



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 30, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank and Trust
Charter Number 7890

4th & Main Street
London, Kentucky 40741

Office of the Comptroller of the Currency

ADC-LOUISVILLE Field Office
10200 Forest Green Boulevard, Suite 501
Louisville, Kentucky 40223

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 Bank is rated Satisfactory.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of the First National Bank and Trust Company, London, Kentucky (FNB) prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of April 30, 2012. The agency rates CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Major Conclusions

- The average loan-to-deposit ratio is reasonable considering the bank's size, financial condition, and assessment area credit needs.
- A substantial majority of loans and other lending-related activities are in the bank's assessment area.
- The distribution of loans reflects reasonable 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.

SCOPE OF EXAMINATION

Conclusions regarding the bank's lending performance are based on its primary loan products (residential mortgages and business loans) originated between January 1, 2010 and December 31, 2011.

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 March 31, 2012, the bank had \$217 million in total assets. This included \$180 million in deposits, \$109 million in loans, and \$22 million in Tier 1 capital. The bank operates one main office and four limited-service branches located in Laurel County. All have drive-thru facilities. The bank has four full-service Automated Teller Machines (ATMs) and three cash-only dispensers. Full-service ATMs are located at the Main, Plaza, Marketplace, and South Laurel branches. Cash-only dispensing ATMs are located at Saddlebrook Place, St. Joseph London, and the Laurel County Fire Department. FNB closed four stand-alone ATMs since our last examination. Both the offices and the ATMs are accessible to all segments of the community.

Traditional banking products and services are offered. The bank's primary lending focus is business and home mortgage loans. As of March 31, 2012, net loans represented approximately 50 percent of the bank's average assets. The loan portfolio mix is as follows: 48 percent - business-related loans, 38 percent - 1-4 family residential mortgages, 8 percent - consumer loans, 3 percent - farm or farm-related loans, and 3 percent - other loans.

There are no legal or financial circumstances that impact the bank's ability to meet community credit needs. The last CRA evaluation was performed March 5, 2007. The bank received a rating of Satisfactory. This CRA evaluation period covers April 1, 2007 to March 31, 2012 and the testing period covers January 1, 2010 to December 31, 2011.

DESCRIPTION OF ASSESSMENT AREA(S)

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- or moderate-income geography.

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 58,849 persons with London, the assessment area's largest city and county seat, having approximately 7,917 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 above the state average (9.4 percent versus 8.2 percent, as of February 2012). The area is rural, but has seen a number of service and manufacturing firms open in recent years. The Cabinet for Economic Development lists five industrial firms employing over 400, including Wal-Mart Distribution Center at 862, Hearthside Food Solutions at 701, ACS (data processing) at 615, Flowers Bakery of London, LLC at 423, and Aisin Automotive Casting, LLC at 406. 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, 10 banks with 25 offices operate in Laurel County. These offices hold a combined total of \$661 million in deposits, as of June 30, 2011; FNB has a 24.2 percent market share. The competition includes three large regional banks with area deposits ranging from \$585 thousand to \$82 million and nine community banks with area deposits ranging from \$498 thousand to \$225 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	
2011 Kentucky HUD Adjusted MSA/Non-MSA Median Family Income	\$43,000	
Families in AA:		
Income Levels of Families	#	%
Low	3,606	23
Moderate	2,784	18
Middle	3,303	21
Upper	5,722	38
Total Families within AA	15,415	100
Households in AA:		
Income Levels of Households	#	%
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	4,096	71
Over \$1 Million Revenue	162	3
Revenue Not Reported	1,499	26
Total	5,757	100

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable 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 72.7 percent. There are no other banks considered similarly situated and comparable to FNB in asset size operating in the AA. As of March 31, 2012, FNB's net loan-to-deposit ratio is 59.72 percent. This ratio is lower than the Bank's national peer group average,

which is 68.49 percent and other local banks' average, which is 70.27 percent.

Lending in Assessment Area

A substantial majority of loans and other lending-related activities are in FNB's AA. The analysis shows 98 percent of the number and 99 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 43 loans originated between January 1, 2010 and December 31, 2011. See the following table for details.

LOAN ORIGINATIONS BETWEEN JANUARY 1, 2010 AND DECEMBER 31, 2011				
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$(000's)	Percentage of Loans
Within the Assessment Area	42	98%	\$8,654	99%
Outside the Assessment Area	1	2%	\$ 26	1%
Totals	43	100%	\$8,680	100%

* Source: Random sample of residential real estate and commercial loans originated between January 1, 2010 and December 31, 2011.

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 23 1-4 family residential mortgages and 20 business loans originated between January 1, 2010 and December 31, 2011. See the following tables for details.

Table INC-1 1-4 Family Residential Loans shows the percentage of FNB's residential loans to low- and moderate-income borrowers meets the demographic comparator as a percentage of loans originated. However, the bank falls short of the demographic comparator for the dollar amount of loans made in all but the upper-income level. This is reasonable considering lower income borrowers usually borrow less money. Based on these facts, FNB's residential lending has reasonable penetration based on the AA's demographic comparators.

Table INC-1 1-4 Family Residential Loans

1-4 FAMILY RESIDENTIAL LOANS					
Borrower Income Level	Loan Originations Between Jan 1, 2010 and Dec 31, 2011				Percentage of Families within each Income Category
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$ (000's)	Percentage of Dollars	
Low	5	22%	\$ 80	4%	23%
Moderate	5	22%	\$ 138	6%	18%
Middle	2	9%	\$ 86	4%	21%
Upper	11	47%	\$1,902	86%	38%
Total	23	100%	\$2,206	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 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 AA with revenues under \$1 million. Of the total number of business loans sampled, 80 percent were to small businesses. Demographics indicate 71 percent of all businesses in the AA have revenues less than \$1 million. However, in the AA, the percentage of businesses with unreported revenue is high at 26 percent. When considering loan size as a proxy for revenue data, FNB's business lending performance also had reasonable penetration. Of the total number of business loans sampled, 90 percent were to businesses borrowing less than \$1 million.

Table INC-2 Business Loans

Business Income Level in Revenues	Loan Originations Between Jan 1, 2010 and Dec 31, 2011				Percentage of Businesses in the AA
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$ (000's)	Percentage of Dollars	
< \$1 Million	16	80%	\$4,420	68%	71%
> \$1 Million	4	20%	\$2,119	32%	3%
Not Reported	0	0%	\$ 0	0%	26%
Total	20	100%	\$6,539	100%	100%

* Source: Randomly selected sample of commercial loans originated within the bank's assessment 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 23 1-4 family residential mortgages and 20 business loans originated between January 1, 2010 and December 31, 2011, management originated loans in all eleven of the CTs that 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 show 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 satisfactory given 95 percent of all families 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, 2010 and December 31, 2011					
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%	\$ 17	1%	5%
Middle	22	96%	\$2,189	99%	95%
Total	23	100%	\$2,206	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 shows FNB originated one 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 91 percent of all businesses in the AA are located in the middle-income tracts.

Table GEO-2 Business Loans

Geographic Distribution of Business Loans By Geography Income Designation Originated Between January 1, 2010 and December 31, 2011					
Income Level of Census Tracts	Business Loans				Distribution of Businesses in the AA
	Number of Loans	Percentage	Dollars \$(000's)	Percentage	
Moderate	1	5%	\$ 56	1%	9%
Middle	19	95%	\$6,483	99%	91%
Total	20	100%	\$6,539	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 AA 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 illegal discrimination or other illegal credit practices.