



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 17, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens National Bank Of Jessamine County
Charter Number 22998**

**201 North Main Street
Nicholasville, KY 40356**

**Comptroller of the Currency
Louisville Field Office
9200 Shelbyville Road Suite 505
Louisville, KY 40222**

NOTE: This document is an evaluation of this 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. 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.

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INSTITUTION'S CRA RATING

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of Citizens National Bank of Jessamine County, Nicholasville, Kentucky prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of **March 17, 2003**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

This institution is rated Satisfactory.

Major Conclusions:

- A majority of loans and other lending-related activities are in the bank's assessment area.
- The distribution of loans reflects excellent penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans is considered excellent, considering the community's credit needs and demographics in relation to the bank's location and capacity to lend. There were no conspicuous gaps in lending.
- The average loan-to-deposit ratio is excellent, considering the bank's size, financial condition, and assessment area credit needs.

DESCRIPTION OF INSTITUTION

Citizens National Bank of Jessamine County (CNB) is a \$136 million intrastate institution located in Nicholasville, Kentucky, approximately 10 miles south of Lexington. CNB is wholly owned by Citizens National Bancshares, Incorporated, a single-bank holding company. The bank has a main office and three branches in the county. Two of the branches have drive-thru facilities. CNB has three Automated Teller Machines (ATM) and two cash dispensers. An ATM is located at the main office, the Orchard Center branch and the Wilmore branch. A cash dispenser is located at the Kimberly Square Kroger branch and the Hardy's BP station.

As of December 31, 2002, the bank's net loan portfolio totaled approximately \$113 million, or 81% of average assets. Tier One capital was \$10 million. The loan mix was as follows: 1-4 family residential mortgages 41%, construction and development loans 18%, commercial and industrial loans 14%, commercial real estate loans 11%, consumer loans 10%, farm-related real estate loans 2%, multifamily loans 2%, and other loans 2%.

The bank offers traditional banking services and lending products including a program offering special fixed rate mortgages to low- and moderate-income homebuyers. CNB continues to be community oriented and offers a wide variety of loan products including residential real estate, commercial real estate, agricultural, and consumer.

There are no legal or financial circumstances that impact the bank's ability to meet community credit needs. The last CRA evaluation was performed on July 15, 1997. The bank received a rating of Satisfactory. The coverage period for this evaluation is from August 1, 1997 to February 28, 2003.

DESCRIPTION OF JESSAMINE COUNTY

CNB's assessment area is all of Jessamine County. The county is located within the Lexington-Fayette Metropolitan Statistical Area (MSA). The 1990 U.S. Census divided the assessment area into eight census tracts, with three moderate-income, four middle-income, and one upper-income geographies. There are no low-income census tracts in Jessamine County. The delineation is in conformance with the regulatory requirements of CRA. The assessment area appears appropriate in relation to the location of the bank's offices and does not arbitrarily exclude any low- or moderate-income areas.

Jessamine County has a total population of 30,508 according to the 1990 U.S. Census. That number has risen 28% to approximately 39,041 in 2000. The 1990 population was comprised of 10,532 households, of which 4,126, or 39%, are considered to have low- or moderate-incomes. In addition, the percentage of households in Jessamine County receiving public assistance is approximately 6%. Other significant factors to consider include: 14% of the households live below the poverty level and 20% are on social security.

With the exception of outlying rural areas, the assessment area is typically developed and economically diverse. Parts of the county have become a bedroom community for Lexington as Jessamine County residents take advantage of employment opportunities outside the county. Primary employment opportunities are in wholesale/retail trade, manufacturing, state and local government, and service industries. Some limited agricultural activity, mainly part time efforts, is also present. Given Jessamine County's strong economy and advantageous location, business and commercial lending demands are vigorous. The major employers in the assessment area are Alltech, Donaldson Company, McKechnie Vehicle Components, and Jackson Plastics. Seventy-one percent of the businesses in the assessment area have gross annual revenues of less than \$1 million. As of January 2003, the county's unemployment rate was 3.3%, comparing favorably to Kentucky's statewide unemployment rate of 5.6%.

There are a total of three small community banks in the assessment area. The total deposits of these banks range from \$27 million to \$118 million. CNB is the largest bank in the county in relation to deposits with a 34% market share. The bank's major competition in the Jessamine County assessment area consists of The Farmers Bank and Central Bank. There are also five other financial institutions operating at least one branch in Nicholasville.

A community contact familiar with the area's credit needs indicated that all banks in Jessamine County are active in the community and are very willing to provide financing for potential projects. The contact did not identify any credit needs in the county that were not being met by the banks or through other sources.

The following demographic information on the bank’s AA in Jessamine County is based on 1990 census data, unless otherwise indicated.

Type of Information	Jessamine County	
Population		
1990 Census Information	30,508	
2000 Census Information	39,041	
Kentucky HUD Adjusted MSA Median Family Income – 2002	\$56,300	
Families in AA:		
Income Levels of Families	#	%
Low	1,859	21.85%
Moderate	1,664	19.56%
Middle	2,118	24.90%
Upper	2,866	33.69%
Total Families within AA	8,507	100.00%
Households in AA:		
Income levels of households	#	%
Low	2,536	24.08%
Moderate	1,590	15.10%
Middle	2,214	21.02%
Upper	4,192	39.80%
Total Households within AA	10,532	100.00%
Median Home Value:	\$73,688	
Median Year Built:	1974	
Businesses in the Assessment Area:	#	%
Under \$1 Million Revenue	1,451	70.51%
Over \$1 Million Revenue	126	6.12%
Revenue not reported	481	23.37%
Total	2,058	100.00%

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Lending in Assessment Area

A majority of loans and other lending-related activities are in CNB’s assessment area. The analysis shows 62% of the number and 57% of the dollar amount of loan originations sampled were to borrowers inside the assessment area. To reach this conclusion, the OCC analyzed the bank’s lending activity by selecting a random sample of loans originated since the last CRA examination. See the table below for details.

SAMPLE OF LOAN ORIGINATIONS FROM JAN 1998 THROUGH DEC 2002				
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$(000's)	Percentage of Loans
Within the Assessment Area	394	62.24%	\$33,706	57.06%
Outside the Assessment Area	239	37.76%	\$25,365	42.94%
Totals	633	100.00%	\$59,071	100.00%

* Source: Randomly selected sample of residential real estate, consumer, and commercial loans originated between January 1, 1998 and December 31, 2002.

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

The distribution of loans, given the demographics of the assessment area, reflects excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. To reach this conclusion, the OCC analyzed the bank’s lending activity by selecting a random sample of loans of each of the bank’s primary loan types. The primary loan types for this analysis included 1-4 family residential mortgages (purchase and refinance), commercial, and consumer loans. See the tables below for details.

Table INC-1 1-4 Family Residential Loans shows the percentage of CNB’s home purchase and refinance loans to low- and moderate-income borrowers slightly exceeds the percentage of families in the assessment area with low- and moderate-income. Together, low- and moderate-income borrowers received more than 48% of the number of 1-4 family residential loans. CNB’s mortgage lending for the purpose of purchasing or refinancing a home is reasonable considering the identified home mortgage credit needs in the community.

Table INC-2 Consumer Loans shows the overall percentage of CNB’s consumer loans to low- and moderate-income borrowers greatly exceeded the percentage of households in the assessment area with low and moderate income. Low-income borrowers received 44% of the number of consumer loans and moderate-income borrowers received 23% of the number of consumer loans.

Table INC-3 Business Loans indicates the percentage of CNB’s business loans extended to companies considered small in size (revenues under \$1 million) exceeds the percentage of businesses in the assessment area with revenues under \$1 million. Of the total number of business loans sampled, 100% were to small businesses. Demographics indicate 71% of all businesses in the assessment area have revenues less than \$1 million. CNB’s business lending performance is excellent considering the demographics of the area.

Table INC-1 1-4 Family Residential Loans

1-4 FAMILY RESIDENTIAL LOANS					
Borrower Income Level	Sampled Between January 1, 2000 and December 31, 2002				Percentage of Families within each Income Category
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$ (000's)	Percentage of Dollars	
Low	4	13.80%	\$ 184	23.53%	21.85%
Moderate	10	34.48%	\$ 645	26.18%	19.56%
Middle	5	17.24%	\$ 416	27.34%	24.90%
Upper	10	34.48%	\$ 858	22.95%	33.69%
Total	29	100.00%	\$2,103	100.00%	100.00%

* Source: Randomly selected sample of 1-4 family residential loans (home purchase and refinance loans) originated between January 1, 2000 and December 31, 2002 from within the bank’s assessment area.

Table INC-2 Consumer Loans

CONSUMER LOANS					
Borrower Income Level	Sampled Between January 1, 2000 and December 31, 2002				Percentage of Families within each Income Category
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$ (000's)	Percentage of Dollars	
Low	17	43.59%	\$ 72	28.45%	21.85%
Moderate	9	23.08%	\$ 61	24.19%	19.56%
Middle	8	20.51%	\$ 69	27.41%	24.90%
Upper	5	12.82%	\$ 50	19.95%	33.69%
Total	39	100.00%	\$252	100.00%	100.00%

* Source: Randomly selected sample of consumer loans originated between January 1, 2000 and December 1, 2002 from within the bank's assessment area.

Table INC-3 Business Loans

BUSINESS LOANS					
Business Income Level in Revenues	Sampled Between January 1, 2000 and December 31, 2002				Percentage of Businesses in the AA
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$(000's)	Percentage of Dollars	
< \$1 Million	27	100.00%	\$1,699	100.00%	70.51%
> \$1 Million	0	0.00%	\$ 0	0.00%	6.12%
Not Reported	0	0.00%	\$ 0	0.00%	23.37%
Total	27	100.00%	\$1,699	100.00%	100.00%

* Source: Randomly selected sample of commercial loans originated in the assessment area between January 1, 2000 and December 31, 2002.

Geographic Distribution of Loans

The overall geographic distribution of loans reflects excellent dispersion throughout the assessment area. CNB’s lending activity extends throughout the assessment area. There were no conspicuous gaps in lending. To reach this conclusion, the OCC analyzed the bank’s lending activity by selecting a random sample of loans of each of the bank’s primary loan types (see tables below). The primary loan types included 1-4 family residential mortgages (both purchase and refinance), consumer loans, and business loans.

Table GEO-1 1-4 Family Residential Loans shows CNB has excellent penetration in making mortgage loans in the moderate-income census tracts. These geographies contain 39% of all owner-occupied housing in the assessment area and the sample selected for CNB showed 47% of the number and 44% of the dollar amount of the 1-4 family residential loans were made to borrowers located in the moderate-income census tracts.

Table GEO-2 Consumer Loans shows CNB has excellent penetration in making consumer loans in the moderate-income census tracts. These geographies contain 43% of all households in the assessment area and the sample selected for CNB showed 54% of the number and 59% of their consumer loans were made to borrowers located in the moderate-income census tracts.

Table GEO-3 Business Loans shows CNB has excellent penetration in making business loans in the moderate-income census tracts. These geographies contain 27% of all businesses in the assessment area and the sample selected for CNB showed 56% of the number and 38% of the dollar amount of their business loans were made to borrowers located in the moderate-income census tracts.

Table GEO-1 1-4 Family Residential Loans

Geographic Distribution of 1-4 Family Residential Loans By Geography Income Designation Originated Between January 1, 1998 – December 31, 2002					
Income Level of Census Tracts	1-4 Family Residential Loans				Distribution of Owner Occupied Housing
	Number of Loans	Percentage	Dollars \$(000's)	Percentage	
Moderate	155	47.26%	\$14,049	44.24%	38.60%
Middle	161	49.08%	\$15,380	48.43%	48.95%
Upper	12	3.66%	\$ 2,327	7.33%	12.45%
	328	100.00%	\$31,756	100.00%	100.00%

**Geographic Distribution of 1-4 Family Residential Loans
By Geography Income Designation
Originated Between January 1, 1998 – December 31, 2002**

Total					
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* Source: Randomly selected sample of 1-4 family residential mortgages (home purchase and refinance loans) originated between January 1, 1998 and December 31, 2002 from within the bank's assessment area.

** Note: The assessment area has no low-income geographies.

Table GEO-2 Consumer Loans

**Geographic Distribution of Consumer Loans
By Geography Income Designation
Originated Between January 1, 2000 – December 31, 2002**

Income Level of Census Tracts	Consumer Loans				Distribution of Households
	Number of Loans	Percentage	Dollars \$(000's)	Percentage	
Moderate	21	53.85%	\$ 147	58.58%	43.14%
Middle	16	41.03%	\$ 96	38.20%	46.42%
Upper	2	5.12%	\$ 8	3.22%	10.44%
Total	39	100.00%	\$ 251	100.00%	100.00%

* Source: Randomly selected sample of consumer loans originated between January 1, 2000 and December 31, 2002 from within the bank's assessment area.

** Note: The assessment area has no low-income geographies.

Table GEO-3 Business Loans

**Geographic Distribution of Business Loans
By Geography Income Designation
Originated Between January 1, 2000 – December 31, 2002**

Income Level of Census Tracts	Business Loans				Distribution of Businesses in the AA
	Number of Loans	Percentage	Dollars \$(000's)	Percentage	
Moderate	15	55.56%	\$ 653	38.41%	27.18%

Geographic Distribution of Business Loans By Geography Income Designation Originated Between January 1, 2000 – December 31, 2002					
Middle	10	37.04%	\$ 873	51.38%	57.59%
Upper	2	7.40%	\$ 173	10.21%	15.23%
Total	27	100.00%	\$1,699	100.00%	100.00%

* Source: Randomly selected sample of business loans originated between January 1, 2000 and December 31, 2002 from within the bank's assessment area.

** Note: The assessment area has no low-income geographies.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is excellent given the bank's size, financial condition, and assessment area credit needs. CNB's average net loan-to-deposit ratio for the twenty-two quarters since the last CRA evaluation is 92%. The loan-to-deposit ratio has increased since the last CRA evaluation and as of December 31, 2002 was 95%. This is higher than the ratios of the one bank considered similarly situated and operating in the assessment area. It is comparable to CNB in asset size, market and major lending products. CNB's ratio also exceeds its national peer group, which is 77%.

Responses to Complaints

Citizens National Bank has not received any complaints about its performance in helping to meet assessment area needs during this evaluation period.

Fair Lending Review

An analysis of recent years' public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on its analysis of the information, the OCC decided a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed as of March 2, 2000.