



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 27, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Mount Sterling National Bank
Charter No. 2185**

**30 West Main
Mount Sterling, Kentucky 40353**

Office of the Comptroller of the Currency

**One Financial Place
440 South LaSalle, 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 Mount Sterling National Bank** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 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 bank's record of lending to borrowers of different income levels, including low- and moderate-income individuals, is good.
- The average quarterly loan-to-deposit ratio since the last evaluation is reasonable.
- A majority of the bank's loans were made within the assessment area.

The following table indicates the performance level of Mount Sterling National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>MOUNT STERLING NATIONAL BANK</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints		X	

DESCRIPTION OF INSTITUTION

Mount Sterling National Bank (MSNB) had total assets of approximately \$80 million as of December 31, 1996. The main office and the Indian Mound branch are located in Mount Sterling, with a third branch office located in nearby Camargo. All three locations have drive-up facilities and the Indian Mound Branch has an ATM. MSNB is 100% owned by The Whitaker Bank Corporation of Kentucky, a multi-bank holding company located in Lexington, Kentucky.

MSNB offers traditional banking services and lending products. As of December 31, 1996, net loans represented approximately 66% of total assets. The composition of the loan portfolio is as follows: 52% one-to-four family residential loans; 23% loans to individuals; 11% commercial real estate loans; 7% small business loans; and, 5% agricultural 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. The bank's prior CRA public evaluation was dated March 31, 1994.

DESCRIPTION OF MONTGOMERY COUNTY, KENTUCKY

The Board has designated Montgomery County as the bank's assessment area. Their designation meets the requirements of the regulation and does not arbitrarily exclude low- or moderate- income geographies. There are five Block Numbering Areas (BNAs) in the assessment area. Four are designated middle-income and one is designated upper-income. The 1996 median family income for Montgomery County was \$23,267. The 1996 statewide median family income for non-metropolitan areas was \$26,400.

Montgomery County is a rural county in central Kentucky with a population of approximately 20,000. Mount Sterling is the county seat and is a bedroom community to Lexington, the state's second largest city. Many of the people living in the area commute to Lexington for employment. However, in recent years many new businesses have opened in Mount Sterling, changing this trend. The largest employers in the Mount Sterling area include Chef America East, Jockey International, Cooper Tire & Rubber Co., and Summit Polymers-South. The unemployment rate in the county is typically below state and national levels.

The bank's primary competitors in the assessment area include two state chartered banks and one federal savings bank. They also face competition from financial institutions outside Montgomery County. Contacts with members of the community indicated the primary credit needs are additional housing for all income levels.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

MSNB's average quarterly net loan-to-deposit ratio for the period from March 31, 1994 to December 31, 1996 was 81.58%. As of December 31, 1996, MSNB's loan-to-deposit ratio was 90.98%, which is considerably higher than its nationwide peer group which averaged 69.64%. This peer group is made up of bank's with similar sizes, branching networks, and geographic characteristics. Currently, there are no similarly-situated lenders in the assessment area.

Lending in Assessment Area

We reviewed a sample of mortgage and consumer loans to determine the level of lending within the bank's assessment area. We used a sample of mortgage loans and consumer loans made within the past year. As shown in **Table 1**, the majority of the loans were made within the assessment area.

Table 1

	Mortgage Loans	Consumer Loans
Total Number in Sample	10	23
Total Original Dollar Amount in Sample	\$496,850.00	\$145,486.00
Total Number in Assessment Area	9	17
Total Original Amount in Assessment Area	\$472,850.00	\$115,391.00
Percent of Number in Assessment Area	90%	73.91%
Percent of Dollar Amount in Assessment Area	95.17%	79.31%

Our sampling results are fairly consistent with an internal management report indicating that as of September 30, 1996, 73% of the number and 79% of the dollar volume of the loans were within the assessment area.

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

We used the same sample described in Table 1 to evaluate this criteria. The distribution of MSNB's lending, particularly for consumer loans, exceeds the income characteristics of the assessment area. Our results are depicted in **Table 2**.

Table 2

	Proportion of Population within Assessment Area	Number of Mortgage Loans in Sample	Percent of Number of Mortgage Loans	Number of Consumer Loans in Sample	Percent of Number of Consumer Loans
Low-Income	19%	1	10%	9	39.13%
Moderate-Income	17%	1	10%	9	39.13%
Middle-Income	19%	2	20%	5	21.74%
Upper-Income	45%	6	60%	0	0
Totals	100%	10	100%	23	100%

The majority of the commercial and agricultural loans made by the bank met the regulatory definition of "small" business and farm loans. The bank's Consolidated Report of Condition as of December 31, 1996 indicated that there are \$4.3 million in loan outstandings to small businesses and \$3.7 million to farms.

Geographic Distribution of Loans

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

Responses to Complaints

The only complaint received since our last examination was resolved satisfactorily.

Compliance with Antidiscrimination Laws

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

