



## **PUBLIC DISCLOSURE**

April 13, 1998

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

**The First National Bank of Brooksville  
Charter No. 8830**

**P.O. Box 8  
Brooksville, Ky 41004**

**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 **The First National Bank of Brooksville** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 13, 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 “Satisfactory record of meeting community credit needs.”

- o The average loan-to-deposit ratio meets the standards for satisfactory performance.
- o The bank is making a majority of their loans within its assessment area.
- o The bank is making loans throughout all of the geographies located within their assessment area.
- o The bank lends to borrowers of different income levels.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Brooksville (FNB) is a community bank with total assets of approximately \$44 million as of December 31, 1997. In 1994, the bank formed a bank holding company, FNB Bancshares, Inc. Bank stock is locally owned with the directors owning and controlling 17.4% of the stock. The bank's main office and branch is located in downtown Brooksville, Kentucky. A full service automated teller machine (ATM) and a drive-up facility are located at the branch.

The bank offers traditional banking services and lending products. Management focuses lending efforts on retail credit with a majority of loans being 1-4 family residential mortgage loans. FNB's loan portfolio consists of the following: 44% one-to-four family residential, 18% farmland, 16% consumer loans, 8% agricultural loans, 6% non-farm non-residential and 5% commercial loans. As of December 31, 1997, the loan portfolio represented approximately 64% of the bank's 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 legitimate community credit needs. This is the bank's first CRA exam under the new guidelines. Our last examination of this bank was June 1995 at which time they were rated Satisfactory.

## **DESCRIPTION OF BRACKEN COUNTY**

FNB's assessment area is Bracken County. The assessment area is reasonable and does not arbitrarily exclude low- and/or moderate-income census tracts. Bracken County is comprised of three middle income census tracts and is not located within an MSA: census tract numbers 9501, 9502, and 9503. The 1997 median family income for Kentucky counties not located in an MSA is \$28,800. The median family income for Bracken County is \$24,668.

The population of the assessment area is approximately 7,766. Brooksville is the county seat and has a population of approximately 600. The most current unemployment rate averaged 4.9%, and the poverty rate was 23%. The local economy is centered around agriculture while the major businesses in the area are Clopay Corporation and Neider's. Most of the county's residents work outside of the county. Bracken County is a rural area with a large number of small farmers.

The bank has identified affordable housing as the major credit need in the community. The December 1997 CRA Performance Evaluation of another local financial institution also identified affordable housing as the primary credit need for the area. A significant portion of Bracken County lives in rental property (22%) and mobile homes (20%) as a result of the high poverty levels and the increasing number of people receiving social security or public assistance.

Competition in the assessment area is mild. The bank's competitors include two state banks and an affiliate of a large regional bank based in Cincinnati, Ohio.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

**LOAN TO DEPOSIT RATIO**

The bank's average loan to deposit ratio since their last examination was 74.49%. As of December 31, 1997, the loan to deposit ratio was 78.52%. This ratio has been steadily increasing over the past seven quarters. FNB's ratio is higher than its national peer group which is 65% and is considered to be reasonable. In addition, the bank's ratio is comparable to local competitors whose ratios ranged from 65% to 89%.

**LENDING IN THE ASSESSMENT AREA**

A majority of the bank's loans are inside their assessment area. Bank generated reports indicate approximately 84% of the total number of these loans and 85% of the dollar amount of loans are within Bracken County.

<b>LOAN DISTRIBUTION WITHIN THE ASSESSMENT AREA (New Loans Extended in 1997)</b>				
	<b>No. Of loans</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Inside AA	1410	<b>86.34%</b>	\$11,293,058	<b>84.53%</b>
Outside AA	223	13.66%	\$ 2,066,380	15.47%
Totals loans	1633	100%	\$13,359,438	100%

The bank internally codes all of their loans by census tract and income level. Reports are generated quarterly and reviewed by the board. It should be noted that these reports cannot be broken down by loan type; however, management's future plans include breaking out 1-4 family residential mortgages. During our examination, we verified the accuracy of these reports as we reviewed loan files.

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

The distribution of lending within Bracken County reflects reasonable penetration among the different income levels, including low- and moderate-income levels. We based our conclusion on internal reports which we verified using a sample of loans and discussions held with management regarding the demographics and economics of Bracken County.

<b>Income Level</b>	<b>Percentage of Families Within Bracken County*</b>	<b>Percentage of Loans Made in Bracken County By FNB</b>
<b>Low</b>	21.83%	20.99%
<b>Moderate</b>	13.69%	17.94%
<b>Middle</b>	18.87%	20.50%
<b>Upper</b>	45.61%	40.57%
<b>Total</b>	100%	100%

\* According to the 1990 U.S. Census Data

All of the bank's commercial loans are to either small businesses or small farms.

#### GEOGRAPHIC DISTRIBUTION OF LOANS

Since the assessment area consists of three middle income census tracts, an analysis of the bank's loan distribution by geographies would not be meaningful.

Management has obtained additional information breaking down the three census tracts into eight block numbering groups. Of these block numbering groups, five are moderate-income, two are middle-income, and one is upper income. There are no low-income areas within Bracken County. The chart below details First National Bank's geographic distribution of loans throughout these block numbering groups and the original three census tracts.

<b>LOAN DISTRIBUTION AMONG THE CENSUS TRACTS (New Loans Extended in 1997)</b>				
<b>Census Tract</b>	<b>No. Of loans</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
9501-1	50	3.55	516,930	4.58
9501-2	155	10.99	1,179,885	10.45
<b>Subtotal #9501</b>	<b>205</b>	<b>14.54</b>	<b>1,696,815</b>	<b>15.03</b>
9502-1	115	8.16	844,822	7.48
9502-2	172	12.20	963,245	8.53
<b>Subtotal #9502</b>	<b>287</b>	<b>20.36</b>	<b>1,808,067</b>	<b>16.01</b>
9503-1	116	8.23	1,259,365	11.15
9503-2	228	16.17	2,246,653	19.89
9503-3	320	22.70	2,574,922	22.80
9503-4	254	18.01	1,707,235	15.12
<b>Subtotal #9503</b>	<b>918</b>	<b>65.11</b>	<b>7,788,175</b>	<b>68.96</b>
Totals	1410	100%	\$11,293,057.70	100%

While a majority of FNB's loans were originated out of census tract #9503, numbers indicate that the bank is lending to customers throughout Bracken County. There are no areas with unreasonably low loan penetration. The bank, the town of Brooksville, and the majority of Bracken County's population is located within census tract #9503 which accounts for 69% of the bank's loans. The other two census tracts are serviced by other financial institutions. The geographic distribution of the loans among the different block numbering areas is reasonable.

#### RESPONSE TO COMPLAINTS

No consumer complaints have been received since the last examination.

#### COMPLIANCE WITH ANTIDISCRIMINATION LAWS

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