



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

January 01, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Oneida
Charter Number 8039**

**18418 Alberta Avenue
Oneida, TN 37841**

**Comptroller of the Currency
Nashville
5200 Maryland Way Suite 104
Brentwood, TN 37027**

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

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The major factors that support this rating include:

- The bank's lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area.
- The bank's loan-to-deposit ratio exceeds the standard for satisfactory performance.
- The bank generates a majority of its loans within the defined assessment area.
- The bank meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes.

First National Bank of Oneida, Tennessee is committed to serving the community. This is demonstrated by satisfactory lending performance as described in this Public Disclosure.

DESCRIPTION OF INSTITUTION

The First National Bank of Oneida (FNB) is a community bank headquartered in Oneida, Tennessee. FNB is a Sub-chapter S Corporation. The main bank and drive-in facility are located at 18418 Alberta Avenue in Oneida, Tennessee. FNB operates three full service branches with drive-in facilities at 250 National Drive, Helenwood, Tennessee, Courthouse Square, Huntsville, Tennessee, and Highway 27, Winfield, Tennessee. FNB also operates two proprietary automated teller machines (ATM's). One ATM is located at the main bank and one is located at the Helenwood branch. FNB also has two cash dispensing machines located in Big Johns convenience stores in Oneida and Winfield.

The bank's primary focus is to serve commercial and consumer customers in Scott County. The bank meets these needs by providing traditional loan and deposit products and services, telephone and Internet access, and trust services. FNB also opened a Mortgage Loan Department October 2005 at the main bank, which originates loans that are sold on the secondary market.

As of September 30, 2005, FNB's total assets equaled \$201 million, of which \$155.7 million, or 77.48 percent, were composed of various types of loans to individuals and commercial businesses. Specifically, the bank's loan portfolio consists of the following:

Loan Category	\$ (000)	%
Commercial Real Estate (RE) Loans	68,262	43.83
Residential Real Estate (RE) Loans	52,133	33.48
Consumer Loans	15,071	9.68
Commercial Loans	14,259	9.16
Other Loans	5,839	3.75
Agricultural Loans	161	.10
Total	155,725	100.00

There are no legal or financial impediments to prevent the bank from meeting the credit needs within the assessment area. The bank received a "Satisfactory" rating at the prior CRA examination, dated May 24, 1999.

DESCRIPTION OF THE ASSESSMENT AREA

The assessment area adopted by FNB consists of whole geographies, does not reflect illegal discrimination and does not arbitrarily exclude low- or moderate-income geographies. It meets the requirements of the CRA regulation.

The following demographic and economic characteristics for the assessment area are based on 2000 U.S. Census data.

Demographic Information for Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA * % of #
Geographies (Census Tracts)	5	0%	80.00%	20.00%	0%	0%
Population by Geography	21,127	0%	68.92%	31.08%	0%	0%
Owner-Occupied Housing by Geography	6,279	0%	70.07%	29.93%	0%	0%
Businesses by Geography	1,003	0%	48.06%	51.94%	0%	0%
Farms by Geography	23	0%	69.57%	30.43%	0%	0%
Family Distribution by Income Level	6,053	29.70%	22.70%	21.70%	25.90%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	3,172	0%	72.98%	27.02%	0%	0%
Median Family Income	\$28,401	Median Housing Value 2004		\$ 52,601		
HUD Adjusted Median Family Income for 2004	\$41,900	Unemployment Rate 2004		2.96%		
Households Below the Poverty Level	22.00%					

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 U.S. Census, and 2004 HUD updated MFI.

FNB has defined their assessment area as five contiguous census tracts within Scott County in Northeastern Tennessee. There are no low-income census tracts, but four of the census tracts are moderate-income and one is middle-income. The total population of the assessment area equates to 21,127. Twenty-two percent of the Scott County households are below the poverty level, thirty-five percent are receiving social security and five percent are receiving public assistance.

The local economic conditions are stagnant. Over the past few years there has been a loss of some major manufacturers in the area. The county is actively recruiting new industries and recently found a replacement for one of the empty facilities (Great Dane). The major employers in the Scott County area are Armstrong Flooring, Tennier Industries (government contracts for

supplies) and Scott County school system. The unemployment rate for 2004 in Scott County was 2.96 percent. For the same period, the Tennessee statewide unemployment rate was 5.5 percent and the National unemployment rate was 5.4 percent.

FNB faces strong competition from several branches of financial institutions headquartered outside the assessment area and credit unions.

A community contact was made during the examination to help ascertain the credit needs of the assessment area. It was reported that there is a need for affordable housing and flexible mortgage terms. FNB is involved in community development activities and programs in the area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This review concentrated on the bank’s primary loan products. As of September 30, 2005, the bank’s primary loan products are commercial and residential real estate loans. Therefore, we utilized 2003, 2004 and 2005 originations for these loan types to evaluate the lending performance component.

Loan-to-Deposit Ratio

The bank’s loan-to-deposit (LTD) ratio exceeds the standard for satisfactory performance given the institution’s size, financial condition, and assessment area credit needs. This determination is based on the bank’s quarterly average LTD ratio from June 30,1999 through September 30, 2005 of 84.71 percent. The average quarterly LTD of the twelve banks chartered in Scott, Pickett, Fentress, Morgan, Anderson and Campbell Counties in Tennessee, and McCreary County in Kentucky range from a low of 55.20 percent to a high of 89.77 percent.

Lending in Assessment Area

FNB’s lending in their assessment area meets the standard for satisfactory performance. The majority of the loans are originated in the bank’s assessment area. This conclusion is based on the samples of 24 residential RE loans and 25 commercial RE loans that originated in 2003, 2004 and 2005, as depicted in Table 1.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	21	87.50%	3	12.50%	24	898,596	76.46%	276,611	23.54%	1,175,207
Commercial RE	19	76.00%	6	24.00%	25	2,537,854	64.95%	1,369,840	35.05%	3,907,694
Totals	40	81.63%	9	18.37%	49	3,436,450	67.61%	1,646,451	32.39%	5,082,901

Source: Loan samples.

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

FNB meets the standard for satisfactory performance for lending to borrowers of different incomes and business of different sizes. The following tables represent the distribution of lending based on the sample of 21 residential RE loans and 19 commercial RE loans extended within the assessment area.

As shown in Table 2 below, the number of residential RE loans made, in the bank's assessment area, to low-income families is significantly lower than the percent of low-income assessment area families. However, the number of residential RE loans made to moderate-income families exceeds that of the assessment area demographics.

Table 2 - Borrower Distribution of Residential RE Loans								
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
Residential RE	29.70%	10.53%	22.70%	36.83%	21.70%	42.11%	25.90%	10.53%

Source: Loan sample and U.S. Census data. Income information was not available for 2 loans.

Table 2A below indicates that a majority of both the dollar and number of commercial RE loans sampled were extended, within the assessment area, to small businesses with annual gross revenues of less than \$1 million per year.

Table 2A - Borrower Distribution of Loans to Businesses				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	65.20%	5.39%	29.41%	100%
% of Bank Loans in AA by #	78.95%	21.05%	0%	100%
% of Bank Loans in AA by \$	51.44%	48.56%	0%	100%

Source: Loan sample and U.S. Census data.

Geographic Distribution of Loans

The geographic distribution of loans meets the standard for satisfactory performance. The number of loans extended in the various income tracts is representative of the percentage of the population within those tracts. There is no low-income or upper-income census tracts in the assessment area.

Tables 3 and 3A represent a reasonable and favorable distribution of lending based on the random sample of 21 residential RE loans and 19 commercial RE loans extended within the assessment area.

Residential RE lending in moderate-income census tract is reasonable and only slightly below the percentage of owner occupied housing units located in the moderate-income census tracts in the assessment area.

Table 3 - Geographic Distribution of Residential RE Loans								
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
Residential Real Estate	0%	0%	70.07%	61.90%	29.93%	38.10%	0%	0%

Source: Loan sample and U.S. Census data.

The sample of commercial RE loans reflects very favorable performance based on the number of loans extended in the moderate-income census tracts compared to the percentage of assessment area businesses located in those census tracts.

Table 3A - Geographic Distribution of Loans to Businesses								
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
Business/Farm	0%	0%	48.06%	57.90%	51.94%	42.10%	0%	0%

Source: Loan sample and U.S. Census data.

Responses to Complaints

FNB has not received any complaints about its performance in helping to meet assessment area needs during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.