



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **Public Disclosure**

**September 29, 2003**

### **Community Reinvestment Act Performance Evaluation**

**Citizens National Bank  
Charter Number: 13023**

**620 Broadway Ave.  
Paintsville, KY 41240**

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**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, and should not 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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## Overall CRA Rating

**Institution's CRA Rating:** This institution is Outstanding.

The following table indicates the performance level with respect to the Lending, Investment, and Service Tests:

<b>Performance Levels</b>	Citizens National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		X
High Satisfactory		X	
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* The Lending Test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- Lending levels that reflect adequate responsiveness by CNB to the credit needs of its AA.
- Excellent distribution of loans among borrowers of different income levels throughout its AA.
- A high percentage of the bank's loans are made in its AA.
- Community development lending levels had a positive impact on performance.
- The bank has a significant level of qualified investments in the AA.
- Service delivery systems are readily accessible to its AA, particularly to low- or moderate-income geographies or to low- or moderate-income individuals.
- The bank is a leader in providing community development services.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Block Numbering Area (BNA):** A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male household and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home Mortgage Loans:** such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes loans for multifamily (five or more families) dwellings, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of

individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small Loan(s) to Farm(s):** A loan included in ‘loans to small farms’ as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

## Description of Institution

Citizens National Bank (CNB) is a \$340 million intrastate bank, established as a national bank in 1927 and headquartered in Paintsville, Kentucky. CNB is owned by Citizens National Corporation (CNC), a \$340 million holding company. CNC also owns Citizens National Real Estate Corp, and CNC Insurance Agency, LLC. CNC stock is listed on the OTC Bulletin Board under the symbol CZNL.

CNB is a full-service community bank serving the counties of Johnson, Magoffin, Floyd, and Pike in the Big Sandy Area of eastern Kentucky. CNB operates 11 full-service branches and nine ATMs in its single AA. The bank's primary focus is on retail banking. Products and services include a variety of demand deposit accounts, savings and investment products, trust services, and loan products. Customers may access information on bank products and services, and conduct certain transactions by mail, telephone, and through the internet, in addition to access through CNB branches and ATMs. The bank also provides an array of credit and deposit services for businesses.

Based on outstanding, home mortgage loans is a major product, followed by loans to businesses. At June 30, 2003, net loans were \$236 million, which equaled 63.8% of total assets. Net loans were distributed as follows: 51.7% secured by residential real estate, 36.33% commercial and industrial loans including commercial real estate loans, 7.5% to individuals, 1.9% construction and development loans, 2.6% all others. Tier 1 capital was \$21.4 million.

CNB has three subsidiaries: CNC Mortgage LLC, LLC, Citco Financial, and CNC Development Foundation (CNCDF). CNC Mortgage LLC operates from a base in Pikeville, KY. CNC Insurance Agency, LLC operates from Paintsville. Citco Financial is also located in Paintsville and owns and operates the bank's network of ATMs. The U.S. Department of the Treasury approved CNCDF as a community development entity (CDE) in 2002. All subsidiaries are headquartered in Paintsville.

During the evaluation period, there were no legal, financial or other factors impeding the bank's ability to help meet the credit needs in its AA. The bank received a "Satisfactory" rating in its December 1999 CRA Performance Evaluation.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

This Performance Evaluation assesses the bank's performance under the Lending, Investment, and Service Tests. The evaluation under the Lending Test covers the bank's performance from January 1, 2001 through December 31, 2002, excluding community development loans. We reviewed small loans to businesses and home purchase loans. There were no small loans to farms. CNB is not a HMDA reporter and does not collect data on home mortgage loans. Multi-family residential mortgage loans were excluded because sample sizes were not sufficient to conduct a meaningful analysis. The evaluation period for community development loans, the Investment Test, and the Service Test is December 20, 1999 to September 29, 2003.

### Data Integrity

As part of this CRA evaluation, the bank's publicly filed information on small loans to business and farms was tested for accuracy. The test included an evaluation of the bank's processes to ensure that the data was reliable.

We found significant errors in the loan data. As a result, management was required to review and correct the data. During July 2003, we evaluated the bank's corrected data and found it to be reliable. This evaluation is based on accurate data.

Community development investments and services submitted by bank management were also verified to ensure that they met the regulatory definition for community development.

### Selection of Areas for Full-Scope Review

CNB has one AA comprised of the contiguous non-MSA geographies noted in the "Description of Institution" section. This Kentucky non-MSA AA received a full-scope review.

Refer to the market profile for the state of Kentucky in Appendix C for detailed demographics and other performance context information for the AA that received a full-scope review.

### Ratings

The bank's overall rating is based on the rating for the state of Kentucky. The state rating is based on the area that received a full-scope review.

In evaluating performance under the Lending Test and determining how each loan type would be weighted, we considered the bank's business strategy and financial condition, the number and types of loans originated and outstanding, and community credit needs identified through discussions with community contacts. For more information on

community contacts, refer to Appendix B-3 of this evaluation. We also considered the state of the area economy, business climate and market demographics to determine the extent to which opportunities to lend are present.

Based on discussions with bank management, CNB's primary loan types are home mortgage loans and loans to businesses. Home mortgage loans and loans to businesses were weighted equally to achieve the lending test rating.

## **Fair Lending Review**

We found no evidence of illegal discrimination or other illegal credit practices.

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Area Receiving a Full-Scope Review

Lending Test performance in the Kentucky Non-MSA AA is rated **Outstanding**.

#### Lending Activity

Refer to Table 1 Lending Volume in Appendix C for the facts and data used to evaluate the bank's lending activity.

Lending activity in the Kentucky Non-MSA is adequate. At June 30, 2002, the bank ranked 3rd among 11 financial institutions in the AA with a 14.85% market share of deposits. The bank ranked 11<sup>th</sup> out of 37 CRA reporters with a 2.6% market share of small loans to businesses and 8<sup>th</sup> with a 4.0% market share of loans to businesses with less than \$1 million in gross annual revenues.

#### Distribution of Loans by Income Level of the Geography

The overall geographic distribution of loans by income level was excellent. The geographic distribution of home mortgage loans by income level was good. The geographic distribution of small loans to businesses was excellent. No unexplained conspicuous gaps were identified. A high percentage of the bank's loan originations were in their AA.

We considered the following factors in evaluating the bank's performance of lending in their AA and to borrowers in geographies with differing income levels. Opportunities to lend in the low-income geography were very limited. Only 1.9% of owner-occupied housing units (451) and 0.01% of businesses (3) are located in the low-income geography. Only 1.6% of families (404) reside in the low-income geography, of which 51% are low-income.

#### *Home Mortgage Loans*

Refer to Tables 2, 3, 4, and 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations/purchases.

Home purchase loan geographic distribution was excellent. The percentage of loans made in the low-income geography exceeded the percent of owner-occupied units in the same geography. The percentage of loans in moderate-income geographies was near to the percent of owner-occupied units in like geographies.

Home improvement loan geographic distribution was good. There were no loans originated in the low-income geography among loans in the sample. The percentage of

loans in moderate-income geographies was near to the percent of owner-occupied units in like geographies.

Home refinance loan geographic distribution was good. The percentage of loans made in the low-income geography exceeded the percent of owner-occupied units in the same geography. The portion of loans in moderate-income geographies was lower than the percent of owner-occupied units in like geographies.

### ***Small Loans to Businesses***

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The geographic distribution of small loans to businesses was excellent. The percentage of small loans to businesses in the low-income geography exceeded the percent of businesses in the geography. The percentage of small loans to businesses in moderate-income geographies was near to the percent of businesses in like geographies. There were no loans to businesses in the low-income geography in 2001, the year for which comparisons are made. The bank's market share of loans to businesses in moderate-income geographies exceeded their overall market share of loans in the AA.

### ***Lending Gap Analysis***

We evaluated the lending distribution to determine if any unexplained conspicuous gaps existed. We used reports and maps to compare the geographies where loans were made to the geographies in the AA. We considered loan distributions, branch locations, competition, market conditions, and demographic information. CNB made loans in all geographies in their AA. No unexplained conspicuous gaps were identified. This had a positive impact on the bank's geographic distribution of loans.

### ***Inside/Outside Ratio***

A high percentage of the bank's loan originations were in its AA. Overall, 80% of total originations were within its AA. By loan product, 83% of home mortgage loans and 76% of small loans to businesses were inside the bank's AA. This had a positive impact on the bank's geographic distribution of loans.

### **Distribution of Loans by Income Level of the Borrower**

The overall distribution of loans by borrower income level in the AA was excellent. The borrower distribution of home mortgage loans by income level was excellent. The borrower distribution of small loans to businesses was good. A high percentage of small loans to businesses were for amounts less than \$100 thousand. CNB's participation in flexible loan programs and community development lending had a positive impact on lending performance.

We considered the following factors in evaluating the bank's performance in lending to borrowers of differing income levels. Twenty-eight percent of all families and 90% of low-income families in the AA live below the poverty level.

The bank's percentage of loans to small businesses, as a percentage of total loans, appears to be less than satisfactory when compared to the percentage of small businesses in the AA. This is because CNB makes individual, small dollar inventory purchase money loans to large auto and mobile home dealers unlike most banks that typically make inventory purchase loans under floor plan lines of credit. Three of the five dealers to whom CNB lends had aggregate borrowings that exceeded \$1 million for each year of the evaluation period. If made under floor plan lines of credit, these loans would have been excluded from CRA reporting. As a result, CNB's percentage of loans to small businesses would have been 73.3%, exceeding the percentage of small businesses in the AA.

### ***Home Mortgage Loans***

Refer to Tables 8, 9 and 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases. Home purchase loan borrower distribution was excellent. The percentage of loans made to low-income borrowers was well below the percent of families with similar incomes. The percentage of loans made to low-income borrowers exceeded the percent of families with incomes above the poverty level. The percentage of loans made to moderate-income borrowers exceeded the percent of families with similar incomes.

Home improvement loan borrower distribution was excellent. The percentage of loans made to low-income borrowers was well below the percent of families with similar incomes. The portion of loans made to low-income borrowers exceeded the percent of families with incomes above the poverty level. The portion of loans made to moderate-income borrowers exceeded the percent of families with similar incomes.

Refinance loan borrower distribution was good. The percentage of loans made to low-income borrowers was significantly lower than the percent of families with similar incomes. The portion of loans made to low-income borrowers exceeded the percent of families with incomes above the poverty level. The portion of loans made to moderate-income borrowers exceeded the percent of families with similar incomes.

### ***Small Loans to Businesses***

Refer to Table 11 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The borrower distribution of small loans to businesses was adequate. The percentage of total loans to small businesses was lower than the percent of small businesses in the AA. The bank's market share of small loans to businesses exceeded its overall market share of loans in the AA. The bank also made a high percentage of its loans for amounts less than \$100 thousand.

### ***Community Development Lending***

Community development lending had a positive impact on lending performance in the AA. During the evaluation period, CNB originated 14 community development loans totaling \$2.4 million. Three loans provided funds to construct affordable single-family housing for low- and moderate-income families. Six loans were to an organization that develops housing for low- and moderate-income behavioral health care clients. Funds were used to rehabilitate multi-family housing facilities and to construct offices to house the organization. Five loans provided working capital for a community development organization that provides job training for at-risk students. Ninety-percent of the school's students live below poverty. These loans supported community credit needs related to housing and small businesses identified during discussions with community contacts.

### ***Product Innovation and Flexibility***

Participation in flexible loan programs had a positive impact on CNB's Lending Test rating. CNB actively participates in the Kentucky Housing Corporation (KHC) loan program to facilitate the availability of credit for low- and moderate-income borrowers. CNB originated nine home purchase loans totaling \$572 thousand to low- and moderate-income borrowers under the KHC program

CNB applied for a \$45 thousand advance from the Federal Home Loan Bank (FHLB) to finance four housing units for the Houses of Hope project sponsored by the Low Income Housing Coalition of Floyd County. The advance was approved under the FHLB Affordable Housing Program made available to assist lenders in creating affordable housing within their local community.

## **INVESTMENT TEST**

### **Conclusions for Area Receiving a Full-Scope Review**

Refer to Table 14 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

The bank's performance under the Investment Test is rated **High Satisfactory**. Based on a full-scope review, performance in the AA is good.

The bank has a significant level of qualified investments in the AA. CNB made 35 contributions totaling \$52 thousand to community development organizations that provide direct support, services and activities that impact low- and moderate-income geographies and low- and moderate-income individuals in the AA. Recipients included organizations that provide temporary housing and food pantries, an organization that offers housing, food and educational support services and resources for low-income families, a business development center that provides technical assistance to entrepreneurs and small business, organizations that construct affordable housing for low- and moderate-income families and an organization that provides down-payment

and closing cost assistance for low- and moderate-income home-buyers. The bank also provides funds to support education programs at area schools where greater than 50% of students receive free or reduced-lunch.

The bank invested a total of \$767 million in Qualified Zone Academy Bonds (QZAB) during the evaluation period. The investment was targeted to schools in the AA that qualified under the QZAB program and provided funding to renovate and repair buildings, invest in equipment and up-to-date technology, develop challenging curricula, and train quality teachers as needed.

The bank had no qualified prior period investments. However, CNB's most recent CRA examination was as a small bank.

## SERVICE TEST

### Conclusions for Area Receiving a Full-Scope Review

The bank's performance under the service test is rated **Outstanding**. A state rating is not required. Based on a full-scope review, the bank's performance in the AA is excellent.

#### Retail Banking Services

Refer to Table 15 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

Service delivery systems are readily accessible to geographies and individuals of different income levels throughout the AA. The area is rural. Branches are located in or near population centers. Three branches, 27%, are located in moderate-income geographies compared to 38% of families, seven branches, 64%, are in middle-income geographies compared to 54% of families, and one branch, 9%, is located in the upper-income geography compared to 6% of families. The bank has no branches located in the low-income geography where 1.6% of total families live.

Branch openings have not adversely affected the accessibility of the bank's delivery systems for individuals of differing income levels. CNB closed one branch and opened one branch during the evaluation period. The closed branch was located in a middle-income geography. The opened branch is located in the upper-income geography, four miles from the closed branch location. The new branch expanded CNB's presence into Pike County.

The bank's hours and services do not vary in a way that inconveniences individuals of differing income levels in the AA. Office hours and services throughout the AA are comparable among locations regardless of income levels or geography.

## Community Development Services

The bank is a leader in providing community development services. Officers and staff contributed their services to eight community service organizations in the AA during the evaluation period. Their services consistently addressed community development needs through service on committees and boards of directors for organizations that provide assistance to small businesses, affordable housing and services to LMI areas or individuals.

CNB established the CNC Development Foundation, Inc. (CNCDF) in 2002. The entity was created to serve and provide investment capital for low-income communities and persons in Floyd, Johnson, Lawrence, Magoffin, Morgan, and Pike counties in eastern Kentucky. CNCDF was one of 66 applicants from a nationwide pool of 347 to receive official certification from the Community Development Financial Institutions Fund of the U.S. Department of the Treasury as a Certified Community Development Entity (CDE). As a CDE, CNCDF was awarded a \$2 million allocation of New Markets Tax Credits (NMTC) in March 2003. The NMTC program permits taxpayers to receive a credit against Federal income taxes for making “qualified equity investments” in CDEs. CNCDF will be funded by a transfer of capital from CNB. At least 85% of the equity capital must be used for qualified community investments in low-income communities. The entity is required to maintain accountability to low-income communities through their representation on the CDE’s governing or advisory board.

CNB worked extensively with schools throughout their AA to educate students on money management issues. Over 50% of students received reduced or free lunch at three schools. Forty-percent of students received reduced or free lunch at a fourth area school. CNB employees and officers worked with students to establish mock banks that educated students on banks and banking and mock communities that provided hands-on experience with real-life issues including budgeting, earning incomes, paying expenses and taxes, and saving and borrowing money. Bank officers gave presentations on budgeting to parents through programs at two adult learning centers.

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term "full-scope") and those that received a less comprehensive review (designated by the term "limited-scope").

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): 1/1/00 to 12/31/02 Investment and Service Tests and CD Loans: 12/20/1999 to 9/29/2003	
<b>Financial Institution</b>		<b>Products Reviewed</b>
Citizens National Bank		Small loans to businesses Home purchase loans Community Development Loans, Investments and Services
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Kentucky Non-MSA	Full-Scope	The counties of Johnson, Magoffin, and Floyd. Census Tracts 9902 and 9903 in Pike County.

## Appendix B: Market Profiles for Full-Scope Areas

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#### Market Profiles for Areas Receiving Full-Scope Reviews

<i>KENTUCKY NON-MSA .....</i>	2
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## KENTUCKY NON-MSA

Demographic Information for Full Scope Area: KENTUCKY NON-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	22	4.55	40.91	50.00	4.55	0.00
Population by Geography	88,519	1.83	39.22	54.21	5.84	0.00
Owner-Occupied Housing by Geography	34,979	1.93	39.14	52.71	6.22	0.00
Business by Geography	5,183	0.01	18.44	69.94	11.55	0.00
Farms by Geography	62	0.00	29.03	58.07	12.90	0.00
Family Distribution by Income Level	25,111	31.56	17.62	17.68	33.14	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	12,349	2.36	44.33	49.99	3.32	0.00
Median Family Income HUD Adjusted Median Family Income for 2002 Households Below Poverty Level	22,542 36,300 30.23%	Median Housing Value Unemployment Rate (1990 US Census)		42,210 6.9%		

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 US Census and 2002 HUD updated MFI

The Kentucky Non-MSA AA includes the counties of Johnson, Magoffin, and Floyd and two geographies in Pike County. The area is commonly known as the Big Sandy Area and is located in eastern Kentucky. CNB ranked 28<sup>th</sup> among 159 financial institutions in the state. As of June 30, 2002, CNB had total deposits of \$295 million equal to less than a 1% deposit market share in the state of Kentucky.

The largest employment sector in the AA is in state and local government entities at 76%. Education employment, county school systems and secondary education institutions, are the largest employers in this employment sector and within the AA. Retail businesses are second while service companies are the third largest employers in the AA.

Economic conditions in the area are somewhat stable. To date, the area is most widely known for its coal and its poverty. Unemployment rates have historically been above the national average for the AA. The average unemployment rate for the AA of 7.5% is higher than the Kentucky state unemployment rate of 6.5% and significantly higher than the national average of 5.8%. Due to high unemployment and underemployment, the poverty level for the AA at 30% is higher than the state's poverty level of 14.3% and the national average of 12.1% for the year 2002.

CNB's primary business focus in this AA is lending to businesses and residential real estate lending. CNB also engages in consumer lending in the AA. CNB operates 11 full service branches in the AA, nine onsite ATMs and thirteen offsite ATMs. The onsite ATMs accept deposits. Of all reporting FDIC-insured institutions in the AA, CNB was ranked third in market share with 15% of total deposits. There were 11 banking

companies operating a total of 62 branches in the AA. CNB's primary competitors are Community Trust Bank, N.A. and Branch Banking and Trust Company.

We made two community contacts in conjunction with the CRA evaluation of Citizens National Bank. The community contacts were with the general management consultant of an economic development organization and the director of a low-income housing organization. Both serve the AA along with a broader regional area. Housing and small business loans were identified as the primary credit needs in the area. Based on our review of available information, investment and service opportunities are available in the AA.

## Appendix C: Tables of Performance Data

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#### **Content of Standardized Tables**

A separate set of tables is provided for each state. All multistate metropolitan areas are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. **Tables without data are not included in this PE.**

The following is a listing and brief description of the tables included in each set:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Consumer Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage

distribution of households throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.

**Table 7. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

**Table 8. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

**Table 9. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.

**Table 10. Borrower Distribution of Home Improvement Loans** - See Table 8.

**Table 11. Borrower Distribution of Refinance Loans** - See Table 8.

**Table 12. Borrower Distribution of Consumer Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.

**Table 13. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with

revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.

**Table 14. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

**Table 15. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at its book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area.

**Table 16. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

## Table 1. Lending Volume

LENDING VOLUME Geography: STATE OF KENTUCKY Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002**														
MA/Assessment Area (2003):	% of Rated Area Loans * (#) in MA/AA	Home Purchase		Home Improvement		Refinance		Small Loans to Business		Community Development Loans **		Total Reported/Sampled Loans		% of Rated Area Deposits in *** MA/AA
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>														
KENTUCKY	100.00	55	3,547	48	2,263	131	9,621	625	35,918	14	2,430	873	53,779	100.00

\* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is from December 20, 1999 to September 29, 2003.

\*\*\* Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE Geography: STATE OF KENTUCKY Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002															
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography *				
	#	% of Total	% Owner Occupied Units ***	% BANK Loans	% Owner Occupied Units***	% BANK Loans	% Owner Occupied Units***	% BANK Loans	% Owner Occupied Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
KENTUCKY	55	100.00	1.93	3.64	39.14	32.72	52.71	60.00	6.22	3.64	0.00	0.00	0.00	0.00	

\* Based on 2001 Peer Mortgage Data: US &amp; PR.

\*\* Home purchase loans as a percentage of all home purchase loans sampled in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT Geography: STATE OF KENTUCKY Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002															
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography <sup>*</sup>				
	#	% of Total	% Owner Occupied Units	% BANK Loans	% Owner Occupied Units***	% BANK Loans	% Owner Occupied Units***	% BANK Loans	% Owner Occupied Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
KENTUCKY	48	100.00	1.93	0.00	39.14	38.78	52.71	61.22	6.22	0.00	0.00	0.00	0.00	0.00	

<sup>\*</sup> Based on 2001 Peer Mortgage Data: US & PR.<sup>\*\*</sup> Home purchase loans as a percentage of all home purchase loans sampled in the rated area.<sup>\*\*\*</sup> Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

**Table 4. Geographic Distribution of Refinance Loans**

Geographic Distribution: REFINANCE Geography: STATE OF KENTUCKY Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002															
MA/Assessment Area:	Total Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of ** Total	% Owner Occ *** Units	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
KENTUCKY	131	100.00	1.93	2.29	39.14	22.14	52.71	73.28	6.22	2.29	0.00	0.00	0.00	0.00	

\* Based on 2001 Peer Mortgage Data: US &amp; PR.

\*\* Home purchase loans as a percentage of all home purchase loans sampled in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

**Table 7. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES Geography: STATE OF KENTUCKY Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002															
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography *				
	#	% of Total **	% of Businesses ***	% BANK Loans	% of Businesses ***	% BANK Loans	% of Businesses ***	% BANK Loans	% of Businesses ***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
KENTUCKY NON-MSA	625	100.00	0.06	0.16	18.44	15.20	69.94	83.52	11.56	1.12	2.55	0.00	3.72	2.84	0.00

\* Based on 2001 Peer Small Business Data: US&amp;PR.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2002).

**Table 9. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE Geography: STATE OF KENTUCKY Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002															
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total	% Families ***	% BANK Loans****	% Families***	% BANK Loans*****	% Families***	% BANK Loans*****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
KENTUCKY	54	100.00	31.56	12.96	17.62	18.52	17.68	20.37	33.14	48.15	0.00	0.00	0.00	0.00	0.00

\* Based on 2001 Peer Mortgage Data: US &amp; PR.

\*\* As a percentage of loans with borrower income information available. No information was available for 1.82% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home purchase loans as a percentage of all home purchase loans sampled in the rated area.

**Table 10. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT Geography: STATE OF KENTUCKY Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002															
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of ** Total	% Families ***	% BANK Loans****	% Families***	% BANK Loans*****	% Families***	% BANK Loans*****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
KENTUCKY	48	100.00	31.56	16.33	17.62	24.49	17.68	22.45	33.14	36.73	0.00	0.00	0.00	0.00	

\* Based on 2001 Peer Mortgage Data: US &amp; PR.

\*\* As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home purchase loans as a percentage of all home purchase loans sampled in the rated area.

**Table 11. Borrower Distribution of Refinance Loans**

Borrower Distribution: REFINANCE Geography: STATE OF KENTUCKY Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002															
MA/Assessment Area:	Total Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
KENTUCKY	131	100.00	31.56	6.87	17.62	18.32	17.68	21.37	33.14	53.44	0.00	0.00	0.00	0.00	

\* Based on 2001 Peer Mortgage Data: US &amp; PR.

\*\* As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated and purchased by BANK.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home purchase loans as a percentage of all home purchase loans sampled in the rated area.

**Table 13. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES Geography: STATE OF KENTUCKY Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002									
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share <sup>*</sup>	
	#	% of Total <sup>**</sup>	% of Businesses <sup>***</sup>	% BANK Loans <sup>****</sup>	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
KENTUCKY NON-MSA	625	100.00	71.70	25.92	87.20	7.84	4.96	2.55	4.02

<sup>\*</sup> Based on 2001 Peer Small Business Data: US&PR.<sup>\*\*</sup> Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.<sup>\*\*\*</sup> Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2002).<sup>\*\*\*\*</sup> Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 19.75% of small loans to businesses originated and purchased by the bank.

## Table 15. Qualified Investments

QUALIFIED INVESTMENTS Geography: STATE OF KENTUCKY Evaluation Period: DECEMBER 20, 1999 TO SEPTEMBER 29, 2003									
MA/Assessment Area:	Prior Period Investments <sup>*</sup>		Current Period Investments		Total Investments			Unfunded Commitments <sup>**</sup>	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
KENTUCKY	0	0	36	819	36	819	100.00	0	0

<sup>\*</sup> 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

<sup>\*\*</sup> 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

## Table 16. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS Geography: STATE OF KENTUCKY Evaluation Period: DECEMBER 20, 1999 TO SEPTEMBER 29, 2003																			
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population					
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography					
	Low	Mod	Mid	Upp	Low	Mod	Mid			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp		
<b>Full Review:</b>																			
KENTUCKY	100.00	11	100.00	0.00	27.27	63.64	9.09	1	1				-1	+1	1.83	39.22	54.21	5.84	