

Washington, DC 20219

PUBLIC DISCLOSURE

As of February 18, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Fort Knox National Bank
Charter No. 14894**

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

Office of the Comptroller of the Currency

**9200 Shelbyville Rd, Suite 505
Louisville, Ky 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 **Fort Knox National Bank** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 18, 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 credit needs of the community.”

- o The average loan-to-deposit ratio is reasonable.
- o The bank lends to low- and/or moderate-income borrowers.
- o A vast majority of the bank's loans are within the assessment area.
- o No consumer complaints have been received since the last examination.

DESCRIPTION OF INSTITUTION

Fort Knox National Bank (FKNB) is a \$25 million dollar bank located in Radcliff, Kentucky. It is owned by Fort Knox National Bancorp, a one-bank holding company located in nearby Elizabethtown, Kentucky. FKNB has one office and one proprietary ATM both of which are located at the main office in Radcliff. (To provide customers with greater ATM accessibility the bank participates in a unique ATM network for the military, called the Armed Forces Financial Network. This network allows service members to use their ATM card on any U.S. military installation in the world. Service members can use their cards on the system regardless of the type of ATM card they have, and regardless of the type of local ATM system available. The bank's ATM card can also be used at any CIRRUS, MAC, or PLUS network worldwide.) Radcliff is located in north central Kentucky and is the primary town serving Fort Knox, a large Army base. Fort Knox is a major military training facility and has a large number of lower ranking service members. The bank primarily serves the military and as such, has a unique customer base. They have developed non-traditional lending programs and offer banking services tailored to meet the special needs of today's service members such as a secured credit card program and a bill paying program. As of September 30, 1998, FKNB's loan portfolio consists of the following: 65% 1-4 family residential; 34% loans to individuals with 32% of these loans being credit card loans; and 1% commercial and industrial loans. The loan portfolio represented approximately 52% of the bank's total assets.

As of September 30, 1998, Fort Knox National Bank's focus was to serve the banking needs of the low- and/or moderate-income (LMI) service members. This includes soldiers stationed at Fort Knox and LMI service members worldwide. FKNB focuses on the lower ranking LMI service members because they believe this is an area that is under served. The bank feels as if they serve their LMI service personnel through their credit card portfolio.

Due to the business focus of the bank and because of the products and services the bank has adopted to meet the LMI service member's credit needs (i.e. secured credit cards and a bill/allotment payment system), an analysis of the bank's performance in regards to compliance with the intent of CRA must take into account FKNB's unique situation. The CRA examination must be conducted outside of the traditional CRA examination process to determine that FKNB is serving the low- and/or moderate-income individuals and families.

DESCRIPTION OF FORT KNOX NATIONAL BANK'S ASSESSMENT AREA

Fort Knox National Bank, whose business consists of serving the financial needs of military personnel not located in a defined geographic area, has delineated its entire lending customer base as its assessment area. The bank's focus is to lend to military personnel worldwide. FKNB has further identified low- and moderate-income (LMI) military personnel as its customer base. This assessment area meets the requirements of the regulation and was specifically approved by the Office of the Comptroller of the Currency on July 17, 1995. However, it should be noted that going forward in 1999, Fort Knox National Bank will be changing its business focus away from credit cards and LMI service personnel.

The bank's customer base is lower ranking enlisted service personnel. This group has an average estimated income for 1998 of approximately \$23,500. The median family income for the entire United States is approximately \$45,300, with LMI income being \$36,240 and below. Thus, the bank's customer base consists entirely of LMI individuals.

The bank has several competitors for the products and services it offers to the LMI service members; however, they are the industry leader in the military market for the specific products and services they offer. While the facilitating of bill paying programs and the offering of secured credit card programs are not exclusive to this bank, their experience and background in offering and managing these products have positioned them to maintain and expand its share of the market if they so choose.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

To fully understand why the bank's performance in regards to the following performance criteria is reasonable, a thorough comprehension of the bank's business focus and its assessment area is required. These are detailed on pages 3 and 4 respectively of this evaluation.

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

A majority of the bank's credit card loans were made to LMI borrowers. Our review of all of the bank's credit card loans as of September 30, 1998, showed that 89% of the number of accounts and 82% of the outstanding dollar amounts on credit cards were made to individual LMI borrowers. As explained previously, Fort Knox National Bank focuses on lending to LMI service members through the use of credit cards.

LOAN-TO-DEPOSIT RATIO

The bank's average loan to deposit ratio since their last examination (December 1996) is 53% and is considered reasonable. As of September 30, 1998, the loan-to-deposit ratio was trending up at 80.97%. Fort Knox National Bank's ratio is higher than its national peer group which is 65.62%.

LENDING IN THE ASSESSMENT AREA

A vast majority of the bank's loans were made within the assessment area due to the uniqueness of the bank's assessment area. The bank has declared their assessment area to be military service members worldwide as well as the community in which they operate. Available information indicates eighty-seven percent of total credit cards are issued to military service personnel. Management states this percentage is reflective of new originations throughout the year.

GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of the geographic distribution of loans for Fort Knox National Bank was not performed because of the uniqueness of the bank's assessment area and an analysis of the bank's loan distribution by geographies would not be meaningful.

RESPONSE TO COMPLAINTS

No consumer 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.