



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**June 06, 2007**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Columbia  
Charter Number 6769**

**224 South Public Square  
Columbia, KY 42728**

**Comptroller of the Currency  
Louisville Field Office  
9200 Shelbyville Road, Suite 505  
Louisville, KY 40222**

**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'S CRA RATING:**

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The First National Bank of Columbia, Columbia, Kentucky** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 6, 2007**. The agency rates CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**This institution is rated Satisfactory.**

Major Conclusions:

- The average loan-to-deposit ratio is satisfactory, considering the bank's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending-related activities are in the bank's assessment area.
- The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion, given the community's credit needs and demographics in relation to the bank's location and capacity to lend. There were no conspicuous gaps in lending.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Columbia (FNB) is a full-service intrastate bank headquartered in Columbia, Kentucky. As of March 31, 2007, the bank had \$172 million in total assets, \$151 million in deposits, \$106 million in loans, and \$20 million in Tier One capital. Controlling interest in the bank is held by Albany Bancorp, Inc. (100 percent owned), a two-bank holding company located in Albany, Kentucky, with total assets of approximately \$421 million as of March 31, 2007. The bank offers traditional banking products and services in addition to Kentucky Housing Loans. The bank has three locations: the main office in Columbia, one branch in Columbia, and one branch in Burkesville. FNB has five Automated Teller Machines (ATMs) with one located at each branch office, one at a drive-in facility in Columbia, one in Marrowbone, and one at Lindsey Wilson College. The bank is accessible to all segments of the community.

The bank's primary lending focus is on home mortgage loans and consumer loans. FNB also makes small loans to businesses and farms in the area. As of March 31, 2007, net loans represented approximately 60 percent of the bank's assets. The loan portfolio mix is as follows: 1-4 family residential mortgages 37 percent, business-related loans 27 percent, farm or farm-related loans 25 percent, consumer loans 9 percent, and other loans 2 percent.

There are no legal or financial circumstances that impact the bank's ability to meet community credit needs. The last CRA evaluation was performed on March 18, 2002. The bank received a rating of Satisfactory.

## **DESCRIPTION OF ADAIR AND CUMBERLAND COUNTIES**

FNB has identified Adair and Cumberland Counties as its assessment area (AA) for CRA purposes. The AA delineation is in conformance with the regulatory requirements of CRA and appears appropriate in relation to the location of the bank's offices. The delineation of the AA does not arbitrarily exclude any low- or moderate-income areas.

The AA includes both counties in their entirety, which is located in the non-metropolitan portion of the state of Kentucky. The 2000 U.S. Census divided the AA into eight census tracts (CTs), with one moderate-income geography and seven middle-income geographies. There are no low- or upper-income CTs in the AA.

Adair and Cumberland Counties are rural counties in South Central Kentucky with a total population of 24,391 according to the 2000 U.S. Census. That number has risen to approximately 24,696 in 2007. The 2000 population of the AA was comprised of 9,691 households, of which 4,744, or 49 percent, are considered to have low- or moderate-incomes. In addition, the percentage of households in the AA living below the poverty level is approximately 25 percent. Other significant factors to consider include: 5 percent of the households receive public assistance and 33 percent are on social security.

Adair and Cumberland Counties both have unemployment levels higher than the state average (6.4 percent and 7.7 percent, respectively, versus 5.3 percent as of March 2007). The AA is rural and has seen several business closings in recent years. Major employers are the Adair County Board of Education, Cumberland County Board of Education, and Lindsey Wilson College.

The bank's major competition in and around the Adair and Cumberland County area consists of other banks and finance companies. Competition is moderate and many financial institutions service the AA. According to the Federal Deposit Insurance Corporation (FDIC) website, six banks with 11 offices operate in these counties. These offices hold a combined total of \$396 million in deposits, as of June 30, 2006. FNB has a 37 percent market share which is the largest in the AA. The competition includes two regional banks with total deposits ranging from \$813 million to \$2 billion and three community banks with total deposits ranging from \$58 million to \$103 million.

This CRA evaluation covers the time period of April 1, 2002 to March 31, 2007 and the testing period covers January 1, 2005 to March 31, 2007. Our analysis of the geographic and borrower distribution of loans compares loans originated during the testing period to the 2000 U.S. Census demographic information. The income level designations used in the analysis of the home mortgage loans are based on the Department of Housing and Urban Development (HUD) estimate of the Kentucky 2005, 2006, and 2007 Median Family Incomes for a non-metropolitan area.

A community contact familiar with the area's credit needs indicated all local banks are active in the community and are very willing to provide financing for potential projects. The contact did not identify any credit needs in the AA that were not being addressed by the banks or through other sources.

The following additional demographic information covering the bank's AA of Adair and Cumberland Counties is based on 2000 census data unless otherwise noted.

Type of Information	AA	
Total Population in AA	24,391	
Kentucky HUD Adjusted Median Family Income -- 2005	\$38,400	
Kentucky HUD Adjusted Median Family Income – 2006	\$39,300	
Kentucky HUD Adjusted Median Family Income – 2007	\$39,100	
Families in AA:		
Income Levels of Families	#	%
Low	1,664	24
Moderate	1,378	20
Middle	1,349	20
Upper	2,434	36
Total Families within AA	6,825	100
Median Home Value:	\$55,076	
Median Year Built:	1974	
Farms in AA:		
	#	%
Under \$1 Million Revenue	145	98
Over \$1 Million Revenue	1	1
Revenue Not Reported	2	1
Total	148	100
Businesses in AA:		
	#	%
Under \$1 Million Revenue	861	42
Over \$1 Million Revenue	59	3
Revenue Not Reported	1,134	55
Total	2,054	100

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

First National Bank's loan-to-deposit ratio indicates a reasonable level of lending activity given FNB's size, financial condition, and AA credit needs. The bank's average net loan-to-deposit ratio for the twenty quarters since the last CRA evaluation is 84 percent. The loan-to-deposit ratio has decreased since the last CRA evaluation and as of December 31, 2006 was 72 percent.

The OCC identified one other bank considered similarly situated and comparable to FNB in asset and deposit size, major lending products, and number of offices operating in the AA. Although this bank has a slightly higher average loan-to-deposit ratio during the same period, FNB's lending responsiveness to community credit needs is considered satisfactory given the relatively good economic conditions and the level of competition in the AA. FNB's current loan-to-deposit ratio is lower than its national peer group, which is 80 percent.

Institution	Average
First National Bank	83.89%
Bank #1	89.71%

### Lending in Assessment Area

A majority of loans and other lending-related activities are in FNB's AA. The analysis shows 78 percent of the number and 74 percent of the dollar amount of loan originations were to borrowers inside the AA. To reach this conclusion, the OCC analyzed the bank's lending activity by selecting a random sample of 30 residential, 30 farm, and 30 business loans originated between January 1, 2005 and March 31, 2007. See the following table for details.

Loan Originations Between January 1, 2005 and March 31, 2007										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
						(000's)		(000's)		
Residential	22	73	8	27	30	\$ 952	64	\$ 524	36	\$ 1,476
Farm	27	90	3	10	30	\$ 1,666	75	\$ 552	25	\$ 2,218
Business	21	70	9	30	30	\$ 1,681	80	\$ 427	20	\$ 2,108
<b>Totals</b>	70	78	20	22	90	\$ 4,299	74	\$ 1,503	26	\$ 5,802

\* Source: Random sample of residential real estate, farm, and business loans originated between January 1, 2005 and March 31, 2007.

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

The distribution of loans, given the demographics of the AA, reflects reasonable penetration among individuals of different income levels (including low- and moderate-income borrowers) and farms and businesses of different sizes. To reach this conclusion, the OCC analyzed the bank's lending activity for each of the bank's primary loan types and selected a random sample of 30 1-4 family residential mortgages, 30 farm loans, and 30 business loans originated between January 1, 2005 and March 31, 2007. See the following tables for details.

Table INC-1 1-4 Family Residential Loans shows the percentage of FNB's residential loans to low-income borrowers is lower than the demographic comparator but exceeds the demographic comparator to moderate-income borrowers. FNB's residential mortgage lending performance is reasonable given the credit needs of the AA.

Table INC-4 Farm Loans indicates the percentage of FNB's farms loans extended to farms considered small in size (revenues under \$1 million) exceeds the percentage of farms in the AA with revenues under \$1 million. Of the total number of farm loans sampled, 100 percent were to small farms. Demographics indicate 98 percent of farms in the AA have revenues less than \$1 million. FNB's lending performance to farms is excellent considering the demographic comparator.

Table INC-3 Business Loans indicates the percentage of FNB's business loans extended to businesses considered small in size (revenues under \$1 million) exceeds the percentage of businesses in the AA with revenues under \$1 million. Of the total number of business loans sampled, 93 percent were to small businesses. Demographics indicate 42 percent of all businesses in the AA have revenues less than \$1 million. However, in this AA the percentage of businesses with unreported revenue is high at 55 percent. FNB's business lending performance is reasonable considering the demographic comparator.

**Table INC-1 1-4 Family Residential Loans**

<b>1-4 FAMILY RESIDENTIAL LOANS</b>					
<b>Borrower Income Level</b>	<b>Loan Originations Between Jan 1, 2005 and Mar 31, 2007</b>				<b>Percentage of Families within each Income Category</b>
	<b>Number of Loans</b>	<b>Percentage of Loans</b>	<b>Dollar Amt of Loans \$ (000's)</b>	<b>Percentage of Dollars</b>	
<b>Low</b>	3	10%	\$ 137	11%	24%
<b>Moderate</b>	9	30%	\$ 227	19%	20%
<b>Middle</b>	11	37%	\$ 326	27%	20%
<b>Upper</b>	7	23%	\$ 521	43%	36%
<b>Total</b>	30	100%	\$1,211	100%	100%

\* Source: Randomly selected sample of 1-4 family residential loans originated within the bank'sAA.

\*\* Further segmentation of home mortgage lending activity by purpose was not available from the data used for this analysis.

**Table INC-2 Farm Loans**

<b>FARM LOANS</b>					
<b>Farm Income Level in Revenues</b>	<b>Loan Originations Between Jan 1, 2005 and Mar 31, 2007</b>				<b>Percentage of Farms in the AA</b>
	<b>Number of Loans</b>	<b>Percentage of Loans</b>	<b>Dollar Amt of Loans \$(000's)</b>	<b>Percentage of Dollars</b>	
<b>&lt; \$1 Million</b>	30	100%	\$2,151	100%	98%
<b>&gt; \$1 Million</b>	0	0%	\$ 0	0%	1%
<b>Not Reported</b>	0	0%	\$ 0	0%	1%
<b>Total</b>	30	100%	\$2,151	100%	100%

\* Source: Randomly selected sample of farm loans originated within the bank'sAA.

**Table INC-3 Business Loans**

<b>BUSINESS LOANS</b>					
<b>Business Income Level in Revenues</b>	<b>Loan Originations Between Jan 1, 2005 and Mar 31, 2007</b>				<b>Percentage of Businesses in the AA</b>
	<b>Number of Loans</b>	<b>Percentage of Loans</b>	<b>Dollar Amt of Loans \$(000's)</b>	<b>Percentage of Dollars</b>	
<b>&lt; \$1 Million</b>	28	93%	\$2,210	13%	42%
<b>&gt; \$1 Million</b>	2	7%	\$ 343	87%	3%
<b>Not Reported</b>	0	0%	\$ 0	0%	55%
<b>Total</b>	30	100%	\$2,553	100%	100%

\* Source: Randomly selected sample of commercial loans originated within the bank's AA.

**Geographic Distribution of Loans**

The overall geographic distribution of loans reflects reasonable dispersion throughout the AA. FNB's lending activity extends throughout the AA. Based on random sampling, management has originated loans in all eight of the CTs which comprise the AA. We did not note any conspicuous gaps in lending. To reach this conclusion, the OCC analyzed the bank's lending activity of loans for each of the bank's primary loan types. The primary loan types for this analysis included 1-4 family residential mortgages (both purchase and refinance), farm loans, and business loans. See the tables below for details.

Table GEO-1 1-4 Family Residential Loans shows FNB has reasonable dispersion in originating residential loans in the moderate-income census tract. This geography contains 12 percent of residences in the AA. The loans reviewed for FNB showed 7 percent of the number and 2 percent of the dollar amount of the residential loans were made to borrowers located in the moderate-income census tract.

Table GEO-2 Farm Loans shows FNB has excellent dispersion in making farm loans in the moderate-income census tracts. This geography contains 19 percent of all farms in the AA. The loans reviewed for FNB showed 23 percent of the number and 10 percent of the dollar amount of the farm loans were made to borrowers located in the moderate-income census tract.

Table GEO-3 Business Loans shows FNB has excellent dispersion in making business loans in the moderate-income census tracts. This geography contains 8 percent of all businesses in the AA. The loans reviewed for FNB showed 10 percent of the number and 3 percent of the dollar amount of the business loans were made to borrowers located in the moderate-income census tract.



**Table GEO-1 1-4 Family Residential Loans**

<b>Geographic Distribution of 1-4 Family Residential Loans                      By Geography Income Designation                      Originated Between January 1, 2005 and March 31, 2007</b>					
<b>Income Level                      of Census                      Tracts</b>	<b>1-4 Family Residential Loans</b>				<b>Distribution of                      Owner                      Occupied                      Housing</b>
	<b>Number of                      Loans</b>	<b>Percentage                      of Loans</b>	<b>Dollars                      \$(000's)</b>	<b>Percentage                      of Dollars</b>	
<b>Moderate</b>	2	7%	\$ 21	2%	12%
<b>Middle</b>	28	93%	\$ 1,190	98%	88%
<b>Total</b>	30	100%	\$ 1,211	100%	100%

\* Source: Randomly selected sample of 1-4 family residential loans originated within the bank's AA.

\*\* Further segmentation of home mortgage lending activity by purpose was not available from the data used for this analysis.

**Table GEO-2 Farm Loans**

<b>Geographic Distribution of Farm Loans                      By Geography Income Designation                      Originated Between January 1, 2005 – March 31, 2007</b>					
<b>Income Level                      of Census                      Tracts</b>	<b>Farm Loans</b>				<b>Distribution of                      Farms in the                      AA</b>
	<b>Number of                      Loans</b>	<b>Percentage                      of Loans</b>	<b>Dollars                      \$(000's)</b>	<b>Percentage                      of Dollars</b>	
<b>Moderate</b>	7	23%	\$ 218	10%	19%
<b>Middle</b>	23	77%	\$1,933	90%	81%
<b>Total</b>	30	100%	\$2,151	100%	100%

\* Source: Randomly selected sample of farm loans originated within the bank's AA.

**Table GEO-3 Business Loans**

<b>Geographic Distribution of Business Loans                      By Geography Income Designation                      Originated Between January 1, 2005 – March 31, 2007</b>					
<b>Income Level                      of Census                      Tracts</b>	<b>Business Loans</b>				<b>Distribution of                      Businesses in                      the AA</b>
	<b>Number of                      Loans</b>	<b>Percentage                      of Loans</b>	<b>Dollars                      \$(000's)</b>	<b>Percentage                      of Loans</b>	
<b>Moderate</b>	3	10%	\$ 63	3%	8%
<b>Middle</b>	27	90%	\$2,378	97%	92%
<b>Total</b>	30	100%	\$2,441	100%	100%

\* Source: Randomly selected sample of commercial loans originated within the bank's AA.

**Responses to Complaints**

FNB has not received any complaints about its performance in helping meet AA credit needs during this evaluation period.

**Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.