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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**August 19, 1996**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Paintsville  
Charter Number 13763**

**240 Main Street  
Paintsville, Kentucky 41240**

**Office of the Comptroller of the Currency**

**One Financial Place  
440 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 **The First National Bank of Paintsville** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency. It covers the period from November 22, 1993 to August 19, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

**INSTITUTION'S CRA RATING:** This institution is rated "Satisfactory".

- A substantial majority of the bank's loans were made within the assessment area.
- The bank's record of lending to borrowers of different income levels, including low- and moderate-income individuals, is reasonable.
- FNB's average quarterly loan-to-deposit ratio, since the our last evaluation, is reasonable and comparable to area competitors.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>THE FIRST NATIONAL BANK OF PAINTSVILLE</u> 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		X	
Response to Complaints	No complaints were received since the prior examination.		

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Paintsville (FNB) had total assets of approximately \$59 million as of June 30, 1996. First Paintsville Bancshares, Incorporated, is a one bank holding company that owns approximately 98% of FNB's stock. The bank's main office is located in downtown Paintsville, Kentucky, which is the county seat of Johnson County. FNB's only branch and automated teller machine are located on US Highway 23, the city's main commercial artery.

FNB offers traditional banking services and lending products. As of June 30, 1996, net loans represented 46.43% of total assets. The composition of the loan portfolio was as follows: 51% one-to-four family residential loans; 21% loans to individuals; 16% commercial and industrial loans; and 12% other non-farm and non-residential real estate loans. There are no legal constraints, financial, or other factors impeding the bank's ability to help meet the credit needs in its assessment area. The bank's prior CRA public Performance Evaluation is dated November 22, 1993.

## **DESCRIPTION OF JOHNSON COUNTY**

Management has designated Johnson County as the bank's assessment area. Their designation meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. There are six Block Numbering Areas (BNAs) in Johnson County. Two are moderate-income and the remainder are middle-income. There are no low- or upper-income geographies in the county. The income distribution of the families of Johnson County, based on 1990 U.S. Census data, was as follows: 31% low-income; 17% moderate-income; 17% middle-income; and, 35% upper-income. The 1990 median family income for Johnson County was \$22,543. The 1995 statewide median family income for non-metropolitan areas was \$26,400. The population of Johnson County is projected to continue to decline slowly over the next 25 years.

The "wholesale/retail" and "state/local government" sectors employ the largest segments of the population. The largest employers in the area include the Johnson County School Board and American Standard, Inc. The unemployment rate in the county is typically above state and national levels.

The bank's primary competitors include a community national bank, a federal savings bank and a branch of a federal savings bank headquartered in an adjoining county. Contacts with members of the community indicated the primary credit needs in the community are for low- and moderate-income housing.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

### Loan-to-Deposit Ratio

FNB's average quarterly net loan-to-deposit ratio for the period from 12-31-93 to 6-30-96 was 44.12%. Although this ratio appears low in absolute terms, it is reasonable given local market conditions, loan demand and competition. During these eleven quarters, the ratio ranged from 38.09% to 53.99%. As of June 30, 1996, their loan-to-deposit ratio was 53.99% versus an average of 55.99% for all bank's in Johnson and surrounding counties. This group of banks was used for comparison purposes due to the similarities between Johnson and the surrounding counties. There is only one other commercial bank headquartered in Johnson County. Its average loan-to-deposit ratio for the eleven quarters was 47.32%, and their ratio was 49.83% as of June 30, 1996.

### Lending in Assessment Area

We reviewed a sample of mortgage and automobile loans to determine the level of lending within the bank's assessment area. Our sample included all mortgage loans made in May and June of 1996 and all automobile loans made between May 17, 1996 and June 30, 1996. As shown in the table below, a substantial majority of the loans made were within the assessment area.

	Mortgage Loans	Automobile Loans
Total Number in Sample	28	26
Total Original Dollar Amount in Sample	\$818,555	\$214,982
Total Number in Assessment Area	26	21
Total Original Amount in Assessment Area	\$759,555	\$188,552
Percent of Number in Assessment Area	92.86%	80.77%
Percent of Dollar Amount in Assessment Area	92.79%	87.71%

The public Performance Evaluation for the other commercial bank headquarter in this assessment area indicated that 78% of the mortgage loans and 75% of the installment loans it made in 1994 (based on the number of loans) were within Johnson County.

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

We used the same sample described above to evaluate the bank's record of lending to individuals of different incomes. FNB's record is reasonable and the distribution approximates the income characteristics of the assessment area, which were discussed earlier in this performance evaluation. Our results are depicted in the following tables.

### MORTGAGE LOAN SAMPLE

	Number of Loans	Percent of Total Number	Original Dollar Amount of Loans	Percent of Original Dollar Amount
Low-Income	3	10.72%	\$61,135	7.47%
Moderate- Income	7	25.00%	\$112,485	13.74%
Middle-Income	8	28.57%	\$169,163	20.67%
Upper-Income	10	35.71%	\$475,772	58.12%
Totals	28	100%	\$818,555	100%

### AUTOMOBILE LOAN SAMPLE

	Number of Loans	Percent of Total Number	Original Dollar Amount of Loans	Percent of Original Dollar Amount
Low-Income	7	26.92%	\$19,478	9.06%
Moderate- Income	4	15.38%	\$26,445	12.30%
Middle-Income	6	23.08%	\$68,789	32.00%
Upper-Income	9	34.62%	\$100,270	46.64%
Totals	26	100%	\$214,982	100%

All of the commercial and agricultural loans made by the bank meet the regulatory definition of "small" businesses and farms. As mentioned previously, these loans do not represent a substantial portion of FNB's loan portfolio. Therefore, a detailed analysis of this lending was not prepared.

## Geographic Distribution of Loans

We prepared a geographic analysis of the lending within the assessment area using the same sample of loans described above. The geographic distribution depicted in the following tables reflects reasonable penetration in all the BNAs within the assessment area. This includes two moderate-income BNAs and four middle-income BNAs.

### MORTGAGE LOAN SAMPLE

	Number of Loans Made in the A.A.	Percent of Total Number	Original Amount of Loans	Percent of Original Amount
Moderate-income	4	15.38%	\$77,751	10.24%
Middle-income	22	84.62%	\$681,804	89.76%
Totals	26	100%	\$759,555	100%

### AUTOMOBILE LOAN SAMPLE

	Number of Loans Made in the A.A.	Percent of Total Number	Original Amount of Loans	Percent of Original Amount
Moderate-income	4	19.05%	\$20,745	11.00%
Middle-income	17	80.95%	\$167,807	89.00%
Totals	21	100%	\$188,552	100%

## Responses to Complaints

No complaints have been received since our last examination.

## Compliance with Antidiscrimination Laws

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