



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 29, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens National Bank
Charter No. 21805**

**575 N. Carol Malone Blvd
Grayson, Kentucky 41143**

Office of the Comptroller of the Currency

**Central District Office
One Financial Place, Suite 2700
Chicago, Illinois 60605**

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 **Citizens National Bank** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 30, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

Citizens National Bank exhibits a satisfactory performance record. This rating is supported by:

- A substantial majority of the real estate loans, small business, and small farm loans sampled were within the bank's assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- Of the small business and farm loans sampled, 81% were made to businesses and farms with revenues less than \$100,000.

The following table indicates the performance level of Citizens National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>CITIZENS NATIONAL BANK</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Citizens National Bank (CNB) is a \$15 million financial institution with its only office located in Grayson, Carter County, Kentucky. The office is located in a middle income block numbering area (BNA). The main office also has a drive-up facility.

CNB's primary business focus is lending to individuals (residential real estate and installment loans) and small businesses. They offer a variety of lending products to accommodate borrowers within their assessment area (AA). At March 31, 1997, the loan portfolio consisted of the following loan types:

	VOLUME (in 000's)	% OF GROSS LOANS
Residential Real Estate	2,861	38%
Commercial Real Estate	1,143	15%
Secured by Farmland	129	2%
Commercial Loans	1,923	25%
Individual Loans	1,296	17%
Agricultural Loans	121	2%
Other Loans	107	1%

There are no financial or legal impediments that affect the bank's ability to help meet the credit needs of its AA. CNB's CRA rating as of December 31, 1994 was "Satisfactory Record of Meeting Community Credit Needs."

DESCRIPTION OF ASSESSMENT AREA

Management has defined the AA as all of Carter County, Kentucky. The bank's AA consists of seven BNAs in the Huntington-Ashland WV-KY-OH Metropolitan Statistical Area (MSA 3400). Carter County is comprised of BNAs 9601 through 9607. The seven BNAs are characterized as follows: five moderate income (71%) and two middle income (29%). There are a total of 9,290 housing units in the bank's AA with 6,946 or 74% being owner occupied units. The AA meets the requirements of the regulation and does not arbitrarily exclude low-income or moderate-income geographies.

The Weighted Average of MSA/Non-MSA's Census Median Family Income is \$26,374. The bank's AA has a population of 24,340. The distribution of families among income categories is as follows: 32% are low income, 19% are moderate income, 19% are middle income, and 30% are upper income.

The local economy is rural in nature and is slowly growing. The largest city in Carter County is Grayson. Grayson is the only city with any significant economic development, which includes mostly retail businesses. The largest employers for the local residents are the Carter County School System and Cook Family Foods, a meat processing plant located in Grayson. Unemployment rates in the mid-teens rank among the highest in the state. As of February 1997, the unemployment rate for Carter County was 14.2% (Kentucky Cabinet for Workforce Development). Competition is provided by two local financial institutions.

We conducted one interview with a local mayor to ascertain the credit needs of the community. The credit needs of the assessment area include loans for housing, loans to small businesses, and loans to civic organizations to better the community. The local financial institutions are meeting these needs. The community contact interview did not identify any unmet credit needs in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.

During the past 9 quarters (3/31/95 to 3/31/97) the bank's loan-to-deposit ratio went from a high of 62.86% on December 31, 1995 to a low of 55.48% on March 31, 1997, with an average loan-to-deposit ratio of 58.84%. The loan to deposit ratio is reasonable in comparison to similarly situated institutions with total assets of \$50 million or less located in Kentucky and in light of the competition and demand for loans in Carter County.

Lending in Assessment Area

A substantial majority of loans are in the bank's assessment area.

A sample of the bank's home mortgage, small business, and small farm loans originated from 1/1/95 through 3/31/97 was taken to determine the percentage of lending within the bank's AA. We sampled all home mortgage loans (purchase, refinance, and home improvement) originated from 1/1/95 through 3/31/97 using the Home Mortgage Disclosure Act Loan/Application Register (HMDA-LAR). There were 60 home mortgage originations from that period. We sampled 20 small business loans originated during that period which was approximately 26% of the commercial loans outstanding at 3/31/97. We sampled 8 small farm loans originated during that period which was approximately 16% of the small farm loans outstanding at 3/31/97. The total number and dollar amount of small business and farm loans originated during the evaluation period was not available for review.

The following table shows the number and dollar percentage of our sample of home mortgages, small business, and small farm loans made inside the bank's AA from 1/1/95 to 3/31/97. The table shows that a substantial majority of loans are made inside the bank's AA. Ninety-three percent of home mortgage loans, 90% of small business, and 100% of small farm loans were within the bank's AA.

Lending In Assessment Area				
Loan Category	#	%	\$ (in 000's)	%
Home Mortgage	56	93%	1,113	94%
Small Business	18	90%	795	77%
Small Farm	8	100%	40	100%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

The following table shows the distribution of home mortgage loans sampled among borrowers of different incomes within the AA. The sample included 40 home mortgage loan originations from 1/1/95 to 3/31/97; the sample excluded all paid loans because management was not readily able to identify the borrowers by the loan numbers on the HMDA-LAR. Based on 1990 census information, the AA consists of five moderate and two middle income BNAs. Our review of home mortgage loans originated from 1/1/95 through 3/31/97 revealed that the majority of the loans were made to middle and upper income borrowers. The bank's only office is located in a middle income BNA.

Distribution of Home Mortgage Loans Among Individuals								
	Low Income		Moderate Income		Middle Income		Upper Income	
	#	\$	#	\$	#	\$	#	\$
9601-9607	13%	9%	22%	10%	25%	19%	40%	62%
AA	32%		19%		19%		30%	

We sampled 18 small business loans and 8 small farm loans originated between 1/1/95 and 3/31/97 within the AA. The following table is the distribution among different sizes of businesses. This table illustrates that 81% of the sample was made to small businesses and farms with gross revenues less than \$100,000; this accounts for only 39% of the dollar volume because the bank makes many small dollar amount business and farm loans and our sample included five of their larger dollar amount loans.

Distribution of Small Business Loans and Small Farm Loans				
Revenue (in \$000's)	#	%	\$	%
<100	21	81%	322	39%
100-250	0	0%	0	0%
250-1000	5	19%	513	61%

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

The following tables represent the distribution of home mortgage, small business, and small farm loans sampled among BNAs within the bank's AA. Five BNAs are moderate income and two are middle income. The bank does not have any low or upper income BNAs. The only office is located in BNA 9605 (middle income). The majority of CNB's lending activity occurs around its main office (BNAs 9605 and 9606 are Grayson), with the remaining reasonably dispersed throughout the AA as evidenced by our sample. This distribution is consistent with the demographic make up of the AA.

CNB did not make any loans in BNA 9601 primarily because this area is located in the extreme western portion of the county and could be served by other banks in the next county. CNB does not have any branches located in this BNA. The Daniel Boone National Forest also borders this area and only 13% of the county's population lives in BNA 9601.

Geographic Distribution of Loans				
Type of Loan	Moderate Income BNA		Middle Income BNA	
	#	\$ (in 000's)	#	\$ (in 000's)
Home Mortgage	19	\$389	21	\$465
	48%	46%	52%	54%
Small Business	5	\$350	13	\$445
	28%	44%	72%	56%
Small Farm	3	\$24	5	\$16
	38%	60%	62%	40%
COMBINED TOTAL	41%	45%	59%	55%

Geographic Distribution of Loans by BNAs						
	Assessment Area		Assessment Area		Population	Percent of Population
	#	%	\$ (in 000's)	%		
9601	0	0%	0	0%	3,164	13%
9602	12	18%	557	33%	4,172	17%
9603	5	7%	21	1%	2,796	11%
9604	1	2%	3	.2%	1,585	7%
9605	28	42%	810	48%	3,738	15%
9606	11	17%	116	7%	5,246	22%
9607	9	14%	182	11%	3,639	15%
TOTAL	66 loans		\$1,689		24,340	100%

Responses to Complaints

The bank has not received any complaints from the public regarding its performance in meeting the credit needs of the AA.

Other Considerations

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.