



SMALL BANK

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

PUBLIC DISCLOSURE

February 17, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Fort Knox National Bank
Charter Number 14894**

**601 West Lincoln Trail Boulevard
Radcliff, KY 40160**

**Comptroller of the Currency
9200 Shelbyville Road, Suite 505
Louisville, KY 40222**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

<i>INSTITUTION'S CRA RATING</i>	<i>1</i>
<i>DESCRIPTION OF INSTITUTION</i>	<i>2</i>
<i>DESCRIPTION OF HARDIN COUNTY</i>	<i>3</i>
<i>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</i>	<i>5</i>

INSTITUTION'S CRA RATING

This document is an evaluation of the Community Reinvestment Act (CRA) performance of the Fort Knox National Bank of Radcliff, Kentucky prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of February 17, 2004. The agency rates CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

This institution is rated Satisfactory.

Major Conclusions:

- The average loan-to-deposit ratio is satisfactory, considering the bank's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending-related activities are in the bank's assessment area.
- The distribution of loans reflects satisfactory penetration among individuals of different income levels.
- The geographic distribution of loans is considered satisfactory, given the community's credit needs and demographics in relation to the bank's location and capacity to lend. Although there is a gap in lending in two contiguous census tracts, these geographies have sparse housing and very few owner-occupied units.

DESCRIPTION OF INSTITUTION

Fort Knox National Bank (FKNB) is a \$40 million intrastate institution located in Radcliff, Kentucky, approximately 50 miles south of Louisville. FKNB is wholly owned by Fort Knox National Bancorp, a single bank holding company located in Elizabethtown, Kentucky. The bank has one office and one proprietary Automated Teller Machine (ATM) both located at the main office in Radcliff. The main office also has a drive-thru facility. FKNB has one cash dispenser located inside Fort Knox National Company's offices in Elizabethtown, Kentucky. The bank participates in a unique ATM network for the military, called the Armed Forces Financial Network, which provides customers with greater ATM accessibility. The network allows service members to use their ATM cards on the system regardless of the type of ATM card they possess or the type of ATM system available. The bank's ATM card can also be used at any CIRRUS or STAR network worldwide.

As of September 30, 2003, the bank's net loan portfolio totaled approximately \$20 million, or 44% of average assets. Tier One capital is \$2.7 million. The loan mix at September 30, 2003 was as follows: 1-4 family residential mortgages 90%, home equity loans 5%, construction loans 3%, consumer loans 1% and lease receivables 1%.

The bank offers traditional banking services and focuses on residential real estate lending products. This includes many government-sponsored loan programs such as Farmers Home Administration (FmHA), Federal Home Loan Bank (FHLB) and Kentucky Housing Corporation (KHC). FKNB also sells a portion of their 1-4 family residential real estate loans on the secondary market. In 2002 and 2003, the bank sold 50% of the residential real estate loans they originated in the assessment area. FKNB is considered community-oriented by offering a variety of residential real estate products and loan terms.

There are no legal or financial circumstances that impact the bank's ability to meet community credit needs. The last CRA evaluation was performed February 18, 1999. The bank received a rating of Satisfactory. The coverage period for this evaluation is from March 1, 1999 to January 31, 2004.

DESCRIPTION OF HARDIN COUNTY

FKNB's assessment area (AA) is Hardin County, Kentucky. It includes the cities of Radcliff and Elizabethtown, the county seat. The county is located within the Elizabethtown Metropolitan Statistical Area (MSA). The 2000 U.S. Census divided the assessment area into nineteen census tracts (CTs), with one moderate-income, six middle-income and twelve upper-income geographies. There are no low-income CTs in Hardin County. The assessment area appears appropriate in relation to the location of the bank and does not arbitrarily exclude any low- or moderate-income areas.

Hardin County has a total population of 94,174. The population is comprised of 25,577 families, of which 6,812, or 27%, are considered to have low- or moderate-incomes. In addition, the percentage of households receiving public assistance is approximately 2%. Other significant factors to consider include: 9% of the households live below the poverty level and 22% are on social security.

The AA is centrally located and has three major highways intersecting nearby. Easy access to the area is helping to attract new businesses. The U.S. Army's Fort Knox operations also occupy a large portion of the northern part of the county. The economy is growing and considered mixed. The major industry is services, followed by retail trade and finance. Some of the major employers in the AA are Ambrake Corporation, Dana Corporation, and A P Technoglass Incorporated. As of December 2003, the unemployment rate for Hardin County was 5.8%. Kentucky's unemployment rate was 5.4% and the national average was 5.6%.

There are a total of thirteen commercial and savings banks in the assessment area. Of these banks, six are chartered in Hardin County. The bank's major competition in and around the Hardin County area consists of other banks and a federal credit union. We performed one community contact interview during our evaluation. We contacted a member of the Hardin County business and labor group. The contact indicated the overall credit needs of the community are being met by local banks.

The following demographic information of the bank's AA in Hardin County is based on 2000 census data, unless otherwise indicated.

Type of Information	Hardin County	
Population	94,174	
Kentucky HUD Adjusted MSA/Non-MSA Median Family Income	\$38,600	
Families in AA:		
Income Levels of Families	#	%
Low	3,272	13%
Moderate	3,540	14%
Middle	5,176	20%
Upper	13,589	53%
Total Families within AA	25,577	100%
Median Home Value:	\$82,449	
Median Year Built:	1977	

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given FKNB's size, financial condition, and assessment area credit needs. The bank's average net loan-to-deposit ratio for the nineteen quarters since the last CRA evaluation is 62%. Currently, FKNB's net loan-to-deposit ratio is 56%. There are no other banks considered similarly situated and comparable to FKNB in asset size, market, and major lending product operating in the assessment area. FKNB's net loan-to-deposit ratio is slightly lower than its national peer group, which is 66%.

Lending in Assessment Area

A majority of loans and other lending-related activities are in FKNB's assessment area. The analysis shows 62% of the number and 60% of the dollar amount of loan originations were to borrowers inside the assessment area. To reach this conclusion, the OCC analyzed the bank's lending activity by using a computer-generated bank report of loans originated in 2002, 2003 and 2004. See table below for details.

LOAN ORIGINATIONS BETWEEN JAN 1, 2002 AND JAN 31, 2004				
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$(000's)	Percentage of Loans
Within the Assessment Area	116	62%	\$9,756	60%
Outside the Assessment Area	71	38%	\$6,489	40%
Totals	187	100%	\$16,245	100%

* Source: Computer-generated bank report of 1-4 family residential real estate loans originated in 2002, 2003 and 2004.

Lending to Borrowers of Different Incomes

The distribution of loans, given the demographics of the assessment area, reflects satisfactory penetration among individuals of different income levels (including low- and moderate-income borrowers). To reach this conclusion, the OCC analyzed the bank's lending activity of loans for the bank's primary loan type. The primary loan type for this analysis is 1-4 family residential mortgages. See the table below for details.

Table INC 1-4 Family Residential Loans shows the percentage of FKNB's home purchase and refinance loans to low- and moderate-income borrowers is lower than the percentage of families in the assessment area with low and moderate incomes. Together, low- and moderate-income borrowers still received 14% of the number of 1-4 family residential loans. FKNB's mortgage lending for the purpose of purchasing or refinancing a home is reasonable considering the identified home mortgage credit needs in the community. Also, refer to the bank's description (page 2). It details the percentage of residential real estate loans sold on the secondary market in 2002 and 2003.

Table INC 1-4 Family Residential Loans

1-4 FAMILY RESIDENTIAL LOANS					
Borrower Income Level	Loan Originations Between Jan 1, 2002 and Jan 31, 2004				Percentage of Families within each Income Category
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$ (000's)	Percentage of Dollars	
Low	3	3%	\$ 244	3%	13%
Moderate	13	11%	\$ 726	7%	14%
Middle	25	21%	\$1,891	19%	20%
Upper	75	65%	\$6,895	71%	53%
Total	116	100%	\$9,756	100%	100%

* Source: Computer-generated bank report of 1-4 family residential real estate loans originated within the bank's assessment area.

** Further segmentation of home mortgage lending activity by purpose was not available from the data used for this analysis.

Geographic Distribution of Loans

The geographic distribution of loans reflects satisfactory dispersion throughout the assessment area. FKNB's lending activity extends throughout the assessment area. Based on the bank's reports, management has originated loans in most of the census tracts comprising the assessment area. Although there is a gap in lending in two contiguous census tracts (census tracts 1 and 2), these geographies have sparse housing and very few owner-occupied units. To reach these conclusions, the OCC analyzed the bank's lending activity of loans for the bank's primary loan type. The primary loan type for this analysis is 1-4 family residential mortgages (both purchase and refinance). See the table below for details.

Table GEO 1-4 Family Residential Loans shows FKNB has satisfactory penetration in making home purchase and refinance loans in the assessment area's only moderate-income census tract. This geography contains only 1% of all owner-occupied housing in the assessment area. The loans reviewed for FKNB showed 5% of the number and 5% of the dollar amount of the 1-4 family residential loans were made to borrowers located in the only moderate-income census tract.

Table GEO 1-4 Family Residential Loans

Geographic Distribution of 1-4 Family Residential Loans By Geography Income Designation Originated Between January 1, 2002 – January 31, 2004					
Income Level of Census Tracts	1-4 Family Residential Loans				Distribution of Owner- Occupied Housing
	Number of Loans	Percentage	Dollars \$(000's)	Percentage	
Moderate	6	5%	\$ 456	5%	1%
Middle	11	10%	\$ 966	10%	24%
Upper	99	85%	\$8,334	85%	75%
Total	116	100%	\$9,756	100%	100%

* Source: Computer-generated bank report of 1-4 family residential real estate loans originated within the bank's assessment area.

** Further segmentation of home mortgage lending activity by purpose was not available from the data used for this analysis.

Responses to Complaints

The Fort Knox National Bank has not received any complaints about its performance in helping to meet assessment area needs during this evaluation period.

Fair Lending Review

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