



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 16, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens Commerce National Bank
Charter no. 23092**

**534 Marsailles Road
Versailles, Kentucky 40383**

Office of the Comptroller of the Currency

**One Financial Place
400 South LaSalle Street, Suite 2700
Chicago, Illinois 60605**

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 **Citizens Commerce National Bank** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of September 16, 1997. 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”.

- o The average loan-to-deposit ratio exceeds the standards for satisfactory performance.
- o A majority of the bank’s loans have been made within the assessment area.
- o The bank lends to borrowers of different income levels.

DESCRIPTION OF INSTITUTION

Citizens Commerce National Bank (CCNB) is a community bank with total assets of approximately \$39 million as of June 30, 1997. The bank was newly chartered in 1996 and is independently owned. The bank's main office and drive-up facility are located in Versailles, Woodford County, Kentucky. CCNB also operates a full service automated teller machine (ATM) at this location.

The bank offers traditional banking services and lending products. Within the loan portfolio, management focuses lending efforts on one-to-four family residential mortgage and construction loans. CCNB's loan portfolio consists of the following: 41% one-to-four family residential, 19% construction and development loans, 12% commercial loans, 8% consumer loans, 5% agriculture loans, and 3% non-farm non-residential. As of June 30, 1997, net loans and leases make up 81% of total assets.

There are no constraints on the bank's ability to meet local credit needs. Considering the bank's financial condition and size, the local economy, and additional related factors, management has adequately serviced the credit needs of community. This is the bank's first CRA evaluation.

DESCRIPTION OF WOODFORD COUNTY

CCNB's assessment area is Woodford County. Their assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low- and/or moderate-income neighborhoods. The assessment area is comprised of four middle-income census tracts located within the Metropolitan Statistical Area (MSA) for Lexington-Fayette, Kentucky. The 1997 median family income for the Lexington-Fayette Ky MSA is \$42,500 and the median family income for Woodford County is \$35,085.

The population of the assessment area is approximately 20,000. Versailles, the county seat, is a bedroom community serving Lexington, the state's second largest city. The local unemployment rate in 1997 averaged 2% which compares favorably to the national average and is one of the lowest in the state. The local economy is diversified and growing. The local industries include manufacturing, wholesale and retail trade, and service industries. The bank has identified real estate loans as the major type of credit need in the community.

There were no community contacts made during this examination. A review of CRA community contacts made within the last year by the Federal Deposit Insurance Corporation (FDIC) was performed. They described Woodford County as diverse with a variety of employment opportunities. The contacts also stated that the area banks are very involved in the community and community credit needs are being met.

Competition in the assessment area and from Lexington is strong. Competitors includes four other banks (three of which are affiliates of larger banks), a credit union, and a finance company.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO

The bank's average loan to deposit ratio from December 1996 to March 1997 was 84.33%. Currently, CCNB's net loans & leases to deposits is 91.5%. This is higher than the ratios of the surrounding county banks which is 79%. While there are no true "similar situated" banks within CCNB's assessment area, there is a similarly situated bank in an adjacent county, Jessamine County, which has an average loan to deposit ratio of 79%. CCNB's ratio compares favorably to its national peer group which is 67.5%.

LENDING IN THE ASSESSMENT AREA

The majority of the bank's loans are located within the assessment area. We based our conclusions on an analysis of custom computer reports of all loan originations since the opening of the bank in late 1996. Approximately 68% of the actual number of loans and 46% of the dollar amount of loans have been within the assessment area. Due to the bank's proximity to Lexington, Kentucky, the bank originates numerous large-dollar, commercial and real estate loans in the Lexington market which result in the dollar volume of loans outside of the assessment area increasing significantly. Conversely, the bank makes a large number of smaller-dollar consumer loans in their assessment area. Based on local economic and demographic information, these ratios seem appropriate.

LOAN DISTRIBUTION WITHIN THE ASSESSMENT AREA				
	No. Of loans	Percent	Amount	Percent
Inside AA	593	68%	\$14,951,789	46%
Outside AA	282	32%	\$17,333,800	54%
Totals loans	875	100%	\$32,285,589	100%

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The distribution of lending within Woodford County reflects good penetration among the different income levels, including low- and moderate-income levels. We based our conclusion on a sample of loans secured by 1-4 family residential properties and auto loans originated within the assessment area since the bank opened.

The results of our sample are shown on the next page-Table 2.

Table 2

Income Level	Income Levels of Families Within Assessment Area*	Number of Residential Mortgage Loans	Percent of Residential Mortgage Loans	Number of Auto Loans	Percent of Auto Loans
Low	14%	3	10.0%	10	33.3%
Moderate	16%	5	16.7%	7	23.3%
Middle	24%	11	36.7%	6	20.0%
Upper	46%	11	36.6%	7	23.3%
Total	100%	30	100%	30	100%

* According to the 1990 U.S. Census Data

We also reviewed and verified internal reports showing that of the 110 commercial and farm loans originated from within the assessment area since opening, 100% were to small businesses or small farms.

GEOGRAPHIC DISTRIBUTION OF LOANS

The main focus of this analysis is to analyze the bank's geographic distribution of lending among low-, moderate-, middle-, and upper-income geographies. Since the assessment area consists of four census tracts which are all considered to be middle income, an analysis of the bank's loan distribution by geographies would not provide a meaningful analysis.

RESPONSE TO COMPLAINTS

No consumer complaints have been received since the bank opened.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS

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