



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

September 17, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Carrollton
Charter Number: 2592

604 Highland Avenue
Carrollton, KY 41008

Office of the Comptroller of the Currency

Southern Ohio & Kentucky
9200 Shelbyville Road, Suite 505
Louisville, KY 40222

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.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First National Bank of Carrollton, Kentucky** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **September 17, 2007**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

Major Conclusions:

- A majority of loans and other lending-related activities are in the bank's assessment area.
- The average loan-to-deposit ratio is reasonable, given the bank's size, financial condition, and assessment area credit needs.
- The distribution of loans reflects reasonable penetration among individuals of different income levels.

SCOPE OF EXAMINATION

We performed a full-scope review of the bank's assessment area (AA). The evaluation period for the lending test is January 1, 2005 through June 30, 2007 (the prior two years plus the most recent quarter end). Our analysis for this examination is based upon a sample of loans taken from this evaluation period.

DESCRIPTION OF INSTITUTION

The First National Bank of Carrollton (FNB) is a full-service intrastate institution, 100 percent owned by Port William Bancshares, Inc., a single bank holding company located in Carrollton, Kentucky. FNB is centrally situated off U.S. Interstate 71 between Louisville and Cincinnati. As of June 30, 2007, the bank had approximately \$71 million in total assets, \$62 million in deposits, \$43 million in loans, and \$8 million in Tier One capital. FNB operates from the main office and one branch in the AA. Both facilities are full service and have one ATM at each location. FNB also operates one stand-alone ATM located at a grocery in Carrollton.

As of June 30, 2007, net loans represented approximately 61 percent of the bank's average assets. The loan portfolio mix is as follows: 1-4 family residential mortgages 50 percent, business-related loans 22 percent, consumer loans 18 percent, and farm or farm related loans 10 percent. The bank's primary lending focus is home mortgage loans.

The bank offers traditional banking services and lending products. FNB continues to be community oriented and offers a wide variety of loan products including residential real estate, commercial real estate, agricultural, and consumer.

There are no legal or financial circumstances that impact the bank's ability to meet community credit needs. The last CRA evaluation was performed on May 20, 2002. The bank received a rating of Satisfactory.

DESCRIPTION OF CARROLL COUNTY

FNB's AA consists of all of Carroll County. The AA appears appropriate in relation to the location of the bank's offices and does not arbitrarily exclude any low- or moderate-income areas.

According to the 2000 U.S. Census, the population of Carroll County is approximately 10,155 persons. The county is located in a non-metropolitan statistical area and is comprised of one middle-income census tract (CT) and two upper-income CTs. There are no low- or moderate-income CTs in Carroll County. However, Carroll County is comprised of 17 percent and 11 percent of low- and moderate income families, respectively. Approximately 16 percent of the county's households are below the poverty level.

The major industry in the AA is manufacturing, followed by trade, transportation, and utilities, and finally the services industry. The major employers in the area are North American Stainless, Dow Corning, Gallatin Steel, and E.ON Power and Gas. As of June 30, 2007, Carroll County's unemployment rate was 5.3 percent, which is below Kentucky's unemployment rate of 5.4 percent.

There are a total of six financial institutions in the AA, from small community banks to a branch of a large regional bank. The total deposits of these banks range from \$3.5 million to \$57 million. FNB is the largest bank in the county in relation to deposits, with a 43 percent deposit market share. The bank's major competition in the Carroll County AA consists of U.S. Bank and Carrollton Federal Bank Savings Association.

We performed one community contact interview during our evaluation. The contact indicated the credit needs of the community are 1-4 family residential affordable housing and small business lending.

The following demographic information covering the bank's AA of Carroll County is based on 2000 census data, unless otherwise indicated.

Type of Information	AA	
Total Population in AA	10,155	
Kentucky HUD Adjusted Median Family Income – 2007	\$39,100	
Families in AA:		
Income Levels of Families	#	%
Low	473	17
Moderate	313	11
Middle	481	17
Upper	1,514	55
Total Families within AA	2,781	100
Median Home Value:		
	\$77,044	
Median Year Built:		
	1970	
1-4 Family Housing Units		
	93%	
Occupancy:		
	#	%
Owner Occupied Units	2,631	59
Renter Occupied Units	1,309	30
Vacant Units	499	11
Total Units within AA	4,439	100

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This Performance Evaluation assesses FNB's record of meeting the credit needs of the communities in which it operates. We evaluated FNB under the Small Bank performance criterion. The evaluation period covers lending from January 1, 2005 to June 30, 2007.

Conclusions regarding the bank's lending performance are based upon our evaluation of the bank's primary loan products originated January 1, 2005 through June 30, 2007. We determined FNB's primary product lines (residential real estate loans) by reviewing available lending reports for a representative timeframe and through discussions with management. To analyze the primary loan product, we selected a random sample from the residential real estate portfolio, using source documents to collect the data.

Note: FNB is not subject to the data collection and reporting requirements of the Home Mortgage Disclosure Act (HMDA)

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 average net loan-to-deposit ratio for the 21 quarters since the last CRA public evaluation is 66 percent. The loan-to-deposit ratio has decreased since the last CRA evaluation (74 percent) and as of June 30, 2007, was 69 percent.

We compared FNB to two similarly situated banks. These banks are comparable to FNB in asset size, deposit size, number of offices, and major lending products. FNB’s average loan-to-deposit ratio is reasonable to the two similarly situated banks. The table below shows the average loan-to-deposit ratios of the other banks for the period under review range from 69 percent to 74 percent.

Institution	Average
First National Bank of Carrollton	65.74%
Bank #1	69.17%
Bank #2	73.90%

Lending in Assessment Area

A majority of loans and other lending-related activities are in FNB’s AA. The analysis shows 57 percent of the number and 56 percent of the dollar amount of loan origination were to borrowers inside the AA. To reach this conclusion, the OCC analyzed the bank’s lending activity by selecting a random sample of 30 residential loans originated between January 1, 2005 and June 30, 2007. See the following table for details.

Loan Originations Between January 1, 2005 and June 30, 2007				
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$(000's)	Percentage of Loans
Within the Assessment Area	17	57%	\$ 1,231	56%
Outside the Assessment Area	13	43%	\$ 985	44%
Totals	30	100%	\$ 2,216	100%

**Source: Randomly selected sample of 1-4 family residential loans originated within the evaluation period.*

Lending to Borrowers of Different Incomes

The distribution of loans, given the demographics of the AA, reflects reasonable penetration among individuals of different income levels (including low- and moderate-income borrowers). To reach this conclusion, the OCC analyzed the bank’s lending activity by selecting a random sample of 60 residential loans originated within FNB’s AA between January 1, 2005 and June 30, 2007. See the table below for details.

Income Distribution of 1-4 Family Residential Loans

The distribution of loans, given the demographics of the AA, reflects reasonable penetration among individuals of different income levels (including low- and moderate-income). Households in the AA below the poverty level total approximately 16 percent, which may be a barrier to homeownership. Another barrier would be the AA is comprised of a high number of rental properties. (30 percent of the 1-4 family units are rental properties)

FNB originated 13 percent of the sampled loans to low-income families and 7 percent to moderate-income families. Although the random sample selected does not meet the demographic comparators of 17 percent and 11 percent for low- and moderate-income families respectively the level of penetration is reasonable given the factors detailed above.

Income Distribution of 1-4 FAMILY RESIDENTIAL LOANS					
Borrower Income Level	Loan Originations Between January 1, 2005 and June 30, 2007				Percentage of Families within each Income Category
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$ (000's)	Percentage of Dollars	
Low	8	13%	\$ 260	7%	17%
Moderate	4	7%	\$ 198	6%	11%
Middle	12	20%	\$ 404	11%	17%
Upper	36	60%	\$ 2,783	76%	55%
Total	60	100%	\$ 3,645	100%	100%

* Source: Randomly selected sample of 1-4 family residential loans originated within the bank’s assessment area.

** Further segmentation of home mortgage lending activity by purpose was not available from the data used for this analysis.

***Note: The assessment area has no low- and moderate-income geographies.

Geographic Distribution of Loans

The main focus of this analysis is to analyze the bank's geographic distribution of lending among low-, moderate-, middle-, and upper-income geographies. Since the assessment area consists of three census tracts; one middle-income and two upper-incomes, an analysis of the bank's loan distribution by geographies would not provide a meaningful analysis.

Responses to Complaints

FNB has not received any complaints about its performance in helping meet assessment area credit needs during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.