

PUBLIC DISCLOSURE

December 8, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens City & County Bank

34399

**100 West Armory
Trenton, Tennessee 38382**

**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.

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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 City & County Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **December 8, 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.

The bank's CRA performance depicts a satisfactory practice of providing for the credit needs of its assessment area. The following supports the bank's rating:

- A majority of bank loans were originated within the institution's defined assessment area.
- An analysis of loan originations revealed an excellent record of residential real estate lending to low- and moderate-income borrowers. A substantial majority of the bank's small business/agriculture loans were to small businesses and farms, which are defined as those businesses or farms with gross annual revenues of \$1 million or less.
- Overall, the geographic distribution of the bank's residential real estate and small business/agriculture lending reflects reasonable dispersion throughout the assessment area, based upon the demographics of the assessment area geographies, the absence of low-and moderate-income geographies, and the competition within the assessment area.
- The bank's lending levels, represented by a 74 percent average net loan-to-deposit ratio, are considered reasonable, given the institution's size, financial condition, and assessment area credit needs.

DESCRIPTION OF INSTITUTION

Citizens City & County Bank was established in 1997 and is a \$26 million community bank located in Trenton, Tennessee. The institution is approximately 100 miles northeast of Memphis, Tennessee. The bank's facilities consist of one main office improved with drive-up teller facilities. The institution offers reasonable hours of operation and is located in a middle-income block numbering area (BNA). The bank does not operate any branches or automated teller machines (ATMs) and is not affiliated with a holding company. There has not been any merger or acquisition activity noted.

The bank's major asset categories as of September 30, 2003, were net loans at \$18.8 million (73%) and securities and federal funds sold at \$3.5 million (14%). The remaining 13 percent of assets was comprised primarily of cash, premises, other assets, and other real estate owned.

The loan portfolio consisted of the following loan types, as of September 30, 2003.

LOAN TYPE	AMOUNT	PERCENT
Construction and Land Development	115,000	0
Farmland	3,924,000	20
1-4 Family Residential	4,597,000	24
Multifamily (5 or more) Residential	0	0
Commercial (nonfarm, nonresidential)	2,227,000	12
Total Real Estate Loans	\$10,863,000	56
Agricultural Production	3,015,000	16
Commercial and Industrial	1,445,000	8
Consumer	3,903,000	20
Other	12,000	0
Total Loans	\$19,238,000	100
(Less Allowance for loan and lease losses)	383,000	N/A
(Less Unearned income)	0	N/A
Net Loans	\$18,855,000	N/A

Source: Consolidated Report of Condition

As depicted in the above table, the bank's loan portfolio is relatively diversified. Residential real estate loans comprise 24 percent of the portfolio, while commercial-related loans (construction/land development, non-farm non-residential, and commercial/industrial loans) compose 20 percent, agricultural-related loans (farmland and agricultural production) comprise 36 percent, and consumer loans (i.e. unsecured, automobile, etc.) account for 20 percent. Other than competition, there are no known circumstances or legal impediments, which would hinder the bank's performance under the Community Reinvestment Act.

DESCRIPTION OF GIBSON COUNTY, TENNESSEE

The bank's defined assessment area encompasses six block numbering areas (BNAs) within Gibson County. These BNAs consist of 9660, 9662, 9663, 9664, 9667, and 9668, which are all middle-income geographies. The towns of Trenton, Dyer, and Bradford are located within these geographies.

The assessment area is generally rural in nature with an economy dependent upon agriculture, services, and manufacturing. Major employers in the bank's assessment area include Tecumseh Products Company (200 employees) and Quebecor World Inc., (130 employees) according to Dun & Bradstreet. The unemployment rate for Gibson County in the second quarter of 2003 (latest figures available) was 9.5 percent respectively, compared to 5.0 percent for the State of Tennessee. A local community contact indicated that the assessment area's economy is stagnant with credit needs consisting of general-purpose consumer and affordable housing loans.

Financial competition within the assessment area is relatively strong and consists of commercial institutions located within the assessment area as well as branches of larger regional banks.

The following table details selected demographic and housing information regarding the assessment area.

Population	Households (HH)	Families	Housing Units: % Owner Occupied	Housing Units: % Renter Occupied	HH % Public Assistance	Families % Below Poverty
22,068	8,991	6,340	69	24	4	8

Source: 2000 U.S. Census

The 2000 Tennessee Statewide Non-MSA Median Family Income (MFI) of \$37,145 was used for calculations, concerning geographic distribution. The following table displays the income levels, percent of MFI used to determine ranges, and the income ranges.

INCOME LEVEL	PERCENTAGE OF MFI	1990 RANGE
Low	Less than 50%	Less than \$18,572
Moderate	50% to less than 80%	\$18,572 to less than \$29,716
Middle	80% to less than 120%	\$29,716 to less than \$44,574
Upper	120% and over	\$44,574 and over

Based on the above data, all six of the BNAs within the bank's assessment area are considered middle-income. The bank's main office is located in BNA 9667.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's lending performance evaluation is based upon a review of the bank's residential real estate, small business and agriculture loans originated between December 3, 2002, and December 5, 2003. The residential real estate loan sample consisted of 30 loans totaling \$1,284,676 from a universe of 60 loans totaling \$2,707,244. Small business loans reviewed consisted of 25 loans totaling \$1,009,986 from a universe of 51 loans totaling \$3,547,359. Also, agriculture loans sampled consisted of 29 loans totaling \$2,098,838 from a universe of 73 loans totaling \$5,642,715. A local community leader was interviewed during the evaluation to obtain current information concerning the assessment area.

Lending in Assessment Area

As illustrated in the following tables, the bank originates a majority of its loans within the assessment area.

As depicted below, 83 percent by number and 80 percent by dollar amount of the bank's residential real estate loans were originated in the assessment area.

RESIDENTIAL REAL ESTATE LOANS				
LOCATION	NUMBER	PERCENT	AMOUNT	PERCENT
Inside Assessment Area	25	83	1,026,753	80
Outside Assessment Area	5	17	257,923	20
TOTAL	30	100	\$1,284,676	100

Source: Bank Files

The following tables indicate that 80 percent by number and 93 percent by dollar amount of the bank's small business loans as well as 76 percent by number and 87 percent by dollar amount of the bank's agriculture loans were originated in the assessment area.

SMALL BUSINESS LOANS				
LOCATION	NUMBER	PERCENT	AMOUNT	PERCENT
Inside Assessment Area	20	80	942,275	93
Outside Assessment Area	5	20	67,711	7
TOTAL	25	100	\$1,009,986	100

Source: Bank Files

AGRICULTURE LOANS				
LOCATION	NUMBER	PERCENT	AMOUNT	PERCENT
Inside Assessment Area	22	76	1,828,100	87
Outside Assessment Area	7	24	270,738	13
TOTAL	29	100	\$2,098,838	100

Source: Bank Files

Based on the fact that an overall total of 80 percent by number and 86 percent by dollar amount of the bank's loans reviewed were inside the assessment area, the bank's lending in the assessment area is considered reasonable.

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

Overall, the bank exhibits an excellent record of lending to borrowers of different incomes and to businesses of different sizes.

The 2003 HUD estimated Tennessee statewide Non-MSA Median Family Income of \$39,800 was used for the borrower distribution analysis. The following table provides information on how each income level is defined.

INCOME LEVEL	PERCENTAGE OF MFI	2003 INCOME RANGE
Low	Less than 50%	Less than \$19,900
Moderate	50% to less than 80%	\$19,900 to less than \$31,840
Middle	80% to less than 120%	\$31,840 to less than \$47,760
Upper	120% and over	\$47,760 and over

The following table reflects the lending distribution of the residential real estate loans reviewed. For comparative purposes, the table includes the percentage of families within each income level. The analysis only includes the loans that were originated within the assessment area.

RESIDENTIAL REAL ESTATE LOANS					
BORROWER INCOME LEVEL	PERCENT OF FAMILIES	NUMBER	PERCENT	DOLLAR AMOUNT	PERCENT
Low	16	4	16	138,269	14
Moderate	19	6	24	309,799	30
Middle	22	4	16	93,313	9
Upper	43	11	44	485,372	47
TOTAL	100	25	100	\$1,026,753	100

Source: 2000 U.S. Census and Bank Files

The bank's total residential real estate lending by number and dollar amount (40% and 44%) to low- and moderate-income families exceeds the percentage of families (35%) within the assessment area. Lending to low-income borrowers (16%) mirrored area demographics (16%). Furthermore, moderate-income lending at 24 percent exceeded demographics indicating 19 percent.

The following tables depict the bank's small business and agriculture lending within the assessment area to businesses and farms of different sizes. For comparative purposes, the tables include the percentage of businesses and farms within each gross revenue level according to Dun & Bradstreet data.

SMALL BUSINESS LOANS					
GROSS REVENUES	PERCENT OF FARMS/ BUSINESSES	NUMBER	PERCENT	DOLLAR AMOUNT	PERCENT
Less than \$500,000	79	19	95	922,200	98
\$500,00 to \$1,000,000	3	0	0	0	0
Over \$1,000,000	5	1	5	20,075	2
Revenues not reported	13	NA	NA	NA	NA
TOTAL	100	20	100	\$942,275	100

Source: Dun & Bradstreet and Bank Files

AGRICULTURE LOANS					
GROSS REVENUES	PERCENT OF FARMS/ BUSINESSES	NUMBER	PERCENT	DOLLAR AMOUNT	PERCENT
Less than \$500,000	79	19	86	1,322,113	72
\$500,00 to \$1,000,000	3	0	0	0	0
Over \$1,000,000	5	3	14	505,987	28
Revenues not reported	13	NA	NA	NA	NA
TOTAL	100	22	100	\$1,828,100	100

Source: Dun & Bradstreet and Bank Files

As the above data reveals, the bank's lending to small businesses and farms (i.e. businesses and farms with gross annual revenues of \$1 million or less) is good. In fact, 95 percent of the bank's small business lending by number and 98 percent by dollar were made to small businesses. This lending is very favorable to the economic demographics of the assessment area which indicate that approximately 82 percent of local businesses and farms have revenues of \$1 million or less. Also, the bank's agriculture lending indicates that 86 percent by number and 72 percent by dollar amount was originated to small farms and agriculture-related businesses. These agriculture percentages also exceed the economic demographics of 82 percent. In addition, based on information obtained recently from a community contact, small business financing is needed in the assessment area. By making a large percentage of its loans to small businesses and farms, Citizens City & County Bank is helping to address these financing needs.

Geographic Distribution of Loans

The bank has a reasonable geographic distribution of loans, considering the location of its banking office, banking competition, and the demographics of the assessment area.

The geographic distribution analysis is typically designed to analyze the bank's lending in various income geographies including low- and moderate-income areas. Since the bank's assessment area consists of only middle-income geographies, the geographic distribution analysis receives less emphasis in the bank's overall CRA rating and will not be shown in table format.

Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio is approximately 74 percent. This ratio is based on the 17 quarters since the last FDIC CRA evaluation as of July 27, 1999. However, the bank's net loan-to-deposit ratio as of September 30, 2003 indicated 80 percent.

Based on local competition, there are no similarly situated banks in terms of size, asset structure, branching network, and loan products; however, nearby institutions had average net loan-to-deposit ratios ranging from 62 to 91 percent over the same 17-quarter time frame. Considering the above factors, the bank's overall level of lending is considered reasonable.

Response to CRA-Related Complaints

The bank did not receive any CRA-related complaints since the previous 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 evaluation.