

PUBLIC DISCLOSURE

April 12, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**F&M Bank
Certificate Number: 9963**

**50 Franklin Street
Clarksville, Tennessee 37040**

**Federal Deposit Insurance Corporation
Division of Supervision and Consumer Protection
Dallas Region - Memphis Area Office
5100 Poplar Avenue, Suite 1900
Memphis, Tennessee 38137**

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 RATING

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

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

For this evaluation, examiners reviewed those tests and performance factors applicable to intermediate small banks. The institution operates in three assessment areas: the Clarksville Assessment Area, Robertson County Assessment Area, and Wilson County Assessment Area. The Clarksville Assessment Area is comprised of Montgomery and Stewart Counties, which represents the Tennessee portion of the Clarksville, TN-KY metropolitan statistical area (MSA). Robertson and Wilson Counties are located in the Nashville, TN MSA, but they are non-contiguous. The FDIC evaluates intermediate small banks under the Lending and the Community Development Tests.

Lending Test

The lending test evaluates the following five performance factors: net loan-to-deposit ratio, lending in the assessment area, lending to borrowers of different income levels and businesses of different sizes, geographic distribution of loans, and response to complaints about the bank's performance in meeting assessment area credit needs. Since no CRA-related complaints have been received, this factor had no weight in assigning the rating. The bank exhibited the following performance regarding the criteria used to evaluate this test:

- The bank's average net loan-to-deposit ratio of 94.9 percent demonstrated more than reasonable performance given the bank's size, financial condition, and the assessment areas' credit needs. This level of lending depicts strong responsiveness to community credit needs.
- The institution exhibited a satisfactory record of granting loans inside its assessment areas. The bank originated a majority of its loans inside its three assessment areas as shown by the 87.7 percent (by number) and 88.2 percent (by dollar volume) of the home mortgage, small business, and small farm loans reported/collected by the bank during the review period.
- F&M Bank displayed a reasonable record of geographically distributing its loans. The bank displayed adequate geographic distribution in all three of its assessment areas.
- In general, the bank's distribution of borrowers reflects an excellent penetration among individuals of different incomes levels and businesses and farms of different sizes in all three of its assessment areas.

investment in these pools is allocated based on the amount of loans in the pool that are within its designated assessment areas. (Clarksville Assessment Area)

Southern Appalachian Fund L.P. (New Markets Tax Credit Program) – F&M Bank has a \$100,000 investment in this New Markets Tax Credit Program. Southern Appalachian Fund (Fund) is a “qualified community development entity” that invests in qualified low income community businesses. The bank receives tax credits to enhance its investment in the Fund, which in turn facilitates investment by the Fund in areas that benefit a regional area that includes all the bank’s assessment areas. Only six banks in the country participated in this program, which demonstrates the bank’s leadership in identifying new and innovative ways to increase access to equity capital in low-income communities that helps businesses in these areas succeed and create jobs. (A regional area that includes all the bank’s assessment areas)

Qualified Zone Academy Bonds issued by the Tennessee State School Bond Authority – The bank continues to hold a \$500,000 investment in these bonds, which provided funding to rehabilitate or repair public school facilities in qualified zones, established by the Taxpayer Relief Act of 1997. The funds were also used to provide equipment, develop course materials, and train teachers and other school personnel. Several schools in the bank’s assessment areas meet the criteria for qualification under this program. (A state-wide area that includes all the bank’s assessment areas)

Senior Housing Crime Prevention Foundation Investment Corporation– The Bank invested \$208,000 in this program during the evaluation period, and \$350,000 remains as a prior period investment. These investments help fund senior housing crime-stoppers programs, which provide reward money for tips that help solve crimes at nursing homes in three of the bank’s assessment areas. These nursing homes primarily house low- and moderate-income residents. (Targeted to all the bank’s assessment areas)

The Housing Fund of Clarksville (THF) – Bank has made a \$300,000 commitment to invest in this certified Community Development Financial Institution (CDFI). THF provides a flexible source of financing for affordable housing development in Clarksville by providing loans to finance modestly priced housing for persons at or below 80 percent of the area MFI. (Clarksville Assessment Area)

In addition to the \$2,458,000 in major investments listed above, the bank has 48 grants totaling \$204,533 that directly benefit this area. One of the grants was for \$137,500 to Aspire Clarksville Foundation a non-profit organization that has been instrumental in promoting economic development by creating jobs in Clarksville.

Community Development Services

F&M Bank is demonstrating excellent responsiveness to community development needs in this assessment area by providing a substantial number of services that promote economic development and support community services that predominantly benefit low- and moderate-income families and individuals. All of the services meet the definition of “community