



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **Public Disclosure**

January 05, 2004

# **Community Reinvestment Act Performance Evaluation**

**First Farmers and Merchants National Bank of Columbia  
Charter Number: 14710**

**816 Garden Street  
Columbia, TN 38402**

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**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, and should not 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.**

## Table of Contents

<b>OVERALL CRA RATING .....</b>	<b>1</b>
<b>DEFINITIONS AND COMMON ABBREVIATIONS .....</b>	<b>2</b>
<b>DESCRIPTION OF INSTITUTION .....</b>	<b>5</b>
<b>SCOPE OF THE EVALUATION .....</b>	<b>6</b>
<b>FAIR LENDING REVIEW .....</b>	<b>8</b>
<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS .....</b>	<b>9</b>
LENDING TEST .....	9
INVESTMENT TEST .....	13
SERVICE TEST .....	13
<b>APPENDIX A: SCOPE OF EXAMINATION .....</b>	<b>A-1</b>
<b>APPENDIX B: MARKET PROFILES FOR FULL-SCOPE AREAS .....</b>	<b>B-1</b>
<b>APPENDIX C: TABLES OF PERFORMANCE DATA .....</b>	<b>C-1</b>

## Overall Community Reinvestment Act (CRA) Rating

**Institution's CRA Rating:** This institution is rated **Satisfactory**.

The following table indicates the performance level of **First Farmers and Merchants National Bank of Columbia (F&M)** with respect to the Lending, Investment, and Service Tests:

Performance Levels	(Name of Depository Institution) Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			X
Low Satisfactory	X	X	
Needs to Improve			
Substantial Noncompliance			

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

The major factors that support this rating include:

- Lending levels reflect adequate responsiveness to assessment area (AA) credit needs.
- The geographic distribution of home mortgage loans and small loans to businesses and small loans to farms reflects adequate penetration throughout the AA.
- The borrower distribution of F&M's home mortgage loans, small loans to businesses and small loans to farms reflects an adequate dispersion among borrowers of different income levels.
- Investments reflect adequate responsiveness by F&M to the needs of its AA.
- Offices provide good accessibility to geographies and individuals of different income levels.
- Performance in providing community development services was excellent.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/AA.

**Block Numbering Area (BNA):** A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are 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. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male household and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home Mortgage Loans:** such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes loans for multifamily (five or more families) dwellings, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/AA.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**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.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as non-mortgage, commercial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

## Description of Institution

First Farmers & Merchants National Bank of Columbia (F&M) is an intrastate community bank headquartered in Columbia, Tennessee. Columbia is located approximately 50 miles southwest of Nashville, Tennessee. The bank conducts full-service commercial banking business from 20 offices in six contiguous counties of south central Tennessee. First Farmers & Merchants Corporation, a one-bank holding company, owns F&M with total assets of \$897 million. The holding company does not have any other operating subsidiaries. Holding company ownership is widely distributed with approximately 2,310 shareholders, none of which exceed five percent of total outstanding shares.

The bank has grown to its present size primarily through the purchase of existing banks or branches in nearby counties. On April 27, 2001, the bank completed a purchase of Peoples and Union Bank, Lewisburg, Tennessee, containing \$136 million in assets and two banking offices. F&M already had existing branches in Lewisburg. On March 29, 2002, the bank completed a purchase of two Pulaski, Tennessee branch offices from Community Bank, an Alabama banking corporation. The assets acquired totaled \$34 million. It brought F&M into a new market, Giles County, Tennessee.

The bank's primary business line is residential mortgage lending. Commercial lending follows residential in business emphasis and dollars outstanding. Loans to individuals and agriculture loans are available but are not a major emphasis.

The bank has Tier 1 capital of approximately \$77 million for a Tier 1 risk based capital ratio of 14 percent. Net loans represent approximately 55 percent of total assets. Net loans are distributed as follows: 44 percent 1 to 4 family residential, 38 percent commercial, 9 percent loans to individuals, 5 percent agriculture, and 4 percent other.

There are no legal, financial, or other factors impeding F&M's ability to help meet the credit needs in its AAs.

F&M's performance was rated Satisfactory at its last CRA evaluation dated March 27, 2000.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

With the exception of community development (CD) loans, the evaluation period for the Lending Test was from January 1, 2000, to December 31, 2002. We reviewed residential mortgage home purchase loans, residential mortgage home refinance loans, residential mortgage home improvement loans, small business loans, and small farm loans. For CD lending, the Investment Test, and the Services Test, the evaluation period was from January 1, 2000, to December 31, 2003.

The bank's management chose to not present consumer data for analysis at this examination. While these loans were available to the public, they were not a major product for this institution and were not identified as a community credit need. Only nine percent of the bank's total loans were loans to individuals.

### Data Integrity

To ensure reporting accuracy for this CRA Examination, we conducted random samples of HMDA and CRA loans on two separate occasions since the previous Performance Evaluation. We noted no critical reporting errors during the data integrity phase of this CRA examination. Some minor reporting errors were noted, but corrected prior to the submission of the data to the appropriate regulatory agency and prior to our analysis. The bank's internal control system for data collection of HMDA and CRA data is operating effectively. Information used during this examination was accurate.

### Selection of Areas for Full-Scope Review

The F&M non-metropolitan AA received a full scope review because it encompassed the vast majority of the bank's operations for the three-year period under review. As of June 30, 2003, it represented 97% of the bank's total deposits and 95% of the offices. See Appendix B for more information.

The part of the Nashville MSA #5360 was not designated as the bank's AA until first quarter 1999. There were no offices located in MSA counties until the purchase of the White Bluff office in February 1999. This office's activities were insignificant in proportion to the bank's total.

### Ratings

The bank's overall rating is based primarily on the area that received full-scope review (F&M Non-metropolitan AA).

When determining a conclusion for the Lending Test, home mortgage products were weighted more heavily than small loans to businesses. Small loans to farms received the least weight.

Within home mortgage lending, home purchase products and home mortgage refinance products were equally weighted. This weighting is reflective of the bank's loan volume over the evaluation period and the identified needs of the community. Agriculture loans were a very minor product for this bank and were not an identified need in the AA.

Within the Lending Test the Geographic Distribution analysis received less weight. There were no low- or moderate-income geographies in the bank's primary AA.

## Other

During this examination, we contacted one community group. This was a business development organization. They did not identify any community needs, other than credit needs. Credit needs identified included loans for real estate and commercial development. This organization indicated that local banks are fulfilling the credit needs of the community.

In addition to local groups, there are community development opportunities for financial institutions in the broader regional and statewide area that includes the bank's AA. These opportunities include, but were not limited to:

- South Central Tennessee Development District—lending, investment, and services;
- Tennessee Housing Development Agency—housing grant and loan programs, tax-exempt multi-family bond authority, low-income housing tax credit-multifamily restructuring program;
- Tennessee Department of Economic and Community Development—direct loan programs and loan guarantees and grants;
- Tennessee Valley Authority—economic development initiatives, including small business loan funds; and
- Federal Home Loan Bank—affordable housing programs and community investment programs.

Although these opportunities were available for investments that covered a broader statewide or regional area that included the bank's AA, opportunities within the bank's AA were limited.

## **Fair Lending Review**

An analysis of the most recent public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 2000.

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Lending Test is rated "**low satisfactory.**" Based on the full-scope review, the bank's performance in the F&M Non-Metropolitan AA is adequate.

#### Lending Activity

Refer to **Table 1 Lending Volume** and **Table 1 Other Products** in **Appendix C** for the facts and data used to evaluate the bank's lending activity.

Lending levels reflect an adequate responsiveness to AA credit needs.

In F&M's AA, approximately 48% of the number of loans originated/purchased during the evaluation period were small loans to businesses, 35% were for home mortgage, and 16% were small loans to farms. Among the home mortgage loan originations/purchases, approximately 50% were for home mortgage refinance, 31% were for home purchase, and 19% were for home improvement.

Most of F&M's competitors are not HMDA reporters, therefore, there was no market information with which to compare. While F&M was the deposit market share leader as of June 30, 2002, at 27%, the bank's market share for residential lending cannot be determined. Lending volume analysis was based on total mortgage lending in comparison to prior examinations.

The volume of home mortgage loans originated/purchased during this evaluation period is not inconsistent with the prior evaluation period. During this evaluation period, the bank originated/purchased 1,832 home mortgage loans. At the previous evaluation, F&M was not a reporter for Home Mortgage Disclosure Act (HMDA) purposes and there was no single source for residential lending volume data for the bank. The volume of home mortgage lending during the previous evaluation was estimated between 1,200 and 2,000 loans. The higher number (2,000 loans) included loans that would not have otherwise been reported had the bank been a HMDA reporter during the previous evaluation period, such as business purpose loans secured by residential real estate.

The Bank's volume of small loans to small businesses improved from the prior CRA examination. For the prior evaluation period, there were over 900 small business loans. During this period, there were 1,272. F&M's 27% market share of small loans to small businesses closely matches to their deposit share of 27%, as of June 30, 2002.

## **Distribution of Loans by Income Level of the Geography**

### ***Home Mortgage Loans***

Refer to **Tables 2, 3, 4, and 5** in **Appendix C** for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

There were no low- or moderate-income geographies in the full-scope AA. Geographic distribution analysis by income level of the geography would not be meaningful.

### ***Small Loans to Businesses***

Refer to **Table 6** in **Appendix C** for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

There were no low- or moderate-income geographies in the full-scope AA. Geographic distribution analysis by income level of the geography would not be meaningful.

### ***Small Loans to Farms***

Refer to **Table 7** in **Appendix C** for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

There were no low- or moderate-income geographies in the full-scope AA. Geographic distribution analysis by income level of the geography would not be meaningful.

## **Lending Gap Analysis**

Maps and reports detailing F&M's lending activity over the evaluation period for home mortgage loans and small loans to businesses were reviewed to identify gaps in the geographic distribution of those loans. No unexplained conspicuous gaps were identified.

### ***Inside/Outside Ratio***

A substantial majority of the number of home mortgage loans, small loans to businesses and farms, and CD loans originated/purchased by F&M over the evaluation period were within its AAs. For all home mortgage related loans that were evaluated in this assessment, 92% were made within the bank's AA. By home mortgage product the bank made 90% of the home purchase loans within the AA, 94% of home refinancings, and 93% of home improvement loans. For small business lending, 91% were to borrowers inside the AA and 94% for farm loans. This performance was positively factored into the overall analysis of the geographic distribution of lending by income level of geography.

## **Distribution of Loans by Income Level of the Borrower**

The borrower distribution of F&M's home mortgage loans and small loans to businesses reflects an adequate dispersion among borrowers of different income levels throughout the full-scope AA.

The following factors increased the difficulty in home mortgage lending to low-income borrowers in the F&M Non-metropolitan AA: 12% of families were below the poverty level; 30% of households received social security; 9% of households received public assistance; and 25% of occupied housing units were rental units.

### ***Home Mortgage Loans***

Refer to **Tables 8, 9, and 10** in **Appendix C** for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The overall borrower distribution of home mortgage loans was adequate in the F&M Non-metropolitan AA.

Refinance loan borrower distribution is adequate. The portion of refinance loans made to low-income borrowers in the AA was lower than the portion of families that were defined as such. The portion of refinance loans made to moderate-income borrowers in the AA exceeds the portion of families that were defined as such. There was insufficient reliable market data to perform a meaningful market share analysis in a non-MSA area because many of the financial institutions in the AA are not reporters.

Home purchase loan borrower distribution is adequate. The portion of home purchase loans made to low-income borrowers in the AA was lower than the portion of families that were defined as such. The portion of home purchase loans made to moderate-income borrowers in the AA exceeds the portion of families that were defined as such. A meaningful market share analysis cannot be performed in a non-MSA area because there is insufficient reliable market data.

Home improvement loan borrower distribution is good. The portion of home improvement loans to low-income borrowers in the AA equaled the portion of families that were defined as such. The portion of home improvement loans made to moderate-income borrowers in the AA exceeds the portion of families that were defined as such. A meaningful market share analysis cannot be performed in a non-MSA area because there is insufficient reliable market data.

### ***Small Loans to Businesses***

Refer to **Table 11** in **Appendix C** for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The borrower distribution of small loans to businesses was adequate. The portion of F&M's small loans to small businesses (businesses of \$1 million or less) was somewhat lower than the portion of businesses that were defined as such. The portion of loans of \$100 thousand or less exceeds the portion of businesses that were defined as small. The market share of small loans made to small businesses was somewhat lower than F&M's overall market share in the AA for small loans to all businesses.

### **Small Loans to Farms**

Refer to **Table 12** in the **Appendix C** for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The borrower distribution of small loans to farms was adequate. The portion of F&M's small loans to small farms was lower than the portion of farms that were defined as such. The portion of loans \$100 thousand or less is somewhat lower than the portion of farms that were defined as small. The market share of small loans made to small farms equals the F&M's overall share in the AA for small loans to all farms.

### **Community Development Lending**

Refer to **Table 1 Lending Volume** in **Appendix C** for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, **Table 5** includes geographic lending data on all multi-family loans, including those that also qualify as CD loans. **Table 5** does not separately list CD loans, however.

Community development lending had a positive impact on the lending test conclusion for the F&M Non-metropolitan AA.

During the evaluation period, F&M had five new community development loans totaling \$1,598 million that benefited the F&M Non-metropolitan AA. The loans were made to promote economic development by creating jobs for low- and moderate-income individuals, develop rural areas, new business start-ups, and purchase facilities to benefit low- and moderate-income individuals of the community. The loans were not considered complex or innovative.

In addition, F&M refinanced or renewed nine existing loans in the AA totaling approximately \$1,110 million that had community development characteristics. One refinanced loan for \$327 thousand was to provide maintenance on subsidized housing.

### **Product Innovation and Flexibility**

Product innovation and flexibility had a neutral impact on the Lending Test conclusions for the F&M Non-metropolitan AA. The bank did not have innovative or flexible products.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the lending test in the F&M Part of Nashville MSA 5360 is not inconsistent with the bank's overall "**low satisfactory**" performance under the lending test. Refer to **Tables 1** through **13** in **Appendix C** for the facts and data that support these conclusions.

## INVESTMENT TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Investment Test is rated **"low satisfactory."** Based on the full-scope review, the bank's performance in the non-metropolitan AA is adequate.

Refer to **Table 14** in **Appendix C** for the facts and data used to evaluate the bank's level of qualified investments.

F&M had qualified investments totaling \$186 thousand during the evaluation period. This volume of investments is adequate. Some of F&M's investments to qualified community service organizations are used to provide financing for small businesses and home loans to low- and moderate-income borrowers of the community.

The following discusses the bank's investments in its AA:

Grants and Donations - During the evaluation period, F&M made grants and donations totaling \$186 thousand to 102 qualified community service organizations in the AA. These organizations provide service to low- and moderate-income individuals. The donations include cash grants, bank enterprise award, and a piece of real estate. This level is considered adequate given the limited number of qualified CD organizations in the AA.

### Conclusions for Area Receiving Limited-Scope Reviews

Based on the limited-scope review, the bank's performance under the Investment Test in the Part of the Nashville MSA #5360 AA was not inconsistent with the bank's **"low satisfactory"** overall performance. Refer to **Table 14** in **Appendix C** for the facts and data that support these conclusions.

### Conclusions for Broader Area

Morgan Keegan Mezzanine Fund - In 2003 and 2002, the bank committed \$250 thousand to this Small Business Investment Corporation (SBIC). Through December 31, 2003, \$105 thousand of that commitment has been funded. As a SBIC, the fund provides financing to small businesses. The fund serves a wider area that may include the bank's AA and has total resources of approximately \$100 million. To date, the fund has made investments in businesses based in middle Tennessee (not in the AA) operating in a multi-state area or nationwide, and one based in North Carolina that operates in eleven southeastern states, including Tennessee.

## SERVICE TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "**high satisfactory.**" Based on the full-scope review, the bank's performance in the F&M Non-metropolitan AA is good.

#### Retail Banking Services

Refer to **Table 15** in **Appendix C** for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

F&M's service and delivery systems are reasonably accessible to geographies and individuals of different income levels in its AA. The bank's offices were primarily distributed throughout middle- and upper-income geographies. There were no low- or moderate-income geographies located within the bank's AA.

Banking services and hours of operation do not vary significantly from one branch to another, in a way that inconveniences certain portions of the AA. The bank offers Electronic Transfer Accounts (ETA). The basic features of this account were established by the U.S. Treasury Department. The account is available only to recipients of Federal wage, salary, benefit, or retirement checks for the purpose of receiving Federal checks by direct deposit. This low-cost account is designed to appeal to those check recipients who do not have a bank account. As of December 31, 2003, the ETA program consisted of 18 accounts totaling \$1,368.

The bank opened four new branches, acquired from other banks, since the last CRA examination. Also, the bank closed one branch since the last examination. Two of the branches opened were acquired in the purchase of Peoples and Union Bank. This added one office in the middle-income geography and one office in the upper-income geography in Marshall County. The other two branches were added with the bank's acquisition of Community Bank branches. This added two offices in the middle-income geography of Giles County. One branch office was closed during the evaluation period. The branch was located in the upper-income geography of Maury County.

#### Community Development Services

F&M officers and employees provided a high level of community development services. They provided financial expertise to 32 qualified community service organizations during the evaluation period. These organizations provided assistance targeted to low- and moderate-moderate individuals and households. The number of organizations assisted is good considering the availability of such organizations in the AA. This performance had a positive impact on the Service Test rating.

### Conclusions for Areas Receiving Limited-Scope Reviews

Based on the limited-scope review, the bank's performance under the Service Test in the Part of Nashville MSA #5360 is not inconsistent with the bank's overall "**high satisfactory**" performance under the Service Test.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): (01/01/00 to 12/31/02) Investment and Service Tests and CD Loans: (01/01/00 to 12/31/03)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First Farmers and Merchants National Bank (F&M) Columbia, Tennessee	Residential Home Purchases Residential Refinancing Residential Home Improvement Small Business Small Farm CD Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None	NA	NA
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
F&M Non-metropolitan Area Part of Nashville MSA #5360	Full-Scope  Limited-Scope	NA

# Appendix B: Market Profiles for Full-Scope Areas

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## Table of Contents

### Market Profiles for Areas Receiving Full-Scope Reviews

F&M Columbia AA 1 Non-metropolitan Area.....	B-2
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## F&amp;M Columbia AA 1 Non-metropolitan Area

Demographic Information for Full-Scope Area: <b>F&amp;M Columbia TN AA 1 non-MSA</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	40	0.00	0.00	77.50	22.50	0.00
Population by Geography	154,149	0.00	0.00	75.15	24.85	0.00
Owner-Occupied Housing by Geography	42,290	0.00	0.00	75.72	24.28	0.00
Businesses by Geography	8,394	0.00	0.00	72.87	27.13	0.00
Farms by Geography	566	0.00	0.00	74.73	25.27	0.00
Family Distribution by Income Level	44,172	17.90	15.23	20.98	45.89	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	14,636	0.00	0.00	84.03	15.97	0.00
Median Family Income	= \$24,935	Median Housing Value		= \$49,763		
HUD Adjusted Median Family Income for 2002	= \$41,900	Unemployment Rate		= 2.77%		
Households Below the Poverty Level	= 16.77%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 U.S. Census, and 2002 HUD updated MFI.

The F&M Non-metropolitan Area consists of six contiguous counties in south central Tennessee -- Maury, Marshall, Giles, Lawrence, Dickson, and Hickman. This AA is located just south and west of the Nashville metropolitan area. The Bank operated 20 full service offices in the AA with total deposits in excess of \$493 million as of June 30, 2003. F&M's total deposits were 25% of the total deposits of all reporting financial institutions in the AA. There were 23 other financial institutions in the AA operating 71 offices. None were similarly situated. They were either substantially smaller than F&M or were branches of very large, interstate banks. Based on deposits, F&M holds a first place market rank in Maury and Marshall Counties, a second place market rank in Hickman and Lawrence Counties, a third place market rank in Lawrence County, a sixth place market rank in Giles County, and a seventh place in Dickson County.

The local economy in the AA has been weaker and experienced higher than state average unemployment rate for the last two years (5.8% in 2001, 6.4% in 2002). The area has experienced a 22% growth in population from the 1990 to the 2000 census. Population growth from the 2000 census to estimates as of July 1, 2002, showed an additional 2.2%. While the area was once largely an agricultural area, manufacturing is the major industry and has been for many years. Saturn Corporation, an automobile manufacturer located in Spring Hill, TN, is the major employer by far, with over 8,000 employees. The only other manufacturers employing 1,000 or more employees within the bank's AA include: Murray Inc., Lawrenceburg, TN (motorized lawn, garden, and recreational equipment)—1,800, and Cantus-Calsonic (a supplier to Saturn Corp.)—1,000. International Comfort Products, Inc., a Lewisburg based manufacturer of air conditioning and heating equipment that formerly employed approximately 2,200, now has just over 200 employees.

We made one community contact. This was a business development organization. They did not identify any community needs, other than credit needs. Credit needs identified included loans for real estate and commercial development. This organization indicated that local banks are fulfilling the credit needs of the community.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/AA. Tables without data are not included in this PE.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/AA. Community development loans to statewide or regional entities or made outside the bank’s AA may receive positive CRA consideration. Refer to Interagency for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/AA column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/AA. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's AA.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's AA.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/AA. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/AA.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item with the appropriate caption, such as "Statewide/Regional" or "Out of Assessment Area," in the MA/AA column and record the corresponding numbers and amounts in the "Qualified Investments" column.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

**Table 1. Lending Volume**

LENDING VOLUME		Geography: TENNESSEE						Evaluation Period: January 1, 2000 to December 31, 2002				
MA/Assessment Area (2002):	% of Rated Area Loans (#) in MA/AA	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>												
F&M Columbia TN AA 1 non-MSA	97.57	1,750	105,707	2,468	190,269	846	28,328	14	2,708	5,064	324,304	97.43
<b>Limited Review:</b>												
F&M Columbia TN AA 2 Pt of MSA 5360	2.43	82	4,631	41	2,605	3	143	0	0	126	7,379	2.57

\* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is January 01, 2000 to December 31, 2002.

\*\*\* Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

## Table 1. Other Products

LENDING VOLUME		Geography: TENNESSEE						Evaluation Period: January 1, 2000 TO December 31, 2002						
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA	Total Optional Loans**		Small Business Real Estate Secured**		Home Equity**		Motor Vehicle**		Credit Card**		Other Secured Consumer**		% of Rated Area Deposits in AA**
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>														
F&M Columbia TN AA 1 non-MSA	95.56	387	26,799	387	26,799	0	0	0	0	0	0	0	0	97.43
<b>Limited Review:</b>														
F&M Columbia TN AA 2 Pt of MSA 5360	4.44	18	748	18	748	0	0	0	0	0	0	0	0	2.57

\* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Optional Product Line(s) is From January 01, 2000 to December 31, 2002.

\*\*\* Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

## Table 1. Other Products

LENDING VOLUME		Geography: TENNESSEE		Evaluation Period: January 1, 2000 TO December 31, 2002	
MA/Assessment Area:	Other Unsecured Consumer Loans <sup>†</sup>		Other Optional Loans*		
	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>					
F&M Columbia TN AA 1 non-MSA					
	0	0	0	0	0
<b>Limited Review:</b>					
F&M Columbia TN AA 2 Pt of MSA 5360	0	0	0	0	0

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(\*)The evaluation period for Optional Product Line(s) is from January 01, 2000 to December 31, 2002.

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE			Geography: TENNESSEE				Evaluation Period: January 1, 2000 to December 31, 2002					Market Share (%) by Geography*				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Over all	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
<b>Full Review:</b>																
F&M Columbia TN AA 1 non-MSA	546	95.96	0.00	0.00	0.00	0.00	75.72	64.84	24.28	35.16	6.10	0.00	0.00	6.33	5.79	
<b>Limited Review:</b>																
F&M Columbia TN AA 2 Pt of MSA 5360	23	4.04	0.00	0.00	39.16	13.04	60.84	86.96	0.00	0.00	0.08	0.00	0.00	0.13	0.00	

\* Based on 2001 Peer Mortgage Data: Southeast Region 2.

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

### Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT															Geography: TENNESSEE					Evaluation Period: January 1, 2000 to December 31, 2002				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*													
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp									
<b>Full Review:</b>																								
F&M Columbia TN AA 1 non-MSA	339	98.26	0.00	0.00	0.00	0.00	75.72	71.39	24.28	28.61	21.89	0.00	0.00	19.53	28.57									
<b>Limited Review:</b>																								
F&M Columbia TN AA 2 Pt of MSA 5360	6	1.74	0.00	0.00	39.16	0.00	60.84	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00									

\* Based on 2001 Peer Mortgage Data: Southeast Region 2.

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

### Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE											Geography: TENNESSEE					Evaluation Period: January 1, 2000 to December 31, 2002				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*									
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp					
<b>Full Review:</b>																				
F&M Columbia TN AA 1 non-MSA	856	94.17	0.00	0.00	0.00	0.00	75.72	70.79	24.28	29.21	6.70	0.00	0.00	7.11	6.01					
<b>Limited Review:</b>																				
F&M Columbia TN AA 2 Pt of MSA 5360	53	5.83	0.00	0.00	39.16	3.77	60.84	96.23	0.00	0.00	1.25	0.00	0.15	1.83	0.00					

\* Based on 2001 Peer Mortgage Data: Southeast Region 2.

\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

### Table 5. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY		Geography: TENNESSEE						Evaluation Period: January 1, 2000 to December 31, 2002							
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
F&M Columbia TN AA 1 non-MSA	9	100.00	0.00	0.00	0.00	0.00	63.49	66.67	36.51	33.33	40.00	0.00	0.00	50.00	33.33
<b>Limited Review:</b>															
F&M Columbia TN AA 2 Pt of MSA 5360	0	0.00	0.00	0.00	38.15	0.00	61.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2001 Peer Mortgage Data: Southeast Region 2.

\*\* Multifamily loans originated and purchased in the MA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

\*\*\* Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 1990 Census information.

## Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES												Geography: TENNESSEE				Evaluation Period: January 1, 2000 to December 31, 2002				
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*									
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Overall	Low	Mod	Mid	Upp					
<b>Full Review:</b>																				
F&M Columbia TN AA 1 non-MSA	2,468	98.37	0.00	0.00	0.00	0.00	72.87	64.87	27.13	35.13	30.48	0.00	0.00	27.92	39.38					
<b>Limited Review:</b>																				
F&M Columbia TN AA 2 Pt of MSA 5360	41	1.63	0.00	0.00	37.20	12.20	62.80	87.80	0.00	0.00	1.33	0.00	0.97	1.57	0.00					

\* Based on 2001 Peer Small Business Data: US.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet 2002.

**Table 7. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL LOANS TO FARMS															Geography: TENNESSEE					Evaluation Period: January 1, 2000 to December 31, 2002				
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*													
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	Overall	Low	Mod	Mid	Upp									
<b>Full Review:</b>																								
F&M Columbia TN AA 1 non-MSA	846	99.65	0.00	0.00	0.00	0.00	74.73	76.24	25.27	23.76	42.72	0.00	0.00	36.50	81.82									
<b>Limited Review:</b>																								
F&M Columbia TN AA 2 Pt of MSA 5360	3	0.35	0.00	0.00	46.88	33.33	53.13	66.67	0.00	0.00	7.32	0.00	9.09	8.70	0.00									

\* Based on 2001 Peer Small Business Data: US.

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2002).

### Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE			Geography: TENNESSEE				Evaluation Period: January 1, 2000 to December 31, 2002					Market Share <sup>*</sup>				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Over all	Low	Mod	Mid	Upp	
	#	% of Total <sup>**</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>	% Families <sup>**</sup>	% BANK Loans <sup>****</sup>	% Families <sup>*</sup>	% BANK Loans <sup>****</sup>	% Families <sup>**</sup>	% BANK Loans <sup>****</sup>						
<b>Full Review:</b>																
F&M Columbia TN AA 1 non-MSA	546	95.96	17.90	7.69	15.23	18.16	20.98	21.15	45.89	52.99	6.94	8.90	5.12	5.60	8.75	
<b>Limited Review:</b>																
F&M Columbia TN AA 2 Pt of MSA 5360	23	4.04	27.54	9.09	20.66	18.18	24.37	40.91	27.43	31.82	0.11	0.00	0.00	0.00	0.66	

<sup>\*</sup> Based on 2001 Peer Mortgage Data: Southeast Region 2.

<sup>\*\*</sup> As a percentage of loans with borrower income information available. No information was available for 16.39% of loans originated and purchased by Bank.

<sup>\*\*\*</sup> Percentage of Families is based on the 1990 Census information.

<sup>\*\*\*\*</sup> Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

## Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT		Geography: TENNESSEE						Evaluation Period: January 1, 2000 to December 31, 2002									
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share <sup>*</sup>						
	#	% of Total <sup>**</sup>	% Families <sup>**</sup>	% BANK Loans <sup>****</sup>	% Families <sup>*</sup>	% BANK Loans <sup>****</sup>	% Families <sup>*</sup>	% BANK Loans <sup>****</sup>	% Families <sup>*</sup>	% BANK Loans <sup>****</sup>	% Families <sup>*</sup>	% BANK Loans <sup>****</sup>	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
F&M Columbia TN AA 1 non-MSA	339	98.26	17.90	17.74	15.23	24.19	20.98	25.16	45.89	32.90	22.25	47.62	20.00	22.64	16.67		
<b>Limited Review:</b>																	
F&M Columbia TN AA 2 Pt of MSA 5360	6	1.74	27.54	16.67	20.66	16.67	24.37	33.33	27.43	33.33	0.00	0.00	0.00	0.00	0.00		

<sup>\*</sup> Based on 2001 Peer Mortgage Data: Southeast Region 2.

<sup>\*\*</sup> As a percentage of loans with borrower income information available. No information was available for 16.39% of loans originated and purchased by Bank.

<sup>\*\*\*</sup> Percentage of Families is based on the 1990 Census information.

<sup>\*\*\*\*</sup> Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

**Table 10. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE												Geography: TENNESSEE				Evaluation Period: January 1, 2000 to December 31, 2002				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share <sup>*</sup>									
	#	% of Total <sup>**</sup>	% Families <sup>**</sup>	% BANK Loans <sup>****</sup>	% Families <sup>*</sup> **	% BANK Loans <sup>****</sup>	% Families <sup>*</sup> **	% BANK Loans <sup>****</sup>	% Families <sup>*</sup> **	% BANK Loans <sup>****</sup>	Over all	Low	Mod	Mid	Upp					
<b>Full Review:</b>																				
F&M Columbia TN AA 1 non-MSA	856	94.17	17.90	9.15	15.23	19.01	20.98	27.46	45.89	44.37	7.73	9.87	7.61	9.13	6.79					
<b>Limited Review:</b>																				
F&M Columbia TN AA 2 Pt of MSA 5360	53	5.83	27.54	18.00	20.66	26.00	24.37	46.00	27.43	10.00	1.44	0.88	1.82	2.20	0.28					

<sup>\*</sup> Based on 2001 Peer Mortgage Data: Southeast Region 2.

<sup>\*\*</sup> As a percentage of loans with borrower income information available. No information was available for 16.39% of loans originated and purchased by Bank.

<sup>\*\*\*</sup> Percentage of Families is based on the 1990 Census information.

<sup>\*\*\*\*</sup> Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

**Table 11. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES					Geography: TENNESSEE		Evaluation Period: January 1, 2000 to December 31, 2002		
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share	
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
F&M Columbia TN AA 1 non-MSA	2,468	98.37	77.66	52.27	81.16	11.18	7.66	30.48	27.50
<b>Limited Review:</b>									
F&M Columbia TN AA 2 Pt of MSA 5360	41	1.63	76.36	73.17	82.93	14.63	2.44	1.33	1.56

\* Based on [Year] Peer Small Business Data: US.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2002).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 33.8% of small loans to businesses originated and purchased by the Bank.

**Table 12. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS					Geography: TENNESSEE		Evaluation Period: January 1, 2000 to December 31, 2002		
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share*	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
F&M Columbia TN AA 1 non-MSA	846	99.65	97.00	52.36	92.08	6.62	1.30	42.72	30.57
<b>Limited Review:</b>									
F&M Columbia TN AA 2 Pt of MSA 5360	3	0.35	95.83	33.33	100.00	0.00	0.00	7.32	2.78

\* Based on 2001 Peer Small Business Data: US.

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2002).

\*\*\*\* Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 46.76% of small loans to farms originated and purchased by Bank.

## Table 13. Geographic and Borrower Distribution of Consumer Loans (Institution's Option)

Geographic and Borrower Distribution: CONSUMER LOANS										Geography: TENNESSEE Evaluation Period: January 1, 2000 to December 31, 2002									
MA/Assessment Area:	Geographic Distribution										Borrower Distribution								
	Total Consumer Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		
	#	% of Total*	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	
<b>Full Review:</b>																			
F&M Columbia TN AA 1 non-MSA																			
<b>Limited Review:</b>																			
F&M Columbia TN AA 2 Pt of MSA 5360																			

\* Consumer loans originated and purchased in the MA/AA as a percentage of all consumer loans originated and purchased in the rated area.  
 \*\* Percentage of Households is based on the 1990 Census Information.

## Table 14. Qualified Investments

QUALIFIED INVESTMENTS									
Geography: TENNESSEE					Evaluation Period: January 1, 2000 to December 31, 2003				
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
F&M Columbia TN AA 1 non-MSA	0	0	102	186	102	186	61.39	0	0
<b>Limited Review:</b>									
F&M Columbia TN AA 2 Pt of MSA 5360	0	0	14	12	14	12	3.96	0	0
<b>Broader Area:</b>									
Statewide/Regional Investments	0	0	1	105	1	105	34.65	1	145

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

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

## Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS Geography: TENNESSEE Evaluation Period: January 1, 2000 to December 31, 2003																		
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population				
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography				
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp	
<b>Full Review:</b>																		
F&M Columbia TN AA 1 non-MSA	97.43	19	95.00	0.00	0.00	0.00	0.00	0	0	0	0	0	0	0.00	0.00	75.15	24.85	
<b>Limited Review:</b>																		
F&M Columbia TN AA 2 Pt of MSA 5360	2.57	1	5.00	0.00	0.00	0.00	0.00	0	0	0	0	0	0	0.00	38.53	61.47	0.00	

# GEOGRAPHY

Demographic Information for Full Scope Area: <b>F&amp;M Columbia TN AA 1 non-MSA</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	40	0.00	0.00	77.50	22.50	0.00
Population by Geography	154,149	0.00	0.00	75.15	24.85	0.00
Owner-Occupied Housing by Geography	42,290	0.00	0.00	75.72	24.28	0.00
Business by Geography	8,394	0.00	0.00	72.87	27.13	0.00
Farms by Geography	566	0.00	0.00	74.73	25.27	0.00
Family Distribution by Income Level	44,172	17.90	15.23	20.98	45.89	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	14,636	0.00	0.00	84.03	15.97	0.00
Median Family Income		24,935	Median Housing Value	49,763		
HUD Adjusted Median Family Income for 2000		41,900	Unemployment Rate (1990			
Households Below Poverty Level		16.77%	US Census)	2.77%		

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 1990 US Census and 2002 HUD updated MFI

## GEOGRAPHY

Demographic Information for Limited Scope Area: <b>F&amp;M Columbia TN AA 2 Pt of MSA 5360</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	8	0.00	50.00	50.00	0.00	0.00
Population by Geography	45,833	0.00	38.53	61.47	0.00	0.00
Owner-Occupied Housing by Geography	12,952	0.00	39.16	60.84	0.00	0.00
Business by Geography	2,441	0.00	37.20	62.80	0.00	0.00
Farms by Geography	96	0.00	46.88	53.13	0.00	0.00
Family Distribution by Income Level	13,117	27.54	20.66	24.37	27.43	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	6,322	0.00	43.47	56.53	0.00	0.00
Median Family Income HUD Adjusted Median Family Income for 2000 Households Below Poverty Level		35,797 61,600 11.96%	Median Housing Value Unemployment Rate (1990 US Census)	75,892 3.34%		

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 1990 US Census and 2002 HUD updated MFI