



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 9, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Russell Springs
Charter No. 11348
Highways 80 and 127
Russell Springs, Kentucky 42642**

Office of the Comptroller of the Currency

**9200 Shelbyville Road, Suite 505
Louisville, Kentucky 40222**

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 First National Bank of Russell Springs** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 9, 1998. 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 Record of Meeting Community Credit Needs.

- o The bank's average quarterly loan-to-deposit ratio since our last examination is reasonable.
- o A majority of the bank's loans are within the assessment area.
- o Management's record of lending to borrowers of different income levels, including low-and moderate-income families, small businesses and small farms is reasonable.

DESCRIPTION OF INSTITUTION

The First National Bank of Russell Springs (FNB) is a community bank that operates from three offices in Russell County, Kentucky. FNB has total assets of approximately \$79 million, as of September 30, 1997. The bank is a subsidiary of First Bancorp, Inc., a two-bank holding company located in Russell Springs, Kentucky. It is locally owned by private investors.

FNB offers traditional banking services and lending products. As of September 30, 1997, net loans represent approximately 54% of total assets. The composition of the loan portfolio is as follows:

28%	one-to-four family residential loans
42%	commercial real estate and commercial loans
11%	loans to individuals
17%	farmland and agriculture loans
<u>2%</u>	other
100%	

FNB's operations consist of two full service facilities (Main Office at Highways 80 and 127 and Downtown branch at 530 Main), and a deposit-taking facility ("S" branch at 2140 Highway 127 South). FNB has Automatic Teller Machines (ATM's) at the Main Office and the S. branch locations. Hours of operation are as follows: Lobby: Monday thru Thursday 8:30 a.m. to 4:00 p.m., Friday 8:30 a.m. to 6:00 p.m. Drive-thru and walk-up: Monday thru Thursday 8:00 a.m. to 4:00 p.m., Friday 8:00 a.m. to 6:00 p.m.

There are no legal or financial constraints impeding the bank's ability to help meet the credit needs in its assessment area. FNB's record of performance at the most recent CRA public evaluation dated March 27, 1995 was outstanding.

DESCRIPTION OF ASSESSMENT AREA

FNB's market is Russell County, in south central Kentucky. The county is a sparsely populated rural community of 14,716, according to the 1990 U.S. Census. The largest towns are Russell Springs and Jamestown, the county seat. The waters of Lake Cumberland occupy a large part of the southeastern part of the county. Russell County has four block numbering areas (BNA's). All are middle-income geographies, according to the U.S. Census. Middle-income is defined as 80% to 120% of state-wide median family income. The estimated 1997 non-metropolitan median family income for Kentucky is \$28,800. The county is experiencing rising unemployment because of the departure of the largest employer, an apparel-manufacturing firm. The unemployment rate as of November 1997 is 15%, according to the Kentucky Department for Employment Services. Employment opportunities exist mainly in light manufacturing, service industries, agricultural production and tourism. Lending opportunities exist in home mortgage loans, automobile loans, small business loans and agricultural loans. The banking environment is stable. FNB shares the market with a state-chartered bank and branches of two savings banks.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending in Assessment Area

FNB made a majority of its loans inside the assessment area during the evaluation period. We sampled originations in all four of the bank's major loan categories discussed earlier: home mortgage loans, consumer loans, business loans, and agricultural loans. The tables below show by number and by dollar volume the percentage of originations to borrowers within Russell County. Management indicated that these samples are representative of loan production.

HOME MORTGAGE LOAN SAMPLE (Production for the year 1997)	Number of loans	\$ (000's)
Total Loan Originations in sample	47	\$1,790
Loans inside Assessment Area	42	\$1,614
Percent inside Assessment Area	89%	90%

CONSUMER LOAN SAMPLE (Six month period ending January 1998)	Number of loans	\$ (000's)
Total Loan Originations in sample	19	\$172
Loans inside Assessment Area	16	\$141
Percent inside Assessment Area	84%	82%

BUSINESS LOAN SAMPLE (Two month period ending May 1997)	Number of loans	\$ (000's)
Total Loan Originations in sample	28	\$1,114
Loans inside Assessment Area	21	\$ 948
Percent inside Assessment Area	75%	85%

AGRICULTURAL LOAN SAMPLE (Two month period ending May 1997)	Number of loans	\$ (000's)
Total Loan Originations in sample	29	\$ 256
Loans inside Assessment Area	22	\$ 201
Percent inside Assessment Area	76%	78%

Loan-to-Deposit Ratio

FNB's quarterly loan-to-deposit ratio has averaged 64% since the last CRA evaluation. This is a reasonable level of lending activity, considering the lending opportunities, competitive situation, and economic conditions of the assessment area. A similarly-situated financial institution in the same market has also averaged about 64%.

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

FNB has a reasonable record of lending to borrowers of different incomes and to businesses of different sizes. We used the same representative samples discussed above to analyze loan distribution by income level (for consumers) and by revenue level (for businesses and farms).

The tables below show that FNB's mortgage lending and consumer lending are reasonably distributed among borrowers of different incomes and is comparable to the distribution of income levels within the assessment area. It shows that 21% of the dollar volume and 31% of the number of mortgage loans in the sample were made to low- and moderate-income families. It also shows that 34% of the dollar volume and 56% of the number of consumer loans were made to low- and moderate-income families. These statistics compares favorably to the overall composition of the market, which is 43% low- and moderate-income families.

Income Level Category	Income Levels of Families within the Assessment Area*	MORTGAGE LOANS		CONSUMER LOANS	
		Number of loans	Dollar volume	Number of loans	Dollar volume
Low	25%	10%	6%	37%	22%
Moderate	18%	21%	15%	19%	12%
Middle	21%	36%	31%	19%	13%
Upper	36%	33%	48%	25%	53%
Total %	100%	100%	100%	100%	100%

* Source: 1990 U.S. Census

The distribution of business loans and agricultural loans by revenue level is also favorable. Of the 21 business loans made inside the assessment area, 90% were to small businesses (annual revenues under \$1 million). They total \$738,000, or 78% of the total \$948,000 in originations. Moreover, 100% of the 22 agricultural loans made inside the assessment area were to small farms (revenues under \$500,000).

Geographic Distribution of Loans

As discussed earlier, all of the census tracts in Russell County have the same income level classification (middle-income). We could identify no neighborhoods or other geographic boundaries that are discernibly low- or moderate-income areas. Consequently, since income levels in Russell County cannot be geographically differentiated, an analysis of the geographic distribution of loans would not be meaningful.

Responses to Consumer Complaints

No consumer complaints regarding CRA have been received since our last examination.

Compliance with Antidiscrimination Laws and Regulations

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