



## **PUBLIC DISCLOSURE**

January 20, 1998

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Whitaker Bank, N.A.  
Charter Number 22246**

**2311 Paris Pike  
Lexington, Kentucky 40505**

**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 CRA performance of Whitaker Bank, N.A. prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of January 20, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

**INSTITUTION'S CRA RATING:** This institution is rated "Satisfactory Record of Meeting Community Credit Needs".

- The bank's average quarterly loan-to-deposit ratio since our last examination is reasonable.
- A substantial majority of the bank's loans are within the assessment area.
- Management's record of lending to borrowers of different income levels, including low- and moderate-income families and small businesses is reasonable.

## DESCRIPTION OF INSTITUTION

Whitaker Bank, N.A. (Whitaker) is a community bank that operates eight full service offices in three counties of central Kentucky (Fayette, Garrard, and Nicholas). It has total assets of approximately \$142 million as of September 30, 1997. The bank is a subsidiary of Whitaker Bank Corporation of Kentucky, a multi-bank holding company located in Lexington, Kentucky. It is locally owned by private investors.

Whitaker offers traditional banking services and lending products. As of September 30, 1997, net loans represented approximately 61% of total assets. The composition of the loan portfolio is:

- 23% one-to-four family residential mortgages
- 33% commercial real estate and commercial loans
- 16% loans to individuals
- 15% construction and development loans
- 12% farmland and agriculture loans
- 1% other
- 100%

On July 1, 1997, Whitaker Bank, N.A. and two affiliates, The Garrard Bank and Trust Company and the First National Bank of Carlisle, merged to form one consolidated bank.

Whitaker's Fayette County operations consist of the main office on Paris Pike, and four branches in Kroger stores on Paris Pike, Romany Road, Lane Allen Road, and Nicholasville Road in Lexington. Whitaker's Garrard County branches are located in Lancaster, on Public Square and on Danville Road. The Nicholas County branch is on Main Street in Carlisle. Whitaker maintains Automatic Teller Machines (ATMs) at all branch locations except Public Square-Lancaster. Whitaker also has two remote ATMs at Lexington Green Shopping Center and the Kroger store on Hartland Parkway.

Hours of operation are as follows: Main Office: Lobby: Monday through Thursday 8:30 a.m. to 4:00 p.m., Friday 8:30 a.m. to 6:00 p.m. Drive-thru: Monday through Thursday 7:30 a.m. to 6:00 p.m., Saturday 9:00 a.m. to 2:00 p.m.

Lexington's four Kroger branches: Monday through Saturday 10:00 a.m. to 8:00 p.m.

Lancaster-city: Monday through Thursday 8:30 a.m. to 3:00 p.m., Friday 8:30 a.m. to 6:00 p.m.

Lancaster-Danville Road: Lobby: Monday through Thursday 8:30 a.m. to 3:00 p.m., Friday 8:30 a.m. to 6:00 p.m. Drive-thru: Monday through Thursday 8:30 a.m. to 5:00 p.m., Friday 8:30 a.m. to 6:00 p.m., Saturday 8:30 a.m. to 12:00 p.m.

Carlisle: Lobby: Monday through Thursday 8:30 a.m. to 3:00 p.m., Friday 8:30 a.m. to 5:00 p.m. Drive-thru: Monday through Thursday 8:30 a.m. to 5:00 p.m., Friday 8:30 a.m. to 5:30 p.m., Saturday 8:30 a.m. to 12:00 p.m.

There are no legal or financial constraints impeding the bank's ability to help meet the credit needs in its assessment area. Whitaker Bank received a satisfactory record of performance at its most recent CRA public performance evaluation dated January 30, 1995. The two affiliates that merged with Whitaker were also rated satisfactory in their record of performance under CRA, with public evaluations dated February 3, 1995 (Lancaster) and April 25, 1996 (Carlisle).

## **DESCRIPTION OF THE ASSESSMENT AREA**

Whitaker operates in three distinct central Kentucky markets (Lexington, Lancaster, and Carlisle). Each market is described below.

The Lexington market comprises most of Fayette County (45 of 55 total census tracts). Management excludes six upper-income tracts and four middle-income tracts because the existing branch network is not close enough to serve this area. Fayette County is part of the Lexington/Fayette County Metropolitan Statistical Area (MSA). Lexington is the county's only major city, and it is the second largest city in the state. The rest of Fayette County is mostly rural in nature, with equine and tobacco farming. According to the 1990 U.S. Census, the population of Fayette County is 225,366. The 1997 median family income for the MSA is \$42,500. The county continues to experience moderate population growth and strong economic activity. Historically, the unemployment rate is among the lowest in the state. It is currently 3 percent. There is significant demand for home mortgages, residential construction loans, and consumer loans. A community contact involved in business development indicated that the strong economy is providing banks with a high level of opportunity for commercial lending. The banking environment is highly competitive. Lexington has more than 28 financial institutions, including several large regional banks with extensive branching, and also a number of credit unions that are competitive. In certain census tracts, Whitaker continues to have low market share penetration due to the proximity of competitors. This is evident with the four low-income census tracts in downtown Lexington. In spite of active marketing to the area, applications and originations are minimal. Whitaker views its market niche as lending to those small commercial customers and consumers that the larger banks are not targeting.

The Lancaster market consists of all of Garrard County. The county is a sparsely populated rural community of 11,579, according to the 1990 U.S. Census. Garrard County has four Block Numbering Areas (BNAs). Three are classified as middle-income and one is upper-income. None are low- or moderate-income. Unemployment is currently 4%. A community contact familiar with the area stated employment opportunities consist mainly of tobacco farming, some light manufacturing, and long commutes to Danville, Lexington, Berea, and Richmond. The banking environment is not as competitive as Lexington. Whitaker shares the market with one other national bank and a savings bank.

The Carlisle market consists of all of Nicholas County. It is a sparsely populated rural community of 6,725, according to the 1990 U.S. Census. The county has two BNAs, one moderate-income and the other middle-income. There are no low-income or upper-income BNAs in the county. Unemployment is currently 3 percent. Again, the banking environment is not as competitive as Lexington. Whitaker's local competition in the Carlisle community is one state-chartered bank.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

**Lending in Assessment Area**

Whitaker made a significant majority of its loans inside the assessment area during the evaluation period. Of all loans made during the three months following the merger, 76% by number and 83% by dollar are to borrowers within the assessment area. Testing indicates this three-month period is representative of all loan production since the last CRA examination.

	Three months ending September 30, 1997	
	Number of loans	\$ (000s)
Total Loan Originations for period	607	\$22,575
Loans in Assessment Area	463	\$18,829
Percent in Assessment Area	76%	83%

**Geographic Distribution of Loans**

Whitaker's record of originating loans throughout the assessment area is reasonable. We reviewed and verified maps showing the location of originations during the three-month period ending September 30, 1997 (same sample used above). We found loans to be well dispersed in each of the three markets. The table below summarizes the data used to conclude Whitaker's lending is reasonably distributed geographically. As discussed earlier, Whitaker has low market penetration in the low-income census tracts. This area is in downtown Lexington, and is already served by a high concentration of other banks in closer proximity than Whitaker.

Census Tracts	Families Populating each Census Tract (1990 U.S. Census)		Originations by NUMBER		Originations, by DOLLAR VOLUME	
	Number of families	Percent	Number of Loans	Percent of number	Dollar (000s)	Percent of dollar volume
Low-income	2,932	6%	1	0%	\$2	0%
Moderate-income	10,373	21%	39	9%	\$5,993	32%
Middle-income	18,170	38%	334	72%	\$6,163	33%
Upper-income	16,815	35%	89	19%	\$6,671	35%
Total for Assessment Area	48,290	100%	463	100%	\$18,829	100%

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

Whitaker has a reasonable record of lending to borrowers of different incomes and to businesses of different sizes. We used the same three-month sample to analyze loan distribution by income level (for consumers) and by revenue level (businesses). Not all the loans for this period had income data available, but there was a sufficient sample to draw a conclusion. The table below shows Whitaker's consumer lending is reasonably distributed among borrowers of different incomes and is comparable to the distribution of income levels within the assessment area. It shows 37% of the dollar volume of consumer loans in the sample were made to low- and moderate-income families. Moreover, it reflects 60% of the number of loans were made to these income level categories. This compares favorably to the overall composition of Whitaker's market, which are 34% low- and moderate-income families.

Income Level Category	Income Levels of Families within the Assessment Area	Income level of consumers granted loans	
		By Number of Loans	By Dollar volume of loans
Low	19%	35%	13%
Moderate	15%	25%	24%
Middle	20%	26%	30%
Upper	46%	14%	33%
Total %	100%	100%	100%

The distribution of business loans by revenue level is also favorable. Of the 23 loans in the sample period with revenue information available, 100% were to small businesses (annual revenues less than \$1 million). They total \$974,000. We also noted during the three-month period, Whitaker made 42 agricultural loans with revenue information available. All were to small farms (revenues less than \$500,000), totaling \$301,000.

### **Loan to Deposit Ratio**

Whitaker's quarterly loan-to-deposit ratio has averaged 67% since the last CRA examination. This is a reasonable level of lending activity, considering the lending opportunities, competitive situation, and economic conditions of the assessment area. A similarly situated financial institution in Lexington has also averaged 67% loan-to-deposit ratio over the time frame being evaluated.

### **Responses to Complaints**

We have not received any consumer complaints regarding CRA since our last examination.

### **Compliance with Antidiscrimination Laws and Regulations**

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

**Geographic Distribution of Loans**

- **First National Bank’s distribution of loans is adequate.**

Overall, out loan sample showed that loans were made within all nine block numbered areas within Steuben County. The majority of the loans sampled that were not made in the assessment area were made in adjacent counties.

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

- **First National Bank has shown a reasonable level of extending credit to borrowers of all income levels.**

**1-4 Family Mortgage & Home Improvement Lending**

As shown in Table 3, FNB lends to a wide variety of borrowers with varying income levels. Also, the bank demonstrates flexibility in the types of loan products offered (i.e. debt to income ratios, and loan-to-value ratios).

Loans made to low-income borrowers represented 9 percent of the sample taken, which is comparable to the demographic data for the nine block numbered areas which shows 11 percent of the families are in the low-income category. Loans made to moderate-income borrowers represented 23 percent of the sample taken, which is more favorable than the demographic data, which shows 17 percent of the families are in the moderate-income category. The combined percentage to low- and moderate-income borrowers was 32 percent. This is slightly more favorable than the demographic data, which shows the proportion of low- and moderate-income families within the assessment area is 28 percent.

Table 3 1-4 Family Mortgage and Home Improvement Loans Made in the Assessment Area								
# Loans in Sample that were made in the assessment area	Loans to Low-Income Borrowers		Loans to Moderate-Income Borrowers		Loans to Middle-Income Borrowers		Loans to Upper-Income Borrowers	
	#	%	#	%	#	%	#	%
57	5	9%	13	23%	19	33%	20	35%
<i>Demographic Data on Nine Block Numbered Areas</i>								
# of Families	Low-Income Households		Moderate-Income Households		Middle-Income Households		Upper-Income Households	
	#	%	#	%	#	%	#	%
7,488	853	11%	1,255	17%	2,142	29%	3,238	43%

*Data Source for Origination Data:* Bank loan files.

*Data Source for Demographic Data:* 1990 U.S. Census Data

### Small Business Lending

First National Bank of Fremont is also active in small business lending. First National Bank originated 540 commercial loans totaling \$23 million in 1997 and 1998, all of which were under \$1 million. The volume of loans is consistent for both years.

The bank primarily makes loans to businesses with sales less than \$1 million. Of the businesses in Steuben County, 71 percent have sales less than \$1 million. Based on the sample taken, the bank made 89 percent of its loans to businesses with sales less than \$1 million, which is favorable. See Table 4.

Table 4 Small Business Loans Made in the Assessment Area				
# Loans in Sample	Sales Less than \$1 Million		Sales Over \$1 Million	
	#	%	#	%
26	23	89%	3	11%
<i>Demographic Data on Nine Block Numbered Areas</i>				
# of Businesses in the Assessment Area	Sales Less than \$1 Million		Sales Over \$1 Million	
	#	%	#	%
1,150	819	71%	331	29%

*Data Source for Origination Data:* Bank loan files.

*Data Source for Demographic Data:* 1990 U.S. Census Data

### Fair Lending

- We did not identify any violations of the anti-discrimination laws and regulations during our examination. We reviewed the bank's underwriting guidelines and a sampling of 30 approved consumer loan applications. The sample was taken to ensure equal treatment among consumer loan applicants based on gender. The test sample compared 25 male applicants that were approved to 5 female applicants that were denied. There was no evidence that the loans were denied on a prohibited basis. In addition, the bank received no complaints regarding its fair lending activities.