



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

October 5, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Mayfield, KY
Charter Number - 2245**

**101 East Broadway
Mayfield, KY 42066**

**Office of the Comptroller of the Currency
80 Monroe Avenue, Suite 505
Memphis, Tennessee 38103**

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 **First National Bank of Mayfield, KY (FNB)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of October 5, 1998. 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 conclusion is based on the following:

- ▶ **A substantial majority of loans are made in the assessment area.**
- ▶ **The bank has a good distribution of loans to borrowers of different income levels and businesses and farms of different sizes.**
- ▶ **The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the assessment area credit needs.**

DESCRIPTION OF INSTITUTION:

FNB is a \$104 million institution located in Western Kentucky approximately 150 miles northeast of Memphis, TN and 25 miles southeast of Paducah, KY. The bank's primary business focus is residential real estate and consumer loans. A majority of the consumer credits are automobile and automobile dealer loans within the bank's assessment area. The bank's loan portfolio composition as of June 30, 1998 is as follows:

Loan Type	\$ Volume (000)	% of Portfolio
1-4 Family Residential	30,072	41%
Consumer	24,980	34%
Commercial	14,214	20%
Farmland & Agriculture	3,819	5%
Other	5	0%
TOTAL	\$73,090	100%

FNB operates the main bank and one branch located in Farmington, KY. In addition to offering a full range of banking services, there is one automated teller machine (ATM) located outside the main bank. There are no financial constraints that prohibit the bank from meeting assessment area credit needs.

FNB main office is located in Graves County, KY. Within the county, the bank's competition consists of one regional national bank headquartered in Paducah, KY and four state-chartered banks (one locally owned). See the table below for a breakdown of deposit market share as of June 30, 1997 within the county.

DEPOSIT MARKET SHARE			
COUNTY	FNB %	ONE NATIONAL BANK %	FOUR STATE BANK %
GRAVES	19.9	30.3	49.8

DESCRIPTION OF ASSESSMENT AREA:

FNB's assessment area consists of all of Graves County. The 1990 U.S. Census median family income for non-metropolitan statistical areas in KY, including the assessment area, is \$22,543. This number is used to determine the income level of the block numbering areas (BNA's) in the assessment area. FNB's assessment area comprises (4) middle- and (5) upper- income BNA's. None of the BNA's are considered low-or moderate-income.

According to the 1990 U.S. Census demographic data, Graves County reported a population of 33,550. The Department of Housing and Urban Development (HUD) 1997 updated median family income is \$29,800. This income figure is updated annually and is used to determine the income level of individual applicants. There are 9,949 families in the assessment area of which: 2,028 (42.2%) are located in middle-income tracts, and 2,278 (57.8%) are located in upper-income tracts.

Local economic conditions are below normal with 8.8% of the households on some form of public assistance and 19% of the households showing income below the poverty level. Approximately 18% or 6,096 persons are over the age of 65 in Graves County. Graves County has a long history of high unemployment. In 1996, unemployment within Graves County averaged 8%. Graves County unemployment has been in excess of the State of Kentucky average since 1980. The bank's assessment area is primarily manufacturing and retail trade related. Major manufacturers within the county consist of Seaboard Farms of KY (Poultry Processing), employing more than 1,100 workers; Continental General Tire (Tire manufacturer), employing over 925 workers; and Ingersoll-Rand Company (Centrifugal Air Compressors) employing about 450 workers.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending in the Assessment Area

A substantial majority of loans are originated within the assessment area. A sample of 41 home mortgage and consumer loans used in the compliance sample was selected to determine the level of lending within the assessment area. These loans were originated in 1997 and 1998. From this sample of 41 loans, 32 loans or 78% were originated within the assessment area. The bank does not track loan originations within each BNA or the dollar volume of loans within and outside the assessment area.

Lending to Borrowers of Different Incomes

The distribution of lending to borrowers used in our sample reflects good penetration of lending to individuals of different income levels (including low- and moderate-income). We used a sample of 41 consumer and home mortgage loans to determine the income distribution of borrowers. The following table reflects the results of the sample and show that the number of loans to borrowers of different income levels mirrors the demographics of the assessment area.

<i>Distribution of Loans in Assessment Area by Borrower Income</i>								
Income Levels	Low		Moderate		Middle		Upper	
	%		%		%		%	
Family Characteristics	1,813	18%	1,457	15%	1,873	19%	4,806	48%
Number of Loans	8	19%	13	32%	4	10%	16	39%

FNB also has a good record of making loans to small businesses and small farms and to businesses of different sizes. A small business or small farm is defined as an entity with annual gross revenues of less than \$1 million. A sample of 10 business and farm loans was used to determine if FNB is making loans to businesses and farms of different sizes. The sample showed that 10 of the 10 loans, or 100%, were to businesses and farms with gross revenues of less than \$1 million. Of the 10 loans reviewed, 9 were within the bank's assessment area.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. FNB's loan-to-deposit ratio has averaged 72% since the August 3, 1995 evaluation. Over the 12-quarter period from September 1995 to June 1998, the loan-to-deposit ratio has been as low as 66% and as high as 77%. The bank's loan-to-deposit ratio has fluctuated annually due to the bank's seasonal agriculture production loans.

Geographic Distribution

An analysis of the geographic distribution of loans originated by the bank was not performed at this examination. FNB's assessment area is composed of four middle- and five upper-income BNA's. Therefore, this type of analysis would not have been meaningful.

Response to Complaints

No complaints have been received from the public that specifically relate to the bank's performance in helping to meet community credit needs.

ADDITIONAL INFORMATION

Discrimination or Other Illegal Credit Practices

A fair lending review was conducted in conjunction with the bank's CRA evaluation. The sample criteria included automobile loans. No evidence of discrimination or disparate treatment was noted during this review. FNB is in technical compliance with fair lending laws and regulations.