



PUBLIC DISCLOSURE

October 22, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Farmers National Bank of Danville
Charter Number 2409**

**304 West Main Street
Danville, Kentucky 40422**

Office of the Comptroller of the Currency

**9200 Shelbyville Road, Suite 505
Louisville, Kentucky 40222**

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 **Farmers National Bank of Danville (FNB)** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 22, 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 record of meeting community credit needs.

- FNB's average loan-to-deposit ratio since our last examination is good.
- A majority of FNB's loans are made within its assessment area.
- FNB actively lends to borrowers of different income levels.
- A reasonable percentage of FNB's commercial loans are to small businesses or small farms.
- FNB makes loans throughout its entire assessment area.

DESCRIPTION OF INSTITUTION

Farmers National Bank of Danville (FNB) is a \$221 million institution located in Danville, Kentucky. FNB is wholly owned by Boyle Bancorp, Inc., a one-bank holding company. The bank operates five full service offices, three drive-up branches, eight Automated Teller Machines (ATM), and two cash machines. Three of the offices are located in middle-income block numbering areas (BNA) and the other five are located in upper-income BNAs. FNB offers a traditional line of banking products and services. As of September 30, 1998, FNB's loan portfolio represented approximately 71% of total assets and was comprised of the following types of loans:

50%	Residential Mortgage Loans
40%	Commercial and Commercial Real Estate Loans
10%	Loans to Individuals

There are no constraints on the bank's ability to help meet local credit needs.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area includes all of Boyle and Mercer Counties located in central Kentucky. Total population of the two counties was approximately 45,000 per the 1990 census. The assessment area consists of twelve BNAs with four BNAs middle-income and eight upper-income. The 1990 median family income for Boyle County was \$28,168 and for Mercer County was \$27,738. The 1998 median family income for non-metropolitan areas in Kentucky is \$29,800 for our analysis purposes. There were 12,825 families in the assessment area per the 1990 census. The tables below illustrate the composition of the assessment area.

*Income Level	% of Total BNAs	County	Block Numbering Area
Low-income	0%	NA	NA
Moderate-income	0%	NA	NA
Middle-income	33%	Boyle	9903, 9906, 9907
		Mercer	9602
Upper-income	67%	Boyle	9901, 9902, 9904, 9905
		Mercer	9601, 9603, 9604, 9605

* per 1990 U. S. Census

To enable us to compare the extent of FNB's lending to borrower's of different income levels as compared to the demographics of the area, we analyzed the income levels of the families in the assessment area shown in the table below.

Assessment Area Family Income Demographics		
Income Level	Number of Families	Percent of Families
Low-income	2,192	17%
Moderate-income	1,708	13%
Middle-income	2,262	18%
Upper-income	6,663	52%

* per 1990 U. S. Census

To evaluate the extent of FNB's lending to borrower's of different income levels, we classified borrower incomes into four income categories as specified by CRA. The table below shows the income ranges for each category of borrower.

Low-income	Under 50% of median family income	\$0 to \$14,900
Moderate-income	50% to 80% of median family income	\$14,901 to \$23,840
Middle-income	80% to 120% of median family income	\$23,841 to \$34,800
Upper-income	120% of median family income and over	\$34,801 and over

* Based on the 1998 estimated median family income for Kentucky non-MSA areas of \$29,800.

FNB is the largest independent bank in the trade area. FNB has moderate competition from two regional bank branches, a few smaller independent banks, and brokers. The local economy is stable. The unemployment rate is comparable to state and national levels.

Management has identified residential, small business and agricultural loans as credit needs for the assessment area. They offer a first-time homebuyers product and provided lending assistance to developers and homebuyers in a recently revitalized area to help meet the credit needs of the low- and moderate- income residents. We also discussed the community credit needs with a community contact who works to obtain affordable housing in the area. He stated there is still a need for low-income housing, but FNB was very receptive and helpful in financing low-income housing as exhibited by their participation in the revitalization efforts on Second Street.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

FNB's average loan-to-deposit ratio since their last CRA examination of 79% compares favorably with other similarly situated banks. For this analysis we compared FNB to similar banks outside FNB's market area since there are no similarly situated banks in the assessment area. The Public Disclosures of the two banks we used for comparison showed those banks having average loan-to-deposit ratios of 71% and 90%. FNB's ratio would be somewhat higher than 79% if we included the loans they have sold on the secondary market. FNB originated eighty-four residential real estate loans totaling \$7,333,700 between January 1, 1998 and October 31, 1998 which were sold on the secondary market and are not included in their loan-to-deposit ratio.

Lending in the Assessment Area

For analysis purposes, we verified and used the analysis reports compiled by FNB's consultant. This report analyzed FNB's loan origination activity between July 1, 1997 through June 30, 1998. This time frame is considered reflective of FNB's overall lending performance since the last CRA examination. From this information, we found FNB originates a majority of its loans inside its assessment area as shown in the table below:

Loans Originated in the Assessment Area		
	Number of Loans	Loan Amount (000s)
Total Loan Originations	3,221	\$58,189
Residential Real Estate	586	\$23,693
Consumer	1,421	\$ 8,532
Commercial	309	\$10,620
Agriculture	175	\$ 2,611
Total Loans in the Assessment Area	2,491	\$45,456
Percent of Loans in the Assessment Area	77%	78%

The percentages of loans originated in the assessment area are comparable to the two similarly situated banks we used for this analysis which had originated:

- o 76% and 75% of the number, and
- o 61% and 68% of the dollar volume of loans within their assessment area.

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

FNB has a favorable record of lending to borrowers of different incomes and to businesses and farms of different sizes. We analyzed the bank's performance by comparing loan originations to the family income levels in the assessment area. FNB is actively lending to low- and moderate-income families. For this analysis, we were unable to use the reports compiled by FNB's consultant due to differences in the median income level used. Instead, we sampled forty-three consumer and residential loans originated in the assessment area during June 1998. This sample is considered comparable to management's performance since the last CRA examination since the distribution is similar to the findings of the consultant. The table below shows dispersment between borrowers of different incomes compares reasonably with the percentage of low- and moderate-income families in the assessment area.

Income Level Category	* Income Levels of Families in the Assessment Area	Consumer and Residential Loans Originated in Assessment Area	
		% of Number	% of Dollar
Low-income	17%	9%	1%
Moderate-income	13%	26%	8%
Middle-income	18%	21%	9%
Upper-income	52%	44%	81%
Total	100%	100%	100%

* per 1990 U.S. Census

The 35% of loan originations to low- and moderate-income families compares reasonably with the 30% of low- and moderate-income families in the assessment area per the 1990 census. Since loans to lower income families are usually smaller in size, the percentages of the dollar volume is also considered reasonable.

Of the 484 commercial loans originated between July 1, 1997 and June 30, 1998, a reasonable percentage were to small farms or small businesses with annual sales of less than \$1 million. Per FNB's report produced by a consultant and verified during this examination:

- o 60% of the number and 56% of the dollar volume of commercial loans were to small businesses.
- o 66% of the number and 62% of the dollar volume of commercial loans were to small farms.

Geographic Distribution of Loans

FNB's dispersion of lending inside the assessment area is reasonable. For this analysis, we analyzed the 2,491 loans originated in the assessment area between July 1, 1997 and June 30, 1998. We verified and used the information compiled by FNB's consultant. In assessing performance under this criteria, we compared the assessment area's BNAs by income level to the dispersion of the loans. The table below reflects the distribution of the 2,491 loans originated in the assessment area.

Loan Distribution by Block Numbering Areas (BNAs)							
Assessment Area Description				Loan Origination Distribution			
				% of Number		% of Dollar	
County	BNAs	* Income Level of BNAs	% of Total BNAs	by BNA	by BNA Income Level	by BNA	by BNA Income Level
Boyle	9903	Middle-income	33%	12%	50%	21%	49%
Boyle	9906			19%		14%	
Boyle	9907			13%		9%	
Mercer	9602			5%		4%	
Boyle	9901	Upper-income	67%	10%	50%	10%	51%
Boyle	9902			8%		8%	
Boyle	9904			9%		6%	
Boyle	9905			7%		8%	
Mercer	9601			4%		6%	
Mercer	9603			3%		3%	
Mercer	9604			4%		6%	
Mercer	9605			6%		5%	

* per 1990 U. S. Census

Qualified Investments

FNB donated \$36,600 to organizations for community development purposes during 1997 and 1998. These donations equated to approximately .2% of capital which is comparable to other institutions' activity.

Responses to Consumer Complaints

No consumer complaints regarding CRA have been received.

Compliance with Antidiscrimination Laws and Regulations

We did not identify any violations of the substantive provisions of antidiscrimination laws and regulations.