



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**April 19, 2004**

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

**The Farmers National Bank Of Danville  
Charter Number 2409**

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

**Comptroller of the Currency  
Louisville Field Office  
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**

## Description of Institution

The Farmers National Bank of Danville (FNB) is a \$327 million intrastate bank headquartered in Danville, Kentucky. FNB is wholly owned by Boyle Bancorp, Inc., a one-bank holding company. The bank's market and its nine branches are located in Boyle, Lincoln, and Mercer Counties, Kentucky. There are seven offices including the main office in Boyle County, two offices in Mercer County, and one office in Lincoln County. FNB had no mergers or acquisitions during this evaluation period.

FNB's primary lending focus is home mortgage loans with an increasing emphasis being placed on commercial/commercial real estate loans. FNB also makes loans to small businesses and farms in the area. As of March 31, 2004, FNB had net loans to total assets of 62 percent. The loan portfolio consists of mostly 1-4 Family Residential mortgages (47 percent) with commercial loans accounting for 25 percent of the portfolio. In addition, the bank's portfolio consists of the following: Non-Farm Non-Residential - 6 percent, Construction and Development - 4 percent, Farmland - 3 percent, Ag loans - 6 percent, Consumer loans - 4 percent, Municipal loans - 3 percent, Multifarm loans - 1 percent, and other loans - 1 percent.

FNB delineated one assessment area (AA), which includes all of Boyle, Lincoln, and Mercer Counties. This AA is in a non-metropolitan area and consists of 16 geographies. There are no low- or moderate-income geographies. The geographic makeup includes nine (56 percent) middle-income areas and seven (44 percent) upper-income areas. The AA is legal and the bank did not arbitrarily exclude any low- and/or moderate-income geographies.

Competition is considered strong and involves significant competition from a large number of financial institutions and a variety of finance companies. As of June 30, 2003, FNB has the largest deposit market share (26.07 percent) within their market.

We contacted two community organizations to ascertain the community and credit needs in the AA. An economic development organization stated a need to continue recruiting industry to the area to further reduce the unemployment rate. A low-income housing organization indicated a need for more affordable home financing along with more flexible underwriting criteria.

There are no legal, financial, or other factors impeding FNB's ability to help meet the credit needs in its AA. As of March 31, 2004, FNB had net Tier 1 Capital of \$36 million or 11 percent of total assets.

FNB was rated "Satisfactory" at its last CRA evaluation dated October 22, 1998.

## Evaluation Period

We performed a full-scope review in the non-metropolitan AA (Boyle, Lincoln, and Mercer Counties).

We evaluated FNB's mortgage and small business lending using data for the period beginning January 1, 2002 through December 31, 2003. For community development loans, investments and services, our evaluation period runs from the ending date of the last CRA examination which is October 23, 1998, through April 19, 2004, the starting date of this evaluation.

The bank does not have an office located in a metropolitan statistical area, and therefore, is not subject to the Home Mortgage Disclosure Act (HMDA) that requires certain home mortgage data collection.

# Overall CRA Rating

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

The following table indicates the performance level of **The Farmers National Bank Of Danville** with respect to the lending, investment, and service tests:

Performance Levels	(Name of Depository Institution) Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		
High Satisfactory			X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

\* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Due to FNB’s business focus, we gave the greatest weight to home mortgage loans. It was also given weight because a significant amount of the home mortgage lending consisted of affordable housing loans for low- and moderate-income families. Affordable housing is a significant credit need as indicated by the community groups we contacted. Our rating of the bank’s performance takes this information into consideration. The major factors supporting this overall rating and conclusions with respect to performance tests are outlined below.

## Lending

Refer to Appendix C for facts and data used to evaluate the bank’s lending.

Performance is rated outstanding. The distribution of loans to small businesses and small farms as well as borrower distribution among the different income levels for mortgages was excellent. In addition, FNB made two community development loans and they offer some flexible affordable housing products.

- FNB’s lending activity is excellent. The bank’s deposit market share of Boyle, Lincoln, and Mercer Counties combined is 26 percent, which compares favorably with its small business loan market share of 16.99 percent. Market share for loans reportable under the Home Mortgage Disclosure Act was not available as this bank is not subject to HMDA.
- We calculated the inside/outside ratio at the bank level and found a substantial majority of loans and other lending-related activities are in the bank’s AA. The bank originated 92 percent of its home mortgage loans, 94 percent of its small business loans, and 91 percent of its small farm loans in the AA.

- While a review of the bank's geographic distribution of loans was not performed, as the analysis would not be meaningful since there are no low- or moderate-income geographies identified within either the 1990 or the 2000 U.S. Census, the loan sampling performed as part of our data integrity review indicates FNB's lending activity is spread throughout its market. We identified no conspicuous gaps in lending within the AA of Boyle, Lincoln, and Mercer Counties.
- FNB's distribution of loans to small businesses and farms was excellent. Loans to businesses with revenues of \$1 million or less represented approximately 97 percent of the bank's reportable loans, which was greater than the 66 percent of area businesses that had revenues of less than \$1 million. Loans to farms with revenues of \$1 million or less represented 100 percent of the bank's reportable loans, which was greater than the 95 percent of area farms that had revenues of less than \$1 million.
- FNB's overall distribution of home mortgage loans reflects excellent penetration among individuals of different income levels. FNB granted 14 percent of its mortgage loans to low-income individuals, which is just below the 18 percent of low-income families in the area. However, 40 percent of its mortgage loans were made to moderate-income individuals, which significantly exceeded the 16 percent of families within that income level.
- Community development lending positively impacted the bank's rating. FNB originated two qualified loans totaling \$2.2 million, representing six percent of the bank's tier one capital. This volume is favorable because \$2 million of this money went to a project providing affordable housing for low- and/or moderate-income families. Affordable housing is an identified credit need in the AA. The other loan went to provide funding to a local health department that provides healthcare to low- and moderate-income families.
- While FNB offers traditional lending products within their AA, they have also offered two alternative loan programs, the First Time Home Buyers Program and the Affordable Housing Program. Both of these programs are funded internally and modeled similar to the programs offered through the Federal Home Loan Bank (FHLB). Under these programs, they have made 45 loans totaling \$1.8 million. In addition, they have been involved with the Welcome Home Program through the FHLB, which is a program that provides financial grants to low- or moderate-income families to help with the costs of obtaining a loan. FNB has made nine loans through this program for a total of \$63 thousand. All of these loans involved the completion of affordable housing units.

## **Investments**

In evaluating the bank's volume of investments, we considered community development opportunities in the AA, as well as the capacity for the local infrastructure to create qualified investments. We determined that opportunities for qualified investments are very limited as most community development activities are either federally or state funded. Locally, the most prominent community development organizations consist of the local Chamber of Commerce, the Danville/Boyle Community Development Council, the Boyle County Industrial Foundation, and the Habitat for Humanity. Housing needs are primarily met through services provided by Kentucky Housing Corporation, a federally funded program, that serves the entire state of Kentucky. They provide home loans to low- and moderate-income persons at below market interest rates and require little or no down payment as well as provide homeownership counseling. On a local level, the Danville chapter of the Habitat for Humanity is an initiative that works for affordable housing. Based upon this information, we placed significant weight on the fact that opportunities to make qualified investments other than donations are limited.

Refer to Table 14 in Appendix C for facts and data used to evaluate the bank's level of qualified investments.

Performance under the investment test is rated low satisfactory.

- The volume of FNB's investments is satisfactory due to the limited opportunities available to them and the level of effort the bank makes to find available opportunities. FNB's investments were primarily donations to the local chapters for the Danville/Boyle Community Development Council, the Habitat for Humanity, the Christian Appalachian Project, the Salvation Army, Christmas programs specifically designed to buy gifts for low- and moderate-income children, school programs specifically offered to low- and moderate-income children, and to local organizations that assist low- and moderate-income individuals in medical situations. During the review period, the bank made 74 donations for a total of \$81 thousand.

## Services

In evaluating FNB's services, we considered the bank's size in relation to the size of the AA as well as the fact that there are no low- or moderate-income geographies in the AA.

Refer to Table 15 in Appendix C for facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

Performance under the service test is rated high satisfactory.

- FNB's delivery systems are accessible to essentially all geographies and individuals of different income levels in the AA. Full financial services are offered at six of the ten branches with four branches offering express services (deposit-taking only). In addition, the bank has nine full-service ATM's located throughout the AA.
- The bank opened one new branch in Stanford, KY. In addition, they closed two branches in the city of Danville and relocated them to a new office on East Main Street in Danville.
- FNB's hours of operation are considered excellent. While individual branches may differ in the exact hours of operation, typically, lobby hours for Monday through Friday range from 8:30 A.M. until 5:00 P.M. with extended lobby hours on Friday until 5:30 P.M. In addition, four of the full-service branches are also open on Saturday mornings until 12 Noon. Drive-through banking is available at the four express service offices with all offering extended hours on Friday until 6 p.m. and two of the express offices open on Saturday mornings until 12 Noon.
- FNB has various checking and deposit products for all its customers, including Internet banking service and Telebanc, a toll free, 24-hour service providing customer account access including funds transfers, account verification and deposit verification. In addition, the bank also offers free cashing of government checks for bank customers. Non-customers may cash government checks for a minimal fee. Since the bank could not provide specific information on how low- and moderate-income individuals are impacted by Internet banking service or Telebanc, significant weight was not placed on alternate delivery systems when drawing conclusions in the AA.

- FNB’s community development services are considered outstanding. Employees of FNB have served on several organizations in the community that provide general services to low- and moderate-income persons as well as help attract businesses and affordable housing to the area. Some of the organizations that FNB participates with includes, but is not limited to:
  1. Danville/Boyle County Chamber of Commerce: The primary purpose of this organization is promoting, establishing, and maintaining businesses in Danville/Boyle County, most of which are small businesses. Several of the bank’s employees and/or officers are involved with the Chamber of Commerce with one of the bank’s senior officers serving as Chairman for one term and one senior officer serving on the Board for two terms. Both of these officers also provide financial expertise regarding a bank’s perspective on new businesses and the financial needs of those businesses.
  2. Boyle County Industrial Foundation: The main purpose of this foundation is to recruit business and industry to Boyle County, which would employ mostly low- and moderate-income individuals. A senior bank officer has been a board member of this organization since 2003. He also provides financial expertise to the organization as questions arise regarding potential financing needs of those businesses being recruited to Boyle County.
  3. Industrial Authority of Harrodsburg: The main purpose of this foundation is to recruit business and industry to Harrodsburg, Mercer County. These businesses would employ mostly low- and moderate-income individuals. A senior bank officer has served as Director since June 2002 and also provides financial expertise to the organization as questions arise regarding potential financing needs of those businesses being recruited to Harrodsburg.
  4. Habitat for Humanity: This is a nonprofit, housing committee dedicated to eliminating homelessness and improving the conditions of low- and moderate-income housing for families in need by using volunteer labor, and donations of money and materials. A senior bank officer provides ongoing financial advice to the local chapter of the Habitat for Humanity.
  5. Salvation Army: This is a nonprofit group dedicated to feeding and clothing the poor, providing shelter for homeless men and women in severe financial need, and providing adult rehabilitation for those in need. While the bank has several employees involved as volunteers for the local chapter of the Salvation Army, the bank also has two senior bank officers involved as either a Board member or an Advisory Director. They both provide ongoing financial advise to the local chapter as well.
  6. Other organizations that bank officers either serve as Board members or provide financial expertise to include the Third Street Development Corporation (Danville, KY), United Way Heart of Kentucky (local chapter), United Way of Mercer County, and the Pioneer Vocational Industrial Services.

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

We found no evidence of illegal discrimination or other illegal credit practices.

## **Appendix A:**

**This appendix has been intentionally omitted.**

## Appendix B: Market Profiles for Full-Scope Areas

### Market Profiles for Areas Receiving Full-Scope Reviews

#### Boyle, Lincoln, and Mercer Counties - Kentucky

Demographic Information for Full-Scope Area: Boyle, Lincoln, and Mercer Counties - Kentucky						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	16	0.00	0.00	56.25	43.75	0.00
Population by Geography	71,875	0.00	0.00	61.54	38.46	0.00
Owner-Occupied Housing by Geography	20,861	0.00	0.00	61.03	38.97	0.00
Businesses by Geography	3,412	0.00	0.00	65.53	34.47	0.00
Farms by Geography	347	0.00	0.00	63.69	36.31	0.00
Family Distribution by Income Level	20,223	17.61	16.00	19.62	46.77	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	6,798	0.00	0.00	71.68	28.32	0.00
Median Family Income HUD Adjusted Median Family Income for the AA (described above)	\$39,710	Median Housing Value				\$78,860
Households Below the Poverty Level	\$38,600 15.81%	Unemployment Rate (avg for the 3 counties)				7.47%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 U.S. Census, and 2003 HUD updated MFI.

## Appendix C

**Tables 1, 8, 11a, 11b, 12a, 12b, 14, and 15, as well as the Distribution of Branch and ATM Delivery System are presented below. All other tables have been intentionally omitted.**

**Table 1. Lending Volume**

LENDING VOLUME												
Geography: FNB DANVILLE												
Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003												
MA/Assessment Area (2003):	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>												
FNB Danville	100.00	120	7,684	590	40,406	404	11,572	2	2,225	1116	61,887	100.00

\* Loan Data as of December 31, 2003. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is From October 23, 1998 to April 19, 2004.

\*\*\* Deposit Data as of June 30, 2003. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

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**Table 8. Borrower Distribution of Home Mortgage Loans**

Borrower Distribution: HOME MORTGAGES			Geography: FNB DANVILLE				Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003					Market Share				
MA/Assessment Area:	Total Home Mortgage Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Over all	Low	Mod	Mid	Upp	
	#	% of Total**	% Families***	% BANK Loans****	% Families**	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans****						
<b>Full Review:</b>																
FNB Danville	120	100.00	17.61	14.17	16.00	40.00	19.62	19.17	46.77	26.66	NA	NA	NA	NA	NA	

\* Based on Peer Mortgage Data: NA, bank is not a HMDA Reporter.

\*\* As a percentage of loans with borrower income information available.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home mortgage loans originated and purchased in the MA/AA as a percentage of all home mortgage loans originated and purchased in the rated area, (mortgages include home purchase, refinance, and home improvement loans).

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**Table 11-a. Borrower Distribution of Small Loans to Businesses-2002**

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: FNB DANVILLE			Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002				
	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share <sup>1</sup>	
MA/Assessment Area:	#	% of Total <sup>2</sup>	% of Businesses <sup>3</sup>	% BANK Loans <sup>4</sup>	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
FNB Danville	273	100.00	65.68	97.44	84.61	9.16	6.23	16.99	35.95

**Table 11-b. Borrower Distribution of Small Loans to Businesses-2003**

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: FNB DANVILLE			Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003				
	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share <sup>1</sup>	
MA/Assessment Area:	#	% of Total <sup>2</sup>	% of Businesses <sup>3</sup>	% BANK Loans <sup>4</sup>	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
FNB Danville	317	100.00	65.68	96.85	82.02	12.30	5.68	16.99	35.95

\* Based on 2002 Peer Small Business Data: US and PR.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2003).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses.

**Table12-a. Borrower Distribution of Small Loans to Farms-2002**

Borrower Distribution: SMALL LOANS TO FARMS		Geography: FNB DANVILLE			Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002				
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share <sup>*</sup>	
	#	% of Total <sup>**</sup>	% of Farms <sup>***</sup>	% BANK Loans <sup>****</sup>	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
FNB Danville	205	100.00	95.39	100.00	91.22	6.83	1.95	52.03	53.95

**Table12-b. Borrower Distribution of Small Loans to Farms-2003**

Borrower Distribution: SMALL LOANS TO FARMS		Geography: FNB DANVILLE			Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003				
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share <sup>*</sup>	
	#	% of Total <sup>**</sup>	% of Farms <sup>***</sup>	% BANK Loans <sup>****</sup>	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
FNB Danville	199	100.00	95.39	100.00	93.96	5.03	1.01	52.03	53.95

\* Based on 2002 Peer Small Business Data: US and PR.

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2003).

\*\*\*\* Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms.

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS									
			Geography: FNB DANVILLE		Evaluation Period: OCTOBER 23, 1998 TO APRIL 19, 2004				
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
FNB Danville	0	0	74	81	74	81	100.00	0	0

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

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**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS																		
Geography: FNB DANVILLE																		
Evaluation Period: OCTOBER 23, 1998 TO APRIL 19, 2004																		
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population				
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography				
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp	
<b>Full Review:</b>																		
FNB Danville	0.00	10	10	0.00	0.00	50.00	50.00	2	2	0	0	+2	-2	0.00	0.00	61.54	38.46	

**Distribution of Branch and ATM Delivery System**

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM																	
Geography: FNB DANVILLE																	
Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003																	
MA/Assessment Area:	Deposits	Branches						ATMs						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of ATMs	% of Total Bank ATMs	Location of ATMs by Income of Geographies				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
FNB Danville	0.00	10	10	0.00	0.00	50.00	50.00	9	100.00	0	0	44.44	55.56	0.00	0.00	61.54	38.46

