



SMALL BANK

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

PUBLIC DISCLOSURE

October 18, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**PRP National Bank
Charter Number 23641**

**8492 Dixie Highway
Pleasure Ridge Park, KY 40258**

**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 PRP National Bank of Pleasure Ridge Park, Kentucky prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of October 18, 2004. The agency rates the 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:

- A 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.
- Geographic distribution of loans reflects reasonable penetration, given the community's credit needs and demographics, in relation to the bank's location and capacity to lend.
- The average loan-to-deposit ratio is reasonable, considering the bank's size, financial condition, and assessment area credit needs.

DESCRIPTION OF INSTITUTION

PRP National Bank (PRP) is a full-service intrastate commercial bank 100% owned by local investors in central Kentucky through its one-bank holding company, PRP Bancorp, Inc. It opened in September of 1998. The main office is situated on Dixie Highway in the Pleasure Ridge Park neighborhood of the metropolitan city of Louisville, Kentucky. The bank has a full service branch on West Manslick Road in the Fairdale neighborhood that opened in 2000, and a full service branch on Greenwood Road that opened in June of 2004. As of September 30, 2004, the bank had \$56 million in total assets, \$50 million in deposits, \$30 million in loans, and \$5 million in Tier One Capital. The bank offers traditional banking products and services.

The bank's primary lending focus is home mortgage loans, consumer loans, and small business loans to borrowers in southwest Jefferson County, Kentucky. As of September 30, 2004, net loans represented approximately 53% of the bank's average assets. The loan portfolio mix is as follows: 1-4 family residential loans 42%, business-purpose loans 36%, multifamily dwelling loans 11%, and consumer loans 11%.

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 January 24, 2000. The bank received a rating of satisfactory. Consideration was given to the bank's record of performance from the previous evaluation period of January 24, 2000 through October 18, 2004, with loans sampled from originations between January 1, 2002 and December 31, 2003.

DESCRIPTION OF ASSESSMENT AREA

PRP has identified part of Jefferson County, Kentucky as its assessment area (AA) for CRA purposes. The assessment area delineation is in conformance with the regulatory requirements of CRA and appears appropriate in relation to the location of the bank's offices. The delineation of the assessment area does not arbitrarily exclude any low- or moderate-income areas. The AA is part of the Louisville Metropolitan Statistical Area (MSA). It includes the neighborhoods known as Pleasure Ridge Park, Valley Station, Shively, and Fairdale.

This evaluation refers to demographic information from both the 1990 U.S. Census and the 2000 U.S. Census. Our analysis of PRP's borrower distribution of loans compares loans originated in both 2002 and 2003 to demographic information from the 2000 U.S. Census. The four income level designations are based on the Department of Housing and Urban Development (HUD) estimate of the Louisville MSA's 2003 Median Family Income of \$56,200. Our analysis of PRP's geographic distribution of loans compares loans originated in 2002 to demographic information from the 1990 U.S. Census, and loans originated in 2003 to demographic information from the 2000 U.S. Census.

The 1990 U.S. Census divides the assessment area into thirty-five census tracts (CT's), designating two low-income, four moderate-income, twenty-seven middle-income, and two upper-income. This designation is based on the 1990 Census Median Family Income for the Louisville MSA of \$32,975.

The 2000 U.S. Census divides the assessment area into thirty-five census tracts (CT's), designating two low-income, twelve moderate-income, twenty middle-income, and one upper-income. This designation is based on the 2000 Census Median Family Income for the Louisville MSA of \$49,774.

Southwest Jefferson County is a predominantly suburban area. According to the 2000 U.S. Census, the population of the assessment area is 151,514. Of the assessment area's 60,151 households, 12% are below the poverty level and 30% receive social security benefits. There are many older subdivisions with homes in the low-to-moderate price range. However, a number of new residential developments are underway, with many homes priced for middle- and upper-income families.

Southwest Jefferson County's employment base is a diverse mix of manufacturing, retail, service, and construction jobs. Major employers in the Louisville MSA include General Electric, Ford Motor, UPS, and Jefferson County Public Schools. The unemployment rate for the Louisville MSA labor market is stable. According to the U.S. Department of Labor, the unemployment rate is 4.4% as of October 2004. It is slightly lower than state (4.7%) and national (5.5%) unemployment rates.

The local market has a high number of banks in competition. According to the FDIC's website, 23 banks and savings institutions compete for Jefferson County's \$14 billion in deposits. They operate from 274 offices inside Jefferson County. The market includes six large regional banks (over \$4 billion in assets), three large area banks (\$0.5 - \$4.0 billion in assets), and 14 small community institutions. The top eight banks control 92% of the market. PRP has less than 0.4% market share.

A community contact familiar with the area's credit needs indicated all local banks are active in the community and are willing to provide financing for potential projects. Southwest Jefferson County has received upgraded utility service over the last several years, resulting in a number of new subdivisions being built. In addition, more small businesses are opening in the area, to serve the local community. These developments provide additional opportunities for the banks to lend. The contact did not identify any credit needs that were not being addressed by the banks or through other sources.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Lending in Assessment Area

A majority of loans and other lending-related activities are in PRP's assessment area. The analysis shows borrowers inside the assessment area received 60% of the number and 75% of the dollar amount of sampled loan originations. To reach this conclusion, the OCC analyzed the bank's lending activity by selecting a random sample of twenty loans originated between January 1, 2002 and December 31, 2003.

Lending Inside and Outside of Assessment Area				
	Number of Loans	Percentage of loans	Dollar Amt of Loans \$(000's)	Percentage of Loans
Inside the Assessment Area	12	60.00%	\$ 994	75.25%
Outside the Assessment Area	8	40.00%	\$ 327	24.75%
Totals	20	100.00%	\$1,321	100.00%

* Source of data is randomly selected sample of loans originated between January 1, 2002 and December 31, 2003.

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

The distribution of loans, given the demographics of the assessment area, reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. To reach this conclusion, the OCC analyzed the bank's lending activity by selecting a random sample of forty loans from the bank's two primary loan types. Primary loan types were determined by reviewing the number and dollar amount of loans outstanding. The primary loan types identified for this analysis were 1-4 family residential mortgage loans and business loans. See the tables below for details.

"Table INC-1 Home Mortgage Loans" shows the percentage of PRP's home mortgage loans to low- and moderate-income borrowers is comparable to the percentage of families in the assessment area with low- and moderate-income. Low-income borrowers received 15% of the number of home mortgage loans and moderate-income borrowers received 25% of the number of home mortgage loans. According to the 2000 U.S. Census, 24% of all families in PRP's assessment area are low-income and 22% are moderate-income. PRP's home mortgage lending is reasonable considering the identified home mortgage credit needs in the community.

Table INC-1 Home Mortgage Loans

Borrower Distribution of 1-4 Family Mortgage loans					
Borrower Income Level	# of Loans	%	\$ (000's)	%	% of Families by Income Level
Low	6	15.00%	\$ 281	10.88%	24.33%
Moderate	10	25.00%	\$ 449	17.38%	21.83%
Middle	11	27.50%	\$ 749	29.00%	25.39%
Upper	13	32.50%	\$1,104	42.74%	28.45%
Total	40	100.00%	\$2,583	100.00%	100.00%

* Source of bank data is randomly selected sample of 1-4 family residential mortgage loans originated between January 1, 2002 and December 31, 2003. Source of demographic comparator data is 2000 U.S. Census.

“Table INC-2 Business Loans” shows the percentage of PRP’s business loans made to firms with \$1 million or less annual revenue exceeds the percentage of businesses in the assessment area reporting \$1 million or less annual revenue. PRP’s business lending is more than reasonable considering the identified business credit needs in the community.

Table INC-2 Business Loans

Borrower Distribution of Loans to Businesses					
Business Revenue (Sales) Level	# of Loans	%	\$ (000's)	%	% of Businesses by Income Level
≤\$1 Million	35	87.50%	\$ 5,365	88.21%	61.87%
>\$1 Million	5	12.50%	\$ 717	11.79%	6.08%
Unreported	0	0%	\$ 0	0%	32.05%
Total	40	100.00%	\$ 6,082	100.00%	100.00%

* Source of bank data is randomly selected sample of business loans originated between January 1, 2002 and December 31, 2003. Source of demographic comparator data is Dunn and Bradstreet data and 2000 U.S. Census.

Geographic Distribution of Loans

The overall geographic distribution of loans reflects reasonable dispersion throughout the assessment area. To reach this conclusion, the OCC analyzed the bank's lending activity by selecting a random sample of twenty loans from each of the bank's two primary loan types for both 2002 and 2003. Primary loan types were determined by reviewing the number and dollar amount of loans outstanding. The primary loan types identified for this analysis were 1-4 family residential mortgage loans and business loans. The analysis indicates PRP's lending activity extends to most census tracts, but there are gaps in lending to the two low-income census tracts. This neighborhood comprises less than 3% of the assessment area's owner-occupied housing and businesses, a statistically small percentage. It is farther from the bank than most of the other neighborhoods in the assessment area, and is adequately served by a number of closer institutions. Several of these banks are much larger in size, with greater presence in the market. They have more branches, higher advertising budgets, and competitively, can offer more favorable home loan rates and terms. For these reasons, PRP's lack of penetration is mitigated.

Analysis of Geographic Distribution of Loans Originated in 2002:

"Table GEO-1 Home Mortgage Loans Made in 2002" shows PRP has reasonable penetration in making mortgage loans in the low- and moderate-income census tracts. The table below shows borrowers in the moderate-income census tracts received 5% of the number of home mortgage loans. Borrowers in the low-income census tracts received none of the home mortgage loans in the sample. This finding is consistent with the area's demographics and the bank's performance context. According to the 1990 U.S. Census, 10% of the assessment area's owner-occupied housing is located in the four moderate-income census tracts and 2% is in the two low-income census tracts.

Table GEO-1 Home Mortgage Loans Made in 2002

Geographic Distribution of 1-4 Family Mortgage Loans					
Census Tract Income Level	# of Loans	%	\$ (000's)	%	% of AA Owner-occupied Housing
Low	0	0.00%	\$ 0	0.00%	1.80%
Moderate	1	5.00%	\$ 62	6.29%	10.25%
Middle	19	95.00%	\$ 923	93.71%	80.95%
Upper	0	0.00%	\$ 0	0.00%	7.00%
Total	20	100.00%	\$ 985	100.00%	100.00%

* Source of bank data is randomly selected sample of 1-4 family residential mortgage loans originated between January 1, 2002 and December 31, 2002. Source of demographic comparator data is 1990 U.S. Census.

“Table GEO-2 Business Loans Made in 2002” shows PRP has reasonable penetration in making business loans in the low- and moderate-income census tracts. The table below shows businesses located in the moderate-income census tracts received 25% of the number of business loans. Firms located in the low-income census tracts received none of the business loans in the sample. This finding is consistent with the area’s demographics and the bank’s performance context. According to the 1990 U.S. Census, 10% of the assessment area’s businesses are located in the four moderate-income census tracts and 3% are located in the two low-income census tracts.

Table GEO-2 Business Loans Made in 2002

Geographic Distribution of Loans to Businesses in Assessment Area					
Census Tract Income Level	# of Loans	%	\$ (000's)	%	% of AA Businesses
Low	0	0.00%	\$ 0	0.00%	2.73%
Moderate	5	25.00%	\$ 409	16.15%	9.56%
Middle	13	65.00%	\$ 2,015	79.55%	79.70%
Upper	2	10.00%	\$ 109	4.30%	8.01%
Total	20	100.00%	\$ 2,533	100.00%	100.00%

* Source of bank data is randomly selected sample of business loans originated between January 1, 2002 and December 31, 2002. Source of demographic comparator data is Dunn and Bradstreet data and 1990 U.S. Census.

Analysis of Geographic Distribution of Loans Originated in 2003:

“Table GEO-3 Home Mortgage Loans Made in 2003” shows PRP has reasonable penetration in making mortgage loans in the low- and moderate-income census tracts. The table below shows borrowers located in the moderate-income census tracts received 25% of the number of home mortgage loans. Borrowers in the low-income census tracts received none of the home mortgage loans in the sample. This finding is consistent with the area’s demographics and the bank’s performance context. According to the 2000 U.S. Census, 23% of the assessment area’s owner-occupied housing is located in the twelve moderate-income census tracts and 2% is in the two low-income census tracts.

Table GEO-3 Home Mortgage Loans Made in 2003

Geographic Distribution of 1-4 Family Mortgage Loans					
Census Tract Income Level	# of Loans	%	\$ (000's)	%	% of AA Owner-occupied Housing
Low	0	0.00%	\$ 0	0.00%	1.79%
Moderate	5	25.00%	\$ 330	20.65%	23.28%
Middle	14	70.00%	\$ 1,242	77.72%	71.02%
Upper	1	5.00%	\$ 26	1.63%	3.91%
Total	20	100.00%	\$ 1,598	100.00%	100.00%

* Source of bank data is randomly selected sample of 1-4 family residential mortgage loans originated between January 1, 2003 and December 31, 2003. Source of demographic comparator data is 2000 U.S. Census.

“Table GEO-4 Business Loans Made in 2003” shows PRP has low penetration in making business loans in the low- and moderate-income census tracts. The table below shows businesses located in the moderate-income census tracts received 15% of the number of business loans. Firms located in the low-income census tracts received none of the business loans in the sample. According to the 2000 U.S. Census, 41% of the assessment area’s businesses are located in the twelve moderate-income census tracts and 2% are located in the two low-income census tracts.

Table GEO-4 Business Loans Made in 2003

Geographic Distribution of Loans to Businesses in Assessment Area					
Census Tract Income Level	# of Loans	%	\$ (000's)	%	% of AA Businesses
Low	0	0.00%	\$ 0	0.00%	2.40%
Moderate	3	15.00%	\$ 790	22.26%	40.60%
Middle	14	70.00%	\$ 2,462	69.37%	50.35%
Upper	3	15.00%	\$ 297	8.37%	6.65%
Total	20	100.00%	\$ 3,549	100.00%	100.00%

* Source of bank data is randomly selected sample of business loans originated between January 1, 2003 and December 31, 2003. Source of demographic comparator data is Dunn and Bradstreet data and 2000 U.S. Census.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.

PRP's average net loan-to-deposit ratio for the 19 quarters since the last CRA public evaluation is 62.65%. It has been as low as 54.73% on June 30, 2001 and as high as 69.14% on June 30, 2000. It was 60.23% as of September 30, 2004.

We compared PRP to six similarly situated banks operating in markets comparable to PRP's market. These banks are comparable to PRP in asset size, deposit size, and major lending products. The average loan-to-deposit ratios of these banks for the last 19 quarters range from 64% to 93%, as shown in the chart below. As a group the other banks average 76%. PRP's average loan-to-deposit ratio is similar to three of the banks.

Institution	Average
PRP	62.65%
Bank #1	63.53%
Bank #2	66.45%
Bank #3	66.89%
Bank #4	80.67%
Bank #5	85.27%
Bank #6	93.49%

Responses to Complaints

PRP has not received any complaints about its performance in helping to meet assessment area credit needs during this evaluation period.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.