

PUBLIC DISCLOSURE

September 2, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens First Bank
Certificate Number: 34311**

**1015 Main Street
Wartburg, Tennessee 37887**

**Federal Deposit Insurance Corporation
Division of Supervision and Consumer Protection
Dallas Region – Memphis Area Office
5100 Poplar Avenue, Suite 1900
Memphis, Tennessee**

NOTE: 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.

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 **Citizens First Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **September 2, 2003**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

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

Citizens First Bank (CFB) has demonstrated satisfactory performance in meeting the credit needs of its assessment areas. CFB received a CRA rating of “Satisfactory” during the previous examination dated October 5, 1998.

For this two-office bank, located in eastern Tennessee, examiners reviewed the small bank performance factors: loan-to-deposit ratio, lending inside the assessment areas, lending to borrowers of different incomes, geographic distribution of loans, and response to complaints. The bank received no CRA-related complaints since the previous evaluation, so examiners did not consider this factor in the overall rating. Management requested a review of investments and services to be considered for an “Outstanding” rating; however, sufficient qualifying investments and services were not identified.

Examiners used samples of residential real estate and small business loans to determine the bank’s record of lending inside the assessment areas, lending to borrowers of different incomes and businesses of different sizes, and the geographic distribution of loans. Examiners placed more emphasis on residential real estate loans when arriving at applicable performance factor conclusions, as these loans represent the largest category of loans by dollar volume.

In addition, the institution’s performance under the regulatory criteria was evaluated using performance context information about the institution, the communities in which it operates, and its competitors. Examiners reviewed demographic and economic conditions, the institution’s major business products and strategies, and its financial condition, capacity, and ability to lend in its communities.

of job creation and job cuts by manufacturers, the unemployment rate has remained low compared to national trends. The health services industry provides a source of stability in the Knoxville MSA. Although growth has slowed in recent quarters, the industry has been a consistent source of new jobs. The majority of the industry’s employment comes from several large hospitals operating in the MSA. In the future, because of the MSA’s favorable demographic characteristics, primarily the MSA’s above average share of elderly residents, health services should continue to generate opportunities for job growth.

Unemployment rates have remained relatively level in Anderson County and the Knoxville MSA over the last four years. Both Anderson County and the Knoxville MSA have generally experienced unemployment below State and National averages in the two most recent years. Trends for Anderson County, the Knoxville MSA, the State of Tennessee, and the United States are provided in Table 15.

<i>Table 15 – Unemployment Rates</i>				
<i>Area</i>	<i>June 2003</i>	<i>June 2002</i>	<i>June 2001</i>	<i>June 2000</i>
<i>Anderson County</i>	4.4	3.8	4.9	4.1
<i>Knoxville MSA</i>	3.5	3.5	3.5	3.0
<i>State of Tennessee</i>	5.6	5.4	4.6	4.2
<i>United States</i>	6.5	6.0	4.7	4.1

Major employers in the Knoxville MSA include The University of Tennessee; Covenant Health Alliance; St. Mary’s Health Center; University of Tennessee Medical Center; Clayton Homes; Wal-Mart Stores, Inc.; Baptist Health System of East Tennessee; Dollywood/Dolly’s Splash Country; Denso Manufacturing – Tennessee; and Aluminum Company of America (ALCOA).

Investments and Services

Management requested the review of the bank’s investments and services for consideration for an “Outstanding” CRA rating. Although sufficient qualifying community development investments and services could not be identified to warrant an increase to an “Outstanding” rating, the bank is commended for their efforts in serving additional needs in its assessment areas.

The bank’s qualified investments and services that benefit the assessment areas include the following:

- During the review period, the bank held a qualifying community development investment of \$120,000 in the Senior Housing Crime Prevention Foundation Investment Corporation (SHCPF), a non-profit corporation. This investment provides support to the SHCPF to

support the Senior Crimestoppers Program for low- to moderate-income seniors residing in nursing homes and senior housing residences in Morgan County. This investment was made in February 2002 and will be outstanding through 2005. CFB's investment allows the senior home in Wartburg to participate in the Senior Crimestoppers Program, which has reduced the incidence of crime in the local nursing home in Wartburg. Although the home is located in a middle-income geography, the majority of the homes residents have low- or moderate-incomes.

- Additionally, during 2001, CFB applied for and received grant funds from the Federal Home Loan Bank Affordable Housing Program on behalf of the Appalachia Habitat for Humanity that serves Morgan and Scott Counties. These grant funds were used for the New Home Construction Project during 2001, with six new owner-occupied units built for homeless and special needs families in Morgan and Scott Counties. As part of this program, the bank provided an additional \$1,000 in matching funds to the Appalachia Habitat for Humanity for work done in this project.
- In addition, one bank officer serves as the Treasurer of the Plateau Regional Long Term Recovery Committee, a "Volunteer Organization Aiding in Disaster". The organization was formed following the devastating tornado that occurred in Morgan County in November 2002 and primarily serves low- to moderate-income families that were not made whole by insurance, FEMA, or other sources of aid. Following the devastation of the tornado, the organization assisted these families by repairing or replacing damaged homes, removing debris, and assisting with medical needs.

Although they do not qualify as an investment or service, the bank is also commended for its efforts in community development lending. During the review period, the bank originated four community development loans totaling \$237,747. Funds from these loans were used by a low- and moderate-income housing organization to construct new housing units and make renovations to existing homes in Morgan and Scott County.

Response to Complaints

The bank has received no CRA-related consumer complaints since the last examination.

Compliance with Anti-discrimination Laws and Regulations

No violations of the substantive provisions of the anti-discriminatory laws and regulations were identified during the examination.