



SMALL BANK

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

PUBLIC DISCLOSURE

March 05, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank and Trust
Charter Number 7890**

**4th & Main Street
London, KY 40741**

**Comptroller of the Currency
Louisville Field Office
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 document is an evaluation of the Community Reinvestment Act (CRA) performance of the First National Bank and Trust Company, London, Kentucky prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of March 5, 2007. The agency rates CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

This institution is rated Satisfactory.

Major Conclusions:

- The average loan-to-deposit ratio is excellent, considering the bank's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending-related activities are in the bank's assessment area.
- The distribution of loans reflects satisfactory penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans is considered satisfactory, 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

First National Bank and Trust (FNB) is a full-service intrastate bank, 100 percent owned by First National London Bancshares Corporation, a one-bank holding company, headquartered in London, Kentucky. As of December 31, 2006, the bank had \$227 million in total assets, \$186 million in deposits, \$161 million in loans, and \$23 million in Tier One capital.

The bank operates one main office and five limited-service branches located in Laurel County. All have drive-thru facilities. The bank has four full-service Automated Teller Machines (ATMs) and four cash only dispensers. Full-service ATMs are located at the main, the Plaza, the Marketplace, and the South Laurel branches. Cash only dispensing ATMs are located at Saddlebrook Place, Marymount Hospital, Jones Chevron, and the Laurel County Fire Department. FNB closed one drive-thru branch, two in-store branches with ATMs, and three stand-alone ATMs since our last examination. Both the offices and the ATM's are accessible to all segments of the community.

Traditional banking products and services are offered. The bank's primary lending focus is business, home mortgage, and consumer loans. As of December 31, 2006, net loans represented approximately 72 percent of the bank's average assets. The loan portfolio mix is as follows:

business-related loans 48 percent, 1-4 family residential mortgages 36 percent, consumer loans 9 percent, farm or farm-related loans 4 percent, and other 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 April 3, 2002. The bank received a rating of Satisfactory. This CRA evaluation period covers May 2002 to February 2007 and the testing period covers January 1, 2005 to December 31, 2006.

DESCRIPTION OF LAUREL COUNTY

FNB'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 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.

Laurel County has an unemployment level that is comparable to the state average (4.7 percent versus 5.1 percent, as of December 2006). 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 FNB has a 27 percent market share. The competition includes three large regional banks with total deposits ranging from \$2 billion to \$5 billion and three community banks with total deposits ranging from \$79 million to \$370 million.

We performed one community contact interview during our evaluation. We contacted a member of the Laurel County business and labor group. The contact indicated the overall credit needs of the community are being met by local banks.

The following demographic information on the bank’s AA is based on 2000 census data, unless otherwise indicated.

Type of Information	Laurel County	
Population	52,715	
Kentucky HUD Adjusted MSA/Non-MSA Median Family Income	\$39,300	
Families in AA:		
Income Levels of Families	#	%
Low	3,605	23
Moderate	2,784	18
Middle	3,303	22
Upper	5,723	37
Total Families within AA	15,415	100
Households in AA:		
Income Levels of Families	#	%
Low	5,419	27
Moderate	3,256	16
Middle	3,738	18
Upper	7,962	39
Total Households within AA	20,375	100
Median Home Value:	\$64,988	
Median Year Built:	1982	
Businesses in AA:		
	#	%
Under \$1 Million Revenue	2,322	60
Over \$1 Million Revenue	206	5
Revenue Not Reported	1,370	35
Total	3,898	100

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio is excellent given FNB’s size, financial condition, and assessment area credit needs. The bank’s average net loan-to-deposit ratio for the nineteen quarters since the last CRA evaluation is 102 percent. As of December 31, 2006, FNB’s net loan-to-deposit ratio is 87 percent. There are no other banks considered similarly situated and comparable to FNB in asset size operating in the assessment area. FNB’s ratio is higher than its national peer group, which is 80 percent.

Lending in Assessment Area

A majority of loans and other lending-related activities are in FNB’s assessment area. The analysis shows 73 percent of the number and 89 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 96 loans originated between January 1, 2005 and December 31, 2006. See the following table for details.

LOAN ORIGINATIONS BETWEEN JANUARY 1, 2005 AND DECEMBER 31, 2006				
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$(000's)	Percentage of Loans
Within the Assessment Area	70	73%	\$10,147	89%
Outside the Assessment Area	26	27%	\$ 1,208	11%
Totals	96	100%	\$11,355	100%

* Source: Random sample of residential real estate, consumer, and commercial loans originated between January 1, 2005 and December 31, 2006.

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

The distribution of loans, given the demographics of the assessment area, reflects satisfactory 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 of loans for each of the bank’s primary loan types and selected a random sample of 25 1-4 family residential mortgages, 25 consumer loans, and 20 business loans originated between January 1, 2005 and December 31, 2006. See the following tables for details.

Table INC-1 1-4 Family Residential Loans shows the percentage of FNB’s residential loans to low-income borrowers does not meet the demographic comparator but does meet the demographic comparator to moderate-income borrowers. FNB’s residential mortgage lending performance is reasonable given the credit needs of the AA.

Table INC-2 Consumer Loans shows the percentage of FNB’s consumer loans to low- and moderate-income borrowers exceeds the demographic comparator. FNB’s consumer loan lending is excellent given a household poverty rate of twenty-one percent in the AA.

Table INC-3 Business Loans indicates the percentage of FNB’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, 90 percent were to small businesses. Demographics indicate 60 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 35 percent. FNB’s business lending performance is reasonable considering the demographic comparator.

Table INC-1 1-4 Family Residential Loans

1-4 FAMILY RESIDENTIAL LOANS					
Borrower Income Level	Loan Originations Between Jan 1, 2005 and Dec 31, 2006				Percentage of Families within each Income Category
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$ (000's)	Percentage of Dollars	
Low	4	16%	\$ 121	8%	23%
Moderate	5	20%	\$ 198	14%	18%
Middle	8	32%	\$ 396	28%	22%
Upper	8	32%	\$ 711	50%	37%
Total	25	100%	\$1,426	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 Consumer Loans

CONSUMER LOANS					
Borrower Income Level	Loan Originations Between Jan 1, 2005 and Dec 31, 2006				Percentage of Households within each Income Category
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$ (000's)	Percentage of Dollars	
Low	10	40%	\$ 67	29%	27%
Moderate	6	24%	\$ 40	17%	16%
Middle	5	20%	\$ 36	16%	18%
Upper	4	16%	\$ 89	38%	39%
Total	25	100%	\$232	100%	100%

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

Table INC-3 Business Loans

BUSINESS LOANS					
Business Income Level in Revenues	Loan Originations Between Jan 1, 2005 and Dec 31, 2006				Percentage of Businesses in the AA
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$(000's)	Percentage of Dollars	
< \$1 Million	18	90%	\$4,142	49%	60%
> \$1 Million	2	10%	\$4,347	51%	5%
Not Reported	0	0%	\$ 0	0%	35%
Total	20	100%	\$8,489	100%	100%

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

Geographic Distribution of Loans

The overall geographic distribution of loans reflects satisfactory dispersion throughout the assessment area. FNB's lending activity extends throughout the AA. To reach this conclusion, the OCC analyzed the bank's lending activity for each of the bank's primary loan types. Based on a random sample of 25 1-4 family residential mortgages, 25 consumer loans, and 20 business loans originated between January 1, 2005 and December 31, 2006, management originated loans in all eleven of the CT's which comprise the AA. We did not note any conspicuous gaps in lending. See the following tables for details.

Table GEO-1 1-4 Family Residential Loans shows FNB has reasonable penetration in originating residential loans in the moderate-income census tract. The percentage of loans is slightly less than demographics but considered reasonable given 95 percent of all families in the AA are located in the middle-income tracts.

Table GEO-2 Consumer Loans shows FNB has good penetration in originating consumer loans in the moderate-income census tract. The percentage of loans exceeds the demographic comparator considering 95 percent of all households in the AA are located in the middle-income tracts.

Table GEO-3 Business Loans shows FNB did not originate a business loan in the moderate-income census tract. The percentage of loans is less than the demographic comparable but considered reasonable given our small sample size and 98 percent of all businesses in the AA are located in the middle-income tracts.

Table GEO-1 1-4 Family Residential Loans

Geographic Distribution of 1-4 Family Residential Loans By Geography Income Designation Originated Between January 1, 2005 and December 31, 2006					
Income Level of Census Tracts	1-4 Family Residential Loans				Distribution of Owner Occupied Housing
	Number of Loans	Percentage	Dollars \$(000's)	Percentage	
Moderate	1	4%	\$ 26	2%	5%
Middle	24	96%	\$1,399	98%	95%
Total	25	100%	\$1,425	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 Consumer Loans

Geographic Distribution of Consumer Loans By Geography Income Designation Originated Between January 1, 2005 and December 31, 2006					
Income Level of Census Tracts	Consumer Loans				Distribution of Households
	Number of Loans	Percentage	Dollars \$(000's)	Percentage	
Moderate	3	12%	\$ 89	39%	5%
Middle	22	88%	\$142	61%	95%
Total	25	100%	\$231	100%	100%

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

Table GEO-3 Business Loans

Geographic Distribution of Business Loans By Geography Income Designation Originated Between January 1, 2005 and December 31, 2006					
Income Level of Census Tracts	Business Loans				Distribution of Businesses in the AA
	Number of Loans	Percentage	Dollars \$(000's)	Percentage	
Moderate	0	0%	\$ 0	0%	2%
Middle	20	100%	\$8,489	100%	98%
Total	20	100%	\$8,489	100%	100%

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

Responses to Complaints

FNB 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

An analysis of recent years' public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on its analysis of the information, the OCC decided a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed as of March 31, 1997. In regards to the loans we reviewed, we found no evidence of discrimination or other illegal credit practices.