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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

April 14, 1997

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank of Columbia  
Charter # 6769**

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

**Office of the Comptroller of the Currency**

**One Financial Place  
440 South LaSalle Street, 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 **The First National Bank of Columbia** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 14, 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.”

- The quarterly average loan-to-deposit ratio since the last evaluation is more than reasonable and compares favorably to local competitors.
- A substantial majority of the bank's loans were made within the assessment area.
- Management's record of lending to borrowers of different income levels is reasonable.
- The geographic distribution of loans made within the assessment area is reasonable.

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

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b><u>First National Bank of Columbia</u> PERFORMANCE LEVELS</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does not meet Standards for Satisfactory Performance</b>
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**

The First National Bank of Columbia (FNB) had total assets of approximately \$62 million as of December 31, 1996. FNB's parent company, First National Bancorp, Inc., is 100% owned by Albany Bancorp, Inc., a multi-bank holding company located in Albany, Kentucky. The bank's main office and branch are located in Columbia, Kentucky. Both locations have drive-up facilities and the only ATM is located at the main bank.

FNB offers traditional banking services and lending products. As of December 31, 1996, net loans represented approximately 68% of total assets. The composition of the loan portfolio was as follows: 37% one-to-four family residential loans; 14% farmland secured loans; 14% individual loans; 13% commercial and industrial loans; and, 13% agricultural loans. There are no legal or financial constraints, or other factors, impeding the bank's ability to help meet the credit needs in its assessment area. The bank's prior CRA public performance evaluation is dated June 21, 1994.

## **DESCRIPTION OF ADAIR COUNTY**

The Board has designated Adair County as the bank's assessment area. Their designation meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. There are six Block Numbering Areas (BNA's) in the assessment area. Three are designated moderate-income and three are designated middle-income. The 1996 median family income for Adair County was \$18,140. The 1996 statewide median family income for non-metropolitan areas was \$26,400.

Adair County is a rural county in south central Kentucky with a population of 15,360. Columbia is the largest city in the county and serves as the county seat of government. The county's 1996 unemployment rate was 9%, and compared unfavorably to the state's unemployment rate of 5.5 percent. The area recently suffered a significant economic loss when Oshkosh B' Gosh, Inc., the single largest manufacturing employer in the county, closed. After the closing, 67 percent of the county's manufacturing jobs, 5.5 percent of the county's current total employment, was lost. The current unemployment rate is 18 percent.

The bank's primary competitors in the assessment area include one state chartered bank and a branch of a savings and loan association headquartered in Taylor county. They also face some competition from financial institutions in contiguous counties.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Analysis

Since the last CRA examination, FNB's quarterly average net loan-to-deposit ratio has been 77%. As of December 31, 1996, the bank's loan-to-deposit ratio was 82%. These are considerably higher than its nationwide peer group which averaged 70%. This peer group is made up of bank's with similar sizes, branching networks, and geographic characteristics. The bank's primary competitor and only similarly-situated bank in the area had a net loan-to-deposit ratio which equaled FNB's as of December 31, 1996.

From June 1996 to December 1996, management originated and sold residential mortgage loans totaling \$2.2 million. If FNB had retained these loans, their loan-to-deposit ratio would have been 87%.

### Lending in the Assessment Area

We reviewed a random sample of residential mortgages and consumer loans to determine the level of lending within the bank's assessment area. Our sample consisted of loans originated in 1996 and 1997. As shown in table below, a substantial majority of the loans were made within the assessment area.

Table 1

	Mortgage Loans	Consumer Loans
Total Number in Sample	22	27
Total Original Dollar Amount in Sample	\$1,303,559	\$274,951
Total Number in Assessment Area	21	23
Total Original Amount in Assessment Area	\$1,176,559	\$236,102
Percent of Number in Assessment Area	95%	85%
Percent of Dollar Amount in Assessment Area	90%	86%

Our sampling results are consistent with an internal management report which indicates as of April 1997, 89% of the number and 87% of the dollar volume of the loans originated during the past year were within the assessment area.

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

We used the same sample described earlier to evaluate management's lending to borrowers of different income levels and businesses of different sizes. The distribution of FNB's lending reflects reasonable penetration among individuals of different income characteristics within the assessment area. Our results are shown in the following table.

**Table 2**

<b>Income Level</b>	<b>Proportion of Population within Assessment Area*</b>	<b>Number of Mortgage Loans</b>	<b>Percent of Mortgage Loans</b>	<b>Number of Consumer Loans</b>	<b>Percent of Consumer Loans</b>
Low	30%	2	9%	4	15%
Moderate	27%	3	14%	6	22%
Middle	18%	6	27%	8	30%
Upper	25%	11	50%	9	33%
Total	100%	22	100%	27	100%

\* According to the U.S. Census Bureau

The loan penetration to low- and moderate-income families does not reflect the proportion of the population within the assessment area. Management has addressed this issue by offering Kentucky Housing Corporation (KHC) loans. KHC loans can provide up to 100% financing for low income families to purchase a home. Management also makes installment loans for as low as twenty-five dollars.

The majority of the commercial and agricultural loans made by the bank met the regulatory definition of "small" business and farm loans. The bank's Consolidated Report of Condition as of December 31, 1996 indicated that there are \$5.5 million and \$11.7 million in loans outstanding to small businesses and farms respectively.

## **Geographic Distribution of Loans**

The geographic distribution of loans reflect a reasonable penetration throughout the assessment area. The following table illustrates the distribution of a random sample of residential mortgage and consumer loans originated in 1997 and defines them by BNA type.

**Table 5**

<b>BNA Type</b>	<b>Population Percent</b>	<b>Number of Residential Mortgage Loans</b>	<b>Percent</b>	<b>Number of Consumer Loans</b>	<b>Percent</b>
Moderate-Income	31%	3	14%	7	30%
Middle-Income	69%	18	86%	16	70%

## **Responses to Complaints**

No consumer complaints have been received since our last examination.

## **Compliance With Anti-Discrimination Laws**

We did not identify any violations of the substantive provisions of antidiscrimination law and regulation.