



PUBLIC DISCLOSURE

November 20, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Lincoln National Bank of Hodgenville
Charter Number 13479
41 Public Square
Hodgenville, Kentucky 42748

Office of the Comptroller of the Currency
10200 Forest Green Boulevard, Suite 501
Louisville, Kentucky 40391

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, and should not 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

OVERALL CRA RATING	3
DEFINITIONS AND COMMON ABBREVIATIONS	4
DESCRIPTION OF INSTITUTION	8
SCOPE OF THE EVALUATION.....	9
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	9
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS.....	10
LENDING TEST	10
APPENDIX A: SCOPE OF EXAMINATION.....	A-1
APPENDIX B: COMMUNITY PROFILES FOR FULL-SCOPE AREAS	B-1

Overall CRA Rating

The Institution is rated: **Satisfactory**.

The Lincoln National Bank of Hodgenville (LNB or Bank) has a **satisfactory** record of meeting community credit needs. The basis for our conclusion was primarily based on distribution of loans to borrowers of different incomes and the loan-to-deposit (LTD) ratio.

The Lending Test is rated: **Satisfactory**.

The major factors supporting the rating for the Bank include:

- The LTD ratio is more than reasonable given the Bank's size, financial condition, and credit needs of the Bank's assessment areas (AAs).
- LNB originates a majority of its loans inside its AAs.
- The penetration of loans to borrowers of different income levels is reasonable.
- The geographic dispersion of residential loans throughout the AAs is reasonable.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

LNB is a \$282 million intrastate financial institution in Hodgenville, Kentucky. LNB is a wholly owned subsidiary of Hambac, Inc., a one-bank holding company. The Bank operates six locations, each equipped with automated teller machines. Branch locations are accessible within each AA of the Bank, which are LaRue and Nelson counties. LNB acquired Kentucky Home Bank in April 2015. This acquisition added three branches, all within Nelson County, creating a second AA for the Bank.

LNB is a full-service lender offering traditional banking products and services. The Bank offers residential and commercial real estate, commercial, agricultural, and consumer loans. Deposit products include personal checking and savings, money market, business checking, NOW accounts, and certificates of deposit.

Competition from other financial institutions is moderate. The Bank's competitors include locally-based community banks and various branches of large regional banks. According to June 30, 2017 Federal Deposit Insurance Corporation (FDIC) data, eight banks with 25 offices operate within the Bank's two AAs. These offices held a combined total of \$1.07 billion in deposits. Of the combined deposits from both AAs, LNB ranked first with a 21.84 percent market share.

As of June 30, 2017, LNB reported \$234 million in total deposits and \$208 million in total loans. The loan portfolio breakdown is as follows:

Loan Portfolio Summary by Loan Type		
June 30, 2017		
Loan Category	\$ (000)	% of total loan volume
Residential Loans	180,598	86.76
Consumer Loans	15,146	7.28
Commercial Loans	7,836	3.76
Agriculture Loans	4,527	2.17
Other Loans	61	0.03
Total Loans	\$ 208,168	100.00%

As of the date of this evaluation, there are no legal or financial impediments limiting LNB's ability to meet the credit needs of its AAs. The last CRA evaluation was performed by the Office of the Comptroller of the Currency (OCC) on September 26, 2012. LNB received a Satisfactory rating.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated LNB's CRA performance using the OCC's Small Bank CRA Examination Procedures which assess an institution's record of meeting the credit needs of its AAs through lending activities.

The CRA evaluation covers the period since the date of the previous CRA examination, September 26, 2012 through November 20, 2017. Based on the dollar volume of loan origination data supplied by the Bank, the primary lending product was residential real estate loans. Although there was a large number of consumer loans originated during the assessment period, these loans made up a significantly smaller dollar volume in comparison to other loan types.

Data Integrity

We relied on the Bank's 2015 and 2016 HMDA reports for this evaluation, which was reviewed for accuracy.

Selection of Areas for Full-Scope Review

LNB has two assessment areas, consisting of the Elizabethtown-Ft. Knox MSA (LaRue County) and Nelson County, Kentucky (non-MSA). Refer to Appendix B for a profile of each assessment area. We completed a full-scope review for each assessment area. Refer to the table in Appendix A for more information.

Ratings

The Bank's overall rating was based on the volume of residential loans originated in the two AAs. Due to no low-income and only one moderate-income CT in the AAs, more reliance was placed on lending to borrowers of different income levels.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

LNB's performance under the lending test is satisfactory.

- The LTD ratio is more than reasonable.
- LNB originates a majority of loans inside the AAs.
- The penetration of loans to borrowers of different income levels is reasonable.
- The geographic dispersion of residential loans throughout the AAs reflect reasonable distribution.

Loan-to-Deposit Ratio

LNB's average LTD ratio is more than reasonable given the Bank's size, financial condition, funding makeup, and the credit needs of its AAs. The Bank's LTD ratio averaged 88.44 percent over the last 12 quarters, with a quarterly high of 94.59 percent and quarterly low of 85.22 percent. LNB ranked third among a total of six similarly-situated banks serving its AAs. The other five banks had average LTD ratios of 79.33 percent, ranging from 59.91 percent to 114.95 percent over the same 12 quarters.

Lending in Assessment Area

LNB originated a majority of loans inside the AAs. The Bank originated 68.79 percent of residential loans, by number, in the AAs. The table below details LNB's lending within the AAs by number and dollars of loans originated or purchased during the evaluation period.

Table 1 - Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA - Reported	238	68.79	108	31.21	346	25,961	64.20	14,477	35.80	40,438

Source: 2015 and 2016 HMDA LARs.

Lending to Borrowers of Different Incomes

Overall, LNB had reasonable penetration to low- and moderate-income borrowers.

LNB had a reasonable penetration of loans to low- and moderate-income borrowers in LaRue County (AA1). The Bank originated 8.57 and 21.90 percent of its residential loans to low- and moderate-income families respectively in AA1. Performance was below 2010 U.S. census demographic data for low-income families, but above for moderate-income families. LNB does not offer government-based lending products. However, management refers borrowers to a third-party provider who offers access to government-based assistance programs. Also, the county has 17.64 percent of households living below the poverty level and another 33.65 percent on a fixed income. This has a significant impact on the ability of low- to moderate-income borrowers to purchase a home (2015 median home value was \$96,084). Housing needs of low-income families in AA1 are also met by the residential rental market. Approximately 22.30 percent of the rental units available in AA1 are targeted towards low-income families.

Table 2 - Borrower Distribution of Residential Real Estate Loans in LaRue County								
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
Residential Loans	22.82	8.57	18.59	21.90	26.19	29.52	32.40	40.00

Source: % of AA Families derived from 2010 U.S. Census Data. Residential Loans from 2015 and 2016 HMDA LARs.

LNB had reasonable penetration of loans to low- and moderate-income borrowers in Nelson County (AA2). The Bank originated 2.94 and 14.71 percent of residential loans to low- and moderate-income borrowers, respectively. The Bank is slightly above the demographics for moderate-income families. Penetration to low-income families was significantly lower than the AA's demographics. The median home value in 2015 of \$116,205 potentially limits the ability of low-income individuals to obtain a residential loan. AA2 also has 12.58 percent of households below the poverty level.

Table 3 - Borrower Distribution of Residential Real Estate Loans in Nelson County								
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
Residential Loans	14.97	2.94	14.06	14.71	20.64	20.59	50.33	61.76

Source: % of AA Families derived from 2010 U.S. Census Data. Residential Loans from 2015 and 2016 HMDA LARs.

Geographic Distribution of Loans

The overall geographic dispersion of loans reflects reasonable dispersion into the moderate-income CT.

An analysis of the geographic dispersion of loans in AA1 was not performed due to all four CTs being middle-income.

The geographic dispersion of loans within the moderate-income CT in AA2 is reasonable. The Bank originated 7.03 percent of residential loans to borrowers in the moderate-income CT. This reflects favorably in relation to 2015 demographic data which indicates 5.39 percent of all owner-occupied housing lies within the AAs moderate-income CT.

Table 4 - Geographic Distribution of Residential Real Estate Loans in Nelson County								
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
Residential Loans	N/A	N/A	5.39	7.03	31.28	30.47	63.34	62.50

Source: % of AA Owner Occupied Housing derived from 2010 U.S. Census Data. Residential Loans from 2015 and 2016 HMDA LARs.

Responses to Complaints

LNB did not receive any written complaints regarding its CRA performance during the evaluation period.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test: January 1, 2015 to December 31, 2016	
Financial Institution	Products Reviewed	
The Lincoln National Bank of Hodgenville (LNB) Hodgenville, Kentucky	1-4 Family Residential Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
<i>Not Applicable</i>	<i>Not Applicable</i>	<i>Not Applicable</i>
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Kentucky: Elizabethtown-Ft. Knox MSA (excluding Hardin and Meade Counties) #21060 Nelson County	Full-Scope for each	

Appendix B: Community Profiles for Full-Scope Areas

LaRue County, Kentucky

Demographic Information for Full-Scope Area: Elizabethtown – Ft. Knox, MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	4	0	0	100.00	0	0
Population by Geography	14,193	0	0	100.00	0	0
Owner-Occupied Housing by Geography	3,877	0	0	100.00	0	0
Businesses by Geography	820	0	0	100.00	0	0
Farms by Geography	183	0	0	100.00	0	0
Family Distribution by Income Level	3,562	22.82	18.59	26.19	32.40	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	1,475	0	0	100.00	0	0
Median Family Income HUD Adjusted Median Family Income for 2015 Households Below the Poverty Level	= \$48,758 = \$58,100 = 883 or 17.64%	Median Housing Value Unemployment Rate		= \$96,084 = 4.10%		

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census, and 2015 HUD updated MFI.

LNB’s AA1 consists of LaRue County, Kentucky. AA1 is located in the Elizabethtown-Ft. Knox MSA, but excludes Hardin and Meade Counties. AA1 is appropriate in relation to the location of the Bank’s offices and does not arbitrarily exclude any low- or moderate-income CTs.

According to the 2010 U.S. Census, the total population of AA1 was 14,193. LaRue County is divided into four CTs, with all four being middle-income CTs.

The June 30, 2017 FDIC Summary of Deposits reflected \$115.52 million, or 49.35 percent, of LNB’s total deposits are within AA1. The Bank has one major competitor in the area, which is also headquartered in LaRue County. LNB ranks second with 37.97 percent of the market share. The Bank has three branches, including the main office, and three ATMs within this AA1.

As of September 30, 2017, LaRue County’s unemployment rate was 4.10 percent, slightly below state and national averages of 4.30 and 4.20 percent, respectively. According to the 2014 U.S. Department of Commerce, Bureau of the Census, 81.30

percent of the employed labor force in AA1 commute out of the county. Major private employers within LaRue county are Nationwide Uniform (220 employees), NSU Corporation (88 employees) and Konsei USA, Inc. (70 employees).

Nelson County, Kentucky

Demographic Information for Full-Scope Area: Nelson County, Kentucky						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	9	0	11.11	33.33	55.56	0
Population by Geography	43,437	0	7.60	33.32	59.07	0
Owner-Occupied Housing by Geography	12,437	0	5.39	31.28	63.34	0
Businesses by Geography	2,848	0	12.32	26.76	60.92	0
Farms by Geography	240	0	3.33	22.08	74.58	0
Family Distribution by Income Level	11,625	15.97	14.06	20.64	50.33	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	3,375	0	13.13	38.01	48.86	0
Median Family Income = \$53,243 HUD Adjusted Median Family Income for 2015 = \$46,900 Households Below the Poverty Level = 2,034 or 12.58%			Median Housing Value = \$116,205 Unemployment Rate = 3.70%			

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census, and 2015 HUD updated MFI.

LNB’s AA2 consists of Nelson County, Kentucky. AA2 is appropriate in relation to the location of the Bank’s offices and does not arbitrarily exclude any low- or moderate-income CTs.

According to the 2010 U.S. Census, the total population of the AA2 was 43,437. Nelson County is divided into nine CTs, no low-income CTs, one moderate-income CT, three middle-income CTs, and five upper-income CTs.

According to the FDIC Summary of Deposits, as of June 30, 2017, \$118.54 million, or 50.65 percent, of LNB’s total deposits are within AA2. The Bank has two major competitors in the area. LNB ranks third with 15.44 percent of the market share. The Bank has three branches and three ATMs within AA2.

As of September 30, 2017, Nelson County’s unemployment rate was 3.70 percent, below state and national averages of 4.30 and 4.20 percent, respectively. Major private employers in Nelson county are Heaven Hill Distilleries, Inc. (562 employees), American

Fuji Seal, Inc. (548 employees), Tower International, Inc. (513 employees), and American Greetings Corporation (497 employees).

We performed one community contact with an affordable housing organization that serves both AA1 and AA2. The contact indicated that local banks are active in meeting the community's needs. The community's most pressing needs are jobs and energy assistance.