

PUBLIC DISCLOSURE

August 31, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Farmers and Merchants Bank
816 South Garden Street
Columbia, Tennessee 38401**

RSSD ID NUMBER: 150035

**FEDERAL RESERVE BANK OF ATLANTA
1000 Peachtree Street, N.E.
Atlanta, Georgia 30309-4470**

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 the 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

INSTITUTION'S CRA RATING: OUTSTANDING

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

The following table indicates the performance level of First Farmers and Merchants Bank with respect to the lending and community development tests.

PERFORMANCE LEVELS	<u>First Farmers and Merchants Bank</u>	
	PERFORMANCE TESTS	
	Lending Test	Community Development Test
Outstanding		x
Satisfactory	x	
Needs to Improve		
Substantial Noncompliance		

**Note: The lending test and the community development test are weighted equally when arriving at an overall rating

Major factors supporting the institution's rating include:

- The bank's loan-to-deposit ratio was reasonable.
- A substantial majority of loans were made in the assessment areas.
- The geographic distribution of HMDA and commercial loans reflects reasonable dispersion given the bank's market presence in the assessment areas.
- The distribution of lending by borrower income and business size reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- Given the bank's business market focus, the level of community development investments, loans, and services reflects excellent responsiveness to community development needs in its assessment areas.
- The institution has received no CRA-related complaints.

Summary of Community Development Activities										
	Loans		Investments				Contributions		Services	
			Prior Period		Current Period					
	#	\$ ('000s)	#	\$ ('000s)	#	\$ ('000s)	#	\$ ('000s)	#	Hours
Assessment Areas										
Nashville	5	6,620	--	--	--	--	50	117	13	232
Middle Tennessee	6	9,273	--	--	--	--	67	82	24	733
Both AAs	2	1,600	2	1,296	1	1,050	9	49	1	100
Outside AAs	1	1,000							--	--
Total	14	18,493	2	1,296	1	1,050	126	248	38	1,065

The bank engaged in several activities that benefited the bank’s entire footprint. Most notably, the bank holds investments of about \$2.4 million that benefit both of the bank’s assessment areas. During the review period, the bank invested \$1.5 million in a qualified CRA investment fund that invested in a Low-Income Housing Tax Credit (LIHTC) project and bonds backed by mortgages for low- and moderate-income homeowners in the bank’s assessment areas. The bank pledges 1.0 percent of the dividend income from this bond to the Senior Housing Crime Prevention Foundation Senior Crimestopper’s program. This program is designed to reduce and/or prevent the occurrence of crime in long-term and senior housing communities. Additionally, the bank holds a prior period investment of \$1.25 million in a Tennessee Housing Development Agency (THDA) bond, which provides affordable mortgages for first time homeowners. Lastly, the bank has a prior investment in a SBIC, which provides small business financing.

More detail on the bank’s community development performance in each assessment area is included in the subsequent sections of the report.

RESPONSIVENESS TO SUBSTANTIATED COMPLAINTS

The bank has not received any CRA-related complaints since the previous evaluation.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of prohibited discrimination or the use of other illegal credit practices was noted during the examination. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations.