



## **PUBLIC DISCLOSURE**

December 14, 2015

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Cumberland Valley National Bank and Trust Company  
Charter Number 10254

100 Main Street, London, Kentucky 40741

Office of the Comptroller of the Currency

10200 Forest Green Blvd., 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 COMMUNITY REINVESTMENT ACT (CRA) RATING: Satisfactory**

- **Lending Test rating: Satisfactory**
- **Community Development Test rating: Outstanding**

Cumberland Valley National Bank and Trust Company (CVNB or Bank) had a satisfactory record of meeting its community's credit needs during this evaluation period. These conclusions are based on the following.

- CVNB's average loan-to-deposit (LTD) ratio was reasonable given CVNB's size, condition, and the credit needs of its assessment area (AA).
- A substantial majority of CVNB's loans originated were within its AA.
- CVNB's distribution of loans reflected reasonable penetration among low- and moderate-income (LMI) individuals and business entities of different sizes.
- CVNB's residential lending in LMI census tracts (CTs) and business lending in LMI CTs reflected reasonable dispersion.
- CVNB's community development (CD) performance demonstrated excellent responsiveness to the CD needs of its AA.

**Scope of the Examination**

CVNB was evaluated under the Office of the Comptroller of the Currency's (OCC) Intermediate Small Bank Examination Procedures, which include a Lending Test and a CD test. The Lending Test evaluated the Bank's record of meeting the credit needs of its AA through its lending activities. The CD test evaluated the Bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and CD services.

This evaluation covered July 10, 2012 through December 14, 2015. The scope of the Lending Test included an assessment of the Bank's primary loan types: residential real estate and business purpose loans. The residential real estate lending analysis was based on loans CVNB reported on its Home Mortgage Disclosure Act Loan Application Register (HMDA LAR) from January 1, 2013 through September 30, 2015. The OCC performed a Data Integrity review in September 2015 and verified the Bank's HMDA LAR data was reliable. The analysis of the borrower and geographic distribution of loans compared those originated during the testing period to the 2010 United States (U.S.) Census (U.S. 2010 Census) demographic information. The income level designations used in the analysis of home mortgage loans are based on the Federal Financial Institutions Examination Counsel's (FFIEC) estimate of the 2013, 2014, and 2015 Kentucky Median Family Incomes for census Metropolitan Statistical Area (MSA) and non-metropolitan area. The business purpose loan analysis was performed using a random sample of business loans originated or purchased in 2013, 2014, and 2015.<sup>1</sup> The business sample loans were compared to U.S. 2010 Census data and 2013, 2014, and 2015 Business Geodemographic Data.

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<sup>1</sup> CVNB was not required to report business purpose loans on its HMDA LAR during the evaluation period.

The Lending Test rating is a consolidation of conclusions reached for each AA. When consolidating the AA's conclusions into the overall rating, more weight was given to the AA comprised of Knox, Laurel, Pulaski, and Whitley counties in Kentucky. The OCC based this decision on two facts. The majority of the Bank's offices were located in this AA, and the majority of CVNB's loans were originated in this AA. Since CVNB had a limited presence in Fayette County, Kentucky (only one branch office), the Bank's performance in the Lexington-Fayette County MSA in Kentucky was given the least weight.

The Office of Management and Budget's (OMB) revised Metropolitan Area (MA)<sup>2</sup> and CT geographic definitions and boundaries affected data collection requirements in February 2013. Those revisions became effective for CRA purposes on January 1, 2014. None of the areas within the Bank's AA were impacted by this change.

Conclusions regarding the Bank's CD Test were based on the Bank's level of CD lending, qualified investments, and CD services performed between July 9, 2012 and December 14, 2015.

## **Description of the Institution**

CVNB is an intrastate financial institution headquartered in London, Kentucky.<sup>3</sup> The Bank is wholly owned by Cumberland Valley Financial Corporation, a one-bank holding company headquartered in London, Kentucky. As of September 30, 2015, the Bank reported \$440 million in total assets, \$385 million in deposits, \$239 million in total loans, and \$46 million in tier 1 capital.

The Bank is a full-service lender offering traditional banking products and services. CVNB offers conventional and government guaranteed home mortgage loans, home improvement loans, consumer loans, and a full range of business loans. In addition, CVNB offers loans through the Federal Housing Administration (FHA), Federal Home Loan Mortgage Corporation (Freddie Mac), Kentucky Housing Corporation (KHC), Veterans Administration (VA), and the Small Business Administration (SBA).

CVNB is accessible to all segments of its communities and offers traditional banking products and services in a main office, 13 branches and 26 automated teller machines (ATMs) within six counties in Kentucky (Fayette, Knox, Laurel, Madison, Pulaski, and Whitley). All branches are full service with drive-thru facilities and ATMs. All of CVNB's ATMs accept deposits. The Bank's main office is located in downtown London, Kentucky. The 13 Kentucky branches are comprised of four in London, two in Corbin, two in Richmond, one in Berea, one in East Bernstadt, one in Williamsburg, one in Somerset, and one in Lexington. By geography, one branch is located in a low-income CT; two in moderate-income CTs; nine in middle-income,

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<sup>2</sup> The term Metropolitan Area includes Consolidated Statistical Areas, Metropolitan Statistical Areas, Metropolitan Divisions, and Micropolitan Areas. The Office of Management and Budget revises the boundaries of those areas and the number, delineation, and income levels of CTs within those areas as appropriate based on each decennial census.

<sup>3</sup> The Bank was originally chartered in East Bernstadt, Kentucky.

non-metropolitan distressed CTs,<sup>4</sup> and two in upper-income CTs. CVNB relocated a branch within Berea, but has not opened or closed any branches since the last CRA evaluation.

CVNB’s primary lending focus was residential real estate loans and business purpose loans. The Bank originated approximately 366 small business loans, totaling \$121 million, in business loans during the evaluation period.

As of September 30, 2015, net loans represented approximately 60 percent of CVNB’s assets. The following table reflects the composition of CVNB’s loan portfolio based on September 30, 2015 call report data.

<b>Loan Type</b>	<b>Percentage %</b>
Residential Mortgage Loans	33
Commercial & Industrial Loans, Including Commercial Real Estate	53
Loans to Individuals	5
Municipal Loans	4
Agricultural and Agricultural Real Estate Loans	4
Other Loans	1
<b>TOTAL</b>	<b>100</b>

*Source(s): September 30, 2015 call report*

The above table does not include the volume of mortgages originated and sold on the secondary market during the evaluation period, which totaled approximately \$32 million.

Based on community contacts familiar with the credit needs of the AAs, CVNB provided satisfactory access to credit.

There were no legal or financial circumstances that affected the Bank’s ability to meet community credit needs. CVNB was rated “Satisfactory” at its last CRA evaluation, dated July 9, 2012.

## **Description of the Assessment Area**

CVNB has delineated three AAs for CRA purposes. The first AA consists of four counties (Knox, Laurel, Pulaski, and Whitley) in Kentucky; the second AA consists of Madison County, Kentucky; and the third AA consists of Fayette County, Kentucky, which is part of the Lexington-Fayette MSA. The AA delineation is in conformance with the regulatory requirements and is appropriate in relation to the location of CVNB’s offices. The delineation of the AA does not arbitrarily exclude LMI areas.

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<sup>4</sup> A distressed CT is one that has been identified by the federal government as having difficulty meeting essential community needs.

*Knox, Laurel, Pulaski, and Whitley Counties Assessment Area*

The AA consists of Knox, Laurel, Pulaski, and Whitley counties. The AA is located in rural counties in South Central Kentucky. The U.S. 2010 Census divided the AA into 43 CTs, including one low-income, 10 moderate-income, 28 middle-income, and four upper-income CTs. The determination was based on the Kentucky 2010 Median Family Income for a non-metropolitan area of \$43,036.

The AA had a total population of approximately 189,432 in 2010. The population was comprised of 73,261 households, including 21,685 (29.60 percent) low-income and 11,616 (15.86 percent) moderate-income households. Of the total households, 18,533 (25.30 percent) were identified as below poverty level.

According to the U.S. Bureau of Labor Statistics, in November 2015, all four counties had unemployment rates higher than the Kentucky statewide rate of 4.90 percent and the national average of 5.0 percent. As of November 2015, Knox County had an unemployment rate of 8.40 percent, Laurel County reported 6.40 percent, Pulaski County reported 6.10 percent, and Whitley County reported 7.20 percent.

According to the Kentucky Cabinet for Economic Development major industrial firms in the AA by county were:

Knox County

- Corporation Service Company with 370 employees and Jackson WWS, Inc. with 168 employees.

Laurel County

- General Dynamics Information Technology with 2,292 employees; SERCO, Inc. with 865 employees; and a Wal-Mart Distribution Center with 825 employees.

Pulaski County

- Toyotetsu America, Inc. with 778 employees; Blackboard Student Services with 500 employees; and Armstrong Wood Products, Inc. with 402 employees

Whitley County

- Firestone Industrial Products Company, LLC with 400 employees and Williamsburg Plastics with 275 employees

Competition from other financial institutions was strong. According to the Federal Deposit Insurance Corporation's (FDIC) Summary of Deposits as of June 30, 2015, 20 financial institutions with 82 branches operated within the AA. CVNB operated 10 branches with a total market share of 11.86 percent, the second largest in the AA.

Demographic Information for the Laurel, Knox, Pulaski, and Whitley County Assessment Area					
Demographic Characteristics	#	Low (% of #)	Moderate (% of #)	Middle (% of #)	Upper (% of #)
Geographies (CTs/BNAs)*	43	2.33	23.26	65.12	9.30
Population by Geography	189,432	0.95	24.39	65.62	9.04
Families Distribution by Income Levels	51,018	26.58	17.55	18.95	36.92
Owner-Occupied Housing by Geography	52,752	1.36	23.72	64.92	10.00
Businesses by Geography	10,946	0.38	16.32	73.80	9.50
Farms by Geography	509	0.00	12.77	77.41	9.82
Household Distribution by Income Level	73,261	29.60	15.86	15.84	38.71
Median Family Income 2015	\$46,900	Median Housing Value		\$86,597	
2014	\$45,900	Unemployment Rate (2010 U.S .Census)		4.88%	
2013	\$44,700				
Households Below the Poverty Level	25.30%				

Source(s): U.S. 2010 Census, 2013-2015 FFIEC estimated Median Family Income, and the U.S. Bureau of Labor Statistics

*Madison County Assessment Area*

The Madison County AA consists of the entirety of Madison County, which is a rural county located in the non-metropolitan portion of South Central Kentucky. The U.S. 2010 Census divided the AA into 19 CTs- one low-income, one moderate-income, seven middle-income, and 10 upper-income tracts. The determination was based on the Kentucky 2010 Median Family Income for a non-metropolitan area of \$43,036.

Madison County had a total population of 82,916 according to the U.S. 2010 Census. The population was comprised of 30,756 households with 6,084 (19.78 percent) low-income and 4,086 (13.29 percent) moderate-income. In addition, 5,424 households (17.64 percent) were identified as below poverty level.

According to the U.S. Bureau of Labor Statistics, as of November 2015, the unemployment rate for Madison County was 4.30 percent. This rate was below the statewide rate of 4.90 percent and the national average of 5.0 percent.

The Kentucky Cabinet for Economic Development listed the county’s largest employers as EnerSys with 480 employees, Sherwin-Williams Company with 300 employees, and The Okonite Company with 249 employees.

Competition from other financial institutions was strong. According to the FDIC’s Summary of Deposits as of June 30, 2015, there were 14 financial institutions operating 37 offices in the AA. CVNB operated three branches within the county with a market share of 4.75 percent.

Demographic Information for Madison County Assessment Area					
Demographic Characteristics	#	Low (% of #)	Moderate (% of #)	Middle (% of #)	Upper (% of #)
Geographies (CTs/BNAs)*	19	5.26	5.26	36.84	52.63
Population by Geography	82,916	5.04	2.80	41.47	50.69
Families Distribution by Income Levels	20,053	16.63	14.03	17.68	51.66
Owner-Occupied Housing by Geography	19,063	0.03	3.22	40.58	56.18
Businesses by Geography	4,832	0.50	3.06	47.16	49.28
Farms by Geography	916	0.00	1.27	39.83	58.90
Household Distribution by Income Level	30,756	19.78	13.29	16.0	50.91
Median Family Income		Median Housing Value		\$138,144	
2015	\$46,900				
2014	\$45,900				
2013	\$44,700	Unemployment Rate		4.82%	
Households Below the Poverty Level	17.64%	(2010 U.S. Census)			

Source(s): U.S. 2010 Census, 2013-2015 FFIEC estimated Median Family Income, and the U.S. Bureau of Labor Statistics

### Fayette County Assessment Area

The Fayette County AA consists of Fayette County, which is located in the Lexington-Fayette MSA portion of Central Kentucky. The AA delineation is in conformance with the regulatory requirements and is appropriate in relation to the location of CVNB’s office. The delineation of the AA does not arbitrarily exclude LMI areas. The U.S. 2010 Census divided the AA into 82 CTs. Twelve were low-income CTs, 18 were moderate-income, 24 were middle-income, and 28 were upper-income tracts. The tract income determination was based on the Kentucky 2010 Median Family Income for a metropolitan statistical area of \$47,500.

Fayette County had a total population of 295,803 according to the U.S. 2010 Census. It was comprised of 120,917 households with 31,883 (26.33 percent) considered low income and 18,823 (15.57 percent) considered moderate-income. In addition, 19,556 (16.17 percent) of the total households were identified as below poverty level.

According to the U.S. Bureau of Labor Statistics, as of November 2015, the unemployment rate in Fayette County was 3.7 percent. This rate was below the statewide rate of 4.90 percent and the national average of 5.0 percent.

According to the Kentucky Cabinet for Economic Development, the major employers in Fayette County were Xerox Kentucky with 2,625 employees; Amazon.com with 1,100 employees; and Lexmark International, Inc. with over 3,100 employees.

Competition from other financial institutions was strong. The Bank’s competitors included several local community banks, branches of large regional banks, savings associations, FDIC savings banks, and U.S. branches of foreign banks. According to the FDIC’s Summary of Deposits as of June 30, 2015, 26 banks with 114 offices operated in the county. These branches held a combined total of \$6.7 billion in deposits as of June 30, 2015, with CVNB having less than 0.05 percent market share. CVNB operated one branch in Fayette County.

Demographic Information for Fayette County					
Demographic Characteristics	#	Low (% of #)	Moderate (% of #)	Middle (% of #)	Upper (% of #)
Geographies (CTs/BNAs)*	82	14.63	21.95	29.27	34.15
Population by Geography	295,803	13.77	22.70	29.65	33.88
Families Distribution by Income Levels	69,746	22.57	15.16	18.94	43.33
Owner-Occupied Housing by Geography	68,771	6.55	17.86	33.59	42.00
Businesses by Geography	24,751	10.24	21.54	32.47	35.76
Farms by Geography	916	5.90	13.21	37.34	43.56
Household Distribution by Income Level	120,917	26.33	15.57	16.68	41.42
Median Family Income 2015 2014 2013	\$68,200 \$67,800 \$63,800	Median Housing Value		\$175,061	
Households Below the Poverty Level	16.17%	Unemployment Rate (2010 U.S. Census)		4.30%	

Source(s): U.S. 2010 Census, 2013-2015 FFIEC estimated Median Family Income, and the U.S. Bureau of Labor Statistics

## Conclusions with Respect to Performance Tests

CVNB’s performance under the Lending Test was satisfactory. CVNB’s LTD ratio was reasonable, and a substantial majority of loan originations was inside the Bank’s AA. CVNB’s borrower distribution reflected reasonable penetration among borrowers of different income-levels and businesses of different sizes. The geographic distribution of CVNB’s residential and business loans reflected reasonable dispersion among geographies.

### Loan-to-Deposit Ratio

CVNB’s LTD ratio was reasonable given the Bank’s size, condition, and the credit needs of its AAs. The Bank’s LTD ratio averaged 74.5 percent over the last 13 quarters, with a quarterly high of 78.0 percent and quarterly low of 72.2 percent. All of the comparable banks in the area averaged LTD ratios between 88.31 and 63.43 percent during the same 13 quarters.



Institution	Average LTD Ratio
United Cumberland Bank	88.31%
First and Farmers National Bank, Inc.	67.35%
First National Bank and Trust	65.27%
The Citizens National Bank of Somerset	63.43%

Our conclusions took into consideration the competitive atmosphere of the AA and the volume of secondary market activity from CVNB. The Bank originated a large volume of loans for sale on the secondary market, which was not captured in the LTD ratio.

**Lending in the Assessment Area**

CVNB originated a substantial majority of its loans inside its AA. CVNB originated 88.84 percent of residential loans, by number, in the AA. CVNB also originated 86.61 percent of business loans in our sample, by number, in the AA. The following table details CVNB’s lending within the AA by number and dollar amount of loans originated during the evaluation period.

Lending in the Assessment Area										
	Inside Assessment Area				Outside Assessment Area				Total	
	#	%	\$ (000's)	%	#	%	\$ (000's)	%	#	\$ (000's)
Home Purchase	201	89.73	25,886	87.03	23	10.27	3,858	12.97	224	29,744
Refinancing	325	86.90	50,550	87.90	49	13.10	6,958	12.10	374	57,508
Home Improvement	95	94.06	2,163	93.15	6	5.94	159	6.85	101	2,322
<b>Total Home</b>	621	88.84	78,599	87.75	78	11.16	10,975	12.25	699	89,574
<b>Business Purpose Loans</b>	317	86.61	90,694	75.15	49	13.39%	29,984	24.85	366	120,677

*Source(s): All HMDA reportable residential loans originated between January 1, 2013 and June 30, 2015. A sample of business loans originated in 2013, 2014, and 2015.*

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

The distribution of loans, given CVNB’s performance context, reflected reasonable penetration among LMI individuals and business entities with annual revenue of less than \$1 million. Less weight and consideration was given to the Fayette County AA due to limited Bank presence in the AA.

Residential Real Estate Loans

The distribution of loans, given the peer mortgage data, reflected reasonable penetration among individuals of different income levels, including LMI families. The OCC analyzed the Bank’s HMDA LAR data between January 1, 2013 and September 30, 2015. We compared this data to peer mortgage data, which consisted of all HMDA reportable loans extended within the Bank’s AA.

*Fayette County Assessment Area*

CVNB had reasonable penetration among borrowers of different income levels in the AA. The Bank originated 3.64 percent of residential loans to low-income families and 12.73 percent to moderate-income families. This penetration was less than the families by income ratios due to multiple factors. The Bank has only one branch within the AA and CTs surrounding the branch are primarily middle and upper income tracts. Based on the U.S. 2010 Census data, only 51.76 percent of housing units were owner occupied in Fayette County. Additionally, 16.17 percent of the total households were identified as below poverty level making it difficult for these borrowers to qualify for home loans.

<b>Borrower Distribution of Residential Real Estate Loans in Fayette County</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Loans	22.57%	3.64%	15.16%	12.73%	18.94%	10.91%	43.33%	72.73%

*Source: Data reported under HMDA; U.S. 2010 Census data*

*Knox, Laurel, Pulaski, and Whitley Counties Assessment Area*

CVNB had reasonable penetration among borrowers of different income levels in the AA. The Bank originated 8.62 percent of residential loans to low-income families and 12.15 percent to moderate-income families. This penetration was less than the household by income ratio for low-income families. In Knox, Laurel, Pulaski, and Whitley Counties, 25.30 percent of households were below the poverty level. That is approximately the same percentage of low-income families in the AA. Living on a low income makes it difficult to qualify for a home loan.

<b>Borrower Distribution of Residential Real Estate Loans in Knox, Laurel, Pulaski, and Whitley Counties Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Loan	26.58%	8.62%	17.55%	16.81%	18.95%	25.86%	36.92%	48.71%

*Source: Data reported under HMDA; U.S. 2010 Census data*

*Madison County Assessment Area*

CVNB had reasonable penetration among borrowers of different income levels in the AA. CVNB originated 4.42 percent of residential loans to low-income families and 12.15 percent to moderate-income families. Although the level of lending to low-income families was less than percentage of low-income families in the AA, it was reasonable as 17.64 percent of households lived below the poverty level. Households below the poverty level comprised the majority of low-income families. Low incomes reduce the likelihood individuals can qualify for a home loan.

<b>Borrower Distribution of Residential Real Estate Loans in Madison County Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Loans	16.63%	4.42%	14.03%	12.15%	17.68%	25.41%	51.66%	58.01%

Source: Data reported under HMDA; 2010 U.S. Census data

**Business Loans**

The OCC reviewed a sample of business loans originated between January 1, 2013 and December 14, 2015. The distribution of loans, given the Business Geodemographic data, reflects reasonable penetration among businesses with annual revenue less than \$1 million in the AA.

*Fayette County Assessment Area*

CVNB displayed reasonable penetration among businesses with annual revenue less than \$1 million in the AA. The Bank originated 66.67 percent of its business loans to entities with annual revenues of less than \$1 million. This was comparable to the 76.57 percent of businesses with revenues less than \$1 million inside Fayette County.

<b>Borrower Distribution of Loans to Businesses in Fayette County</b>				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	76.57%	5.13%	18.29%	100%
% of Bank Loans in AA by #	66.67%	33.33%	0.00%	100%
% of Bank Loans in AA by \$	39.03%	60.97%	0.00%	100%

Source: Loan sample; Dunn and Bradstreet data

*Knox, Laurel, Pulaski, and Whitley Counties Assessment Area*

CVNB displayed reasonable penetration among businesses with annual revenue less than \$1 million in the AA. The Bank originated 71.43 percent of its business loans to entities with annual revenues of less than \$1 million. This was comparable to the 78.28 percent of businesses with revenues less than \$1 million inside Knox, Laurel, Pulaski, and Whitley.

<b>Borrower Distribution of Loans to Businesses in the Knox, Laurel, Pulaski, and Whitley Counties Assessment Area</b>				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	78.28%	4.47%	17.25%	100%
% of Bank Loans in AA by #	71.43%	28.57%	0.00%	100%
% of Bank Loans in AA by \$	54.59%	45.41%	0.00%	100%

Source: Loan sample; Dunn and Bradstreet data

*Madison County Assessment Area*

Considering the competition and the Bank’s limited presence in the AA, the Bank demonstrated reasonable penetration among businesses with annual revenues of less than \$1 million. The Bank originated 45.45 percent of its business loans to businesses with revenues less than \$1 million in the AA compared to 80.60 percent of business in the AA. However, there was significant competition in the AA with 13 other financial institutions operating 34 offices. CVNB operated three branches within the county with a market share of only 4.75 percent of deposits.

<b>Borrower Distribution of Loans to Businesses in Madison County</b>				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	80.60%	3.06%	16.34%	100%
% of Bank Loans in AA by #	45.45%	54.55%	0.00%	100%
% of Bank Loans in AA by \$	18.75%	81.25%	0.00%	100%

Source: Loan sample; Dunn and Bradstreet data

**Geographic Distribution of Loans**

The Bank’s lending to geographies of different income levels for residential real estate and business loans in the AAs reflected reasonable dispersion.

Residential Real Estate Loans

*Fayette County Assessment Area*

The geographic distribution of loans reflected reasonable dispersion into the LMI CTs. The absence of lending in low-income CTs was due to the location of the Bank’s branch in the AA and strong competition with 25 other financial institutions in the AA. The Bank originated 16.36 percent of residential loans in moderate-income CTs, which was comparable to the percentage of owner-occupied housing in moderate-income tracts in the AA.

<b>Geographic Distribution of Residential Real Estate Loans in Fayette County Assessment Area</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Loans	6.55	0.00	17.86	16.36	33.59	32.73%	42.00	50.91%

Source: Data reported under HMDA; U.S. 2010 Census data

*Knox, Laurel, Pulaski, and Whitley Counties Assessment Areas*

The geographic distribution of loans reflected reasonable dispersion into the LMI CTs. The Bank did not originate any residential real estate loans to borrowers living in low-income CTs. However, the low level of lending in low-income CTs was reasonable since the AA contained

only one low income CT out of 43 CTs. The Bank originated 14.01 percent of residential loans in moderate-income CTs, which was below the 23.26 percent of owner-occupied housing in moderate-income tracts. The low level of moderate tract lending was mitigated by the high level of renter-occupied units and vacant units in moderate CTs, which represented 27.17 percent and 30.38 percent of the AA.

Geographic Distribution of Residential Real Estate Loans in Knox, Laurel, Pulaski, and Whitley Counties Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Loans	1.36	0.00%	23.72	14.01%	64.92	71.12%	10.00	14.87%

Source: Data reported under HMDA; U.S. 2010 Census data

### Madison County Assessment Area

The geographic distribution of loans reflected reasonable dispersion into moderate-income CTs. The Bank did not originate any residential real estate loans to borrowers living in low-income CTs. However, there were very few owner-occupied units in the one low-income tract in Madison County. The Bank originated 2.76 percent of residential loans in moderate-income CTs, which was comparable to the percentage of owner-occupied housing in moderate-income tracts in the AA.

Geographic Distribution of Residential Real Estate Loans in Madison County Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Loans	0.03	0.00	3.22	2.76%	49.83	40.58	60.84	56.18

Source: Data reported under HMDA; U.S. 2010 Census data

### Business Loans

CVNB’s distribution of business loans in the AA reflected reasonable dispersion.

### Fayette County Assessment Area

The Bank originated 9.09 percent of business loans in low-income CTs, which was reasonable considering the number of businesses in low income CTs at 10.08 percent. The Bank originated 27.27 percent of business loans in moderate-income tracts, which was over the percentage of businesses located in moderate-income tract at 21.24 percent.

Geographic Distribution of Loans to Businesses in Fayette County Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loan	10.08%	9.09%	21.24%	27.27%	32.64%	36.36%	36.03%	27.27%

Source: Loan sample; Dunn and Bradstreet data

*Knox, Laurel, Pulaski, and Whitley Counties Assessment Area*

Based on our sample, the Bank did not originate any loans in low-income tracts. However, there was limited opportunity with only 0.37 percent of businesses located in low-income tracts. The Bank originated 21.43 percent of business loans in moderate-income tracts, which exceeded the 16.16 percent of businesses located in moderate-income tracts.

Geographic Distribution of Loans to Businesses in Knox, Laurel, Pulaski, and Whitley Counties Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loan	0.37%	0.00%	16.16%	21.43%	73.96%	67.86%	9.52%	10.71%

Source: Loan sample; Dunn and Bradstreet data

*Madison County Assessment Area*

Based on our sample, the Bank did not originate any loans in LMI tracts. However, there were a minimal number of businesses located in those tracts with only 3.45 percent of businesses in the AA located in LMI tracts. This fact, in addition to the high level of competition in the area, explained the lack of loans in these tracts.

Geographic Distribution of Loans to Businesses in Madison County Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loan	0.47%	0.00%	2.98%	0.00%	46.82%	63.64%	49.72%	36.36%

Source: Loan sample; Dunn and Bradstreet data

**Responses to Complaints**

CVNB did not receive any written complaints regarding its CRA performance during the evaluation period.

## COMMUNITY DEVELOPMENT TEST

The Bank's performance under the CD Test was Outstanding.

During the evaluation period, CVNB's CD activities, as a whole, demonstrated excellent responsiveness to the needs and opportunities in the AAs. Several Bank CD loans promoted economic development for LMI individuals. CVNB made multiple donations to organizations whose goal was to provide needed housing and other services to LMI individuals and families. Further, CVNB employees provided numerous community services to organizations offering services to LMI individuals.

### Number and Amount of Community Development Loans

CVNB's CD lending reflected excellent responsiveness to CD needs within its AA. CVNB originated 40 CD loans, totaling approximately \$23 million, during the evaluation period. These loans were distributed among various projects including affordable housing project financing, community service, and revitalization and stabilization efforts towards LMI communities. The loans provided needed funds to build affordable housing, provide childcare, and health care services to LMI individuals and families. CVNB also originated several loans to small businesses that created jobs and revitalized moderate-income and distressed/underserved CTs.

#### Performance in the Fayette County Assessment Area

Considering its performance context and the needs and opportunities within the AA, CVNB's CD lending reflected adequate responsiveness within the Fayette County AA. CVNB originated a line-of-credit for \$1.2 million in 2012 and has renewed it annually. The loan serves as a line of credit for short-term funding to LMI individuals to purchase homes.

#### Performance in the Knox, Laurel, Pulaski, and Whitley Counties Assessment Area

Considering its performance context and the needs and opportunities within the AA, CVNB's CD lending reflected excellent responsiveness within the AA. CVNB originated 34 loans, totaling \$19 million, in the Knox, Laurel, Pulaski, and Whitley counties. The majority of the loans were to promote economic development and to revitalize or stabilize distressed or underserved nonmetropolitan middle-income CTs. CVNB originated approximately \$2 million in two loans to purchase and improve a vacant building to be used for a call center that employed up to 600 permanent employees in a distressed or underserved middle-income tract. A \$5.5 million loan to the Laurel County Library for renovation/expansion in a county consisting of 11 distressed or underserved middle-income tracts and two upper-income tracts. A \$4 million loan was used to construct a restaurant in London that provided 200 jobs in a distressed or underserved middle-income tract. Several smaller loans were also originated to construct or improve buildings to be used to provide community services to LMI individuals.

#### Performance in the Madison County Assessment Area

Considering its performance context and the needs and opportunities within the AA, CVNB's CD

lending reflected excellent responsiveness with three CD loans, totaling \$1,227,000, originated in the Madison County AA. Two of the CD loans were facilitated through the Federal Home Loan Banks' Welcome Home Program that offered down payment and closing cost assistance to LMI individuals. The other loan was to construct medical clinic whose stated purpose is to provide health services to low-income patients. These loans exhibited adequate responsiveness in the AA, as they addressed affordable housing and community service needs in the area.

In addition to qualified CD loans made within the Bank's AAs, CVNB originated two CD loans, totaling \$1,474,000, in the broader statewide areas that includes the Bank's AAs. The loans are to a medical clinic providing services to low-income patients and to a consortium of Kentucky banks that provide loans on affordable housing projects throughout Kentucky.

### **Number and Amount of Qualified Investments**

CVNB's CD investments reflected excellent responsiveness to CD needs within its AA. During the evaluation period, CVNB purchased one CD investment, totaling approximately \$487,000, in the AA. CVNB also provided \$159,000 in the form of 197 separate donations to local community organizations whose missions were to assist LMI individuals. These organizations provided affordable housing, educational opportunities, health care services, and food to LMI families. Donations were also made to organizations promoting economic development by providing job creation or retention and improvement for individuals who are currently LMI.

CVNB also purchased 11 investments, totaling approximately \$3.60 million, in school revenue bonds located in the broader statewide area to construct or renovate schools in LMI areas or that educated students from majority LMI households.

CVNB purchased 10 investments, totaling approximately \$19 million, during the evaluation period for the broader region that includes the Bank's AAs. These investments consisted of small business investment company (SBIC)<sup>5</sup> financing. These investments further demonstrated a commitment to provide needed CD assistance throughout the state and region, and were considered in the overall CD investment performance.

### **Extent to Which the Bank Provides Community Development Services**

CVNB's CD services reflected excellent responsiveness to meeting community needs within its AA. The Bank's size in relation to the size of the AA and the needs within the community were considered in evaluating CVNB's CD services.

CVNB offered on-line banking to provide customers with additional access to their consumer and business accounts. Through online banking, customers can check account balances, view statements, transfer funds between accounts, make loan payments, and initiate stop payments. CVNB also offers free online bill pay to all customers.

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<sup>5</sup> A The SBIC Program is one of many financial assistance programs available through the U.S. Small Business Administration (SBA). Only companies defined by SBA as "small" are eligible for SBIC financing. Generally, the SBIC Program defines a company as "small" when its net worth is \$18 million or less and its average after tax net income for the prior two years does not exceed \$6 million.



To meet the housing needs of LMI individuals within the AA, CVNB offered a full array of secondary market loans. During the evaluation period, CVNB sold approximately \$32 million in loans on the secondary market. CVNB also participates through various programs such as the Kentucky Housing Corporation's Mortgage Credit Certificate Program and the Federal Home Loan Bank's "Welcome Home" grant to assist LMI individuals in obtaining home loans.

CVNB officers and employees volunteered in a variety of CD services in the AA. One officer served as the treasurer for the Pulaski County Habitat for Humanity and another employee provided financial expertise to the same organization. A Bank employee helped the Metro United Way perform financial analysis of non-profit organizations targeting low- and middle-income individuals and families.

### **Responsiveness to Community Development Needs**

CVNB's CD activities, as a whole, demonstrated excellent responsiveness to the needs and opportunities in the AAs. Several Bank CD loans and investments promoted economic development and provided community services to LMI individuals. Investments were also purchased to assist the SBA to promote the economic development of "small" businesses. Donations were also made to local organizations that provided CD services. The Bank seeks CD opportunities through their participation in civic, non-profit, and charitable organizations throughout the AAs. Further, the Bank's employees provided numerous community services during the review period to a range of organizations that addressed CD needs including affordable housing, small business development, and social services to LMI individuals.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c), the OCC must consider in its CRA ratings evidence of discriminatory or other illegal credit practices in any geography by CVNB or in any AA by an affiliate whose loans have been considered as part of CVNB's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.