



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 27, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Laurel National Bank
Charter # 23091**

**100 First Financial Plaza
London, Kentucky 40741**

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 **Laurel National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 27, 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.”

- The quarterly average loan-to-deposit ratio since the bank opened is reasonable.
- A majority of the bank's loans are made within the assessment area.
- Management's record of lending to borrowers of different income levels is reasonable.

DESCRIPTION OF INSTITUTION

Laurel National Bank (LNB) had total assets of approximately \$40 million as of March 31, 1997. LNB was newly chartered in 1996 and is independently owned. The bank's main office and drive-up facility is located in London, Kentucky. LNB offers traditional banking services and lending products. The bank provides ATM cards which allow access to checking and savings accounts through the MAC network.

Net loans represented approximately 49% of total assets as of March 31, 1997. The composition of the loan portfolio was as follows: 62% one-to-four family residential loans; 13% commercial loans; 11% individual loans; 7% multifamily loans; and the remainder divided evenly between construction and farmland loans. There are no legal or financial constraints, or other factors, impeding the bank's ability to help meet the credit needs in its assessment area. This is the bank's first CRA evaluation.

DESCRIPTION OF LAUREL COUNTY

The bank's assessment area is Laurel County. This designation does not arbitrarily exclude low- or moderate-income geographies. There are eleven Block Numbering Areas (BNAs) in the assessment area. Ten are designated middle-income and one is designated upper-income. The 1997 median family income for Laurel County is \$21,051. The 1997 statewide median family income for non-metropolitan areas in Kentucky is \$28,800.

Laurel County is a rural county in southeastern Kentucky with a total population of 43,438. London is the largest city in the county and serves as the county seat of government. The county's unemployment rate is comparable to state and national averages. The local economy is diversified and growing. This area is a regional retail area and a center for medical services. London is located on the Interstate 75 corridor which aides in attracting new industries. Local industries include manufacturing, wholesale and retail trade, service industries, and state and local government. The largest employers are manufacturing firms producing bakery products.

Competition from other financial institutions in the county is strong.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Analysis

Laurel National Bank's loan-to-deposit ratio is reasonable. Since the bank opened, LNB's quarterly average net loan-to-deposit ratio has been 57.94%. As of March 31, 1997, the bank's loan-to-deposit ratio was 53.66%. This ratio is below area banks. Any concerns are mitigated due to the newness of the charter and the volume of consumer and residential loans. Of the \$21.7 million in loans, the bank has generated \$2.5 million in consumer loans and \$14 million in residential mortgage loans.

Lending in the Assessment Area

A majority of the bank's loans are made within its assessment area. Focusing on the bank's two major loan products, we reviewed 66% of residential mortgages and 75% of consumer loans originated since March 31, 1997. Our analysis showed 76% of the number and 84% of the dollar volume of mortgage loans was in the assessment area. The bank originated 89% of the number and 90% of the dollar volume of consumer loans in Laurel County.

Table 1

	Mortgage Loans	Consumer Loans
Total Number in Sample	33	27
Total Volume in Sample	\$1,548,585	\$183,161
Total Number in Assessment Area	25	24
Total Volume in Assessment Area	\$1,293,156	\$163,994
Percent of Number in Assessment Area	76%	89%
Percent of Volume in Assessment Area	84%	90%

Lending to Borrowers of Different Incomes

The distribution of loans to individuals of different income levels within the assessment area is reasonable. We used the same sample described earlier in arriving at this conclusion. The results are illustrated in the following table.

Table 2

Income Level	Income Levels of Families within Assessment Area*	Number of Mortgage Loans	Percent of Mortgage Loans	Number of Consumer Loans	Percent of Consumer Loans
Low	26%	1	4%	4	17%
Moderate	17%	5	20%	7	29%
Middle	20%	6	24%	8	33%
Upper	37%	13	52%	5	21%
Total	100%	25	100%	24	100%

* According to 1990 U.S. Census data

The bank's loan originations to borrowers of different income levels is reflective of income levels in the assessment area. Although the percentage of mortgage loans to low-income borrowers would appear low, housing needs for low-income families in the assessment area are being met by local mobile home dealers. To help penetrate this market, the bank recently developed a mortgage loan product with discounted fees and higher loan-to-value limits. None have been made to date.

Geographic Distribution of Loans

Because all BNAs in the assessment area are middle- or upper-income, an analysis of the geographic distribution of loans would not be meaningful.

Responses to Complaints

No consumer complaints regarding CRA 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.

