

Public Disclosure

January 25, 1999

Community Reinvestment Act Performance Evaluation

**First National Bank of Clinton
Charter Number 14259**

**114 East Jackson
P.O. Box 138
Clinton, Kentucky 42031**

**Office of the Comptroller of the Currency
80 Monroe Avenue, Suite 505
Memphis, Tennessee 38103**

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 **First National Bank of Clinton, Clinton, Kentucky**, prepared by **(The Office of The Comptroller Of Currency (OCC)**, the institution's supervisory agency, as of January 25, 1999. 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 **Outstanding**.

The major factors which support this rating include:

- **The average loan to deposit ratio of approximately 87% over the last ten quarters is excellent and well above similarly situated institutions lending in the bank's assessment area.**
- **A majority of the loans are made within the assessment area.**
- **The geographic distribution of loans was not assessed. The entire assessment area is located in a moderate income area.**
- **The bank has excellent distribution of loans to borrowers of different income levels and to businesses of different sizes.**

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

Small Institution Assessment Criteria	First National Bank of Clinton 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		N/A	
Response to complaints	No CRA complaints have been received		

DESCRIPTION OF INSTITUTION

First National Bank of Clinton is a \$48 million banking institution with a main office and one Automated Teller Machine (ATM). The bank is located in the main business district of Clinton, Kentucky, the county seat of Hickman County. The bank's primary focus is on poultry-related loans and other loans for agriculture purposes. As of September 30, 1998, forty-six per cent of the bank's loan portfolio was concentrated in agricultural credits. The consumer loan portfolio constitutes 12% of the total loan portfolio. A majority of consumer loans are for the purpose of purchasing automobiles and personal expenses. There are no known financial or legal impediments that would hinder the bank's ability to meet the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area has only two Block Numbering Areas (BNA), 9701 and 9702. Both are in Hickman County, which is located in the southwest portion of Kentucky. Both BNA's are moderate income. BNA 9701 has several small communities located within the area; however, Clinton is the only incorporated town. BNA 9702 is located 10 miles northwest of Clinton on the Mississippi River and contains the small incorporated town of Columbus with a population of 200. The assessment area is primarily rural and agricultural in nature with some light industry and manufacturing.

The main office and the ATM are both located in Clinton BNA 9701. There is little competition in the assessment area with only two banks located in Hickman County, both in Clinton. The other institution is Clinton State Bank. The next closest accessible financial institution is located in Arlington, Kentucky, approximately 10 miles from Clinton.

The county population is relatively stable. There are 5,566 persons living in the county. The county has a labor force of 74%, an unemployment rate of 3.98%, and the largest percentage of persons over 65 years of age in the state. There are 3,588 households in the assessment area. Of that total, 482 households are below the poverty level and 284 households receive Public Assistance. The median household income is \$20,357.

Jobs in the assessment area normally pay only minimum wage and many Clinton residents commute to places like Union City or Dyersburg, Tennessee for employment and higher wages. The Goodyear Tire and Rubber Plant in Union City, Tennessee employs 2,000 people with a starting salary of approximately \$10.00 per hour. Also, many residents commute to Wickcliff, Kentucky to work at the paper mill with an annual salary of approximately \$40,000. Some of the other large employers within a twenty-five mile radius are Superior Fireplace and General Tire. Tyson Farms has opened a plant in Union City and now employs over 1,000 people.

The Median Family Income (MFI) was \$22,542 based on the 1990 census. The 1997 HUD updated MFI was \$28,800 for Hickman County.

An interview was held with Larry Reber, Director of the Hickman County Extension Co-Operative Association. The purpose of the organization is to assist and educate the farming community about the advantages provided by the University of Kentucky's Agriculture Program. Mr. Reber indicated that the current economic strengths in the community are in the poultry producing business and in agriculture in general. Both financial institutions in the county have participated with his office since its inception of bring the poultry loan process to Clinton.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN TO DEPOSIT RATIO

The bank's average net loan to deposit ratio was 89.8% for the 10 quarters between March 31, 1997 and September 30, 1998. The highest ratio was 96.8% on September 30, 1997 and the lowest was 84.9% on September 30, 1998.

The only other financial institution located in the assessment area had a net loan to deposit ratio of 63% on September 30, 1998.

LENDING IN THE ASSESSMENT AREA

Lending in the assessment area is being analyzed using consumer, residential real estate, and agricultural related loans made during the nine month period between January 1, 1998 and September 30, 1998.

CONSUMER LOANS

A total of 1,318 consumer loans totaling \$5.4 million were made during the review period. The bank does not have a minimum loan limit and has extended consumer loans as low as \$75.00. The table below depicts that a substantial majority of consumer loans were made in the assessment area.

LOCATION	NUMBER	PERCENT	AMOUNT	PERCENT
INSIDE	1,040	79	3,860,584	70.90
OUTSIDE	278	21	1,584,207	29.10
TOTAL	1,318	100	5,444,791	100.00

MORTGAGE LOANS

Sixty one to four family residential real estate mortgage loans totaling \$1.6 million were originated during the period. The table below reflects that an overwhelming majority of the bank's residential mortgage loans were made in the assessment area.

LOCATION	NUMBER	PERCENT	AMOUNT	PERCENT
INSIDE	48	80	1,219,586	74.24
OUTSIDE	12	20	423,111	25.76
TOTAL	60	100	1,642,697	100.00

AGRICULTURAL LOANS

The bank also originated 270 agricultural loans totaling \$16.2 million through September 30, 1998. Nearly half were made to borrowers with in the assessment area with the remainder made to farmers in the surrounding communities.

LOCATION	NUMBER	PERCENT	AMOUNT	PERCENT
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INSIDE	120	44	5,780,609	35.68
OUTSIDE	150	56	10,422,709	64.32
TOTAL	270	100	16,203,318	100.00

COMMERCIAL AND BUSINESS LOANS

LOCATION	NUMBER	PERCENT	AMOUNT	PERCENT
INSIDE	98	57	3,679,830	56.53
OUTSIDE	73	43	2,829,353	43.47
TOTAL	171	100	6,509,183	100.00

The above table indicates that a majority of the bank’s commercial and business loans are within the assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES

The distribution of borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes

The following tables reflect lending distribution of consumer loans and residential real estate loans originated inside the assessment area by number and dollar amount based upon the gross annual revenues of the business or the income level of the borrower. Income levels are based on the 1997 State non-metropolitan median family income (MFI) for Hickman County of \$28,800. The 1997 MFI income was used in analyzing lending to borrowers of different income levels. The analysis reveals the following distribution of families by income level in the assessment area.

	1997 RANGE	NUMBER	PERCENT
LOW	UNDER \$14,400	357	22
MODERATE	\$14,401 - \$23,040	191	12
MIDDLE	\$23,041 - \$34,560	359	22
UPPER	OVER \$34,561	717	44
TOTAL		1,624	100

CONSUMER LOANS

Of the 1,318 consumer loans made during the period 01/01/98 - 09/30/98, income tracking information was obtained on 1,001. The table below reveals that 56% of the number of loans made and income-tracked were made to low- and moderate-income borrowers. This represents 40% of the dollar volume.

INCOME LEVEL	NUMBER OF LOANS	PERCENT	DOLLAR AMOUNT	PERCENT
LOW	340	34	619,804	22
MODERATE	218	22	508,378	18
MIDDLE	213	21	530,943	18
HIGH	230	23	1,224,008	42
TOTAL	1,001	100	2,883,133	100

MORTGAGE LOANS

Of the 60 mortgage loans made during the period 01/01/98 - 09/30/98, income tracking information was obtained on 35. The table below reveals that 39% of the number of mortgage loans made and income-tracked were made to low- and moderate-income borrowers. This represents 26% of the dollar volume.

INCOME LEVEL	NUMBER OF LOANS	PERCENT	DOLLAR AMOUNT	PERCENT
LOW	4	12	37,788	4
MODERATE	6	17	180,615	22
MIDDLE	6	17	144,805	17
HIGH	19	54	473,857	57
TOTAL	35	100	837,065	100

LOANS TO SMALL FARMS AND BUSINESSES

The data reflected below is for the calendar year of 1998. The penetration of loans to small farms and businesses has been exceptional with approximately 90% of both the number and dollar volume of loans going to businesses and farms with less than \$500,000 in revenues.

Revenues	# of Loans	% of Total	\$ Volume	% of \$ Total
<\$100,000	192	40%	5,624,488	20%
100-250,000	156	33%	10,966,125	38%
251-500,000	55	11%	3,046,306	11%
501-1,000,000	79	16%	9,006,444	31%
Total	482	100%	\$28,643,363	100%

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank's performance in this area was not assessed. Since the entire assessment area is located in a moderate income area, an analysis of the geographic distribution of the bank's loans would not be meaningful.

RESPONSE TO COMPLAINTS

The bank's public file did not contain any complaints regarding the bank's performance in helping to meet community credit needs under CRA

COMPLIANCE WITH ANTIDISCRIMINATORY LAWS AND REGULATIONS

No violations of substantive provisions of the anti-discriminatory laws and regulations were identified during the examination.

