

PUBLIC DISCLOSURE

September 27, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Central City
Charter Number 8229
130 W. Broad Street
P.O. Box 389
Central City, Kentucky 42330**

**Office of the Comptroller of the Currency
Evansville Field Office
Post Office Box 20130
Evansville, Indiana 47708**

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 CRA performance of **First National Bank of Central City (FNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **September 27, 1999**. This evaluation is based on information from the last CRA examination dated June 24, 1996 to the current examination dated September 27, 1999. 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.”

- C A majority (89%) of FNB’s loan originations are located within the bank’s assessment area.
- C The bank’s distribution of lending to borrowers of different income levels, including low- and moderate-income individuals, is reasonable.
- C FNB’s record of lending to small farms and small businesses within its assessment area is good.

DESCRIPTION OF INSTITUTION

First National Bank of Central City is a \$88 million bank (as of June 30, 1999) in Central City, Kentucky. FNB's main office is located in downtown Central City, with a drive-up facility and Automated Teller Machine (ATM) at that location. The bank has a branch with a drive-up facility and ATM located in Bremen. The bank also services customers with one additional ATM located in a middle-income area.

FNB is wholly owned by First United, Inc., a one bank holding company. The bank offers traditional banking services and lending products. Their primary business focus is residential real estate and commercial lending. The loan portfolio mix is as follows: residential real estate 55%, commercial 24%, instalment 18%, and agricultural 3%. Net loans to assets is 76.41% as of June 30, 1999.

There are no financial conditions, legal constraints, or other factors that hinder the bank's ability to help meet the credit needs of its assessment area (AA). A "Satisfactory" rating was received during the June 24, 1996, CRA examination.

DESCRIPTION OF ASSESSMENT AREA:

The bank's assessment area consists of the whole county of Muhlenberg County, Kentucky. One (11%) of the BNAs in the AA is designated as moderate-income, seven (78%) as middle-income and one (11%) as upper-income. There are no low-income BNAs. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The location of the BNAs by income level is as follows:

Ⓒ Moderate-income: 9601

Ⓒ Middle-income: 9602, 9603, 9604, 9605, 9607, 9608, 9609

Ⓒ Upper-income: 9606

According to 1990 census data, the total population of the bank's AA is 31,318. The 1999 non-Metropolitan Statistical Area (MSA) statewide median family income for Kentucky is \$32,200. Potential borrowers earning less than 50% of the non-MSA statewide median family income are designated as low-income, while those earning 50% to less than 80%, 80% to less than 120%, and 120% or more are designated as moderate-, middle-, and upper-income, respectively. Within the AA, 21% of the families are low-income, 18% are moderate-income, 19% are middle-income, and 42% are upper-income. Twenty-one percent of the population is below poverty level.

There are 12,754 total housing units in the AA, of which 74% are owner-occupied, 18% are rental-occupied, and 8% are vacant. The median age of homes in the AA is 31 years, while the median housing price is \$37,553.

Ninety-three percent of the businesses in the AA have gross income of less than \$1 million with seven percent greater than \$1 million. All of the farms have revenues less than \$1 million.

Economic Data

Economic conditions in the AA are stable. The local economy is highly dependent on timber production and small local businesses. Principal employers are the state prison, the county school system, and the Tennessee Valley Authority. The unemployment rate for the AA is high at 9.3%.

Competition among local financial institutions is moderate. There are two primary competitors in Central City and others in Muhlenberg and contiguous counties.

A community contact was made with one local Realtor during the examination. The contact identified the primary credit needs as affordable housing loans. The contact also indicated local financial institutions are responsive to community credit needs and there are no significant unmet credit needs in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

The bank's loan-to-deposit ratio exceeds the standards for satisfactory performance. The average loan-to-deposit ratio for the thirteen quarters ending June 30, 1999 equals 87.80% compared to 74.81% for banks of similar size in the local area. During these thirteen quarters, FNB's loan-to-deposit ratio has increased from 78.09% on June 30, 1996 to 93.54% on June 30, 1999.

LENDING IN ASSESSMENT AREA

The bank's record of lending within the AA is reasonable and meets the standards for satisfactory performance. The following table details the bank's lending within and outside the AA by dollar volume and number of loan originations in the evaluation period.

LOAN TYPE	DOLLAR VOLUME		NUMBER OF LOANS	
	WITHIN AA	OUTSIDE AA	WITHIN AA	OUTSIDE AA
Residential Real Estate	\$34,174,764	\$4,898,039	864	114
	87%	13%	88%	12%
Business	\$41,946,471	\$9,063,143	742	105
	82%	18%	88%	12%
Agricultural	\$4,201,459	\$223,049	67	10
	95%	5%	87%	13%
Consumer Instalment	\$29,885,075	\$5,120,549	4,666	555
	85%	15%	89%	11%
TOTAL	\$110,207,769	\$19,304,780	6,339	784
	85%	15%	89%	11%

Source: Bank Trials (6/30/96 to 9/28/99)

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The distribution of residential real estate loans reflects adequate penetration among individuals of different income levels including low- and moderate-income individuals. Based on a sample of sixty residential real estate loans originated within the AA, seven percent were originated to low-income borrowers and 20% originated to moderate-income borrowers.

FNB accommodates low- and moderate-income individuals by granting small dollar real estate loans. Forty-two percent of the real estate loans originated for less than \$25,000, 30% originated for \$25,000 to \$49,999, 22% originated for \$50,000 to \$99,999, and 6% originated for \$100,000 or more in the bank's AAs.

The following tables summarize the bank's distribution of loan originations among borrowers of different income levels:

**RESIDENTIAL REAL ESTATE LENDING
TO BORROWERS OF DIFFERENT INCOME LEVELS**

INCOME LEVEL OF BORROWER	% OF FAMILIES	\$ VOLUME ORIGINATED	% ORIGINATED	# ORIGINATED	% ORIGINATED
Low-income	21%	\$56,022	3%	4	7%
Moderate-income	18%	\$249,052	11%	12	20%
Middle-income	19%	\$817,596	38%	21	35%
Upper-income	42%	\$1,037,169	48%	23	38%
TOTAL	100%	\$2,159,839	100%	60	100%

Source: Bank Trials (6/30/96 to 9/28/99)

FNB's lending levels for small business and small farm loans reflect good responsiveness to community credit needs. All of the small farm loans were made to farms with annual revenues less than \$1 million. Ninety-seven percent of the small business loans were made to companies with annual revenues less than \$1 million. This performance is reflective of the markets in the bank's assessment area.

As detailed in the following tables, a substantial portion of the loans originated during the evaluation period to small businesses and farms originated for less than \$50,000.

**DISTRIBUTION OF SMALL BUSINESS AND FARM LOANS
BY LOAN SIZE**

LOAN SIZE (\$)	BUSINESS LOANS		FARM LOANS	
	#	%	#	%
<\$25,000	374	51%	23	34%
\$25,000 - \$49,999	141	19%	12	18%
\$50,000 - \$99,999	120	16%	21	31%
\$100,000 - \$249,999	82	11%	8	12%
>\$250,000	25	3%	3	5%
TOTAL	742	100%	67	100%

Source: Bank Trials (6/30/96 to 9/28/99)

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank's geographic distribution of residential real estate loans is reasonable based upon the demographics of the assessment area. The geographic analysis is based on a sample of 60 residential real estate originated in the evaluation period. Our analysis reflects lending in all BNAs.

GEOGRAPHIC DISTRIBUTION OF LOANS

RESIDENTIAL REAL ESTATE LOAN ORIGINATIONS BY INCOME LEVEL OF BNAs WITHIN AA					
INCOME LEVEL OF BNA	% of Owner Occupied Units	SAMPLE OF LOAN ORIGINATIONS			
		NUMBER	PERCENT	DOLLAR VOLUME	PERCENT
Low-income	0%	There are no low-income BNAs.			
Moderate-income	4%	3	5%	\$137,583	6%
Middle-income	88%	55	92%	\$2,132,835	90%
Upper-income	8%	2	3%	\$90,066	4%
TOTAL SAMPLE	100%	60	100%	\$2,360,484	100%

Source: Bank Trials (6/30/96 to 9/28/99)

RESPONSE TO COMPLAINTS

The bank has not received any complaints since the prior examination relative to its performance under the CRA.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

We performed a Fair Lending review for gender discrimination by reviewing used car loan denials. Our sample consisted of comparing denied individual female applications to approved individual male applications. No violations of the substantive provisions of the anti-discrimination laws and regulations were discovered during our examination.

