



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

March 15, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens National Bank
Charter Number: 10735

Two Park Street
Athens, TN 37303-0000

Office of the Comptroller of the Currency

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

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

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

The Lending Test is rated: "Satisfactory"

The Community Development Test is rated: "Satisfactory."

- When compared to competitor, independent banks, Citizens National Bank's (CNB's) quarterly average loan-to-deposit ratio is more than reasonable at 94.92% during the evaluation period. CNB's loan-to-deposit ratio ranged from a low of 90.44% September 2007 to a high of 100.66% in December 2008.
- A majority of CNB's loans are inside the bank's Assessment Areas (AA). Approximately 80.14% of the number and 67.51% of the dollar volume of loans were to borrowers within the AAs during this evaluation period.
- CNB's distribution of loans to borrowers of different income (including low- and moderate-income) levels are satisfactory ranging from lower than the ratio to near the ratio. CNB has a good track record of qualifying low- and moderate-income residential home purchasers under government assisted lending programs. CNB's distribution of loans to businesses of different sizes is reasonable.
- The geographic distribution of residential real estate loans reflects a reasonable rate of penetration throughout the AAs and meets the standard for satisfactory performance. The geographic distribution of loans to businesses in the AAs is more than reasonable.
- CNB's community development performance demonstrates satisfactory responsiveness to community development needs.

Scope of Examination

This Performance Evaluation (PE) covers the period April 20, 2006 through March 15, 2010 and is a full scope review. Results were consolidated for comparative and analysis purposes and evaluated using 2000 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 loans and community development investments and services to ensure they met the definition of community development.

Conclusions regarding the Lending Test are based on residential loans including home purchases, home improvements, and home refinances. CNB is a Home Mortgage Disclosure Act (HMDA) reporter. All residential loans considered in the Lending Test originated from January 1, 2008 through December 31, 2009 were considered in our analysis. A sample of small business loans originated during January 1, 2008 through March 15, 2010 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 Bancor, 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 December 31, 2009, the bank and holding company reported total assets of \$595,552,000 and \$596,007,000, respectively.

Athens is the county seat for McMinn County and is located approximately half way between Chattanooga and Knoxville along the I-75 corridor in East Tennessee. CNB's assessment areas (AA) consist of the Non-Metropolitan Statistical Area (MSA) of McMinn, Monroe, and Roane Counties in their entirety and a portion of the Knoxville MSA consisting of Anderson County in its entirety. The bank operates 9 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 April 19, 2006, when the bank received a Satisfactory rating. There are no legal or financial impediments to CNB's ability to meet the credit needs in 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. CNB's primary business focus is commercial and industrial loans, including commercial real estate loans, and mortgage loans. As of December 31, 2009, the bank had total assets and loans of \$596 and \$488 million, respectively. Gross loans comprised 82% of total assets. The following table reflects the composition of CNB's loan portfolio based on December 31, 2009 Report of Condition.

Product Category	Gross Loans as of December 31, 2009	
	Dollar (000's)	Percent
Commercial & Industrial Including Commercial Real Estate	259,080	53.05
Residential Mortgage Loans	135,904	27.83
Construction & Land Development	68,909	14.11
Individuals	18,305	3.75
Farmland and Agriculture	5,773	1.18
All Other	391	0.08
Total	488,362	100.00

Source: December 31, 2009 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, six branches are located in middle-income census tracts, and one branch is located in an upper-income census tract. Lobby hours and drive-up hours are set to meet customer needs. ATM's that disburse cash and take deposits are located at

each branch office. Additionally, there are 2 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	6	15.00%	2	22.22%	2	18.18%
Middle	28	70.00%	6	66.67%	8	72.73%
Upper	6	15.00%	1	11.11%	1	9.09%
N/A	0	0%	0	0%	0	0%
Total	40	100%	9	100%	11	100%

*Two ATMs are non-deposit taking. Nine ATMs contiguous with banking locations are deposit taking.

Customers may also access their accounts through telephone banking or by the Internet ([www:citnatbank.com/](http://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. The Bank also offers Visa debit cards that can be used to access customer accounts at point of sale (POS) or ATM locations. Additionally, Visa and MasterCard 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 2008 and through March 2010, the bank generated 10 SBA loans aggregating \$7,272,000. CNB also offers United States Department of Agriculture (USDA) and SBA’s America’s Recovery Capital Loan Program (SBA ARC) 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 four Assessment Areas (AAs). The AAs include all census tracts in the following counties: McMinn, Monroe, Roane and Anderson. For analysis purposes we combined the 24 census tracts of McMinn, Monroe and Roane County to make up the Non-MSA AA. Anderson County consists of 16 census tracts and is part of the Knoxville area MSA #28940. The AAs include all census tracts in each county. McMinn, Monroe, and Roane County are in a Non-MSA and are adjacent and therefore we combined. Monroe County has been designated a distressed nonmetropolitan middle-income geography. Among other criteria, distressed nonmetropolitan middle-income geographies are those located in counties with an

unemployment rate of at least 1.5 times the national average. CNB has nine offices. Three of the offices including the main office are located in McMinn County. Four offices are located in Monroe County and one office each is located in Roane and Anderson Counties, TN. The only branch office to open since the previous PE was Oak Ridge, TN. It opened in July 2006. The bank expanded its AA into the Knoxville Area MSA when it opened the Oak Ridge Branch which is in Anderson County, TN. There have been no branches 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, & Roane County, Tennessee						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	24	0	4.17%	83.33%	12.50%	0
Population by Geography	139,886	0	4.48%	83.47%	12.50%	0
Owner-Occupied Housing by Geography	62,282	0	2.86%	84.04%	13.06%	0
Businesses by Geography	10,570	0	8.06%	80.33%	11.61%	0
Farms by Geography	398	0	2.26%	87.69%	10.05%	0
Family Distribution by Income Level	40,952	18.62%	17.66%	22.00%	41.72%	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	14,859	51.33%	48.67%	0	0	0
Median Family Income	= \$39,270					
HUD Adjusted Median Family Income (MFI) for 2009	= \$46,300		Median Housing Value		= \$75,906	
Households Below the Poverty Level	= 15.84%		Unemployment Rate		= 13.7%	

(*) The NA category consists of geographies that have not been assigned an income classification. Source: 2000 U.S. Census and 2009 HUD updated MFI. Average unemployment rate for February 2010 for Non-MSA AA (McMinn, Monroe, & Roane County) was 14.3%, 16%, & 9.2%, respectfully, for a 13.7% average unemployment. February 2010 unemployment rate was 10.7% and 9.7%, respectively, for State of Tennessee and US. Source: State of Tennessee Labor web-site.

McMinn, Monroe, and Roane Counties (Non-MSA AA) are located in East Tennessee. McMinn County is adjacent to Monroe County to its east and Roane County to its north. However, Monroe County and Roane County are not adjacent to each other. Monroe County’s eastern boundary is adjacent to the State of North Carolina. The Non-MSA AA is comprised of 24 census tracts. Census tracts are broken down as follows: no low-income, 1 moderate-income, 20 middle-income, and 3 upper-income. Of the 40,952 families, 18.62% and 17.66%, respectively, are low- and moderate-income families. 15.84% of the households are below the poverty level. The average unemployment rate for the three counties as of February 2010 was 13.7% which exceeded the unemployment rates for the State of Tennessee and the U.S. of 10.7% and 9.7%, respectively. The economic downturn has resulted in manufacturing plant closures and layoffs as local industries adjust to declining sales and lower demand. Business and retail loan demand have declined significantly as borrowers defer business expansion, development, residential and retail purchases. The housing downturn also significantly impacted employment in the non-

MSA and MSA AAs. Weaknesses in the housing market has severely curtailed independent contractors and other trades livelihood.

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

The non-MSA AA continues to have a satisfactory manufacturing base although there have been some plant closings and cutbacks. Major employers of McMinn County are: 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) 705 employees; Waupaca Foundry (grey, aluminum and ductile iron castings) 475 employees; Mayfield Dairy Farms (dairy products) 385 employees; Thomas & Betts (switchboxes, outlets, fittings) and Heil Trailer International (aluminum tanker truck trailers) 300 employees each. Agriculture crops consist of tobacco, feed grains, and hay. Major employers of Monroe County are: Tennessee Koyo Steering Systems Co. (plastic automotive parts) 780 employees; National Seating Co. (transportation seats) 740 employees; Carlex Glass Co. (automotive windows) 350 employees; and Gemtron Corp (flat glass) 332 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 Roane County are: Kimble Chase Life Science & Research Products (pharmaceutical glassware) 464 employees; Chase Scientific Glass, Inc. (laboratory glassware) 450 employees; Albahealth LLC (men's, boys' & girls' hosiery; surgical appliances & supplies) 325 employees; and TVA Kingston Steam Plant (electricity) 310 employees. Natural resources include iron ore, gravel, coal, silica, timber (oak, pine, gum, maple, and hickory). Agricultural crops include corn, tobacco, and apples. Livestock production includes dairy cattle and poultry.

Demographic Information for Knoxville MSA Assessment Area (#28940)						
Anderson County, Tennessee						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	16	0	31.25%	50.00%	18.75%	0
Population by Geography	71,330	0	27.07%	54.13%	18.79%	0
Owner-Occupied Housing by Geography	32,451	0	24.82%	54.80%	20.38%	0
Businesses by Geography	5,516	0	24.84%	48.51%	26.65%	0
Farms by Geography	148	0	15.54%	69.59%	14.86%	0
Family Distribution by Income Level	20,563	22.32%	20.12%	22.10%	35.46%	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	8,727	52.58%	47.42%	0	0	0
Median Family Income	= \$44,633		Median Housing Value	= \$88,339		
HUD Adjusted Median Family Income (MFI) for 2009	= \$58,800		Unemployment Rate	= 10.3%		
Households Below the Poverty Level	= 13.38%					

(*) The NA category consists of geographies that have not been assigned an income classification. Source: 2000 U.S. Census and 2009 HUD updated MFI. Average unemployment rate for February 2010 for Knoxville MSA-AA (Anderson County) was 10.3%. February 2010 unemployment rate was 10.7% and 9.7%, respectively, for State of Tennessee and US. Source: State of Tennessee Labor web-site.

Anderson County is part of the Knoxville MSA (#28940) and is located north of Knox County. Anderson County is adjacent to Roane County’s northeastern boundary. The Anderson County Knoxville MSA AA is comprised of 16 census tracts. There are no low-income, 5 moderate-income, 8 middle-income, and 3 upper-income census tracts. Of the 20,563 families, 22.32% and 20.12%, respectively, are low- and moderate-income families. 13.38% of the households are below the poverty level. The unemployment rate for the county as of February 2010 was 10.3% which was slightly better than the unemployment rates for the State of Tennessee of 10.7%, but above the U.S. unemployment rate of 9.7%. During the current economic downturn, unemployment in and around the Knoxville MSA including Anderson County has been less than other areas in Tennessee. This is partially attributed to a concentration of government related jobs.

Cities and towns in Anderson County are: Clinton (county seat), Lake City, Norris, Oak Ridge, and Oliver Springs. One of the most important changes in the county occurred when Oak Ridge was the site chosen by the United States Government to develop materials for the Manhattan Project during World War II, and the military-constructed community was born. Major employers of Anderson County are: Babcock & Wilcox Technical Services Y-12 LLC (national security) 4,750 employees; UT Battelle (national laboratory/research & development) 4,200 employees; Methodist Medical Center (health services) 1,350 employees; Bechtel Jacobs Company, LLC (environmental management) 1,337 employees; SAIC (information technology & engineering) and Wackenhut-Oak Ridge Team (security) 902 employees each; Oak Ridge Associated Universities (research & development) and Eagle Bend Mfg., Inc. (motor vehicles parts & accessories) 600 employees each; Duratek (resource recovery) 510 employees; ClientLogic (customer & technical services) 450 employees; ORNL Federal Credit Union (financial institution) 381 employees; Navaroo Research & Engineering (engineering &

administrative services) 375 employees; Washington Group (waste management) and Pro2Serve (national security) 300 employees each. Natural resources include limestone, coal, silica, sand and timber (oak, pine, poplar and hickory). Agriculture crops consist of tobacco, corn, strawberries, wheat, and rye. Livestock production consists of beef cattle.

CNB's competition consists of 7 similar financial institutions. There are five independent community banks headquartered in CNB's AAs and two independent Federal Savings Banks. Additionally, there are five regional bank branch competitors located within CNBs AAs.

We completed one community contact with a local economic development organization. The contact did not identify any banking or specific credit needs that were not being met. Local banks were reported available at a community fair to advise how to survive tough economic times and discuss mortgage lending reported the contact. Although no particular bank was mentioned, the contact's perception was that local financial institutions were involved in the community and working with consumers/borrowers. It was also reported that a local unnamed institution in the community has done well with SBA loans.

Conclusions with Respect to Performance Tests

LENDING TEST

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

Loan-to-Deposit Ratio

At 94.92%, the quarterly average loan-to-deposit ratio for CNB is more than reasonable for the fifteen quarters ending December 31, 2009. CNB's average loan-to-deposit ratio compared very favorably to competitor banks in the AA for the period. Of the seven independent banks headquartered in the AA, CNB had the second highest quarterly average loan-to-deposit ratio at 94.92%. Other competitor banks loan-to-deposit ratios averaged from a high of 119.21% to a low of 57.43%.

Loan-To-Deposit Ratios		
Institution	Total Assets (As of 12/31/09*)	Average Loan- to-Deposit Ratio(**)
Citizens National Bank, Athens, TN	\$596	94.92%
Southeast Bank & Trust, Athens, TN	\$268	90.40%
Peoples Bank of East TN, LaFollette, TN	\$171	79.57%
Tennessee Bank, Oak Ridge, TN	\$198	88.33%
First Volunteer Bank of TN, Chattanooga, TN	\$640	84.93%
Athens Federal Community Bank, Athens, TN	\$276	90.22%
Volunteer FS & LA, Madisonville, TN	\$167	119.21%
Home Federal Bank of TN, Knoxville, TN	\$1,918	57.43%

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

**Source: Institution Reports of Condition for 15 quarter period from June 2006 through December 2009.

As of June 30, 2009, 23 financial institutions with 83 offices reside within the four counties of McMinn, Monroe, Roane, and Anderson and controlled \$3.051 billion in deposits. CNB controlled the second largest market share within the four counties at \$503 million, or 16.49%, of total deposits. Only Regions Bank, a large regional bank, controlled more in deposits at \$689 million, or 22.56%, of the deposit market. CNB's deposit market share of 16.49% exceeded all other competitor banks. Athens Federal Community Bank controlled \$188 million (6.15%), Peoples Bank of East TN controlled \$133 million (4.35%), Southeast Bank & Trust \$76 million (2.50%), Home Federal Bank of TN \$49 million (1.59%), and First Volunteer of TN \$29 million (0.97%).

Lending in Assessment Area

CNB's record of lending in its AA is satisfactory. The number of residential and business loans inside the bank's AAs was 80.31% and 78.51%, respectively. Similarly, the dollar amount of residential and business loans inside the bank's AAs was 67.42% and 68.17%, respectively. Collectively, 80.14% and 67.51% 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 2008 and 2009, and business loans originated during 2008, 2009, and through March 15, 2010. Although consistent with HMDA data for 2008 and 2009, HMDA data for 2006 and 2007 was not used in the combined analysis.

Lending in CNB AAs										
Knoxville MSA AA (Anderson County/001, TN)										
and Non-MSA AA of McMinn/107, Monroe/123, and Roane/145 Counties, TN										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	221	76.21	69	24.64	290	\$19,909	68.88	\$8,993	31.12	\$28,902
Home Improvement	65	81.25	15	18.75	80	\$3,818	76.36	\$1,182	23.64	\$5,000
Home Refinance	636	81.75	142	18.25	778	\$64,075	66.52	\$32,255	33.48	\$96,330
Total HMDA Residential Loans	922	80.31	226	19.69	1,148	\$87,802	67.42	\$42,430	32.58	\$130,232
Business Loans	95	78.51	26	21.49	121	\$11,839	68.17	\$5,529	31.83	\$17,367
Total	1,017	80.14	252	19.86	1,269	\$99,641	67.51	\$47,959	32.49	\$147,600

Source: All HMDA reportable residential loans originated during 2008, 2009, and through March 10, 2010 are included. Residential loans include home purchase, home improvement, and home refinances loans. Business loans include sample of loans which originated during 2008, 2009, and through March 15, 2010; 2000 U.S. Census Data.

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

CNB's overall record of lending to borrowers of different income and business of different sizes is satisfactory. In the bank's non-MSA AA, data reflects that residential loans were lower than the ratio of low-income families at 18.62% but exceeds the ratio for moderate-income families at 17.66%. In the bank's MSA AA, bank data reflects that residential loans were significantly lower than the percentage of low-income families at 22.32% but near the ratio for moderate-income families at 20.12% in two of three lending types. There were no home improvement loans generated during our evaluation period in the bank's MSA AA. 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. The bank frequently directs low- and moderate-income home loans into government home loan programs such as Rural Development and FHA. The bank also assists low- and moderate-income borrowers through the secondary market program.

During 2008, 2009, and through March 15, 2010 CNB originated 16 loans to low- and moderate-income individuals aggregating \$368,800, \$999,248, and \$243,500 respectively, for a total of \$1,611,548. CNB participates in the USDA Rural Development loan program, which assists in the development of affordable housing and revitalization efforts in rural markets. Since the bank funds these loans prior to selling into the secondary market, these are included in the tables below.

Additionally, CNB has a satisfactory record of supporting the purchase and long-term financing of residential home loans through secondary market lending activities. CNB underwrites these loans to specified guidelines, receives a fee for its efforts, and then the loan is funded by a third party in the secondary market. Since these loans are never funded by the bank, they are not reported on the bank's HMDA-LAR report. Consequently, they are not reflected in the tables

below. During 2008, 2009, and through March 15, 2010, CNB underwrote 155 conventional secondary mortgage loans totaling \$22.784 million. Many of these loans were in CNB’s AAs.

CNB’s overall record of lending to businesses of different sizes is reasonable. Business revenues within the Non-MSA AA of McMinn, Monroe, and Roane Counties reflect that 78.42% have annual revenues/sales less than \$1 million. At 85.48% by number and 53.91% by dollar, both the number and dollar amount of loans to Non-MSA AA businesses compared favorably to demographic data for the period. Business revenues within the Knoxville MSA AA of Anderson County reflect that 75.80% have annual revenue/sales less than \$1 million. At 97.37% by number and 95.00% by dollar, both the number and dollar amount of loans to Knoxville MSA AA businesses compared very favorably with demographic ratios for the period. Overall, the bank does a satisfactory job in obtaining business revenue information on its business loans as reflected by the low percentage of unavailable information in each AA.

Borrower Distribution of Residential Real Estate Loans in Non-MSA AA McMinn/107, Monroe/123, and Roane/145 Counties, TN AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	18.62	6.67	17.66	18.67	22.00	22.00	41.72	47.33
Home Improvement	18.62	7.84	17.66	23.53	22.00	17.65	41.72	43.14
Refinance	18.62	8.88	17.66	14.92	22.00	19.18	41.72	48.49

Source: Data reported under HMDA and U.S. Census data.

Borrower Distribution of Residential Real Estate Loans in Knoxville, TN MSA (28940) Anderson/001 County, TN AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	22.32	0.00	20.12	30.77	22.10	15.38	35.46	53.85
Home Improvement	22.32	0.00	20.12	0.00	22.10	33.33	35.46	66.67
Refinance	22.32	5.00	20.12	15.00	22.10	20.00	35.46	40.00

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

Borrower Distribution of Loans to Businesses in Tennessee McMinn/107, Monroe/123, and Roane/145 Counties, TN AA
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Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	78.42	3.06	18.52	100%
% of Bank Loans in AA by #	85.48	11.29	3.23	100%
% of Bank Loans in AA by \$	53.91	27.07	19.02	100%

Source: Loan sample; Dunn and Bradstreet data.

Borrower Distribution of Loans to Businesses in Knoxville, TN MSA (28940) Anderson County/001, TN AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	75.80	4.73	19.47	100%
% of Bank Loans in AA by #	97.37	0.00	2.63	100%
% of Bank Loans in AA by \$	95.00	0.00	5.00	100%

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

CNB’s geographic distribution of loans reflects a good penetration and meets the standard for satisfactory performance.

No low-income census tracts (CT) exist in either the Non-MSA or MSA AAs. The number of residential loans in moderate-income census tracts exceeded the 2.86% of owner occupied houses within the Non-MSA AA of McMinn, Monroe, and Roane Counties. The number of residential loans in moderate-income census tracts exceeded the 24.82% of owner occupied houses within the Knoxville MSA AA of Anderson County. At 19.36%, the number of business loans in moderate-income census tracts exceeds the percent of AA businesses in the Non-MSA AA of McMinn, Monroe, and Roane Counties of 8.06%. At 55.26%, the number of business loans in moderate-income census tracts exceeds the percent of AA businesses in the Knoxville MSA AA of Anderson County of 24.84%.

Geographic Distribution of Residential Real Estate Loans in Tennessee McMinn/107, Monroe/123, and Roane/145 Counties, TN AA								
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 Purchase	0.00	0.00	2.86	6.00	84.08	74.67	13.06	19.33
Home Improvement	0.00	0.00	2.86	3.92	84.08	84.31	13.06	11.76
Refinance	0.00	0.00	2.86	6.22	84.08	82.24	13.06	11.55

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

Geographic Distribution of Residential Real Estate Loans in Knoxville, TN MSA (28940) Anderson/001County, TN AA								
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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 Purchase	0.00	0.00	24.82	30.77	54.80	53.85	20.38	15.38
Home Improvement	0.00	0.00	24.82	33.33	54.80	66.67	20.38	0.00
Refinance	0.00	0.00	24.82	60.00	54.80	25.00	20.38	15.00

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

Geographic Distribution of Loans to Businesses in Tennessee McMinn/107, Monroe/123, and Roane/145 Counties, TN AA								
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
Businesses	0.00	0.00	8.06	19.36	80.33	67.74	11.61	12.90

Source: Data collected by bank; D & B data.

Geographic Distribution of Loans to Businesses in in Knoxville, TN MSA (28940) Anderson/001 County, TN AA								
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
Businesses	0.00	0.00	24.84	55.26	48.51	26.32	26.65	18.42

Source: Data collected by bank; D & B data.

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 Community Development Test is rated **“satisfactory.”** CNB demonstrated satisfactory responsiveness to Community Development 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.

Number and Amount of Community Development Loans

CNB originated 18 community development loans, investments, and grants/donations totaling \$5,754,000 during this evaluation period. As evidenced by the table below, 7 loans and 2 investments totaling \$5,534,000 and \$200,000, respectively, were for community development purposes. Additionally the bank had \$20,150 in grant and donations for the same period.

Within the bank's non-MSA AA, there were 5 loans originated which totaled \$5,141,418. Within the bank's MSA AA, there were 2 loans originated which totaled \$392,000. There was no community development investments originated within the non-MSA AA during the evaluation period. Bank management reported there were no community development investment opportunities within the non-MSA AA over the last several years. There were 2 investments totaling \$200,000 originated in the MSA AA. There were a total of 9 donations aggregating \$20,150 originated during the evaluation period in the non-MSA AA. 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 community development loan analysis.

Specific examples of qualifying loans for community development organizations are described below.

Dynasty Spas, Inc. (non-MSA AA)

In 2010, CNB originated a \$4,000,000 Line of Credit to fund an anticipated increase in sales. The organization manufactures spas and employs 232 workers with 200, or 86%, being low- and moderate-income individuals.

Poly Carbon Industries, LLC (non-MSA AA)

In 2009, CNB originated an \$800,000 loan to this start-up company for the purchase of equipment. The company is a manufacturer of hard and soft rubber products. There are currently 6 employees in this new company all of whom are low- and moderate-income workers. Additional workers will be hired as production increases.

Monroe County Habitat for Humanity (non-MSA AA)

In 2008, CNB originated a \$300,000 loan which financed the purchase of land to develop a habitat housing subdivision. The organization's focus is low- and moderate-income families. This facility generates income from donated building supplies from contractors with excess supplies, from demolition crews salvaging reusable materials, and from the general public.

Habitat for Humanity of Anderson County Tennessee (MSA AA)

In 2007, CNB originated a \$300,000 loan for campaign expenses and renovations to a building in Oak Ridge TN, which housed low- and moderate-income families. Habitat for Humanity is a national and international organization, which builds affordable houses for low- and moderate-income families.

Housing Development of the Clinch Valley (MSA AA)

In 2007, CNB originated a \$92,000 loan to this non-profit organization which provided

housing assistance and financial counseling to low-income individuals. Located in Oak Ridge, TN, this organization targets the counties of Anderson, Monroe, Roane, and others. The purpose of the credit was to establish a one-year line of credit for a down payment assistance program.

Women at the Well Ministries/Coordinated Charities (non-MSA AA)

In 2006, CNB originated a \$36,818 loan to Women at the Well Ministries. This organization provides training and support to low- and moderate-income women who were involved in substance abuse and in some cases those who have been in prison. In 2008, CNB originated a \$4,600 loan to the Coordinated Charities. This organization aids needy families with utilities, rent, food and medicine. These families are usually low- and moderate-income families.

Number and Amount of Qualified Investments

Qualifying investments are investments, deposits, membership shares, or grants that have as their purpose community development, as defined in the CRA regulation.

Southeastern Community Capital Corporation (MSA AA)

In December 2006 and 2007, CNB invested \$200,000 in this non-profit corporation. Established in 1999, Southeastern Community Capital Corporation, now Pathway Lending, is based in Nashville with offices in Knoxville, Tri-Cities (Bristol, Kingsport, & Johnson City), and Jackson and is certified by the U.S. Department of the Treasury as a Community Development Financial Institution (CDFI). Pathway Lending provides loans to businesses throughout Tennessee with an emphasis on women and minority entrepreneurs and low- to moderate-income communities. It provides growing businesses with financing solutions combined with technical assistance to enhance business performance and entrepreneurial skills. The investments provided community development, support, and rehabilitation services to 16 counties located in East Tennessee including counties in CNB’s AA.

Originated Donations (non-MSA AA)

During 2009, CNB originated 6 donations totaling \$8,800 to organizations such as boys & girls clubs which provide services to the children of low- and moderate-income families and also provided services to low- and moderate-income individuals such as Women at the Well Ministries (see above). During 2008, CNB originated 3 similar donations totaling \$11,350.

Community Development Lending and Investments in AA			
Community Development Lending		#	\$ Amount (000's)
Originated CD Loans	AA	7	5,534

Unfunded Commitments*	N/A	0	0
Total CD Loans		7	5,534
Community Development Investments			
Qualified Investments	AA	2	200
Originated Grants/Donations	AA	9	20
Unfunded Commitments*	N/A	0	0
Total Qualified Investments		11	220
Total Community Development Lending and Investments	AA	18	5,754

**"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 bank's community development services reflect adequate responsiveness.

Bank management actively encourages bank employees to support local civic services. Over the last several years, CNB employees individually have assisted Monroe County Habitat for Humanity and other civic organizations which assist and support low- and moderate-income individuals. Employees assist food banks, boys and girls clubs, area charities, and other organizations which assist low- and moderate-income individuals.

CNB has an array of alternative delivery systems which benefit low- and moderate-income individuals. These include ATMs, account access (by 24-hour telephone inquiry), TELLERPHONE, and Internet Banking capabilities utilizing NetTeller, which provides deposit account information, loan account information including the ability to make payments, transfer funds, and bill payment. Additionally, CNB has 4 branches in Monroe County which has been designated as "distressed" due to high unemployment. At its Financial Center Office in Athens, TN, CNB also employs a full-time bilingual employee who speaks English and Spanish.

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.