



PUBLIC DISCLOSURE

March 17, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Athens Federal Community Bank
Charter Number 702887

106 W Washington Ave
Athens, TN 37303-3545

Office of the Comptroller of the Currency

320 Seven Springs Way
Suite 310
Brentwood, TN 37027

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, 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.

Athens Federal Community Bank (AFCB) has a satisfactory record of meeting community credit needs. This is based on the following:

- The bank's loan-to-deposit (LTD) ratio is more than reasonable and averaged 90.3% during the evaluation period. AFCB's LTD ratio ranged from a high of 95.6% at the end of 2008 to a low of 81.4% at the end of 2009.
- A substantial majority of AFCB's lending is within the bank's Assessment Areas (AAs). Based on HMDA data and our business loan samples from 2010 through 2013, 90% of the number and dollar amount of loans were to borrowers within the AAs.
- AFCB's distribution of lending to borrowers of different income levels is reasonable considering the economic conditions of the review period. The distribution of lending to businesses of different sizes is excellent.
- The geographic distribution of residential real estate and business loans reflect reasonable dispersion throughout the AAs.

SCOPE OF EXAMINATION

This Performance Evaluation (PE) is based on full-scope examination procedures for the time period of January 1, 2010 through December 31, 2013. For comparative and analytical purposes, results were evaluated using 2000 and 2010 Census demographic information. A data integrity review was conducted prior to the evaluation, which determined that the bank's data was reliable. As a Small Bank per CRA regulations, AFCB is not currently required to provide community development loans, investments, or services. In anticipation of future asset growth that will place them in the Intermediate-Small Bank category for CRA purposes, management has proactively initiated strategies to seek out opportunities to serve their community, particularly low-to moderate-individuals and families. At management's request, we reviewed these activities to ensure they met the definition of Community Development and to provide additional guidance; however, this review was for informational purposes only, and these activities were not included in the rating.

Conclusions regarding the Lending Test are based on residential and small business loans originated between January 1, 2010, and December 31, 2013. Residential loans include home purchases, home improvements, and home refinances. As AFCB is a HMDA reporter, the HMDA LAR was used for the residential loan category. For small business loans, we selected a sample of loans based on internal bank reports. This evaluation covers the period from June 1, 2008, through March 31, 2014.

AFCB has two AAs. The non-MSA (Metropolitan Statistical Area) AA includes all of McMinn, Meigs, and Monroe counties. The Cleveland MSA is adjacent to the non-MSA AA and includes all of Bradley and Polk counties. We performed full-scope reviews for each AA since the bank's activities within the Cleveland MSA were not reviewed in the previous CRA evaluation and the bank has substantial lending in each AA. Each AA was considered in determining the bank's overall rating.

DESCRIPTION OF INSTITUTION

AFCB is an intrastate bank that is a subsidiary of a one-bank holding company, Athens Bancshares Corporation. The bank owns two subsidiaries: Southland Finance, Inc., which is a consumer auto financing corporation, and Tiserv, Inc., which provides title insurance services. These were not considered in the bank's CRA activities for this PE. The bank converted from a mutual organization to a stock ownership structure in 2010. There have not been any merger or acquisition activities since the previous CRA evaluation, dated May 19, 2008, when the bank received a **Satisfactory** rating. There are no legal or financial impediments to AFCB's ability to meet the credit needs of its AA including retail and community development loans, qualified investments, and community development service needs. The bank offers a full range of loan and deposit services. AFCB's primary business focus is residential mortgage loans and commercial and industrial loans, including commercial real estate loans.

AFCB's main office is located in Athens, Tennessee. The bank also operates six full-service branch offices within its AA. The bank has two branch offices in Cleveland, one branch each in Etowah, Madisonville, and Sweetwater, and one branch in addition to the main office in Athens, Tennessee. Full-service drive-through ATMs are located at each of the seven bank offices. Four additional ATMs are available in the AA: two freestanding ATMs are located in Madisonville and Englewood, and two ATMs are located in convenience stores in Tellico Plains and Delano. AFCB has not closed any branch offices during this evaluation period; however, two non-deposit-taking ATM locations in convenience stores were eliminated at the request of the new storeowners. AFCB continues to invest heavily in data processing equipment and technology to support and expand internet and mobile banking.

As of December 31, 2013, AFCB had total assets of \$295 million, of which net loans comprised 78%. The following table reflects the composition of AFCB's loan portfolio based on the December 31, 2013 Call Report.

Product Category	Gross Loans as of December 31, 2013	
	Dollar (000's)	Percent
Commercial & Industrial Including Commercial Real Estate	85,509	37.07
Residential Mortgage Loans	100,922	43.76
Individuals	11,750	5.10
Construction & Land Development	29,366	12.73
Farmland and Agriculture	3,076	1.33
All Other	15	0.01
Total	230,638	100.00

Source: December 31, 2013 Report of Condition.

AFCB provides a wide range of traditional deposit and loan products. The branches are generally located in areas that make them accessible to persons from different areas of the communities they serve. There are no significant geographical barriers in the AA. Lobby hours and drive-up hours are set by location to meet customer needs. AFCB has ATMs at branches and other locations in their market to make customer accounts accessible.

Distribution of Bank Offices and ATMs by Census Tract (Per 2010 U. S. Census Data)						
Census Tract Income Level	Tracts		Full-Service Branches		Automated Teller Machines*	
	#	%	#	%	#	%
Low	2	4.55%	0	0%	0	0%
Moderate	9	20.45%	2	28.57%	3	27.27%
Middle	26	59.09%	3	42.86%	6	54.55%
Upper	7	15.91%	2	28.57%	2	18.18%
N/A	0	0%	0	0%	0	0%
Total	44	100%	7	100%	11	100%

*Four ATMs are non-deposit taking. Seven ATMs contiguous with banking locations are deposit taking.

Distribution of Bank Offices and ATMs by Census Tract (Per 2000 U. S. Census Data)						
Census Tract Income Level	Tracts		Full-Service Branches		Automated Teller Machines*	
	#	%	#	%	#	%
Low	1	2.63%	0	0%	0	0%
Moderate	6	15.79%	1	14.29%	1	9.09%
Middle	27	71.05%	5	71.43%	9	81.82%
Upper	4	10.53%	1	14.29%	1	9.09%
N/A	0	0%	0	0%	0	0%
Total	38	100%	7	100%	11	100%

**Four ATMs are non-deposit taking. Seven ATMs contiguous with banking locations are deposit taking.* Customers may also access their accounts through telephone banking, through the Internet at www.AthensFederal.com, or through AFCB's mobile banking application on their smart devices. Internet banking services were expanded in 2013 to include transfers between AFCB and external accounts, financial management and budgeting services, and setting text or email alert preferences. Prior to this expansion, Internet banking services only provided transfers between AFCB accounts, loan payments, review of account balances and history, including loan accounts, and bill payment services. Telephone banking services include transfers between AFCB accounts, loan payments, and review of account balances and history, including loan accounts. Mobile banking application services include transfers between AFCB accounts, loan payments, bill pay, alerts, and review of account balances and history, including loan accounts. The bank also offers debit and credit card services through MasterCard.

AFCB's business strategy includes continued marketing of consumer and commercial credit through its products, staff, and locations. In addition to AFCB's portfolio mortgage products and loans sold to Federal Home Loan Mortgage Corporation (FHLMC), the bank acts as a broker for mortgage loans through the Veterans Affairs (VA), U.S. Department of Agriculture-Rural Development (USDA/RD), Federal Housing Authority (FHA), and Tennessee Housing Development Agency (THDA) programs to qualified borrowers on eligible properties in the bank's service area.

During this review period, the economic downturn impacted the bank's AAs and resulted in manufacturing plant closures and layoffs as local industries adjusted to declining sales and lower demand. Business and retail loan demand declined significantly as borrowers deferred business expansion, development, residential and retail purchases.

DESCRIPTION OF ASSESSMENT AREA(S)

AFCB has two AAs, which are reasonable and meet the requirements of the regulation. The AAs do not arbitrarily exclude any low- or-moderate-income geographies. One AA is in a non-MSA area consisting of the entire counties of McMinn, Monroe, and Meigs counties. The second AA is located in the Cleveland MSA AA consisting of the entire counties of Bradley and Polk. All areas are contiguous. The bank's main office is located in Athens, Tennessee, in McMinn County, directly to the east of I-75 and approximately equidistant from Chattanooga and Knoxville. There are no natural boundaries within the AAs that hinder accessibility.

Assessment Area 1: Non-MSA - McMinn, Monroe, and Meigs Counties

The 2010 U.S. Census data, includes 20 census tracts in McMinn, Monroe and Meigs Counties, Tennessee, which are considered rural and non-metropolitan. Meigs County does not have a bank branch or ATM; however, the bank lends in the area. The 20 census tracts consist of five moderate-, 13 middle-, and two upper- income census tracts, with no tracts categorized as low-income. All of the middle-income tracts are

considered distressed as of 2013, and the two middle-income tracts in Meigs county are also underserved.

Of the 30,498 families residing in the non-MSA AA, 6,728 (22.06%) and 5,340 (17.51%), respectively, are low- and moderate-income families based on the family distribution by income levels. As of December 2013, both the unemployment rate for the State of Tennessee and the national average were slightly better than the average unemployment rate for the three counties that make up the non-MSA AA.

The following tables provide demographic information for the non-MSA AA based on 2010 and 2000 U.S. Census data, respectively.

Demographic Information for Non-MSA Assessment Area consisting of: McMinn, Monroe and Meigs Counties in Tennessee. (Per 2010 U.S. Census data)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	20	0.00	25.00	65.00	10.00	0.00
Population by Geography	108,538	0.00	18.62	72.29	9.08	0.00
Owner-Occupied Housing by Geography	32,182	0.00	15.98	73.51	10.51	0.00
Business by Geography	6,561	0.00	23.64	67.09	9.27	0.00
Farms by Geography	385	0.00	17.66	74.29	8.05	0.00
Family Distribution by Income Level	30,498	22.06	17.51	19.80	40.63	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	12,068	0.00	24.63	69.90	5.48	0.00
Median Family Income		45,046	Median Housing Value		107,523	
HUD Adjusted Median Family Income for 2011		45,400	Unemployment Rate		8.8%	
Households Below Poverty Level		19%				

**The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 US Census and 2011 HUD updated MFI. Average preliminary unemployment rate for December 2013 for McMinn, Meigs and Monroe counties. Preliminary December 2013 unemployment rate was 7.8% and 6.7%, respectively, for State of Tennessee and US.*

Demographic Information for Non-MSA Assessment Area consisting of: McMinn, Monroe and Meigs Counties in Tennessee. (Per 2000 U.S. Census data)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	17	0.00	5.88	88.24	5.88	0.00
Population by Geography	99,062	0.00	6.33	85.40	8.27	0.00
Owner-Occupied Housing by Geography	30,472	0.00	4.07	86.99	8.94	0.00
Business by Geography	9,000	0.00	9.46	81.99	8.56	0.00
Farms by Geography	369	0.00	2.17	91.87	5.96	0.00
Family Distribution by Income Level	28,935	19.81	18.87	22.52	38.80	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	11,191	0.00	7.57	86.63	5.80	0.00
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level		36,945 45,400 16%	Median Housing Value Unemployment Rate		73,905 11.7%	

**The NA category consists of geographies that have not been assigned an income classification. Source: 2000 US Census and 2011 HUD updated MFI. Average annual unemployment rate for 2011 for McMinn, Meigs and Monroe counties. Average annual unemployment rate for 2011 was 9.2% and 8.9%, respectively, for State of Tennessee and US.*

AFCB is located in eastern Tennessee. Athens serves as the county seat of McMinn County and is located east of Interstate 75, a major north-south interstate connector. Athens is approximately 60 miles northeast of Chattanooga and approximately 60 miles southwest of Knoxville. Other cities and towns located in McMinn County include Etowah, Calhoun, Niota, Claxton and Riceville. Cities and towns in Monroe County are: Madisonville (county seat), Sweetwater, Tellico Plains, and Vonore. Cities and towns in Meigs County are: Kingston (county seat), Harriman, and Rockwood.

McMinn County's economic base is diverse with manufacturing, health and education as the leading industries. Major employers of McMinn County are: Manufacturers Industrial Group with 995 employees; Denso Manufacturing (auto exhaust systems, fuel injections spark plugs), 900 employees; Starr Regional Medical Center, 725 employees; McMinn County Schools, 707 employees; Resolute Forest Products, 500 employees; Waupaca Foundry (grey, aluminum and ductile iron castings), 485 employees; Heil Trailers International (aluminum tanker truck trailers), 413 employees; Athens City Schools, 408 employees; Mayfield Dairy Farms, 385 employees; and Thomas & Betts (switchboxes, outlets, fittings), 280 employees. Agriculture crops consist of tobacco, feed grains, and hay. Major employers of Monroe County are: JTKET Automotive Tennessee Venore LLC (hydraulic rack and pinion and electric steering) with 720

employees; Commercial Vehicle Group National Seating Co. (transportation seats), 420 employees; Carlex Glass Co. (automotive windows), 393 employees; SeaRay Boat Company (speed and pleasure boats), 349 employees; Tennessee Watercraft, Inc. (family fun boats), 300 employees; Havco Wood Products (laminated wood floors for trucks), 300 employees; and Gemtron Corp (flat glass), 232 employees. Natural resources include barite, limestone and timber (oak, pine, poplar and hickory). Agriculture crops consist of tobacco, corn, wheat, and soybeans. Livestock production includes dairy and beef cattle. Major employers of Meigs County are: Shaw Industries (heat set yarn production) with 482 employees; Polyform Manufacturing (plastic furniture component), 70 employees; Array Manufacturing (display cabinets), 50 employees; Storm Manufacturing (copper cables), 40 employees; and Added Value Service Inc. (clothing), 36 employees. Meigs is described as the smallest county in Southeast Tennessee.

Assessment Area 2: Cleveland MSA - Bradley and Polk Counties

Per the 2010 U.S. Census data, AA2 includes 24 census tracts in Bradley and Polk Counties, Tennessee, which comprise the Cleveland Metropolitan Statistical Area (MSA). The 24 census tracts consist of two low-, four moderate-, 13 middle-, and five upper-income census tracts.

Of the 30,705 families residing in the Cleveland MSA, 6,340 (20.65%) and 5,496 (17.90%), respectively, are low- and moderate-income families based on the family distribution by income levels. The unemployment rate of 7.5% for the Cleveland MSA, as of December 2013, was slightly better than the State of Tennessee's unemployment rate 7.8%. However, the MSA unemployment rate was above the national unemployment rate of 6.7% as of the same date.

The following tables provide demographic information for the Cleveland MSA AA based on 2010 and 2000 U.S. Census data, respectively.

Demographic Information for Assessment Area in Cleveland TN MSA (Per 2010 U.S. Census data)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	24	8.33	16.67	54.17	20.83	0.00
Population by Geography	115,788	5.03	10.70	56.29	27.97	0.00
Owner-Occupied Housing by Geography	30,447	2.32	9.38	60.58	27.72	0.00
Business by Geography	7,904	3.09	10.61	52.69	33.60	0.00
Farms by Geography	317	1.58	4.42	65.62	28.39	0.00
Family Distribution by Income Level	30,705	20.65	17.90	19.95	41.50	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	11,836	7.32	14.30	55.98	22.40	0.00
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level		48,121 51,300 17%	Median Housing Value Unemployment Rate		129,963 7.5%	

*The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census and 2011 HUD updated MFI. Preliminary unemployment rate for December 2013 for Cleveland MSA. Preliminary December 2013 unemployment rate was 7.8% and 6.7%, respectively, for State of Tennessee and US.

Demographic Information for Assessment Area 2: Cleveland TN MSA (Per 2000 U.S. Census data)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	21	4.76	23.81	57.14	14.29	0.00
Population by Geography	104,015	2.40	14.63	66.32	16.65	0.00
Owner-Occupied Housing by Geography	28,709	1.04	12.63	70.17	16.17	0.00
Business by Geography	10,224	1.10	12.76	68.31	17.83	0.00
Farms by Geography	337	0.59	5.93	72.70	20.77	0.00
Family Distribution by Income Level	29,575	19.37	18.32	23.19	39.12	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	11,146	3.98	22.61	62.98	10.43	0.00
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level		40,983 51,300 14%	Median Housing Value Unemployment Rate		86,007 9.3%	

*The NA category consists of geographies that have not been assigned an income classification. Source: 2000 US Census and 2011 HUD updated MFI. Annual unemployment rate for 2011 for Cleveland MSA. Average annual unemployment rate for 2011 was 9.2% and 8.9%, respectively, for State of Tennessee and US.

AFCB's presence in the Cleveland MSA is limited to two branches in the city of Cleveland, in Bradley County, and one non-deposit-taking ATM in Polk County. Polk County, Tennessee, is located east of Bradley County and included in the Cleveland MSA. With a population of approximately 115,788 for the Cleveland MSA, the county seats are Cleveland (Bradley County) and Benton (Polk County). Major employers in Bradley County are: Whirlpool Corporation-Cleveland Division with 1386 employees; Bradley County Schools, 1200 employees; Skyridge Medical Center, 1147 employees; Peytons Southeastern (warehousing and distribution), 950 employees; Lee University, 815 employees; Cleveland City Schools, 664 employees; Walmart (two stores), 640 employees; Bradley County Government, 620 employees; Amazon (warehousing and distribution center), 600 employees; Merck Consumer Care, 537 employees; Mars Snackfood US, LLC, 495 employees; LifeCare Centers of America, 450 employees; Olin Corporation (chemicals – wholesale), 384 employees; Whirlpool Xperience Center (call center), 375 employees; Proctor & Gamble (Duracell), 358 employees; City of Cleveland, 340 employees; Exel Inc. (computer programming), 340 employees; Coca Cola Refreshment USA, 320 employees; Lonza (chemicals – wholesale), 320 employees; and Catnapper/Cleveland Chair (home furniture), 300 employees.

Cleveland, Tennessee, offers a variety of opportunities for community development throughout the AA, although the level of opportunities declined along with the economic downturn, as some organizations involved in community development now have smaller budgets or lost funding. According to the 2012-2013 City of Cleveland Strategic Plan, the city has been a recipient of Housing and Urban Development funds as an Entitlement Community since 2004. Cleveland must distribute the funds in accordance with the Consolidated Plan (CP). The CP includes a strategic plan and an annual action plan. The planning period for the CP is five years, from 2009 to 2014. The CP must be developed to achieve the following statutory goals, principally for low- and moderate-income households:

- Provide decent housing,
- Provide suitable living environments, and
- Expand economic opportunities

Community Contact

A community contact conducted at this examination indicated that financial institutions are doing a good job of meeting the financial needs of the community. However, the contact noted more attention should be given to lessen the stringent approach to home lending as the national and local economies improve. The stringent underwriting is a barrier to home loans for low- to moderate-income individuals and families that want to be homeowners. The community contact made no negative comments about AFCB.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance under the Lending Test is rated "Satisfactory." Based on full-scope reviews, the bank's performance in each AA is satisfactory. The LTD Ratio and lending within the AA are analyzed on a bank level, while lending to borrowers of different income levels and lending to different geographies is analyzed at the AA level.

Loan-to-Deposit Ratio

AFCB's quarterly average LTD ratio is more than reasonable, at 90.30% for the 23 quarters ending December 31, 2013. The ratio ranged from a high of 95.56% at December 31, 2008, to a low of 81.42% at December 31, 2009. AFCB's LTD ratio was reasonably consistent during the quarters reviewed. We compared the LTD ratio to six similarly situated community banks within the AA. AFCB's LTD ratio was slightly higher than the combined quarterly average LTD ratio of 89.82% for the other six banks and ranked third highest of the seven banks.

Loan-To-Deposit Ratios		
Institution	Total Assets (As of 12/31/13*)	Average Loan-to-Deposit Ratio(**)
Athens Federal Community Bank, Athens, TN	\$295	90.30%
Citizens National Bank, Athens, TN	\$505	85.37%
Southeast Bank, Athens, TN	\$530	88.51%
Bank of Cleveland, Cleveland, TN	\$220	102.23%
Southern Heritage Bank, Cleveland, TN	\$237	74.79%
Peoples Bank of East Tennessee, Madisonville, TN	\$220	76.04%
Volunteer Federal Savings Bank, Madisonville, TN	\$175	111.95%

* Asset sizes of institutions are in millions (000,000s)

**Source: Institution Reports of Condition for the 23-quarter period from June 30, 2008 through December 31, 2013.

As of June 30, 2013, 20 financial institutions with 85 offices controlled \$3.181 billion in deposits within the AA. AFCB ranked fifth highest in deposits with control of \$247 million, or 7.7%, of total deposits. Of the total deposits for the period, Branch Banking and Trust Company, Citizens National Bank of Athens, Regions Bank, and First Tennessee Bank controlled more, with 14.91%, 12.12%, 11.22%, and 8.66%, respectively. Other independent banks included: Southern Heritage Bank 6.54%; Bank of Cleveland 5.46%; Southeast Bank 5.23%; Peoples Bank of East Tennessee 5.09%; FSG Bank 4.24%; Volunteer Federal Savings Bank 4.04%; First Volunteer Bank 3.34%; SunTrust Bank 3.09%; United Community Bank 2.89%; CapitalMark Bank & Trust 1.93%; Capital Bank 1.48%; First Bank of Tennessee 0.87%; First National Bank 0.80%; Andrew Johnson Bank 0.31%; and Fort Still National Bank 0.03%.

Lending in Assessment Area

AFCB's record of lending in its AAs is outstanding. A substantial majority of the number and dollar amount of residential and business loans made were inside the bank's AAs, at 90.16% and 89.65%, respectively. Conclusions are based on the number and dollar amount of residential and business loans in our loan sample, which originated during 2010, 2011, 2012, and 2013. Loan samples from 2010 and 2011 are compared to 2000 U.S. Census data, while loans originated in 2012 and 2013 are compared to 2010 U.S. Census data. The following table provides further data on lending inside and outside of the bank's AAs.

Table 1 - Lending in AAs (Combined*)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	154	89.02	19	10.98	173	10,601	84.69	1,916	15.31	12,517
Home Improvement	29	87.88	4	12.12	33	3,793	93.77	252	6.23	4,045
Home Refinance	78	93.98	5	6.02	83	7,171	92.30	598	7.70	7,769
Total HMDA Residential Loans	261	90.31	28	9.69	289	21,565	88.63	2,766	11.37	24,331
Business Loans	69	89.61	8	10.39	77	13,485	91.32	1,281	8.68	14,766
Total	330	90.16	36	9.84	366	35,050	89.65	4,047	10.35	39,097

**Source: All HMDA reportable residential loans originated during 2010, 2011, 2012, and 2013 are included. Residential loans include home purchase, home improvement, and home refinances loans. Business loans represent a sample of loans that originated during 2010, 2011, 2012, and 2013; 2000 and 2010 U.S. Census Data.*

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

Overall, the distribution of loans to borrowers of different incomes and businesses of different sizes reflects a reasonable penetration. While AFCB demonstrated lower levels of penetration among low- to moderate-income borrowers than the aggregate, it had excellent penetration of loans to small businesses within the AAs.

AA1: Non-MSA - McMinn, Monroe, and Meigs Counties

The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.

Home Loans

The distribution of home loans to borrowers reflects reasonable penetration among borrowers of different income levels.

Based on 2010 Census data, AFCB’s lending to low-income borrowers within AA1 is slightly lower than the aggregate for all three types of residential loans. Lending to moderate-income borrowers is significantly lower than the aggregate for home purchases, but is higher than the aggregate for home improvement and refinance loans. Based on 2000 Census data, lending to low- and moderate-income borrowers was lower than aggregate for all three types of residential loans. However, economic conditions during the review period were not conducive to low- and moderate-income borrowers meeting more stringent underwriting standards.

The following tables provide the specific data on lending within AA1 based on 2010 and 2000 U.S. Census data, respectively.

Table 2 - Borrower Distribution of Residential Real Estate Loans in AA1: Non MSA - McMinn, Monroe, and Meigs Counties 2012-2013								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	7.69	5.74	24.89	14.83	29.70	27.27	37.71	52.15
Home Improvement	11.86	5.26	15.25	18.42	28.81	34.21	44.07	42.11
Home Refinance	7.26	3.92	12.55	14.76	24.25	21.08	55.94	60.24

**Source: Data reported under 2012 and 2013 HMDA aggregate; 2010 U.S. Census data*

Table 2 - Borrower Distribution of Residential Real Estate Loans in AA1: Non MSA - McMinn, Monroe, and Meigs Counties 2010-2011								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	8.77	7.37	26.68	20.00	25.84	26.32	38.70	46.32
Home Improvement	17.39	6.90	26.71	17.24	22.36	34.48	33.54	41.38
Home Refinance	8.04	6.44	16.59	13.30	19.69	24.46	55.68	55.79

**Source: Data reported under 2010 and 2011 HMDA aggregate; 2000 U.S. Census data.*

Business Loans

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes.

Based on 2010 Census data, business revenues within AA1 reflect that approximately 74% have annual sales of less than \$1 million, 3% exceed \$1 million, and 23% of business sales are unavailable. By number, the percent of loans to small businesses is close to or exceeds the percentage of small businesses within AA1. The comparison by dollar amount is less meaningful, as small businesses do not have the revenue to qualify for higher-dollar loans.

The following tables provide the specific data on lending to businesses within AA1 based on 2010 and 2000 U.S. Census data, respectively.

Table 2A - Borrower Distribution of Loans to Businesses in AA1: Non MSA - McMinn, Monroe, and Meigs Counties 2012-2013				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	73.76	2.64	23.60	100%
% of Bank Loans in AA by #	65.00	35.00	0	100%
% of Bank Loans in AA by \$	34.70	65.30	0	100%

**Source: 2010 U.S. Census Data. Sample of small business loans generated in 2012 and 2013.*

Table 2A - Borrower Distribution of Loans to Businesses in AA1: Non MSA - McMinn, Monroe, and Meigs Counties 2010-2011				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	70.17	1.98	27.86	100%
% of Bank Loans in AA by #	75.00	25.00	0	100%
% of Bank Loans in AA by \$	79.04	20.96	0	100%

**Source: 2000 U.S. Census Data. Sample of small business loans generated in 2010 and 2011.*

AA2: Cleveland MSA - Bradley and Polk Counties

The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.

Home Loans

The distribution of home loans to borrowers of different income levels reflects reasonable penetration.

Based on 2010 Census data, AFCB's lending to low-income borrowers within AA2 is lower than the aggregate for home purchase and home refinance loans, while lending is slightly higher than the aggregate for home improvement loans. Lending to moderate-income borrowers ranges from slightly to significantly lower than the aggregate for all three types of residential loans. Lending comparisons based on 2000 Census data show similar patterns, except for home improvement loans to low-income borrowers and home refinance loans to moderate-income borrowers, which significantly exceeded and slightly exceeded the aggregate, respectively. The low level of loan penetration among low- to moderate-income borrowers in AA2 is influenced by the fact that AFCB has only two branches within the AA, and both branches are located in upper-income census tracts as of the 2010 Census. Additionally, economic conditions during the review period were not conducive to low- and moderate-income borrowers meeting more stringent underwriting standards.

The following tables provide the specific data on lending within AA2 based on 2010 and 2000 U.S. Census data, respectively.

Table 2 - Borrower Distribution of Residential Real Estate Loans in AA2: Cleveland MSA - Bradley and Polk Counties 2012-2013								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	10.51	0.00	24.20	10.91	26.41	21.82	38.87	67.27
Home Improvement	14.94	16.67	20.69	16.67	26.44	16.67	37.93	50.00
Home Refinance	7.27	4.17	16.65	8.33	24.10	23.96	51.98	63.54

**Source: Data reported under 2012 and 2013 HMDA aggregate; 2010 U.S. Census data*

Table 2 - Borrower Distribution of Residential Real Estate Loans in AA2: Cleveland MSA - Bradley and Polk Counties 2010-2011								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	10.65	4.17	26.45	10.42	26.26	12.50	36.64	72.92
Home Improvement	8.00	50.00	28.00	0.00	23.33	0.00	40.67	50.00
Home Refinance	17.39	1.96	26.71	27.45	22.36	13.73	33.54	56.86

**Source: Data reported under 2010 and 2011 HMDA aggregate; 2000 U.S. Census data*

Business Loans

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes.

Based on 2010 Census data, business revenue information for AA2 reflect that approximately 73% have annual sales of less than \$1 million, 3% exceed \$1 million, and 24% of business sales are unavailable. By number, the percent of loans to small businesses significantly exceeds the percentage of small businesses within AA2 for both Census demographics. The comparison by dollar amount is less meaningful, as small businesses do not have the revenue to qualify for higher-dollar loans.

The following tables provide the specific data on lending to businesses within AA2 based on 2010 and 2000 U.S. Census data, respectively.

Table 2A - Borrower Distribution of Loans to Businesses in AA2: Cleveland MSA - Bradley and Polk Counties 2012-2013				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	73.33	3.16	23.51	100%
% of Bank Loans in AA by #	95.00	5.00	0	100%
% of Bank Loans in AA by \$	29.92	70.08	0	100%

**Source: 2010 U.S. Census Data. Sample of small business loans generated in 2012 and 2013.*

Table 2A - Borrower Distribution of Loans to Businesses in AA2: Cleveland MSA - Bradley and Polk Counties 2010-2011				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70.33	2.27	27.40	100%
% of Bank Loans in AA by #	95.00	5.00	0	100%
% of Bank Loans in AA by \$	45.00	55.00	0	100%

**Source: 2000 U.S. Census Data. Sample of small business loans generated in 2010 and 2011.*

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the banks AA's.

AFCB's geographic distribution of residential real estate loans and loans to businesses in low- and moderate-income census tracts, based on 2010 and 2000 Census data, reflects reasonable dispersion throughout AA1. Lending throughout AA2 reflects reasonable dispersion based on 2010 Census data, but poor dispersion for residential loans based on 2000 Census data.

AA1: Non-MSA - McMinn, Monroe, and Meigs counties

The geographic distribution of loans reflects reasonable dispersion throughout AA1.

Based on 2010 and 2000 U.S. Census data, AA1 does not have any low-income census tracts. AFCB’s residential real estate lending reflects reasonable dispersion throughout moderate-income census tracts, as the percentage of loans is close to aggregate for the 2010 Census data, and slightly better than aggregate for the 2000 Census data.

AFCB’s lending to businesses in AA1 reflects reasonable to excellent dispersion, with 20% of loans in the 2012-2013 sample and 35% of loans in the 2010-2011 sample made to businesses in moderate-income tracts, based on 2010 and 2000 Census data, respectively

The following tables provide further data on residential and business lending by tract level within AA1, based on 2010 and 2000 U.S. Census data, respectively.

Table 3 - Geographic Distribution of Residential Real Estate Loans in AA1: Non-MSA - McMinn, Monroe, and Meigs Counties 2012-2013								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	0.00	0.00	13.06	13.62	71.35	61.97	15.59	24.41
Home Improvement	0.00	0.00	18.23	17.07	72.38	58.54	9.39	24.39
Home Refinance	0.00	0.00	16.19	14.29	69.95	68.22	13.86	17.49

*Source: Data reported under HMDA; 2010 U.S. Census data.

Table 3 - Geographic Distribution of Residential Real Estate Loans in AA1: Non-MSA - McMinn, Monroe, and Meigs Counties 2010-2011								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	0.00	0.00	3.74	4.12	84.95	76.29	11.32	19.59
Home Improvement	0.00	0.00	5.99	10.00	86.83	70.00	7.19	20.00
Home Refinance	0.00	0.00	3.05	3.63	85.92	79.44	11.03	16.94

*Source: Data reported under HMDA; 2000 U.S. Census data.

Table 3A - Geographic Distribution of Loans to Businesses in AA1: Non-MSA - McMinn, Monroe, and Meigs Counties 2012-2013								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial and Industrial Lending (includes CRE)	0%	0%	23%	20%	68%	50%	9%	30%

*Source: Data collected by bank. Loan sample for period 2012 and 2013; 2010 U.S. Census data

Table 3A - Geographic Distribution of Loans to Businesses in AA1: Non-MSA - McMinn, Monroe, and Meigs Counties 2010-2011								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial and Industrial Lending (includes CRE)	0%	0%	9.46%	35%	81.99%	60%	8.56%	5%

*Source: Data collected by bank. Loan sample for period 2010 and 2011; 2000 U.S. Census data.

AA2: Cleveland MSA - Bradley and Polk Counties

The geographic distribution of loans reflects reasonable dispersion throughout AA2.

AA2 had two low-income census tracts as of 2010 Census data, and one low-income census tract as of 2000 Census data. AFCB’s residential real estate lending reflects reasonable dispersion throughout low- and moderate-income census tracts for the 2010 Census data. The percentage of loans to low-income tracts within AA2 was slightly better than the aggregate for home purchase and home refinance loans. We noted a low number of home improvement loans overall, none of which were to low-income tracts. Residential lending based on 2000 Census data reflects poor dispersion throughout moderate-income census tracts, as the percentage of loans is lower than the

aggregate for all three types of residential loans. AFCB did not have any loans in low-income tracts in this time period; however, aggregate lending to low-income tracts was not much higher primarily due to the presence of only one low-income tract. AFCB's lending to businesses in AA2 also reflects reasonable penetration to low- and moderate-income tracts based on 2010 and 2000 Census data, compared to the percent of businesses located in those census tracts.

The following tables provide further data on residential and business lending by tract level within AA2, based on 2010 and 2000 U.S. Census data, respectively.

Table 3 - Geographic Distribution of Residential Real Estate Loans in AA2: Cleveland MSA - Bradley and Polk Counties 2012-2013								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	1.45	1.72	6.18	6.90	56.56	51.72	35.81	39.66
Home Improvement	2.65	0.00	4.76	0.00	60.85	50.00	31.75	50.00
Home Refinance	1.40	1.92	5.93	1.92	54.20	60.58	38.47	35.58

*Source: Data reported under HMDA; 2010 U.S. Census data.

Table 3 - Geographic Distribution of Residential Real Estate Loans in AA2: Cleveland MSA - Bradley and Polk Counties 2010-2011								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	0.21	0.00	7.16	1.92	71.77	51.92	20.86	46.15
Home Improvement	1.24	0.00	9.94	0.00	72.05	100.00	16.77	0.00
Home Refinance	0.49	0.00	6.58	1.85	70.49	74.07	22.44	24.07

*Source: Data reported under HMDA; 2000 U.S. Census data.

Table 3A - Geographic Distribution of Loans to Businesses in AA2: Cleveland MSA - Bradley and Polk Counties 2012-2013								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial and Industrial Lending (includes CRE)	3%	5%	11%	5%	54%	35%	32%	55%

*Source: Data collected by bank. Loan Sample for period 2012 and 2013; 2010 U.S. Census data.

Table 3A - Geographic Distribution of Loans to Businesses in AA2: Cleveland MSA - Bradley and Polk Counties 2010-2011								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial and Industrial Lending (includes CRE)	1%	5%	12.76%	5%	68.31%	75%	17.83%	15%

*Source: Data collected by bank. Loan Sample for period 2010 and 2011; 2000 U.S. Census data.

Responses to Complaints

There are no consumer complaints relating to the bank’s Community Reinvestment Act performance during this evaluation period.

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.