



## **PUBLIC DISCLOSURE**

June 4, 1999

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

**The First National Bank of Paintsville  
Charter Number 13763  
P.O. Box 710  
Paintsville, Kentucky 41240**

**Office of the Comptroller of the Currency  
Administrator of National Banks  
West Virginia Field Office  
100 Capitol Street  
Security Building - Suite 400  
Charleston, West Virginia 25301**

**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 CRA performance of *The First National Bank of Paintsville* prepared by the *Office of the Comptroller of the Currency*, the institution's supervisory agency as of the evaluation date. 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**.

The First National Bank of Paintsville (FNB) has met the standards for satisfactory performance for each of the following assessment criteria: loan to deposit ratio, lending within the assessment area, lending to borrowers of different incomes and to businesses of different sizes, and geographic distribution of loans. This evaluation is based on information collected since FNB's last CRA evaluation dated August 8, 1996.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	THE FIRST NATIONAL BANK OF PAINTSVILLE'S PERFORMANCE LEVELS		
	<u>Exceeds</u> Standards for Satisfactory Performance	<u>Meets</u> Standards for Satisfactory Performance	<u>Does Not Meet</u> Standards for Satisfactory Performance
Loan to Deposit Ratio		<b>X</b>	
Lending in Assessment Area		<b>X</b>	
Lending to Borrowers of Different Incomes and to Businesses of Different		<b>X</b>	
Geographic Distribution of Loans		<b>X</b>	
Response to Complaints	<b>The bank has not received any CRA related complaints since our previous CRA examination.</b>		

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Paintsville is a community bank with total assets of \$72 million. The main office and full service branch are located in Paintsville, KY. The bank is owned by Classic Bankshares situated in Ashland, KY.

As of March 31, 1999, net loans represented approximately 60% of total assets. FNB's loan portfolio consists of 51% real estate related loans, 12% consumer loans, and 37% commercial loans. FNB offers a variety of loans including: personal or residential real estate, home improvement, special heating and cooling loans, commercial, home equity, SBA, signature, mobile home, and construction loans. There are no financial conditions, legal constraints, or other conditions that would hinder the bank's ability to help meet the credit needs of its assessment area.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank has one assessment area (AA). The AA consists of Johnson County where the bank's main office and branch are located. This AA includes 6 Block Numbering Areas (BNAs).<sup>1</sup> There are no low-income areas within this AA, however, there are 2 moderate-income areas and 4 middle-income areas. The AA does not arbitrarily exclude low- and moderate-income geographies.

The income levels of the various families in the AA are as follows: low-income (31%), moderate-income (17%), middle-income (17%), and upper-income (35%). The 1998 KY statewide updated HUD non MSA median family income<sup>2</sup> equaled \$29,800. Based on 1990 census data, Johnson County has a population of 23,248. Thirty three percent of the households receive social security income and 13% receive some other type of public assistance.

The Johnson County economy is stable/increasing and loan demand is moderate. The major industries within the area include the school systems, plastics manufacturing, and retail sales.

Banking within the AA is competitive, as there are numerous financial institutions available to service local credit needs. These banks consist of nationally chartered community banks and two savings banks. In addition, there are nearby state chartered institutions that also serve the local credit needs.

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<sup>1</sup> A BNA tract is defined by the Census Bureau. It describes a geographic area within a county.

<sup>2</sup> The term median family income describes the median income earned by people sharing a home that are related by birth, marriage, or adoption.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

### < **Loan to Deposit Ratio**

FNB's loan to deposit ratio is reasonable. During the 11 quarters from September 30, 1996 through March 31, 1999, FNB's net loan to deposit ratio averaged 68%. FNB has increased its loan to deposit ratio from 53% to 74% during these 11 quarters. The net loan to deposit ratio of five similarly situated community banks in the AA, as of December 31, 1998, ranged from 47% to 72%.

### < **Lending in Assessment Area**

In order to assess this performance factor, we analyzed all home purchase loans originated from March 1998 through March 1999. This sample consisted of 26 loans. Based on this sample, we found that a majority of these loans, or 65%, were originated within the AA.

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

FNB's lending to borrowers of different income levels is reasonable. We determined this by assessing borrowers' incomes of home purchase loans originated within the AA from March 1998 through March 1999. The following table illustrates FNB's penetration of loans to families of different incomes in the AA.

<b>FNB's Loan Penetration by Income Level</b>		
<b>Income Level</b>	<b>Families within the Assessment Area</b>	<b>Home Purchase Loans</b>
<b>Low Income</b>	<b>31%</b>	<b>6%</b>
<b>Moderate Income</b>	<b>17%</b>	<b>23%</b>
<b>Middle Income</b>	<b>17%</b>	<b>18%</b>
<b>Upper Income</b>	<b>35%</b>	<b>53%</b>

The bank's level of lending to businesses of different sizes is good, as well as consistent with the number of small businesses in the AA. By using the size of loans as an indicator of business size, we sampled 50 commercial loans originating from January 1999 through March 1999. All 50 loans were

for amounts less than \$1 million. Additionally, 92% of these loans were for amounts less than \$100,000. The dollar amount of the loans reviewed ranged from \$500 to \$500,000.

#### < **Geographic Distribution of Loans**

FNB's geographic distribution of loans reflects a reasonable dispersion throughout their AA. As mentioned earlier in this document, there are no low-income BNA tracts in the AA and two moderate-income tracts (BNA 9601 and 9602). Based on home purchase loans originated within the AA from March 1998 through March 1999, BNA tracts 9601 and 9602 had 18% and 12% of the sample located within their respective boundaries.

#### < **Response to Complaints**

FNB has not received any CRA related complaints since the prior CRA evaluation.

#### **Compliance with Antidiscrimination Laws and Regulations**

A fair lending examination was performed in conjunction with our CRA evaluation. This examination was performed to determine if any disparate treatment to any prohibited basis groups had been conducted. No violations of the substantive provisions of antidiscrimination laws and regulations were identified.