



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Washington, DC 20219

PUBLIC DISCLOSURE

As of April 27, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Progressive Bank, N.A.
Charter No. 8604**

**1999 Richmond Road
Lexington, Ky 40502**

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 Progressive Bank, N.A.** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 27, 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 rated as “Satisfactorily meeting the credit needs of the community.”

- 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 areas, approximately 77%.
- o The bank is making loans throughout all of the geographies located within their assessment areas.
- o The bank lends to borrowers of different income levels.

DESCRIPTION OF INSTITUTION

The Progressive Bank, N.A. is a community bank with total assets of approximately \$143 million as of March 31, 1998. Prior to 1998, The Progressive Bank, N.A. was named Anderson National Bank. On January 1, 1998, the holding company, Progressive Bancshares, combined Anderson National Bank with their affiliate, Farmers Bank of Owingsville. The bank was renamed The Progressive Bank, N.A. and is 100% owned by the holding company, Progressive Bancshares. The bank's main office is in Lexington, two branches are located in Lawrenceburg, and one in Owingsville, Ky. There are six ATMs distributed in Fayette, Anderson, and Bath Counties.

The bank offers traditional banking services and lending products. Management focuses lending efforts on retail credit with a significant portion of loans being 1-4 family residential mortgage loans. The Progressive Bank N.A.'s loan portfolio consists of the following: 43% one-to-four family residential, 17% non-farm non-residential, 11% construction and development, 11% farmland, 8% consumer loans, 5% commercial loans, 2% multi-family and 2% agricultural loans. (Note that these numbers have been rounded-off.) As of March 31, 1998, total real estate loans were 84% of the loan portfolio and the loan portfolio represented approximately 79% of the bank's total earning 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 for CRA purposes was May 1995 at which time they were rated Satisfactory.

DESCRIPTION OF ANDERSON, BATH, AND FAYETTE COUNTY

The Progressive Bank, N.A.'s assessment area consists of three counties: Anderson County, Bath County, and Fayette County. The assessment area is reasonable and does not arbitrarily exclude low- and/or moderate-income census tracts.

ANDERSON COUNTY

Anderson County is comprised of four upper-income census tracts and is not located within an MSA. The census tract numbers are 9501, 9502, 9503 and 9504. The 1997 median family income for Kentucky counties not located in an MSA is \$28,800. The median family income for Anderson County is \$31,973. The population of Anderson County is approximately 18,000. Lawrenceburg is the county seat and has a population of approximately 9,000. The most current unemployment rate averaged 3.5% and the poverty rate was below 10%. Lawrenceburg is considered to be a bedroom community where most of the residents work outside of Anderson County. A majority of the employed workforce works in nearby Frankfort for the state government, Danville for manufacturing, or Lexington for both retail and manufacturing. The largest employers in Lawrenceburg are the Anderson County School Board, Florida Tile, General Cable, Universal Fasteners, Lawrenceburg Transfer, and a cardboard packaging manufacturer.

BATH COUNTY

Bath County is comprised of three census tracts and is not located within an MSA. The census tract numbers are 9701, 9702, and 9703. Two of the census tracts are moderate income and one is middle income. The median family income for Bath County is \$19,543 and the population is approximately 9,692. Bath County is a rural, agricultural area located approximately 50 miles east of Lexington, Ky. Owingsville is the county seat and has a population of approximately 5,195. Out of the entire county's population, approximately 28% are low-income families and 19% are moderate-income families. The most current unemployment rate averaged 7.5% and the poverty rate was 28% with an increasing number of people living on social security and public assistance. According to the 1990 census data, 28% of the county residents receive social security assistance and 18% receive public assistance.

Community contacts have indicated that economic conditions are expected to trend upward as more people move into Bath County. Contacts indicated that people who work in nearby Lexington have chosen to live in rural surrounding areas and commute to work. This has resulted in an increase in residential development in Bath County. An industrial park planned on I-64 is also expected to increase business and residential development. Currently, Bath County is an agricultural community with tobacco farming as the primary source of farming income. Major employers in the area include the Board of Education, Bath Manufacturing, Donotech Manufacturing, and Custom Food Products.

FAYETTE COUNTY

The bank declared Fayette County as one of their assessment areas in 1997. Fayette County is comprised of fifty-five census tracts and is located within an MSA. Out of these census tracts, four are low-income, twelve are moderate income, seventeen are middle-income, and twenty-one are upper-income (one of the census tracts is not classified). The 1997 median family income for Kentucky counties located in an MSA is \$42,500. The median family income for Fayette County is \$37,600. The population is approximately 225,366. Lexington is the county seat and is the second largest city in Kentucky. Out of the entire county's population, approximately 19% are low-income families and 15% are moderate-income families. The unemployment rate is historically low (around 2%) with employment opportunities considered to be very diverse.

The Lexington economy is good and has seen a significant amount of commercial growth. In 1997, The Progressive Bank, N.A. chose to move their main office from Lawrenceburg to Lexington and make Fayette County part of their assessment area. However, bank management has not actively pursued residential real estate and consumer loans in the Lexington area due to the lack of an extensive branching system and the difficulty in competing with well-established, large regional banks. Currently only 8% of the bank's residential loans and 4% of the bank's consumer loans are made in Fayette County. Management has focused on making commercial loans in the Lexington area due to their expertise in this area, previously established contacts with commercial customers and the need to service commercial customers who desire to do business with a bank where credit decisions and service are at a local level. This has resulted in a small number of large dollar loans made in Fayette County. The bank currently has 8% of their loans and 35% of the dollar amount outstanding in Fayette County.

Due to The Progressive Bank, N.A.'s one branch location, the relatively short period of time in the Lexington market and the competition with more than 28 financial institutions and several credit unions it would not be meaningful to compare The Progressive Bank, N.A. to the well-established Lexington banks in the Fayette assessment area nor would it be beneficial to provide an analysis of loan distribution among the fifty-five census tracts. For this evaluation, we will focus on the bank's two main assessment areas where they perform the majority of their business: Anderson and Bath County.

This bank has identified affordable housing as the major credit need in the Anderson, and Bath County communities. This is in agreement with the community contacts who identified moderately priced housing as the greatest need throughout all these counties. Other competitor's CRA Performance Evaluations' also identified housing as the main community need. As a result, people are turning to rental property and the lower priced mobile homes as an alternative. In Anderson County where all of the census tracts are upper income, 16% of the population rent and 11% live in mobile homes. In Bath County where the majority of the population is moderate income, 21% rent and 24% live in mobile homes. Consequently, management has established a variety of programs to help those who want to purchase a home as well as offering credit counseling and conducting home-owner workshops periodically.

Competition in the assessment areas is strong. The bank's competitors include state and national banks along with finance companies and credit unions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

The Progressive Bank, N.A.'s average loan to deposit ratio since their last examination is 87% and is reasonable. As of March 31, 1998, the loan-to-deposit ratio was 91.07%. This ratio has been steadily increasing over the past several quarters. The Progressive Bank, N.A.'s ratio is higher than its national peer group which is 70.62%. In addition, the bank's ratio is higher than local competitors in Anderson and Bath Counties. Their loan-to-deposit ratios ranged from 59% to 85%.

LENDING IN THE ASSESSMENT AREA

A majority of the bank's loans are inside their assessment area. Bank generated reports indicate approximately 77% of the total number of these loans and 75% of the dollar amount of loans are within the assessment areas of Anderson, Bath, and Fayette Counties.

CHART #1

TOTAL LOAN DISTRIBUTION AMONG THE THREE ASSESSMENT AREAS (Total Loans)				
	No. Of loans	Percent	Amount	Percent
Inside AA:				
Anderson Co.	1673	42.19%	32,970,215	28.63%
Bath Co.	1067	26.91%	11,740,391	10.19%
Fayette Co.	328	8.27%	41,154,698	35.74%
Total Inside AA	3068	77.38%	85,865,304	74.56%
Outside AA	897	22.62%	29,298,630	25.44%
Totals loans	3965	100%	115,163,934	100%

The Progressive Bank, N.A. also makes a majority of their residential real estate and consumer loans within their assessment area. They make 80% of their residential real estate loans inside of their assessment area (Chart #2) as well as 80% of their consumer loans (Chart #3).

CHART #2

TOTAL LOAN DISTRIBUTION AMONG THE THREE ASSESSMENT AREAS (Residential Mortgages)				
	No. Of loans	Percent	Amount	Percent
Inside AA:				
Anderson Co.	461	41.16%	15,295,323	36.94%
Bath Co.	339	30.27%	6,641,816	16.04%
Fayette Co.	94	8.39%	9,707,014	23.45%
Total Inside AA	894	79.82%	31,644,153	76.43%
Outside AA	226	20.18%	9,759,114	23.57%
Totals loans	1120	100%	41,403,267	100%

CHART #3

LOAN DISTRIBUTION AMONG THE THREE ASSESSMENT AREAS (Consumer Loans)				
	No. Of loans	Percent	Amount	Percent
Inside AA:				
Anderson Co.	767	44.16%	3,787,600	40.66%
Bath Co.	563	32.41%	2,600,138	27.91%
Fayette Co.	66	3.80%	731,354	7.85%
Total Inside AA	1396	80.37%	7,119,092	76.43%
Outside AA	341	19.63%	2,195,987	23.57%
Totals loans	1737	100%	9,315,079	100%

The bank internally codes all of their loans by census tract and by income level for the purpose of CRA. Management is in the process of having all of the loans on their books categorized for CRA purposes. Reports are then generated on a quarterly basis and sent to the Board for review. 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 Anderson (Chart #5) and Bath County (Chart #6) reflects reasonable penetration among the different income levels, including low- and moderate-income levels. In addition, the bank is making loans to small businesses and farmers. Note: We did not focus our analysis on Fayette County due to the reasons discussed previously.

CHART #4

Income Level	% of Families Within Anderson County*	Percent of Res. Mtgs Made	Percent of Consumer Loans Made	Percent of Total Loans Made
Low	10.07%	9.90%	14.73%	13.53%
Mod	11.75%	8.95%	16.06%	12.50%
Mid	18.08%	20.13%	27.71%	23.63%
Upp	60.15%	61.02%	41.50%	50.34%
Total	100%	100%	100%	100%

CHART #5

Income Level	% of Families Within Bath County*	Percent of Res. Mtgs Made	Percent of Consumer Loans Made	Percent of Total Loans Made
Low	28.11%	24.14%	43.41%	36.48%
Mod	18.51%	28.57%	29.65%	28.97%
Mid	17.40%	21.67%	14.92%	17.70%
Upp	35.98%	25.62%	12.02%	16.85%
Total	100%	100%	10%	100%

* According to the 1990 U.S. Census Data, the numbers above reflect the percentage of families that are low-, moderate-, middle-, and upper-income level families within Anderson and Bath County.

We based our conclusion on internal reports which we verified using a sample of loans and discussions held with management in regards to the demographics and economics of these two counties.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of loans is satisfactory and reflects reasonable penetration of all census tracts.

The loan distribution by geographies in Anderson County would not be meaningful since all four census tracts are upper income. Therefore, an analysis of the geographic distribution of loans within Anderson County was not performed.

Bath County consists of two moderate-income census tracts and one middle-income census tract. There are no low-income areas within Bath County. The chart below details The Progressive Bank, N.A's geographic distribution of residential mortgages throughout the three census tracts.

CHART #6

BATH COUNTY LOAN DISTRIBUTION AMONG THE CENSUS TRACTS (Mortgage Loans Extended and Geocoded)				
Census Tract	No. Of loans	Percent	Amount	Percent
9701-MOD	36	4.36%	\$574,201	5.33%
9702-MID	676	81.94%	\$8,759,136	81.33%
9703-MOD	113	13.70%	\$1,436,409	13.34%
Totals	825	100%	\$10,769,746	100%

Numbers indicate that the bank is lending to customers throughout Bath County. A majority of The Progressive Bank, N.A's mortgages were originated within census tract #9702. This is where the bank, the town of Owingsville, and the majority of Bath County's population are located which accounts for 82% of the bank's residential mortgages. The other two census tracts are being serviced by other institutions in other cities. Census tract #9701 contains the town of Sharpsburg and Citizens Bank while census tract #9703 contains the town of Salt Lick and The Salt Lick Deposit Bank. Based on this information, the geographic distribution of the loans among the different census tracts appears to be 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.