



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

June 10, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Cumberland Valley National Bank & Trust Company
Charter Number: 10254

1112 Highway 490
East Bernstadt, KY 40729

Office of the Comptroller of the Currency

SOUTHERN OHIO & KENTUCKY Field Office
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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 institution is rated Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The major factors supporting this rating include:

- Cumberland Valley National Bank's (CVNB) loan-to-deposit ratio is satisfactory.
- A substantial majority of CVNB's loans originated or purchased during this evaluation period were within the Assessment Areas (AA).
- CVNB's distribution of loans to low- and moderate-income individuals and small businesses with gross revenues less than \$1 million reflect reasonable penetration.
- CVNB's geographic distribution of loans reflects reasonable dispersion throughout the AA. There were no conspicuous gaps in lending.
- CVNB's responsiveness to community development needs and opportunities in its assessment area is adequate.

Scope of Examination

Cumberland Valley National Bank (CVNB) was evaluated under the Intermediate Small Bank examination procedures, which include a lending test and a community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of its assessment areas (AAs) through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AAs through CD lending, qualified investments, and community development services.

The lending test for CVNB covers its performance from January 1, 2007 through March 31, 2009, as this is representative of its lending strategy since the last CRA examination. The evaluation period for the CD test is from July 19, 2006 through June 10, 2009.

The bank's business strategy is focused on home mortgage lending and commercial lending. The scope of the lending test included an assessment of the bank's primary loan types, residential real estate loans and business-purpose loans. The residential real estate lending analysis was based on the loans CVNB reported on the Home Mortgage Disclosure Act Loan Application Register (HMDA LAR) from January 2008 through March 31, 2009. The bank started reporting HMDA data beginning 2008 because they opened a branch in a Metropolitan Statistical Area (Fayette County MSA) on January 2, 2007. The OCC performed a data integrity review to verify the accuracy of the bank's HMDA data, and concluded the data was reliable. The business-purpose loan analysis was based on a randomly selected sample of all commercial loans originated and purchased during the evaluation period.

Deposit information reported to the Federal Deposit Insurance Corporation (FDIC) was used to determine the bank's deposit market share and market presence within its AAs. This information was as of June 30, 2008. The 2000 Census data was used to evaluate performance.

CVNB has three designated assessment areas (AAs), as detailed under the **Description of Assessment Areas** section. The OCC performed full scope reviews of all three AAs. For analysis purposes, the OCC combined the demographic data and loan information of the two non-Metropolitan AAs, since these AAs are geographically close and have similar performance contexts. CVNB's CRA performance in Fayette County was analyzed separately as this county is part of the Lexington-MSA and the demographic information is different. Performance in the two non-Metropolitan AAs was given more weight than performance in Fayette County because CVNB's primary business area is in the non-Metropolitan AAs. CVNB's presence in Fayette County is limited to one branch office opened January 2, 2007.

Description of Institution

CVNB is an intrastate financial institution headquartered in East Bernstadt, Kentucky. CVNB is wholly owned by Cumberland Valley Financial Corporation, headquartered in London, Kentucky. As of March 31, 2009, CVNB reported \$435 million in total assets and \$259 million in total loans.

CVNB is a full-service lender offering various loan and deposit products. 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 operates seventeen full-service branches, with fifteen of the branches having deposit taking ATMs, and twenty-nine freestanding ATMs that do not accept deposits. One branch is located in a moderate income census tract, thirteen are located in the middle-income non-metropolitan distressed geographies and three are located in an upper income census tract. A distressed census tract is one that has been identified by the federal government as having difficulty meeting essential community needs. One branch was opened in a moderate income census tract and three branches in the middle income census tract were closed since the last CRA examination.

As of March 31, 2009, net loans represented 59% of average total assets and consisted of commercial real estate loans (33%), residential real estate loans (29%), construction and development loans (15%), commercial and industrial (11%), agricultural loans (5%), consumer loans (5%), and, municipal loans (2%). CVNB has historically been a commercial and mortgage lender. While consumer lending is considered an important aspect of CVNB's service to their community, it is not a primary line of business for CVNB.

There are no legal, financial, or other factors impeding CVNB's ability to help meet the credit needs of the community it serves. As of March 31, 2009, CVNB reported \$44 million in Tier One capital.

CVNB was rated "Satisfactory" at its last CRA evaluation dated July 19, 2006.

Description of Assessment Area(s)

CVNB has three delineated assessment areas (AAs). For analysis purposes we combined the Madison County assessment area with the other non-Metropolitan assessment area located in south central Kentucky (Knox, Laurel, Pulaski, and Whitley counties). Demographic data is detailed in **Chart AA 1** below. The other assessment area consists of Fayette County, which is part of the Lexington metropolitan statistical area (MSA). Rockcastle County is excluded because CVNB does not maintain an office or ATM in the county and does not extend a significant volume of loans to the county. This county's rugged terrain acts as a natural barrier to commerce. All assessment areas comply with the CRA regulations. The bank did not arbitrarily exclude any low- or moderate-income geographies.

Community contacts involved with low-income family assistance in the bank's assessment areas identified affordable housing for low- and moderate-income families as a major credit need. These community contacts also expressed the need for small business loans to entice industry to the area. Community development needs include multi-family affordable housing loans and other community development services. Specific services needed for low- and moderate-income families include homebuyer education and foreclosure prevention.

AA 1: Non-MSA AAs of Knox, Laurel, Madison, Pulaski, and Whitley Counties

Demographic Information for Full-Scope Area: Non-MSA AAs						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	51	1.96%	23.53%	54.90%	19.61%	0.00%
Population by Geography	247,464	1.74%	17.56%	57.42%	23.27%	0.00%
Owner-Occupied Housing by Geography	68,024	0.03%	18.15%	59.33%	22.49%	0.00%
Businesses by Geography	20,050	0.17%	12.40%	61.71%	25.73%	0.00%
Farms by Geography	602	0.00%	6.81%	65.61%	27.57%	0.00%
Family Distribution by Income Level	68,977	23.00%	17.34%	19.96%	39.71%	0.00%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	27,820	0.37%	24.85%	59.64%	15.13%	0.00%
Median Family Income	\$41,000	Median Housing Value				\$66,241
HUD Adjusted Median Family Income for 2007	\$39,100	Unemployment Rate				See below
Households Below the Poverty Level	22.87%					

(*) The NA category consists of geographies that have not been assigned an income classification. Source: 2000 U.S. Census, and 2008 HUD updated Median Family Income. Note: These numbers were obtained directly from the 2000 U.S. Census and may or may not equal exactly 100 percent for each category.

CVNB's non-Metropolitan AA 1 consists of Knox, Laurel, Madison, Pulaski, and Whitley counties. AA 1 is consists of one low income, twelve moderate income, twenty-eight middle income, and ten upper income census tracts. Fifteen of the twenty-eight middle income census tracts have been designated as distressed. Additional weight will be put on the distressed middle income census tracts for our analysis within the lending and community development tests.

Competition from other financial institutions in AA 1 is average. The bank's competitors include several local community banks and branches of large regional institutions. As of June 20, 2008, 98.97% of CVNB's deposits were derived from AA 1. CVNB's deposits in AA 1 totaled \$355,253,000, which equals 10.65% of the market share in AA 1 and ranks it second out of twenty-three banks.

AA 1 is in south central Kentucky. The major private employers for each county are:

- Knox County: Computer Science Corporation (inbound call center) employs 425; Jackson MSC, Inc. (commercial dishwashers) employs 225; and, Truseal Technologies (sealants for insulated glass windows) employs 185;
- Laurel County: Wal-Mart (distribution center) employs 926; ACS Shared Services, Inc. (data entry) employs 615; Aisin Automotive Casting, LLC (engine components) employs 582; Laurel Cookie Factory (cookies) employs 565; Laurel Grocery Company, LLC (food wholesaler) employs 463; Household Int. (call center) employs 462; Flowers Bakery of London, LLC (doughnuts and honey buns) employs 450;
- Madison County: EnerSys, Inc. (industrial batteries) employs 380; The Okonite Company (insulated electrical cable) employs 300; Richmond Auto Parts Technology, Inc. (auto transmission parts) employs 276; Mikron Industries, Inc. (vinyl extrusions) employs 200; Sherwin-Williams Automotive Finishes Corp. (auto coatings and finishes) employs 198; and, AFG Industries, Inc. employs 170;
- Pulaski County: Toyotetsu America, Inc. (auto components and stampings) employs 750; Super Service (truckload interstate carrier) employs 613; Armstrong Wood Products (hardwood flooring) employs 380; Eagle Hardwoods, Inc. (hardwood flooring) employs 265; and, Southern Belle Dairy Co. LLC (milk and juice) employs 235;
- Whitley County: CSC (data processing and imaging center) employs 500; Firestone Industrial Products (air springs) employs 400; and, Williamsburg Plastics (plastic injection molded products) employs 202.

As of April 2009, the unemployment rates in AA 1 were as follows: Knox County was 10.7%; Laurel County was 9.3%; Madison County was 8.6%; Pulaski County was 9.5%; and Whitley County was 10.2%. The state of Kentucky was 9.7%.

AA 2: Metropolitan AA of Fayette County

Demographic Information for Full-Scope Area: MSA AA of Fayette County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	61	14.75%	18.03%	39.34%	26.23%	1.64%
Population by Geography	260,512	11.25%	17.22%	39.42%	31.95%	0.17%
Owner-Occupied Housing by Geography	59,915	4.47%	13.97%	42.17%	39.39%	0.00%
Businesses by Geography	24,938	15.25%	13.40%	34.48%	36.59%	0.28%
Farms by Geography	857	7.12%	8.98%	36.41%	47.49%	0.00%
Family Distribution by Income Level	63,648	20.53%	16.68%	21.17%	41.62%	0.00%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	23,682	14.65%	26.75%	41.49%	17.12%	0.00%
Median Family Income	=\$63,500	Median Housing Value				\$116,911
HUD Adjusted Median Family Income for 2007	=\$59,800					
Households Below the Poverty Level	= 12.89%	Unemployment Rate				=6.9%

(*) The NA category consists of geographies that have not been assigned an income classification. Source: 2000 U.S. Census, and 2008 HUD updated Median Family Income. Note: These numbers were obtained directly from the 2000 U.S. Census and may or may not equal exactly 100 percent for each category.

CVNB's AA 2 consists of Fayette County in Lexington, Kentucky. AA 2 has one branch office with an ATM located in a moderate-income census tract.

Competition from other financial institutions is above average. The bank's competitors include several local community banks, branches of large regional institutions, and savings associations. As of June 30, 2008, 1.03% of CVNB's deposits were derived from AA 2. CVNB's deposits in AA 2 totaled \$3,681,000, which equals 0.07% of the market share in Fayette County and ranks it twenty-third out of twenty-four institutions in AA 2.

AA 2 is located in central Kentucky. Major employers include:

- University of Kentucky with 10,668 employees and Eastern Kentucky University in neighboring Madison County with 1,750 employees;
- Fayette County Public Schools and Lexington-Fayette Urban County Government combined have over 8,000 employees;
- Toyota Motor Manufacturing in neighboring Scott County with 7,000 employees;
- Lexmark International manufacturing printers, information processing supplies, etc. has over 3,100 employees; and,
- St. Joseph Hospital, Veterans Medical Center, Central Baptist Hospital, and Lexington Clinic provide health care and combined have over 6,600 employees.

As of April 2009, the 6.9% unemployment rate for Fayette County was low when compared to 9.7% for the state of Kentucky.

Conclusions with Respect to Performance Tests

CVNB's performance under the lending test is satisfactory. CVNB was found to have reasonable penetration among borrowers of different income levels and businesses of different sizes. CVNB's geographical distribution of loans reflects reasonable dispersion. The geographical distribution conclusion was based on the additional weight it received for the significant volume of non-metropolitan middle income census tracts designated distressed geographies in AA 1. All criteria of the lending test are documented below.

LENDING TEST

The lending test is rated: **Satisfactory.**

Loan-to-Deposit Ratio

CVNB's quarterly average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs.

Over the evaluation period, CVNB's loan-to-deposit ratio has ranged from 67.25% (first quarter 2007) to 81.29% (second quarter 2008). CVNB's average loan-to-deposit ratio for the 11 quarters since the last CRA examination is 74.45%. This is comparable to four similarly situated banks operating in CVNB's market. Their average loan-to-deposit ratios over the evaluation period range from 52.39% to 94.80%, with CVNB ranking in the middle of the distribution.

Lending in Assessment Area

A substantial majority of CVNB's primary loan products were made within the bank's assessment areas. **Table 1** details the bank's lending within the AA by number and dollar amount of loans. Ninety-one percent of the loans originated in these primary loan products were made within the AAs.

\$ Amounts in 000's	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA-reported	357	91.54	33	8.46	390	41,687	90.95	4,147	9.05	45,834
Business Purpose	26	86.67	4	13.33	30	11,399	96.41	424	3.59	11,823
Totals	383	91.19	37	8.81	420	53,086	92.07	4,571	7.93	57,657

Source: Data reported under HMDA; Loan sample.

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

CVNB’s distribution of loans to low- and moderate-income individuals and small businesses with gross revenues less than \$1 million reflects reasonable penetration.

Performance in the Non-MSA AA 1
(Laurel, Knox, Madison, Pulaski, and Whitley Counties)

CVNB’s record of lending to borrowers of different incomes and businesses of different sizes reflects reasonable penetration in the Non-MSA AA 1.

Table 2 shows CVNB’s distribution of loans to small businesses (i.e. firms with revenues of \$1 million or less) is excellent. Loans to small businesses make up 85% of the number of business-purpose loans in the sample. This is reasonable compared to demographic data that shows 58% of the area’s businesses are considered small businesses.

Table 2 - Borrower Distribution of Loans to Businesses in Non-MSA AA 1				
Business Revenues (or Sales) \$ Amounts in 000’s	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	57.58	3.48	38.94	100%
% of Bank Loans in AA by #	85.00	15.00	0.00	100%
% of Bank Loans in AA by \$	77.67	22.33	0.00	100%

Source: Loan sample; Dunn and Bradstreet data.

Table 2a shows CVNB’s overall distribution of home mortgage loans is reasonable.

The distribution of home loans to borrowers reflects reasonable penetration among borrowers of different income levels. One of the credit needs identified for this area was affordable housing. The bank does not meet the income level comparator (comparator) for loan penetration among low-income borrowers for home purchase or home refinance loans. CVNB exceeded the comparator for home improvement loans to low-income borrowers. The penetration among moderate-income borrowers in the AA is reasonable for home purchase and home refinance loans, and exceeded the comparator for home improvement loans.

In reaching a conclusion, the assessment considered the census data, comments from community contacts, and other demographic data. The U.S. Census reported 23% of all households in this community are living below the poverty level. This makes it especially difficult to afford and maintain a home. Community contacts familiar with the market indicated families with less than \$20,500 annual income have difficulty finding affordable housing, which has a minimum entry cost of \$65,000. The community contact and our discussions with bank management revealed additional barriers to home purchase include the unavailability of private mortgage insurance without strong credit scores, and lack of a sufficient down payment to qualify for in-house and secondary market programs. The community contact indicated many low-income families either rent, or if they qualify, obtain subsidized loans through government-sponsored programs.

Another demographic indicating low-income residents have difficulty owning homes are 31% of the households in this community receive social security benefits.

The following table shows the distribution of home loan products among borrowers of different income levels.

Table 2a - Borrower Distribution of Residential Real Estate Loans in Non-MSA AA 1								
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
Purchase	23.00	2.33	17.34	10.47	19.96	19.77	39.70	67.43
Home Improvement	23.00	24.44	17.34	22.22	19.96	4.44	39.70	48.90
Refinancing	23.00	4.12	17.34	15.88	19.96	27.65	39.70	52.35

Source: Data reported under HMDA; U.S. Census data. CVNB reported income information on 86 Purchase loans, 45 Home Improvement loans, and 170 Refinancing loans.

Performance in the Fayette County MSA AA 2

Overall, CVNB’s record of lending to borrowers of different incomes and businesses of different sizes reflects reasonable penetration in the Fayette County MSA AA. CVNB’s loan volume is extremely low in this AA, as the bank operates only one branch in the county and is a new entrant into the market. Bank management indicated this branch’s marketing strategy is focused on commercial lending. See the **Description of Institution** section of this evaluation for more details.

Table 3 shows CVNB’s distribution of loans to small businesses is excellent. Loans to small businesses make up 90.00% of the number of business-purpose loans in the sample, significantly exceeding the percentage of firms in the community identified as small businesses (63.53%).

Table 3 - Borrower Distribution of Loans to Businesses in Fayette County MSA AA 2				
Business Revenues (or Sales) \$ Amounts in 000’s	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	63.53	4.98	31.49	100%
% of Bank Loans in AA by #	90.00	10.00	0.00	100%
% of Bank Loans in AA by \$	91.16	8.84	0.00	100%

Source: Loan sample; Dunn and Bradstreet data on 24,938 non-farm businesses in Fayette County.

Table 3a shows CVNB’s overall distribution of home mortgage loans is reasonable, considering the minimal volume of purchase loans (5) and refinancing loans (3) with income information.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Purchase	20.53	0.00	16.68	20.00	21.17	0.00	41.62	80.00
Home Improvement	20.53	0.00	16.68	0.00	21.17	0.00	41.62	0.00
Refinancing	20.53	33.33	16.68	33.33	21.17	0.00	41.62	33.33

Source: Data reported under HMDA; U.S. Census data. Note: CVNB reported income information on 5 Purchase loans, zero Home Improvement loans, and 3 Refinancing loans.

Geographic Distribution of Loans

Overall, CVNB’s geographic distribution of loans exhibits reasonable dispersion into the low-and moderate-income census tracts. This conclusion is based on the additional weight given to the high volume of distressed middle income census tracts and the context of CVNB’s market.

Performance in the Non-MSA AA 1

Table 4 shows the geographic distribution of loans to businesses in AA 1. It shows CVNB has low dispersion into the low- and moderate-income census tracts because 12% of the community’s businesses are located in the low and moderate-income census tracts and none of CVNB’s sampled business loans were to businesses in those tracts. However, given the majority of the bank’s middle income census tracts are designated as distressed we placed additional weight on the loans made to businesses in the middle income tract and concluded CVNB has reasonable dispersion. The table shows 62% of the community’s businesses are located in the middle income tract and 75% of CVNB’s sampled business loans were to businesses in this tract. Low dispersion in the low- and moderate- income tracts can be explained by several factors. Most of the moderate-income census tracts are situated around the perimeter of the assessment area, while CVNB’s offices are located centrally within the middle-income census tracts in such towns as Corbin and London. Most of the census tracts designated moderate-income are sparsely populated and are part of the Daniel Boone National Forest. Many of the potential borrowers are located in the moderate income census tract are near the town of Barbourville, over 15 miles away from the nearest CVNB office, and are more readily served by the banks located closer to them than CVNB.

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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 Loans	0.17	0.00	12.40	0.00	61.70	75.00	25.73	25.00

Loan sample; 2008 Business Geodemographic Data is based on 20,050 reporting businesses. Note: Fifteen of the 28 middle income census tracts are designated as distressed.

Table 4a shows the geographic distribution of residential real estate loans in AA 1. It shows CVNB has poor dispersion into the low- and moderate-income census tracts. Although 18% of the community’s owner-occupied housing is located in the moderate-income census tracts, CVNB originations to those tracts were only 3% of the bank’s Purchase loans, 4% of its Home Improvement loans, and 6% of its Refinancing loans.

Given the majority of the middle-income census tracts are designated as distressed, additional weight was placed on purchase, home improvement, and refinanced loans made in the middle-income tract. The conclusion is CVNB has a reasonable dispersion. The middle-income census tract is comprised of 59% of the community’s owner-occupied housing and CVNB’s originations to those tracts were 74% of the bank’s purchase loans, 87% of its home improvement loans, and 77% of its refinancing loans.

Table 4a - Geographic Distribution of Residential Real Estate Loans in Non-MSA AA 1								
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
Purchase	0.03	0.00	18.15	3.26	59.33	73.91	22.49	22.83
Home Improvement	0.03	0.00	18.15	3.85	59.33	86.53	22.49	9.62
Refinancing	0.03	0.00	18.15	5.53	59.33	76.88	22.49	17.59

Source: Data reported under HMDA; U.S. Census data.
 Note: Fifteen of the 28 middle income census tracts are designated as distressed.

Performance in the Fayette County MSA AA 2

Table 5 shows CVNB’s geographic distribution of business loans in AA 2. It shows the distribution is reasonable, considering the bank’s size and the single branch location in the metropolitan area. Consideration was given to the limitations arising from the bank’s size, newness to the market, and the limited, one office presence in the AA.

Table 5 shows the percentage of business loans made in the moderate-income tracts (10.00%) approaches the percentage of businesses located in moderate-income tracts (13.40%). This is reasonable performance. However, none of the loans in the sample are to businesses in the low-income census tracts. The lack of penetration into these census tracts is explained by several factors. The AA’s low-income census tracts are all located in Lexington’s downtown business district and are readily served by banks located closer than CVNB. The bank’s office is situated in south-central Fayette County in a moderate-income census tract bounded by middle- and upper-income census tracts, which helps to explain why lending is geographically concentrated in these tracts.

Table 5 - Geographic Distribution of Loans to Businesses in Fayette County MSA AA 2								
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 Loans	15.25	0.00	13.40	10.00	34.48	55.00	36.87	35.00

Source: Loan sample; 2008 Business Geodemographic Data is based on 24,938 reporting businesses.
 Note: The "percentage of AA businesses" columns do not add up to 100 percent because location information for 0.28 percent of the businesses is not available.

Table 5a shows the geographic distribution of residential real estate loans in the Fayette County MSA AA 2 is reasonable, considering the minimal volume of 14 loans.

Table 5a - Geographic Distribution of Residential Real Estate Loans in Fayette County MSA AA 2								
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
Purchase	4.47	12.50	13.97	25.00	42.17	12.50	39.39	50.00
Home Improvement	4.47	0.00	13.97	0.00	42.17	0.00	39.39	0.00
Refinancing	4.47	0.00	13.97	16.67	42.17	50.00	39.39	33.33

Source: Data reported under HMDA; U.S. Census data. Only 14 reported loans.

Responses to Complaints

CVNB has not received any written comments or complaints regarding its performance in its efforts to meet the credit needs of their delineated AAs during the evaluation period. The OCC has not received any written comments, complaints, or inquiries concerning CVNB and its effort to comply with the spirit and intent of the CRA.

COMMUNITY DEVELOPMENT TEST

The Community Development Test is rated Satisfactory. During the evaluation period, CVNB provided \$5.3 million in community development loans and CRA qualified investments to help meet the community development (CD) needs of the AAs. In addition, bank personnel provided financial expertise to four community development organizations serving the AAs. The bank’s level of CD activities is adequate given its size and capacity, and the CD needs and opportunities within its AAs.

Performance in the Non-MSA AA 1

Considering its performance context and the needs and opportunities within the AA, CVNB has demonstrated adequate responsiveness to the community development needs of this AA.

Performance in the Fayette County MSA AA 2

Considering its performance context and the needs and opportunities within the AA, CVNB has demonstrated adequate responsiveness to the community development needs of this AA.

Number and Amount of Community Development LoansPerformance in the Non-MSA AA 1

CVNB originated nine community development loans in AA 1 since the last CRA examination totaling \$2.9 million.

- \$160,000 to purchase two commercial buildings within the bank's AA to hold offices for an organization that targets low-and moderate-income (LMI) individuals and provides help for mental conditions, substance abuse, and other related services.
- \$101,600 to purchase two commercial buildings. The buildings will be utilized by an organization that targets LMI individuals and provide help for mental conditions, substance abuse, and related services. Although these buildings are not in the bank's AA, the organization services all counties within the bank's AA. Therefore the two commercial buildings could potentially benefit the bank's AA.
- \$100,000 to place a loan on permanent financing. The original purpose of the loan was to construct an office building to provide help for mental conditions, substance abuse, and related services to low-and moderate-income individuals in the bank's AA.
- \$125,000 to renovate an old building in the AA and to make it into a homeless shelter.
- \$105,000 to renovate an old building in the AA and to make it into a homeless shelter.
- \$2,100,000 to construct a health care facility in the AA that targets LMI individuals and families.
- \$71,510 to refinance the commercial building the organization utilizes to provide prescriptions, dentures, glasses, food, clothing, and rent assistance for LMI individuals.
- \$47,800 to purchase an apartment building to provide affordable housing to LMI individuals.
- \$150,000 to complete construction on a free-standing medical facility for a non-profit organization that provides medical care to terminally ill patients within the bank's AA and to distressed or underserved census tracts surrounding the AA.

Performance in Fayette County MSA AA 2

CVNB originated one community development loan in Fayette County AA 2 since the last CRA examination totaling \$1,580,000. The \$1,580,000 was to purchase a 50 unit apartment complex in Fayette County to provide affordable housing for low- and moderate-income individuals and families.

Number and Amount of Qualified Investments

Performance in the Non-MSA AA 1

CVNB purchased three qualifying municipal bond investments totaling \$730,000 in this AA since the last examination. The investments are for a local college who targets LMI individuals and families and requires little or no out-of-pocket expenses to be paid by students or their families. In addition, CVNB made other qualified investments/donations to several local organizations for a total of \$20,000 all of which have a CD purpose. CVNB made these donations to medical relief groups, organizations that provide financial support to LMI individuals, and groups organized for the purpose of feeding and clothing LMI individuals.

Performance in the Fayette County MSA AA 2

CVNB made two qualified donations in this AA since the last examination totaling \$1,200.

Extent to Which the Bank Provides Community Development Services

Performance in the Non-MSA AA 1

Although CVNB does not have any branches in any LMI census tracts, it does maintain eight full-service branch offices with ATMs in non-metropolitan middle-income census tracts that have been designated as distressed in this AA. The presence of a full-service branch in this census tract indicates the bank is helping provide retail and community development services to the distressed part of the AA. The bank offers a low-cost basic banking account and free government check cashing. These services help increase access to financial services for low-and moderate-income individuals. With a 23% poverty rate, 31% of households in the AA receive social security benefits and 40% of the families considered LMI, these services are reviewed favorably under the CRA review.

Several bank officers provided community development services to qualifying programs in this AA. One officer oversees the fundraising, investments, and expenditures for the endowment of a local hospital that provides services targeted to LMI individuals and families by offering free clinics, education, and research. One officer serves as a director for the local Industrial Development Authority, which promotes activities that revitalize or stabilize distressed non-metropolitan middle-income census tracts. One officer serves as a Board Member and Treasurer of an organization that works closely with existing industry in order to encourage expansion and job retention as well as promote growth by enticing commercial and industrial development.

Performance in the Fayette County MSA AA 2

As noted above, CVNB provides products and services that generally increase access to financial services for LMI individuals, including low-cost bank accounts and free government check cashing. Providing these services received favorable consideration

during this evaluation, especially since 38% of the families in the AA are considered LMI. In addition, one of the bank's full service branches and ATM is located in a moderate-income census tract.

One bank officer provided community development service to a qualifying program in this AA. This officer serves as the Chairman of a private, non profit organization committed to making housing more affordable for members of the community. This service helps low- or moderate-income families and individuals become first-time homeowners.

Responsiveness to Community Development Needs

The level of community development initiatives undertaken by the bank demonstrates an adequate responsiveness to the community development needs of its AA. Although a significant majority of the geographies within the AAs are middle- and upper-income, the bank seeks community development opportunities through their participation in civic, non-profit, and charitable organizations through-out the AAs. Services provided during the review period included a range of organizations that address community development needs including affordable housing, small business development, and social services to low- and moderate-income individuals.

Performance in the Non-MSA AA 1

CVNB's community development loans, qualified investments, and community development services demonstrate adequate responsiveness to the needs and opportunities in this AA. Identified needs include more affordable housing and the need for small business loans to continue recruiting industry to the area to help reduce unemployment. Of the nine community development loans, one was targeted to an identified community development need for affordable housing. Community services targeted to low- and moderate-income individuals was the substantial majority of the remaining community development loans in the AA, with the majority of the organizations focused on medical and social service needs. In addition, the bank provided \$20,000 in donations to organizations that provide community services to LMI individuals; and its officers provided technical assistance to three different qualified organizations that provide needed community services to the LMI population, promote economic development, and revitalize or stabilize distressed non-metropolitan middle-income geographies in the AA.

Performance in the Fayette County MSA AA 2

CVNB's community development activities, as a whole, demonstrate adequate responsiveness to the needs and opportunities in this AA. Identified credit needs of the AA include multi-family loans and affordable housing units for both single-family and rental. Identified community development services include financial literacy, home buyer education, and foreclosure prevention education. One community development loan directly financed a project providing affordable housing to LMI individuals in the AA.

The qualified investments/donations helped provide monetary assistance to medical relief groups and to organizations that provide financial support to LMI individuals. The qualified community development service provided in this AA met all the identified needs of providing financial literacy, home buyer education, and foreclosure prevention education.

Fair Lending or Other Illegal Credit Practices Review

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