the 29% of families in the AA that are considered low and moderate income. Consumer lending is also low. FANB originated 7% of its consumer loans to LMI persons. This percentage is poor compared to the 29% of LMI families in the AA.

The bank does a reasonable job of originating small loans to businesses with revenues less than \$1 million. During the evaluation period, 76% of the bank's small business loan originations were less than \$100,000 compared to the 1996 market average of 88%. In addition, 68% of the bank's small business loan originations were to businesses with revenue less than \$1 million compared to the 1996 market average of 74%.

Community Development Lending

The bank had an excellent level of community development lending in the AA. During this evaluation period, the bank made nine community development loans totaling \$2.5 million for community development purposes. One of the largest loans (\$1.5 million) was used to finance a public/private partnership to finance small businesses and provide jobs to an area under redevelopment. Approximately \$850 thousand in loans to construct affordable housing were also completed. Compared to FANB's size of operations in the state, these loan totals are exceptional.

Flexible Lending

The bank offers several flexible loan products. There are two flexible mortgage loan products targeted at LMI borrowers. These two mortgage products offer more flexible underwriting terms compared to FANB's other residential types. During the evaluation period, the bank generated 23 loans totaling \$1.3 million under these two programs to LMI borrowers. The majority of these were granted in 1996.

The bank also had a consumer loan product designed for LMI individuals where the underwriting criteria are more flexible than normal. The debt to income ratios are raised and alternative sources of credit verification are used. This product resulted in 165 loans totaling \$625 thousand for 1997 and year to date 1998.

Investment Test

The dollar volume of qualified investments, grants and donations in the Kentucky assessment area are significant considering the bank's resources in the AA. FANB is a minor player in this market, ranking fifth in deposit share. FANB has an excellent level of qualified investments and the qualifying investments meet the identified community development needs. This area's portion of the Affordable Mortgage-Backed Securities totaled \$1.7 million while direct donations and grants totaled approximately \$31 thousand during this evaluation period.

In addition to typical donations, FANB purchased \$707 thousand in low-income-housing tax credits to finance the construction of 24 units of affordable housing in Bowling Green Kentucky. The tax credits were used in conjunction with financing obtained through FANB using the Federal Home Loan Bank Affordable Housing Program (AHP). Through this partnership, financing was possible and the rents were maintained at an affordable level. This project represents the first of its kind in south central Kentucky and meets a pronounced need for affordable rental housing.

Service Test

Accessibility of Services

FANB's delivery systems are readily accessible to all portions of the bank's Kentucky assessment area. FANB provides a very wide range of services through branches and alternative delivery service. In addition to the bank's branches, FANB has identified its network of ATMs, Loan-by-Phone Services, Bank-by-Mail, and PC banking as alternative ways to deliver banking services within the AA.

FANB maintains four branches within the Kentucky AA. Thirteen percent of its branches are in moderate income census tracts. The bank closed no branches and opened one in the AA. None

were closed or opened in moderate income areas.

The bank has a very good distribution of ATMs. There are 11 ATMs at 10 locations throughout the Kentucky AA. The ATMs distribution includes six stand alone ATMs. Eighteen percent of the ATMs are located in moderate income areas. All of the ATMs disperse cash and 45% accept deposits.

The bank offers the traditional line of banking products and services at all of its branches. Alternative delivery systems are responsive to the needs of LMI individuals. The bank offers checking accounts targeted for small business, not-for-profit organizations, and LMI individuals. These accounts have lower minimum balance requirements and smaller monthly maintenance fees. FANB also provides Loan-by-Phone banking. This service had 15% LMI usage in the Kentucky AA during 1997.

Branch hours are very convenient to the community served. Saturday hours are available at 50% of the branches.

Community Development Services

FANB and its employees are leaders in providing community development services particularly with regard to LMI housing needs. FANB plays a key role in identifying LMI needs and working with community groups, particularly HANDS. FANB worked to establish the HANDS program to provide affordable housing to LMI families. The bank is also providing mortgage servicing for Habitat for Humanity loans throughout the entire AA. This service is provided to Habitat without charge by the bank. FANB employees serve as board members and provide technical expertise to a number of community development organizations. The bank is also directly and indirectly involved in the community services of local government programs. Eleven groups/organizations have benefitted from the bank's services in this AA.

**FIRST AMERICAN NATIONAL BANK
State of Kentucky
AGGREGATE RESIDENTIAL LENDING
1996, 1997, 1Q 1998**

Assessment Area	#	\$ (000)	Low Income				Moderate Income			
			Demographic		Distribution		Demographic		Distribution	
			% Owner Occupied	% Families	% In CTs	% To Borrowers	% Owner Occupied	% Families	% In CTs	% To Borrowers
Simpson/ Warren Counties	1,280	86,233	0.00	16.42	0.00	2.27	5.48	12.49	4.92	8.83

**FIRST AMERICAN NATIONAL BANK
State of Kentucky
AGGREGATE CONSUMER LENDING
1997, 1Q 1998**

Assessment Area	#	\$ (000)	Low Income				Moderate Income			
			Demographic		Distribution		Demographic		Distribution	
			% Families in CTs	% Families	In CTs	To Borrowers	% Families in CTs	% Families	In CTS	To Borrowers
Simpson/ Warren Counties	2,314	20,369	0%	16.42%	0%	1.86%	8.63%	12.49%	35.92%	4.78%

FIRST AMERICAN NATIONAL BANK
State of Kentucky
SMALL BUSINESS AND COMMUNITY DEVELOPMENT LENDING

1996, 1997, 1Q 1998

Assessment Area	Demographics			Distribution			Bank Totals		Community Development Loans	
	% of Businesses in LMI CTs	% of Reporters Loans in LMI CTs	% of Small Businesses**	% of Bank's Loans in LMI CTs	% of Loans less than \$100,000	% of Loans to Small Businesses**	#	\$ (000)	#	\$ (000)
Simpson/ Warren Counties	18.07	12.00	18.44	9.63	75.69	68.35	218	17,368	9	2,461

** Small Businesses are businesses with revenues less than \$ 1 million when revenue was known.

FIRST AMERICAN NATIONAL BANK State of Kentucky Residential Lending Market Share 1996			
Assessment Area	Market Share		
	Overall	LMI CTs	LMI Borrowers
Simpson, Warren Counties	2.25	1.35	2.70

FIRST AMERICAN NATIONAL BANK State of Kentucky CRA QUALIFIED INVESTMENTS 1996, 1997 , 1Q 1998 (\$ In thousands)					
Assessment Area	Investment Securities	Community Development Corporations	Grants and Contributions	Affordable Loan Securities	Total
Simpson & Warren Counties	707	0	31	1,717	2,455

FIRST AMERICAN NATIONAL BANK State of Kentucky Service Test 1996, 1997, 1Q 1998							
Assessment Area	Number of Branches	% of Branches in State	# of ATMs	Low Income Tract % of Branches	Moderate Income Tract % of Branches	Middle Income Tract % of Branches	Upper Income Tract % of Branches
Simpson & Warren Counties	4	100	11	0	25	0	75

APPENDIX A: SCOPE OF EXAMINATION

A Community Reinvestment Act (CRA) examination commenced on July 6, 1998. The objective of the examination, which was performed onsite, was to assess the bank's record of serving the credit needs of the entire assessment area, including low and moderate income areas and to assign an overall rating to the bank. Performance was evaluated under the newly revised CRA regulation, which also requires a rating on each state and multistate MSA.

The data in this evaluation includes: HMDA reportable (residential) loans and small business loans for the full years 1996, 1997 and first quarter 1998. Consumer lending data for only for 1997 and first quarter 1998.

In assessing FANB's performance under the CRA, the two largest FANB MSAs in the state (Knoxville and Nashville) and the Johnson City-Kingsport TN-VA multistate MSA were reviewed by full scope analysis. In addition, the two county assessment area in Kentucky and a small rural county (Bradley) in the state of TN were selected for full scope analysis. In the remaining AAs, we performed limited scope analyses sufficient to determine if the bank's level of performance was consistent with the overall performance in the state.

Information used in this evaluation came from HMDA and CRA disclosures along with data provided by FANB.

APPENDIX B: FANB ASSESSMENT AREAS

The following counties were designated by FANB management as their CRA assessment areas. These areas were analyzed for this examination.

Assessment Areas: Number and Counties

- #1 - (Chattanooga MSA) - Hamilton, TN.
- #2 - (Clarksville MSA) - Montgomery, TN.
- #3 - (Jackson MSA) - Madison, TN.
- #4 - (Johnson City-Bristol MSA) - Sullivan, TN; Hawkins, TN; Carter, TN; Washington, TN; Washington, VA; Bristol City, VA.
- #5 - (Knoxville MSA) - Knox, TN; Anderson, TN; Loudon, TN; Blount, TN; Sevier, TN.
- #6 - (Memphis MSA) - Shelby, TN.
- #7 - (Nashville MSA) - Davidson, TN; Rutherford, TN; Sumner, TN; Williamson, TN; Wilson, TN.
- #8 - Gibson, TN.
- #9 - Henry, TN; Stewart, TN.
- #10 - Maury, TN; Giles, TN.
- #11 - Bedford, TN.
- #12 - Trousdale, TN.
- #13 - Cannon, TN; DeKalb, TN; Warren, TN; Putnam, TN; Cumberland, TN; Rhea, TN; Roane, TN.
- #14 - Jefferson, TN.
- #15 - Bradley, TN.
- #16 - Simpson, KY; Warren, KY.

APPENDIX C: DEFINITION OF TERMS

The following are definitions of terms used throughout this public evaluation. The definitions are not the strict legal definitions contained in 12 C.F.R. 25.12, but rather a synopsis of their meaning.

Assessment Area (AA) - This area is defined by bank management. It is the geographic boundary where the bank's Community Reinvestment Act (CRA) activities are evaluated.

Automated Teller Machine (ATM) - A machine offering limited banking services including dispensing cash, accepting deposits or loan payments and transferring funds between accounts.

Community Development - The primary purpose of the loan, investment or service is for (1) affordable housing for low or moderate income individuals; (2) community services targeted to low or moderate income individuals; (3) activities that promote economic development by financing small businesses and farms; and, (4) activities that revitalize or stabilize low or moderate income areas.

Geography - A census tract (CT) or block numbering area.

HMDA loan - A residential real estate loan (home purchase, home improvement, refinance or multi-family).

Low, Moderate, Middle and Upper Income Areas - A low income area is one in which the median family income is less than 50% of the area median income, moderate income is 50% to 79% of the area family median income, middle income is 80% to 119% of the area median family income and upper income is 120% or more of the area median income.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties including large population centers and nearby communities that have a high degree of interaction.

Qualified Investment - A lawful investment, deposit, membership share or grant that has community development as its primary purpose.

Small Business Loan - A commercial loan (as defined by Call Report Instructions) with an original loan amount of \$1 million or less.

Small Farm Loan - A farm loan (as defined by Call Report Instructions) with an original loan amount of \$500,000 or less.