



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 6, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens National Bank of Paintsville
Charter Number 13023
620 Broadway
Paintsville, Kentucky 41240**

**Office of the Comptroller of the Currency
One Financial Place
440 South LaSalle Street, 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 **The Citizens National Bank of Paintsville (CNB)** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 6, 1997. It covers the period since the last examination dated February 2, 1995 when the bank's CRA performance was rated Outstanding. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

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

This conclusion is based on the following:

- CNB's loan-to-deposit ratio is reasonable for the area.
- A majority of the loans originated by management are within their assessment area.
- Management has originated loans to borrowers of different income levels, including low- and moderate-income families.

The following table indicates the performance level of *Citizens National Bank of Paintsville* with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Citizens National Bank of Paintsville</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

Citizens National Bank of Paintsville (CNB) is 100% owned by Citizens National Corporation, a one-bank holding company. CNB has a main office, three full-service branches and four automated teller machines, all located within the city of Paintsville. CNB is a full service lender. Total assets as of December 31, 1996 were approximately \$150 million.

CNB's primary lending focus is on residential, consumer and small business loans. The loan portfolio is comprised of:

- ◆ 45% 1-4 Family Residential Loans;
- ◆ 20% Loans to Individuals; and,
- ◆ 35% Commercial and Commercial Real Estate Loans.

There are no legal, financial or other factors impeding CNB's ability to help meet the credit needs of its assessment area.

DESCRIPTION OF JOHNSON COUNTY

The board of CNB has designated Johnson County as the bank's assessment area. Per the 1990 U.S. Census data, the population of Johnson County was 23,248. The county seat is Paintsville, which had a population of 3,780. The county includes six Block Numbering Areas (BNAs). Two are moderate-income and four are middle-income. The 1990 median family income for Johnson County was \$18,501. The income distribution of the families in Johnson County was:

- ◆ 31% low-income;
- ◆ 17% moderate-income;
- ◆ 17% middle-income; and
- ◆ 35% upper-income.

The economic condition of the area remains fair, but is better than that of neighboring counties. The area has become a regional shopping area. The largest employers include the local school board and the government. Unemployment is typically above state and national averages. The area's economy is significantly influenced by the coal industry of the eastern Kentucky region.

Competition in Johnson County from locally owned banks and regional financial institutions is strong. Two locally owned banks with total assets of approximately \$60 million and \$80 million are considered similarly situated to CNB for purposes of this evaluation. They have designated similar assessment areas and offer similar products.

Community credit needs and business opportunities identified through this evaluation and by management include affordable housing, small consumer loans, home improvement loans, and small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

CNB's average net loan-to-deposit ratio since the last CRA examination dated February 2, 1995 is 54.6%. This ratio is within the range of similarly situated financial institutions which had average ratios of 44% and 63%. It is also considered satisfactory based on the local economic conditions and competition from local and regional financial institutions.

Lending in the Assessment Area

Management hired a consulting firm to analyze and map all loans originated from January 1, 1995 to June 30, 1996. We verified their data during our examination. As shown in the table below, management originated a majority of the bank's loans within their assessment area during that eighteen month period.

TYPE OF LOAN	TOTAL ORIGINATIONS		ORIGINATIONS IN ASSESSMENT AREA			
	NUMBER	DOLLAR (000)	NUMBER	% OF NUMBER	DOLLAR (000)	% OF DOLLAR
Residential	364	\$15,863	271	75%	\$10,806	68%
Consumer	2,741	\$16,049	1,908	70%	\$ 9,948	62%
Commercial	281	\$ 8,844	189	67%	\$ 5,257	59%
TOTALS	3,386	\$40,756	2,368	70%	\$26,011	64%

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

We reviewed a sample of residential and automobile loans originated within CNB's assessment area since July 1, 1996. As shown in the table below, management's origination of loans to borrowers of different income levels is adequate considering the demographics of the county.

BORROWERS' INCOME LEVELS	NUMBER OF LOANS	% OF NUMBER	% OF FAMILIES IN THE AREA
Low-Income	6	13%	31%
Moderate-Income	5	10%	17%
Middle-Income	10	21%	17%
Upper-Income	27	56%	35%
Totals	48	100%	100%

Per CNB's June 30, 1996 Consolidated Reports of Condition and Income, 80% of the loans secured by nonfarm, nonresidential properties and 64% of the commercial and industrial loans outstanding were originated for amounts less than \$1 million. Also to help meet the credit needs of small businesses, management originated three Small Business Administration loans totaling \$137,000 under the Low-Doc program.

Management originates a significant volume of small dollar loans. The consulting firm's study described above showed 38% of the number of consumer loans were originated for less than \$2,500 and 36% of the number of commercial loans were originated for less than \$10,000. These originations of small dollar loans further supports management's efforts to meet the credit needs of low- and moderate-income borrowers and small businesses.

Geographic Distribution of Loans

The consulting firm mentioned above performed an analysis of the geographic distribution of CNB's loans. As shown in the table below, the distribution is reasonable as compared to the demographics of the assessment area.

BNA	INCOME LEVEL	NUMBER	% OF NUMBER	DOLLAR (000)	% OF DOLLAR	% OF FAMILIES IN EACH BNA
9601	MODERATE	247	7%	\$ 1,855	5%	12%
9602	MODERATE	163	5%	\$ 991	2%	11%
9603	MIDDLE	270	8%	\$ 2,192	5%	14%
9604	MIDDLE	1,143	34%	\$16,369	40%	28%
9605	MIDDLE	302	9%	\$ 2,747	7%	14%
9606	MIDDLE	243	7%	\$ 1,855	5%	21%
OUT OF AREA	N/A	1,018	30%	\$14,745	36%	N/A
TOTAL		3,386	100%	\$40,754	100%	100%

Responses to Complaints

No complaints have been received since our last examination.

Compliance with Antidiscrimination Laws

We did not identify any violations of the substantive provisions of the antidiscrimination laws and regulations.