

PUBLIC DISCLOSURE

November 7, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Century Bank
Certificate Number: 1700**

**1780 N. Broad Street
P.O. Box 159
Tazewell, Tennessee 37879-9002**

**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 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 **First Century Bank, Tazewell, Tennessee** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **November 7, 2005**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. 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**.
The Lending Test is rated: **Satisfactory**.
The Community Development Test: **Satisfactory**.

First Century Bank (FCB) received a CRA rating of Satisfactory based on the Large Bank performance criteria at its previous FDIC evaluation dated November 18, 2002.

For this evaluation, examiners reviewed those tests and performance factors applicable to intermediate small banks for this 8-office, \$275 million bank headquartered in Tazewell, Tennessee, a portion of the non-metropolitan area of East Tennessee. The institution operates in two assessment areas, the home office non-metropolitan area and the Knoxville, TN Metropolitan Statistical Area (MSA). 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: 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 60.1 percent demonstrated reasonable performance.

COMMUNITY DEVELOPMENT TEST

Community Development Lending

First Century Bank granted a good level of community development loans. Table 1 in Appendix C shows the bank granted 7 community development loans totaling nearly \$1.5 million in this assessment area. Management maintains contact with various community-based organizations to maintain an awareness of community development opportunities.

The bank originated four loans totaling \$316,000 to meet affordable housing needs in the area. FCB also originated two loans totaling \$1.1 million to assist in the revitalization and stabilization of the Clinch-Powell Enterprise Community. Finally, the bank originated one loan for \$65,000 for the purchase of an ambulance for Hancock County and to further the goals of the Clinch-Powell Enterprise Community.

Community Development Investments

FCB exhibited adequate performance in this assessment area regarding community development investments. A reasonable dollar volume of qualified investments and the resulting impact on this assessment area supports this conclusion.

The bank invested \$791,000 in the Senior Housing Crime Prevention Foundation during 2004 to support the Senior Crimestoppers Program in two local nursing homes. Both of these nursing homes are located in the Clinch-Powell Enterprise Community, with one of them located in this assessment area. The Non-MSA assessment area is afforded 63.5 percent of this investment, or \$502,285, based on the proportionate share of the total beds in these two nursing homes that are located in this area. Additionally, qualified grants in this assessment amounted to \$36,000 during 2004 and 2005, the time frame in which the bank has been maintaining records. This level of investments in this area amounts to 0.19 percent of average assets, 2.12 percent of average total equity capital, and 7.12 percent of aggregate net income since the last evaluation. Relative to the opportunities in the bank's assessment area and the institution's capacity for investments, these levels reflect adequate performance.

These investments adequately respond to community development needs of the area since the majority involves organizations that provide community-based educational, health, or social services targeted to low- and moderate-income individuals. Some of the donations also benefit organizations involved in affordable housing.

Community Development Services

FCB displayed a good record regarding community development services. A good record of providing community development services combined with adequate retail banking services supports this conclusion.

Considering the number of offices and employees that the bank has in this assessment area and the available opportunities, FCB provides a good level of community development

except again on Friday when all are open until 6 p.m. None of the offices are open for business on Saturday. These business hours are adequate, but do present some limitations to the accessibility of the offices to the residents of the area.

The bank provides a number of alternative delivery systems. The bank operates six ATMs in this assessment area. Three offices in this area are equipped with full-service ATMs, including the Sneedville office, which is the only office located in a moderate-income census tract. These full-service ATMs are capable of paying cash, receiving deposits, and making transfers twenty-four hours a day. The bank also has three off-site full-service ATMs in this assessment area. They are located in the Claiborne County Hospital in Tazewell and two retail shopping centers in New Tazewell. All of these ATMs, except for Sneedville, are located in middle-income census tracts.

In addition, the bank offers 24-hour telephone banking, which permits customers to make inquiries regarding their deposit and savings accounts, transfer funds between accounts, and make loan payments from these accounts. Additionally, the bank offers information and transactional banking through its website at www.fcbtn.com.

CONCLUSIONS REGARDING THE KNOXVILLE MSA ASSESSMENT AREA

Lending Test

The bank's performance under the lending test in this assessment area was substantially similar to its performance in the Non-MSA assessment area that received a full-scope review. The bank's geographic distribution of loans reflects excellent dispersion throughout this assessment area. The record of lending in moderate-income geographies reflects excellent penetration rates, with HMDA rates that exceed the aggregate lenders' standards by 530 percent with increasing trends into 2004 and 2005. The bank's record of originating small business and small farm loans in the moderate-income tracts during 2004 also significantly exceed the standards set by the aggregate lenders that year, with improving trends during 2005. The bank's distribution of borrowers reflects, given the demographics of the area, reasonable penetration among retail customers of different income levels and business customers of different sizes. All three lending products reviewed had performance levels that slightly trailed the levels established by the aggregate lenders, with generally improving trends. The tables in Appendix C of this evaluation contain detailed analyses of each of the performance factors summarized above.

Community Development Test

Nine community development loans for almost \$4.2 million were made during 2004 and 2005, the time frame in which the bank has been maintaining these records. These loans support affordable housing initiatives and the revitalization/stabilization of moderate-income tracts in the assessment area. This level of community development lending represents excellent performance in this assessment area.

The bank's qualified investments in the Knoxville MSA assessment area were lower than its qualified investments in the Non-MSA area. In this assessment area, the bank had \$293,715

in qualified grants and investments during the review period. These investments are comprised of \$288,715 of the Senior Housing Crime Prevention Foundation investment and approximately \$5,000 in qualified grants.

The bank provides a good level of community development services in this assessment area, similar to its performance in the Non-MSA assessment area. In addition, the bank's offices and services are reasonably accessible to residents of the assessment area, including the LMI areas and residents. The reasonableness of business hours in this assessment area is considered adequate. The bank has not opened or closed any branches in this assessment area since the previous evaluation.

RESPONSE TO COMPLAINTS

There were no complaints received relating to the institution's CRA performance since the previous evaluation.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices were identified during the examination.