

PUBLIC DISCLOSURE

February 9, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Citizens National Bank
Charter Number 5263**

**200 West Court Street
Dyersburg, Tennessee 38025**

**Office of the Comptroller of the Currency
Southeastern District
Marquis One Tower, Suite 600
245 Peachtree Center Avenue, NE
Atlanta, Georgia 30303**

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 Community Reinvestment Act (CRA) performance of **First Citizens National Bank, Dyersburg, Tennessee**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **February 9, 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 CFR Part 25.*

INSTITUTION RATING

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

Lending Test

The bank's origination of home mortgage, consumer, small business and small farm loans reflects good responsiveness to the credit needs of the assessment area. A high percentage of loans are made in the bank's assessment area. Mortgage and consumer lending to borrowers of different incomes and different geographies is reasonable. Small business and small farm loans show a good penetration throughout the assessment area based on the location of the businesses. The bank shows a good penetration of lending to small businesses and small farms based on loan size.

Investment Test

The bank has a satisfactory level of investments based on the demand and identified needs within the assessment area. Qualified investment opportunities are limited within the bank's assessment area.

Service Test

Banking offices are reasonably accessible to geographies and individuals of different income levels in the assessment area and alternative delivery systems enhance the provision of retail banking services throughout the assessment area. Considering opportunities available in the assessment area, the bank provides a relatively high level of community development services.

LENDING, INVESTMENT AND SERVICE TEST TABLE

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

PERFORMANCE LEVELS	First Citizens National Bank		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

First Citizens National Bank (FCNB) is headquartered in Dyersburg, Tennessee and operates six offices in Dyer County and one office in Lauderdale County. The bank is a subsidiary of a one-bank holding company, First Citizens Bancshares, Inc. As of December 31, 1997, the bank's assets totaled \$332 million and the holding company's assets totaled \$333 million. No financial or legal impediments were identified that would inhibit the bank's ability to meet the credit needs of its assessment area. FCNB received an outstanding CRA rating at its previous evaluation dated January 22, 1996.

The bank offers a variety of credit products designed to meet the needs of the community, including commercial loans, letters of credit and lines of credit; Small Business Administration (SBA) loans; agricultural loans; consumer loans and lines of credit; and mortgage loans. Mortgage loans include the following types: conventional, Federal Housing Administration (FHA), Veterans Administration (VA), Tennessee Housing Development Agency (THDA) and Rural Housing Program. The composition of the bank's loan portfolio as of December 31, 1997, is shown below.

Loan Type	Percentage
Construction and Development	10%
Secured by One- to Four-family Dwellings	35%
Other Real Estate:	
Farmland	8%
Nonfarm Nonresidential	17%
Agricultural	4%
Commercial and Industrial	13%
Loans to Individuals	13%
Total	100%

The table shows that loans secured by one- to four-family dwellings make up the largest portion of the loan portfolio by dollar volume, followed by loans secured by other types of real estate. Loans related to real estate make up 70 percent of the loan portfolio.

At December 31, 1997, the bank's loan-to-deposit ratio was 85 percent. The loan-to-deposit ratio has increased since December 31, 1995, when it was 80 percent. The average loan-to-deposit ratio for the past nine quarters is 84 percent. Since December 31, 1995, loans have increased by 19 percent, deposits have increased by 13 percent, and assets have increased by 15 percent.

The bank's assessment area contains offices of eight other commercial banks. These eight banks are either branches of smaller independent community banks or branches of large banks with assets greater than \$5 billion. As of June 30, 1997, FCNB had a market share of 52 percent of deposits in Dyer County and 5 percent of deposits in Lauderdale County. The bank opened its branch in Lauderdale County in January 1995. In its assessment area overall, FCNB had 36 percent of the deposits held by commercial banks. FCNB ranks number one in deposits in its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of two contiguous counties in Tennessee: Dyer and Lauderdale. Neither of these counties is in a metropolitan statistical area. The assessment area contains 15 census tracts and/or block numbering areas (BNAs): three are moderate-income, nine are middle-income, and three are upper-income. The assessment area contains no low-income census tracts or BNAs.

Population Summary

According to 1990 Census data, the population of the assessment area was 58,345. The population in 1995 was estimated at approximately 64,000. Dyer County contains 60 percent of the population, and Lauderdale County contains 40 percent.

Income Characteristics

According to the 1990 Census, the assessment area contained 16,431 families. The 1997 statewide non-metropolitan median family income of the assessment area is \$33,200. Sixteen percent of the families in the assessment area were below the poverty level, compared with 15 percent for all non-metropolitan areas of Tennessee and 12 percent for the state. The distribution of families in the assessment area by income level is shown in the following table.

Income Level	Number of Families	Percentage of Total
Low-income	3,642	22%
Moderate-income	2,660	16%
Middle-income	3,116	19%
Upper-income	7,013	43%
Assessment Area Total	16,431	100%

The table shows that upper-income families make up the largest portion of families.

The following table shows the distribution of families in the assessment area by the income level

of the census tract and/or BNA in which they live. As stated earlier, the assessment area contains no low-income census tracts or BNAs.

Income Level of Census Tract or BNA	Number of Families	Percentage of Total
Moderate-income	2,317	14%
Middle-income	10,279	63%
Upper-income	3,835	23%
Assessment Area Total	16,431	100%

The table shows that a majority of the families live in middle-income geographies.

Housing Characteristics

The assessment area contained 23,727 housing units as of the 1990 Census. Sixty-two percent were owner-occupied units, 31 percent were rental units and 7 percent were vacant. In Lauderdale County, 10 percent of housing units were vacant compared with 5 percent in Dyer County. A large majority of the units (75 percent) were single-family dwellings. The following table shows the distribution of owner-occupied units by census tract/BNA income level.

Income Level of Census Tract or BNA	Number of Units	Percentage of Total
Moderate-income	2,007	14%
Middle-income	8,960	61%
Upper-income	3,634	25%
Assessment Area Total	14,601	100%

The distribution of the owner-occupied housing units is very similar to the distribution of families by census tract/BNA income level.

According to 1990 Census data, the median housing value in the assessment area was \$41,618, which was lower than the median housing values for all non-metropolitan areas of Tennessee (\$43,508) and the state (\$58,016). The median age of housing in the assessment area was 22 years and was similar throughout all types of geographies.

Economic Patterns

U. S. Bureau of Census information shows that manufacturing, services and retail trade are the dominant types of industries in the assessment area. A vast majority of the business establishments (95 percent) employ fewer than 50 people. Major employers in Dyer County are Dyersburg Fabrics, Inc. (knitted textiles), World Color Press (magazine printing) and Colonial Rubber Works, Inc. (custom mix/molded sponge rubber/plastics). Major employers in Lauderdale County are S-R of Tennessee and Tennessee Electroplating, Inc. (OEM parts manufacturers) and Marvin Windows & Doors of Tennessee, Inc. (wood windows and doors). For December 1997, unemployment rates were 5 percent in Dyer County and 8 percent in Lauderdale County.

During the examination, examiners met with two members of the community representing affordable housing and economic development interests to better understand the needs of the assessment area and to obtain public perceptions of the bank. One contact said that affordable single-family dwellings and apartments are needed in the community. The southern downtown area of Dyersburg is in need of redevelopment and financial institutions could help by providing special financing for business people to move into the vacant commercial spaces. According to one contact, only one development project is underway in Lauderdale County and all local banks are participating.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The Lending Test

The following loan types were reviewed for the lending test: home mortgage loans, consumer loans at the bank's request, small business loans, and small farm loans. Even though the bank is not in an MSA and does not report loans under the Home Mortgage Disclosure Act (HMDA), it collected information on home mortgage loans for the CRA analysis. Small business loans are business loans with original amounts of \$1 million or less. Small farm loans have original amounts of \$500,000 or less. Loans made in 1996 and 1997 were reviewed.

Lending Activity

The bank's volume of lending is good and its loan-to-deposit ratio is strong (85 percent as of December 31, 1997). FCNB continues to be an active lender with increases in loans, deposits and total assets during the evaluation period. By number, a majority of the loans were consumer loans (64 percent), followed by home mortgage loans (17 percent), small business loans (13 percent), and small farm loans (6 percent). Home mortgage loans constituted the largest percentage of loans by dollar volume (39 percent), followed by small business and consumer loans (23 percent each) and small farm loans (15 percent).

The following table shows, by product type, the number and dollar amount of loans originated or purchased by the bank in 1996 and 1997. The dollar amounts are in thousands.

1996 and 1997 Lending Activity				
Loan Type	1996 Originations/Purchases		1997 Originations/Purchases	
	Number	Dollars	Number	Dollars
Home Mortgage	703	44,137	700	46,150
Consumer	2,623	29,537	2,598	23,291
Small Business	519	25,731	516	28,567
Small Farm	270	18,497	252	15,843
Total	4,115	117,902	4,066	113,851

Assessment Area Concentration

A large majority, more than 80 percent by both number and dollar amounts, of the bank's lending takes place inside the assessment area. The following tables show, by product type, the number and dollar volume of loans that were located inside the assessment area. Dollar amounts are in thousands.

1996 Lending Activity Inside Assessment Area				
Loan Type	Number	Percent by Number	Dollar Amount	Percent by Dollar
Home Mortgage	624	89%	38,692	88%
Consumer	2,245	86%	24,676	84%
Small Business	416	80%	18,824	73%
Small Farm	209	77%	13,375	72%
Total	3,494	85%	95,567	81%

1997 Lending Activity Inside Assessment Area				
Loan Type	Number	Percent by Number	Dollar Amount	Percent by Dollar
Home Mortgage	589	84%	39,480	86%

Consumer	2,181	84%	19,763	85%
Small Business	436	84%	20,981	73%
Small Farm	198	79%	11,784	74%
Total	3,404	84%	92,008	81%

Of the twenty-two banks required to report CRA loan data that made loans in the bank's assessment area, FCNB ranks first in both number, 45 percent and dollar amounts, 50 percent, of small business and small farm loans reported. Also, these statistics do not include information from banks that are not required to report CRA loan data that have made loans in these counties.

When analyzed by each county in the assessment area, the bank's performance is shown to be very strong in Dyer County, where it has six offices, compared to its performance in Lauderdale County, where it only has one office.

Geographic Distribution

Geographic distribution of mortgage, consumer, small business and small farm loans is good and indicates performance is occurring in the population centers of the assessment area. A majority of the geographies are middle-income and a majority of the families live in middle-income geographies within the assessment area. Of the total number of owner-occupied units within the assessment area, 61 percent are within the middle-income geographies. The bank's lending in terms of numbers and dollars of loans for home mortgage and consumer loans demonstrate good performance based on the breakdown of the geographies contained within the bank's assessment area. There are no low-income geographies within the bank's assessment area and three moderate-income geographies within the assessment area. Lending in moderate-income geographies is reasonable, although the total number and dollar amounts decreased slightly from 1996 due to a lower demand. There were no conspicuous gaps in the bank's lending.

The following two tables depict the dollar and number distribution of loans to different geographies for the bank's lending in home mortgage and consumer loans. The dollar amounts are in thousands.

1996 Geographic Distribution of Home Mortgage and Consumer Loan Originations								
	Moderate-income		Middle-income		Upper-income		Total	
	\$	#	\$	#	\$	#	\$	#
Home Mortgage	1,234	25	14,695	272	22,493	327	38,692	624
Consumer	1,020	121	8,914	1,105	14,742	1,019	24,676	2,245

Total	2,254	146	23,609	1,377	37,235	1,346	63,368	2,869
% of Total	4%	5%	37%	48%	59%	47%	100%	
% Owner-occupied	14%		61%		25%		100%	
% of Geographies	20%		60%		20%		100%	

1997 Geographic Distribution of Home Mortgage and Consumer Loan Originations								
	Moderate-income		Middle-income		Upper-income		Total	
	\$	#	\$	#	\$	#	\$	#
Home Mortgage	1,140	22	13,534	247	24,806	320	39,480	589
Consumer	925	94	9,503	1,172	9,334	915	19,763	2,181
Total	2,065	116	23,037	1,419	34,140	1,235	59,243	2,770
% of Total	3%	4%	39%	51%	58%	45%	100%	
% Owner-occupied	14%		61%		25%		100%	
% of Geographies	20%		60%		20%		100%	

Small business loans were reported by the location of the business as opposed to the location of where the funds were used. Most of the businesses are located within upper-income geographies. The bank's lending is concentrated in the middle- and upper-income geographies for both 1996 and 1997. The only moderate-income geography in Dyer County is mostly in the flood plain of the Mississippi River and sparsely populated. One of the upper-income geographies in Dyer County includes a portion of the downtown business district. The U.S. Highway 51 Bypass, along which much of the retail business for Dyersburg is located is also included in this geography. The following tables show the lending by the income category of geographies in the assessment area.

1996 Geographic Distribution of Small Business Loans				
	Census Tract/BNA Type			
	Total	Moderate-income	Middle-income	Upper-income
\$ Amount	18,824	230	8,518	10,076
Percent of \$	100%	1%	45%	54%
# of Loans	416	11	177	228
Percent of #	100%	3%	43%	55%

1997 Geographic Distribution of Small Business Loans				
	Census Tract/BNA Type			
	Total	Moderate-income	Middle-income	Upper-income
\$ Amount	20,981	288	8,173	12,520
Percent of \$	100%	1%	39%	60%
# of Loans	436	12	169	255
Percent of #	100%	3%	39%	58%

The bank reported its small farm loans based on the location of the farm. The majority of farms are located in upper-income geographies. The majority of the moderate-income geography in Dyer County consists of Mississippi River flood plain. This geography is sparsely populated and many of the farmers who farm in this area live in two of the upper-income geographies in Dyer County. This fact is verified by the following tables which shows the distribution of lending according to income categories of the geography in the assessment area.

1996 Geographic Distribution of Small Farm Loans				
	Census Tract/BNA Type			
	Total	Moderate-income	Middle-income	Upper-income
\$ Amount	13,375	2,596	3,683	7,096
Percent of \$	100%	20%	28%	54%
# of Loans	209	31	60	118

Percent of #	100%	15%	29%	56%
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1997 Geographic Distribution of Small Farm Loans				
	Census Tract/BNA Type			
	Total	Moderate-income	Middle-income	Upper-income
\$ Amount	11,784	565	2,695	8,524
Percent of \$	100%	5%	23%	72%
# of Loans	198	7	62	129
Percent of #	100%	4%	31%	65%

Borrower Characteristics

Lending to borrowers' of different incomes is reasonable for home mortgage and consumer lending. Small business and small farm lending is good within the bank's assessment area. The bank ranks number one in originations of both of these products in terms of loan size and revenue size.

The largest percentage of families living within the bank's assessment areas is upper-income, followed next by low-income. Reasonable performance is exhibited by the level of lending to low-income borrowers as it approaches the percentage of families which are low-income in 1996 for mortgage loans. The bank's performance in lending to moderate-income borrowers is also reasonable considering that the moderate-income families account for 16% of the total families, which is the smallest of all income segments. In 1997 the bank's performance slightly lower in both the percentage of dollars and numbers for lending to low- and moderate-income borrowers which is attributed to the lower demand for these products.

The following tables depict the bank's lending to borrowers of different incomes for home mortgage related products in terms of the number and dollar amount of loans. The dollar amounts are in thousands.

1996 Borrower Distribution of Home Mortgage Loan Originations						
	Low-income	Moderate-income	Middle-income	Upper-income	Income Not Available	Total
\$ Home Mortgage	3,164	2,510	2,331	25,847	4,834	38,686
Percent \$	8%	6%	6%	67%	12%	100%
# Home Mortgage	103	59	54	329	79	624
Percent #	17%	9%	9%	53%	13%	100%
% Families	22%	16%	19%	43%	-	100%

1997 Borrower Distribution of Home Mortgage Loan Originations						
	Low-income	Moderate-income	Middle-income	Upper-income	Income Not Available	Total
\$ Home Mortgage	687	2,521	4,456	28,759	3,057	39,480
Percent \$	2%	6%	11%	73%	8%	100%
# Home Mortgage	33	67	103	338	48	589
Percent #	6%	11%	17%	57%	8%	100%
% Families	22%	16%	19%	43%	-	100%

This table depicts the bank's lending to borrowers of different incomes for consumer loan products in terms of the number and dollar amount of loans. The dollar amounts are in thousands. Reliable information on consumer lending for 1996 could not be obtained. The bank's consumer lending to low-income borrowers, in terms of numbers, is good as it is almost approximates the percentage of low-income families. Lending to moderate-income borrowers is very good, in terms of both number and dollar amounts, since both are slightly higher than the percentage of moderate-income families.

1997 Borrower Distribution of Consumer Loan Originations						
	Low-income	Moderate-income	Middle-income	Upper-income	Income Not Available	Total
\$ Consumer	1,648	3,324	3,786	7,321	3,683	19,763
Percent of \$	8%	17%	19%	37%	19%	100%
# Consumer	334	520	479	603	245	2,181
Percent of #	15%	24%	22%	28%	11%	100%
% Families	22%	16%	19%	43%	-	100%

The distribution of small business loans among businesses of different sizes reflect a concentration on small businesses within its assessment area. In 1996 and 1997, the largest percentage of loans, more than 85 percent, by number had an original amount of \$100,000 or less. The percentage of loans by dollar amount is more evenly spread across the size categories with loans having an original amount of \$100,000 or less, still the largest category. In 1997, the bank made 95 percent of its reported small business loans to entities with gross revenues of \$1 million or less. The revenue information for 1996 was not accurately reported and was therefore not analyzed.

According to the 1992 Economic Census, which is the most current information, 472 out of a total of 553 retail and service establishments in the bank's assessment area reported gross revenues of less than \$1 million. Eighty-five percent of all retail and service establishments would be considered small businesses.

1996 Small Business Loans by Loan Size				
	Total	\$100,000 or less	\$100,000-\$250,000	\$250,000 and up
\$ Amount	18,824	8,484	6,528	3,812
Percent of \$		45%	35%	20%
# Loans	416	365	42	9
Percent of #		88%	10%	2%

1997 Small Business Loans by Loan Size and Revenue Size						
		Loan Size			Sales Revenue	
	Total	\$100,000 or less	\$100,000-\$250,000	\$250,000 and up	\$1 million or less	More than \$1 million
\$ Amount	20,981	10,038	5,593	5,350	17,429	3,552
Percent \$	100%	48%	27%	25%	83%	17%
# Loans	436	390	34	12	416	20
Percent #	100%	89%	8%	3%	95%	5%

The high percentage, more than 80 percent in dollar amounts, of small farm loans originated with original amounts of \$100,000 or less indicates that the bank's strong penetration among small farmers within its assessment area. In 1996 and 1997, a substantial percentage of loans had an original amount of \$100,000 or less. However, the dollar volume is more evenly split among the three categories.

1996 Small Farm Loans by Loan Size				
	Total	\$100,000 or less	\$100,000-\$250,000	\$250,000 - \$500,000
\$ Amount	13,375	5,050	4,781	3,544
Percent \$		38%	36%	26%
# Loans	209	168	30	11
Percent #		80%	14%	5%

Reliable income information could not be obtained for 1996 analysis purposes because the information was not correctly gathered or reported.

1997 Small Farm Loans by Loan Size				
	Total	\$100,000 or less	\$100,000-\$250,000	\$250,000 - \$500,000
\$ Amount	11,784	4,675	4,523	2,586
Percent \$	100%	40%	38%	22%
# Loans	198	162	28	8

Percent #	100%	82%	14%	4%
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Community Development

The bank’s level of community development lending activities is good for this evaluation period based on the demand and available opportunities. Contacts in the community did not indicate there were any other community development lending opportunities in the bank’s assessment area.

The bank originated two community development loans during the evaluation period totaling \$3.8 million. These two loans provide additional jobs and/or retain jobs for low- and moderate-income individuals within the bank’s assessment area.

Innovative and/or Flexible Lending Practices

The bank participates in two of flexible lending programs within its assessment area which are responsive to identified community credit needs. The bank’s record of originating loans in these programs is satisfactory. Below are brief descriptions of the programs and the bank’s record of performance.

THDA (In-house) 9 loans \$40,143

The bank has made down payment assistance loans in conjunction with the THDA loans by lending the 10 percent not covered by the THDA loans. The interest rate charged is the market bank rate and the loan is typically for 5 years. These loans, in conjunction with the THDA loans, enable the borrower to finance 100 percent of the value of the house.

Rapid Access Loans 60 loans \$36,215

This personal loan program is designed to assist low- and moderate-income individuals in obtaining needed cash. The loan program is a revolving line of credit offering the customer more flexibility and convenience for future credit needs. Funds in amounts from \$300 to \$4,500 can be advanced through any bank teller. Normally the bank has a minimum personal consumer loan amount of \$1,250.

The Investment Test

The bank’s level of qualified investments is reasonable based on the available needs and opportunities within the assessment area. Qualified investments made by FCNB in 1996 and 1997 totaled \$25,038.

All donations and grants made by FCNB were within the assessment area. Organizations which received qualified investments include Dyersburg State Community College, Habitat for Humanity and Dyer County Literacy Program. These investments in these organizations were used for

education targeted to low-and moderate-income individuals and affordable housing initiatives.

The Service Test

The bank’s delivery systems are accessible to geographies and individuals of different income levels in the assessment area. Services and business hours do not vary in a way that inconveniences any portions of the assessment area. The bank provides a relatively high level of community development services.

Retail Banking Services

Bank Branch Distribution

The bank’s offices are located near population centers or business districts in the assessment area and are on or near main thoroughfares. In Dyer County, the bank operates its main office and four branches in the city of Dyersburg and one branch in Newbern. In Lauderdale County, the bank has one branch in the city of Ripley. The following table depicts the bank’s distribution of offices by census tract/BNA income level. The table also shows the distribution of the population by type of geography. As shown in the table, the majority of the bank’s offices are in upper-income geographies even though the majority of the population lives in middle-income geographies.

Distribution of Offices by Census Tract/BNA Income Level				
Income Level of Census Tract/BNA	Office Distribution		Percentage of Population	Number of Census Tracts or BNAs
	Number	Percentage		
Moderate-income	1	14%	15%	3
Middle-income	2	29%	63%	9
Upper-income	4	57%	22%	3
Total	7	100%	100%	15

Range of Services Provided

Most banking services are offered at all offices. Loan officers are available at all offices except the Super Money Market branch, which is located inside a supermarket. However, this branch is within a mile of the Midtown branch. Several offices offer extended hours to accommodate customers. Five branches open at 7:00 a.m. on Fridays, with one drive-in opening at 7:00 a.m. Monday through Friday. The early hours accommodate shift workers at local factories whose workday ends at 7:00 a.m. Four facilities are open on Saturday. The Industrial Park branch remains open until 8:00 p.m. on Thursday, which is payday for local factory workers. The Super

Money Market branch is open until 8:00 p.m. Monday through Friday and until 6:00 p.m. on Saturday.

Record of Opening and Closing Branches

The bank has not opened or closed any branches since the previous examination.

Availability and Effectiveness of Alternative Delivery Systems

The bank's ATMs, automated telephone service and telephone loan application service enhance the provision of retail banking services and add to the convenience of customers throughout the assessment area, including low- and moderate-income individuals and residents of the moderate-income geographies. However, their effectiveness in providing needed services to low- and moderate-income areas and individuals could not be determined.

The bank operates seven automated teller machines (ATMs) in the assessment area: six in Dyer County and one in Lauderdale County. Five of the ATMs are located at branch offices, and two are stand alone ATMs. One of the stand alone ATMs is in the Wal-Mart Supercenter in Dyersburg, and the other is in Newbern, not far from the bank's Newbern branch. The distribution of the bank's ATMs by type of geography is the same as the distribution of banking offices: one in a moderate-income geography, two in middle-income geographies, and four in upper-income geographies. Bank customers can also access their accounts at ATMs linked to the MOST and Cirrus networks.

The bank offers 24-hour access to account information through its First Connection automated telephone service. Customers can make transfers between their deposit accounts, make loan payments from their checking or savings accounts, and obtain a wide array of deposit account and loan information. No additional fees or service charges are assessed to customers using this service. Average calls per day have increased during the review period, from 311 per day in January 1996 to 479 per day in December 1997. In January 1996, First Connection handled 9,654 calls from 3,820 customers. In December 1997, 14,845 calls were received from 5,956 customers.

The bank also offers a service called the Loan Connection, which is a programmed phone application line that is available 24 hours a day for consumer lending. The loan application is processed the next business day and the customer is then contacted by a loan officer to complete the loan process. The Loan Connection was developed to accommodate customers who may not be able to come to the bank during regular hours. The bank received 88 applications through the Loan Connection in 1996 and 31 applications in 1997.

Community Development Services

Considering the opportunities available in the assessment area, FCNB provides a relatively high

level of community development services. These services are described below. The services reach low- and moderate-income individuals and areas and address small business, small farm and affordable housing issues. Outside community contacts did not identify additional opportunities for bank involvement. Bank management is responsive to community credit needs and is willing to explore opportunities.

Ag Services Seminar - In January 1997, the bank's Ag Services Department held an agricultural seminar at the Family Living Center of the Dyer County Fair Grounds. The purpose of the seminar was to obtain input from members of the agriculture community concerning their credit needs and to provide a conduit between farmers in the area and the bank's loan officers and directors. One hundred eighty-seven individuals were in attendance.

Consumer Credit Awareness Program - In 1997, the bank held two credit awareness meetings. Areas with a higher minority population or lower incomes were targeted for the distribution of fliers and letters to ministers and community leaders, and the meetings were also advertised in local newspapers and on local radio stations. Twenty-seven individuals attended the two meetings. Topics discussed included Consumer Awareness & Responsibility through Education, which is a committee of volunteers who provide free financial counseling to families, the bank's consumer and mortgage loans and the Dyer County Housing Development Corporation, which assists home buyers with limited incomes.

Dyer County Area Habitat for Humanity - Three employees of the bank's Mortgage Lending Department serve on Habitat's selection committee, which choose homeowners based on their level of need, willingness to become partners in the program, and ability to repay the loan.

Dyer County Housing Development Corporation - The purpose of this organization is to stimulate the building of housing for low- to moderate-income individuals in the community. A bank employee counsels clients on financial budgeting, debt obligations, and seasonal home maintenance. Two employees of the bank's Mortgage Lending Department serve as board members of the corporation.

Northwest Tennessee Economic Development Agency - This agency promotes both economic development in northwest Tennessee and encourages new small businesses to locate in the area. The agency is also the approving entity for eligibility of SBA 504 loans. A bank employee is a loan review officer for this agency.

Government Check Cashing - The bank cashes all government checks for both customers and non-customers at no charge (excluding income tax refund checks for non-customers). This service increases access to financial services for low- and moderate-income individuals.

Fair Lending

No violations of the substantive provisions of the antidiscrimination laws and regulations were

identified.

APPENDIX A

GLOSSARY OF TERMS

GEOGRAPHY TERMS

Block numbering areas (BNAs): Statistical subdivisions of a county for grouping and numbering blocks in nonmetropolitan counties where local census statistical area committees have not established census tracts.

Census tracts: Small subdivisions of metropolitan and other relatively densely populated counties. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending on population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons. (Counties outside of a metropolitan statistical area (MSA) can choose census tracts or BNAs at their option. Typically, counties will choose census tracts as their populations approach the MSA designation limit of 50,000.)

Metropolitan area: One or more large population centers and adjacent communities that have a high degree of economic and social integration.

Metropolitan statistical area (MSA): One or more metropolitan areas that have economic and social ties.

Nonmetropolitan areas: All areas outside of metropolitan areas.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who is related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters.

Householder: Includes, in most cases, the person or one of the persons in whose name the home is owned, being bought or rented.

Housing unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied (or, if vacant, is intended for occupancy) as separate living quarters.

Occupied units: Represents the sum of all owner-occupied and renter-occupied housing units.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Family income: Includes the income of all members of a family that are age 15 and older.

Median income: The median divides the income distribution into two equal parts, one having incomes above the median and the other having incomes below the median.

Area median income: The statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Low-income: Individuals and geographies having a median family income less than 50 percent of the area median income.

Moderate-income: Individuals and geographies having a median family income of at least 50 percent but less than 80 percent of the area median income.

Middle-income: Individuals and geographies having a median family income of at least 80 percent but less than 120 percent of the area median income.

Upper-income: Individuals and geographies having a median family income of 120 percent or more of the area median income.