



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 27, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Lewis County
Charter No. 16611**

**604 Second Street
Vanceburg, Kentucky 41179**

Office of the Comptroller of the Currency

**Central District Office
One Financial Place, 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 **First National Bank of Lewis County** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 27, 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**.

First National Bank of Lewis County exhibits a satisfactory performance record. This rating is supported by:

- A majority of the real estate loans, small business, and small farm loans sampled were within the bank's assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- Of the small business and farm loans sampled, 80.9% were made to businesses and farms with revenues less than \$100,000.
- The loan-to-deposit ratio is reasonable.

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

| SMALL INSTITUTION ASSESSMENT CRITERIA | <u>FIRST NATIONAL BANK OF LEWIS COUNTY</u> PERFORMANCE LEVELS | | |
|--|--|--|--|
| | Exceeds Standards for Satisfactory Performance | Meets Standards for Satisfactory Performance | Does not meet Standards for Satisfactory Performance |
| 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

First National Bank of Lewis County (FNBLC) is a \$30 million financial institution with its main office located in Vanceburg, Lewis County, Kentucky. It is an affiliate of Lewis Bancshares, Inc., a one bank holding company. The bank has one branch located in Garrison, Kentucky. The Vanceburg office is located in a moderate income block numbering area (BNA) and the Garrison office is in a middle income BNA. Both offices have drive-up facilities.

FNBLC's primary business focus is lending to individuals (residential and retail), small businesses, and small farms. They offer a variety of lending products to accommodate borrowers within their assessment area (AA). At December 31, 1996, the loan portfolio consisted of the following loan types:

| | VOLUME | % OF GROSS LOANS |
|-------------------------|--------|------------------|
| Residential Real Estate | 9,003 | 44% |
| Commercial Real Estate | 1,554 | 8% |
| Secured by Farmland | 609 | 3% |
| Commercial Loans | 3,567 | 18% |
| Individual Loans | 4,642 | 23% |
| Agricultural Loans | 885 | 4% |

There are no financial or legal impediments that affect the bank's ability to help meet the credit needs of its AA. FNBLC's CRA rating as of September 30, 1994 was "Satisfactory Record of Meeting Community Credit Needs."

DESCRIPTION OF ASSESSMENT AREA

Management has defined the AA as all of Lewis County, Kentucky. Lewis County is comprised of BNAs 9901 through 9904. The four BNAs are characterized as follows: one moderate income (25%) and three middle income (75%). There are a total of 5,328 housing units in the bank's AA with 3,715 or 69% being owner occupied units. The AA meets the requirements of the regulation and does not arbitrarily exclude low-income or moderate-income geographies.

The Department of Housing and Urban Development's (HUD) estimate of the 1996 Kentucky Statewide Nonmetropolitan Median Family Income is \$26,400. The bank's AA has a population of 13,029. The distribution of families in income categories is as follows: 30% are low income, 18% are moderate income, 18% are middle income, and 34% are upper income.

The local economy is rural in nature and includes significant agricultural activity. Stagnant economic conditions provide limited growth for Lewis County. The major employer for the local residents is U.S. Shoe which employs approximately 600 people. Lewis county is primarily a logging and small farm community. Competition is provided by one local financial institution.

We conducted one interview with a local mayor to ascertain the credit needs of the community. The community contact interview did not identify any unmet credit needs in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.

During the past 9 quarters (12/31/94 to 12/31/96) the bank's loan-to-deposit ratio went from a high of 79.10% on June 30, 1996 to the lowest of 72.61% on December 31, 1996, with an average loan-to-deposit ratio of 75.02%. Similarly situated institutions with assets of \$50 million or less located in Kentucky had a net loans and leases to deposits ratio of 70.10% as of 12/31/96. The bank's ratio at 12/31/96 compares favorably to the peer banks' ratio at the same date.

Lending in Assessment Area

A majority of loans are in the bank's assessment area.

A sample of the bank's home mortgage, small business, and small farm loans originated from 9/30/94 through 12/31/96 was taken to determine the percentage of lending within the bank's AA. We sampled 15.5% of the number of home mortgage loans originated from 9/30/94 through 12/31/96. The dollar amount of the home mortgage loans originated from the same period was not available. We sampled 9 small business loans originated during that period which was approximately 23% of the commercial loans outstanding at 12/31/96. We sampled 16 small farm loans originated during that period which was approximately 12% of the small farm loans outstanding at 12/31/96. The total number and dollar amount of small business and farm loans originated during the evaluation period was not available for review.

The following table shows the number and dollar percentage of our sample of home mortgage loans (residential and home improvement), small business, and small farm loans made inside

the bank's AA from 9/30/94 to 12/31/96. The table shows that 85% of home mortgage loans, 78% of small business, and 88% of small farm loans were within the bank's AA. The out of area lending for small businesses is not considered unreasonable given the limited local business lending opportunities.

| Lending In Assessment Area | | | | |
|-----------------------------------|----------|----------|-----------|----------|
| Loan Category | # | % | \$ | % |
| Home Mortgage | 17 | 85% | 449 | 84% |
| Small Business | 7 | 78% | 700 | 60% |
| Small Farm | 14 | 88% | 152 | 87% |

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

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

The following table shows the distribution of home mortgage loans sampled among borrowers of different incomes within the AA. Based on 1990 census information, the AA consists of one moderate and three middle income BNAs. Our review of home mortgage loans originated from 9/30/94 through 12/31/96 revealed that the majority of the loans were made to middle and upper income borrowers.

| Distribution of Home Mortgage Loans Among Individuals | | | | | | | | |
|--|-------------------|-----------|------------------------|-----------|----------------------|-----------|---------------------|-----------|
| | Low Income | | Moderate Income | | Middle Income | | Upper Income | |
| | # | \$ | # | \$ | # | \$ | # | \$ |
| 9901-9904 | 11.8% | 3.6% | 11.8% | 5.6% | 29.4% | 16.9% | 47.0% | 73.9% |
| AA | 29.6% | | 17.7% | | 18.2% | | 34.5% | |

We sampled 9 small business loans and 16 small farm loans originated between 9/30/94 and 12/31/96. The following table is the distribution among different sizes of businesses. This shows that loans were made to businesses of all sizes, with 80.9% of the sample being made to small businesses and farms with gross revenues less than \$100,000.

| Distribution of Small Business Loans and Small Farm Loans | | | | |
|--|----------|----------|-----------|----------|
| Revenue (in \$000's) | # | % | \$ | % |
| <100 | 17 | 80.9% | 450 | 52.8% |
| 100-250 | 1 | 4.8% | 30 | 3.5% |
| 250-1000 | 1 | 4.8% | 332 | 39.0% |
| >1,000 | 2 | 9.5% | 40 | 4.7% |

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

The following tables represent the distribution of home mortgage, small business, and small farm loans sampled among BNAs within the bank's AA. One BNA is moderate income and three are middle income. The bank does not have any low or upper income BNAs. The main office is located in BNA 9902 (moderate income). The branch is located in BNA 9901. Sixty-two percent of the AA population is located in BNAs 9901 and 9902. The majority of FNBLC's lending activity occurs around its main office and branch, with the remaining evenly dispersed throughout the AA as evidenced by our sample. This distribution is consistent with the demographic make up of the AA.

| Geographic Distribution of Loans | | | | |
|---|------------------------------------|-----------|----------------------------------|-----------|
| | Moderate Income BNA | | Middle Income BNA | |
| Loan Type | # | \$ | # | \$ |
| Home Mortgage | 47.1% | 54.6% | 52.9% | 45.4% |
| Small Business | 42.9% | 12.1% | 57.1% | 87.9% |
| Small Farm | 71.4% | 78.9% | 28.6% | 21.1% |
| COMBINED TOTAL | 55.3% | 34.6% | 44.7% | 65.4% |

| Geographic Distribution of Loans by BNAs | | | | | | |
|---|------------------------|----------|------------------------|----------|-------------------|------------------------------|
| | Assessment Area | | Assessment Area | | Population | Percent of Population |
| | # | % | \$ | % | | |
| 9901 | 12 | 31.6% | 703 | 54.0% | 4,123 | 31.7% |
| 9902 | 21 | 55.3% | 450 | 34.6% | 3,962 | 30.4% |
| 9903 | 4 | 10.5% | 143 | 11.0% | 3,118 | 23.9% |
| 9904 | 1 | 2.6% | 5 | 0.4% | 1,826 | 14.0% |
| TOTAL | 38 loans | | \$1,301 | | 13,029 | 100% |

Responses to Complaints

The bank has not received any complaints from the public regarding its performance in meeting the credit needs of the AA.

Other Considerations

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.