



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**May 10, 2004**

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

**The Citizens National Bank of Russellville  
Charter Number 6546**

**138 North Main Street  
Russellville, KY 42276**

**Comptroller of the Currency  
Nashville Field Office  
5200 Maryland Way Suite 104  
Brentwood, TN 37027**

**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, 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.**

## **INSTITUTION'S CRA RATING-This institution is rated Satisfactory.**

- ◆ The average loan-to-deposit ratio at 64.78 percent is reasonable given the bank's size, financial condition, and assessment area credit needs.
- ◆ A majority of the number of loans originated are in the bank's assessment area.
- ◆ The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

## **DESCRIPTION OF INSTITUTION**

Citizens National Bank of Russellville (CNB) is a community bank located in Logan County, Kentucky. Russellville is located approximately 30 miles southwest from Bowling Green, Kentucky. The bank has a main office and two full service branches in Russellville. As of December 31, 2003 the bank reported total assets of \$177 million with \$158 million in deposits and \$75 million in loans (43 percent of total assets). CNB is a wholly owned subsidiary of South Central Bancshares, Inc. (SCB), which also owns two other state chartered institutions in Kentucky. In 2003 First Southern Bancshares based in Stanford, Kentucky acquired SCB.

The institution operates in a competitive environment including other community banks, regional bank branches, and credit unions. At June 30, 2003, CNB was the deposit market share leader in the county with 41 percent, according to FDIC data. The bank's primary business focus is residential real estate, commercial loans, and consumer loans. The loan portfolio composition as of December 31, 2003, is as follows:

<b>Loan Category</b>	<b>\$ (000's)</b>	<b>Percent</b>
Residential Mortgage Loans	\$30,273	40.1%
Commercial & Commercial Real Estate	\$29,530	39.1%
Individuals	\$8,493	11.3%
Farmland and Agriculture	\$6,186	8.2%
Construction & Land Development	\$921	1.2%
All Other	\$55	.1%
<b>Total</b>	<b>\$75,458</b>	<b>100%</b>

\* Data obtained from 12/31/2003 Call report

CNB offers convenient banking hours and a variety of loan and deposit products to meet the needs of the assessment area. There are no financial impediments that would limit the bank's ability to help meet the credit needs in its assessment area. The bank's last CRA examination was performed as of February 2, 1998 and was rated **Satisfactory**.

## DESCRIPTION OF LOGAN COUNTY, KY

CNB’s assessment area (AA) meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. The AA includes all six census tracts within Logan County. The AA includes four middle-income and two upper-income tracts. There are no low- or moderate-income tracts within the AA.

Russellville serves as the county seat of Logan County. The local employment base is diversified with principal industries being light manufacturing and agriculture. Some of the major employers in the county include Logan Aluminum, Emerson Electric, and Carpenter Company. The county’s unemployment rate of 7.7 percent exceeds the state average of 5.6 percent. The 2002 updated median family income for Kentucky was \$36,300.

The following table shows the demographic and economic characteristics of the assessment area:

<b>Demographic Information for Assessment Area</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	6	0.00	0.00	67%	33%	0.00
Population by Geography	24,416	0.00	0.00	64.88%	35.12%	0.00
Owner-Occupied Housing by Geography	6,824	0.00	0.00	66.71%	65.34%	0.00
Businesses by Geography	1,351	0.00	0.00	55.96%	44.04%	0.00
Farms by Geography	216	0.00	0.00	64.81%	35.19%	0.00
Family Distribution by Income Level	6,925	18.25%	14.79%	19.26%	47.70%	0.00
Medium Family Income	= \$22,542		Median Housing Value	= \$41,985		
HUD Adjusted Median Family Income for 2002	= \$36,300		Unemployment Rate	= 7.7%		
Households below the Poverty Level	= 19%					

\* The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 U.S. Census, 2002 HUD updated MFI, and updated Dept. of Labor unemployment rate.

We conducted a community contact with the Logan County Economic Development Commission. They stated that the area financial institutions are positively perceived for their involvement through donations and employee involvement in community activities. This contact revealed that local banks are meeting the primary credit needs in the area.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

CNB’s loan-to-deposit ratio meets the standard for satisfactory performance given the bank’s size, financial condition, and considering the credit needs of the assessment area. The quarterly loan-to-deposit ratio averaged 64.78 percent since the previous CRA examination dated February 2, 1998. The ratio has ranged from a high of 70.46 percent at September 30, 2000 to a low of 59 percent at December 31, 2002. There are two smaller banks headquartered and similarly situated in Logan County. These banks are Auburn Banking Company and Lewisburg Banking Company. For the same time period, these institutions loan-to-deposit ratio averaged

84 percent and 68 percent, respectively. Auburn Banking Company's ratio fluctuated from a high of 105 percent at September 30, 1999 to a low of 62 percent at December 31, 2002.

**Lending in Assessment Area**

CNB's lending within its AA meets the satisfactory standard. A substantial majority of the number of CNB's loans were originated within the AA. For business loans, 84 percent of the total number and 34 percent of the dollar amount of loans were originated within the AA. The less than majority dollar amount of business loans originated in the AA was influenced by two very large business loans originated outside the assessment area. Our sample was comprised of residential real estate and a limited number of business loans. The bank is not a Home Mortgage Disclosure Act (HMDA) reporter. Based on our sample, approximately 82 percent of the total number of sampled loans and 44 percent of the total dollar amount of sampled loans were originated in the assessment area. Lending within the assessment area is detailed in the following table.

<b>Lending in Logan County Kentucky</b>								
Loan Type	Number of Loans				Dollars of Loans			
	Inside		Outside		Inside		Outside	
	#	%	#	%	\$	%	\$	%
Home Mortgage Loan sample	32	80.0%	8	20.0%	\$1,561,928	71.8%	\$614,757	28.2%
Business Loan sample	26	83.9%	5	16.1%	\$2,164,882	34.4%	\$4,125,000	65.6%
Totals	58	81.7%	13	18.3%	\$3,726,810	44.0%	\$4,739,757	56%

*Source: sampled home mortgage loans and business loans from 2001 and 2002.*

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

The distribution of borrowers reflects, given the demographics of the assessment area, good penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

As shown below, the number of residential real estate loans to low-income families exceeds the percentage of low-income families in the AA. The number of residential real estate loans to moderate-income families is somewhat lower than the percentage of moderate-income families in the AA.

<b>Borrower Distribution of Residential Real Estate Loans in Logan County, Kentucky</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Loan Type								

Home Mortgage Loans	18.3%	28.1%	14.8%	28.1%	19.3%	12.5%	47.7%	31.3%
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*Source: Home mortgage loan sample for 2001 and 2002; U.S. 1990 Census data.*

The distribution of loans to small businesses is good compared to the number of small businesses in the AA. As shown below, our limited sample of business loans reveals that 100 percent of the loans in the AA were made to small businesses (businesses with \$1 million or less in gross annual revenues). Additionally, a substantial majority (85 percent) of business loans we sampled in the AA were originated in amounts of \$100 thousand or less.

<b>Table 2A - Borrower Distribution of Loans to Businesses Logan County Kentucky</b>		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	96.1%	3.9%
% of Bank Loans in AA by #	100%	0.0
% of Bank Loans in AA by \$	100%	0.0

*Source: Business loan sample for 2001 and 2002. \* 18.97% of AA businesses did not report revenue data*

### **Geographic Distribution of Loans**

We determined a geographic distribution analysis of the bank’s loans would not be meaningful, as the AA has no low- or moderate-income census tracts.

### **Responses to Complaints**

CNB has not received any CRA-related complaints since the previous CRA examination.

### **Fair Lending or Other Illegal Credit Practices Review**

An analysis of public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.