

PUBLIC DISCLOSURE

January 24, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**PRP National Bank
Charter Number 23641**

**8492 Dixie Highway
Pleasure Ridge Park, KY 40258**

Office of the Comptroller of the Currency

**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 **PRP National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **January 24, 2000**. 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 record of meeting community credit needs.

- ! The bank lends to borrowers of different income levels.
- ! The geographic distribution of loans is reasonable.
- ! The average loan-to-deposit ratio is reasonable.

DESCRIPTION OF INSTITUTION

PRP National Bank (PRP) is a de novo community bank located in Louisville, Kentucky. It opened 16 months ago, on September 1, 1998. The bank is situated in the Pleasure Ridge Park neighborhood of Louisville on Dixie Highway, a major thoroughfare in southwest Jefferson County. PRP is closely held by Kentucky investors. The bank has total assets of approximately \$38 million as of December 31, 1999. PRP has one full service office, and offers business hours of 7:30 a.m. to 6:00 p.m. on weekdays and 9:00 a.m. to 1:00 p.m. on Saturdays. These extended hours offer added convenience to individuals who work during the day. The bank also has an automated teller machine at the drive-thru.

PRP National Bank offers traditional banking services and lending products. Management focuses lending efforts on mortgage lending, but also actively makes business loans, automobile loans, and other consumer-purpose loans. As of December 31, 1999, PRP's loan portfolio consists of the following, in dollars: 53% 1-4 family residential, 19% non-farm/non-residential real estate, 9% multifamily, 7% construction and development, 5% loans to consumers, 4% commercial & industrial loans, and 3% other. By number of loans, 48% are 1-4 family real estate and 36% are consumer-purpose. Net loans and leases represent 59% of the bank's average assets as of December 31, 1999.

There are no legal constraints on the bank's ability to meet local credit needs. Considering the bank's financial condition and size, the local economy, and other demographic information, PRP is able to adequately service the legitimate community credit needs of southwest Jefferson County. During its initial startup phase, the bank was constrained by the need to generate adequate net interest income by investing its newly-obtained deposits in earning assets. The bank's strategy was to supplement local loan production with additional loans to their existing Kentucky contacts and relationships outside PRP's assessment area. A similarly-situated new bank in the Greater Louisville market used the same strategy when it first opened.

This is the first evaluation of PRP National Bank's record of performance under the Community Reinvestment Act.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is in the southwest corner of Jefferson County, Kentucky. It consists of 31 census tracts and is part of the Louisville Metropolitan Statistical Area (MSA). Boundaries for the assessment area include the Ohio River to the west, Bullitt County and Hardin County to the south, New Cut Road and Keys Ferry Road to the east, and the City of Louisville to the north. The assessment area runs about fifteen miles north to south along Dixie Highway, from the outskirts of the city of Shively, on through Pleasure Ridge Park, and ending in Valley Station at the county line.

Census tracts are classified according to income level, based on the 1990 census. According to

the US Census, two of the tracts are low-income, three are moderate-income, 24 are middle-income, and two are upper-income. The five low- and moderate-income tracts are geographically located at the far ends of the assessment area. The bank's office is in the center of the assessment area. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low or moderate-income census tracts.

Southwest Jefferson County is a predominantly suburban area. There are many older subdivisions with homes in the low-to-moderate price range, generally averaging \$50,000 to \$90,000. In addition, marketing reports from the local Realtor's guild show 28 new subdivision developments that are underway. Some are priced for middle- and upper-income families in PRP's assessment area.

Southwest Jefferson County's employment base is diverse with a mix of manufacturing, retail, service, and construction jobs. Major employers include General Electric, Ford Motor, UPS, and Jefferson County Public Schools. Economic conditions are booming, with many businesses expanding. As of November 1999, the Greater Louisville MSA has an unemployment rate of only 3.2%.

The population of the assessment area was 130,197 according to 1990 census data.

To better understand the bank's performance context, we interviewed three contacts in the community familiar with the area's demographics and credit needs. A real estate appraiser specializing in southwest Jefferson County stated the demand for affordable housing is high. The price of homes in the area has steadily increased during the 1990's. A well known Realtor in the area stated homes in the low to moderate areas are selling for \$50,000 to \$100,000, and the market is active. The contact stated the majority of buyers for these homes use special financing programs, including FHA, VA, and Kentucky Housing Corp, rather than the local banks. They are able to take advantage of special financing, including arrangements for first-time home buyers and lower down payment requirements. The contact stated there is no problem with these buyers obtaining loans, and that even clients with poor credit ratings could obtain financing.

A community contact active with the Metro United Way and familiar with community credit needs stated the following: The low- and moderate-income areas of Southwest Jefferson County are made up mainly of single-family residences. Most were built in the 1950's. The profile of the typical resident living in these areas is an empty-nester couple living on social security. The biggest issues facing these individuals is how to keep up with the house repairs, the need for senior services, and a need for transportation. Some new low- to moderate-income residential developments are underway, with prices around \$80,000. The county government has sponsored some programs to help people in the Riverport area finance these homes.

The strong economy and business expansion are providing banks with lending opportunities in small business loans, construction loans, home mortgage loans and automobile loans. On the other hand, the banking environment is highly competitive for both deposits and loans. PRP National Bank's assessment area contains 39 branches of other commercial banks as well as numerous other financial institutions, finance companies, mortgage brokers and credit unions

that offer loans. PRP has a 2.5% deposit market share in the assessment area, according to an FDIC report of insured bank branches dated June 30, 1999.

Because of PRP's geographic location in the center of its assessment area, residents at the far ends of the assessment area must travel past many other banking offices before they reach PRP National Bank. These residents also have close access to additional banking offices outside PRP's assessment area that are closer to them than is PRP. All five of the low- and moderate census tracts are located at the far ends of the assessment area, and are about seven miles away.

As a proxy for low loan penetration, we used deposit penetration. A bank-prepared report we reviewed for accuracy shows market penetration for deposits is low in the low- and moderate-income census tracts. In 1999 customers from these tracts opened only 23 demand deposit accounts. This is less than 2% of the bank's total activity for the year.

As part of the CRA performance evaluation, PRP's lending pattern will be compared to the geographic distribution and income distribution of families and businesses in the assessment area. The following demographic information is presented to support that analysis.

To evaluate the extent of PRP's lending activity among the different census tracts in the assessment area, borrower incomes are classified into four income categories using the same criteria applied to the census tracts. **Table AA-1** below defines the income ranges for each category of borrower:

Table AA-1

low-income	Under 50% of median family income	\$0 to \$24,200*
moderate-income	50% to 80% of median family income	\$24,201 to \$38,720*
middle-income	80% to 120% of median family income	\$38,721 to \$58,080*
upper-income	120% of median family income and over	\$58,081 and over*

* Based on the 1999 estimated median family income for the Greater Louisville MSA of \$48,400.

In understanding the loan market and how loan demand is affected, consideration must also be given to the demographics of the assessment area's population. Based on 1990 census data, 29% of households live on social security and 13% of households are below the poverty level. In addition, 21% of the population is retired. It is likewise important to note that 26% of the area's 49,000 occupied housing units are rentals.

The assessment area's families are divided among the 31 census tracts as follows: 5% of the families live in the low-income census tracts, 8% of the families live in the moderate-income census tracts, 79% of the families live in the middle-income census tracts, and 8% live in upper-income census tracts. For reference, additional demographic information is included in the various tables contained in this public evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

The loan-to-deposit ratio is a standard measure of a bank's overall lending activity under CRA. PRP's loan-to-deposit ratio as of December 31, 1999 is 66.5%. The average of PRP's quarterly loan-to-deposit ratios from inception is 49.0%. This is a reasonable level of lending activity, considering the bank is just 16 months old, and considering the assessment area's lending opportunities and competitive situation. As a new bank, PRP was able to attract deposits more quickly than the staff could make loans.

Management anticipates PRP's loan-to-deposit ratio will fluctuate during the startup phase of the bank, but will eventually stabilize at a level comparable to similarly-situated banks in the Greater Louisville MSA market.

A comparison of PRP with a similarly-situated new bank in the same market (Greater Louisville MSA) shows reasonable lending activity. Although PRP's average loan-to-deposit ratio is lower than that similarly-situated bank at approximately the same number of months open (49% versus 73%), PRP booked more than double the dollar amount of loans as the other bank during this time frame. The loan-to-deposit ratio was affected by PRP collecting significantly more initial deposits by offering favorable interest rates.

LENDING IN THE ASSESSMENT AREA

PRP National Bank makes a majority of their loans to borrowers inside the assessment area, and meets the standard for this assessment factor. A bank-prepared report of all loans originated in 1999 that we verified for accuracy shows that 76% of the total number and 55% of the dollar amount of loans were to borrowers inside the bank's assessment area. For details see **Table I/O-1**.

As additional support for this conclusion, we compiled a report from the HMDA Loan Application Register that lists home mortgage loans made in 1999. It shows 53% by number and 48% by dollar amount were to borrowers inside the assessment area. See **Table I/O-2**.

Table I/O-1

ALL LOAN ORIGINATIONS IN YEAR 1999*				
\$(000's)	Number of Loans	Percentage of loans	Dollar Amt of Loans	Percentage of Loans
Within the Assessment Area	276	76%	\$10,524	55%
Outside the Assessment Area	87	24%	\$8,590	45%
Totals	363	100%	\$19,114	100%

* Source: Bank-prepared report. OCC verified for accuracy.

Table I/O-2

1999 Mortgage Loans Reported under HMDA	1-4 FAMILY LOANS			
	Number of Loans		\$(000's)	
Within the Assessment Area:				
Home Purchase	18		\$ 1,414	
Home Improvement	21		\$ 422	
Refinance	48		\$ 2,541	
Multifamily	4		\$ 812	
Total Loans Within the AA	91	53%	\$ 5,189	48%
Total Loans Outside the AA	80	47%	\$ 5,702	52%
Total HMDA Loans in 1999	171	100%	\$10,891	100%

* Source: Bank-prepared 1999 HMDA Loan Application Register. OCC verified for accuracy.

GEOGRAPHIC DISTRIBUTION OF LOANS

Geographic distribution of loans is reasonable and meets the standard for this assessment factor. Most census tracts are served. To reach this conclusion, we sampled home mortgage lending activity using the same data gathered in Table I/O-2 of the previous section, and also sampled small business lending activity using bank reports showing originations since the bank's inception.

Table GEO-1 shows that distribution of home mortgage loans by number and dollar amount approximates the distribution of owner-occupied housing in the assessment area. Our sample noted the bank made fewer home mortgage loans to the northernmost and southernmost census tracts in the assessment area. This is consistent with a reasonable distribution of loans, because the area is farther from the bank and is served by a number of closer institutions. For additional information about the performance context, see previous discussion in the @Description of Assessment Area@ section of this public evaluation.

Table GEO-2 shows that the bank is making loans to small businesses throughout the census tracts in its assessment area. As with the home mortgage loan sample, the bank made fewer small business loans in the census tracts farther from the office.

Table GEO-1

Geographic Distribution of Mortgage Loans by Geography Income Designation						
Geography Characteristics			1999 1-4 Family Loans			
Income Designation (# of tracts)	Census Tracts	Owner Occupied Housing	#	%	\$(000's)	%
Low (2)	6%	2%	2	2%	\$ 445	9%
Moderate (3)	10%	8%	4	4%	\$ 217	4%
Middle (24)	77%	82%	78	86%	\$4,009	77%
Upper (2)	7%	8%	7	8%	\$ 518	10%
Total (31)	100%	100%	91	100%	\$5,189	100%

* Source: Bank-prepared 1999 HMDA Loan Application register. OCC verified for accuracy.

Table GEO-2

Geographic Distribution of Small Business Loans Originated since Inception						
Geography Designation	Distribution of Geography Income Level	Distribution of Small Businesses By Geography Designation	Distribution of Small Business/Farm Loans by Geography Designation 1999			
			#	%	\$(000's)	%
Low	6%	3%	1 7%	2%	\$ 400	
Moderate	10%	8%	2 3%	4%	\$ 147	
Middle	77%	79%	41 81%	87%	\$4,496	
Upper	7%	10%	3 7%	6%	\$ 397	
Total	100%	100%	47 100%	100%	\$5,540	

* Source: Compiled data from bank's origination reports. OCC verified for accuracy.

LENDING TO BORROWERS OF DIFFERENT INCOMES

The distribution of lending within the assessment area reflects satisfactory penetration among the different income levels, including low- and moderate-income levels. To reach this conclusion, we used the same bank-prepared information of loans originated in 1999 as used in **Table I/O-1** of the previous section. We also sampled home mortgage lending activity using the same data gathered in **Tables I/O-2 and GEO-1** of the previous sections, and sampled small business lending activity using the same bank reports showing originations since the bank's inception gathered in **Table GEO-2** of the previous section. The bank's three primary product lines are 1-4 family residential mortgage loans, business loans, and consumer loans. The tables below outline the bank's level of lending to borrowers of different incomes.

Table INC-2 shows that PRP's home mortgage lending to low- and moderate-income borrowers (31% by number) is below the proportion of low- and moderate-income borrowers in the assessment area (42%). Management attributes this to a lower demand for mortgage loans from those borrowers. Community contacts familiar with the real estate market indicate that PRP's mortgage lending opportunities are greatly reduced for the low-income borrower groups that qualify for special housing programs and low-down payment financing. This helps explain the absence of home purchase loans to borrowers in the sample. In addition, the community contacts indicated that many of these lower income individuals may tend to turn toward rental or mobile homes to meet their housing needs. Over 26% of available housing are rental units, according to the US Census. Our analysis of the performance context indicates PRP has a greater opportunity to lend to the low-income and moderate-income person buying a used car than to one buying a home. **Table INC-1** indicates PRP is originating other types of loans to low- and moderate-income borrowers in their assessment area, including automobile and other consumer loans. **Table INC-3** shows the bank is actively lending to small businesses of various sizes.

Table INC-1

ALL NONBUSINESS LOAN ORIGINATIONS IN YEAR 1999*					
Borrower Income Level	1999				% of Families within each Income Category
	# of Loans	%	\$ (000's)	%	
Low	39	16%	\$ 380	5%	22%
Moderate	53	22%	\$1,004	13%	20%
Middle	71	29%	\$2,213	38%	25%
Upper	81	33%	\$4,335	54%	33%
Total	244	100%	\$7,932	100%	100%

* Source: Bank-prepared report. OCC verified for accuracy.

Table INC-2

1999 MORTGAGE LOANS REPORTED UNDER HMDA					
Borrower Income Level	1999				% of Families within each Income Category
	# of Loans	%	\$ (000's)	%	
Low	8	9%	\$ 244	5%	22%
Moderate	20	22%	\$ 816	16%	20%
Middle	28	31%	\$1,615	31%	25%
Upper	35	38%	\$2,514	48%	33%
Total	91	100%	\$5,189	100%	100%

* Source: Bank-prepared 1999 HMDA Loan Application register. OCC verified for accuracy.

Table INC-3

Distribution of Small Business Loan Originations Within the Assessment Area By Loan Size and Business Revenues									
Loan Size					Annual Revenues < \$1 Million				
	#	%	\$(000's)	%	#	%*	\$(000's)	%*	
Less than \$100,000	25	53%	\$ 634	12%	10	21%	\$ 903	16%	
\$100,000-\$250,000	17	36%	\$2,659	49%	19	40%	\$2,386	44%	
\$250,000 - \$1,000,000	5	11%	\$2,147	39%	12	26%	\$1,682	31%	
> \$1,000,000	0	0%	\$ 0	0%	6	13%	\$ 469	9%	
Totals	47	100%	\$5,440	100%	47	100%	\$5,440	100%	
Distribution of Businesses in the Assessment Area by Annual Revenues of the Business:					< 1 Million	71%	* As a percentage of loans of the size category		
					> 1 Million	7%			
					Unknown	20%			

RESPONSE TO COMPLAINTS

No CRA related complaints have been received since the bank's inception.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

We did not identify any violations of the substantive provisions of the antidiscrimination laws and regulations. We reviewed a sample of 31 loans originated since the bank's inception for compliance with applicable fair lending laws and regulations. In summary, our sample revealed no evidence that race, gender, or other prohibited bases played a role in the bank's credit decisions with regard to real estate lending.