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Comptroller of the Currency  
Administrator of National Banks

**LARGE BANK**

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Washington, DC 20219

## **Public Disclosure**

**February 23, 1998**

### **Community Reinvestment Act Performance Evaluation**

**Community Trust Bank, NA  
Charter Number 7030**

**208 North Mayo Trail  
P. O. Box 2947  
Pikeville, Kentucky 41501**

**Comptroller of the Currency  
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**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.**

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# 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 **Community Trust Bank, N. A. (CTB)** prepared by **The Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **February 23, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

## INSTITUTION

***INSTITUTION'S CRA RATING:*** This institution is rated **Satisfactory**.

The following are the primary factors supporting CTB's performance under the Lending, Investment, and Service tests.

### **Lending Test**

- Lending is generally proportionate to the demographics of the various assessment areas.
- There are no significant gaps in lending.
- CTB makes mobile home loans to help meet the needs of low and moderate-income borrowers.
- CTB offers government guaranteed housing loans (FHA and VA) through an affiliate.

### **Investment Test**

- CTB has an adequate level of qualified community development investments considering the limited availability for such investments in most of the bank's assessment areas.
- CTB exhibits adequate responsiveness to credit and community economic development needs.

### **Service Test**

- Delivery systems are accessible to geographies and individuals of different income levels in the assessment areas.
- The opening and closing of branches has not adversely affected the accessibility of delivery systems.
- CTB's services do not vary in a way that inconveniences certain portions of the assessment areas.
- CTB provides a relatively high level of community development services.

The following table indicates the performance level of CTB with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	<u>Community Trust Bank, N. A., Pikeville, KY</u>		
	PERFORMANCE TESTS		
	Lending Test <sup>1</sup>	Investment Test	Service Test
Outstanding			
High Satisfactory			X
Low Satisfactory	X	X	
Needs to Improve			
Substantial Noncompliance			

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<sup>1</sup> The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

## DESCRIPTION OF INSTITUTION AND ASSESSMENT AREAS

As of June 30, 1997, Community Trust Bank, N.A., Pikeville, Kentucky, (CTB) was the fifth largest FDIC-insured institution in the State of Kentucky with total deposits of \$1.3 billion and 2.78% of the market share. As of December 31, 1997, CTB reported total assets of \$1.6 billion and its loan portfolio included commercial (\$239 million), agricultural (\$38 million), real estate (\$686 million), and consumer (\$336 million) loans. CTB is a subsidiary of Community Trust Bancorp, Inc., a \$1.8 billion bank holding company headquartered in Pikeville, Kentucky. Community Trust Bancorp, Inc. operates one other financial institution in the State of Kentucky: Community Trust Bank, FSB.

During 1996 CTB operated under the name Pikeville National Bank and Trust Company. The bank had two assessment areas that included four counties: Pike, Floyd and Knott in southeastern Kentucky and Fayette in central Kentucky. Pike, Floyd and Knott counties are adjacent; Fayette is non-adjacent. On January 1, 1997, Pikeville National Bank and Trust Company merged with seven (7) affiliate banks and began operating as Community Trust Bank, N.A. in nine assessment areas (composed of fourteen counties).

**Table 1: Community Trust Bank, N.A.'s Assessment Areas**

ASSESSMENT AREAS	COUNTIES	AREA POPULATION (1990 Census)	# OF BRANCHES	DEPOSITS DISTRIBUTION AS OF 06/30/97		DEPOSIT MARKET SHARE
				(Millions)	(%)	
Ashland	Boyd and part of Greenup	73,808	7	\$170	13%	22%
Lexington	Fayette	225,366	4	\$ 71	6%	2%
Versailles	Woodford	19,955	2	\$ 81	6%	33%
Pikeville	Floyd, Knott, and Pike	134,075	13	\$540	43%	41%
Other non-MSA areas:		193,260	20	\$407	32%	varies from 1.6% in Laurel County to 48% in Fleming County
▶ Flemingsburg	Fleming					
▶ Middlesboro	Bell Co., KY and part of Claiborne Co., TN					
▶ Mt. Sterling	Montgomery					
▶ Whitesburg	Letcher					
▶ Williamsburg	Laurel and Whitley					
<b>TOTAL</b>		646,464	46	\$1,269	100%	

Source: 1990 Census Data - U.S. Bureau of the Census, The Federal Reserve System's National Information Center Internet site, Federal Deposit Insurance Corporation and Office of Thrift Supervision's Summary of Deposits Internet site, and bank provided information. Deposit market share data is provided as a tool for assessing the relative size of CTB. It is not a measure of CTB's CRA performance.

The bank's assessment areas consist of 164 geographies. According to 1990 census information,

5 (3%) of the geographies are low income, 47 (29%) are moderate income, 78 (48%) are middle income, 32 (20%) are upper income, and 2 (1%) lacked sufficient population to be assigned an income level at that time. As of the 1990 census, the assessment areas had total population of approximately 646 thousand. As a whole, the assessment areas contains 16% of total Kentucky's total geographies, 18% of the state's population, and 11% and 20% of low and moderate income geographies, respectively. The assessment areas have approximately 178 thousand families of which approximately 24% are low income, 16% are moderate income, 19% are middle income, and 40% are upper income.

Available information on businesses in the assessment areas reflects a total of 18,381 non-farm businesses, including 12,976 (71%) small non-farm businesses (revenues less than or equal to \$1,000,000). The assessment areas have 513 farms, including 455 (89%) small farms (revenues less than or equal to \$1,000,000).

The bank does not have any legal or financial impediments that restrict its ability to meet community credit needs. However, in most of the counties included in the bank's assessment areas there are challenges to building posed by the natural landscape. This includes the counties of Boyd, Greenup, Floyd, Knott, Pike, Letcher, Laurel, Whitley and Bell in Kentucky and Claiborne in Tennessee. The following comments quoted from a study for the Big Sandy Region (including Floyd and Pike counties, plus three others not included in the bank's assessment areas) provides a description of the mountainous area in which 10 out of 14 counties included in the bank's assessment areas are located:

...the resources of coal, as well as oil and gas remain a defining aspect of the economic, geographical and developmental future of the Big Sandy Region. The resulting benefit of mountain-top removal in the increase of usable flat land is also crucial to future development.

However, there remain significant obstacles to strategic planning and development of the region in the natural environment. First, the natural topography causes development to be costly: the availability of usable land is limited; the cost of creating usable land very expensive; the cost of providing necessary infrastructure to sites often prohibitive. The natural geography and the changes in topography and drainage as a result of mining and drilling also cause problems with flooding particularly in the spring and fall. In addition, the geography has caused the Big Sandy to be separated from other areas of the state and region, discouraging development.

Too, efforts to encourage major energy companies controlling extensive surface land tracts into re-investing in the region by marketing their properties for sale, lease, or other means have been completely fruitless.

CTB's last CRA public evaluation was dated May 31, 1996, and was based on a review of information through year-end 1995. For purposes of this evaluation, we reviewed 1997 lending performance in four assessment areas (Ashland, Lexington, Versailles, and Pikeville) for the geographic distribution of loans and the loan distribution by borrower income. The Lexington

and Pikeville areas are ones in which the bank operated in 1996 and 1997; the Versailles assessment area is in the same MSA as the Lexington assessment area; and the Ashland assessment area is also in an MSA. These four assessment areas account for approximately 68% of the bank's deposits, 56% of its branches, and 70% of the population of the assessment areas after the merger. For purposes of analysis and discussion, we combined the Lexington and Versailles assessment areas since they are in the same Metropolitan Statistical Area. For the remaining five assessment areas, limited information was reviewed for 1996 and 1997. More detailed information is contained on the following pages for the following assessment areas: Ashland, Lexington/Versailles, and Pikeville.

The credit and community development related needs in the bank's assessment areas include the following:

- ▶ housing rehabilitation;
- ▶ affordable housing;
- ▶ mobile home financing;
- ▶ homeless services [with the exception of the Lexington (Fayette County) assessment area];
- ▶ improvements to water and sewer systems;
- ▶ child care and health facilities;
- ▶ employment training; and
- ▶ economic development, including commercial-industrial infrastructure, rehabilitation and acquisition, technical assistance, and micro-businesses.

These community needs were determined by reviewing:

- ▶ The Executive Summary of the Commonwealth of Kentucky Consolidated Plan<sup>2</sup>;
- ▶ Information distributed by the Kentucky Housing Corporation; and
- ▶ two Community Contact Forms prepared by other OCC examiners in July 1997.

The State's Consolidated Plan also indicates that: in 1995 statewide there were an estimated 107 thousand low-income households experiencing severe cost burden for housing, paying more than 50 percent of income for housing costs; and the eastern and southeastern portions of Kentucky have the highest percentage of low-income households and housing problems.

Opportunities for qualified investments exist within the bank's assessment areas. These opportunities include non-profit housing organizations, credit counseling agencies, small business development centers, and community development corporations. However, most organizations are not focused on meeting the needs of specific areas or sizes of businesses. There are organizations and government-sponsored programs that provide financing or economic development services to businesses, including small businesses, but they do not meet the regulatory definition of "qualified investments" [12 C.F.R. 25.12 (s) and (h)]. The bank has

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<sup>2</sup> HUD Consolidated Strategies and Plans are comprehensive planning documents that identify community needs.

invested in and provides financial services to many of these organizations and programs that meet the needs of small businesses, as well as other businesses within its assessment areas.



# CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

## Lending Test

In assessing CTB's lending performance, the primary focus of our review was small loans to businesses/farms and HMDA-reportable residential real estate loans. CTB elected to provide data on unsecured consumer loans for 1997 and data regarding small loans to businesses secured by residential real estate for 1996 and 1997. The consumer loans are detailed in the discussions of geographic and borrower income distribution. The small loans to businesses secured by residential real estate are not detailed in the tables nor the discussions as the volume is insignificant in relation to other loan types. There were 161 (approximately \$23 million) such loans made in 1996 and 113 (approximately \$17 million) made in 1997. These loans did not significantly impact the geographic or borrower income distributions for small loans to businesses.

## Assessment Area Concentration

Table 2 indicates a substantial majority of CTB's loans were made within its assessment areas. In 1997, 84%, 90%, and 81%, respectively, of HMDA loans, consumer loans, and small loans to businesses and farms were originated within the bank's assessment areas. Eighty-seven percent of all loans originated in 1997 were made within the bank's assessment areas.

<b>Table 2: Ratio of Loans Inside the Bank's Assessment Area (1997)</b>				
<b>All Assessment Areas</b>				
	<b>HMDA</b>	<b>Consumer</b>	<b>Small Business &amp; Farm</b>	<b>TOTAL</b>
Number				
# of Loans Inside	2,925	7,930	1,859	12,714
% of Loans Inside	84%	90%	81%	87%
Dollars (000's)				
\$ of Loans Inside	\$94,644	\$22,565	\$77,550	\$194,759
% of Loans Inside	78%	87%	71%	76%

Source: 1997 HMDA Loan Application Register, bank provided consumer loan data, and Small Business Data Collection Register

## Lending Activity

CTB's lending performance is reasonable. CTB's level of lending as reflected in Table 2 has been responsive to the identified credit needs of micro businesses and affordable housing.

In its efforts to meet the needs of low and moderate-income borrowers CTB offers mobile home loans. During 1996, the bank made 1,113 mobile home loans totaling \$22 million. During 1997, the bank made 415 loans totaling \$6 million. (The significant decrease in lending occurred because of a need to redefine administrative controls and improve credit quality. The bank has demonstrated that it is committed to helping to meet this credit need.)

The bank also provides government guaranteed housing loans (FHA and VA) in all of its assessment areas through its affiliate, Community Trust Bank, Federal Savings Bank. They prepare all loan documents and send them to the office where the loan application originated for the convenience of the customer.

The bank is an approved Small Business Administration lender. Loan officers in the main office are available to assist, underwrite and consult with officers in any area for such loans.

### Geographic Distribution of Loans

CTB's geographic distribution of small business, small farm, HMDA, and unsecured consumer loans reflects reasonable penetration throughout low income geographies (Tables 3, 4, and 6, respectively). The bank's penetration in moderate income geographies is good for HMDA and unsecured consumer loans and reasonable for business and farm loans (Tables 5 and 6, respectively). We did not identify any conspicuous gaps in the penetration of geographies within the bank's assessment areas.

Table 3 compares the bank's level of small loans to businesses with the level of businesses operating in the various types of geography. In 1997, 1% and 21% of CTB's loans were originated in low and moderate income geographies, respectively. The penetration is considered reasonable when compared to the percentage of businesses located in low (3%) and moderate (25%) income geographies.

<b>Table 3: Geographic Distribution of Small Loans to Businesses (1997)</b>					
<b>All Assessment Areas</b>					
<b>Tract Income Level</b>	<b>% of Businesses by Location</b>	<b>Distribution of Loans by Location</b>			
		<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Low	3%	12	1%	\$1,109	2%
Moderate	25%	286	21%	10,287	15%
Middle	47%	825	61%	40,586	61%
Upper	25%	234	17%	14,542	22%
Total	100%	1,357	100%	\$66,524	100%

Source: Dun & Bradstreet, Inc. and Small Business Data Collection Register

Table 4 compares the bank's level of small loans to farms with the proportionate number of farms operating in the type of geography. In 1997, .2% and 2% of CTB's loans were originated in low and moderate income geographies, respectively. The percentage of farms located in low and moderate income geographies was 1% and 11%, respectively. CTB's loan distribution is reasonable given local competition and farm lending does not represent a significant part of the bank's business strategy. (Farm loans represented 3% of total loans at 12/31/97.)

<b>Table 4: Geographic Distribution of Small Loans to Farms (1997)</b>	
<b>All Assessment Areas</b>	

Tract Income Level	% of Farms by Location	Distribution of Loans by Location			
		#	%	\$ (000)	%
Low	1%	1	nil	\$4	nil
Moderate	11%	10	2%	\$69	1%
Middle	50%	463	92%	\$10,017	91%
Upper	38%	28	6%	\$936	8%
Total	100%	502	100%	\$11,026	100%

Source: Dun & Bradstreet, Inc. and Small Business Data Collection Register

Table 5 compares the bank's level of HMDA loans to the proportionate percentage of owner occupied housing units by type of geography. In 1997, 1% of HMDA loans were originated in low income geographies. The penetration is considered reasonable given that 46% of households that are in low income geographies are below the poverty level and only 1% of all owner occupied housing units are located in these geographies. In 1997, 29% of HMDA loans were made in moderate income geographies. This penetration is considered good when compared to the percentage (24%) of owner occupied housing units located in these geographies.

Table 5: Geographic Distribution of HMDA Loans by Census Tract Income Designation (1997) All Assessment Areas						
Tract Income Level	Owner Occupied Housing by Tract		Distribution of Loans by Location			
	# (000)	%	#	%	\$ (000)	%
Low	2	1%	20	1%	\$647	1%
Moderate	38	24%	837	29%	\$16,875	18%
Middle	84	52%	1,676	57%	\$54,518	57%
Upper	38	23%	392	13%	\$22,604	24%
Total	162	100%	2,925	100%	\$94,644	100%

Source: HMDA Loan Application Register and 1990 Census Data - U.S. Bureau of the Census

Table 6 compares the level of unsecured consumer lending to the proportionate number of families residing in the various types of geographies. The penetration of 1% is considered reasonable for low income geographies when compared to the percentage of families residing in these geographies (2%) and a poverty rate of 46%. The bank's penetration of 33% is considered good for moderate income geographies when compared to the percentage of families residing in these geographies (25%).

Table 6: Geographic Distribution of Unsecured Consumer Loans (1997) All Assessment Areas						
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Tract Income Level	Families Residing in Tract		Distribution of Loans by Location			
	# (000)	%	#	%	\$ (000)	%
Low	4	2%	46	1%	\$86	nil
Moderate	43	25%	2,597	33%	\$5,975	27%
Middle	91	51%	4,536	57%	\$13,303	59%
Upper	40	22%	751	9%	\$3,201	14%
Total	178	100%	7,930	100%	\$22,565	100%

Source: Consumer Loan Data Register and 1990 Census Data - U.S. Bureau of the Census

### Loan Distribution by Borrower Income

CTB's distribution of loans to businesses and farms of different sizes was good. The bank's distribution of HMDA and consumer loans was good and excellent, respectively.

In 1997, 91% of loans to businesses and farms (1,684 out of 1,859) were for amounts of \$100,000 or less. See Table 7. Eighty-five percent of the loans (1,572 out of 1,859) were made to businesses and farms that had gross revenues of less than \$1 million. Seventy-eight percent of the loans (1,457 out of 1,859) met both criteria; they had original amounts of \$100,000 or less and were made to businesses and farms that had gross revenues of less than \$1 million. This indicates a good record of serving the credit needs of very small businesses and farms.

Table 7: Distribution of Small Loans to Businesses & Farms by Loan Size (1997) All Assessment Areas				
Loan Size	#	%	\$ (000)	%
Less than or equal to \$100,000	1,684	91%	\$34,829	45%
Between \$100,000 and \$250,000	123	6%	19,415	25%
Greater than \$250,000	52	3%	23,306	30%
Total	1,859	100%	\$77,550	100%

Source: Small Business Data Collection Register

Table 8 compares CTB's HMDA lending to borrowers of different income levels to the proportion of families in each income level. In 1997, CTB originated 17% of HMDA loans to low income borrowers. The bank's distribution to low income borrowers is good given 21% of the households in the nine assessment areas live below the poverty level. This high poverty rate is an indication that a significant number of households lack sufficient income to purchase a home. Twenty percent of HMDA loans were made to moderate income individuals. This distribution is considered good when compared to the percentage (16%) of moderate income families within the bank's assessment areas. CTB offers mobile home loans to meet the needs of low and moderate-income borrowers. Mobile home loans during 1996, numbered 1,113 and totaled \$22 million. During 1997, there were 415 loans totaling \$6 million. (The decrease occurred when more administrative controls were established to improve credit quality.)

<b>Table 8: Distribution of HMDA Loans by Borrower Income Level (1997)</b> All Assessment Areas					
<b>Borrower Income Level</b>	<b>% of Families in Assessment Area</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
Low	25%	508	17%	\$6,575	7%
Moderate	16%	589	20%	11,533	12%
Middle	19%	671	23%	16,727	18%
Upper	40%	1,140	39%	58,915	62%
Not Available	0%	17	1%	894	1%
Total	100%	2,925	100%	\$94,644	100%

Source: 1997 HMDA Loan Application Register, and 1990 Census Data - U.S. Bureau of the Census

CTB also helped to meet the credit needs of low income borrowers by originating unsecured consumer loans (See Table 9). In 1997, CTB originated 31% and 24% of all unsecured consumer loans to low and moderate income borrowers, respectively. This penetration is considered excellent when compared to the percentage of low (25%) and moderate (16%) income families.

<b>Table 9: Distribution of Unsecured Consumer Loans by Borrower Income Level (1997)</b> All Assessment Areas					
<b>Borrower Income Level</b>	<b>% of Families in Assessment Areas</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Low	25%	2,421	31%	\$3,902	17%
Moderate	16%	1,904	24%	4,233	19%
Middle	19%	1,506	19%	4,098	18%
Upper	40%	1,760	22%	9,041	40%
Not Available	0%	339	4%	1,291	6%
Total	100%	7,930	100%	\$22,565	100%

Source: Consumer Loan Data Register and 1990 Census Data - U.S. Bureau of the Census

## Community Development Lending

Based on the challenges to building posed by the natural landscape of most of the assessment areas, CTB has provided an adequate level of community development lending. (See the **DESCRIPTION OF INSTITUTION AND ASSESSMENT AREAS** for a detailed discussion of the challenges to building.)

<b>Table 10: Summary of Community Development Lending</b> All Assessment Areas
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Assessment Area	Purpose	1996		1997	
		#	Amount	#	Amount
Ashland		0	\$0	0	\$0
Flemingsburg	promote economic development	0	\$0	1	\$126,250
Lexington		0	\$0	0	\$0
Middlesboro		0	\$0	0	\$0
Mt. Sterling		0	\$0	0	\$0
Pikeville	promote economic development	1	\$1,200,000	1	\$500,000
Versailles		0	\$0	0	\$0
Whitesburg	affordable housing	0	\$0	1	\$50,050
Williamsburg	promote economic development	0	\$0	1	\$20,020
<b>TOTAL</b>		1	\$1,200,000	4	\$696,320

During 1997 the Pine Mountain CDC made 10 loans totaling \$88,350, including three in Bell County (\$37,800) and 1 in Letcher County (\$15,000). CTB's pro rata consideration for loans made in its assessment areas is \$10,560 (20% of \$52,800).

### **Flexible or Innovative Lending Practices**

The bank offers two flexible lending products. They are designed to provide small loan advances on a periodic basis with a minimum of paperwork. The Convenient Credit Line provides access to credit in small dollar amounts (minimum \$100) at various times with the processing of one loan application. This product is available in the following assessment areas: Ashland, Lexington, Pikeville, Versailles, and Williamsburg. A home equity line of credit which operates similar to a credit card is available in all assessment areas.

### **Investment Test**

CTB has an adequate level of qualified community development investments considering the limited availability for such investments in most of its assessment areas. Opportunities for qualified investments exist within the bank's assessment areas, however, most organizations are not focused on meeting the needs of specific areas or sizes of businesses. The bank has invested in and provides financial services to many organizations and programs that meet the needs of small businesses, but this is not their only focus. As indicated previously, 71% of non-farm businesses in the bank's assessment areas meet the definition of small business.

For an activity to be a qualified investment, the investment must take the form of a lawful investment (i.e., equity investment, bond, etc.), deposit, membership share, or grant that has the primary purpose of community development. These may include investments in statewide community development organizations and municipal bonds with a community development purpose.

Equity Investments: Community Trust Bank holds \$550,289 in qualified equity investments. These investments are summarized in Table 11 according to the bank's assessment areas.

<b>Table 11: Summary of Qualified Equity Investments All Assessment Areas</b>			
<b>Assessment Area</b>	<b>Project Description</b>	<b>Funded Before 1997</b>	<b>Funded During 1997</b>
Ashland	none	\$0	\$0
Flemingsburg	none	\$0	\$0
Lexington	100 unit multi-family housing for low-income individuals	\$117,989	\$0
Middlesboro	corporation providing micro-lending to small businesses	\$0	\$25,000
Mt. Sterling	none	\$0	\$0
Pikeville	36 unit multi-family housing for low-income individuals	\$382,300	\$0
Versailles	none	\$0	\$0
Whitesburg	corporation providing micro-lending to small businesses	\$0	\$25,000
Williamsburg	none	\$0	\$0
<b>TOTAL</b>		<b>\$500,289</b>	<b>\$50,000</b>

The equity investment of \$50,000 in the Middlesboro and Whitesburg assessment areas represents 20% of the authorized capital of a small business lending corporation. The investment was funded during February 1997. The purpose of this corporation is to provide micro-lending to small businesses in Bell, Harlan and Letcher counties; during 1997 it made 10 loans totaling \$88,350, including three in Bell County (\$37,800) and 1 in Letcher County (\$15,000). Bell and Letcher Counties are in the bank's assessment area and are adjacent to Harlan County.

Contributions/Donations: In addition to the equity investments, during the review period Community Trust Bank contributed or donated \$20,325 to organizations that promote community development by various means, including affordable housing for low- or moderate-income individuals and educational or social services targeted to low- or moderate-income individuals. The distribution was as follows: Pikeville AA \$12,925; Ashland AA \$2,150; Middlesboro AA \$250; and Whitesburg AA \$5,000.

## Service Test

### Accessibility of Delivery Systems

CTB's delivery systems are accessible to geographies and individuals of different income levels in the assessment areas. Table 12 shows CTB's branch distribution, reflecting a good distribution in moderate income geographies (24%) when compared to the percentage of families residing in these areas (25%). CTB does not have any branches in low income geographies. However, services are provided to these areas through a branch located nearby as indicated by Tables 5 and 6 and a later discussion of the Lexington/Versailles assessment areas. Services and business hours are convenient and are basically the same in most branches. Where variances occur, they are based on the needs of the customers in each area.

Table 12: Distribution of Branch Offices All Assessment Areas						
Tract Income Level	Census Tracts		Families (000's)		Branches	
	#	%	#	%	#	%
Low	5	3%	4	2%	0	0%
Moderate	47	29%	43	25%	11	24%
Middle	78	48%	91	51%	22	48%
Upper	32	19%	40	22%	13	28%
Not Available	2	1%	0	0%	0	0%
Total	164	100%	178	100%	46	100%

Source: 1990 Census Data - U.S. Bureau of the Census and bank provided information

CTB does not currently offer alternative delivery systems.

### Changes in Branch Locations

Since January 1996, CTB has closed one branch. The branch was located in a moderate-income area in the Middlesboro assessment area and another branch was located within three blocks. There was no material negative impact to the assessment area.

### Community Development Services

CTB provides a high level of community development services, including some services that benefit regional areas including several assessment areas and others that benefit specific assessment areas. Various officers provide technical assistance to organizations that promote community development through providing affordable housing for very low and low-to-moderate income families (Resources Education & Assistance for Community Housing Operations Committee, the Pike County Affordable Housing Foundation, the Sandy Valley Habitat for



Humanity, and the Phelps Habitat for Humanity); participate in loan underwriting decisions for financing small businesses (the Kentucky Cabinet for Economic Development's Commonwealth Small Business Development Corporation, the Big Sandy Area Development District Revolving Loan Fund, the Pine Mountain Community Development Corporation, the Southern Kentucky Economic Development Corporation, and the Buffalo Trace Area Development District); and provide technical assistance on financial matters to small businesses (the Big Sandy Area Development District Revolving Loan Fund, the Pine Mountain Community Development Corporation, the Southern Kentucky Economic Development Corporation, and the City of Williamsburg Housing Authority). CTB also provides free mortgage loan servicing for the Sandy Valley Habitat for Humanity.

### **Fair Lending Review**

No violations of the substantive provisions of the anti-discrimination laws or regulations were identified. CTB has implemented effective fair lending policies, procedures and training programs.

**ASHLAND ASSESSMENT AREA**  
**(Part of the Huntington-Ashland, WV-KY-OH MSA # 3400)**

**Conclusion for Performance Test in the Ashland Assessment Area**

CTB's performance in meeting the credit needs within the Ashland assessment area is consistent with the overall ratings assigned to the bank. The bank's geographic distribution of loans was reasonable. Its responsiveness to the credit needs of individuals of different income levels and businesses of different sizes was reasonable. The level of community development loans, investments, services was reasonable considering area demographics and topography. The level of qualified investments was adequate in light of the area demographics and the challenges to building discussed in the section headed **DESCRIPTION OF INSTITUTION AND ASSESSMENT AREAS**. Delivery systems are reasonably accessible to areas and individuals of different income levels.

**Description of CTB's Operations in the Ashland Assessment Area**

As of June 30, 1997, the Ashland assessment area accounted for 13% of the bank's deposit distribution. CTB held 22% of the total deposits held by financial institutions within this area.

**Description of the Ashland Assessment Area**

The Ashland assessment area includes both urban and rural areas in the northeastern Kentucky counties of Boyd and Greenup. Manufacturing and wholesale/retail establishments are major employers in the area. Due to the mountainous terrain of the region, agriculture is nominal. As of 1990, the area did not contain any low income census tracts, although 20% of its families had incomes at this level. Median family income in 1997 was \$32,800.

Assessment Area Demographic Data: Distribution by Census Tract Income Level Ashland AA												
	Low		Moderate		Middle		Upper		N.A.'s		Total	
	#	%	#	%	#	%	#	%	#	%	#	%
Census Tracts	0	0%	4	24%	7	41%	6	35%	0	0%	17	100%
Families (000)	0	0%	2	11%	11	50%	8	39%	0	0%	21	100%
Population (000)	0	0%	9	12%	37	50%	28	38%	0	0%	74	100%

Source: 1990 Census Data - U.S. Bureau of the Census

## Lending Test

### Geographic Distribution of Loans

CTB's geographic distribution of small business, HMDA and consumer loans reflected reasonable penetration throughout the assessment area. We did not identify any conspicuous gaps in the penetration of geographies within this assessment area. No farm loans were originated in 1997, which is reasonable given the performance context.

Table 13 compares the bank's level of small loans to businesses with the proportion of businesses operating in each type of geography. In 1997, 37% of CTB's loans were originated in moderate income geographies. The penetration is considered reasonable when compared to the percentage of businesses located in moderate income geographies (37%).

Table 13: Geographic Distribution of Small Loans to Businesses (1997) Ashland AA					
Tract Income Level	% of Businesses by Location	Distribution of Loans by Location			
		#	%	\$ (000)	%
Low	0%	0	0%	\$0	0%
Moderate	37%	24	37%	1,563	29%
Middle	36%	26	40%	3,004	56%
Upper	27%	15	23%	771	15%
Total	100%	65	100%	\$5,338	100%

Source: Dun & Bradstreet, Inc. and Small Business Data Collection Register

Table 14 compares the bank's level of HMDA loans to the percentage of owner occupied housing units by type of geography. In 1997, CTB originated 9% of HMDA loans in moderate income geographies. The penetration is considered reasonable when compared to the percentage (9%) of owner occupied housing units located in these geographies.

<b>Table 14: Distribution of HMDA Loans by Census Tract Income Designation Ashland AA</b>						
<b>Tract Income Level</b>	<b>Owner Occupied Housing by Tract</b>		<b>Distribution of Loans by Location</b>			
	<b>#(000)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
Low	0	0%	0	0%	\$0	0%
Moderate	2	9%	18	9%	536	6%
Middle	10	50%	90	47%	3,476	40%
Upper	9	41%	85	44%	4,739	54%
Total	21	100%	193	100%	\$8,751	100%

Source: 1997 HMDA Loan Application Register and 1990 Census Data - U.S. Bureau of the Census

Table 15 compares the level of unsecured consumer loans to the proportionate number of families residing in geographies. In 1997, 10% of unsecured consumer loans were made in moderate income geographies. The bank's penetration is considered reasonable given the percentage (11%) of families residing in these geographies.

<b>Table 15: Geographic Distribution of Unsecured Consumer Loans (1997) Ashland AA</b>						
<b>Tract Income Level</b>	<b>Families Residing in Tract</b>		<b>Distribution of Loans by Location</b>			
	<b># (000)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Low	0	0%	0	0%	\$0	0%
Moderate	2	11%	32	10%	73	3%
Middle	11	50%	167	51%	1,502	72%
Upper	8	39%	129	39%	525	25%
Total	21	100%	328	100%	\$2,100	100%

Source: Bank provided information and 1990 Census Data - U.S. Bureau of the Census

### **Loan Distribution by Borrower Income**

CTB's distribution of small business, HMDA, and consumer loans to borrowers of different income levels and businesses of different sizes was reasonable.

In 1997, 80% of small loans to businesses were for amounts of \$100,000 or less. See Table 16. This same percentage, 80% (52 loans), were made to businesses that had gross revenues of less than \$1,000,000. Sixty-eight percent of the loans (44 out of 65) met both criteria; they had original amounts of less than \$100,000 or less and were made to businesses that had gross revenues of less than \$1 million. This indicates CTB has a reasonable record of serving the credit needs of very small businesses.

<b>Table 16: Distribution of Small Loans to Businesses by Loan Size (1997)</b>				
<b>Ashland AA</b>				
<b>Loan Size</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Less than \$100,000	52	80%	\$1,470	28%
Between \$100,000 and \$250,000	8	12%	1,333	25%
Greater than \$250,000	5	8%	2,535	47%
Total	65	100%	\$5,338	100%

Source: Small Business Data Collection Register

Table 17 compares CTB's HMDA lending to borrowers of different income levels to the proportion of families in each income level. In 1997, CTB originated 11% of HMDA loans to low income borrowers. The bank's distribution to low income individuals is reasonable given 16% of the households in this assessment area live below the poverty level. Fourteen percent of HMDA loans were made to moderate income individuals. This distribution is considered reasonable when compared to the percentage of moderate income families (14%).

<b>Table 17: Distribution of HMDA Loans by Borrower Income Level (1997)</b>					
<b>Ashland AA</b>					
<b>Borrower Income Level</b>	<b>% of Families in Assessment Area</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Low	19%	21	11%	\$298	3%
Moderate	14%	28	14%	673	8%
Middle	18%	42	22%	1,546	18%
Upper	49%	98	51%	6,004	69%
Not Available	0%	4	2%	230	2%
Total	100%	193	100%	\$8,751	100%

Source: 1997 HMDA Loan Application Register and 1990 Census Data - U.S. Bureau of the Census

CTB also helped to meet the credit needs of low income borrowers by originating unsecured consumer loans. See Table 18. In 1997, CTB originated 16% and 20% of all unsecured consumer loans to low and moderate income borrowers, respectively. This penetration was considered reasonable when compared to the percentage of low (19%) and moderate (14%) income families.

<b>Table 18: Distribution of Unsecured Consumer Loans by Borrower Income Level (1997) Ashland AA</b>					
<b>Borrower Income Level</b>	<b>% of Families in Assessment Areas</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Low	19%	51	16%	\$79	4%
Moderate	14%	65	20%	159	8%
Middle	18%	80	24%	257	12%
Upper	49%	112	34%	1,557	74%
Not Available	0%	20	6%	48	2%
Total	100%	328	100%	\$2,100	100%

Source: Bank provided information and 1990 Census Data - U.S. Bureau of the Census

### **Community Development Lending**

CTB did not make any loans meeting the definition of "community development" in the Ashland assessment area during 1996 or 1997.

### **Investment Test**

CTB has a low level of qualified investments for the Ashland, Kentucky assessment area.

During the review period, CTB supported community development organizations in the Ashland AA by contributing or donating \$2,150 to facilities that promote community development by providing temporary shelter for low-income individuals or youths.

## Service Test

### Accessibility of Delivery Systems

CTB's delivery systems are reasonably accessible to individuals in the AA. CTB operates seven branches and five automated teller machines in this area. There are no low-income census tracts and the bank's branches and automated teller machines are well represented in moderate-income census tracts. Services, including business hours, are convenient and are the same as those in other assessment areas. Full service banking and Saturday business hours are available.

<b>Table 19: Distribution of Branch Offices Ashland AA</b>						
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Families (000's)</b>		<b>Branches</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	0	0%	0	0%	0	0%
Moderate	4	24%	2	11%	3	43%
Middle	7	41%	11	50%	2	29%
Upper	6	35%	8	39%	2	28
Not Available	0	0%	0	0%	0	0%
Total	17	100%	21	100%	7	100%

Source: 1990 Census Data - U.S. Bureau of the Census and bank provided information

CTB does not currently offer alternative delivery systems.

**LEXINGTON/VERSAILLES ASSESSMENT AREAS (AA)**  
**(Part of the Lexington, KY MSA # 4280)**

**Conclusion for Performance Test in the Lexington/Versailles AA**

CTB's performance in meeting the credit needs within the Lexington and Versailles assessment areas is consistent with the overall ratings assigned to the bank. The bank's geographic distribution of loans was reasonable within low, middle and upper income geographies, but low in moderate income geographies. Its responsiveness to the credit needs of businesses of different sizes was good. Responsiveness to the credit needs of individuals of different income levels was reasonable for HMDA loans and excellent for consumer loans. Community development lending, investments, and services are reasonable for these assessment areas. CTB's delivery systems in these areas are reasonably accessible to geographies and individuals of different income levels.

**Description of CTB's Operations in the Lexington/Versailles AA**

As of June 30, 1997, CTB had \$152 million in deposits in this area (with approximately 6% of its total deposits in each county). Deposit market share was 2% in the Lexington area (Fayette County) and 33% in the Versailles area (Woodford County). CTB operates six branch offices in this area. Competition is especially heavy in Fayette County.

**Description of the Lexington/Versailles AA**

The Lexington and Versailles assessment areas consist of two counties within the Lexington assessment area. Median family income in 1997 was \$42,500. Table 20 reflects the combined demographics of these areas.

<b>Table 20: Assessment Area Demographic Data Distribution by Census Tract Income Level Lexington/Versailles AA</b>												
	Low		Moderate		Middle		Upper		N.A.'s		Total	
	#	%	#	%	#	%	#	%	#	%	#	%
Census Tracts	4	7%	12	20%	21	36%	21	36%	1	1%	59	100%
Families (000)	3	5%	10	16%	25	39%	25	40%	0	0%	63	100%
Population (000)	13	5%	47	19%	91	38%	94	38%	nil	nil	245	100%

Source: 1990 Census Data - U.S. Bureau of the Census



## Lending Test

### Geographic Distribution of Loans

CTB's geographic distribution of small business, small farm, HMDA and unsecured consumer loans reflected reasonable penetration throughout low income geographies. The bank's penetration in moderate income geographies was low. We did not identify any conspicuous gaps in the penetration of geographies within this MSA.

Table 21 compares the bank's level of small loans to businesses with the proportionate number of businesses operating in the type of geography. In 1997, 3% and 6% of CTB's loans were originated in low and moderate income geographies, respectively. The penetration is considered reasonable for low income geographies and low for moderate income geographies when compared to the percentage of businesses located in low (5%) and moderate (25%) income geographies.

<b>Table 21: Geographic Distribution of Small Loans to Businesses (1997)</b>					
<b>Lexington/Versailles AA</b>					
<b>Tract Income Level</b>	<b>% of Businesses by Location</b>	<b>Distribution of Loans by Location</b>			
		<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Low	5%	9	3%	\$1,078	5%
Moderate	25%	19	6%	826	4%
Middle	36%	205	69%	11,735	58%
Upper	34%	64	22%	6,612	33%
Total	100%	297	100%	\$20,251	100%

Source: Dun & Bradstreet, Inc. and Small Business Data Collection Register

Table 22 compares the bank’s level of loans to small farms with the proportion of farms operating in each type of geography. In 1997, no loans were made in low income geographies and only one loan (1%) was made in moderate income geographies. The low level of lending in these types of geographies is not significant given the relatively few number of farms reported as located in low (6)<sup>3</sup> and moderate (37) income geographies.

<b>Table 22: Geographic Distribution of Small Loans to Farms (1997)</b> <b>Lexington/Versailles AA</b>					
<b>Tract Income Level</b>	<b>% of Farms by Location</b>	<b>Distribution of Loans by Location</b>			
		<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Low	2%	0	0%	\$0	0%
Moderate	9%	1	1%	5	nil
Middle	46%	92	95%	2,429	97%
Upper	43%	4	4%	82	3%
Total	100%	97	100%	\$2,516	100%

Source: Dun & Bradstreet, Inc. and Small Business Data Collection Register

Table 23 compares the bank’s level of HMDA loans to the proportion of owner occupied housing units by type of geography. In 1997, 1% of HMDA loans were originated in low income geographies. The penetration is considered reasonable given that 44% of households that are in low income geographies are below the poverty level and only 3% of all owner occupied housing units are located in these geographies.

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<sup>3</sup> Dun & Bradstreet, Inc. data indicates six farms are located in low income geographies. However, the 1990 Census Data indicates that all low income tracts in this assessment area are in downtown Lexington, Kentucky.

In 1997, 4% of HMDA loans were made in moderate income geographies. This penetration is low in comparison to the 13% of owner occupied housing units in moderate income tracts even though 25% of households that reside in these tracts live below the poverty level.

<b>Table 23: Distribution of HMDA Loans by Census Tract Income Designation Lexington/Versailles AA</b>						
<b>Tract Income Level</b>	<b>Owner Occupied Housing by Tract</b>		<b>Distribution of Loans by Location</b>			
	<b># (000)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Low	2	3%	3	1%	\$352	2%
Moderate	7	13%	10	4%	375	3%
Middle	20	39%	164	67%	8,197	51%
Upper	24	45%	68	28%	7,075	44%
Total	53	100%	245	100%	\$15,999	100%

Source: 1997 HMDA Loan Application Register and 1990 Census Data - U.S. Bureau of the Census

Table 24 compares the level of unsecured consumer loans to the proportion of families residing in each type of geography. In 1997, 1% of consumer loans were made in low income geographies and 4% in moderate income geographies. The penetration is considered reasonable for low income geographies when compared to the percentage (5%) of families residing in these geographies and the poverty rate, noted above. The bank's penetration is considered low for moderate income geographies when compared to the percentage (16%) of families residing in these geographies.

<b>Table 24: Geographic Distribution of Unsecured Consumer Loans Lexington/Versailles AA</b>						
<b>Tract Income Level</b>	<b>Families Residing in Tract</b>		<b>Distribution of Loans by Location</b>			
	<b># (000)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Low	3	5%	5	1%	\$10	1%
Moderate	10	16%	19	4%	66	4%
Middle	25	39%	444	83%	1,328	72%
Upper	25	40%	67	12%	432	23%
Total	63	100%	535	100%	\$1,836	100%

Source: Bank provided information and 1990 Census Data - U.S. Bureau of the Census

### **Loan Distribution by Borrower Income**

CTB's distribution of loans to businesses and farms of different sizes was good. The bank's distribution of HMDA and consumer loans was reasonable and excellent, respectively.

In 1997, 84% of loans to businesses and farms (332 out of 394) were for amounts of \$100,000 or less. See Table 25. Eighty-three percent of the loans (327 out of 394) were made to businesses and farms that had gross revenues of less than \$1,000,000. Seventy-three percent of the loans (286 out of 394) met both criteria; they had original amounts of \$100,000 or less and were made to businesses that had gross revenues of less than \$1,000,000. This indicates CTB has a good record of serving the credit needs of very small businesses and farms.

<b>Table 25: Distribution of Loans to Small Businesses &amp; Farms by Loan Size Lexington/Versailles AA</b>				
<b>Loan Size</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Less than \$100,000	332	84%	\$8,607	38%
Between \$100,000 and \$250,000	45	12%	6,946	30%
Greater than \$250,000	17	4%	7,214	32%
Total	394	100%	\$22,767	100%

Source: Small Business Data Collection Register

Table 26 compares CTB's HMDA lending to borrowers of different income levels to the proportion of families in each income level. In 1997, CTB originated 14% of HMDA loans to low income borrowers. The bank's distribution to low income borrowers is reasonable given 13% of the population in this assessment area lives below the poverty level. Fifteen percent of HMDA loans were made to moderate income individuals. This distribution is considered reasonable when compared to the percentage of moderate income families (15%).

<b>Table 26: Distribution of HMDA Loans by Borrower Income Level Lexington/Versailles AA</b>					
<b>Borrower Income Level</b>	<b>% of Families in Assessment Area</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Low	19%	33	14%	\$771	5%
Moderate	15%	37	15%	1,646	10%
Middle	21%	67	27%	3,237	20%
Upper	45%	104	42%	10,096	63%
Not Available	0%	4	2%	249	2%
Total	100%	245	100%	\$15,999	100%

Source: 1997 HMDA Loan Application Register and 1990 Census Data - U.S. Bureau of the Census

CTB also helped to meet the credit needs of low income borrowers by originating unsecured consumer loans. See Table 27. In 1997, CTB originated 34% and 28% of all consumer loans to low and moderate income individuals, respectively. This penetration was considered excellent when compared to the percentage of low (19%) and moderate (15%) income families.

<b>Table 27: Distribution of Unsecured Consumer Loans by Borrower Income Level Lexington/Versailles AA</b>					
<b>Borrower Income Level</b>	<b>% of Families in Assessment Areas</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Low	19%	180	34%	\$350	19%
Moderate	15%	147	28%	556	30%
Middle	21%	120	22%	321	18%
Upper	45%	76	14%	549	30%
Not Available	0%	12	2%	60	3%
Total	100%	535	100%	\$1,836	100%

Source: Bank Provided Information and 1990 Census Data - U.S. Bureau of the Census

### **Community Development Lending**

CTB did not make any loans meeting the definition of "community development" in the Lexington or Versailles assessment area during 1996 or 1997.

### **Investment Test**

CTB has a good level of qualified investments for the Lexington, Kentucky assessment area, but does not have any qualified investments in the Versailles, Kentucky assessment area.

CTB holds an equity investment of \$117,989 with SRO, LTD. The investment originated April 1994. The purpose of this organization was to construct a single room occupancy project with 100 units for the benefit of low-income individuals. This investment qualifies for low-income housing tax credits. The location of the building is in Fayette county, the bank's Lexington assessment area, and is in a moderate-income geography.

During this review period, there were no qualified contributions or donations made in the Lexington or Versailles assessment areas.

### **Service Test**

## Accessibility of Delivery Systems

CTB's delivery systems are reasonably accessible to geographies and individuals of different income levels in the Lexington and Versailles assessment areas.

In the Lexington assessment area CTB operates four branches and three automated teller machines. There are four low-income census tracts (representing 7% of the census tracts in this area) all located in the downtown area. CTB has no branches in these areas, however, there are branches located within a reasonable distance and the bank has extended loans within these census tracts. There is adequate representation in moderate-income census tracts. Services, including business hours, are convenient and are the same as those in other assessment areas. Full service banking is available and two branches offer extended evening hours.

In the Versailles assessment area CTB operates two branches and two automated teller machines. This assessment area consists of four middle-income tracts, only. The bank's delivery systems are reasonably accessible to geographies and individuals of different income levels in this assessment area. Services, including business hours, are convenient to all geographies and individuals.

Table 28 shows a comparison of the Lexington and Versailles assessment areas' demographics and branch data.

<b>Table 28: Distribution of Branch Offices Lexington/Versailles AA</b>						
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Families (000's)</b>		<b>Branches</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	4	7%	3	5%	0	0%
Moderate	12	20%	10	16%	1	17%
Middle	21	36%	25	39%	3	50%
Upper	21	36%	25	40%	2	33%
Not Available	1	1%	0	0%	0	0%
Total	59	100%	63	100%	6	100%

Source: 1990 Census Data - U.S. Bureau of the Census and bank provided information

CTB does not currently offer alternative delivery systems.

# PIKEVILLE ASSESSMENT AREA (AA)

## Conclusion for Performance Test in the Pikeville AA

CTB's performance in meeting the credit needs within the Pikeville AA is consistent with the overall ratings assigned to the bank. The bank's responsiveness to the credit needs of individuals of different income levels and businesses of different sizes was reasonable. The bank's geographic distribution of small business loans was low, but its distribution of HMDA and consumer loans was reasonable. CTB's delivery systems are accessible to areas and individuals of different income levels. The bank's level of qualified investments was adequate.

## Description of Institution's Operations in the Pikeville AA

As of June 30, 1997, CTB had \$540 million in deposits in the Pikeville assessment area (43% of its total deposits) and was the largest financial institution in the assessment area based on a deposit market share of 41%. CTB operates thirteen branch offices in this three county area. Competition is strong. There are no low-income census tracts.

## Description of the Pikeville AA

CTB's Pikeville AA is composed of Floyd, Knott, and Pike Counties in eastern Kentucky. The number of non-farm businesses and farm businesses is approximately 2,711 and 25, respectively. Services (35%), retail trade (27%), and transportation/communication (8%) represent 70% of the number of businesses within the AA. As of 1997, the adjusted median family income was \$28,800 for this non-MSA area. Table 29 provides additional demographic data regarding the distribution of census tracts, families, and population by geography income designation.

<b>Table 29: Assessment Area Demographic Data: Distribution by Census Tract Income Level Pikeville AA</b>												
	Low		Moderate		Middle		Upper		N.A.'s		Total	
	#	%	#	%	#	%	#	%	#	%	#	%
Census Tracts	0	0%	12	35%	21	62%	1	3%	0	0%	34	100%
Families (000)	0	0%	13	34%	24	62%	1	4%	0	0%	38	100%
Population (000)	0	0%	47	35%	82	61%	5	4%	0	0%	134	100%

Source: 1990 Census Data - U.S. Bureau of the Census

## Lending Test

### Geographic Distribution of Loans

CTB's geographic distribution of small business loans was low in moderate income geographies. The distribution of HMDA and consumer loans reflected reasonable penetration. We did not identify any conspicuous gaps in the penetration of geographies within this assessment area. No farm loans were originated in 1997. As indicated earlier, due to the natural topography of this area, development is costly and land is not readily available for farming.

Table 30 compares the bank's level of small loans to businesses with the proportionate number of businesses operating in the type of geography. In 1997, 12% of CTB's loans were originated in moderate income geographies. The penetration is considered low when compared to the percentage (26%) of businesses located in moderate income geographies.

<b>Table 30: Geographic Distribution of Loans to Small Businesses (1997)</b>					
<b>Pikeville AA</b>					
<b>Tract Income Level</b>	<b>% of Businesses by Location</b>	<b>Distribution of Loans by Location</b>			
		<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Low	0%	0	0%	\$0	0%
Moderate	26%	50	12%	2,912	14%
Middle	65%	265	65%	13,086	63%
Upper	9%	91	23%	4,810	23%
Total	100%	406	100%	\$20,808	100%

Source: Dun & Bradstreet, Inc. and Small Business Data Collection Register



CTB also helped to meet the credit needs of moderate income geographies by originating HMDA loans. Table 31 compares the bank's level of HMDA loans to the proportionate percentage of owner occupied housing units by type of geography. In 1997, CTB originated 22% of HMDA loans in moderate income geographies. The penetration is considered reasonable when compared to the percentage (34%) of owner occupied housing units located in these geographies.

<b>Table 31: Distribution of HMDA Loans by Census Tract Income Designation Pikeville AA</b>						
<b>Tract Designation</b>	<b>Owner Occupied Housing by Tract</b>		<b>Distribution of Loans by Location</b>			
	<b># (000)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Low	0	0%	0	0%	\$0	0
Moderate	13	34%	228	22%	4,897	16%
Middle	23	62%	610	60%	17,336	58%
Upper	1	4%	184	18%	7,923	26%
Total	37	100%	1,022	100%	\$30,156	100%

Source: 1997 HMDA Loan Application Register and 1990 Census Data - U.S. Bureau of the Census

Table 32 compares the level of unsecured consumer lending to the proportionate number of families residing in geographies. In 1997, 25% of unsecured consumer loans were made in moderate income geographies. The bank's penetration is considered reasonable given the percentage (34%) of families residing in these geographies.

<b>Table 32: Geographic Distribution of Unsecured Consumer Loans (1997) Pikeville AA</b>						
<b>Tract Income Level</b>	<b>Families Residing in Tract</b>		<b>Distribution of Loans by Location</b>			
	<b># (000)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Low	0	0%	0	0%	\$0	0%
Moderate	13	34%	615	25%	1,232	18%
Middle	24	62%	1,413	58%	4,110	58%
Upper	1	4%	400	17%	1,691	24%
Total	38	100%	2,428	100%	\$7,033	100%

Source: Bank Provided Information and 1990 Census Data - U.S. Bureau of the Census

### **Loan Distribution by Borrower Income**

CTB's distribution of loans to businesses of different sizes was reasonable. The bank's distribution of HMDA and consumer loans was also reasonable.

In 1997, small loans to businesses totaled 406 and 91% were for amounts of \$100,000 or less. See Table 33. Seventy-nine percent (321 loans) of the loans were made to businesses that had gross revenues of less than \$1,000,000. This indicates CTB' has a reasonable record of serving the credit needs of very small businesses.

<b>Table 33: Distribution of Small Loans to Businesses by Loan Size Pikeville AA</b>				
<b>Loan Size</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Less than \$100,000	369	91%	\$8,233	40%
Between \$100,000 and \$250,000	17	4%	2,980	14%
Greater than \$250,000	20	5%	9,595	46%
Total	406	100%	\$20,808	100%

Source: Small Business Data Collection Register

Table 34 compares CTB's HMDA lending to borrowers of different income levels to the proportional number of families in each income level. In 1997, CTB originated 15% of HMDA loans to low income individuals. The bank's distribution to low income individuals is reasonable given 28% of the households in the three counties live below the poverty level. This high poverty rate is an indication that a significant number of households lack sufficient income to purchase a home. Twenty percent of HMDA loans were made to moderate income individuals. This distribution is considered reasonable when compared to the percentage (17%) of moderate income people within the bank's assessment areas.

<b>Table 34: Distribution of HMDA Loans by Borrower Income Level (1997) Pikeville AA</b>					
<b>Borrower Income Level</b>	<b>% of Families in Assessment Area</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Low	30%	156	15%	\$2,678	9%
Moderate	17%	206	20%	3,324	11%
Middle	18%	257	25%	5,434	18%
Upper	35%	397	39%	18,438	61%
Not Available	0%	6	1%	282	1%
Total	100%	1,022	100%	\$30,156	100%

Source: 1997 HMDA Loan Application Register and 1990 Census Data - U.S. Bureau of the Census

CTB also helped to meet the credit needs of low income families by originating unsecured consumer loans. See Table 35. In 1997, CTB originated 26% and 24% of all consumer loans to low and moderate income individuals, respectively. This penetration was considered reasonable for low income families and good for moderate income families when compared to the percentage of low (30%) and moderate (17%) income families.

<b>Table 35: Distribution of Unsecured Consumer Loans by Borrower Income Level (1997)</b>					
<b>Pikeville AA</b>					
<b>Borrower Income Level</b>	<b>% of Families in Assessment Areas</b>	<b>1997</b>			
		<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Low	30%	624	26%	\$1,047	15%
Moderate	17%	591	24%	1,307	19%
Middle	18%	502	21%	1,334	19%
Upper	35%	624	26%	2,702	38%
Not Available	0%	87	3%	643	9%
Total	100%	2,428	100%	\$7,033	100%

Source: Bank provided information and 1990 Census Data - U.S. Bureau of the Census

### **Community Development Lending**

The bank has a reasonable level of community development lending in the Pikeville assessment area. Loans were made to promote economic development totaling \$1,200,000 in 1996 and \$500,000 in 1997.

### **Investment Test**

CTB has an adequate level of qualified investments for the Pikeville, Kentucky assessment area.

CTB holds an equity investment of \$382,300 in Hindman Hills Apartments, Ltd. The investment originated in February 1995. The partnership used the funds to develop a housing project for low-income individuals. The apartment complex includes 36 units and is located in a moderate-income geography in Knott County, Kentucky. This investment also qualifies for low-income housing tax credits.

During this review period, Community Trust Bank supported community development organizations by contributing or donating \$12,925 to organizations that provide affordable housing for low- and moderate-income individuals, and organizations that provide services to low-income individuals within the bank's assessment area. These organizations include Habitat for Humanity, Metro Group Home, and Resource Education Assistance for Community Housing.

### **Service Test**

## Accessibility of Delivery Systems

CTB operates thirteen branches and eight automated teller machines in the Pikeville assessment area. There are no low-income census tracts in this area. There is adequate representation in moderate-income census tracts (32% of CTB's tracts compared to 23% of its branches). Services in all census tract types, including business hours, are convenient and are the same as those in other assessment areas. Full service banking is available and many branches offer Saturday hours.

Table 36: Distribution of Branch Offices Pikeville AA						
Tract Income Level	Census Tracts		Families (000's)		Branches	
	#	%	#	%	#	%
Low	0	0%	0	0%	0	0%
Moderate	12	35%	13	34%	3	23%
Middle	21	62%	24	62%	7	54%
Upper	1	3%	1	4%	3	23%
N.A.'s	0	0%	0	0%	0	0%
Total	34	100%	38	100%	13	100%

Source: 1990 Census Data - U.S. Bureau of the Census and bank provided information

CTB does not currently offer alternative delivery systems.

## APPENDIX

### DEFINITION OF TERMS

The following are definitions of terms used throughout this public evaluation. The definitions are not the strict legal definitions contained in 12 C.F.R. 25.12, but rather a more concise synopsis of their meaning.

**Community Development** - The primary purpose of the loan, investment, or service is for (1) affordable housing for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) activities that promote economic development by financing small businesses or farms; and (4) activities that revitalize or stabilize low- or moderate-income areas.

**Consumer Loan** - A loan to one or more individuals for household, family, or other personal expenditures.

**HMDA (Home Mortgage Disclosure Act) Loan** - A residential real estate loan (home purchase, home refinance, home improvement, or multifamily).

**Geography** - A census tract or block numbering area.

**Low, Moderate, Middle, and Upper Income Area** - A low income area is one in which the median family income is less than 50% of the area median income, moderate income is 50% to 79% of the area median family income, middle income is 80% to 119% of the area median family income, and upper income is 120% or more of the area median family income.

**Qualified Investment** - A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Small Loans to Businesses** - Commercial loans with an original loan amount of \$1 million or less.

**Small Loans to Farms** - Farm loans with an original loan amount of \$500,000 or less.