



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 20, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Lincoln National Bank
Charter No. 13479**

**41 Public Square
Hodgenville, Kentucky 42748**

Office of the Comptroller of the Currency

**One Financial Place
440 South LaSalle, Suite 2700
Chicago, Illinois 60605**

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 **Lincoln National Bank** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 20, 1997. 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 Satisfactory.

- o The bank's record of lending to borrowers of different income levels, including low- and moderate-income individuals, is satisfactory.
- o The average quarterly loan-to-deposit ratio since the last evaluation is reasonable.
- o A majority of the bank's loans were made within the assessment area.

The following table indicates the performance level of Lincoln National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	LINCOLN NATIONAL BANK PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	Analysis was not meaningful.		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Lincoln National Bank (LNB) is a small, locally-owned bank serving the rural community of Larue County, Kentucky. It has total assets of approximately \$70 million, as of December 31, 1996. LNB operates at two locations, both in the county seat of Hodgenville, Kentucky. Both locations have ATM machines, and the branch also has a drive-up facility. Loans are originated at the main office only.

LNB offers traditional banking services and lending products. LNB's primary lending focus is on home mortgage loans, general consumer loans, and farm loans. As of December 31, 1996, net loans represented approximately 58% of total assets.

The composition of the loan portfolio is as follows:

- 43% one-to-four family residential loans
- 23% agricultural loans and loans secured by farmland
- 21% loans to individuals
- 13% commercial and other loans

The bank's ability to help meet the credit needs in its assessment area is not impeded by any legal or financial constraints, or any other factors. The bank's financial condition is sound, and it has sufficient capital and liquidity to continue helping to meet the community's loan demand. The last evaluation of LNB's CRA performance was on August 18, 1994. At that time, the bank's record of meeting community credit needs was rated satisfactory.

DESCRIPTION OF LARUE COUNTY

The Board of LNB designated Larue County as the bank's assessment area. Larue County had a population of 11,679 and a median family income of \$26,064, according to the 1990 Census. The county is divided into three Block Numbering Areas (BNAs). The 1990 Census identified two of the BNAs as middle-income and the third as upper-income.

Per the 1990 Census, Larue County's demographic composition by family income was:

Families	Number	Percentage
Low-income	653	19%
Moderate-income	464	14%
Middle-income	694	20%
Upper-income	1,625	47%
Total	3,436	100%

The community is rural in nature, and its economy is considered good. Unemployment is low because of job opportunities in the region plus the relocation of new industries to the area.

Agricultural production of tobacco, cattle, and grain is also significant. A recent community contact in county government, who is knowledgeable about property values, indicated the housing market is active and home values are rising. According to this contact, workers are migrating to Larue County to live while working in nearby cities. This confirms LNB management's analysis that home mortgage and farm lending are major credit needs in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

LNB's average loan-to-deposit ratio is reasonable, having considered the lending opportunities, competition, and overall economic environment in Larue County.

LNB's quarterly loan-to-deposit ratio averaged 66% since the last CRA examination. This is comparable to the 69% loan-to-deposit ratio, as of December 31, 1996, of the other similarly-situated lender in Larue County.

Lending in the Assessment Area

We reviewed a sample of purchase-money mortgage loans and consumer loans made since the last CRA examination to determine the level of lending within the bank's assessment area. As shown in **Table 1**, the majority of the loans in the sample were made within the assessment area.

Table 1

	Mortgage Loans	Consumer Loans
Total number in sample	18	57
Total original dollar amount in sample	\$990,533	\$318,812
Total number in assessment area	14	38
Total original amount in assessment area	\$745,858	\$217,068
Percent of number in assessment area	78%	67%
Percent of dollar amount in assessment area	75%	68%

These sampling results are also consistent with an internal report, verified for accuracy, that indicates 52% of the total number and 74% of the total dollar amount outstanding in the total loan portfolio as of April 23, 1997 were within the assessment area.

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

We used the same sample of mortgage loans and consumer loans described in **Table 1** to evaluate the bank's performance under this criteria. The distribution of LNB's lending generally reflects the income characteristics of the assessment area. See **Table 2** below.

Table 2

Income Levels	Proportion of families within assessment area	Number of mortgage loans in sample	Percent of number of mortgage loans	Number of consumer loans in sample	Percent of number of consumer loans
Low-income	19%	3	22%	18	47%
Moderate-income	14%	1	7%	11	29%
Middle-income	20%	2	14%	6	16%
Upper-income	47%	8	57%	3	8%
Total	100%	14	100%	38	100%

There are some other measures that also show the bank is lending to all income levels. LNB has no minimum loan amount. Consequently, the bank helps make credit available to those low- and moderate-income borrowers who can only qualify for or have the need to borrow small dollar amounts. An internal report, verified for accuracy, shows LNB originated 1,400 loans under \$1,000 since the last CRA examination.

Another internal report, verified for accuracy, shows the bank originated approximately 120 residential mortgage loans under \$25,000 since the last examination. Since the size of the loan can closely correlate to the income level of the borrower, we used this measure as an additional proxy for evaluating how the bank is helping to meet this credit need.

All the bank's commercial and agricultural loans meet the regulatory definition of small business and farm loans. As of December 31, 1996, there were \$9.7 million in loans outstanding to small farms and \$3.5 million outstanding to small businesses.

Geographic Distribution of Loans

An analysis of the geographic distribution of lending activity is not meaningful because the BNAs inside the assessment area are not demographically distinct.

Response to Complaints

No complaints have been received since the last CRA examination.

Compliance with Antidiscrimination Laws

The examination did not identify any violations of the substantive provisions of federal antidiscrimination laws and regulations.