



Public Disclosure

August 11, 1998

Community Reinvestment Act Performance Evaluation

City National Bank of Fulton
Charter Number 6167

306 Lake Street P.O. Box 1410
Fulton, Kentucky 42041

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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 CRA performance of City National Bank of Fulton (CNB) prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of August 11, 1998. The institution's prior CRA rating assigned was "Outstanding" as of July 24, 1995. This rating was assigned through the review process used prior to the implementation of the review processes associated with the revision of the CRA as published in the Federal Register on May 4, 1995 and implemented July 1, 1997. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. 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 Record of Meeting Community Credit Needs." CNB's performance in each assessment area is consistent with the bank's overall performance.

Major Factors Supporting the Institution's Rating:

- A satisfactory responsiveness to residential credit needs in its assessment areas (336 of 353 residential real estate loan originations during the review period were in the assessment area, totaling \$11,726,000);
- A satisfactory responsiveness to small business/small farm credit needs in its assessment areas. Approximately 95% and 93%, respectively, of small business and small farm loans originated in 1996 and 1997 were for amounts less than \$100,000; and,
- Delivery systems that are reasonably accessible to all portions of the assessment areas.

The following table indicates the performance level of City National Bank of Fulton with respect to the lending, investment, and service tests.

Performance Levels	City National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

City National Bank of Fulton (CNB) is a \$102 million bank located in southwestern Kentucky on the Tennessee border in Fulton, Kentucky. The combined population of Fulton, Kentucky and Fulton, Tennessee is 5,600. CNB is owned by Old National Bancorp, Inc. (ONB), which is headquartered in Evansville, Indiana. Total assets of the holding company were \$5.8 billion as of June 30, 1998. ONB owns other banks in southeastern Illinois, southwestern Indiana, and western Kentucky.

CNB is a full service institution with a primary focus on residential real estate and consumer lending. Small farm and commercial lending, including small business lending, are a secondary focus.

There are no impediments that would hamper the bank's ability to help meet the needs of its assessment area. CNB's capacity to serve the community's credit needs is strong. Table 1 depicts several key balance sheet figures:

Table 1 Balance Sheet as of June 30, 1998			
Net Loans	\$ 49,505,000	Total Deposits	\$ 84,672,000
Investments	45,631,000	Other Liabilities	7,840,000
Other Assets	6,920,000	Total Liabilities	92,512,000
		Total Equity Capital	9,544,000
Total Assets	\$ 102,056,000	Total Liabilities and Capital	\$ 102,056,000

Source: FFIEC Report of Condition

The loan portfolio is broken down as follows: 45% residential real estate loans; 27% commercial and commercial real estate loans; 16% loans to individuals; and 12% agricultural loans.

DESCRIPTION OF ASSESSMENT AREAS

CNB has two assessment areas, neither of which includes a Metropolitan Statistical Area (MSA). The Tennessee assessment area is comprised of Block Numbering Areas (BNAs) 9650 and 9651 in Obion County and 9680, 9681, and 9682 in Weakley County. The Kentucky assessment area includes BNAs 9801 in Fulton County, 0205 in Graves County, and 9701 in Hickman County. There are no low- or moderate-income geographies in CNB’s assessment area or the surrounding counties.

The bank’s loan origination records were analyzed for home purchase, refinance, and home improvement loans. Consumer purpose loan originations were also reviewed. Small business/small farm loan data collection registers include 1996 and 1997 originations.

Large employers (number of employees) in the assessment areas include: Goodyear Tire & Rubber Company (3500), Tyson Foods, Inc. (897), Stanley Jones Corporation (580), Baptist Memorial Hospital (475), and Excel Manufacturing of KY (450).

Table 2 reflects current county unemployment rates compared to the averages for the states of Kentucky and Tennessee.

Table 2 Unemployment Percentages June 1998						
Fulton	Graves	Hickman	Commonwealth of Kentucky	Obion	Weakley	State of Tennessee
6.0%	5.0%	3.9%	4.5%	5.0%	5.9%	3.9%

Source: Local Chamber of Commerce

Competition in the assessment areas is strong and includes: two banks that are affiliates of the Reelfoot Banking Group that is headquartered in Union City, TN; and two branches of Union Planters Bank, which is headquartered in Memphis, TN. There are also four independent state banks, one national bank, and one credit union competing with CNB.

Tables 3-5 detail pertinent information concerning the bank and various demographic data that was used in connection with our review of the bank’s CRA performance.

Table 3 depicts the number and percentage of families within the bank’s assessment areas based upon income level. The table reveals that 18.8% of the families have low-incomes and 14.5% have moderate-incomes. The highest concentration of families is in the upper-income level, which constitutes 48.9% of all families in CNB’s assessment areas. This information is used to compare the bank’s distribution of loan originations to borrowers of different income levels.

Table 3						
Distribution of Families by Family Income and BNA Income Level						
Income level of BNA (#of BNA’s)		Family Income Level				
		Low	Moderate	Middle	Upper	Total
Middle (3)	KY	691 23.9%	417 14.5%	482 16.8%	1,291 44.8%	2,881 100%
	TN	107 29.3%	70 19.3%	69 19.3%	116 32.1%	362 100%
Upper (5)	KY	199 18.0%	181 16.4%	156 14.1%	569 51.5%	1,105 100%
	TN	788 15.3%	713 13.8%	981 19.0%	2,678 51.9%	5,160 100%
Total	KY	890 22.3%	598 15.0%	638 16.0%	1,860 46.7%	3,986 100%
	TN	895 16.2%	783 14.2%	1,050 19.0%	2,794 50.6%	5,522 100%
	All Areas	1,785 18.8%	1,381 14.5%	1,688 17.8%	4,654 48.9%	9,508 100%

Source: Local Demographic Data
 The 1998 non-MSA median family income for Kentucky is \$29,800, while in Tennessee it is \$34,500.
 Income categories are defined as: less than 50% - low; 50% to 80% - moderate; 80% to 120% - middle;
 and >120% - upper.

Table 4 details the number and percentage of owner occupied units that are located in the middle- and upper-income geographies in CNB’s assessment areas. The table reveals that 34.1% and 65.9% of the owner occupied units are located in middle- and upper-income geographies, respectively. The table also indicates the Tennessee assessment area has 92.6% of its owner occupied units in upper-income geographies and also contains 57.6% of the total of all owner occupied units in CNB’s assessment areas. This information is used to determine the bank’s lending opportunities for home purchase, refinance, and home improvement loans.

Table 4 Number of Owner Occupied Units Based Upon Geographic Type			
Assessment Areas	Middle	Upper	Total
Kentucky	2,793 70.3%	1,180 29.7%	3,973 42.4%
Tennessee	400 7.4%	4,993 92.6%	5,393 57.6%
Total	3,193 34.1%	6,173 65.9%	9,366 100%

Source: Local Demographic Data

Table 5 provides information on the number and percentage of businesses and farms with revenues of less than \$1 million. This table reveals that there are 489 businesses and 29 farms within the bank’s assessment areas that have revenues of less than \$1 million. There were also 42 businesses with annual revenues greater than \$1 million in the Kentucky and Tennessee assessment areas. There were no farms in either assessment area with annual revenues greater than \$1 million. The table also provides information on the number and percentage of companies that are located in the various income geographies. This information was used in analysis of the bank’s lending opportunities and performance in lending to small businesses and small farms.

Table 5 Number and Percentage of Businesses and Farms With Annual Revenues of Less than \$1 Million Based Upon Geographic Type							
Assessment Areas	Middle		Upper		Total		
	Business	Farm	Business	Farm	Business	Farm	
Kentucky	219	12	36	4	255	16	
Tennessee	4	0	230	13	234	13	
Total	#	223	12	266	17	489	29
	%	45.6%	41.4%	54.4%	58.6%	100%	100%

Source: Local Demographic Data

No unmet lending needs were identified through two community contacts. Individuals contacted included a representative from the local housing authority and a city manager. The primary lending needs identified through the bank's ascertainment program and through the community contacts include loans for residential real estate and small businesses. CNB is helping to meet these needs, along with the other local financial institutions. Examples of this performance include the "in and out of assessment area" lending ratio with 91.5% of the number and 85.9% of the dollar amount of CNB's loan originations in the bank's assessment areas. Small business loans originated for amounts less than \$100,000 accounted for 94.7% of the number of CNB small business loans originated for this review period.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

CNB's lending test performance is assigned a rating of High Satisfactory. The following facts provide additional support:

- Lending within the bank's assessment areas represents 91.5% and 85.9%, respectively, of the number and dollar amount of the banks residential real estate, consumer purpose, small business, and small farm loan originations during this evaluation period.
- CNB's distribution of loans to borrowers of different income levels reflects a satisfactory dispersion throughout the assessment areas that is consistent with the lending opportunities.
- CNB has originated a satisfactory number of community development loans, consistent with the opportunities in its assessment areas.

Assessment area concentration:

Table 6 indicates that a majority of the bank's loans, by both number and dollar volume (91.5% and 85.9% respectively) are made inside CNB's assessment areas. This overall volume of lending in the assessment areas is good in relation to the opportunities in each.

Table 6					
Ratio of Loans Inside the Assessment Areas (AA's)					
	Home Mortgage	Small Business	Small Farm	Consumer	Total
# of Loans Inside the AA's	336	171	162	3,018	3,687
Total # of Loans	353	180	163	3,335	4,031
% of Loans Inside by #	95.2%	95.0	99.4%	90.5%	91.5%
\$ of Loans Inside the AA's	11,726	4,967	5,905	14,515	37,113
Total \$ of Loans	13,853	7,093	5,930	16,336	43,212
% of Loans Inside by \$	84.7%	70.0%	99.6%	88.9%	85.9%

Source: 1996 and 1997 Loan Origination Data Compiled by the Bank
1996 and 1997 Small Business/Small Farm Data Collection Register
Dollar amounts are in \$000's

Origination volume for all loan types was reviewed for year-to-date 1998 performance. CNB's origination activity was found to be similar to 1996 and 1997 performance and would not result in any material changes in the conclusions. Based on this conclusion, year-to-date 1998 origination numbers were not included in the charts for this performance evaluation.

Geographic Distribution of Loans:

An analysis of the bank's geographic distribution of loans would not be of any value. This conclusion is based on the lack of any low- or moderate-income geographies in the assessment areas.

Borrowers' Profile:

The overall distribution of the bank's home mortgage, consumer purpose, small business, and small farm loans based on borrower characteristics is satisfactory. This is due to the availability of product lines offered by the bank and efforts to market products to low- and moderate-income borrowers.

Home Mortgage Loans:

Table 7 details the number of residential real estate loan originations to borrowers of different income levels in the assessment areas. The table shows that CNB's level of originations in its assessment areas to low- and moderate-income borrowers is consistent with lending opportunities and the bank's abilities to help meet the credit needs of the assessment areas.

Demographic data reveals that 76% of the low-income families in the Kentucky assessment area and 63% in the Tennessee assessment area have incomes below the poverty level. The combined percentage for both assessment areas is 70%. Affordable housing opportunities are limited for families below the poverty level given housing prices in the area. CNB's dispersion of loans to borrowers of different income levels is consistent with available lending opportunities.

Table 7 Borrower Distribution of Residential Real Estate Loans					
Income Level of Borrower	Number of loans in the AA's		Dollar Volume of loans in the AA's		Total Families in the AA's
	#	%	\$	%	%
Low-Income	32	9.3	551	4.7	18.8
Moderate-Income	37	11.1	1,074	9.2	14.5
Middle-Income	134	39.9	2,429	20.7	17.8
Upper-Income	133	39.7	7,672	65.9	48.9
Total	336	100%	11,726	100%	100%

Source: 1996 and 1997 loan origination data compiled by the bank
Dollar amounts in \$000's

Table 8 details the number of consumer purpose loan originations to borrowers of different income levels in the assessment areas. The table depicts that CNB's level of originations in its assessment areas to low- and moderate-income borrowers is consistent with the lending opportunities and the bank's abilities to help meet the credit needs of the assessment areas that are detailed within the performance context.

Table 8					
Borrower Distribution of Consumer Purpose Loans					
Income Level of Borrower	Number of loans in the AA's		Dollar Volume of loans in the AA's		Total Families in the AA's
	#	%	\$	%	%
Low-Income	995	33.0	2,420	16.7	18.8
Moderate-Income	626	20.7	2,454	16.9	14.5
Middle-Income	417	13.8	1,730	11.9	17.8
Upper-Income	642	21.3	5,447	37.5	48.9
Income N/A	338	11.2	2,464	17.0	NA
Total	3,018	100%	14,515	100%	100%

Source: 1996 and 1997 loan origination data compiled by the bank
Dollar amounts in \$000's

Small Business and Small Farm Lending:

The bank’s overall volume of loans to small businesses is satisfactory. Table 9 reveals that in 1996 and 1997 the bank originated approximately \$4.9 million and \$5.9 million in small business and small farm loans, respectively, within its assessment areas. All small business and small farm loans were made to small businesses and farms with annual revenues of less than \$1 million. Demographic data reveals there are 489 small businesses and 29 small farms with revenues of less than \$1 million.

Table 9 Loans to Small Businesses and Small Farms With Annual Revenues Less than \$1 Million				
	Number		Dollar Amount	
Type of Loan	Small Business	Small Farms	Small Business	Small Farm
Total	171	162	\$4,967	\$5,905

Source: Small Business/Small Farm Data Collection Register 1996 and 1997
Dollar amounts in \$000's.

Table 10 illustrates the bank’s small business and small farm loan originations by differing loan amounts. The bank’s record of making small loans to small businesses and small farms is good. Approximately 95% of the small business loans and 93% of the small farm loans originated during the review period were for amounts less than \$100,000. This conclusion is additionally supported by local demographic data that shows that 92% of the businesses and 100% of the farms in CNB’s assessment areas are small. Please refer to Table 5 for additional information on small business and small farm demographics.

Table 10 Dollar Volume of Small Business and Small Farm Loans By Loan Amount at Origination								
Loan Amount at Origination	Small Business				Small Farm			
	#	%	\$	%	#	%	\$	%
Less than \$100,000	162	94.7	3,247	65.4	151	93.2	3,224	54.6
Between \$100,000 - \$250,000	8	4.7	1,333	26.8	9	5.6	1,688	28.6
Between \$250,000 - \$1,000,000	1	0.6	387	7.8	2	1.2	993	16.8
Total	171	100%	4,967	100%	162	100%	5,905	100%

Source: 1996 and 1997 Small Business/Small Farm Data Collection Register
Dollar amounts in \$000

Community Development Lending:

CNB participates in community development loans when opportunities are available. Community development loans are those that do not meet the definition of home mortgage (except for multi-family dwellings), small business or small farm loans.

The bank originated five loans totaling \$2,781,000 for community development projects since the prior CRA examination. Below is a listing of these projects:

- A \$1,275,000 loan was made during 1996 to reopen a local nursing home facility. This loan benefitted local residents through providing approximately 100 jobs paying moderate-income wages. This facility also makes nursing home care available for local senior citizens, many of which are unable to pay and rely on Medicare.
- CNB made two loans totaling \$1,281,000 to a local municipality for improvements to the water and sewer systems. These loans benefit low- and moderate-income individuals living throughout the assessment areas through maintenance and improvement of local services. Services were improved to two local housing projects that provide a large percentage of their rental units to Section 8 recipients. The project also provided economic stabilization to CNB's assessment areas through its benefit to local small businesses and their employees.
- CNB made two loans totaling \$225,000 to a local industrial development foundation to construct spec buildings. The purpose of these buildings was to encourage businesses to locate in the area. One building has been purchased by a business new to the Fulton area. This business has provided 200 moderate-income jobs.

Innovative or Flexible Lending Practices:

CNB is generally able to meet the credit needs of its customers through flexibility in stated underwriting standards with the credit products offered by the bank. The bank also has Small Business Administration and Farm Service Agency government guaranteed loan programs available, although they have not had the need to use them during the evaluation period.

CNB exercises flexibility through an instalment lending product to address low- and moderate-income borrower needs. The bank regularly makes instalment loans with opening amounts less than \$1,000. CNB originated 978 such loans, totaling \$574,000, during the evaluation period. The average opening loan amount was \$587.

INVESTMENT TEST

CNB's investment test is assigned a rating of Low Satisfactory. Additional factors supporting this rating include the following:

- CNB has a satisfactory level of qualified community development investments and grants.
- CNB exhibits adequate responsiveness to credit and community economic development needs, consistent with opportunities in the assessment areas.

Investment and grant activity:

CNB has an adequate level of qualified investments. During 1996 and 1997 the bank made qualified donations/grants to various community groups and organizations totaling \$17,311.

CNB applied to the Federal Home Loan Bank for "Welcome Home" grant funds and was awarded \$37,500. The purpose of this grant was to assist fifteen low-income home buyers in the bank's assessment areas with funds for down payments and closing costs.

Responsiveness to credit and community development needs:

CNB displays a satisfactory responsiveness to credit and community economic development needs, even though opportunities are limited. This conclusion is supported by information gained through conducting community contacts in the assessment areas. The bank is also helping to meet credit needs throughout its assessment areas in the form of the lending relationships detailed in this evaluation.

SERVICE TEST

CNB's service test is assigned a rating of High Satisfactory. Additional factors supporting the rating include the following:

- Delivery systems are accessible to essentially all portions of the assessment areas.
- Services do not vary in such a way that customers living throughout the assessment areas are inconvenienced.
- CNB offers a relatively high level of community development services.

Accessibility of Delivery Systems:

CNB's main office and two branches are reasonably accessible to all individuals living throughout its assessment areas.

Alternative Delivery Systems:

CNB provides a satisfactory number of alternative delivery systems. One branch office has a 24-hour full-service automated teller machine (ATM). The bank is a member of the MAC ATM network, which permits the bank's customers to access their accounts through ATMs at other financial institutions, both in and outside of the assessment areas.

Additional CNB alternative delivery systems are:

- Touch Tone Banking - This system allows customers to conduct banking transactions through the use of a touch tone telephone and includes touch tone bill paying.
- PC Bank Connect - This service allows business customers to conduct banking transactions through the use of a personal computer.

CNB offers no charge cashing of government checks. Senior Citizens over 65 and students enrolled in high school are offered no charge checking accounts. A low cost, limited transaction account is also offered to all consumers.

Community Development Services:

Members of CNB's Board of Directors and management team serve as financial advisors for local economic development entities. Examples include the following:

- CNB's president and two directors serve as board members for the Fulton Economic Development Partnership. This entity is a joint effort between the cities of Fulton, Kentucky and South Fulton, Tennessee.
- Two of CNB's directors serve on the Fulton County Economic Development Partnership.
- The Fulton Industrial Development Authority is a local nonprofit industrial development board that is operated by a six member team. Two of CNB's directors serve on this team.

The purpose of all the previously described entities is to promote industrial and economic development for the Fulton area by attracting new businesses and the creation of employment opportunities.

CNB contributes to the “Summer Enrichment Program” that is designed to introduce low-income students to advanced educational opportunities in the area.

CNB also contributes to the local “Family Resource Center” which provides seminars that teach consumers how to write checks and maintain checking accounts.

CNB participates in the Personal Economic Program (PEP) through the Kentucky Bankers Association. This is an educational program for elementary and high school students to introduce them to banking products, services, and how the bank operates and benefits the community.

Reasonableness of Services:

Business hours of CNB are Monday through Thursday 8:00 am to 4:00 pm, Friday 8:00 am to 5:00 pm, and Saturday 8:00 am to noon. Night depositories are available at the main office and each branch facility.

Changes in Branch Locations:

There were no branch opening, closing, or relocation activities by the bank since the last evaluation.

Fair Lending Review:

No violations of the substantive provisions of anti-discrimination laws and regulations (ECOA, FHA, or HMDA) were identified. The institution’s fair lending policies, procedures, training programs and internal assessment efforts have been effective in assisting lenders in these issues.