



PUBLIC DISCLOSURE

August 31, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens National Bank of Lebanon
Charter Number 3988**

**149 West Main Street
Lebanon, Kentucky 40033**

Office of the Comptroller of the Currency

**One Financial Place
440 South LaSalle Street, 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 **Citizens National Bank of Lebanon** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of August 31, 1998. 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.

- The bank's loan-to-deposit ratio since our last examination is reasonable and comparable to the most similarly-situated competitor in Marion County.
- A vast majority of the bank's loans are made within its assessment area.
- The bank makes loans throughout its entire assessment area.
- The bank actively lends to borrowers of different income levels.
- All of the bank's commercial loans are to either small businesses or small farms.

DESCRIPTION OF INSTITUTION

Citizens National Bank of Lebanon (CNB) is a \$70 million institution located in Lebanon, Kentucky. CNB is 100% owned by Citizens National Bank of Lebanon Bancorp, Inc., a one-bank holding company. The bank operates one full service office in downtown Lebanon and one Automated Teller Machine (ATM). CNB offers a traditional line of banking products and services. Approximately 55% of the bank's \$30 million loan portfolio is residential real estate and consumer loans. Small farm loans represent 25% of the loan portfolio with small business loans accounting for the remaining 20%. As of June 30, 1998, CNB's loan portfolio represented approximately 43% of total assets. There are no constraints on the bank's ability to help meet local credit needs. CNB received a rating of Satisfactory at their previous CRA examination in September 1995.

DESCRIPTION OF MARION COUNTY

CNB's assessment area is Marion County, Kentucky. Marion County is located in south central Kentucky and has a population of approximately 17,000. Marion County has eight Block Numbering Areas (BNA) with two BNAs moderate-income, five middle-income and one upper-income. The 1990 median family income for Marion County was approximately \$22,000. The 1998 median family income for non-metropolitan areas in Kentucky is \$29,800. There are approximately 4,400 families in Marion County. Of these, 25% are low-income, 16% moderate-income, 19% middle-income and 40% upper-income.

CNB has strong competition from two independent banks and branches of two regional banks. The local economy is relatively stable and based on tobacco farming, dairy farming and manufacturing businesses. The unemployment rate of 7% exceeds state and national levels due to the closure of a large manufacturer in an adjacent county. Management has identified consumer, small business and agricultural loans as the primary credit needs for the county.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

CNB's average loan-to-deposit ratio since their last CRA examination of 52% is reasonable. The average ratio for the same period for the other independent national bank in Lebanon was 47%. This bank is similarly situated to CNB because they are similar in size and business focus.

Lending in the Assessment Area

A vast majority of CNB's loans are in Marion County. To evaluate the bank's CRA performance, we reviewed 63 retail and commercial loans originated during July and August 1998. Our sample consisted of 26 residential real estate loans, 26 personal and car loans, and nine commercial/agricultural loans. Of the 63 loans reviewed, 97% were made in the county. The bank does internally code their loans by location. However, due to a recent computer conversion, management was unable to generate a completely reliable report of loan originations by geographic codes during our examination.

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

CNB does a good job of lending to borrowers of different income levels. We used the same sample of loans described previously to evaluate CNB's performance in this area. As the table below shows, CNB actively lends to borrowers of all income levels. For example, 25% of the families in Marion County are low-income, and 30% of the loans we sampled were made to low-income individuals.

Income Level	Percentage of Families in Marion County*	Percentage of Loans Originated
Low-income	25%	30%
Moderate-income	16%	11%
Middle-income	19%	24%
Upper-income	40%	35%
Total	100%	100%

* According to 1990 Census Data, U.S. Bureau of the Census

Virtually all of CNB's commercial loans are to small businesses or small farms in Marion County. We reviewed nine commercial loans, including the largest loans in the bank, during our examination and found 89% were to small businesses and small farms.

Geographic Distribution of Loans

CNB's geographic distribution of loans is reasonable. In the sample of loans we reviewed, 61 were made in Marion County. The distribution of those loans is shown in the table below. CNB has made loans in every BNA in Marion County.

BNA	Income Level of BNA	Number of Loans Originated in BNAs
9701	Moderate-income	4
9702	Middle-income	14
9703	Upper-income	3
9704	Middle-income	7
9705	Middle-income	3
9706	Middle-income	3
9707	Moderate income	20
9708	Moderate-income	7

Consolidating the information in the previous table, we can see the percentage of loans made in each income category is similar to BNA characteristics for the county.

Income Level	Percentage of BNAs in Marion County by Income Level	Percentage of Loans Originated by Income Level of BNAs
Moderate-income	25%	18%
Middle-income	63%	77%
Upper-income	12%	5%
Total	100%	100%

Response to Complaints

Neither the bank nor our office received any CRA related complaints since the bank's last examination.

Compliance with Antidiscrimination Laws

We did not identify any violations of the substantive provisions of the antidiscrimination laws and regulations during our examination.