



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

March 8, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Salyersville National Bank
Charter No. 8905
200 E. Maple Street
Salyersville, Kentucky 41465**

Office of the Comptroller of the Currency
Administrator of National Banks
Charleston Field Office
100 Capitol Street, Suite 400
Security Building
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 ***Salyersville National Bank*** prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of December 31, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 25.

Institution's CRA Rating: This institution is rated ***Satisfactory***.

The ***Salyersville National Bank*** has met or exceeded 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 from May 25, 1995 through December 31, 1998.

The following table indicates the level of CRA performance of the Salyersville National Bank with respect to each assessment criterion for small institutions:

SMALL INSTITUTION ASSESSMENT CRITERIA	<i>Salyersville National Bank</i> 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		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Business Different Sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	No CRA related complaints were received since the prior examination..		

DESCRIPTION OF THE INSTITUTION

The Salyersville National Bank (SNB) is a \$67 million community bank with its main office located in Salyersville, Kentucky. In addition to the main office the bank operates one branch located on Route 114 which is also within the Salyersville city limits. SNB offers full service at both locations and the branch offers a drive-through service.

As of December 31, 1998 net loans represented 60% of total assets and 73% of total deposits. SNB's portfolio consists of approximately 65% real estate loans, 16% consumer loans, and 19% commercial loans.

SNB offers a variety of credit products to consumers and businesses. They also offer other banking services, such as checking and savings accounts, to meet the needs of its customers. Currently, there are no legal impediments that would prevent the bank from meeting any credit or banking service needs of the community.

DESCRIPTION OF THE ASSESSMENT AREA

The bank's assessment area (AA) is Magoffin County. The area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate- income geographies. Magoffin County's Census population was 13,077. Also, based on the 1990 Census, Magoffin County has four Block Numbering Areas (BNA's), one of which is designated low-income and three designated moderate-income. The 1998 Housing & Urban Development estimated state-wide- non-MSA median family income¹ for Kentucky is \$29,800.

The local economy has historically been linked to the coal industry, which has all but disappeared from the county. The county has one manufacturing company that builds mining equipment. A large segment of the employed population commute to jobs outside the county. Unemployment percentages remain high. As of December 1998, Magoffin County had the fourth highest unemployment rate in the state of Kentucky at 12.6%.

The bank's primary competitors includes two banks, two loan companies, and one check cashing company.

In understanding Magoffin County's loan market, consideration must be given to the demographics of the AA population. Based on 1990 Census data, 40% of the households are below poverty level, 26% live on social security, 21% receive public assistance, and 8% of the population is retired. It is likewise important to note that 20% of the housing is for rental purposes and 36% of the housing is mobile homes.

¹The term median family income describes the median income earned by people sharing a home that are related by birth, marriage, or adoption.

Discussions with bank officials and community contacts indicate community credit needs include: consumer loans; small business loans; loans to start or relocate businesses to the area; and real estate loans.

CONCLUSIONS WITH RESPECT TO THE PERFORMANCE CRITERIA

C Loan-to-Deposit Ratio

SNB's loan to deposit ratio is reasonable given the institution's size, competition, and local economic conditions. During the three years prior to this examination, SNB's loan to deposit ratio has averaged approximately 65%.

C Lending in the Assessment Area

A majority of the bank's lending activity is within the AA. In order to determine this, we analyzed the real estate loans originated during 1998. The finding of this review is representative of the bank's overall lending performance in addressing the housing related needs within their AA. The table below illustrates SNB's lending in the AA:

REAL ESTATE MORTGAGE LOANS

	Number of Loans Originated	Percent of Number of Loans Originated	Dollar Amount of Loans Originated (000)	Percent of Dollar Amount of Loans Originated
Inside AA	119	86%	\$3,898M	79%
Outside AA	19	14%	\$1,031M	21%
Totals	138	100%	\$4,929M	100%

Additionally, we reviewed consumer and commercial loan originations during 1998. We found 71% of commercial loans, and 92% of consumer loans were originated within the AA.

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

SNB lends to borrowers of different income levels and businesses of different sizes. We determined this by reviewing a sample of consumer loans. The following table illustrates SNB's lending to individuals of different income levels, based on a sample of loans:

CONSUMER LOANS WITHIN THE ASSESSMENT AREA BY BORROWER INCOME LEVEL

Income Level	Distribution of Families by Income Level	Number of Loans	Percent of Number of Loans	Dollar Amount of Loans (000)	Percent of Dollar Amount of Loans
Low	41.38%	10	50%	\$15.30M	43%
Moderate	18.19%	8	40%	17.60M	50%
Middle	15.55%	2	10%	2.40M	7%
Upper	24.88%	0	0	0	0
Total	100%	20	100%	\$ 35.30M	100%

The preceding chart demonstrates that SNB's level of consumer lending is very good to low- and moderate-income individuals. SNB's consumer lending levels of 50% to low-income individuals and 40% to moderate-income individuals exceeds the demographics and demonstrates the bank's commitment to meeting community credits needs.

Additionally, the bank's level of lending to businesses of different sizes is more than reasonable and is consistent with the number of small businesses located in the AA. By using the size of the loans extended to businesses as an indicator of business size, we found that 99% of the commercial loans originated in 1998 were for amounts less than one million. In addition, 83% of these loans made were for amounts less than \$100,000.

C Geographic Distribution of Loans

An analysis of the geographic distribution of loans within Magoffin County was not performed. Magoffin County consists of one low-income block numbering area and three moderate-income block numbering areas. Since there are no middle- or upper-income areas, an analysis of the bank's loan distribution by geographies would not be meaningful. Based on our review of lending inside the AA, the bank's distribution of loans reflects a reasonable dispersion throughout their AA. The bank's lending pattern does not exhibit any conspicuous, unexplainable gaps.

C Response to Complaints

SNB has not received any CRA related consumer complaints since the prior examination.

C Compliance with Antidiscrimination Laws and Regulations

A fair lending examination was performed in conjunction with our CRA evaluation. This fair lending examination consisted of a loan terms analysis of 1998 real estate loans made for the purpose of purchasing or refinancing a residence, and secured by the residence. No violations of the substantive provisions of antidiscrimination laws and regulations were identified.