



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

June 11, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of McMinnville
Charter Number 2221

200 East Main Street
McMinnville, TN 37110

Office of the Comptroller of the Currency

ADC-NASHVILLE Field Office
The Parklane Building
5200 Maryland Way, Suite 104
Brentwood, TN 37027-5018

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

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

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

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

- The bank's loan-to-deposit ratio is satisfactory and averaged 76.88% during the evaluation period. FNB's loan-to-deposit ratio ranged from a low of 68.98% in March 2012 to a high of 82.25% in September 2009.
- A majority of FNB's loans are within the bank's Warren County and Rutherford County Assessment Areas (AAs). Approximately 80% of the number and 67% of the dollar volume of loans were to borrowers within the AAs.
- FNB's distribution of loans to borrowers of different income (including low- and moderate-income) levels and business of different sizes is satisfactory.
- The geographic distribution of loans reflects satisfactory dispersion. While there are no low- and moderate income census tracts in FNB's Warren County AA, eight of the nine census tracts in the Warren County AA are middle-income census tracts which have been designated as "distressed." Approximately 73% of the numbers of residential real estate loans made were to borrowers residing in these distressed middle-income census tracts. Similarly, approximately 87% of the number of business loans were to businesses located in these distressed middle-income census tracts.
- FNB's community development performance demonstrates outstanding responsiveness to the community development needs in its AAs.

Scope of Examination

This Performance Evaluation (PE) covers the period April 27, 2009 through December 31, 2011 and is a full scope review. We reviewed the bank's community development loans and community development investments and services to ensure they met the definition of community development.

Conclusions regarding the Lending Test are based on residential loans including home purchases, home improvements, and home refinances. FNB became a Home Mortgage Disclosure Act (HMDA) reporter effective March 2011, but a full HMDA report will not be filed until March 1, 2013. Therefore, this PE was based on sampled data and did not use data from the HMDA loan application register. All residential loans considered in the Lending Test originated between April 27, 2009 and December 31, 2011. No residential loans originated during 2012

have been considered in this PE since that information will be compared to 2010 Census Data which was incomplete as of our review date. A sample of small business loans originated during the same time period was also considered in the Lending Test. Since the bank recently became a HMDA reporter and will not submit the HMDA data until March 1, 2013, a data integrity review was not conducted prior to this evaluation as part of this Community Reinvestment Act (CRA) evaluation. However, we did review the integrity of the data as we reviewed the loan sample for home purchase, home improvement, and refinance. Errors were found and corrected during the examination. Internal data for this evaluation period was determined to be reliable during reviews by bank personnel. For analytical purposes, the Warren County AA was chosen for a full-scope review since the majority of bank loans, deposits, and offices are located in the Warren County non-Metropolitan Statistical Area (MSA) AA. A limited-scope review was conducted of the Rutherford County MSA AA. Rutherford County is part of the Nashville-Davidson-Murfreesboro-Franklin, TN MSA (#34980). The bank's overall rating is based primarily on the AA receiving the full-scope review.

Description of Institution

FNB is an independent, intrastate bank which opened for business in 1875. 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. FNB has no bank owned affiliates. The holding company, bank, and First Community Title and Escrow Company are located in McMinnville, Tennessee. The bank's main office and two branches are located in McMinnville, TN. One branch office is located in Morrison, TN, and the other branch office is located in Viola, TN. These offices are located in Warren County. Since the previous CRA examination, a new branch office was opened in March 2011 in Rutherford County. With the opening of the new branch office, the bank closed its Rutherford County Loan Production Office (LPO) which had been open since May 2007. The bank has not relocated or closed any branch offices and there have been no merger or acquisition activity since the previous review.

McMinnville is approximately 75 miles southeast of Nashville, Tennessee. There have not been any major changes in the bank's corporate structure, including merger or acquisition activities, since the last CRA examination dated April 27, 2009, 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 community development loans, qualified investments, and community development service needs. The bank offers a full-range of loan and deposit services. Since the previous CRA examination, the bank has not identified any community service needs.

FNB's primary business focus is commercial and industrial loans, including commercial real estate loans, and residential mortgage loans. As of March 31, 2012, the bank had total assets and gross loans of \$474 million and \$273 million, respectively. Gross loans comprised 58% of total assets. Total assets for the holding company were \$456 million as of December 31, 2011. The following table reflects the composition of FNB's loan portfolio based on March 31, 2012, Report of Condition.

	Product Category	
	Dollar (000's)	Percent
Commercial & Industrial Including Commercial Real Estate	130,523	47.75
Residential Mortgage Loans	109,785	40.16
Construction & Land Development	27,779	10.16
Individuals	3,132	1.15
Other	2,145	0.78
TOTAL	273,364	100.00

Source: March 31, 2012 Report of Condition

FNB provides a wide range of traditional deposit and loan products. Branches are generally located in areas that make them accessible to bank customers. Lobby hours and drive-up hours are set to meet customer needs. Five of the six branches have ATM's that disburse cash and take deposits. There are no free standing non-deposit taking ATMs.

Customers have 24-hour access to their accounts through telephone banking and through the internet (<http://www.fnbmt.com>). Internet and phone banking services include transfers between FNB accounts, review of account balances and transactions, access to loan account information, and the payment of loans. Internet banking customers also have bill-paying and e-statement capabilities. Through a third-party provider, customers have the option of applying for a Visa or MasterCard credit card. Through a separate bank issued ATM/Debit card, customers have additional access to their accounts at point-of-sale or ATM locations.

FNB's business strategy includes continued marketing of commercial credit to small businesses through its products, staff, and locations. The bank is actively involved in all types of commercial real estate development and construction lending. Small business loans are offered for new business startups and to expand existing business. FNB also supports the purchase and long-term financing of residential home loans through its conventional secondary market home mortgage, Tennessee Housing Development Association (THDA), and rural housing guaranteed home mortgage programs. The bank also participates in the Rural Development home mortgage program that specifically targets low- and moderate-income individuals.

The economic downturn has impacted the bank's AAs and resulted in manufacturing plant closures and layoffs as local industries adjust to declining sales and lower demand. Business and retail loan demand have declined significantly as borrowers defer business expansion, development, residential, and retail purchases. The housing downturn also significantly impacted employment in the Tennessee non MSA (Warren County) and the MSA (Rutherford County) AAs. Weaknesses in the housing market have severely curtailed independent contractors and other trades livelihood. In particular, Warren County nurseries have been hit hard during the economic downturn.

A 2010 Federal survey has some brutal data showing that both median family income and net worth dropped dramatically over the last three years. The median family income dropped 7.7% and the median family net worth dropped a staggering 40%. Net worth's of Americans are tied directly to the value of their homes which have declined dramatically in the review period.

To counter high unemployment and weakened loan demand in the FNB's Warren County AA, FNB opened a LPO in Murfreesboro, TN (Rutherford County) in May 2006. The LPO did not accept deposits at this location. The LPO office was closed after a new, full-service branch office was opened in March 2011.

The bank's AAs include 27 census tracts. One of the census tracts is low-income, four census tracts are moderate-income, 19 census tracts are middle-income, and three census tracts are upper-income tracts. Nine of the 27 census tracts are located in Warren County and are not in a MSA. Eighteen of the census tracts are located in Rutherford County and are located in the Nashville-Davidson-Murfreesboro-Franklin, TN MSA # #34980. One office is located in a moderate-income census tract, three offices are located in middle-income census tracts, and two offices are located in the upper-income census tract. There is one ATM each located in a moderate- and upper-income census tract. There are three ATMS located in middle-income census tracts.

Distribution of Bank Offices and ATMs by Census Tract						
Census Tract Income Level	Tracts		Full-Service Branches		Automated Teller Machines	
	#	%	#	%	#	%
Low	1	3.71	0	0	0	0
Moderate	4	14.81	1	16.67	1	20.00
Middle	19	70.37	3	50.00	3	60.00
Upper	3	11.11	2	33.33	1	20.00
NA	0	0	0	0	0	0
TOTAL	27	100.00%	6	100.00%	5	100.00%

There are 6 offices with 5 having contiguous ATMs. All of the ATM machines at the 5 branch offices accept deposits and dispense cash. There are no free-standing ATMs which dispense cash only.

FNB's business strategy includes continued marketing of residential and commercial credit to small businesses through its products, staff and locations. The bank offers small business loans for new business startups and to expand existing business.

Description of Assessment Area(S)

The bank's AA includes all census tracts in Warren County. Eight of the nine census tracts within the bank's AA are middle-income while the remaining census tract is upper-income. Warren County is not in a MSA. While there is no low- or moderate-income census tracts in the bank's AA, the eight middle-income census tracts are identified as "distressed" due to excessive poverty levels. Distressed designation guidelines are: (1) an employment rate of at least 1.5

times the national average, (2) a poverty rate of 20% or more, or (3) a population loss of 10% or more. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. There are no natural boundaries within the AA that hinder accessibility. All nine census tracts in Warren County are contiguous. Of the 10,890 families residing in Warren County, 2,316 families (21.27%) and 1,844 (16.93%), respectively, are low- and moderate-income families based on the family distribution by income levels. As of March 31, 2012, the unemployment rate for the State of Tennessee and the U.S. was 7.9% and 8.2%, respectively. While the State (7.9%) unemployment rate was lower than the U.S. rate, the County unemployment rate (9.1%) was higher for the same period.

Demographic Information for Non-MSA Assessment Area						
Warren County, Tennessee						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	9	0	0	88.89	11.11	0
Population by Geography	38,276	0	0	85.68	14.32	0
Owner-Occupied Housing by Geography	16,689	0	0	86.35	13.65	0
Businesses by Geography	4,295	0	0	85.73	14.27	0
Farms by Geography	292	0	0	76.03	23.97	0
Family Distribution by Income Level	10,890	21.27	16.93	21.46	40.34	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	4,160	55.67	44.33	-	-	0
Median Family Income (MFI)	= \$38,585	Median Housing Value		= \$74,322		
HUD Adjusted Median Family Income (MFI) for 2007	= \$45,400	Unemployment Rates		= 9.1%		
Households Below the Poverty Level	= 2,641					

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2000 U.S. Census and 2007 HUD updated MFI. Unemployment rate is as of March 31, 2012.

FNB is located in middle Tennessee. McMinnville serves as the county seat of Warren County and is located approximately 75 miles southeast of Nashville, TN and 69 miles northwest of Chattanooga, TN. Located some 23 miles east of Interstate 24, McMinnville is easily accessible. Interstate 24 is the major corridor between Nashville and Chattanooga. Centertown, Morrison, and Viola are other incorporated cities within Warren County.

Warren County’s economic base is diverse. Primary industries in Warren County include nursery businesses, manufacturers, retail establishments, and service organizations. There are approximately 15,660 individuals employed full-time and part-time in Warren County. Many individuals commute to nearby Murfreesboro (37 miles) for employment. Major employers in Warren County are: Bridgestone/Firestone (radial truck and bus tires) 1,100 employees; Yorozu Corporation (metal stamping) 1,000 employees; A. O. Smith Corp (electric motors for variety of

uses) 998 employees; Sunbeam Products, Inc. (major cooking appliances; small electric household appliances) 670 employees; Cumberland Lumber & Mfg. (hardwood flooring) 190 employees; Burroughs-Ross-Colville Co., LLC (hardwood lumber & pallet, to, mop & push broom handles & hardwood mulch) 135 employees; McMinnville Mfg. Co. (hardwood dimension lumber) 100 employees; Metal Products Co. (metal fabricating) 70 employees; Bouldin & Lawson LLC. (farm machinery & equipment) 65 employees; and two other employers (sheet metal fabricating machinery and injection molded plastic products) which employ a total of 115 individuals. Natural resources include crushed stone and hardwood timber products. Agricultural products include hay, soybeans, corn, wheat, and nursery stock. Warren County has been hard hit in recent years with industrial plant closings and reductions in employees.

McMinnville is known as the nursery capital of the world. In recent years annual nursery sales have spiraled downward to less than \$100 million from a \$200 million industry. Contributing causes to this revenue decline include weather-related factors (freezes/droughts), high fuel costs, fire ant infestation, and real estate recession which significantly impacted residential home construction. Some nurseries have gone out of business while others have cut back on hours of operation. The number of nursery farms has declined from a peak of 487 farms in 2002 to an estimated 165 farms as of 2011. This represents a 66% decline for the industry.

The bank's Rutherford County AA includes 18 of 26 census tracts in the county. Of the 18 census tracts, there is 1 low-income, 4 moderate-income, 11 middle-income, and 2 upper-income census tracts. None of the census tracts have been designated as "distressed." Rutherford County is part of the Nashville-Davidson-Murfreesboro-Franklin, TN MSA (#34980). The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. There are no natural boundaries within the AA that hinder accessibility. All 18 census tracts in Rutherford County are contiguous. Of the 31,423 families residing in Rutherford County, 4,900 families (15.59%) and 5,347 (17.02%), respectively, are low- and moderate-income families based on the family distribution by income levels. As of March 31, 2012, the County unemployment rate of 6.6% is lower than the unemployment rate for the State and U.S. for the same period.

Demographic Information for MSA Assessment Area						
Rutherford County, Tennessee						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	18	5.56	22.22	61.11	11.11	0
Population by Geography	123,729	15.59	17.02	26.88	40.51	0
Owner-Occupied Housing by Geography	48,549	4.13	20.29	68.04	7.54	0
Businesses by Geography	17,136	2.38	22.15	69.17	6.30	0
Farms by Geography	431	0.46	11.37	84.22	3.95	0
Family Distribution by Income Level	31,423	15.59	17.02	26.88	40.51	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	10,247	47.82	52.18	-	-	0
Median Family Income (MFI)	= \$54,260	Median Housing Value		= \$110,910		
HUD Adjusted Median Family Income (MFI) for 2007	= \$66,200	Unemployment Rates		= 6.6%		
Households Below the Poverty Level	= 2,641					

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2000 U.S. Census and 2007 HUD updated MFI. Unemployment rate is as of March 31, 2012.

Murfreesboro serves as the county seat of Rutherford County and is located approximately 30 miles southeast of Nashville, TN and 82 miles northwest of Chattanooga, TN. Located on Interstate 24, Murfreesboro is easily accessible. Interstate 24 is the major corridor between Nashville and Chattanooga. Smyrna, La Vergne, and Eagleville are other cities and towns within Rutherford County. Rutherford County has a strong, dynamic economic base. Primary industries in Rutherford County include manufacturing, retail, professional services, transportation, and warehousing. There are approximately 132,300 individuals employed full-time and part-time in Rutherford County. Many individuals commute to nearby Nashville/Davidson County (30 miles) for employment. Major employers in Rutherford County are: Nissan North America, Inc. (automobile manufacturing) 5,451 employees; Cumberland Swan Holdings, Inc. (cosmetics & toiletries/alcohols) 1,000 employees; Verizon Wireless (wireless device) 1,122 employees; Whirlpool Corporation (refrigerators, air conditioners, air purifiers & dehumidifiers) 900 employees; General Mills/Pillsbury (refrigerated baked goods) 850 employees; Perrigo of Tennessee (cosmetics & toiletries) 736 employees; Quality Industries, Inc. (sheet metal fabricator; automotive forgings) 620 employees; MI Windows & Doors, Inc. (metal doors, sash & trim/millwork) 500 employees; Emerson Electric Co. (electrical equipment & supplies/small electric household appliances) 425 employees; Johnson Controls Interiors LLC (automobile seating) 400 employees; Mahle Tennex North America, Inc. (motor vehicle engines & parts) 390 employees; Hennessy Industries, Inc. (motor vehicle parts & accessories) 326 employees; and Heritage Farms Dairy (dairy products) 200 employees. Natural resources include crushed stone, cedar, and hardwood timber. Agricultural products include corn, soybeans, cotton, wheat, and barley.

No business opportunities were identified by FNB through outreach activities or through bank surveys during this evaluation period. An affordable housing agency serving Warren County was interviewed for a community contact. This agency sponsors the construction of affordable housing for low- and moderate-income families. The community contact was very complimentary of FNB, Security Federal Savings Bank of McMinnville, and Regions Bank (successor to City Bank). Each of these institutions has been active supporters and partnered with the agency by providing donations and volunteer labor during the construction. The community contact acknowledged First National Bank's strong support in particular. While the contact did not identify any particular credit needs in the AA, it was reported that these new home owners were under banked. They do not typically have the appropriate skills in maintaining a demand deposit checking account. Training and instruction is needed to improve their understanding of banking. It was also noted that banks including FNB also provide personnel to serve on committees and in Board roles.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank's performance under the Lending Test is rated "Satisfactory." Based on a full-scope review, the bank's performance in the AA is satisfactory.

Loan-to-Deposit Ratio

The quarterly average loan-to deposit ratio for FNB is reasonable at 76.88% for the twelve quarters ending March 31, 2012. FNB's quarterly average loan-to-deposit ratio was the eighth lowest when compared to the ten other similarly situated independent banks in the Warren and Rutherford County AAs for the period. At 96.33% F&M Bank of Clarksville had the highest quarterly average loan-to-deposit ratio for the period, followed by Security Federal Savings Bank of McMinnville 92.47%, Pinnacle Financial Partners, NA at 85.79%, Community First Bank & Trust, Columbia, TN 84.19%, Homeland Community Bank 82.61%, Wilson Bank & Trust 81.80%, and Midsouth Bank 77.85%. FNB's highest loan-to-deposit ratio for the twelve quarter period was 82.25% as of September 30, 2009 and the lowest ratio was 68.98% as of March 31, 2012.

Loan-To-Deposit Ratios		
Institution	Assets as of 03/31/12(*)	Average LTD Ratio % (**)
<i>Warren County Tennessee</i>		
First National Bank, McMinnville, TN	\$474	76.88%
Security FSB of McMinnville, McMinnville, TN	\$162	92.47%
Homeland Community Bank, McMinnville, TN	\$135	82.61%
Citizens Tri-County Bank, Dunlap, TN	\$595	66.45%
<i>Rutherford County Tennessee</i>		
F&M Bank, Clarksville, TN	\$785	96.33%
Pinnacle Financial Partners, NA, Nashville, TN	\$4,773	85.79%
Community First Bank & Trust, Columbia, TN	\$583	84.19%
Wilson Bank & Trust, Lebanon, TN	\$1,619	81.80%
MidSouth Bank, Murfreesboro, TN	\$238	77.85%
First Bank, Lexington, TN	\$2,161	74.16%
First National Bank of Manchester, TN	\$227	65.70%

*Asset sizes of institutions are in millions (000,000's). **The quarterly average LTD ratio for FNB and the 10 comparable banks is for the 12 quarter period from June 30, 2009 through March 31, 2012.

As of June 30, 2011, total deposits within the Warren County AA aggregated \$778 million. Of that amount, FNB controlled \$344 million (44.19%), Security Federal Savings Bank of McMinnville \$136 million (17.53%), Homeland Community Bank \$112 million (14.42%), and Citizens Tri-County Bank \$29 million (3.66%). Other institutions include two large regional banks and an out-of-state federal savings bank which controlled 14%, 2%, and 4%, respectively, of the remaining deposit market.

As of June 30, 2011, total deposits within Rutherford County aggregated \$2.9 billion. FNB includes 18 of the 26 Census Tracts, or 67%, as part of its Rutherford County AA. Of total deposits in Rutherford County, Pinnacle Financial Partners, NA controlled \$705 million (24.07%), MidSouth Bank controlled \$195 million (6.67%), Wilson Bank & Trust \$171 million (5.84%), FirstBank \$153 million (5.24%), F&M Bank \$54 million (1.85%), Community First Bank & Trust \$33 million (1.14%), and FNB of Manchester \$15 million (0.50%), FNB controlled \$9 million (0.31%). Other institutions include six large regional banks which control 14%, 14%, 11%, 8%, 2%, and 1% of the deposit market. Additionally, there are an additional five institutions whose deposit control ranged from a high of 3% to a low of 0.02%.

Of the 19 banking offices located in the Warren County AA, FNB has five (26%). Security FSB of McMinnville, Homeland Community Bank, and Citizens Tri-County Bank have three each (16%). A regional bank has two banking offices (11%) and three other competitors have one branch each or 5%. Of the 78 banking offices located in the Rutherford County AA, FNB has one (1%), MidSouth Bank has five (6%), Wilson Bank & Trust has four (5%), FirstBank has three (4%), and F&M Bank, First National Bank of Manchester, Community First Bank & Trust, and F&M Bank have one branch each (1%). Several large holding company banks have from a high of 11 to a low of five offices each.

Lending in Assessment Area

FNB's record of lending in its AA is "satisfactory." A majority of the number of FNB loans are within the bank's AA. The number of residential and business loans inside the bank's AAs was 70.21% and 89.89%, respectively. Similarly, the dollar amount of residential and business loans inside the bank's AA was 54.65% and 73.27%, respectively. Collectively, the number and dollar amount of loans in FNB's AA was 79.78% and 66.97%, respectively. Conclusions are based on residential and business loan samples originated during 2009, 2010, and 2011. Loan samples included loans originated in the bank's Warren County AA during this 3 year period and loans originated in the Rutherford County AA during 2011 only.

Lending in Warren County, TN Non-MSA & Rutherford County, TN MSA AAs										
Loan Type(s)	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2009-2011 Residential Loans	66	70.21	28	29.79	94	7,460	54.65	6,191	45.35	13,651
2009-2011 Business Loans	80	89.89	9	10.11	89	19,171	73.27	6,995	26.73	26,165
Total	146	79.78	37	20.22	183	26,731	66.97	13,186	33.03	39,917

Source: Residential loans include home purchase, home improvement, and home-refinance loans. No 2012 residential and business loans were sampled since these would be compared to 2010 Census data which is unavailable. Business loan sample also includes farm loans; 2000 U.S. Census Data.

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

FNB's record of lending to borrowers of different incomes and to businesses of different sizes reflects reasonable penetration. At 20.34%, the number of residential loans to low-income families compares favorably to the 21.27% of low-income families within the Warren County AA. At 28.81%, the number of residential loans to moderate-income families exceeds the 16.93% of moderate-income families in the Warren County AA.

Based on our limited residential loan sample for Rutherford County for the 9-month period ending December 31, 2011, FNB's record of lending to borrowers of different incomes reflects poor penetration. At 0.00%, the number of residential loans to low-income families is significantly lower than the 15.59% of low-income families within the Rutherford County AA. At 14.29%, the number of residential loans to moderate-income families is near the ratio of 17.02% of moderate-income families in the Rutherford County AA.

Since January 1, 2009, home loan products offered by FNB include long-term, residential home financing. The loans, however, are funded by a third party with the bank receiving a fee for its efforts. These loans are sold in the secondary market, never funded by the bank, and not reported as loan originations on the bank's books. Underlying mortgages securing these loans may be guaranteed by the Veterans Administration (VA), Federal Housing Authority (FHA), or Rural Development (RD). In other instances, these loans may be purchased by Fannie Mae, Freddie Mac, and Rural Housing Authority. Since January 1, 2009, the bank has generated a

significant number and dollar amount of these loan types which have been sold in the secondary market. Some of these loans were to low- and moderate-income families. The number or dollar amount of these loans is not reflected in the tables below.

Table 2A - Borrower Distribution of Residential Real Estate Loans in Warren County, TN Non-MSA AA								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
Loan Type(s)	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number
Residential Loans	21.27%	20.34	16.93	28.81	21.46	20.34	40.34	30.51

Source: Residential loan sample from 2009, 2010, and 2011. Residential loans include residential home purchases, home improvement loans, and home refinance loans sampled; 2000 U.S. Census Data No residential loans were sampled for 2012 as these loans should be compared to 2010 U.S. Census Data which was incomplete as of the review date.

Table 2A - Borrower Distribution of Residential Real Estate Loans in Rutherford County, TN MSA AA								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
Loan Type(s)	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number
Residential Loans	15.59	0.00	17.02	14.29	26.88	14.28	40.51	71.43

Source: Residential loan sample from March 2011 since bank opened a full service branch office in Rutherford County. Residential loans include residential home purchases, home improvement loans, and home refinance loans sampled; 2000 U.S. Census Data No residential loans were sampled for 2012 as these loans should be compared to 2010 U.S. Census Data which was incomplete as of the review date.

FNB’s record of lending to businesses of different sizes in its Warren County and Rutherford County AAs is excellent. Business revenues within the Warren County AA reflect that 73.78% have annual sales of \$1 million or less, and in the Rutherford County AA, 69.13% of AA businesses have annual sales less than \$1 million. Comparatively, at 93.55% and 69.47% both the number and dollar amount of loans to businesses with annual sales of \$1 million or less is excellent in the Warren County AA. Comparatively, in the Rutherford County AA at 54.47% and 72.22% both the number and dollar amount of loans to businesses with annual sales of \$1 million or less is reasonable. The bank does a good job in obtaining business revenue information on business loans in its AAs as reflected by the 0.00 percentage of unavailable information.

Table 2C - Borrower Distribution of Loans to Businesses in Warren County, TN Non-MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
Full Review: Warren County AA				
% of AA Businesses	73.78	2.57	23.65	100%
% of Bank Loans in AA by #	93.55	6.45	0.00	100%
% of Bank Loans in AA by \$	69.47	30.53	0.00	100%

Source: 2011 Business Geodemographic data compared to 2009, 2010, and 2011 loan sample. There were no Warren County business loans sampled for 2012.

Table 2C - Borrower Distribution of Loans to Businesses in Rutherford County, TN MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
Full Review: Warren County AA				
% of AA Businesses	69.13	1.87	29.00	100%
% of Bank Loans in AA by #	54.47	45.53	0.00	100%
% of Bank Loans in AA by \$	72.22	27.78	0.00	100%

Source: 2011 Business Geodemographic data compared to 2011 loan sample. There were no Rutherford County business loans sampled for 2012.

Geographic Distribution of Loans

There are no low- and-moderate-income census tracts in the Warren County AA. Ordinarily, under these circumstances a geographic distribution of residential real estate and businesses loans is not meaningful. However, eight of the nine census tracts in the Warren County AA are middle-income census tracts that have been designated as “distressed.” The geographic distribution of residential real estate and business loans reflects reasonable dispersion. At 72.88%, the number of residential loans to borrowers in middle-income census tracts designated as “distressed” is near the 88.89% ratio of AA owner occupied housing. At 87.10%, the number of business loans to borrowers in middle-income census tracts designated as “distressed” slightly exceeds the 85.11% of AA businesses in middle-income “distressed” census tracts.

There is one low- and four moderate-income census tracts in the Rutherford County AA. Results are based on a small sample of 22 residential and 22 small business loans originated since opening the full-service branch in March 2011. The loan samples are based on 2011 originations only. This small sample showed that the geographic distribution of residential real estate and business loans reflect poor dispersion. Based on the residential loan sample, there were no residential loans originated in low- or moderate-income census tracts during the nine-month period ending December 31, 2011. Also, there were no business loans originated in low-income census tracts for the period. At 27.78%, the number of business loans in moderate-income census tracts exceeds the 21.88% of AA businesses located in moderate-income census tracts.

Table 3A - Geographic Distribution of Residential Real Estate Loans in Warren County, TN Non-MSA AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
Loan Type	% of AA Businesses	% of Number	% of AA Businesses	% of Number	% of AA Businesses	% of Number	% of AA Businesses	% of Number
Small Business Loans	0.00	0.00	0.00	0.00	88.89	72.88	11.11	27.12

Source: Loan sample for 2009, 2010, and 2011. There were no residential loans sampled for 2012.

Table 3A - Geographic Distribution of Residential Real Estate Loans in Rutherford County, TN MSA AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
Loan Type	% of AA Owner Occupied Housing	% of Number	% of AA Owner Occupied Housing	% of Number	% of AA Owner Occupied Housing	% of Number	% of AA Owner Occupied Housing	% of Number
Residential Loans	5.56	0.00	22.22	0.00	61.11	57.14	11.11	42.86

Source: Residential loans sampled for 2009, 2010, and 2011, There were no residential loans sampled for 2012.

Table 3C - Geographic Distribution of Loans to Businesses in Warren County, TN Non-MSA AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
Loan Type	% of AA Businesses	% of Number	% of AA Businesses	% of Number	% of AA Businesses	% of Number	% of AA Businesses	% of Number
Small Business Loans	0.00	0.00	0.00	0.00	85.11	87.10	14.89	12.90

Source: Loan sample for 2009, 2010, and 2011. There were no business loans sampled for 2012.

Table 3C - Geographic Distribution of Loans to Businesses in Rutherford County, TN MSA AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
Loan Type	% of AA Businesses	% of Number	% of AA Businesses	% of Number	% of AA Businesses	% of Number	% of AA Businesses	% of Number
Small Business Loans	2.33	0.00	21.88	27.78	69.54	61.11	6.25	11.11

Source: Loan sample for 2009, 2010, and 2011. There were no business loans sampled for 2012.

Responses to Complaints

There have been no consumer complaints relating to the bank’s Community Reinvestment Act performance during this evaluation period, therefore this criterion is not applicable.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the Community Development Test is rated “Outstanding.” Based on a full-scope review, the bank’s responsiveness to the community development needs of the AA is excellent.

Number and Amount of Community Development Loans

FNB originated 11 community development loans and 7 community development investments totaling \$14.991 million during this evaluation period. As evidenced by the table below, 11 loans totaling \$12.983 million were for community development purposes. Eight of the loans totaling \$8.892 million originated in the Warren County AA, and three of the loans totaling \$4.091 million originated in the Rutherford County AA.

Community Development Lending and Investments in AAs			
Community Development Lending		#	\$ Amount (000's)
Originated CD Loans	AA	11	\$12,983
Unfunded Commitments*	AA	0	\$0
Total CD Loans		11	\$12,983
Qualified Investments	AA	7	\$2,008
Originated Grants/Donations	AA	4	\$103
Unfunded Commitments*	A/A	0	\$0
Total Qualified Investments		11	\$2,111
Total Community Development Lending and Investments	3	22	\$15,094

**"Unfunded Commitments" means legally binding loan and investment commitments that are tracked and recorded by the bank's financial reporting system. Unfunded commitment number included in originated CD loans.*

Qualifying community development loans are loans that meet the definition of community development, as defined in the CRA regulation. Specific examples of loans qualifying as community development loans are described below.

Warren County Non-MSA AA Community Development Loans,

Loan to Refinance, Purchase, and Refurbish Apartments and Residences Available for Rental to Low- and Moderate-Income Individuals:

- *Loan to finance apartment complex that provides federally subsidized housing through Section 8.* In 2009, FNB originated a \$572,376 loan to finance an apartment complex which provides federally subsidized housing through Section 8. The US Department of Housing and Urban Development manages the Section 8 programs. Section 8 authorizes the payment of rental housing assistance to private landlords on behalf of low-income households. This apartment complex provides affordable rental housing to only low-income households.
- *Limited Partnership loan for rental properties located in distressed census tracts.* During this evaluation period, FNB originated a \$1,471,189 loan to a limited partnership which owns and manages multiple rental properties located in distressed census tracts in Warren County. These properties are rented to only low- and moderate-income households.
- *Loan for purchase and to refurbish apartment complex located in distressed census tracts.* In 2010, FNB originated a \$947,289 loan to purchase and refurbish a 94-unit apartment complex in a distressed census tract in Warren County. Apartments are being remodeled as units become available. This particular apartment complex provides rental housing to low- and moderate-income households exclusively.
- *Loan for repairs to properties located in distressed census tracts.* During this evaluation period, FNB originated a \$1,168,297 loan to a contractor/real estate developer who refurbishes and repairs properties located in distressed census tracts. All properties provide affordable housing to low- and moderate-income households.
- *Loan to provide housing for the elderly and low-income individuals.* During this evaluation period, FNB originated a \$2 million loan to a local church. \$50,000 of the \$2 million loan was dedicated to the new construction of a building to provide housing for elderly, low-income individuals. Two units were constructed and are considered to be affordable housing. One unit is presently occupied. Qualifying low-income applicants have submitted their application for the remaining unit. A decision will be made in the near future.
- *Loan to a fabrication manufacturing company that provides jobs to low- and moderate-income individuals.* During this evaluation period, FNB originated a \$1,885,000 loan to a fabricating manufacturing facility which produces automotive industrial containers. Although located in the only census tract (CT 9908) in Warren County not designated distressed, the 153 employees earn an hourly wage ranging from \$10 (\$20,800 annually) to \$15 (\$31,200 annually) per hour. Based on 2011 median family income of \$45,400, low-income workers in Warren County earn \$22,700 or less annually and moderate-income workers earn from \$22,701 to \$36,320 annually. The other 8 Warren County

census tracts have all been designated distressed and are adjacent to this facility. By providing 153 jobs to low- and moderate-income employees, the manufacturing facility is considered a community development project.

- *Loan to business that generates small loans to low- and moderate-income borrowers.* During this evaluation period, FNB originated a \$1,600,000 loan to a limited liability company which in turn generates small loans to low- and moderate-income borrowers residing in Warren County. Company owners have a good local reputation and provide pay day, small installment, and auto title loans. These borrowers do not qualify for credit from banking institutions due to low credit scores, high debt-to-income ratios, slow payment histories, prior credit problems, and other factors. Also, credit terms often require weekly and bi-weekly installment payments. The company's loan customers are frequently unbanked.
- *Loan to renovate and convert commercial building into medical facility serving the low- and moderate-income individuals.* Located in a downtown distressed census tract in McMinnville, the former owner vacated this commercial facility. During this evaluation period, FNB originated a \$1,197,538 loan to finance the renovation of this commercial building into a medical facility owned by a closely held partnership. This renovated facility now provides medical services to low- and moderate-income families. 68% of school age children in Warren County qualify for the school lunch program. Furthermore, this facility provides six jobs to low- and moderate-income staffers.

Rutherford County MSA AA Community Development Loans.

- *Loan to develop residential lots for low- and moderate-income households.* Since opening the new branch office in Murfreesboro, FNB originated a \$1,026,689 loan to a partnership which develops residential lots for 1200 square foot starter homes. The target market for these residences is low- and moderate-income households. The development has sold 18 of 58 lots at a price of \$35,000 per lot. Home values range from \$120,000 to \$140,000 per residence.
- *Loan for rental properties for low- and moderate-income households.* Since opening the new branch office in Murfreesboro, FNB originated a \$1,532,986 loan to a real estate developer to pay off another bank. The original funds were for construction of 22 rental properties. Rental units are now complete with 20 of 22 properties currently rented. Units are primarily rented to low- and moderate-income households residing in Rutherford County. Home values range from \$130,000 to \$150,000.
- *Loan to purchase rental units for low- and moderate income households.* Since opening the new branch office in Murfreesboro, FNB originated a \$1,531,426 loan to a contractor/real estate owner for the purchase of 10 rental houses. These homes are in the \$140,000 to \$160,000 range and rent primarily to low- and moderate-income households. At least 51% of the homes rented are to low- and moderate-income households. This contractor is a well-known home builder who builds lower-end starter homes. Sold

starter homes are purchased primarily by first time home buyers who obtain THDA financing. If a starter home has not sold within six months, the unit is rented to low- and moderate-income households.

Number and Amount of Qualified Investments

Qualifying community development investments are investments that meet the definition of community development, as defined in the CRA regulation. FNB is an active supporter of Warren County and the City of McMinnville and Rutherford County and the City of Murfreesboro through the purchase of various investments.

These Qualifying Community Development Investments are:

- During this evaluation period, FNB purchased 3 Warren County General Obligation Bonds totaling \$316,936 and one Warren County General Obligation Bond totaling \$533,100. Funds for the \$317 thousand obligation were used to construct an elementary school in one of the “distressed census” tracts in the County. 55% of enrolled students attending the elementary school are from low- and moderate-income families. Funds for the \$533 thousand obligation were also used to construct an elementary school in one of the “distressed census” tracts in the County. 53% of enrolled students attending the elementary school are from low- and moderate-income families.
- During 2010, FNB purchased three Tennessee Housing Development Agency (THDA) Bonds totaling \$1,158,247. Funds were used 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 Tennesseans. Additionally, THDA mortgages are typically guaranteed by Federal Housing Administration (FHA), U.S. Department of Housing and Urban Development (HUD), Veterans Administration (VA), or United States Department of Agriculture and Rural Development (U.S.D.A./R.D.).

FNB did make several donations which benefit low- and moderate-income individuals during this evaluation period.

- *Habitat for Humanity*: Originated Donations to Habitat for Humanity which Promotes Affordable Housing for low- and moderate-income individuals and other non-profit organizations. Since 2009, FNB has provided financial support totaling \$25,000 to Warren County Habitat for Humanity. Habitat for Humanity provides affordable housing for low- and moderate-income individuals.
- *Boys and Girls Club of Rutherford County*: Since 2009, FNB donated \$47,000 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 those boys and girls from low- and moderate-income families. Many of these children have low- and moderate-income working parents whose earnings are insufficient to provide daily day-care expenses.

- *Donation to Warren County Schools:* Since 2009, FNB provided financial support totaling \$27,985 to all the schools in Warren County. These funds support all the fundraising efforts for different clubs as well as sports needs. The majority of the students in the Warren County school system are from low-income families.
- *McMinnville Housing Authority:* During this evaluation period, FNB donated a total of \$2,925 (\$75 per month) to McMinnville Housing Authority to benefit government subsidized housing including low- and moderate-income individuals. Through other local civic organizations, bank employees have volunteered to provide assistance to government subsidized housing recipients.

Extent to Which the Bank Provides Community Development Services

The level of community development services is “satisfactory.” Among other activities, community development services are targeted to low- and moderate-income individuals.

FNB has participated in and sponsored several programs that provide community services for low- and moderate-income individuals. The following are examples of qualifying community development services.

Warren County Senior Center

In 2010, a senior bank officer spoke to 50 seniors at the Warren County Senior Center on the subject of identity theft and protecting ones credit. Seniors were instructed how to request their credit bureau report in order to monitor for suspicious activity. Discussion was also held on the actions needed to take if one’s identity had been stolen. These seniors are low- and moderate-income individuals.

Teach Teens to Save

During this evaluation period, a bank officer worked weekly with 15 children of the Boys and Girls Club of Rutherford County educating them how to save money, keep track of their savings, and how to maintain a check register. The majority of these children were disadvantage and come from low- and moderate-income families.

Luncheon Speakers

During business luncheons, bank employees informed local realtors about mortgage products including affordable housing products for low- and moderate-income families.

Warren County School System

FNB, its employees, officers and the administration support numerous activities in the local school system including providing financial support. Over 50% of all enrollments in the Warren County School System, are children who qualify for the free lunch program. The majority of these students are economically disadvantaged and come from

low-income families. Also, the majority of these schools are located in distressed census tracts.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.