



PUBLIC DISCLOSURE

June 18, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens National Bank
Charter Number 10735

Two Park Street, Athens, TN 37303

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.

The Community Development Test is rated: Satisfactory.

Citizens National Bank (CNB) has a satisfactory record of meeting community credit needs. This is based on the following:

- The bank's loan-to-deposit ratio is reasonable and averaged 76.95% during the evaluation period. CNB's loan-to-deposit ratio ranged from a low of 69.56% as of June 30, 2013, to a high of 86.38% as of March 31, 2011.
- A majority of CNB's lending is within the bank's Assessment Areas (AAs). Based on Home Mortgage Disclosure Act (HMDA) data and our business loan samples from 2012 through 2013, 85% of the number and approximately 60% of the dollar amount of loans were to borrowers within the AAs.
- CNB's distribution of lending to borrowers of different income levels (primarily focusing on low- and moderate- income) reflects reasonable penetration considering the conditions of the review period. The distribution of lending to businesses of different sizes reflects excellent penetration.
- The geographic distribution of residential real estate and business loans reflect reasonable dispersion throughout the AAs.
- CNB's community development performance demonstrates adequate responsiveness to community development needs.

Scope of Examination

This Performance Evaluation (PE) covers the period January 1, 2012 through December 31, 2013 and is a full scope review. Results were consolidated for comparative and analytical purposes and evaluated using 2010 Census demographic information. CNB has no bank owned affiliates. A data integrity review was conducted prior to this evaluation. The review concluded that the bank's internal data was reliable. We also reviewed the bank's community development (CD) loans, investments, and services since the last CRA examination (March 2010) to ensure they met the definition of CD.

Conclusions regarding the lending test are based on residential loans including home purchases, home improvements, and home refinances. CNB is a HMDA reporter. All residential loans considered in the lending test originated from January 1, 2012 through December 31, 2013 were considered in our analysis. A sample of small business loans originated during January 1, 2012 through December 31, 2013 was also considered in the lending test.

Description of Institution

CNB is an independent, intrastate bank which opened for business in 1915. Effective August 1988, the bank became wholly-owned by Citizens National Bancorp, Inc., a one-bank holding company. Both the holding company and bank are located in Athens, Tennessee. There are no bank owned affiliates, but the bank is a wholly-owned subsidiary of the holding company. At March 31, 2014, the bank reported total assets of \$525.3 million.

Athens is the county seat for McMinn County and is located approximately halfway between Chattanooga and Knoxville along the I-75 corridor in East Tennessee. CNB's AAs consist of the Knoxville Metropolitan Statistical Area (MSA) including Roane and Anderson Counties in their entirety and the non-MSA of McMinn and Monroe Counties in their entirety. Roane County was added to the Knoxville MSA in February 2013. The bank operates nine branches (including the main office). Two branches are located in Athens and one branch is located in Etowah (McMinn County); one branch each is located in Madisonville, Tellico Plains, Vonore, and Sweetwater (Monroe County); one branch is located in Kingston (Roane County); and one branch is located in Oak Ridge (Anderson County). Madisonville, Kingston, and Clinton serve as the county seats for Monroe, Roane, and Anderson Counties. There have not been any major changes in the bank's corporate structure, including merger or acquisition activities, since the last Community Reinvestment Act (CRA) examination dated March 15, 2010, when the bank received a satisfactory rating.

Due to regulatory concerns, in March 2010 the Board of Directors of CNB signed a Formal Agreement (FA) with its regulator, Office of the Comptroller of the Currency. Since signing the FA, the bank has been required to develop a program to reduce the bank's level of problem assets, improve credit administration, and strengthen loan workout and collection processes, among other requirements. The program imposes restrictions on the renewal of certain loans, requires stricter underwriting criteria on new loan requests, and requires the bank to identify, monitor, and reduce certain credit concentrations. The FA may impose legal and financial impediments to the bank's ability to generate loan production and meet the credit needs of its AA.

The bank offers a full-range of loan and deposit services. CNB's primary business focus is commercial and industrial loans, including commercial real estate loans, and mortgage loans. As of March 31, 2014, the bank had total assets and loans of \$525 and \$332 million, respectively. Gross loans comprised 63% of total assets. The following table reflects the composition of CNB's loan portfolio based on March 31, 2014 Report of Condition.

Product Category	Gross Loans as of March 31, 2014	
	Dollar (000's)	Percent
Commercial & Industrial Including Commercial Real Estate	194,788	58.76
Residential Mortgage Loans	92,428	27.88
Construction & Land Development	30,375	9.16
Individuals	8,403	2.53
Farmland and Agriculture	4,356	1.31
All Other	1,175	0.35
Total	331,525	100.00

Source: March 31, 2014 Report of Condition.

CNB provides a wide range of traditional deposit and loan products. Branches are generally located in areas that make them accessible to bank customers. Two full-service branches are located in moderate-income census tracts, five branches are located in middle-income census tracts, and two branches are located in an upper-income census tract. Lobby hours and drive-up hours are set to meet customer needs. Automated teller machines (ATMs) that disburse cash and take deposits are located at each branch office. Additionally, there are two free-standing, non-deposit taking ATMs located in middle-income census tracts that disburse cash only.

Distribution of Bank Offices and ATMs by Census Tract						
Census Tract Income Level	Tracts		Full-Service Branches		Automated Teller Machines*	
	#	%	#	%	#	%
Low	0	0%	0	0%	0	0%
Moderate	11	25.00%	2	22.22%	2	18.18%
Middle	26	59.09%	5	55.56%	7	63.64%
Upper	7	15.91%	2	22.22%	2	18.18%
N/A	0	0%	0	0%	0	0%
Total	44	100%	9	100%	11	100%

Customers may also access their accounts through telephone banking or by the internet (www.citnatbank.com). Internet and telephone banking include transfers between CNB accounts, review of bank balances and transactions, access loan account information and bill-paying capability for the internet banking product. In addition, the bank offers mobile banking to their customers. CNB also offers Visa debit cards that can be used to access customer accounts at point of sale or ATM locations. Additionally, Visa credit cards are offered by the bank.

CNB's business strategy includes continued marketing of commercial credit to small businesses and individuals through its products, staff, and locations. The bank actively generates commercial, mortgage, and consumer loans to customers located primarily in McMinn, Monroe, Roane, and Anderson Counties, Tennessee. Commercial loan

activity includes all types of commercial real estate development and construction. Small Business Administration (SBA) loans are offered for new business startups as well as to expand existing businesses. From March 2010 and through December 2013, the bank generated six SBA loans aggregating \$10.8 million. CNB also offers United States Department of Agriculture loans to qualifying businesses. Government guarantees can be as high as 100%. CNB also supports the purchase and long-term financing of residential home loans through its conventional secondary market home mortgage, Farmers Home Administration, Veterans Administration, and rural housing home mortgage guarantee programs. While high unemployment rates have negatively impacted residential and business loan demand, the bank continues to meet the credit needs within its AAs.

Description of Assessment Area(S)

CNB has two Assessment Areas (AAs). The AAs include all census tracts in the following counties: McMinn, Monroe, Roane and Anderson. McMinn and Monroe Counties were combined to compose the non-MSA AA with 17 census tracts. Anderson and Roane Counties were also combined and consist of 27 census tracts, which are part of the Knoxville MSA. The AAs include all census tracts in each county. McMinn and Monroe Counties and have been designated a distressed nonmetropolitan middle-income geography based on the level of poverty in these areas. CNB has nine offices of which three offices including the main office are located in McMinn County. Four offices are located in Monroe County and there is one office located in both Roane and Anderson County. There have not been any new offices opened or closed since the previous PE. The bank’s AAs meet regulatory requirements and do not arbitrarily exclude any low- or moderate-income census tracts.

Demographic Information for Non-MSA Assessment Area McMinn & Monroe Counties, Tennessee						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	17	0	23.53%	64.71%	11.76%	0
Population by Geography	96,785	0	16.79%	73.02%	10.19%	0
Owner-Occupied Housing by Geography	28,737	0	14.10%	74.14%	11.77%	0
Businesses by Geography	6,304	0	22.48%	67.38%	10.14%	0
Farms by Geography	328	0	14.94%	75.61%	9.45%	0
Family Distribution by Income Level	26,983	0	16.29%	73.85%	9.86%	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	10,435	0	23.11%	70.56%	6.33%	0
Median Family Income	= \$45,811	Median Housing Value		= \$109,185		
HUD Adjusted Median Family Income (MFI) for 2010	= \$46,700	Unemployment Rate		= 9.95%		
Households Below the Poverty Level	= 18.41%					

(*) The NA category consists of geographies that have not been assigned an income classification. Source: 2010 U.S. Census and 2010 HUD updated MFI. Average unemployment rate for Non-MSA AA (McMinn & Monroe County) was 9.2% and 10.7% respectfully, for a 9.95% average unemployment. The 2013 unemployment rate was 8.2% and 7.4%, respectively, for State of Tennessee and US. Source: State of Tennessee Labor web-site.

McMinn and Monroe Counties (non-MSA AA) are located in East Tennessee. McMinn County is adjacent to Monroe County. Census tracts are broken down as follows: no low-income, four moderate-income, 11 middle-income, and two upper-income. Of the 26,983 families, 21.30% and 17.37%, respectively, are low- and moderate-income families. Within the two counties, 18.41% of the households are below the poverty level. The average unemployment rate for the two counties as of 2013 was 9.95%, which exceeded the unemployment rates for the State of Tennessee and the U.S. of 8.20% and 7.40% respectively.

Cities and towns in McMinn County include: Athens (county seat), Etowah, Calhoun, Claxton, Niota and Riceville. Cities and towns in Monroe County include: Madisonville (county seat), Sweetwater, Tellico Plains, and Vonore.

Major employers of McMinn County include: Denso Manufacturing (auto exhaust systems, fuel injections spark plugs) 900 employees, AbitibiBowater, Inc. (newsprint and coated paper) 735 employees, Johnson Controls (metal seat frames for the auto industry) 700 employees, Mayfield Dairy Farms (dairy products) 385 employees, Waupaca Foundry (grey, aluminum and ductile iron castings) 300 employees, Thomas & Betts (switchboxes, outlets, fittings) and Heil Trailer International (aluminum tanker truck trailers) 300 employees each.

Major employers in Monroe County include: JTEKT Automotive TN (automotive steering systems) 722 employees, Commercial Vehicle Group (bus and truck seats) 420 employees, Mastercraft Boats Co. (pleasure boats) 370, Carlex Glass Company (automotive glass sets) 326 employees, Yamaha- Tennessee Watercraft Inc. (pleasure boats) 300 employees, and Gemtron (tempered and decorative glass) 253 employees.

Demographic Information for Knoxville MSA Assessment Area Anderson & Roane Counties, Tennessee						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	27	0	25.93%	55.56%	18.52%	0
Population by Geography	129,310	0	22.62%	61.03%	16.35%	0
Owner-Occupied Housing by Geography	39,569	0	17.99%	64.99%	17.03%	0
Businesses by Geography	8,995	0	23.85%	53.43%	22.72%	0
Farms by Geography	320	0	14.69%	74.69%	10.63%	0
Family Distribution by Income Level	36,149	0	20.03%	63.90%	16.07%	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	13,308	0	30.62%	61.58%	7.80%	0
Median Family Income	= \$55,913		Median Housing Value	= \$124,728		
HUD Adjusted Median Family Income (MFI) for 2010	= \$55,515		Unemployment Rate	= 6.90%		
Households Below the Poverty Level	= 15.00%					

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2010 U.S. Census and 2010 HUD updated MFI. The December 2013 average unemployment rate for Knoxville MSA-AA was 6.90%. The December 2013 unemployment rate was 8.20% and 7.40%, respectively, for State of Tennessee and US. Source: State of Tennessee Labor web-site.

Anderson County is part of the Knoxville MSA and is located north of Knox County. Anderson County is adjacent to Roane County's northeastern boundary. There are no low-income, seven moderate-income, 15 middle-income, and five upper-income census tracts. Of the 36,149 families, 20.03% are moderate-income families. Households in the AA below the poverty level are 15.00%. As of December 2013, the unemployment rate for the Knoxville MSA was 6.90%, which is lower than the unemployment rates for the State of Tennessee of 8.20% and the U.S. unemployment rate of 7.40%.

Cities and towns in Anderson County are: Clinton (county seat), Lake City, Norris, Oak Ridge, and Oliver Springs. The cities and towns in Roane County are: Kingston (county seat), Harriman, and Rockwood. Major employers of Anderson County include: Babcock & Wilcox Technical Services Y-12 LLC (national security) 5,000 employees; UT Battelle (national laboratory/research & development) 4,565 employees; and Methodist Medical Center (health services) 1,350 employees, UCOR 1,337 employees, along with a few others. The top three major employers for Roane County are: UT Battelle (national laboratory/research & development) 4,280 employees, Roane County Government (including Roane County Schools) 1,290 employees and UCOR 694 employees.

Competition from other financial institutions is average. The bank's competitors include several local community banks, branches of large regional institutions, and mortgage companies.

Community Contacts

Three community contacts were conducted with two government entities and a local not-for-profit organization. Two of the community contacts are located in the Knoxville MSA AA and the other contact is located in the non-MSA AA. All three contacts mentioned local banks were involved in the community. Some of the opportunities for banks included having bank representatives sit on the Board of not-for-profit organizations and providing loans to the community for construction, residential, and personal needs.

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 each AA is satisfactory.

The loan-to-deposit 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

The quarterly average loan-to-deposit ratio for CNB is reasonable at 76.95% for the twelve quarters ending December 31, 2013. For the period, CNB's loan-to-deposit ratio ranged from a low of 69.56% as of June 30, 2013, to a high of 86.38% as of March 31, 2011. When compared to other competitor banks in the AAs, CNB's average loan-to-deposit ratio for the period is reasonable given the bank's size, financial condition, and credit needs within its AAs. Other competitor banks' loan-to-deposit ratios averaged from a high of 89.31% to a low of 70.83% over the same period. Banks used for comparative purposes have a presence in CNB's AAs, are headquartered in Tennessee, and have total assets of less than \$1 billion as of December 31, 2013.

Loan-To-Deposit Ratios		
Institution	Total Assets (As of 12/31/13*)	Average Loan-to-Deposit Ratio(**)
Citizens National Bank, Athens, TN	\$505	76.95%
Southeast Bank, Athens, TN	\$530	87.23%
Peoples Bank of East TN, Madisonville, TN	\$220	70.83%
Tennessee Bank, Oak Ridge, TN	\$172	81.55%
Athens Federal Community Bank, Athens, TN	\$295	89.31%

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

**Source: Institution Reports of Condition for 12 quarter period from March 2011 through December 2013

As of June 30, 2013, 23 financial institutions with 76 offices reside within the four counties of McMinn, Monroe, Roane, and Anderson and controlled \$2.8 billion in deposits. CNB controlled the second largest market share within the four counties at \$456 million, or 16.01%, of total deposits. Only Regions Bank, a large regional bank, controlled more in deposits at \$578 million, or 20.30% of the deposit market. CNB's deposit market share of 16.01% exceeded all other competitor banks. Athens Federal Community Bank controlled \$219 million (7.68%), Peoples Bank of East TN controlled \$133 million (4.66%), Volunteer Federal Savings Bank controlled \$128 million (4.51%), TN Bank controlled \$110 million (3.85%), FSG Bank controlled \$99 million (3.46%), and Southeast Bank controlled \$87 million (3.05%).

Lending in Assessment Area

CNB's record of lending in its AA is satisfactory. The majority of the bank's lending is inside the bank's AA. The number of residential and business loans inside the bank's AA was 79.78% and 85%, respectively. Similarly, the dollar amount of residential and business loans inside the bank's AAs was 65.67% and 59.53%, respectively. Collectively, 80.09% and 64.84% of the number and dollar amount of residential and business loans were inside the bank's AAs. Conclusions are based on all HMDA reportable loans originated during 2012 and 2013, and a sample from all business loans originated during 2012 and 2013.

Table 1 - Lending in AA (combined)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	77	83.70	15	16.30	92	7,092	83.90	1,361	16.10	8,453
Home Improvement	25	80.65	6	19.35	31	1,543	84.87	275	15.13	1,818
Refinancing	403	79.02	107	20.98	510	34,696	62.28	21,017	37.72	55,713
Total HMDA Residential Loans	505	79.78	128	20.22	633	43,331	65.67	22,653	34.33	65,984
Small Business and Farm Loans	34	85.00	6	15.00	40	6,155	59.53	4,185	40.47	10,340
Totals	539	80.09	134	19.91	673	49,486	64.84	26,838	35.16	76,324

Source: All HMDA reportable residential loans originated during 2012 and 2013 are included. Residential loans include home purchase, home improvement, and home refinances loans. Business loans include sample of loans which originated during 2012 and 2013; 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 for both AAs. While CNB demonstrated lower levels of penetration among low-income borrowers, they showed much better penetration to moderate-income borrowers. In addition, they had excellent penetration of loans to small businesses within the AAs. Based on the composition of the bank’s branches, deposits, and loan markets, the non-MSA AA comprises a larger portion of the bank’s business; and therefore, the two AAs were combined for the business loan portion of the test.

For the bank’s non-MSA AA including McMinn and Monroe Counties, the distribution of loans reflects a reasonable penetration among individuals of different income levels. Based on 2010 Census data, residential loans were lower than the ratio of low-income families at 21.30%, but ranges from near to exceeding the ratio for moderate-income families at 17.37%. The following table provides the specific data on lending within this AA.

Table 2 - Borrower Distribution of Residential Real Estate Loans in AA (McMinn and Monroe Counties)								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	21.30	1.59	17.37	15.87	20.49	12.70	40.83	58.73
Home Improvement	21.30	7.14	17.37	21.43	20.49	7.14	40.83	57.14
Refinancing	21.30	12.42	17.37	13.98	20.49	18.63	40.83	43.79

For the bank’s MSA AA including Roane and Anderson Counties, the distribution of loans reflects a reasonable penetration among individuals of different income levels.

Based on 2010 Census data, residential loans ranged from lower to near the ratio for low-income families at 20.91%, and ranges from near to exceeding the ratio for moderate-income families at 15.90%. The following table provides the specific data on lending within this AA.

Table 2 - Borrower Distribution of Residential Real Estate Loans in AA (Knoxville MSA: Roane and Anderson Counties)								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	20.91	14.29	15.90	35.71	21.63	14.29	41.56	21.43
Home Improvement	20.91	18.18	15.90	27.27	21.63	18.18	41.56	36.36
Refinancing	20.91	11.11	15.90	14.81	21.63	18.52	41.56	33.33

The bank attributes its record of lending to borrowers of different incomes, particularly low- and moderate-income families, as a by-product of loan demand by these borrowers. In addition, economic conditions during the review period were not conducive to low- and moderate-income borrowers meeting more stringent underwriting standards.

CNB’s distribution of loans to businesses reflects excellent penetration among businesses of different sizes. Based on our sample of business loans, over 85% of both the number and dollar amount of loans made in the bank’s AA are to businesses with revenues of less than \$1 million. This exceeds the percentage of small businesses within the AA. The following table provides the specific data on lending to businesses within the AAs based on our loan sample and 2010 Census data.

Table 2A - Borrower Distribution of Loans to Businesses in AA (combined)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	72.86	3.20	23.95	100%
% of Bank Loans in AA by #	97.06	2.94	0.00	100%
% of Bank Loans in AA by \$	86.93	13.07	0.00	100%

Geographic Distribution of Loans

CNB’s geographic distribution of loans reflects a reasonable dispersion and meets the standard for satisfactory performance. Our analysis reflects lending in most tracts and no gaps or areas of low penetration were identified. While there are no low-income tracts in the bank’s AA, the data showed reasonable dispersion to moderate-income tracts for both residential and small business loans in both AAs. Based on the composition of the bank’s branches, deposits, and loan markets, the non-MSA AA comprises a larger portion of the bank’s business; and therefore, the two AAs were combined for the business loan portion of the test.

The number of residential loans in moderate-income census tracts exceeded the 14.10% of owner occupied houses within the non-MSA AA. The number of residential loans in moderate-income census tracts was near the 17.99% of owner occupied houses within the MSA AA for home purchases and refinances. There were no home improvement loans made within the moderate-income tract of the MSA AA. At 26.32%, the number of business loans in moderate-income census tracts exceeds the percent of AA businesses in both AAs. The following tables provide the specific data based on 2010 Census data and our business loan sample.

Table 3 - Geographic Distribution of Residential Real Estate Loans in AA (McMinn and Monroe Counties)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchasing	0.00	0.00	14.10	19.05	74.14	63.49	11.77	17.46
Home Improvement	0.00	0.00	14.10	28.57	74.14	64.29	11.77	7.14
Refinancing	0.00	0.00	14.10	21.12	74.14	65.22	11.77	13.66

Table 3 - Geographic Distribution of Residential Real Estate Loans in AA (Knoxville MSA: Roane and Anderson Counties)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchasing	0.00	0.00	17.99	14.29	64.99	57.14	17.03	28.57
Home Improvement	0.00	0.00	17.99	0.00	64.99	72.73	17.03	27.27
Refinancing	0.00	0.00	17.99	13.58	64.99	70.37	17.03	16.05

Table 3A - Geographic Distribution of Loans to Businesses in AA (combined)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Businesses	0.00	0.00	22.89	26.32	66.93	52.63	10.17	18.42

Responses to Complaints

There have been no consumer complaints relating to the bank's CRA performance during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the CD test is rated satisfactory. CNB demonstrated adequate responsiveness to CD needs in its non-MSA AA and its MSA AA through CD lending, investments, and services. Based on a full-scope review, the bank's performance is satisfactory. Based on the composition of the bank's branches, deposits, and loan markets, the non-MSA AA comprises a larger portion of the bank's business; and therefore, was given more consideration in the CD analysis.

Number and Amount of Community Development Loans

CNB originated 77 CD loans, investments, and grants/donations totaling \$25.6 million during this evaluation period. As evidenced by the table below, 35 loans and one investment totaling \$25.3 million and \$228 thousand, respectively, were for CD purposes. The qualified investment is state-wide and benefits the bank's MSA AA and non-MSA AA. Additionally the bank had \$20 thousand in grants and donations for the same period in both AAs.

Number and Amount of Qualified Investments

Qualifying investments are defined as investments, deposits, membership shares, or grants that have as their purpose CD, as defined in the CRA Regulation.

Tennessee Housing Development Agency

In June 2014, CNB invested \$228 thousand in this agency. Below is a description from the agency's website.

"THDA was created to promote the production of more affordable new housing units for very low, low and moderate income individuals and families in the state, to promote the preservation and rehabilitation of existing housing units for such persons, and to bring greater stability to the residential construction industry and related industries so as to assure a steady flow of production of new housing units."

Originated Donations

From April 2010 to June 2014, CNB originated 41 donations totaling \$20 thousand to organizations such as Boys & Girls Clubs, which provide services to the children of low- and moderate-income families.

The following table provides specific information about the bank’s CD lending and investments.

Community Development Lending and Investments in AA			
<i>Community Development Lending</i>		#	\$ Amount (000's)
Originated CD Loans	AA	35	25,329
Unfunded Commitments*	N/A	0	0
Total CD Loans		35	25,329
Community Development Investments			
Qualified Investments	AA	1	228
Originated Grants/Donations	AA	41	20
Unfunded Commitments*	N/A	0	0
Total Qualified Investments		42	248
Total Community Development Lending and Investments	AA	18	25,577

**Unfunded Commitments* means legally binding loan and investment commitments that are tracked and recorded by the bank's financial reporting system.*

Extent to Which the Bank Provides Community Development Services

The level of responsiveness to CD services is adequate. Bank employees are actively involved in the community; their activities help low- to moderate-income individuals throughout both AAs. Employees assist in food banks, boys and girls clubs, area charities, and other organizations that assist low- and moderate- income individuals. The following are examples of qualifying CD services.

Friendly Fellow Club

Friendly Fellow Club is a local organization that provides food and clothing to low- and moderate- income individuals through an annual Christmas fund raising program. The organization also donates money to local charities. Bank employees currently serve as the Treasurer and hold financial positions in the organization. Bank personnel assist in the preparation of financial statements, tax returns, and annual reports. These record keeping activities are provided free of charge.

Harriman Knights of Columbus

A bank employee currently serves as the Treasurer to the organization. Harriman Knights of Columbus offers financial support to low- and moderate-income individuals. The Harriman chapter assists individuals of Harriman, TN, which is located in Roane County in the Knoxville MSA.

Family Resource Agency

A bank employee has actively participated in the agency for several years serving on the Board of Directors and as the Chairman of the Finance Committee. Family Resource Agency is a not for profit whose mission is to improve the quality of life and self-sufficiency of its community. The organization helps low- to moderate- income families through various social services and programs. Another branch of the agency called the Harbor House assists battered families who have been victims of domestic violence.

Dave Ramsey Financial Peace Program

The bank collaborated with First United Presbyterian Church of Athens, TN to provide personal financial management classes to low- and moderate- income individuals. A third party individual represented the bank and taught the financial classes. The representative had previously been a bank employee. The classes took place in the conference room of the Park Street Athens, TN branch.

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.