

PUBLIC DISCLOSURE

October 4, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Northern Kentucky
Charter Number 22439**

**P.O. Box 17190
Ft. Mitchell, Kentucky 41017**

Office of the Comptroller of the Currency

**Louisville Field Office
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 **First National Bank of Northern Kentucky** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **October 4, 1999**. 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 A Satisfactory record of meeting community credit needs@.

% The level of lending to small businesses is reasonable.

% The distribution of loans the bank has made within its assessment area is satisfactory.

% The bank's loan-to-deposit ratio since our last CRA examination is reasonable.

% A majority of the bank's loans are made within its assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank of Northern Kentucky (FNB) is an \$87 million institution located six miles south of Cincinnati, Ohio in Ft. Mitchell, Kentucky. The bank is wholly owned by FNB Bancorporation, Inc., a one-bank holding company. The bank has one full service office with an automated teller machine on the premises. The bank's business hours are from 7 a.m. to 6 p.m. Monday thru Thursday, 7 a.m. to 6:30 p.m. Friday, and 8:30 a.m. to 1 p.m. Saturday. Based on marketing research, management has provided these extended hours as an added convenience to their customers who either work during the day or out of the county.

As of June 30, 1999, FNB's loan portfolio represented approximately 84% of total assets. Due to heavy competition for residential real estate loans from local lenders and the availability of mortgages through non-traditional means (i.e. internet sites and nationwide 800 telephone numbers), the bank has decided to focus its efforts on making commercial loans. The bank's \$73 million loan portfolio is comprised of approximately 82% commercial loans, 11% residential real estate loans, and 7% consumer loans.

There are no constraints on the bank's ability to meet local credit needs. FNB was rated **Satisfactory** at their previous CRA examination in June 1996.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of the northern metropolitan halves of Kenton and Boone counties located in Northern Kentucky. The area is part of the greater Cincinnati Metropolitan Statistical Area (MSA #1640). The population of the assessment area is approximately 170,000 and consists of 46 census tracts. Of these 46 tracts, 3 are low-income, 9 are moderate-income, 21 are middle-income, and 13 are upper-income. There are also approximately 45,000 families in the assessment area. Of these, 18% are low-income, 18% moderate-income, 26% middle-income, and 38% upper-income. The 1990 median family income for Kenton and Boone Counties was \$37,913. The 1999 updated median family income for the Greater Cincinnati MSA is \$54,800.

Northern Kentucky has experienced tremendous growth over the past few years and the local economy is considered strong. Unemployment is low with a high ongoing demand for skilled labor. The area benefits from its strategic location to the Greater Cincinnati Airport and several interstate highways which intersect close-by. Many of the local people commute to Cincinnati for employment which has helped provide a good economic base.

The numerous financial institutions competing in the local area provide a very strong competitive environment. These include branches of two large Cincinnati regional banks each having assets of over \$1 billion, local community banks, savings and loans, credit unions, and several mortgage companies.

In conjunction with this examination and a 1995 examination of another Kenton County bank, two individuals representing the business community were contacted. Both of these individuals represented the local county fiscal court and stated the local financial institutions were meeting the credit needs of the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

FNB's average loan-to-deposit ratio of 88% since their last CRA examination is reasonable. As of June 30, 1999, the bank's loan-to-deposit ratio was 95%. These ratios are in line with the bank's local competition.

Lending in the Assessment Area

A majority of the bank's loans are made to borrowers inside the assessment area. A sample of 30 commercial loans, the bank's primary product, indicates that approximately 87% of the total number and 89% of the dollar amount of loans were to borrowers inside the bank's assessment area. This appears reasonable and meets the standards for a satisfactory rating.

LOAN DISTRIBUTION AMONG THE ASSESSMENT AREA (Based on a sample of 30 commercial loans)				
	Number of Loans	Percentage of Loans	Dollar Amt of Loans	Percentage of Loans
Within the Assessment Area	26	87%	\$2,207,007	89%
Outside the Assessment Area	4	13%	\$266,314	11%
Totals	30	100%	\$2,473,321	100%

Geographic Distribution of Loans

An analysis of the 26 business loans made within the assessment area shows that the geographic distribution of loans is reasonable. The number and dollar amounts correlate to the percentage of businesses located within the different income level census tracts. For example, 16% of all businesses located in the assessment area are in moderate-income level census tracts. From our sample, the bank made 22% of their loans by number and 16% by volume to businesses located in moderate-income level census tracts. The chart below clearly shows the distribution of the number of loans and their dollar amounts to reflect similar percentages of businesses located in those census tracts.

LOAN DISTRIBUTION AMONG THE CENSUS TRACTS (New Loans Extended: 1997, 1998, & 1999)					
Census Tract	% of All Businesses	# of Loans	Percent	Amount	Percent
Low	3%	2	8	\$64,338	3
Moderate	16%	6	22	\$358,104	16
Middle	46%	9	35	\$951,481	43
Upper	35%	9	35	\$833,084	38
Totals	100%	26	100	\$2,207,007	100

Lending to Businesses of Different Sizes

An analysis of the same 26 business loans also shows the bank has done a good job of lending to small businesses. Although only 11% of the businesses located in the assessment area are classified as small business, the bank has made 65% of the number of its business loans and 45% of the dollar amount of its business loans to these small businesses. Based on this information, the bank's lending to small businesses is very reasonable. The chart on the next page shows the bank's loan distribution among different business sizes.

LOAN DISTRIBUTION AMONG THE DIFFERENT BUSINESS SIZES (New Loans Extended: 1997, 1998, & 1999)
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LOAN DISTRIBUTION AMONG THE DIFFERENT BUSINESS SIZES (New Loans Extended: 1997, 1998, & 1999)					
Business Size	Percentage of Businesses within the Assessment Area*	Number & Percentage of Commercial Loans		Dollar Amount & Percentage of Commercial Loans	
Small	11	17	65	\$ 985,726	45
Large	89	9	35	\$1,221,281	55
Totals	100	26	100	\$2,207,007	100

*Taken from 1990 U.S. Census Data, U.S. Bureau of Census

Response to Complaints

FNB has not received any complaints during this evaluation period.

Compliance with Antidiscrimination Laws

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