



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**August 01, 2007**

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

**Laurel National Bank  
Charter Number 23091**

**100 Financial Plaza  
London, KY 40741**

**Comptroller of the Currency  
Southern Ohio & Kentucky  
9200 Shelbyville Road, Suite 505  
Louisville, KY 40222**

**NOTE: This document is an evaluation of this 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. 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.**

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

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of Laurel National Bank in London, Kentucky prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of August 1, 2007. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

### Major Conclusions:

- A majority of loans and other lending-related activities are in the bank's assessment area.
- The average loan-to-deposit ratio is reasonable, given the bank's size, financial condition, and assessment area credit needs.
- The distribution of loans reflects excellent penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans is considered reasonable, given the community's credit needs and demographics in relation to the bank's location and capacity to lend. There were no conspicuous gaps in lending.

### **DESCRIPTION OF INSTITUTION**

Laurel National Bank (LNB) is a full-service intrastate bank 100% owned by First Corbin Banc, Inc. and headquartered in London, Kentucky. As of June 30, 2007 the bank had \$95 million in total assets, \$86 million in deposits, \$60 million in loans and \$9 million in Tier One capital. Traditional banking products and services are offered. The bank operates three full service offices within London, Ky. Each office has an Automated Teller Machine (ATM). The bank is accessible to all segments of the community. The bank also offers Internet banking and automated telephone banking.

Controlling interest in the bank is held by First Corbin Banc, Inc., a nine-bank holding company with total assets of \$834 million as of June 30, 2007. Majority interest in the holding company is by a group of central Kentucky bankers and businesspersons. The group's combined financial resources, management services, and lending expertise enhance LNB's ability to serve the community.

The bank's primary lending focus is home mortgage loans and business loans. As of June 30, 2007, net loans represented approximately 63 percent of the bank's average assets. The loan portfolio mix is as follows: business-related loans 44 percent, 1-4 family residential mortgages 37 percent, consumer loans 16 percent, and farm or farm-related loans 3 percent.

There are no legal or financial circumstances that impact the bank's ability to meet community credit needs. The last CRA evaluation was performed on January 28, 2002. The bank received a rating of Satisfactory.

## **DESCRIPTION OF LAUREL COUNTY**

LNB's assessment area (AA) consists of Laurel County, Kentucky. This county is located in the non-MSA portion of the state. The assessment area appears appropriate in relation to the location of the bank's offices and does not arbitrarily exclude any low- and/or moderate-income geographies.

Laurel County is located in the southern portion of Kentucky's Eastern Coal Fields Region. The county lies almost entirely within the Daniel Boone National Forest. Total population of Laurel County is approximately 53,000 persons with London, the assessment area's largest city and county seat, having approximately 6,000 persons. The county is located in a non-metropolitan statistical area and consists of eleven census tracts (CTs) consisting of one moderate- and ten middle-income geographies. There are no low- or upper-income CTs in Laurel County. All of Laurel County's middle-income CTs have been designated as distressed due to poverty levels within the area.

Laurel County has an unemployment level that is comparable to the state average (5.4 percent versus 5.7 percent, as of June 2007). The area is rural, but has seen a number of service and manufacturing firms open in recent years. The Laurel Chamber of Commerce lists seven industrial firms employing over 300, including ACS (data processing), Wal-Mart Distribution Center, Aisin Automotive Casting, LLC; Flowers Bakery of London, LLC; Laurel Cookie Factory; Household International; ACS Shared Services, Inc.; and Laurel Grocery Company, LLC. Other major employers include federal, state, and local governments, hospitals, and schools.

The bank's major competition in and around the Laurel County area consists of other banks. Competition is heavy and many financial institutions service the assessment area. According to the Federal Deposit Insurance Corporation (FDIC) website, seven banks with 25 offices operate in Laurel County. These offices hold a combined total of \$626 million in deposits, as of June 30, 2006 and Laurel National Bank has a 13 percent market share. The competition includes three large regional banks with total deposits ranging from \$2 billion to \$51 billion and three community banks with total deposits ranging from \$79 million to \$371 million.

We performed three community contact interviews during our evaluation. We contacted two Laurel County social service groups and the Kentucky Affordable Housing Corporation. The contacts indicated the overall credit needs of the community centered around residential mortgages and business loans with these needs being met by local banks.

The following additional demographic information covering the bank's assessment area of Laurel County is based on 2000 census data.

Type of Information	AA	
Total Population in AA	52,750	
Kentucky HUD Adjusted Median Family Income – 2006	\$31,747	
Families in AA:		
Income Levels of Families	#	%
Low	3,605	24%
Moderate	2,784	18%
Middle	3,303	21%
Upper	5,723	37%
Total Families within AA	15,415	100%
Median Home Value:		
	\$64,988	
Median Year Built:		
	1982	
Businesses in AA:		
	#	%
Under \$1 Million Revenue	2,234	59%
Over \$1 Million Revenue	186	5%
Revenue Not Reported	1,366	36%
Total	3,786	100%

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This Performance Evaluation assesses Laurel National Bank's (LNB) record of meeting the credit needs of the communities in which it operates. We evaluated LNB under the Small Bank performance criterion. The evaluation period covers lending from January 29, 2002 to August 1, 2007.

Conclusions regarding the bank's lending performance are based upon our evaluation of the bank's primary loan products originated between January 1, 2005 to June 30, 2007. We determined LNB's primary product lines (residential real estate loans and business loans) by reviewing available lending reports for a representative timeframe and through discussions with management. To analyze the two primary loan products, we selected random samples from each of the portfolios, using source documents to collect the data.

Note: LNB is not subject to the data collection and reporting requirements of the Home Mortgage Disclosure Act (HMDA).

## Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. LNB's average net loan-to-deposit ratio for the 22 quarters since the last CRA public evaluation is 66%. The loan-to-deposit ratio has increased since the last CRA evaluation and as of June 30, 2007 was 69 percent.

We compared LNB to three similarly situated banks operating in Laurel and nearby Clay County. These banks are comparable to LNB in asset size, deposit size, and major lending products. LNB's average loan-to-deposit ratio is comparable to the three similarly situated banks. The table below shows the average loan-to-deposit ratios of the other banks for the period under review range from 65% to 96% with an average ratio of 80%.

Institution	Average
Laurel National Bank	65.51%
Bank #1	64.62%
Bank #2	79.42%
Bank #3	96.49%

## Lending in Assessment Area

A majority of loans and other lending-related activities are in LNB's assessment area. The analysis shows 73 percent of the number and 53 percent of the dollar amount of loan originations were to borrowers inside the assessment area. To reach this conclusion, the OCC analyzed the bank's lending activity by selecting a random sample of 30 residential and 30 business loans originated between January 1, 2005 and June 30, 2007. See the following table for details.

Loan Originations Between January 1, 2005 and June 30, 2007										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$ (000's)	%	\$ (000's)	%	
<b>Residential</b>	26	87	4	13	30	\$ 993	93	\$ 70	7	\$1,063
<b>Business</b>	18	60	12	40	30	\$4,284	49	\$4,528	51	\$8,812
<b>Totals</b>	44	73	16	27	60	\$5,277	53	\$4,598	47	\$9,875

\* Source: Random sample of residential real estate and commercial loans originated between January 1, 2005 and June 30, 2007.

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

The distribution of loans, given the demographics of the assessment area (AA), reflects excellent penetration among individuals of different income levels (including low- and moderate-income borrowers) and businesses of different sizes. To reach this conclusion, the OCC analyzed the bank's lending activity by selecting a random sample of 26 residential and 30 business loans originated within LNB's AA between January 1, 2005 and June 30, 2007. See the tables below for details.

Table INC-1 1-4 Family Residential Loans shows the percentage of LNB's residential loans to low-income borrowers is slightly lower than the demographic comparator but exceeds the demographic comparator for moderate-income borrowers. LNB's residential mortgage lending performance is reasonable given the credit needs of the AA.

Table INC-2 Business Loans indicates the percentage of LNB's business loans extended to companies considered small in size (revenues under \$1 million) exceeds the percentage of businesses in the assessment area with revenues under \$1 million. Of the total number of business loans sampled, 93 percent were to small businesses. Demographics indicate 59 percent of all businesses in the assessment area have revenues less than \$1 million. However, in this AA the percentage of businesses with unreported revenue is high at 36 percent. LNB's business lending performance is excellent considering the demographic information.

**Table INC-1 1-4 Family Residential Loans**

<b>1-4 FAMILY RESIDENTIAL LOANS</b>					
<b>Borrower Income Level</b>	<b>Loan Originations Between Jan 1, 2005 and June 30, 2007</b>				<b>Percentage of Families within each Income Category</b>
	<b>Number of Loans</b>	<b>Percentage of Loans</b>	<b>Dollar Amt of Loans \$ (000's)</b>	<b>Percentage of Dollars</b>	
<b>Low</b>	4	16%	\$ 77	8%	24%
<b>Moderate</b>	6	23%	\$143	14%	18%
<b>Middle</b>	5	19%	\$182	18%	21%
<b>Upper</b>	11	42%	\$592	60%	37%
<b>Total</b>	26	100%	\$994	100%	100%

\* Source: Randomly selected sample of 1-4 family residential loans originated within the bank's assessment area.

\*\* Further segmentation of home mortgage lending activity by purpose was not available from the data used for this analysis.

**Table INC-2 Business Loans**

<b>BUSINESS LOANS</b>					
<b>Business Income Level in Revenues</b>	<b>Loan Originations Between Jan 1, 2005 and June 30, 2007</b>				<b>Percentage of Businesses in the AA</b>
	<b>Number of Loans</b>	<b>Percentage of Loans</b>	<b>Dollar Amt of Loans \$(000's)</b>	<b>Percentage of Dollars</b>	
<b>&lt; \$1 Million</b>	28	93%	\$4,525	93%	59%
<b>&gt; \$1 Million</b>	2	7%	\$ 324	7%	5%
<b>Not Reported</b>	0	0%	\$ 0	0%	36%
<b>Total</b>	30	100%	\$4,849	100%	100%

\* Source: Randomly selected sample of commercial loans originated within the bank's assessment area.

**Geographic Distribution of Loans**

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area (AA). There is lending throughout the AA. No conspicuous gaps were noted. To reach this conclusion, the OCC analyzed the bank's lending activity by selecting a random sample of 26 residential and 30 business loans originated between January 1, 2005 and June 30, 2007. See the tables below for details.

Table GEO-1 1-4 Family Residential Loans shows LNB has excellent penetration in originating residential loans in the moderate-income CT. The percentage of loans is more than demographics and exceeds standards given 95 percent of all families in the AA are located in the middle-income tracts.

Table GEO-2 Business Loans shows LNB has reasonable penetration in making business loans in the moderate-income census tracts considering the demographics for the AA. The one moderate-income geography within the AA contains 2 percent of all businesses in the assessment area. While none of the loans reviewed originated from within the one moderate-income CT, this is considered reasonable since there is a very low percentage of businesses within that CT. In addition, the bank does not have a branch in that area; and this area is served by other counties.

**Table GEO-1 1-4 Family Residential Loans**

<b>Geographic Distribution of 1-4 Family Residential Loans By Geography Income Designation Originated Between January 1, 2005 and June 30, 2007</b>					
<b>Income Level of Census Tracts</b>	<b>1-4 Family Residential Loans</b>				<b>Distribution of Owner Occupied Housing</b>
	<b>Number of Loans</b>	<b>Percentage</b>	<b>Dollars \$(000's)</b>	<b>Percentage</b>	
<b>Moderate</b>	4	15%	\$ 91	9%	5%
<b>Middle</b>	22	85%	\$903	91%	95%
<b>Total</b>	26	100%	\$994	100%	100%

\* Source: Randomly selected sample of 1-4 family residential loans originated within the bank's assessment area.

\*\* Further segmentation of home mortgage lending activity by purpose was not available from the data used for this analysis.

**Table GEO-2 Business Loans**

<b>Geographic Distribution of Business Loans By Geography Income Designation Originated Between January 1, 2005 and June 30, 2007</b>					
<b>Income Level of Census Tracts</b>	<b>Business Loans</b>				<b>Distribution of Businesses in the AA</b>
	<b>Number of Loans</b>	<b>Percentage</b>	<b>Dollars \$(000's)</b>	<b>Percentage</b>	
<b>Moderate</b>	0	0%	\$ 0	0%	2%
<b>Middle</b>	30	100%	\$4,849	100%	98%
<b>Total</b>	30	100%	\$4,849	100%	100%

\* Source: Randomly selected sample of commercial loans originated within the bank's assessment area.

**Responses to Complaints**

LNB has not received any complaints about its performance in helping meet assessment area credit needs during this evaluation period.



### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.