PUBLIC DISCLOSURE

June 2, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Bank and Trust Company of Tennessee
06471336
Johnson City, Tennessee

Federal Reserve Bank of Atlanta
104 Marietta Street, N.W.
Atlanta, Georgia 30303

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 Bank and Trust Company of Tennessee prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of June 2, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

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

The bank=s CRA position is satisfactory. The average loan-to-deposit ratio for the previous six quarters is 64.2 percent and is reasonable considering the bank=s size and de novo status. A substantial majority of the loans reviewed were in the bank=s assessment area. The distribution of loans among borrowers of different incomes and by type of geography is reasonable considered the demographics of the community. The bank=s record of lending to businesses of different revenue size is also reasonable.

DESCRIPTION OF INSTITUTION

First Bank and Trust Company of Tennessee was formed in December 1995 and operates its main office in Johnson City. A new branch was opened May 30, 1997, in Bristol approximately 20 miles from the main office. Both branches have drive-through teller windows with expanded hours and automated teller machines. The bank had total assets of $21.4 million according to the March 31, 1997 Consolidated Reports of Condition and Income. No impediments that would hinder the ability of the bank to make credit available in its assessment area were noted.

The bank offers a variety of credit products to meet the needs of the residents and businesses in its assessment area. These products are listed in the bank=s public file and are primarily for consumer purposes, small business needs, and the purchase, refinance, and construction of one- to four-family residences.

The composition of the loan portfolio according to the March 31, 1997 Consolidated Reports of Condition and Income is as follows:

LOAN TYPE	PERCENTAGE
Construction and development	2.6%
Secured by one- to four-family dwellings	29.9%
Other real estate:	
Farmland	1.0%
Multifamily	1.7%
Nonfarm nonresidential	25.3%
Commercial and industrial	30.1%
Loans to individuals	9.3%
All other	0.1%
TOTAL	100.0%

The table shows that the largest portions of the loan portfolio are commercial and industrial loans and loans secured by one- to four-family residences. A sample of these two loan types was analyzed as a part of this evaluation.

DESCRIPTION OF ASSESSMENT AREA

The bank=s assessment area is made up of census tracts in Sullivan and Washington counties in Tennessee as well as some census tracts located in Bristol, Virginia. Although the assessment area extends into Virginia, this part of the assessment area is made up of only four of the 35 total tracts. Because the assessment area does not extend substantially across the state line, the use of one assessment area is reasonable. The main office in Johnson City is in Washington County, and the branch in the Tennessee section of Bristol is in Sullivan County.

According to the 1990 census, the population in the assessment area was 168,678, and the median family income was $28,338. Although none of the census tracts in the assessment area are designated as low-income, low-income families are represented in the population. The table below shows the number and percentage of families in each income group in the assessment area.

ASSESSMENT AREA FAMILIES BY INCOME GROUP

	Low	Moderate	Middle	Upper	Total
Number	9,538	8,232	9,715	19,841	47,326
Percentage	20.2%	17.4%	20.5%	41.9%	100%

The following table indicates the number and percentage of the census tracts in each income group in the assessment area:

ASSESSMENT AREA CENSUS TRACTS BY INCOME GROUP

	Low	Moderate	Middle	Upper	Total
Number	0	9	16	10	35

[1]Economic Development Board of Johnson City, Economic and Development Profile, January 1997.

Percentage	0%	25.7%	45.7%	28.6%	100%

The major employers in the Tri-Cities area are manufacturers, wholesale and retail trade companies, and service providers. The Tri-Cities area is made up of the cities of Johnson City, Bristol, and Kingsport. The two largest employers in Johnson City are Johnson City Medical Center Hospital and SPS Payment Systems.[1]

[1]Economic Development Board of Johnson City, Economic and Development Profile, January 1997.

DESCRIPTION OF ASSESSMENT AREA (CONTINUED)

1990 census information shows that the assessment area contained 70,786 housing units, of which 45,846 (64.8 percent) were owner-occupied. 53,673 (75.8 percent) of the total housing units were one- to four-family residences, and 8,345 (11.8 percent) were mobile homes. The median housing value was $54,160, and the median age of the housing stock was 33 years.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio Analysis

The average loan-to-deposit ratio for the six quarters ended March 31, 1997, was 64.2 percent. This ratio has increased each quarter, beginning at 49.5 percent as of December 31, 1995, and ending at 84.2 percent as of March 31, 1997. The most significant impact on the loan-to-deposit ratio was due to an increase in the volume of real estate loans originated. The most significant dollar impact was due to small business loans. This increase, however, is reasonable and is expected because this is a profitable de novo institution. The bank in the assessment area that is closest in size has $52 million in assets and a six-quarter average ratio of 79.1 percent. Considering the relatively small size of the bank, the increasing trend in the loan-to-deposit ratio, and its de novo status, the loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance.

Lending in the Assessment Area

108 loans originated between December 1995 and May 1997 were selected for this analysis. Of the 108 loans, 66 were small business loans and 42 were mortgage loans on one- to four-family residential properties. Two of the small business loans could not be associated with a census tract and were excluded from this analysis, leaving a review sample of 64. These loans were reviewed to evaluate the bank's lending performance within its assessment area. The tables below show the levels of lending inside and outside the assessment area for both loan types.

DISTRIBUTION OF LOANS IN AND OUT OF ASSESSMENT AREA - SMALL BUSINESS LOANS

	Inside	Outside
Number of Loans	56	8
Number Percentage	88%	12%
Dollar Amount of Loans	$3,852,564	$561,500

Dollar Percentage	87%	13%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Lending in the Assessment Area (Continued)

DISTRIBUTION OF LOANS IN AND OUT OF ASSESSMENT AREA - RESIDENTIAL LOANS		
	Inside	**Outside**
Number of Loans	36	6
Number Percentage	86%	14%
Dollar Amount of Loans	$3,027,096	$278,375
Dollar Percentage	92%	8%

These tables show that in both loan categories, lending in the assessment area was close to 90 percent in both the number of loans made as well as in the dollar amount of these loans. These data indicate that the bank exceeds the standards for satisfactory performance in this category.

Loans to Borrowers of Different Incomes and Businesses of Different Sizes

Of the 42 residential loans sampled, six did not contain income information of the borrowers; therefore, they were excluded from this analysis, leaving a review sample of 36. The table below shows the distribution of the residential loans by borrower income.

DISTRIBUTION OF LOANS BY BORROWERS= INCOME - RESIDENTIAL LOANS			
Income Level of Borrower	**Percentage of Total Family Population**	**Number of Loans**	**Percentage of Total Loans**
Low	20.2%	0	0%
Moderate	17.4%	4	11%
Middle	20.5%	11	31%
Upper	41.9%	21	58%
Total	100.0%	36	100%

As indicated by the chart above, no loans were originated to low-income applicants even though low-income families constitute 20.2 percent of total families. A factor that could have affected the bank's ability to originate loans to low-income applicants is a high poverty level. The assessment area has a family poverty

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Loans to Borrowers of Different Incomes and Businesses of Different Sizes (Continued)

level of 11.6 percent. In addition, the lack of affordable one- to four-family dwellings could have affected the bank=s ability to originate residential loans to low-income families. Based on family income of $14,169 (50 percent of median income for the assessment area) for low-income families, the maximum purchase price of home they can afford under conventional lending standards is approximately $43,000. The median value of homes in the assessment area is $54,160, and $52,810 in middle-income tracts where most of the low-income families reside. Lending to moderate-income families is also low when compared to their composition of total family population. Possible reasons for low lending levels could be attributed to competition and lack of innovative programs that provide financial assistance for mortgage needs. Lending to middle- and upper-income applicants is more than reasonable when compared to their percentage of total family population.

The sample of 66 small business loans included 10 that did not have revenue information and were excluded from this analysis, leaving a review sample of 56. Of the 56 loans sampled, 53 (95 percent) were to businesses with revenues less than $1 million. 46 of the 53 loans to businesses with revenues less than $1 million were in amounts less than $100,000. Five were between $100,000 and $250,000, and two were between $250,000 and $1 million. The total dollar amounts of the loans were fairly evenly distributed among the three categories referenced above. Loans less than $100,000 totaled $1.4 million, loans between $100,000 and $250,000 totaled $1.1 million, and loans from $250,000 up to $1 million totaled $1.4 million. This information indicates the bank=s willingness to extend loans to businesses of different revenues in various loan amounts.

The analysis of residential lending by borrower income and small business lending by business revenue and loan amount indicates a reasonable distribution of loans and meets the standards for satisfactory performance.

Geographic Distribution of Loans

An analysis of the geographic distribution of the bank=s loans in relation to the income levels of the census tracts in its assessment area as shown by the table on page 3 was conducted. The following tables show the distribution by the income level of the census tracts in the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Geographic Distribution of Loans (Continued)

DISTRIBUTION OF LOANS BY CENSUS TRACT INCOME LEVEL - RESIDENTIAL LOANS

Income Level	Low	Moderate	Middle	Upper	Total
Number	0	7	19	10	36
Percentage	0%	19%	53%	28%	100%

DISTRIBUTION OF LOANS BY CENSUS TRACT INCOME LEVEL - SMALL BUSINESS LOANS

Income Level	Low	Moderate	Middle	Upper	Total
Number	0	11	24	21	56
Percentage	0%	20%	43%	37%	100%

As stated in the description of the assessment area, there are no low-income census tracts in the assessment area. For both loan types, the loans in moderate-income tracts are slightly but not significantly lower than the percentage of moderate-income tracts in the assessment area, which is 25.7 percent. Residential loans to middle-income borrowers exceeded the representation of middle-income tracts in the assessment area, which is 45.7 percent. The percentage of business loans in middle-income tracts was very similar to the percentage of middle-income tracts in the assessment area. The percentage of residential loans in upper-income tracts was approximately the same as the percentage of upper-income tracts in the assessment area at 28.6 percent. The percentage of business loans in upper-income tracts was higher than the percentage of upper-income tracts in the bank=s assessment area. Overall, the bank=s geographic distribution of loans reflects the distribution of the census tracts in the assessment area by income and meets the standards for satisfactory performance under this category.

Complaints

No complaints regarding the bank=s CRA performance have been received since the formation of the bank in December 1995.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Compliance with Antidiscrimination Laws

No violations of the substantive provisions of antidiscrimination laws and regulations were noted. Personnel involved in the lending process are familiar with fair lending issues and how they relate to credit application and the evaluation process. Through periodic employee training, the bank's policy on fair treatment of all customers has been communicated from senior management to all staff members.