

Washington, DC 20219

PUBLIC DISCLOSURE

As of April 19, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Campbellsville National Bank
Charter No. 22225**

**1405 East Broadway
Campbellsville, Ky 42719**

Office of the Comptroller of the Currency

**Louisville Field Office
9200 Shelbyville Road, Suite 505
Louisville, Kentucky 40222**

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.

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 **Campbellsville National Bank** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 19, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated as "Satisfactory Record of Meeting the Community Credit Needs".

- o The bank is making a majority of their loans within its assessment area - approximately 74% in number and 64% in dollar volume.
- o The bank lends to borrowers of different income levels.
- o Management's record of lending to small businesses and farmers meets the standards for satisfactory performance.
- o The average loan-to-deposit ratio exceeds the standards for satisfactory performance.
- o There have been no CRA-related complaints since the last CRA examination.

DESCRIPTION OF INSTITUTION

Campbellsville National Bank (CNB) is a community bank with total assets of approximately \$46 million as of March 31, 1999. The bank is wholly owned by Campbellsville Bancorp, Inc., a one-bank holding company. CNB has two full service offices which offer extended business hours of 7:30 a.m. to 6:00 p.m. on weekdays and 8:00 a.m. to noon on Saturdays. These extended hours offer added convenience to individuals who work during the day or out of the county.

The bank offers traditional banking services and lending products. Management focuses lending efforts on mortgage lending with a majority of loans being 1-4 Family Residential loans. CNB's loan portfolio consists of the following: 54% 1-4 family residential; 16% non-farm, non-residential; 10% farmland; 9% consumer; 4% commercial & industrial; 3% construction; 2% agriculture; 1% multifamily; and 1% credit card loans. As of December 31, 1998, net loans and leases represented 83% of the bank's average assets.

There are no constraints on the bank's ability to meet local credit needs. Considering the bank's financial condition and size, the local economy, and other demographic information, management has no impediments to servicing the legitimate community credit needs of Taylor County. Our last examination of this bank was April 1996 at which time the CRA rating was also "Satisfactory Record of Meeting Community Credit Needs".

DESCRIPTION OF TAYLOR COUNTY

The bank's assessment area is Taylor County. The assessment area does not arbitrarily exclude low- and/or moderate-income block numbering areas (BNA's). There are five block numbering areas in the assessment area. Three are designated middle income and two are upper income. Taylor County does not have any low- or moderate-income BNA's. The 1990 Census median family income for Taylor County is \$25,912. The statewide median family income for non-metropolitan areas in 1998 was \$29,800 and in 1999 is \$32,200.

Taylor County is a rural county in central Kentucky with a population of 21,146. Campbellsville is the largest city in the county and serves as the county seat of government. The unemployment rate is higher than state and national averages due to the recent closing of the area's largest manufacturing employer and is expected to continue to rise when another manufacturer closes its doors at the end of May 1999. Approximately 50% of the county worked in the manufacturing industry before the layoffs. The unemployment rate was 19.4% as of February 1999. Other major area employers in the area include a cabinet manufacturer, the school board, Campbellsville University, the hospital, and various retail stores.

Competition from other financial institutions in the county is strong. The bank's primary competitors include two state banks, a national bank, and several finance companies. Management has identified residential real estate loans and consumer loans as the major credit needs of the community.

An executive with the county's Economic Development Council was contacted as a community contact. Discussions indicated that the economy was declining due to increasing unemployment and that the major credit need in Taylor County is housing.

In understanding the Taylor County loan market and how loan demand is affected, consideration must also be given to the demographics of the assessment area population. Based on 1990 census data, 22% of the households are below the poverty level, 29% live on social security, and 12% receive public assistance. In addition, 12% of the population is retired. It is likewise important to note that 26% of the housing is for rental purposes and 8% of the housing is in the form of mobile homes or trailers. All of these factors have contributed to a decline in the demand for mortgage loans in the lower and/or moderate-income levels across Taylor county. Individuals who cannot afford to save for the down payments required for mortgages turn toward rental property and mobile homes for their housing needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LENDING IN THE ASSESSMENT AREA

Campbellsville National Bank makes a majority of their loans to borrowers inside Taylor County. A sample of 50 mortgages, a primary loan product, indicates that approximately 74% of the total number and 64% of the dollar amount of loans were to borrowers inside the bank's assessment area (AA). This appears reasonable and meets the standards for a satisfactory rating.

LOAN DISTRIBUTION AMONG THE ASSESSMENT AREA OF TAYLOR COUNTY (Based on a sample of 50 Mortgages)				
	No. Of loans	Percent	Amount (000's)	Percent
Inside AA:	37	74%	\$1,413,941	64%
Outside AA	13	26%	\$794,008	36%
Totals loans	50	100%	\$2,207,949	100%

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The distribution of lending within the assessment area reflects satisfactory penetration among the different income levels, including low- and moderate-income levels. The bank's primary product line is 1-4 Family Residential mortgages. Please refer to the table below outlining the bank's level of consumer and mortgage lending to borrowers of different incomes.

Consumer lending to borrowers of different incomes is reasonable (see chart below) while CNB's mortgage lending to low- and moderate-income borrowers falls below the proportion of the low- and moderate-income segment in the assessment area. Considering the demographic and financial context of the assessment area (see list below), this appears to be reasonable. Low and moderate-income individuals living on fixed incomes often cannot afford to save for down payments on mortgages. Consequently, they turn toward rental property and mobile homes as an affordable alternative for housing. Since the bank cannot service these income segments through mortgage lending, they service them through consumer lending.

The following factors contribute to the reduced demand for mortgage loans:

- o Lending levels of comparable local, long-established institutions are similar.
- o 22% of the population is below the poverty level.
- o 12% of the population is on public assistance.
- o 29% of the population receives social security.
- o 12% of the population are retired.
- o Taylor County has a high percentage of rental homes (26%) and 8% of the population lives in mobile homes.
- o Taylor County also has a large section of government housing available for low and/or moderate income individuals and families.

Income Level	Percentage of Families Within Taylor County*	Number of Residential Mortgage Loans Made	Percent	Number of Consumer Loans Made	Percent	Total Number of Loans	Percent
Low	19.60%	5	1.19%	42	10.12%	53	4.84%
Moderate	14.87%	28	6.65%	120	28.92%	196	17.88%
Middle	18.13%	123	29.22%	148	35.66%	364	33.21%
Upper	47.39%	265	62.95%	105	25.30%	483	44.07%
Total	100%	421	100%	415	100%	1096	100%

* According to the 1990 Census Data, U.S. Bureau of Census.

The majority of the bank's commercial loans and agricultural loans are to small businesses, defined by the Equal Credit Opportunity Act as businesses with annual sales of less than

\$1 million. Approximately 88% of all business loans made in 1998 were to small businesses. This is based on bank generated reports verified through our samples. All Business loans are coded by gross annual revenues.

Exam Code	Gross Annual Revenues	No. Of loans made in 1998	Percentage of loans made in 1998
5	Less than \$100,000	10	59%
6	\$100,000 up to \$250,000	5	29%
7	\$250,000 up to \$1,000,000	0	0%
8	Over \$1,000,000	2	12%

In addition to these loans to small businesses, the bank makes a substantial amount of small dollar consumer loans. The bank has no minimum loan amount.

LOAN-TO-DEPOSIT RATIO

The bank's average loan-to-deposit ratio since the last CRA examination is 91.45% and is considered to significantly exceed the standard. As of December 31, 1998, the loan-to-deposit ratio was 95.11%. Overall, this ratio has increased since the previous CRA examination in 1996. Campbellsville National Bank's ratio is higher than its national peer group which is 62.40% and higher than the local, similarly situated banks whose average loan-to-deposit ratio ranges from 70% to 75%.

GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of the geographic distribution of loans within Taylor County was not performed. Since Taylor County consists entirely of middle and upper income BNA's, an analysis of loan distribution by geographies would not be meaningful.

RESPONSE TO COMPLAINTS

No CRA related complaints have been received since the last examination.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

We did not identify any violations of the substantive provisions of the antidiscrimination laws and regulations.