

# **PUBLIC DISCLOSURE**

August 13, 2001

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Area Bank  
RSSD# 341646**

**230 Frederica Street  
Owensboro, Kentucky 42301**

**Federal Reserve Bank of St. Louis**

**P.O. Box 442  
St. Louis, Missouri 63166-0442**

**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, 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.

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# GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout the Performance Evaluation.

**Assessment Area** – The geographic area which an institution selects as the community within which its regulator will assess the institution’s record of CRA performance.

**Block Numbering Area (BNA) or Census Tract** – Small, locally defined statistical areas within a metropolitan statistical area (MSA) or county. These areas are determined by the United States Census Bureau in an attempt to group homogeneous populations.

**Low- and Moderate-Income** – Referred to as LMI.

**Community Development** – Affordable housing (including multi-family rental housing) for LMI individuals; community services targeted to LMI individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration’s Development Company or Small Business Investment Company programs (as defined in 13 CFR 121.301) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize LMI geographies.

**Community Reinvestment Act (CRA)** – A statute that requires the federal regulators to assess a financial institution’s record of helping to meet the credit needs of the local communities in which the institution is chartered.

**Geography** – A census tract or a block numbering area delineated by the United States Census Bureau.

**Home Mortgage Disclosure Act (HMDA)** – A statute that requires certain mortgage lenders that do business or have banking offices in MSAs to file annual summary reports of their lending activity. The reports include such data as the race, gender, and income of the applicant(s), the amount of loan requested, and its disposition (e.g. made, turned down, or withdrawn). The types of loan applications reported include governmentally-guaranteed home purchase and home improvement loans, conventional home purchase loans, home improvement loans, refinancing of home purchase and home improvement loans and loans for the purchase of multi-family (five or more units) dwellings.

**Income Levels** – These relate to individuals, families, or geographies in an MSA.

**Low-income** – An 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.

**Moderate-income** – An 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 and less than 80 percent, in the case of a geography.

**Middle-income** – An 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 and less than 120 percent, in the case of a geography.

**Upper-income** – An individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more, in the case of a geography.

**Median Family Income** – The median family for a specific MSA as determined by the United States Census Bureau. The Department of Housing and Urban Development updates this figure annually using an estimated inflation factor.

**Metropolitan Statistical Area (MSA)** – An area containing a city with a population of at least 50,000 or an urbanized area with a population of at least 50,000 and a total metropolitan population of at least 100,000. Generally, MSAs consist of one or more whole counties that have a high degree of interaction.

**Small Business or Small Farm** – A business or farm that has \$1 million or less in gross annual revenues.

# INSTITUTION'S CRA RATING

**INSTITUTION'S CRA RATING:** Satisfactory

Area Bank's overall CRA performance is rated "Satisfactory" based on the following factors:

- Borrower distribution of all loan types to moderate-income individuals generally approximates or exceeds peer comparisons and/or the representative percentage of the population.
- Area Bank's lending levels reflect good responsiveness to the credit needs of borrowers, with a high percentage of loans within the aggregate of all assessment areas.
- There are no gaps in lending among geographies.
- Community development lending is strong.
- Area Bank makes a reasonable level of investments to support community development initiatives throughout its assessment areas.
- Area Bank provides a reasonable level of community development services.

The following chart displays the component ratings assigned to this institution.

<b>PERFORMANCE LEVELS</b>	<b>Area Bank</b>		
	<b>PERFORMANCE TESTS</b>		
	<b>Lending Test*</b>	<b>Investment Test</b>	<b>Service Test</b>
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

## DESCRIPTION OF INSTITUTION:

Area Bank is a large intrastate institution with banking facilities located throughout the Commonwealth of Kentucky. The bank's main office is located in Owensboro, Kentucky, which is located in Daviess County in the northwest portion of the state along the Ohio River. The bank resulted from the merger of 16 individually chartered banks that were under the control of the holding company into a single charter. The last 10 institutions were incorporated as of September 30, 2000. The bank is 100 percent

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

owned by Area Bancshares Corporation, Owensboro, Kentucky, which reported total assets of \$2.7 billion as of June 30, 2001.

As of June 30, 2001, the bank reported total assets of approximately \$2.4 billion, which represents approximately 88.9 percent of total assets of the holding company. Bank assets have remained relatively constant since December 31, 2000, the first full quarter of the combined institution. As of June 30, 2001, the bank reported total loans of about \$1.7 billion, which represents 69.7 percent of total assets. A distribution of the bank's lending portfolio, by both dollar amount and percentage, is displayed in the table below.

<b>Distribution of Total Loans as of June 30, 2001</b>		
<b>Loan Type</b>	<b>Amount (\$000s)</b>	<b>Percent of Total Loans</b>
Construction and Development	71,935	4.2%
Commercial Real Estate	422,800	25.0%
Multifamily Residential	43,135	2.5%
1-4 Family Residential	570,614	33.7%
Farmland	92,269	5.4%
Commercial and Industrial	200,846	11.9%
Loans to Individuals (Consumer)	212,869	12.6%
Farm Loans	37,911	2.2%
Credit Cards and Related Plans	11,645	0.7%
Total Other Loans	29,761	1.8%
<b>TOTAL</b>	<b>1,693,785</b>	<b>100%</b>

The bank's primary lending focus is real estate lending, representing approximately 70.9 percent of the bank's loan portfolio. As shown above, 1-4 family residential loans comprise the largest volume by single category, accounting for 33.7 percent of the bank's loan portfolio. Other significant products include commercial real estate, consumer lending, and commercial and industrial loans, accounting for 12.6 percent and 11.9 percent of the loan portfolio, respectively.

The bank operates 68 banking facilities, including the main office. Of these locations, 56 are full-service branches, 10 are located in retail stores, and two are drive-up locations. The bank has 55 automated teller machines (ATM) located on branch premises and has 32 free-standing ATMs. During the period reviewed, the bank opened five branches and closed two branches.

As a part of the CRA evaluation, the bank's performance was assessed in relation to the performance of its competitors. This comparison typically focuses on local institutions with similar features. The bank operates in highly competitive markets throughout its assessment areas, facing competition from other large banks on a statewide scale and from smaller community bank's within its distinct assessment areas. For purposes of comparison, large banks operating in the state of Kentucky were selected, based on asset size, branch structure, and loan mix. These financial institutions had total assets ranging from \$2.3 billion to \$7.1 billion, as of June 30, 2001.

With regard to the previous CRA ratings of the banks that were consolidated into Area Bank, 14 banks received a satisfactory rating, one bank received an outstanding rating,

and one bank had not yet been examined under CRA, as it was created as a de novo institution.

## **DESCRIPTION OF ASSESSMENT AREAS**

The bank has designated 13 different assessment areas that generally correspond to the markets within which the previous chartered institutions operated. All but one of the assessment areas are confined to the state of Kentucky, and all of the bank's branches are in Kentucky. The state of Kentucky is bounded by, clockwise from the west, Missouri, Illinois, Indiana, Ohio, West Virginia, Virginia, and Tennessee. The assessment areas benefit from various state and interstate highways. Interstate 75 serves the eastern third of the state, running north to south. Interstate 64 is also located in this area, spanning from east to west, with both highways intersecting near Lexington, Kentucky. Interstate 65 generally bisects the state from east to west. Much of the rest of the state is serviced by various parkways that connect the most populous cities. Additionally, numerous rivers provide other means for commerce, including the Ohio River, which forms the northern boundary of the state.

Four of the assessment areas are located in an MSA, including Clarksville – Hopkinsville, Louisville, Owensboro, and Lexington. Of these four MSAs, the Owensboro MSA is the only one in which the bank has designated the entire MSA to be its assessment area. The bank has selected portions of the other three MSAs that it can reasonably attempt to service. According to 2000 census data, the assessment areas that are comprised of metropolitan areas account for 62.4 percent of the entire population that is included in the combined assessment areas. The remaining assessment areas are located in non-metropolitan areas. Five of these assessment areas are comprised of single counties, while the other four assessment areas are comprised of multiple counties. While all of the bank's facilities are located in Kentucky, one of the assessment areas includes a portion of one county in Tennessee. Each of the 13 assessment areas is described in more detail throughout the Performance Evaluation.

The United States Census Bureau divides metropolitan areas into statistical subdivisions called census tracts and non-metropolitan areas into statistical subdivisions called block numbering areas (BNAs). The Census Bureau provides information on each census tract and BNA, including population, household composition, employment, and income statistics. The information is updated every 10 years. As only a portion of the information from the 2000 census has been made public, this evaluation must still rely on some information from the 1990 census.

The bank's assessment areas are comprised of 230 such geographies, which are categorized by income level.<sup>1</sup> According to 1990 Census Bureau statistics, the combined assessment areas had a total population of 901,535 residents. The following table illustrates the number of geographies in each of the four income level classifications, and the population residing in each for the bank's combined assessment areas.

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<sup>1</sup> See the Glossary for a description of each of the income level classifications, which includes low-, moderate-, middle- and upper-incomes.



<b>Distribution of Geographies in Combined Assessment Areas by Income Level</b>					
<b>Geographies</b>	<b>Income Level Classification</b>				<b>TOTAL</b>
	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	
Number of census tracts/block numbering areas	5 2.2%	44 19.2%	110 48.0%	70 30.6%	<b>229<sup>2</sup></b> <b>100%</b>
Population Distribution	13,141 1.4% <sup>3</sup>	153,920 17.1%	433,421 48.1%	301,053 33.4%	<b>901,535</b> <b>100%</b>

As noted in the table above, the combined assessment areas are comprised of 21.4 percent LMI geographies, with approximately 18.5 percent of the population residing in LMI areas. By comparison, 78.6 percent of the geographies are middle- and upper-income areas, accounting for 81.5 percent of the total population.

At 18.5 percent, individuals in LMI areas account for a significant portion of the total population. The individuals who live in LMI areas are not necessarily LMI residents, but instead represent a cross section of all income designations. The following chart illustrates this, as it denotes the families, by income level, that reside in the combined assessment areas, the four MSAs, and the state of Kentucky.

<b>Assessment Area Population by Family Income Level<sup>4</sup></b>					
<b>1990 Census Data</b>	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	<b>TOTAL</b>
Assessment Area	48,445 19.4%	38,911 15.6%	49,399 19.8%	112,626 45.2%	<b>249,381</b> <b>100%</b>
Hopkinsville MSA #1660	3,487 20.6%	3,855 22.8%	3,846 22.8%	5,699 33.8%	<b>16,887</b> <b>100%</b>
Louisville MSA #4520	6,399 10.1%	7,854 12.4%	12,306 19.4%	37,000 58.1%	<b>63,559</b> <b>100%</b>
Owensboro MSA #5990	5,020 20.8%	4,267 17.7%	5,594 23.2%	9,239 38.3%	<b>24,120</b> <b>100%</b>
Lexington MSA #4280	3,338 26.4%	2,374 18.8%	2,592 20.5%	4,349 34.3%	<b>12,653</b> <b>100%</b>
State of Kentucky	231,175 22.6%	171,131 16.8%	208,465 20.4%	410,794 40.2%	<b>1,021,747</b> <b>100%</b>

<sup>2</sup> The total number of geographies is 230; however, one of the census tracts did not have any population and was removed from the total.

<sup>3</sup> This number was truncated at one decimal place to arrive at 100 percent of total population.

<sup>4</sup> This chart compares the combined assessment area to the individual MSAs in the assessment areas and the entire state of Kentucky.

As shown in the previous table, 35.0 percent of all families living in the assessment area are LMI. While 21.4 percent of the geographies in the combined assessment areas are designated as LMI, the number of families so designated is considerably higher. Compared to the state of Kentucky, the combined assessment areas have slightly fewer LMI families and slightly more upper-income families, based on 1990 census data. Nonetheless, the income stratification of LMI families in the combined assessment areas and the Owensboro MSA closely approximates that of the state of Kentucky. The Hopkinsville MSA and the Winchester MSA have considerably more LMI families than the state, while the Louisville MSA has considerably fewer LMI families.

The combined assessment areas are diverse, ranging from thriving metropolitan centers with an average of 1,801.6 persons per square mile to sparsely populated rural areas with 31.0 persons per square mile.<sup>5</sup> The population of individual assessment areas range from 9,628 to 233,953 residents.<sup>6</sup> The assessment areas also exhibit highly diversified economies based on a combination of retail trade, services, tourism, industry, manufacturing, agriculture, transportation, utilities, and construction. Major employers among the areas include manufacturers, public schools, and government offices. The unemployment rate for individual counties within the assessment areas ranged from 3.0 to 10.7 percent.

According to 1990 census data, 14.2 percent of families in the combined assessment areas were living below the poverty level, compared to a relative level of 16.0 percent for the state of Kentucky. Within the combined assessment areas, families in LMI geographies experienced a much higher rate of poverty, noted as being 53.3 percent and 30.4 percent, respectively. The median age of the housing stock is also much higher in these areas. The average home in a low-income geography is 32 years old, while the average home in a moderate-income geography is 28 years old. These figures are relatively similar to the average age of all homes in the combined assessment area, which is 25 years. In addition, owner-occupied units only account for 30.1 percent of all housing units in low-income geographies, and 47.5 percent of housing units in moderate-income geographies. Rental units account for 65.0 percent of total units in low-income geographies and 43.7 percent of total units in moderate-income geographies. In contrast, owner-occupied units account for 70.7 percent of housing units in upper-income geographies, while rental units only account for 26.0 percent of the total.

Six community contacts were performed in order to establish a context for the communities in which the bank operates and to solicit information on the bank's performance.<sup>7</sup> The community contacts represented individuals from a majority of the assessment areas reviewed under full scope examination procedures. Comments from community contacts were generally favorable, indicating that the bank is meeting the credit needs of all communities in which it operates. Opportunities for further bank involvement include small business lending and affordable housing initiatives. Specific

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<sup>5</sup> Source: 2000 Census. The figure quoted for MSAs is for Jefferson County, while the non-MSA figure is for Livingston County.

<sup>6</sup> Source: 1990 Census. The figures quoted are for the Calhoun assessment area and the Louisville assessment area, respectively.

<sup>7</sup> Two of these community contacts were performed in conjunction with another CRA evaluation performed by this Reserve Bank for a bank that operates throughout Kentucky.

comments from the community contacts are addressed in the applicable section relating to the affected assessment areas.

## **CONCLUSIONS WITH RESPECT TO THE PERFORMANCE TESTS**

### **LENDING TEST**

Area Bank's performance under the lending test is rated high satisfactory. An analysis of loan distribution by borrower income reflects good penetration among customers of different income levels and businesses and farms of different sizes. The geographic distribution of lending activity revealed that a majority of loans are made inside the bank's assessment areas, and adequate loan distribution is exhibited throughout all income geographies, particularly LMI areas. Overall, lending levels reflect good responsiveness to the credit needs of the combined assessment areas. While the bank has satisfactorily responded to credit needs through conventional lending, a reasonable level of qualified community development loans was also noted. Lastly, the bank periodically uses innovative and/or flexible lending practices in order to better serve the credit needs of the assessment areas.

Loan information used in the analysis of Area Bank's CRA performance included residential real estate loans, consumer loans, commercial loans, and agricultural loans extended during the period October 1, 2000 to March 31, 2001.<sup>8</sup> As the bank voluntarily collects and reports data on consumer loans, these loans were considered in the bank's performance. In total, these loans comprise the bank's primary lines of business and are, therefore, indicative of the bank's overall lending performance. The loan data was used to evaluate the bank's lending volume, geographic distribution among areas with different income characteristics, distribution of lending by borrower income, and business and farm characteristics, community development lending, and the use of innovative and flexible lending practices.

#### Borrower Characteristics

The bank's lending reflects good penetration among retail customers of different incomes and businesses and farms of different sizes. HMDA and consumer loans were reviewed to determine the distribution among borrowers of different income levels. Small business and small farm loans were evaluated separately for distribution among businesses and farms with various levels of revenue. The following table shows the distribution of residential real estate and consumer loans by income level of borrower for the combined assessment areas.

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<sup>8</sup> Residential loans were derived from the bank's fourth-quarter 2000 and first-quarter 2001 HMDA data. HMDA data includes purchase, refinance and home improvement loans.

<b>Distribution of Loans (by Number and Dollar Volume in \$000s) Inside the Combined Assessment Areas by Income Level of Borrower<sup>9</sup></b>					
<b>Loan Type</b>	<b>Borrower Income Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
HMDA	25 5.3%	72 15.3%	128 27.2%	246 52.2%	<b>471<sup>10</sup></b> <b>100%</b>
	\$1,033 2.6%	\$3,449 8.8%	\$8,525 21.9%	\$25,987 66.7%	<b>\$38,994</b> <b>100%</b>
Consumer	855 20.1%	1,035 24.3%	1,004 23.6%	1,363 32.0%	<b>4,257<sup>11</sup></b> <b>100%</b>
	\$4,724 9.6%	\$7,659 15.5%	\$10,238 20.8%	\$26,648 54.1%	<b>\$49,269</b> <b>100%</b>
<b>TOTAL</b>	<b>880</b> <b>18.6%</b>	<b>1,107</b> <b>23.4%</b>	<b>1,132</b> <b>23.9%</b>	<b>1,609</b> <b>34.1%</b>	<b>4,728</b> <b>100%</b>
	<b>\$5,757</b> <b>6.5%</b>	<b>\$11,108</b> <b>12.6%</b>	<b>\$18,763</b> <b>21.3%</b>	<b>\$52,635</b> <b>59.6%</b>	<b>\$88,263</b> <b>100%</b>
HMDA Aggregate Market Data <sup>12</sup>	7.6%	17.7%	25.1%	49.6%	<b>100%</b>
Assessment Area Family Population	19.4%	15.6%	19.8%	45.2%	<b>100%</b>

As shown in the above table, 20.6 percent of the bank's HMDA loans (11.4 percent of the dollar volume) were extended to LMI borrowers. This compares similarly to 1999 HMDA aggregate data for all lenders in the combined assessment areas, which indicate that 25.3 percent of HMDA loans were originated to LMI borrowers. Neither the bank's level of HMDA lending to LMI borrowers nor that of the aggregate closely approximate the proportionate percentage of the population that is designated as LMI.

The distribution of consumer loans reflects excellent penetration among borrowers of different income levels, as the bank extended 44.4 percent of these loans to LMI borrowers. This level of lending far exceeds the percentage of LMI families present in the assessment areas, shown to be 35.0 percent.

The bank's distribution of commercial loans to small businesses is adequate, as demonstrated by the following table.

<sup>9</sup> Borrower income levels are determined using the income definitions found in the glossary, as noted in footnote one. Borrower income levels are stratified based on the Department of Housing and Urban Development (HUD) 2000 median family income estimates of \$43,900 for MSA 1660; \$48,181 for MSA 4280; \$54,700 for MSA 4520; \$46,600 for MSA 5990, and \$35,900 for non-metropolitan portions of Kentucky.

<sup>10</sup> Of the 474 HMDA loans extended in the combined assessment areas, three did not have income information and were removed from this analysis.

<sup>11</sup> Of the 4,505 consumer loans extended in the combined assessment areas, 248 did not have income information and were removed from this analysis.

<sup>12</sup> The figures reflect the number of loans generated by all HMDA reporters in the combined assessment areas.

<b>Distribution of Small Business Loans</b>				
<b>Gross Revenue</b>	<b>Loan Origination Amount (\$000s)</b>			<b>TOTAL</b>
	<b>≤\$100</b>	<b>&gt;\$100≤\$250</b>	<b>&gt;\$250≤\$1,000</b>	
\$1 Million or Less	502 82.3%	63 10.3%	45 7.4%	<b>610</b> <b>73.9%</b>
	\$11,318 26.7%	\$10,544 24.8%	\$20,586 48.5%	<b>\$42,894</b> <b>65.0%</b>
Greater than \$1 Million	172 80.0%	19 8.8%	24 11.2%	<b>215</b> <b>26.1%</b>
	\$4,705 20.6%	\$3,210 14.0%	\$14,979 65.4%	<b>\$22,894</b> <b>35.0%</b>
<b>TOTAL</b>	<b>674</b> <b>81.7%</b>	<b>82</b> <b>9.9%</b>	<b>69</b> <b>8.4%</b>	<b>825</b> <b>100%</b>
	<b>\$16,023</b> <b>24.5%</b>	<b>\$13,754</b> <b>21.0%</b>	<b>\$35,565</b> <b>54.5%</b>	<b>\$65,342</b> <b>100%</b>

According to the above table, the bank originated a total of 825 business loans within the combined assessment areas. Of these loans, the bank extended 73.9 percent by number and 65.0 percent by dollar volume to small businesses.<sup>13</sup> This compares favorably to the 1999 aggregate data, which show that 64.0 percent of all business loans were made to small businesses, with 57.8 percent by dollar amount extended to small businesses. This aggregate data reflect all reported business loans made in the bank's combined assessment areas by all lenders. Dun and Bradstreet data indicate that 86.8 percent of businesses in the combined assessment areas are considered small businesses. Of the loans to small businesses, the bank extended 82.3 percent of its loans in amounts of \$100,000 or less, exhibiting a willingness to meet the credit needs of very small businesses.

The bank's distribution of small farm loans is reasonable, as demonstrated by the following table.

<sup>13</sup> Small businesses are defined as businesses with gross annual revenues of \$1 million or less.

<b>Distribution of Small Farm Loans</b>				
<b>Gross Revenue</b>	<b>Loan Origination Amount (\$000s)</b>			<b>TOTAL</b>
	<b>≤\$100</b>	<b>&gt;\$100≤\$250</b>	<b>&gt;\$250≤\$500</b>	
\$1 Million or Less	525 93.8%	31 5.5%	4 0.7%	<b>560</b> <b>94.8%</b>
	\$11,024 64.0%	\$4,754 27.5%	\$1,460 8.5%	<b>\$17,238</b> <b>88.4%</b>
Greater than \$1 million	26 83.9%	3 9.7%	2 6.5%	<b>31</b> <b>5.2%</b>
	\$894 39.7%	\$600 26.6%	\$759 33.7%	<b>\$2,253</b> <b>11.6%</b>
<b>TOTAL</b>	<b>551</b> <b>93.2%</b>	<b>34</b> <b>5.8%</b>	<b>6</b> <b>1.0%</b>	<b>591</b> <b>100%</b>
	<b>\$11,918</b> <b>61.1%</b>	<b>\$5,354</b> <b>27.5%</b>	<b>\$2,219</b> <b>11.4%</b>	<b>\$19,491</b> <b>100%</b>

The above table shows a large volume of loans made to small farms.<sup>14</sup> Of the 591 farm loans, 94.8 percent were extended to small farms. This compares favorably to 1999 CRA aggregate data, which indicate lenders made 96.5 percent of their farm loans to small farms. Additionally, Dun and Bradstreet data indicate that 97.5 percent of all farms within the assessment areas are considered small farms. Further evidence of the bank's commitment to meeting the needs of the smallest of farms is noted in that 93.8 percent of all small farm loans were extended for amounts of \$100,000 or less.

#### Loan Distribution by Geography

Overall, the bank's geographic distribution of loans reflects acceptable penetration throughout the assessment area. This review included separate analyses of HMDA, consumer, small business and small farm loans, as well as a loan dispersion analysis. The geographic distribution of HMDA loans is considered satisfactory while the geographic distribution of consumer loans is considered adequate. A dispersion analysis of all of the loans originated by the bank demonstrates sound performance across the assessment areas, with no evidence of conspicuous gaps. The number and dollar volume of the bank's HMDA and combined consumer loans are listed below by geography.

<sup>14</sup> Small farms are defined as farms with gross annual revenues of \$1 million or less.

<b>Distribution of Loans (by Number and Dollar Volume in \$000s) Across the Combined Assessment Areas by Income Level of Geography</b>					
<b>Loan Type</b>	<b>Geography Income Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
HMDA	4 0.8%	41 8.6%	267 56.4%	162 34.2%	<b>474</b> <b>100%</b>
	\$288 0.7%	\$2,156 5.5%	\$19,016 48.5%	\$17,744 45.3%	<b>\$39,204</b> <b>100%</b>
Consumer	23 0.5%	432 9.6%	2,939 65.2%	1,111 24.7%	<b>4,505</b> <b>100%</b>
	\$262 0.5%	\$3,975 7.7%	\$29,906 57.9%	\$17,541 33.9%	<b>\$51,684</b> <b>100%</b>
<b>TOTAL</b>	<b>27</b> <b>0.5%</b>	<b>473</b> <b>9.5%</b>	<b>3,206</b> <b>64.4%</b>	<b>1,273</b> <b>25.6%</b>	<b>4,979</b> <b>100%</b>
	<b>\$550</b> <b>0.6%</b>	<b>\$6,131</b> <b>6.7%</b>	<b>\$48,922</b> <b>53.9%</b>	<b>\$35,285</b> <b>38.8%</b>	<b>\$90,888</b> <b>100%</b>
Owner–Occupied Housing Units	0.8%	12.7%	49.2%	37.3%	<b>100%</b>
HMDA Aggregate Market Data <sup>15</sup>	0.7%	7.6%	41.7%	50.0%	<b>100%</b>
Percentage of Assessment Area Population	1.5%	17.1%	48.0%	33.4%	<b>100%</b>

As noted in the table above, Area Bank made 9.4 percent of its HMDA loans in LMI geographies. This level of lending compares favorably to 1999 aggregate HMDA information, which indicates that all institutions lending in the area made 8.3 percent of their loans in LMI areas. While the level of HMDA lending in LMI areas is not consistent with the population residing in those areas, other factors must be considered. For example, housing statistics indicate that only 30.1 percent of housing units in low-income geographies are owner occupied, with the vast majority of all units being rental units. Additionally, 53.3 percent of all families living in low-income geographies are living below the poverty level, as are 30.4 percent of all families in moderate-income geographies. Factors such as this temper any expectation that lending levels must be consistent with the population found in a geography.

The bank's distribution of consumer lending is considered adequate. The bank made 10.1 percent of its consumer loans in LMI areas. Lending in low-income areas is shown to represent 0.5 percent of the total, which closely approximates the percentage of the population in these areas, which is 1.5 percent. This is commendable considering that 53.3 percent of all families living in low-income geographies live below poverty level. The bank made 9.6 percent of its consumer loans in these areas, while the population residing in these geographies accounts for 17.1 percent of the total. While 30.4 percent of families in moderate-income areas live below poverty level, lending in moderate-income areas is considered marginal.

<sup>15</sup>The HMDA aggregate market data of reportable loans in the combined assessment areas for 1999.

Next, the bank's geographic distribution of small business and small farm lending data was analyzed. The bank's small business and small farm lending compares favorably with the 1999 business aggregate data for the combined assessment areas. The bank made 12.9 percent of its small business and small farm loans in LMI geographies compared to 15.9 percent as demonstrated by the business aggregate data. This also compares reasonably with information obtained from Dun and Bradstreet which indicate 20.8 percent of reporting businesses and farms are located in LMI areas.<sup>16</sup>

Finally, a dispersion analysis was performed to determine the level at which the bank penetrated the geographies within its assessment areas. This analysis considered every loan used in the lending test. The following table provides the applicable information, based on the income level of the geographies.

<b>Dispersion of Lending in Assessment Areas</b>			
<b>Type</b>	<b>Number of Geographies</b>	<b>Number of Geographies with Loan Activity</b>	<b>Percent of Geographies with Loan Activity</b>
Low	5	5	100%
Moderate	44	33	75.0%
Middle	110	101	91.8%
Upper	70	56	80.0%
<b>TOTAL</b>	<b>229<sup>17</sup></b>	<b>195</b>	<b>85.2%</b>

As noted in the table above, the bank made loans in 195 of the 229 (85.2 percent) geographies that comprise the bank's assessment areas. Given the bank's market share throughout its assessment areas and its branch network, the bank's performance in this area is considered to be reasonable. The bank penetrated 77.6 percent of the LMI geographies within the assessment areas, penetrating 100 percent of all low-income geographies and 75.0 percent of moderate-income areas. Furthermore, there were no significant gaps in lending to any areas of the bank's combined assessment areas.

#### Lending Activity

The bank's lending activity reflects good responsiveness to credit needs of the combined assessment areas. An indication of the bank's overall lending activity is its loan-to-deposit ratio (LTD). The bank's quarterly average net LTD ratio is considered reasonable given the size and financial condition of the bank and the credit needs in the assessment area. The bank's net LTD ratio was 88.1 percent as of June 30, 2001, and its quarterly average LTD ratio was 86.7 percent.

Area Bank's performance under this criterion was compared to that of three other financial institutions based on their proximity, asset size, and loan portfolio mix. The asset size of these banks ranged from \$2.3 billion to \$7.1 billion, and their net quarterly

<sup>16</sup> This information is provided by Dun and Bradstreet, based upon information supplied by reporting businesses. The data is for year 2000.

<sup>17</sup> See footnote two regarding the total number of geographies.



average LTD ratios ranged from 69.3 percent to 84.0 percent. The following table shows LTD and asset information for Area Bank and the similarly situated banks.

Loan-to-Deposit Ratio Analysis		
	Asset size (\$000) <sup>18</sup>	Average LTD Ratio
<b>Area Bank</b>	<b>\$2,391,800</b>	<b>86.7%</b>
<b>Local Competitors</b>	\$2,259,044	73.4%
	\$2,412,788	84.0%
	\$7,073,695	69.3%

The quarterly average LTD ratio shown in the table above is typically calculated by considering all previous quarters since the last CRA examination. Given the unique circumstances under which the bank consolidated many charters into a single institution, only three-quarters of data going back to December 31, 2000 were considered for this analysis. This method was utilized for both Area Bank and its local competitors.

#### Geographic Distribution

Lending within the assessment areas is good. The bank made a majority of its loans to borrowers, businesses and farms residing or operating inside the bank's assessment areas. The following table identifies the number, dollar volume and percentage of loans originated inside the bank's assessment areas.

Distribution of Loans In/Out of the Assessment Areas (\$000s)					
Loan Type	Sample Size	Inside Assessment Area		Outside Assessment Area	
		Number	Dollar	Number	Dollar
HMDA	598	474 79.3%	\$39,204 80.5%	124 20.7%	\$9,478 19.5%
Consumer	5,616	4,505 80.2%	\$51,684 76.8%	1,111 19.8%	\$15,575 23.2%
Small Business	934	825 88.3%	\$65,342 88.6%	109 11.7%	\$8,433 11.4%
Small Farm	685	591 86.3%	\$19,491 84.8%	94 13.7%	\$3,503 15.2%
<b>TOTAL</b>	<b>7,833</b>	<b>6,395</b> <b>81.6%</b>	<b>\$175,721</b> <b>82.6%</b>	<b>1,438</b> <b>18.4%</b>	<b>\$36,989</b> <b>17.4%</b>

Of the 7,833 loans reviewed, 81.6 percent by number and 82.6 percent by dollar were extended to borrowers inside the assessment areas. On the bases of both number and dollar volume of loans, small business lending exhibited the bank's strongest performance under this criterion. The above table shows that 88.3 percent of the number and 88.6 percent of the dollar volume of small business loans were extended inside the assessment areas.

<sup>18</sup>Total assets as of June 30, 2001, from the Consolidated Report of Income and Condition (Call Report).

## Community Development Lending

Area Bank has originated a satisfactory level of community development loans throughout its combined assessment areas. During the period reviewed, the bank originated 12 qualified loans totaling \$1,684,000 and has committed \$540,000 to another project, for a total of \$2,224,000. The community development loans were concentrated in five of the bank's 13 assessment areas. Among other activities, these loans created eight single-family residences for LMI families. Below is a summary of the bank's community development loan activity.

- *City of Owensboro Rehab Grant Program* – Bank extended five construction loans totaling \$220,000 to builders who participate in the program. The builders receive grants for construction of LMI family homes to be sold at a reduced price.
- *Winding River Health Care* – Bank extended a \$150,000 loan to finance a new internal medicine practice that is located in a moderate-income census tract.
- *Murray Main Street Loan Pool* – The bank participates in a loan pool with four other financial institutions. Each bank has dedicated \$250,000 to the program, which is designed to assist in the restoration and revitalization of buildings in downtown Murray.
- \$358,000 loan to developer of local subdivision to provide affordable housing to the LMI sector.
- \$300,000 line of credit (LOC) established with Warren County Public Housing Authority. The LOC will be used for building five affordable single family homes. This LOC is also used by this organization to purchase and rehabilitate older homes for the use of LMI families.
- \$71,000 and \$150,000 loans to Warren County Public Housing Authority for construction and permanent financing of a cabinet shop and resource center. The shop is to employ and train individuals who are LMI residents of public housing.
- \$185,000 LOC to local non-profit entity for construction of 3 new affordable homes.
- *Community Regional Development Council* – The bank has agreed to participate in a project to rehabilitate an existing industrial park through the development of a 40,000 square foot complex. The bank has committed to extend \$540,000 of a \$700,000 loan for the project.

## Innovative or Flexible Lending Practices

The bank makes adequate use of innovative or flexible lending practices, where appropriate. Some of these practices are available throughout the bank's assessment areas, while others are employed in only one or two markets.

The following flexible lending practices are generally available in all of the bank's assessment areas.

- *FHA and VA Loans* – low or no down-payment programs.
- *FNMA Flex 97* – low down-payment, buyer education.
- *Freddie Mac* – program that provides housing in exchange for Section 8 vouchers.
- *SBA 504 Development Company Loan Program* – participation with a government agency that requires the creation of jobs based on loan amount.

The following innovative or flexible lending practices are utilized in a limited number of assessment areas.

- *First Step Loan Program* – requires only two percent down payment, offers relaxed underwriting guidelines and no mortgage insurance. (Owensboro MSA and Bowling Green assessment area)
- *Lifeshapers Loan Program* – provides LMI borrowers with down payment and closing cost assistance through the Murray Housing Authority. The bank also provides a discounted rate. (Murray assessment area)
- *Somerset Home Ownership Commission* – provides tax exempt financing for a new subdivision targeted to LMI families. (Somerset assessment area)
- *Believer Loan* – to help LMI individuals establish or rebuild credit. (Owensboro MSA)
- *Owensboro Housing Authority (OHA)* – OHA refers individuals with immediate shortfalls to the bank for short term, small dollar loans that are guaranteed by OHA. The program uses relaxed underwriting guidelines. (Owensboro MSA)

## **INVESTMENT TEST**

Area Bank's overall performance with respect to the investment test is considered high satisfactory. Area Bank has a good level of qualified, community development investments and grants, in light of the opportunities available within its combined assessment areas. The bank has exhibited a good level of responsiveness to credit and community development needs within all of its assessment areas.

The bank's qualified investments consist of \$8,567,870 in investments and \$471,201 in grants or donations to 35 different organizations. Of the total investments, 55.2 percent (\$4,728,745) were made during the current period,<sup>19</sup> while the remaining 44.8 percent (\$3,839,225) were still outstanding from a prior period. All investments were assigned to a specific assessment area, and the date of the investment was compared to the date of the last CRA examination of the corresponding former institution.

The investments and grants are dispersed throughout the bank's combined assessment areas with a concentration in the Louisville MSA, accounting for 40.1 percent of the total. Only one of the 13 assessment areas did not contribute any investments, neither in the current nor in a prior period. Only four of the 13 assessment areas did not make any qualified grants or donations.

The following is a listing and description of the bank's more significant investments/donations.

*Municipal Bonds* – Total school bonds outstanding throughout Kentucky represented \$13,994,535. Of this amount, \$5,121,885 were to municipalities located in the bank's assessment areas. Current period investments total \$1,281,860, leaving prior period investments at \$3,840,025.

A proxy was used in determining the portion of the municipal bonds that qualified for credit under the investment test. For this review, all municipal bonds considered were school bonds. First, all municipal bonds that included geographies inside the bank's assessment areas were isolated. Second, the issue date of the bond was compared to the last CRA evaluation date of the applicable merged institution in order to determine current and prior period investments. Third, information available on the Internet from the U. S. Department of Education was used in determining the percentage of students who are on free lunch programs. Fourth, this figure was then used as a proxy to calculate the amount of each school bond that would qualify as an investment under this test, either current or prior period. The proxy percentage was multiplied by the value of the bond.

*FHLMC mortgage backed securities* – The bank purchased two pools of mortgage backed securities in both 2000 and 2001. The principal balance for 2000 was \$2,259,080 and \$1,177,600 for 2001. Each borrower that comprises the underlying mortgage meets the definition of an LMI borrower. One loan of \$72,000 was removed from one pool in 2000, as it was determined that the bank had originally extended the mortgage that later became a portion of the loan pool.

*Welcome Home Program Grant* – The bank was awarded a total of \$255,000 in grants by the Federal Home Loan Bank of Cincinnati. The grants are intended for down payment and closing cost assistance for LMI individuals. Each grant is limited to \$7,500 per borrower.

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<sup>19</sup> Current period investments are those that were made since the time of the last CRA examination. Since many banks were consolidated into a single institution, each former bank, as thus each assessment area, had a different date of the last CRA examination. In order to determine whether investments were from the current period or a prior period, they were first reviewed in the context of the respective assessment area that generated the investment.

Detailed information on qualified investments is provided in the text that follows for each individual assessment area.

## SERVICE TEST

### Overall Conclusion

The bank has met the requirements for a high satisfactory rating under the service test for large banks. The bank's delivery systems are accessible to all portions of the bank's assessment areas, given the bank's branch network, hours of operation, and loan and deposit products. Furthermore, services do not vary in a way that inconvenience portions of the assessment areas, particularly LMI individuals. Additionally, the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals.

### Retail Services

The bank maintains a branch network that is readily accessible to borrowers throughout its assessment areas, including LMI geographies and individuals. The branch network consists of 68 locations, including 10 locations that are located within supermarkets and other retail outlets and two drive-up facilities. ATMs are located at 55 of the branches, with the other 32 operating as free-standing ATMs. The following table illustrates the location of the bank's branches and ATMs, by income level of the geography.

<b>Branches and ATMs In Combined Assessment Areas</b>					
<b>Facility Type</b>	<b>Number and Percentage of Locations Within Each Geography</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
Branches	1	12	35	20	<b>68</b>
	1.5%	17.6%	51.5%	29.4%	<b>100%</b>
ATMs <sup>20</sup>	2	19	43	23	<b>87</b>
	2.3%	21.8%	49.5%	26.4%	<b>100%</b>
<b>TOTAL</b>	<b>3</b>	<b>31</b>	<b>78</b>	<b>43</b>	<b>155</b>
	<b>1.9%</b>	<b>20.0%</b>	<b>50.4%</b>	<b>27.7%</b>	<b>100%</b>
Percentage of Geographies	2.2%	19.2%	48.0%	30.6%	<b>100%</b>
Percentage of Population	1.5%	17.1%	48.0%	33.4%	<b>100%</b>

As noted above, 13 of the bank's branches are located in LMI areas, representing 19.1 percent of the total. Additionally, 21 of the bank's ATMs are located in LMI areas, representing 24.1 percent of the total. This data reflect a satisfactory dispersion of

<sup>20</sup> These figures include both free-standing ATMs and ATMs that are located on the premises of a branch facility.

banking facilities, closely approximating the distribution of the population and of the geographies throughout the assessment areas.

The bank has opened five branches during the review period. One of the branches, which includes an ATM, was opened in a moderate-income area, while the other four branches were opened in upper-income geographies. The bank has closed two branches during this period; one of the branches was located in a middle-income area and the other was located in an upper-income area. This performance in opening and closing branches has not adversely affected the delivery systems available to LMI individuals or areas.

The bank offers a myriad of products and services tailored to meet the needs of the communities in which it operates. The bank offers standard retail products, including free and low-cost checking and savings accounts, certificates of deposit, credit cards, and other services. All branches have extended hours at least one day per week. Some branches have Saturday banking hours and some even have services available on Sundays. Alternate delivery systems such as banking by telephone, bank-by-mail, and computer banking are available throughout the bank's assessment areas.

#### Qualified Community Development Services

The bank and its employees are involved in providing services to 32 organizations that operate throughout the bank's assessment areas, reflecting adequate participation. Only two of the 13 assessment areas do not have any qualified involvement in community development services. The organizations benefited represent a wide range of community development interests and bank employees serve in a wide range of capacities, including board members, treasurers, first-time homebuyer, and financial counselors. The organizations are too numerous to list, but a few examples follow. In each case, the role of the bank employee is explained within the discussion of the specific assessment areas.

- Kentucky Housing Home Ownership Program.
- United Way.
- Lenders for Community Reinvestment.
- Habitat for Humanity.
- Welfare to Work Program.
- Somerset Downtown Development Foundation.
- Kentucky Housing Corporation Home Buyer Assistance Program.

## METROPOLITAN STATISTICAL AREAS

Two of the four metropolitan statistical areas (MSA) in the bank's combined assessment areas were selected for review under full-scope examination procedures. The two MSAs that were evaluated were selected based on the volume of loan activity during the period reviewed and the number of branch facilities. The assessment areas are detailed below.

### METROPOLITAN STATISTICAL AREA #5090 OWENSBORO, KENTUCKY

#### DESCRIPTION OF OWENSBORO MSA

The Owensboro, Kentucky MSA #5090 is comprised of Daviess County, Kentucky. Likewise, the bank has defined this assessment area as all of Daviess County. Daviess County is located in north central Kentucky along the banks of the Ohio River. In its entirety, the county forms the Owensboro MSA. Owensboro is the population center of the county and the MSA and is the third largest city in Kentucky. According to 2000 census data, the population of the county was 91,545, which represents a 5.0 percent increase since the 1990 census. The county is densely populated, with 198.1 persons per square mile, compared to the state average of 101.7.<sup>21</sup> Financial institutions in this assessment area account for 2.4 percent of the total market share of deposits for all institutions operating in the state of Kentucky.<sup>22</sup>

The bank's assessment area is comprised of 21 census tracts. As one of the census tracts does not have any population, it has been effectively removed from this analysis. The following chart details the distribution of the geographies among the various income classifications.

<b>Distribution of Geographies in the Owensboro MSA Assessment Area by Income Level</b>					
<b>Geographies</b>	<b>Income Level Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
Number of Geographies	2 10.0%	2 10.0%	12 60.0%	4 20.0%	<b>20<sup>23</sup></b> <b>100%</b>
Population Distribution	5,386 6.2%	7,982 9.2%	56,078 64.2%	17,743 20.4%	<b>87,189</b> <b>100%</b>

As noted above, the bank's assessment area is comprised of 20.0 percent LMI census tracts, with 15.4 percent of the total population of the assessment area residing in these census tracts. In comparison, middle- and upper-income census tracts account for 80.0 percent of the census tracts and 84.7 percent of the population.

According to 1990 census data, 12.4 percent of families in the Owensboro MSA were living below the poverty level. Families in LMI census tracts experienced a much higher rate of poverty, noted as being 38.6 percent in low-income census tracts and 34.0

<sup>21</sup> Source: 2000 census.

<sup>22</sup> Source: June 30, 2000 FDIC Market Share Report.

<sup>23</sup> The calculation to determine percentage of tracts used 20 census tracts in the denominator.

percent in moderate-income census tracts. The median age of the housing stock is also much higher in these areas. The average home in a low-income census tract is 47 years old, while the average home in a moderate-income census tract is 42 years old. By comparison, the average age of all homes in the MSA is 27 years. In addition, owner-occupied units only account for 31.8 percent of all housing units in low-income areas, and 47.8 percent of housing units in moderate-income census tracts. Rental units account for 63.3 of total units in low-income census tracts and 46.5 percent of total units in moderate-income areas. In contrast, owner-occupied units account for 75.6 percent of housing units in upper-income areas, while rental units only account for 21.8 percent of the total.

Daviess County ranks first in Kentucky counties in total crop production, leading the state in soybean production and placing second in corn production. More than 84.0 percent of all land in the county is devoted to agricultural uses. Despite this dependence on agriculture, the county still enjoys a diverse economic base and is considered the industrial and cultural hub of western Kentucky. Major employers in the county include the local health system, public schools, and city government. The United States Census Bureau reports that 21.7 percent of all employees in the county were active in the manufacturing industry, followed by 14.1 percent in health care and 8.2 percent in construction.<sup>24</sup> Additionally, 86.0 percent of all businesses in the county employ between one and 19 employees. According to the Bureau of Labor Statistics, the unemployment rate in Daviess County was 4.5 percent in 2000, compared to the state average of 4.1 percent.

## **CONCLUSIONS REGARDING PERFORMANCE TESTS IN THE OWESNBORO MSA #5990**

### **LENDING TEST**

The bank's performance under the lending test in the Owensboro MSA is deemed to be consistent with the rating achieved under this part by the institution as a whole. An analysis of loan distribution by borrower income reflects excellent penetration among consumer loans and adequate penetration among HMDA loans and loans to businesses and farms of different sizes. The geographic distribution of lending activity revealed that acceptable loan distribution is exhibited throughout all income geographies, particularly LMI areas. Overall, lending levels reflect good responsiveness to the credit needs of the Owensboro MSA. While the bank has reasonably responded to credit needs through conventional lending, limited qualified community development loans were noted. Lastly, the bank periodically uses innovative and/or flexible lending practices in order to better serve the credit needs of the assessment areas.

#### Borrower Characteristics

The following table shows the distribution of HMDA and consumer loans by income level of the borrower throughout the Owensboro MSA.

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<sup>24</sup> Source: 1999 County Business Patterns.



<b>Distribution of Loans (by Number and Dollar Volume \$000s) in the Owensboro MSA Assessment Area by Income Level of Borrower</b>					
<b>Loan Type</b>	<b>Borrower Income Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
HMDA	3 4.3%	11 15.9%	16 23.2%	39 56.6%	<b>69</b> <b>100%</b>
	\$216 3.3%	\$597 9.1%	\$1,284 19.6%	\$4,465 68.0%	<b>\$6,562</b> <b>100%</b>
Consumer	145 20.5%	175 24.8%	171 24.2%	216 30.5%	<b>707<sup>25</sup></b> <b>100%</b>
	\$1,154 12.0%	\$1,656 17.2%	\$2,130 22.1%	\$4,707 48.7%	<b>\$9,647</b> <b>100%</b>
<b>TOTAL</b>	<b>148</b> <b>19.1%</b>	<b>186</b> <b>24.0%</b>	<b>187</b> <b>24.1%</b>	<b>255</b> <b>32.8%</b>	<b>776</b> <b>100%</b>
	<b>\$1,370</b> <b>8.5%</b>	<b>\$2,253</b> <b>13.9%</b>	<b>\$3,414</b> <b>21.1%</b>	<b>\$9,172</b> <b>56.5%</b>	<b>\$16,209</b> <b>100%</b>
HMDA Aggregate Market Data <sup>26</sup>	10.1%	22.1%	27.2%	40.6%	<b>100%</b>
Population Distribution	20.8%	17.7%	23.2%	38.3%	<b>100%</b>

The bank's performance under this criterion is considered to be generally consistent with the performance of the bank as a whole. However, HMDA lending to LMI borrowers does not meet the performance of peer data. The bank extended 20.2 percent of its HMDA loans to LMI borrowers, while aggregate data indicate that all lenders made 27.6 percent of loans to LMI borrowers. The bank performed better in making loans available to moderate-income borrowers, noting that the bank made 15.9 percent of HMDA loans to these borrowers, compared to peer data of 18.9 percent. In total, the bank's performance in making residential loans available LMI borrowers is deemed to be adequate based on owner occupancy and poverty levels.

The distribution of consumer loans in the Owensboro MSA is consistent with that of the overall bank, reflecting strong penetration among borrowers of different income levels. The bank extended 45.3 percent of its consumer loans to LMI individuals, while these individuals account for 38.5 percent of the population. This suggests that the bank is making a concerted effort to meet the credit needs of borrowers through consumer lending.

The bank's distribution of loans to small businesses in the Owensboro MSA is not consistent with the performance of the bank as a whole, as illustrated in the following table.

<sup>25</sup> Of the 776 consumer loans to borrowers inside this assessment area, 69 did not have income information available and were removed from this analysis.

<sup>26</sup> HMDA aggregate data of reportable loans in Owensboro MSA 5990 for 1999.

<b>Distribution of Small Business Loans in the Owensboro MSA Assessment Area</b>				
<b>Gross Revenue</b>	<b>Loan Origination Amount (\$000s)</b>			<b>TOTAL</b>
	<b>≤\$100</b>	<b>&gt;\$100≤\$250</b>	<b>&gt;\$250≤\$1,000</b>	
\$1 Million or Less	62 74.7%	11 13.3%	10 12.0%	<b>83</b> <b>57.6%</b>
	\$1,559 20.5%	\$1,761 23.2%	\$4,275 56.3%	<b>\$7,595</b> <b>48.7%</b>
Greater than \$1 Million	47 77.1%	6 9.8%	8 13.1%	<b>61</b> <b>42.4%</b>
	\$2,010 25.2%	\$1,019 12.7%	\$4,964 62.1%	<b>\$7,993</b> <b>51.3%</b>
<b>TOTAL</b>	<b>109</b> <b>75.7%</b>	<b>17</b> <b>11.8%</b>	<b>18</b> <b>12.5%</b>	<b>144</b> <b>100%</b>
	<b>\$3,569</b> <b>22.9%</b>	<b>\$2,780</b> <b>17.8%</b>	<b>\$9,239</b> <b>59.3%</b>	<b>\$15,588</b> <b>100%</b>

According to the above table, the bank originated a total of 144 business loans within the Owensboro MSA. Of these loans, the bank extended 57.6 percent by number and 48.7 percent by dollar volume to small businesses.<sup>27</sup> This does not compare favorably to the 1999 aggregate data, which show that 66.9 percent of all business loans were made to small businesses. This aggregate data reflect all reported business loans made in this assessment area by all lenders. Dun and Bradstreet data indicate that 87.3 percent of businesses in the assessment area are considered small businesses. While the bank's performance in this assessment area is generally not as strong as the overall performance, it is noted that, of the loans made to small businesses, about 74.7 percent were made in an amount of \$100,000 or less.

The bank's distribution of small farm loans in the Owensboro MSA exceeds the performance of the entire institution, as demonstrated in the following table.

<sup>27</sup> Small businesses are defined as businesses with gross annual revenues of \$1 million or less.

<b>Distribution of Small Farm Loans in the Owensboro MSA Assessment Area</b>				
<b>Gross Revenue</b>	<b>Loan Origination Amount (\$000s)</b>			<b>TOTAL</b>
	<b>≤\$100</b>	<b>&gt;\$100≤\$250</b>	<b>&gt;\$250≤\$500</b>	
\$1 Million or Less	19 86.4%	3 13.6%	0 0.0%	<b>22</b> <b>100%</b>
	\$516 54.5%	\$430 45.5%	\$0 0.0%	<b>\$946</b> <b>100%</b>
Greater than \$1 Million	0 0.0%	0 0.0%	0 0.0%	<b>0</b> <b>0.0%</b>
	\$0 0.0%	\$0 0.0%	\$0 0.0%	<b>\$0</b> <b>0.0%</b>
<b>TOTAL</b>	<b>19</b> <b>86.4%</b>	<b>3</b> <b>13.6%</b>	<b>0</b> <b>0.0%</b>	<b>22</b> <b>100%</b>
	<b>\$516</b> <b>54.5%</b>	<b>\$430</b> <b>45.5%</b>	<b>\$0</b> <b>0.0%</b>	<b>\$946</b> <b>100%</b>

The above table shows that 100 percent of farm loans were made to small farms.<sup>28</sup> This reflects exceptional performance compared to 1999 CRA aggregate data, which indicate that lenders made 88.4 percent of farm loans to small farms. Additionally, Dun and Bradstreet data indicate that 98.7 percent of all farms are considered small farms. Further evidence of the bank's commitment to meeting the needs of small farms is noted in that 86.4 percent of all small farm loans were extended for amounts of \$100,000 or less.

#### Loan Distribution by Geography

The geographic distribution of loans in the Owensboro MSA is detailed in the following table.

<sup>28</sup> Small farms are defined as farms with gross annual revenues of \$1 million or less.

<b>Geographic Distribution of Loans (Number and Dollar Volume in \$000s) in the Owensboro MSA Assessment Area by Income Level of Geography</b>					
<b>Loan Type</b>	<b>Geography Income Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
HMDA	1	3	40	25	<b>69</b>
	1.4%	4.3%	58.1%	36.2%	<b>100%</b>
	\$128	\$190	\$3,808	\$2,436	<b>\$6,562</b>
Consumer	20	51	511	194	<b>776</b>
	2.6%	6.6%	65.8%	25.0%	<b>100%</b>
	\$225	\$472	\$6,390	\$2,992	<b>\$10,079</b>
<b>TOTAL</b>	<b>21</b>	<b>54</b>	<b>551</b>	<b>219</b>	<b>845</b>
	<b>2.5%</b>	<b>6.4%</b>	<b>65.2%</b>	<b>25.9%</b>	<b>100%</b>
	<b>\$353</b>	<b>\$662</b>	<b>\$10,198</b>	<b>\$5,428</b>	<b>\$16,641</b>
Owner-Occupied Housing Units	3.6%	7.6%	65.4%	23.4%	<b>100%</b>
HMDA Aggregate Market Data <sup>29</sup>	3.8%	6.5%	64.6%	25.1%	<b>100%</b>
Percentage of Assessment Area Population	6.2%	9.2%	64.2%	20.4%	<b>100%</b>

The bank's performance in making loans to borrowers throughout the various geographies is not consistent with the performance of the bank as a whole. The bank extended 5.7 percent of its HMDA loans in LMI areas. In comparison, aggregate market data figures total 10.3 percent, and 11.2 percent of total owner-occupied housing units are located in LMI areas. As such, the bank's distribution of HMDA lending by income level of the geography is considered to be low.

Marginal penetration into LMI areas is noted in the bank's consumer lending portfolio. The bank extended 9.2 percent of its consumer loans in LMI areas. The representative population in LMI areas is 15.4 percent, indicating that there are potentially borrowers in these areas that are not being served.

The geographic distribution of the bank's small business and small farm lending exceeds the 1999 business aggregate data for the assessment area. The bank made 41.0 percent of its small business and small farm loans in LMI geographies compared to 29.4 percent as demonstrated by the business aggregate data. This also exceeds information obtained from Dun and Bradstreet which indicate that 27.8 percent of reporting businesses and farms are located in LMI areas.<sup>30</sup>

<sup>29</sup> HMDA aggregate data of reportable loans in Owensboro MSA 5090 for 1999.

<sup>30</sup> This information is provided by Dun and Bradstreet, based upon information supplied by reporting businesses. The data is for year 2000.

## Community Development Lending

Area Bank has originated an adequate volume of qualifying community development loans in the Owensboro MSA during the period reviewed. The following are the categories of projects, to which the bank has loaned a total of \$370,000.

*City of Owensboro Rehab Grant Program* - Five construction loans totaling \$220,000 were extended to builders who participate in the city's program to construct and/or rehabilitate affordable housing. Builders receive grants for construction of LMI family homes to be sold at a reduced price.

*Winding River Health Care* – The bank extended a \$150,000 loan to finance a new internal medicine practice that is located in a moderate-income census tract.

## Innovative or Flexible Lending Practices

Most of the bank's loan programs that are characterized as innovative or flexible are available throughout all of the bank's assessment areas. The description of these programs can be found starting on page 13. Those programs that are exclusive to this assessment area are detailed below.

*First Step Mortgage Loan Program* – This program requires only two percent down payment for LMI borrowers and offers relaxed underwriting guidelines and ratios and no mortgage insurance.

*Owensboro Housing Authority* – The bank has a referral program with the Owensboro Housing Authority to assist LMI individuals with short-term loans for immediate shortfalls. With such a referral, the bank extends credit to individuals who do not meet the bank's conventional credit requirements. The loans average about \$250 and are guaranteed by the Owensboro Housing Authority. Loans originated under this program total \$6,446.

*Believer Loan* – This loan product is designed to allow a borrower to establish or rebuild credit history. Proceeds are used to purchase a certificate of deposit (CD) that is used as collateral for the loan. Upon maturity, the CD is passed on to the borrower, who has been given an opportunity to establish a good payment history.

## **INVESTMENT TEST**

### Qualified Investments

The bank's performance under the investment test in the Owensboro MSA is similar to that of the overall bank, indicating that the bank adequately responds to credit and community development needs of this assessment area. The bank's qualified investments made in this MSA for 1998 through 2001 consists of \$367,250 in investments and \$167,250 in grants and donations to six different organizations operating in the assessment area. Prior period investments totaled \$812,260. It is also noted that the bank exhibits acceptable performance under the investment test compared to other financial institutions that operate in the Owensboro MSA.

The following is a listing and description of the investments made in the Owensboro MSA.

*Municipal Bonds* – The bank purchased \$1,169,260 in qualifying municipal bonds that directly benefit this assessment area. Of this amount, \$357,000 was purchased during the current period and \$812,260 is still outstanding from periods prior to the last evaluation. Refer to page 15 of this document for a discussion on how the qualifying levels of the bonds were apportioned.

*Downtown Owensboro* – Area Bank invested \$10,250 toward a loan participation among eight local banks that make loans available for businesses located in downtown Owensboro, which includes four LMI census tracts.

Donations, grants and sponsorships to organizations that operate in and benefit this assessment area totaled \$167,250 during the period of review and are detailed below.

*Welcome Home Program Grant* – The bank was awarded a \$37,500 grant by the Federal Home Loan Bank of Cincinnati. The grant is intended for down payment and closing cost assistance for LMI individuals. Each grant is limited to \$7,500.

*Owensboro Home Buyer Program* – The bank donated \$500 to cover the advertising cost promoting availability of the program.

*Green River Area Development District (GRADD)* – Area Bank donated \$25,000 toward a revolving loan pool intended to fund various social services for LMI families and individuals.

*Industry, Inc.* – Area Bank made a contribution of \$20,000 in 2000 to help the organization attract and support local economic expansion activities.

*United Way* – The bank contributed \$76,750 from 1998 through 2001. According to bank management, the United Way supports many programs and services that meet the needs of LMI individuals. The contributions were made in the following amounts: \$18,000 in 1998; \$18,500 in 1999; \$20,000 in 2000 and \$20,250 in 2001.

*Alma Randolph Foundation* – The bank donated a total of \$7,500 to this organization that provides funds for LMI families to purchase school clothing and supplies. The total donations were comprised of \$6,500 in 2001 and \$500 each in 1998 and 1999.

## **SERVICE TEST**

### Overall Conclusion

The bank's performance in the Owensboro MSA is similar to the overall rating of high satisfactory achieved by the bank as a whole under this criterion. The bank's delivery systems are readily accessible to all portions of the assessment area, given the network of branches, hours of operation, and loan and deposit products available. Furthermore, the availability of services do not vary in a way that inconveniences portions of the assessment area, particularly LMI individuals or areas. The bank has not closed any branches in an LMI area since the last examination.

## Retail Services

The bank offers a branch network that is readily available to borrowers throughout its assessment area. The following table depicts the distribution of the bank's branch and ATM facilities throughout the various geographies within the Owensboro MSA.

<b>Branches and ATMs in the Owensboro MSA</b>					
<b>Facility type</b>	<b>Number and Percentage of Locations Within Each Geography</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
Branches	1	1	6	4	<b>12</b>
	8.3%	8.3%	50.0%	33.3%	<b>100%</b>
ATMs <sup>31</sup>	2	2	7	5	<b>16</b>
	12.5%	12.5%	43.7%	31.3%	<b>100%</b>
<b>TOTAL</b>	<b>3</b>	<b>3</b>	<b>13</b>	<b>9</b>	<b>28</b>
	<b>10.7%</b>	<b>10.7%</b>	<b>46.4%</b>	<b>32.2%</b>	<b>100%</b>
Percentage of Population within each geography	6.2%	9.2%	64.2%	20.4%	<b>100%</b>

As illustrated above, 16.6 percent of the bank's branches and 25.0 percent of the bank's ATMs are located in LMI areas. This compares favorably with the population of these census tracts, shown above to be 15.4 percent. The branch network consists of eight full-service branches and four branches that are located in retail stores, including a WalMart. While each of these in-store branches is located in middle- or upper-income census tracts, they are still deemed to expand the availability of services to individuals of all income levels, based on low-cost strategy of the retail outlets and their proximity to LMI areas. All in-store branches offer transaction and non-transaction accounts, but not all of them accept loan applications.

The majority of the branches in this assessment area are open from 8:30 a.m. to 4:00 p.m. on Monday through Thursday. Lobby and drive-through hours generally extend from 8:30 a.m. to 6:00 p.m. on Friday. The four previously referenced in-store branches generally open earlier each morning and provide services on both Saturday and Sunday.

As previously noted, the bank makes its services available in a variety of other forms, including telephone and computer banking.

<sup>31</sup> These figures include both free-standing ATMs and those that are located on the premises of a branch facility. These numbers are shown in this way to exhibit the total availability of banking services during off-peak hours.

## Qualified Community Development Services

Overall, the bank provides a level of community development services in the Owensboro MSA that is consistent with the performance of the bank as a whole. The bank and its employees are involved in providing community development services to five different organizations within the assessment area.

*United Way* – A bank employee serves as a board member of the United Way, bringing financial expertise to this endeavor.

*Outreach Counselor* – The bank has an individual under contract who works with Area Bank to seek out individuals who might not otherwise rely on a bank for loans or other services. The individual refers these prospects to Area Bank and offers credit counseling for those in need. The bank receives credit for this relationship under indirect community development services.

*Kentucky Housing Home Ownership Program (KHHOP)* – The KHHOP offers a home ownership program entitled “Yes, You Can Own a Home.” The program is designed to educate prospective first time homebuyers. An Area Bank lending officer teaches at these courses, providing insight into the lending process.

*Alma Randolph Foundation* – A bank employee serves as a member of the board. The Foundation is described under the Investment Test section of this Performance Evaluation.

*Kentucky Housing Corporation Home Buyer Assistance Program* – The bank provides home ownership counseling for LMI applicants who wish to purchase a home through the Kentucky Housing Corporation. The program offers closing cost and down payment assistance in the form of a second mortgage that does not require repayment. Program eligibility stipulations ensure that this assistance benefits LMI borrowers.



## METROPOLITAN STATISTICAL AREA #1660 HOPKINSVILLE, KENTUCKY

### DESCRIPTION OF CLARKSVILLE, INDIANA – HOPKINSVILLE, KENTUCKY MSA ASSESSMENT AREA

The Clarksville, Indiana – Hopkinsville, Kentucky MSA #1660 (Hopkinsville MSA) is composed of Christian County, Kentucky and Montgomery County, Tennessee. The bank has defined this assessment area as all of Christian County, Kentucky, since it does not have any banking locations in Montgomery County, Tennessee. Christian County is located in the Pennyryle area of southwest Kentucky, near the Tennessee border. Hopkinsville is the population center of the county, and is the sixth largest city in Kentucky. According to 2000 census data, the population of the county is 72,265, which represents a 4.8 percent increase since the 1990 census. The population density of Christian County 100.2 persons per square mile is similar to the state average of 101.7. Financial institutions in this assessment area account for 1.2 percent of the total market share of deposits for all institutions operating in the state of Kentucky.<sup>32</sup>

The bank's assessment area is comprised of 15 census tracts. The following chart details the distribution of the geographies among the various income classifications.

<b>Distribution of Geographies in the Hopkinsville MSA by Income Level</b>					
<b>Geographies</b>	<b>Income Level Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
Number of Geographies	0 0.0%	5 33.3%	7 46.7%	3 20.0%	<b>15</b> <b>100%</b>
Population Distribution	0 0.0%	34,834 50.5%	21,479 31.2%	12,628 18.3%	<b>68,941</b> <b>100%</b>

As noted above, there are no census tracts designated as low-income. Moderate-income census tracts represent 33.3 percent of total census tracts, with approximately 50.5 percent of the total population of the assessment area residing in these census tracts. By comparison, middle- and upper-income census tracts account for 66.7 percent of the census tracts and 49.5 percent of the population.

According to 1990 census data, 14.2 percent of families in the assessment area were living below the poverty level. Families in moderate-income census tracts experienced a much higher rate of poverty, noted as being 20.7 percent. The median age of the housing stock is only slightly higher in these areas. The average home in a moderate-income census tract is 25 years old. By comparison, the average age of all homes in the MSA is 23 years. In addition, owner-occupied units only account for 30.1 percent of all housing units in moderate-income census tracts, while rental units account for 65.2 percent of total units in moderate-income areas. In contrast, owner-occupied units account for 72.9 percent of housing units in upper-income areas, while rental units only account for 23.9 percent of the total.

<sup>32</sup> Source: June 30, 2000 FDIC Market Share Report.

The local economy is driven primarily by manufacturing, agricultural, military and tourism segments. The Fort Campbell army base is partially located in Christian County. According to the Hopkinsville – Christian County Chamber of Commerce, about 24,000 military personnel and 4,000 civilian personnel work on the base. It is estimated that Fort Campbell contributes over \$1 billion per year to the local economy, which significantly includes this assessment area. In addition to the impact that the military base has on the local economy, Christian County typically ranks in the top 10 counties for total crop production. The United States Census Bureau reports that 22.0 percent of all employees in the county work in the health care industry, followed by 21.7 percent in manufacturing and 12.9 percent in retail positions.<sup>33</sup> In addition, it is noted that 83.6 percent of all businesses in the county employ between one and 19 employees. According to the Bureau of Labor Statistics, the unemployment rate in Christian County was 4.2 percent in 2000, compared to the state average of 4.1 percent.

## **CONCLUSIONS REGARDING PERFORMANCE TESTS IN THE HOPKINSVILLE MSA #1660**

### **LENDING TEST**

The bank's performance under the lending test in the Hopkinsville MSA is deemed to be consistent with the rating achieved under this part by the institution as a whole. An analysis of loan distribution by borrower income or business revenue reflects good penetration among consumer loans and loans to businesses and farms. The borrower distribution of HMDA lending is considered to be adequate. The geographic distribution of lending activity revealed that adequate loan distribution is exhibited throughout all income geographies, particularly moderate-income areas. Overall, lending levels reflect good responsiveness to the credit needs of the Hopkinsville MSA. While the bank has adequately responded to credit needs, no qualified community development loans were noted. Lastly, the bank periodically uses innovative and/or flexible lending practices in order to better serve the credit needs of the assessment areas.

#### Borrower Characteristics

The following table shows the distribution of HMDA and consumer loans by income level of the borrower throughout the Hopkinsville MSA.

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<sup>33</sup> Source: 1999 County Business Patterns.

<b>Distribution of Loans (by Number and Dollar Volume in \$000s) in the Hopkinsville MSA by Income Level of Borrower</b>					
<b>Loan Type</b>	<b>Borrower Income Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
HMDA	3 4.3%	13 18.8%	31 44.9%	22 32.0%	<b>69<sup>34</sup></b> <b>100%</b>
	\$113 1.8%	\$671 10.5%	\$2,227 34.9%	\$3,378 52.8%	<b>\$6,389</b> <b>100%</b>
Consumer	100 19.8%	121 23.9%	132 26.1%	153 30.2%	<b>506<sup>35</sup></b> <b>100%</b>
	\$665 11.4%	\$1,187 20.4%	\$1,336 23.0%	\$2,620 45.2%	<b>\$5,808</b> <b>100%</b>
<b>TOTAL</b>	<b>103</b> <b>17.9%</b>	<b>134</b> <b>23.3%</b>	<b>163</b> <b>28.3%</b>	<b>175</b> <b>30.5%</b>	<b>575</b> <b>100%</b>
	<b>\$778</b> <b>6.4%</b>	<b>\$1,858</b> <b>15.2%</b>	<b>\$3,563</b> <b>29.2%</b>	<b>\$5,998</b> <b>49.2%</b>	<b>\$12,197</b> <b>100%</b>
HMDA Aggregate Market Data <sup>36</sup>	7.1%	23.6%	21.8%	32.5%	<b>100%</b>
Population Distribution	20.6%	22.8%	22.8%	33.8%	<b>100%</b>

Overall, the bank's performance under this criterion in the Hopkinsville MSA is considered to be consistent with the performance of the bank as a whole. Area Bank's HMDA lending to LMI borrowers is somewhat lower than peer data. The bank extended 23.1 percent of its HMDA loans to LMI borrowers, while the aggregate market made 30.7 percent of loans to these individuals.

The distribution of consumer loans in the Hopkinsville MSA is also consistent with that of the overall bank. The bank extended 43.7 percent of its consumer loans to LMI borrowers, which compares well with the population distribution, shown above to be 43.4 percent. A closer look at the dollar volume of consumer loans made to LMI borrowers offers further support that the bank is meeting the credit needs of this assessment area. Consumer loans to moderate-income borrowers accounted for 23.3 percent of the number of loans and 20.4 percent of the dollar volume. This level of lending exceeds expectations under the theory that LMI borrowers will typically request smaller dollar loans than will middle- and upper-income borrowers, resulting in a lower percentage of total dollar volume of loans.

<sup>34</sup> Of the 70 HMDA loans extended inside the assessment area, one did not have income information and was removed from this analysis.

<sup>35</sup> Of the 556 consumer loans extended inside the assessment area, 50 did not have income information and were removed from this analysis.

<sup>36</sup> HMDA aggregate data of reportable loans in Hopkinsville MSA 1660 for 1999.

The bank's distribution of commercial loans to small businesses in the Hopkinsville MSA exceeds the performance of the bank as a whole, as illustrated in the following table.

<b>Distribution of Small Business Loans in the Hopkinsville MSA Assessment Area</b>				
<b>Gross Revenue</b>	<b>Loan Origination Amount (\$000s)</b>			<b>TOTAL</b>
	<b>≤\$100</b>	<b>&gt;\$100≤\$250</b>	<b>&gt;\$250≤\$1,000</b>	
\$1 Million or Less	70	8	6	<b>84</b>
	83.3%	9.5%	7.2%	<b>91.3%</b>
Greater than \$1 Million	\$1,710	\$1,318	\$2,875	<b>\$5,903</b>
	29.0%	22.3%	48.7%	<b>82.1%</b>
Greater than \$1 Million	6	1	1	<b>8</b>
	75.0%	12.5%	12.5%	<b>8.7%</b>
<b>TOTAL</b>	\$162	\$125	\$1,000	<b>\$1,287</b>
	12.6%	9.7%	77.7%	<b>17.9%</b>
<b>TOTAL</b>	<b>76</b>	<b>9</b>	<b>7</b>	<b>92</b>
	<b>82.6%</b>	<b>9.9%</b>	<b>7.5%</b>	<b>100%</b>
<b>TOTAL</b>	<b>\$1,872</b>	<b>\$1,443</b>	<b>\$3,875</b>	<b>\$7,190</b>
	<b>26.0%</b>	<b>20.1%</b>	<b>53.9%</b>	<b>100%</b>

According to the above table, the bank originated a total of 92 business loans within the assessment area. Of these loans, the bank extended 91.3 percent by number and 82.1 percent by dollar volume to small businesses.<sup>37</sup> This exceeds 1999 aggregate data for all lenders, which show that 72.8 percent of all business loans were made to small businesses. This aggregate data reflect all reported business loans made in the assessment areas by all lenders. Dun and Bradstreet data indicate that 90.5 percent of businesses in the combined assessment areas are considered small businesses. The bank extended 83.3 percent of its loans to small businesses in amounts of \$100,000 or less, exhibiting a willingness to meet the credit needs of very small businesses.

The bank's distribution of small farm loans in the Hopkinsville MSA is consistent with the performance of the entire institution, as demonstrated in the following table.

<sup>37</sup> Small businesses are defined as businesses with gross annual revenues of \$1 million or less.

<b>Distribution of Small Farm Loans in the Hopkinsville MSA Assessment Area</b>				
<b>Gross Revenue</b>	<b>Loan Origination Amount (\$000s)</b>			<b>TOTAL</b>
	<b>≤\$100</b>	<b>&gt;\$100≤\$250</b>	<b>&gt;\$250≤\$500</b>	
\$1 Million or Less	33 86.8%	3 7.9%	2 5.3%	<b>38</b> <b>97.4%</b>
	\$1,010 41.8%	\$506 20.9%	\$900 37.3%	<b>\$2,416</b> <b>99.6%</b>
Greater than \$1 Million	1 100%	0 0.0%	0 0.0%	<b>1</b> <b>2.6%</b>
	\$10 100%	\$0 0.0%	\$0 0.0%	<b>\$10</b> <b>0.4%</b>
<b>TOTAL</b>	<b>34</b> <b>87.2%</b>	<b>3</b> <b>7.7%</b>	<b>2</b> <b>5.1%</b>	<b>39</b> <b>100%</b>
	<b>\$1,020</b> <b>42.0%</b>	<b>\$506</b> <b>20.9%</b>	<b>\$900</b> <b>37.1%</b>	<b>\$2,426</b> <b>100%</b>

The above table shows a large volume of loans made to small farms.<sup>38</sup> Of the 39 farm loans made in the assessment area, 97.4 percent were extended to small farms. This compares favorably to 1999 CRA aggregate data, which indicate lenders made 98.9 percent of farm loans to small farms. Additionally, Dun and Bradstreet data indicate that 97.1 percent of all farms are considered small farms. Further evidence of the bank's commitment to meeting the needs of small farms is noted in that 86.8 percent of all small farm loans were extended for amounts of \$100,000 or less.

#### Loan Distribution by Geography

The geographic distribution of loans in the Hopkinsville MSA is generally consistent with that of the institution as a whole, and is detailed in the following table.

<sup>38</sup> Small farms are defined as farms with gross annual revenues of \$1 million or less.

<b>Geographic Distribution of Loans (Number and Dollar Volume in \$000s) in the Hopkinsville MSA Assessment Area by Income Level of Geography</b>					
<b>Loan Type</b>	<b>Geography Income Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
HMDA	0 0.0%	12 17.1%	37 52.9%	21 30.0%	<b>70</b> <b>100%</b>
	\$0 0.0%	\$477 7.4%	\$2,833 43.9%	\$3,145 48.7%	<b>\$6,455</b> <b>100%</b>
Consumer	0 0.0%	130 23.4%	215 38.7%	211 37.9%	<b>556</b> <b>100%</b>
	\$0 0.0%	\$1,445 22.7%	\$2,288 36.0%	\$2,630 41.3%	<b>\$6,363</b> <b>100%</b>
<b>TOTAL</b>	<b>0</b> <b>0.0%</b>	<b>142</b> <b>22.7%</b>	<b>252</b> <b>40.3%</b>	<b>232</b> <b>37.0%</b>	<b>626</b> <b>100%</b>
	<b>\$0</b> <b>0.0%</b>	<b>\$1,922</b> <b>15.0%</b>	<b>\$5,121</b> <b>40.0%</b>	<b>\$5,775</b> <b>45.0%</b>	<b>\$12,818</b> <b>100%</b>
Owner–Occupied Housing Units	0.0%	23.6%	43.8%	32.6%	<b>100%</b>
HMDA Aggregate Market Data <sup>39</sup>	0.0%	15.6%	53.9%	30.5%	<b>100%</b>
Percentage of Assessment Area Population	0 0%	34,834 50.5%	21,479 31.2%	12,628 18.3%	<b>68,941</b> <b>100%</b>

As noted above, HMDA lending in LMI areas compares favorably with peer data. The bank made 17.1 percent of its HMDA loans in moderate-income areas, while peer institutions only made 15.6 percent of loans in these census tracts. It is noted that the bank’s distribution of loans in moderate-income census tracts is lower than the owner-occupied units available in these areas and the representative population of moderate-income census tracts. However, a community contact involved in local government stated that Christian County is dealing with some severe issues relating to the availability of housing stock. The contact indicated that there are very few affordable housing units available in moderate-income areas. This information assists in evaluating the bank’s performance, as it appears that the discrepancy between lending levels and population is reasonable.

A low level of penetration into moderate-income census tracts is noted with respect to the bank’s consumer lending. A majority of residents in the assessment area reside in moderate-income geographies, shown above to 50.5 percent. Consumer lending in moderate-income areas only totaled 23.3 percent, indicating that a substantial amount of borrowers in these areas are not being reached by the bank’s consumer lending efforts.

The geographic distribution of the bank’s small business and small farm lending is sufficient compared to the 1999 business aggregate data for the assessment area. The bank made 25.2 percent of its small business and small farm loans in moderate-income geographies compared to 36.2 percent as demonstrated by the business aggregate

<sup>39</sup> HMDA aggregate data of reportable loans in Hopkinsville MSA #1660 for 1999.

data. This performance is also sufficient compared to information obtained from Dun and Bradstreet which indicate that 44.5 percent of reporting businesses and farms are located in LMI areas.<sup>40</sup>

### Community Development Lending

Area Bank has not originated any qualified community development loans in the Hopkinsville MSA during the period reviewed, reflecting a weaker performance for this specific assessment area compared to the institution as a whole.

### Innovative or Flexible Lending Practices

There are no innovative or flexible lending practices that are exclusive to the Hopkinsville assessment area. Please refer to page 14 of this document for information regarding the description of innovative and flexible lending practices that are available throughout the bank's assessment area.

## **INVESTMENT TEST**

### Qualified Investments

The bank's performance under the investment test in the Hopkinsville MSA is similar to that of the overall bank, indicating that the bank adequately responds to the credit and community development needs of this assessment area. The bank's qualified investments made in this MSA for 1998 through 2001 consists of \$420,540 in investments and \$21,670 in grants and donations to three organizations operating in the assessment area. Prior period investments totaled \$598,560.

The following is a listing and description of the investments made in the Hopkinsville MSA.

*Municipal Bonds* – The bank purchased \$1,019,100 in qualifying municipal bonds that directly benefit this assessment area. Of this amount, \$420,540 was purchased during the current period, with \$598,560 still outstanding from purchases made prior to the last evaluation. Refer to page 15 of this document for a discussion on how the qualifying levels of the bonds were apportioned.

Donations, grants and sponsorships to organizations that operate in and benefit this assessment area totaled \$21,670 during the period of review and are detailed below.

*Economic Development Commission* – The bank donated \$8,000 in 2000 and \$4,200 thus far in 2001. The Council's primary responsibility is recruiting industry in order to promote jobs.

*Project Second Chance* – This program helps pay the GED testing fee for those who can not afford it. Prospective applicants are screened by an outside party to ensure that

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<sup>40</sup> This information is provided by Dun and Bradstreet, based upon information supplied by reporting businesses. The data is for year 2000.

they exhibit a financial need. The bank has donated \$2,470 since 1999, helping 89 individuals receive their GED.

YMCA – The bank has donated free office space for the administrative work of the local YMCA. The YMCA is involved in many aspects of community life, including programs and services for LMI individuals. One such service is Pryme Tyme, which is an outreach program designed for inner-city children. This service provides counseling, homework assistance and drug education in cooperation with the Hopkinsville Housing Authority. In addition to offering the free office space, the bank contributed \$7,000 worth of furniture for the building.

## SERVICE TEST

### Overall Conclusion

The bank’s performance in the Hopkinsville MSA is similar to the overall rating of high satisfactory achieved by the bank as a whole under this criterion. The bank’s delivery systems are readily accessible to all portions of the assessment area, given the network of branches, hours of operation, and loan and deposit products available. Furthermore, the availability of services do not vary in a way that inconveniences portions of the assessment area, particularly LMI individuals or areas. The bank has not closed any branches since the last examination, but it has opened two new locations, including one that is located in a moderate-income census tract.

### Retail Services

The bank offers a branch network that is readily available to borrowers throughout its assessment area. The following table depicts the distribution of the bank’s branch and ATM facilities throughout the various geographies within the Hopkinsville MSA.

<b>Branches and ATMs in the Hopkinsville MSA</b>					
<b>Facility type</b>	<b>Number and Percentage of Locations Within Each Geography</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
Branches	0	3	4	1	<b>8</b>
	0.0%	37.5%	50.0%	12.5%	<b>100%</b>
ATM <sup>41</sup>	0	9	7	2	<b>18</b>
	0.0%	50.0%	38.9%	11.1%	<b>100%</b>
<b>TOTAL</b>	<b>0</b>	<b>12</b>	<b>11</b>	<b>3</b>	<b>26</b>
	<b>0.0%</b>	<b>46.2%</b>	<b>42.3%</b>	<b>11.5%</b>	<b>100%</b>
Percentage of Population within each geography	0.0%	50.5%	31.2%	18.3%	<b>100%</b>

As shown above, 37.5 percent of the bank’s branches and 50.0 percent of the bank’s ATMs are located in moderate-income census tracts. This level is generally consistent

<sup>41</sup> These figures include both free-standing ATMs and ATMs that are located on the premises of a branch facility. These numbers are shown in this way to exhibit the total availability of banking services during off-peak hours.



with the population of these census tracts, shown above to be 50.5 percent. The branch network consists of seven full-service branches and one branch that is located in a WalMart shopping center. Of the two branches opened since the last CRA evaluation, one is located in a moderate-income census tract and the other is located in an upper-income census tract. Both branches were opened in 1998.

The majority of the branches in this assessment area are open from 8:30 a.m. to 4:00 p.m. on Monday through Thursday and 8:30 a.m. to 6:00 p.m. on Friday. Drive-through hours are generally consistent with the times noted here. The only two branches in this assessment area that offer Saturday banking hours are both located in moderate-income census tracts.

As previously noted, the bank makes its services available in a variety of other forms, including telephone and computer banking.

### Qualified Community Development Services

Overall, the bank provides a level of community development services in the Hopkinsville MSA that is consistent with the performance of the bank as a whole. The bank and its employees are involved in providing community development services to four different organizations within the assessment area, as detailed below.

*Minority Economic Development Initiative* – This entity provides funding for LMI individuals for assistance in small business development. A bank employee serves on the lending committee.

*Home Buyers Workshop* – A bank employee participated in this presentation geared toward educating homebuyers.

*Kentucky Housing Home Ownership Program (KHHOP)* – As discussed previously, the bank was involved in teaching a portion of the course for the “Yes, You Can Own a Home” program offered in this market.

*Economic Development Commission* – A bank employee serves on the board of this organization that is described under the Investment Test section of this Performance Evaluation.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN OTHER MSAs IN KENTUCKY

The two metropolitan statistical areas that were not evaluated under full-scope examination procedures were selected based on their relative activity during the period reviewed and number of branch facilities. The assessment areas are detailed below in order of descending loan activity.

### METROPOLITAN STATISTICAL AREA #4520 LOUISVILLE, KENTUCKY

#### DESCRIPTION OF LOUISVILLE MSA ASSESSMENT AREA

This assessment area is defined as a portion of Jefferson County, Kentucky. Jefferson County is located in northern Kentucky along the banks of the Ohio River. Jefferson County forms a portion of the Louisville, Kentucky–Indiana MSA (Louisville MSA). The Louisville MSA is comprised of seven counties, three of which are in Kentucky, with the other four located in Indiana. According to 2000 census data, the population of Jefferson County is 693,604, which represents a 4.3 percent increase since the 1990 census. The county is very densely populated, with 1,801.6 persons per square mile, compared to the state average of 101.7. The portion of Jefferson County that comprises this assessment area had a population of 233,953 residents, as of the 1990 census. Financial institutions in this assessment area account for 24.9 percent of the total market share of deposits for all institutions operating in the state of Kentucky.<sup>42</sup>

The bank's assessment area is comprised of 57 census tracts. The following chart details the distribution of the geographies among the various income classifications.

<b>Distribution of Geographies in the Louisville MSA by Income Level</b>					
<b>Geographies</b>	<b>Income Level Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
Number of Geographies	1 1.8%	6 10.5%	14 24.6%	36 63.1%	<b>57</b> <b>100%</b>
Population Distribution	4,584 2.0%	14,980 6.4%	61,068 26.1%	153,321 65.5%	<b>233,953</b> <b>100%</b>

As noted above, the bank's assessment area is comprised of 12.3 percent LMI census tracts, with approximately 8.4 percent of the total population of the assessment area residing in these census tracts. In comparison, middle- and upper-income census tracts account for 87.7 percent of the census tracts and 91.6 percent of the population. Moderate-income census tracts are the most sparsely populated, as only 6.4 percent of the population resides in geographies that account for 10.5 percent of the total.

According to 1990 census data, 4.3 percent of families in the assessment area were living below the poverty level. Families in LMI census tracts experienced a much higher rate of poverty, noted as being 69.8 percent and 17.1 percent, respectively. The median age of the housing stock is also much higher in these areas. The average

<sup>42</sup> Source: June 30, 2000 FDIC Market Share Report.

home in a low-income census tract is 26 years old, while the average home in a moderate-income census tract is 39 years old. By comparison, the average age of all homes in the MSA is 31 years. In addition, owner-occupied units only account for 5.1 percent of all housing units in low-income areas, and 30.7 percent of housing units in moderate-income census tracts. Rental units account for 91.5 of total units in low-income census tracts and 64.7 percent of total units in moderate-income areas. In contrast, owner-occupied units account for 69.4 percent of housing units in upper-income census tracts, while rental units only account for 28.0 percent of the total.

The United States Census Bureau reports that the major industries, based on number of employees, are manufacturing, health care, and retail trade, representing 13.9 percent, 12.5 percent and 11.6 percent of total employees, respectively.<sup>43</sup> A significant majority of all businesses in the county, approximately 81.7 percent, employ between one and 19 employees. According to the Bureau of Labor Statistics, the unemployment rate in Jefferson County was 3.6 percent in 2000, compared to the state average of 4.1 percent.

## **CONCLUSIONS REGARDING PERFORMANCE TESTS IN THE LOUISVILLE MSA #4520**

### **LENDING TEST**

The bank's performance under the lending test in the Louisville MSA is deemed to be consistent with the rating achieved under this part by the institution as a whole. An analysis of loan distribution by borrower income reflects strong penetration among HMDA and consumer lending and good penetration among businesses and farms of different sizes. For example, 30.6 percent of consumer loans were extended to LMI borrowers, while these individuals only account for 22.5 percent of the population in the assessment area. Only four HMDA loans were reported in this assessment area during the period reviewed, but it is noted that 75.0 percent of these loans were made to moderate-income borrowers.

The geographic distribution of lending activity revealed that reasonable loan distribution is exhibited throughout all income geographies, particularly moderate-income areas. Low volume of HMDA lending tends to skew figures, but 25.0 percent of the loans were made in a moderate-income census tract. Strong performance was noted in consumer lending in moderate-income census tracts, as 14.3 percent of loans were made to borrowers who reside in these areas, while they only represent 6.4 percent of the population. Despite the strong performance in moderate-income areas, out of the 46 loans sampled, the bank did not extend any HMDA or consumer loans in low-income census tracts.

Overall, lending levels reflect good responsiveness to the credit needs of the combined assessment areas. While the bank has adequately responded to credit needs through conventional lending avenues, no qualified community development loans were noted. Lastly, the bank periodically uses innovative and/or flexible lending practices that are available throughout the entire organization in order to better serve the credit needs of the assessment area.

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<sup>43</sup> Source: 1999 County Business Patterns.

## Community Development Lending

Area Bank has not originated any qualified community development loans in the Louisville MSA during the period reviewed, reflecting a weaker performance for this specific assessment area compared to the institution as a whole.

## Innovative or Flexible Lending Practices

There are no innovative or flexible lending practices that are exclusive to the Louisville assessment area. Please refer to page 14 of this document for information regarding the description of innovative and flexible lending practices that are available throughout the bank's assessment area.

## **INVESTMENT TEST**

### Qualified Investments

The bank's performance under the investment test in the Louisville MSA exceeds that of the overall bank, relative to the bank's presence in this assessment area and the volume of loan activity in this area. With regard to this test, the bank does an exceptional job of responding to the credit and community development needs of this assessment area. The bank's qualified investments made in this MSA for 1998 through 2001 consists of \$3,436,535 in investments and \$24,166 in grants and donations to 14 organizations operating in the assessment area. The investments considered under this criterion are composed entirely of current period investments and donations.

*FHLMC mortgage backed securities* – The bank purchased two pools of mortgage backed securities in 2000 and 2001. The principal balance for 2000 was \$2,331,080 and was \$1,177,455 for 2001. Each borrower that comprises the underlying mortgage meets the definition of an LMI borrower. One loan of \$72,000 was removed from one of the pools purchased in 2000, as it was determined that the bank had originally extended the mortgage that later became a portion of the loan pool.

Donations, grants and sponsorships to organizations that operate in and benefit this assessment area totaled \$24,166 during the period of review and are detailed below.

*Metropolitan Housing Coalition* – The bank made a \$750 contribution in 2001.

*The Healing Place* – The bank made a total contribution of \$1,145 to this organization during the review period. The total contributions were comprised of \$895 in 2001 and \$250 in 2000. The Healing Place is designed to serve as a social and medical outreach to the homeless.

*Habitat for Humanity* – The bank contributed a total of \$4,500 during the review period. A \$1,500 donation in 2001 was designated for the construction of a house for an LMI family. The bank donated \$1,500 in both 2000 and 1999, as well.

*Center for Women and Families* – The bank made total donations of \$4,200 during the review period. Donations of \$1,500 were made in 2000 and 2001 and \$1,200 was

committed in 1999. This center assists victims of economic deprivation, domestic violence and sexual assault.

*Housing Partnership, Inc.* – The bank donated \$500 toward scholarships for Home Ownership Partners, the education, and counseling subsidiary of the Housing Partnership.

*Toys for Tots* – The bank donated \$400 for Christmas gifts for needy children.

*Health Kentucky, Inc.* – The bank contributed \$600 to this organization that provides quality health care for LMI individuals.

*Metro United Way* – The bank donated a total of \$2,913 during the review period. The donations were comprised of \$644 in 2001, \$644 in 2000, and \$1,625 in 1999.

*Louisville Urban League (LUL)* – The bank contributed \$1,000 toward the organization's corporate membership drive. The organization attempts to assist individuals achieve self-sufficiency through employment, education, and housing programs offered by LUL.

*Derek Anderson Foundation* – The bank made a donation of \$1,000 to this foundation, whose mission is to provide opportunity for economically disadvantaged individuals.

*Clothe-a-Child* – The bank made total donations of \$2,000 to this cause. The bank donated \$1,000 in both 1999 and 2000.

*Greater Louisville, Inc.* – The bank donated \$5,000 to this organization that focuses on meeting the needs of small businesses.

*Wayside Christian Mission* – The bank made total donations of \$100 to this organization whose purpose is to respond to the need of the poor and homeless. The donations were evenly split between 1999 and 2000.

*Kentucky Housing Home Ownership Program* – The bank donated \$58 worth of supplies for the "Yes, You Can Own a Home" program.

## **SERVICE TEST**

### Overall Conclusion

The bank's performance in the Louisville MSA is not similar to the overall rating of high satisfactory achieved by the bank as a whole under this criterion. The bank's delivery systems are not readily accessible to all portions of the assessment area, given the network of branches and ATMs. However, the hours of operation and loan and deposit products that are made available at each of the branches are consistent. The bank has not closed any branches in this assessment area since the last evaluation, but it did open a branch in 2000.

## Retail Services

The bank does not offer a branch network that is readily available to borrowers throughout its assessment area. All three branches in the Louisville MSA are located in the central region of the assessment area in upper-income census tracts. All LMI census tracts in the assessment area are located in the westernmost portion of the bank's delineated area. With the exception of these areas, the remainder of the assessment area is categorized as middle- and upper-income areas. The LMI census tracts account for 12.3 percent of the number of total census tracts in the assessment area and 8.4 percent of the total applicable population. Given the representative sample of LMI census tracts, the bank's performance in making banking facilities available to all segments of the population is deemed to be inadequate.

While there are no branches or ATMs located in LMI census tracts, the bank does make its services available through telephone and computer outlets, as previously noted.

## Qualified Community Development Services

Overall, the bank provides a level of community development services in the Louisville MSA that is consistent with the performance of the bank as a whole. The bank and its employees are involved in providing community development services to five organizations within the assessment area.

*Kentucky Housing Home Ownership Program* – As discussed previously, the bank was involved in teaching a portion of the course for the “Yes, You Can Own a Home” program offered in this market.

*Lenders for Community Reinvestment (LCR)* – A bank employee serves on this organization that acts as a roundtable to discuss the needs of LMI individuals. The education committee is responsible for coordinating the “Yes, You Can Own a Home Seminar.”

*Goodwill* – A bank employee is a board member and acts in a financial capacity.

*Community-Lenders Lunches* – The bank is represented at these functions which are sponsored by the Federal Reserve System to promote the development of partnerships which will benefit the LMI populous, minorities, and the core city.

*Housing Partnership, Inc.* – A bank employee is a member of the Investment Advisory Committee.

## METROPOLITAN STATISTICAL AREA #4280 LEXINGTON MSA

### DESCRIPTION OF LEXINGTON ASSESSMENT AREA

The Lexington, Kentucky MSA # 4280 is composed of seven counties in the state. Of these seven counties, the bank has defined this assessment area as all of Clark County, Kentucky and has added Estill County, Kentucky, a contiguous, non-metropolitan county. These contiguous counties are located in central Kentucky. According to 1990 census data, the population of the assessment area was 45,295. The population of Clark County was 29,496, which represented 65.1 percent of the assessment area and 13.0 percent of the entire population of the Lexington MSA. Clark County is densely populated with 130.5 persons per square mile while Estill County is sparsely populated with 60.3.<sup>44</sup> Financial institutions in this assessment area account for 1.1 percent of the total market share of deposits for all institutions operating in the state of Kentucky.<sup>45</sup>

The bank's assessment area is comprised of 11 BNAs. The following chart details the distribution of the geographies among the various income classifications.

<b>Distribution of Geographies in Lexington MSA by Income Level</b>					
<b>Geographies</b>	<b>Income Level Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
Number of Geographies	0 0.0%	2 18.2%	9 81.8%	0 0.0%	<b>11</b> <b>100%</b>
Population Distribution	0 0.0%	8,612 19.5%	35,498 80.5%	0 0.0%	<b>44,110</b> <b>100%</b>

As noted above, there are no low- or upper-income geographies in the bank's assessment area. Moderate-income geographies account for 18.2 percent of total geographies, with approximately 19.5 percent of the total population of the assessment area residing in these geographies. In comparison, middle-income geographies account for 81.8 percent of the geographies and 80.5 percent of the population.

According to 1990 census data, 17.9 percent of families in the assessment area were living below the poverty level. Families in moderate-income geographies experienced a much higher rate of poverty, noted as being 25.8 percent. There is negligible difference in the median age of the housing stock throughout the areas. The average home in a moderate-income geography is 26 years old, while the average age of all homes in the assessment area is 25 years. However, owner-occupied units only account for 57.8 percent of all housing units in moderate-income geographies, while rental units account for 38.4 percent of total units in these areas. In contrast, owner-occupied units account for 67.6 percent of housing units in moderate-income areas, while rental units only account for 27.8 percent of the total.

<sup>44</sup> Source: 2000 census.

<sup>45</sup> Source: June 30, 2000 FDIC Market Share Report.

Farming plays a dominant role in the economies of Clark and Estill counties. The main crops are tobacco, corn, and soybeans. Livestock sales in Clark County rank the county 13 among 120 Kentucky counties. Major employers in the area include the education system, the local provider of electricity, and various manufacturers. The United States Census Bureau reports that 36.5 percent of employees in Clark County work in the manufacturing industry, followed by 16.2 percent in retail occupations and 9.0 percent in health care fields.<sup>46</sup> For Estill County, the data suggests that 20.7 percent of employees work in retail positions, followed by 18.3 percent in construction and 13.3 percent in wholesale trade. Additionally, 86.4 percent of all businesses in the assessment area employ between one and 19 employees. According to the Bureau of Labor Statistics, the year 2000 unemployment rate for Clark County was 3.0 percent and was 4.5 percent for Estill County, compared to the state average of 4.1 percent.

## **CONCLUSIONS REGARDING PERFORMANCE TESTS IN THE LEXINGTON MSA #4280**

### **LENDING TEST**

The bank's performance under the lending test in the Lexington MSA is deemed to be consistent with the rating achieved under this part by the institution as a whole. An analysis of loan distribution by borrower income reflects excellent penetration among consumer loans, with 64.7 percent of all consumer loans extended to LMI borrowers, who account for 45.2 percent of the population. There were not enough HMDA loans made in this assessment area during the review period to draw any conclusions, but 25.0 percent were made to moderate-income borrowers. The bank's performance in making loans available to small businesses and farms is generally consistent with the overall performance of the bank, with 80.6 percent of commercial loans extended to small businesses and 91.0 percent of farm loans made to small farms.

The geographic distribution of lending activity revealed that adequate loan distribution is exhibited throughout all income geographies, particularly moderate-income areas, given that there are no low-income areas in the assessment area. For example, consumer lending in moderate-income geographies represented 16.0 percent of the total, compared to a relative population of 19.5 percent of total residents. Only four HMDA loans were made during the review period and all were made to borrowers who reside in middle-income geographies.

Overall, lending levels reflect good responsiveness to the credit needs of the assessment area. While the bank has adequately responded to credit needs of this assessment area through conventional lending, no qualified community development loans were noted. Lastly, the bank periodically uses innovative and/or flexible lending practices in order to better serve the credit needs of the assessment area.

### Community Development Lending

Area Bank has not originated any qualified community development loans in the Lexington MSA during the period reviewed, reflecting a weaker performance for this specific assessment area compared to the institution as a whole.

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<sup>46</sup> Source: 1999 County Business Patterns.



## Innovative or Flexible Lending Practices

There are no innovative or flexible lending practices that are exclusive to the Lexington MSA. Please refer to page 14 of this document for information regarding the description of innovative and flexible lending practices that are available throughout the bank's assessment area.

## **INVESTMENT TEST**

### Qualified Investments

The bank's performance under the investment test in the Lexington MSA is weaker than that of the overall bank. The bank did not make any qualified investments during the review period; however, the bank did receive credit for currently outstanding prior period investments of \$199,640. The bank also made \$265 in grants to one organization operating in the MSA.

*Municipal Bonds* – The bank did not purchase any qualifying municipal bonds during the current period, but did receive credit for \$199,640 in qualifying municipal bonds that directly benefit this assessment area and are still outstanding since the last evaluation. Refer to page 15 of this document for a discussion on how the qualifying levels of the bonds were apportioned.

The following provides a description of the donation made in the Lexington MSA.

*Farm Field Day* – Area Bank contributed a total of \$265 to this effort, which educates farmers on alternative crops to tobacco farming. The donation was comprised of \$114 in 2000 and \$151 in 1999 and was used for meals that were provided during the training.

## **SERVICE TEST**

### Overall Conclusion

The bank's performance in the Lexington MSA is not similar to the overall rating of high satisfactory achieved by the bank as a whole under this criterion. The bank's delivery systems are not readily accessible to all portions of the assessment area, given the network of branches and ATMs. However, the hours of operation and loan and deposit products that are made available at each of the branches are consistent. The bank has not closed any branches in this assessment area since the last evaluation.

### Retail Services

The bank does not offer a branch network that is readily available to borrowers throughout its assessment area. All four branches in the Lexington MSA are located in upper-income geographies. There are no branches located in moderate-income geographies, yet 19.5 percent of the population resides in these areas. One of the four ATMs is located in a moderate-income geography. There are no low- or upper-income geographies in the assessment area. Given the representative sample of residents in

moderate-income geographies, the bank's performance in making banking facilities available to all segments of the population is deemed to be inadequate.

While there are no branches and limited ATMs located in moderate-income areas, the bank does make its services available through telephone and computer outlets, as previously noted.

### Qualified Community Development Services

Overall, the bank provides a level of community development services in the Lexington MSA that is generally consistent with the performance of the bank as a whole. The bank and its employees are involved in providing community development services to three organizations within the assessment area.

*Habitat for Humanity* – A bank employee serves on the steering committee.

*Estill County Extension Office* – A bank employee served as Treasurer during the period of review, from 1998 through 2000.

*Bluegrass Area Development District* – A bank employee is a member of this organization, which helps secure low interest and interest-free loans and grants for the county.

## **NON-METROPOLITAN STATEWIDE AREAS**

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE NON-MSA AREAS OF KENTUCKY**

The four assessment areas that were evaluated under full-scope examination procedures were selected based on their relative activity during the period reviewed and number of branch facilities. The assessment areas are detailed below in order of descending loan activity.

### **MURRAY ASSESSMENT AREA**

#### **DESCRIPTION OF MURRAY ASSESSMENT AREA**

The Murray assessment area is comprised of all of Calloway County, Kentucky and the northernmost portion of Henry County, Tennessee. Calloway County is located in the rolling, wooded countryside of southwestern Kentucky. Both Calloway County and Henry County are sparsely populated compared to the state of Kentucky, shown to be 88.5 persons per square mile, 55.5, and 101.7, respectively. Financial institutions in this assessment area account for 1.1 percent of the total market share of deposits for all institutions operating in the state of Kentucky.<sup>47</sup>

The assessment area represents eight BNAs in Calloway County and one BNA in Henry County. The following table provides the distribution of geographies by income level.

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<sup>47</sup> Source: June 30, 2000 FDIC Market Share Report.

<b>Distribution of Geographies in Murray Assessment Area by Income Level</b>					
<b>Geographies</b>	<b>Income Level Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
Number of Geographies	0 0.0%	0 0.0%	8 88.9%	1 11.1%	<b>9</b> <b>100%</b>
Population Distribution	0 0.0%	0 0.0%	27,646 83.0%	5,648 17.0%	<b>33,294</b> <b>100%</b>

The assessment area is located in the southwest portion of Kentucky and the northwest portion of Tennessee. All of the bank's branches in this assessment area are confined to Calloway County, Kentucky. As one of the bank's branches is located within a few miles of the Tennessee border, the bank decided that including this BNA in the assessment area would be appropriate. The assessment area had a combined population of 33,294 as of the 1990 Census. Information on individual BNAs is not available under the 2000 Census, so the updated population of the BNA in Henry County can not be determined. However, Calloway County has increased 11.2 percent since the last census.

According to 1990 census data, 13.6 percent of families in the assessment area were living below the poverty level. Families in middle-income areas experienced a much higher rate of poverty than in upper-income areas, noted as being 15.4 percent and 5.9 percent, respectively. The median age of the housing stock is also slightly higher in these areas. The average home in a middle-income BNA is 25 years old, while the average home in an upper-income BNA is 20 years old. In addition, owner-occupied units only account for 61.7 percent of all housing units in middle-income areas, while rental units account for 26.7 percent of the total. In contrast, owner-occupied units account for 77.3 percent of housing units in upper-income areas, while rental units only account for 20.2 percent of the total.

The local economy is driven by manufacturing firms, with the top two employers making children's toys and small engines. Other significant industries include wholesale and retail trade, government, services, and farming. Other major employers include the local hospital and university. According to a community contact, the county has benefited from an expanding economy for a period of about 15 years, although some factors such as housing prices indicate that the peak may have been in about 1996. The United States Census Bureau reports that 24.6 percent of all employees in Calloway County work in the manufacturing industry, followed by 17.9 percent in retail trade and 14.2 percent in health care professions.<sup>48</sup> Additionally, 88.3 percent of all businesses in the county employ between one and 19 workers. According to the Bureau of Labor Statistics, the unemployment rate for Calloway County was 3.2 percent in 2000, compared to the state average of 4.1 percent.

<sup>48</sup> Source: 1999 County Business Patterns.

## CONCLUSIONS REGARDING PERFORMANCE TESTS IN THE MURRAY ASSESSMENT AREA

### LENDING TEST

The bank's performance under the lending test in the Murray assessment area is deemed to be consistent with the rating achieved under this part by the institution as a whole. An analysis of loan distribution by borrower income reflects sound penetration among HMDA loans and excellent penetration for consumer loans. An acceptable penetration among business and farms of different sizes is also noted. The geographic distribution analysis could not be performed for this assessment area, as none of the bank's geographies are designated as LMI areas. Overall, lending levels reflect good responsiveness to the credit needs of the combined assessment areas. While the bank has adequately responded to credit needs through conventional lending means, some qualified community development loans were also noted. Lastly, the bank periodically uses innovative and/or flexible lending practices in order to better serve the credit needs of the assessment areas.

#### Borrower Characteristics

The following table shows the distribution of HMDA and consumer loans by income level of the borrower throughout the Murray assessment area.

<b>Distribution of Loans (by Number and Dollar Volume \$000s) in the Murray Assessment Area by Income Level of Borrower</b>					
<b>Loan Type</b>	<b>Borrower Income Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
HMDA	2 4.4%	9 20.0%	11 24.4%	23 51.2%	<b>45</b> <b>100%</b>
	\$101 3.4%	\$388 13.1%	\$719 24.3%	\$1,751 59.2%	<b>\$2,959</b> <b>100%</b>
Consumer	151 22.9%	181 27.5%	136 20.7%	190 28.9%	<b>658<sup>49</sup></b> <b>100%</b>
	\$567 10.2%	\$885 15.9%	\$1,010 18.1%	\$3,118 55.8%	<b>\$5,580</b> <b>100%</b>
<b>TOTAL</b>	<b>153</b> <b>21.8%</b>	<b>190</b> <b>27.0%</b>	<b>147</b> <b>20.9%</b>	<b>213</b> <b>30.3%</b>	<b>703</b> <b>100%</b>
	<b>\$668</b> <b>7.8%</b>	<b>\$1,273</b> <b>14.9%</b>	<b>\$1,729</b> <b>20.2%</b>	<b>\$4,869</b> <b>57.1%</b>	<b>\$8,539</b> <b>100%</b>
HMDA Aggregate Market Data <sup>50</sup>	5.1%	16.8%	27.9%	50.2%	<b>100%</b>
Population Distribution	1,643 18.6%	1,439 16.3%	1,732 19.6%	4,010 45.5%	<b>8,824</b> <b>100%</b>

The bank's performance under this criterion generally exceeds the performance of the bank as a whole. HMDA lending to LMI individuals by the bank eclipses the

<sup>49</sup> Of the 686 loans extended to borrowers in the assessment area, 28 did not have income information and were removed from this analysis.

<sup>50</sup> HMDA aggregate data of reportable loans in the Murray assessment area for 1999.

performance of its peers, shown above to be 24.4 percent compared to 21.9 percent, respectively.

In addition, the bank exhibits a strong performance in making consumer loans available to LMI borrowers. The above table indicates that 50.4 percent of all consumer loans sampled were made to LMI borrowers, while these individuals only represent 34.9 percent of the population of the assessment area.

The bank's distribution of commercial loans to small businesses in the Murray assessment area is consistent with the performance of the bank as a whole, as illustrated in the following table.

<b>Distribution of Small Business Loans in Murray Assessment Area</b>				
<b>Gross Revenue</b>	<b>Loan Origination Amount (\$000s)</b>			<b>TOTAL</b>
	<b>≤\$100</b>	<b>&gt;\$100≤\$250</b>	<b>&gt;\$250≤\$1,000</b>	
<b>\$1 Million or Less</b>	70	6	1	<b>77</b>
	90.9%	7.8%	1.3%	<b>77.0%</b>
	\$1,448	\$1,165	\$400	<b>\$3,013</b>
<b>Greater than \$1 Million</b>	48.1%	38.7%	13.3%	<b>51.2%</b>
	17	2	4	<b>23</b>
	73.9%	8.7%	17.4%	<b>23.0%</b>
<b>TOTAL</b>	\$430	\$261	\$2,186	<b>\$2,877</b>
	14.9%	9.1%	76.0%	<b>48.8%</b>
	<b>87</b>	<b>8</b>	<b>5</b>	<b>100</b>
	<b>87.0%</b>	<b>8.0%</b>	<b>5.0%</b>	<b>100%</b>
	<b>\$1,878</b>	<b>\$1,426</b>	<b>\$2,586</b>	<b>\$5,890</b>
	<b>31.9%</b>	<b>24.2%</b>	<b>43.9%</b>	<b>100%</b>

According to the above table, the bank originated a total of 100 business loans within the Murray assessment area. Of these loans, the bank extended 77.0 percent by number and 51.2 percent by dollar volume to small businesses.<sup>51</sup> This compares favorably to the 1999 aggregate data, which show that 63.9 percent of all business loans were made to small businesses. This aggregate data reflect all reported business loans made in the bank's combined assessment areas by all lenders. Dun and Bradstreet data indicate that 89.2 percent of businesses in the combined assessment areas are considered small businesses. The bank extended 90.9 percent of its loans to small businesses in amounts of \$100,000 or less, exhibiting a willingness to meet the credit needs of very small businesses.

The bank's distribution of small farm loans in the Murray assessment area is generally consistent with the performance of the institution as a whole, as depicted in the following table.

<b>Distribution of Small Farm Loans in Murray Assessment Area</b>
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<sup>51</sup> Small businesses are defined as businesses with gross annual revenues of \$1 million or less.

Gross Revenue	Loan Origination Amount (\$000s)			TOTAL
	≤\$100	>\$100≤\$250	>\$250≤\$500	
\$1 Million or Less	106	5	1	<b>112</b>
	94.6%	4.5%	0.9%	<b>91.8%</b>
Greater than \$1 Million	\$2,385	\$842	\$260	<b>\$3,487</b>
	68.4%	24.1%	7.5%	<b>83.1%</b>
TOTAL	9	1	0	<b>10</b>
	90.0%	10.0%	0.0%	<b>8.2%</b>
TOTAL	\$508	\$200	\$0	<b>\$708</b>
	71.8%	28.2%	0.0%	<b>16.9%</b>
TOTAL	<b>115</b>	<b>6</b>	<b>1</b>	<b>122</b>
	<b>94.3%</b>	<b>4.9%</b>	<b>0.8%</b>	<b>100%</b>
TOTAL	<b>\$2,893</b>	<b>\$1,042</b>	<b>\$260</b>	<b>\$4,195</b>
	<b>69.0%</b>	<b>24.8%</b>	<b>6.2%</b>	<b>100%</b>

The above table shows a large volume of loans made to small farms.<sup>52</sup> Of the 122 farm loans made in the assessment area, 91.8 percent were extended to small farms. This exhibits acceptable performance compared to 1999 CRA aggregate data, which indicate lenders made 100 percent of farm loans to small farms. Additionally, Dun and Bradstreet data indicate that 96.8 percent of all farms are considered small farms. Further evidence of the bank's commitment to meeting the needs of small farms is noted in that 94.6 percent of all small farm loans were extended for amounts of \$100,000 or less.

#### Loan Distribution by Geography

As previously noted, none of the geographies in this assessment area are designated as LMI areas. As such, the analysis on the distribution of loans by income level of the geography is not deemed to provide any meaningful insight. The following table is included merely for reference.

<b>Geographic Distribution of Loans (Number and Dollar Volume in \$000s) in the Murray Assessment Area by Income Level of Geography</b>
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<sup>52</sup> Small farms are defined as farms with gross annual revenues of \$1 million or less.

Loan Type	Geography Income Classification				TOTAL
	Low-	Moderate-	Middle-	Upper-	
HMDA	0 0.0%	0 0.0%	34 75.6%	11 24.4%	<b>45</b> <b>100%</b>
	\$0 0.0%	\$0 0.0%	\$2,210 74.7%	\$749 25.3%	<b>\$2,959</b> <b>100%</b>
Consumer	0 0.0%	0 0.0%	567 82.7%	119 17.3%	<b>686</b> <b>100%</b>
	\$0 0.0%	\$0 0.0%	\$4,528 77.5%	\$1,318 22.5%	<b>\$5,846</b> <b>100%</b>
TOTAL	<b>0</b> <b>0.0%</b>	<b>0</b> <b>0.0%</b>	<b>601</b> <b>82.2%</b>	<b>130</b> <b>17.8%</b>	<b>731</b> <b>100%</b>
	<b>\$0</b> <b>0.0%</b>	<b>\$0</b> <b>0.0%</b>	<b>\$6,378</b> <b>76.5%</b>	<b>\$2,067</b> <b>23.5%</b>	<b>\$8,805</b> <b>100%</b>
Owner–Occupied Housing Units	0.0%	0.0%	79.9%	20.1%	<b>100%</b>
HMDA Aggregate Market Data <sup>53</sup>	0.0%	0.0%	79.2%	20.8%	<b>100%</b>
Percentage of Assessment Area Population	0.0%	0.0%	83.0%	17.0%	<b>100%</b>

### Community Development Lending

Area Bank has originated an acceptable volume of qualifying community development loans in the Murray assessment area during the period reviewed, compared to the institution’s collective performance under this criterion. The bank extended one such community development loan in the assessment area during the review period, with a total loan amount of \$250,000.

*Murray Main Street Loan Pool* – The bank participates in a loan pool with four other financial institutions. Each bank has dedicated \$250,000 to the program, which is designed to assist in the restoration and revitalization of buildings in downtown Murray.

### Innovative or Flexible Lending Practices

The bank employs one loan program that is exclusive to the Murray assessment area. All other innovative or flexible lending practices that are available throughout the bank’s assessment areas are described on page 13 of this document.

*Lifeshapers Loan Program* – The Murray Housing Authority provides LMI applicants with down payment and closing cost assistance in order to buy a home. The bank provides a discounted rate on the loans extended under this program.

<sup>53</sup> HMDA aggregate data of reportable loans in the Murray assessment area for 1999.

## INVESTMENT TEST

### Qualified Investments

The bank's performance under the investment test in the Murray assessment area is not consistent with that of the overall bank rating of high satisfactory. The bank did not have any current period qualified investments in this assessment area; however, prior period investments totaled \$222,600. Further, the bank did not make any qualified grants or donations to community development organizations operating in this assessment area.

*Municipal Bonds* – The bank has \$222,600 in qualified outstanding municipal bonds that it purchased prior to the last evaluation. Refer to page 15 of this document for a discussion on how the qualifying levels of the bonds were apportioned.

## SERVICE TEST

### Overall Conclusion

The bank's performance in the Murray assessment area is similar to the overall rating of high satisfactory achieved by the bank as a whole under this criterion. The bank's delivery systems are generally accessible to all portions of the assessment area, given the network of branches, hours of operation, and loan and deposit products available. Furthermore, the availability of services does not vary in a way that inconveniences portions of the assessment area. The bank has not opened or closed any branches since the last evaluation.

### Retail Services

The bank offers a branch network that is generally available to borrowers throughout its assessment area. The following table depicts the distribution of the bank's branch and ATM facilities throughout the various geographies within the Murray assessment area.

<b>Branches and ATMs in Murray Assessment Area</b>					
<b>Facility type</b>	<b>Number and Percentage of Locations Within Each Geography</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
Branches	0	0	5	0	<b>5</b>
	0.0%	0.0%	100%	0.0%	<b>100%</b>
ATMs	0	0	5	0	<b>5</b>
	0.0%	0.0%	100%	0.0%	<b>100%</b>
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>0</b>	<b>10</b>
	<b>0.0%</b>	<b>0.0%</b>	<b>100%</b>	<b>0.0%</b>	<b>100%</b>
Percentage of Population within each geography	0.0%	0.0%	83.0%	17.0%	<b>100%</b>



As illustrated above, there are no LMI geographies in this assessment area. Consequently, branches and ATMs would be confined to middle- and upper-income areas. All of the bank's facilities are located in middle-income areas, with five branches and ATMs in these areas. This is not unreasonable, as middle-income geographies account for 88.9 percent of total geographies and 83.0 percent of total assessment area population.

### Qualified Community Development Services

Overall, the bank provides a level of community development services in the Murray assessment area that is consistent with the performance of the bank as a whole. The bank and its employees are involved in providing community development services to five organizations within the assessment area.

*Kentucky Housing Home Ownership Program* – As discussed previously, the bank was involved in teaching a portion of the course for the “Yes, You Can Own a Home” program offered in this market.

*Habitat for Humanity* – A bank employee serves as treasurer of the local Habitat for Humanity.

*Murray Main Street Loan Pool* – In addition to the contribution to the loan pool detailed above, the bank provides counseling for perspective business owners.

*Purchase Area Development District Housing Corporation* – A bank employee serves on the board of this organization, which seeks to educate the community and lenders on the affordable housing programs available through state and local government initiatives.

*Kentucky Housing Corporation Home Buyer Assistance Program* – The bank provides home ownership counseling for LMI applicants who wish to purchase a home through the Kentucky Housing Corporation. The program offers closing cost and down payment assistance in the form of a second mortgage that does not require repayment. Program eligibility stipulations ensure that this assistance benefits LMI borrowers.

## GLASGOW ASSESSMENT AREA

### DESCRIPTION OF GLASGOW MARKET

The Glasgow assessment area is comprised of all of Barren and Metcalfe Counties in south central Kentucky. The counties are contiguous, non-metropolitan areas. The land is characterized by green meadowlands and gently rolling hills and includes farms, waterways, and parklands. Barren and Metcalfe counties are sparsely populated compared to the state average, shown to be 77.5 persons per square mile, 34.5, and 101.7, respectively. Financial institutions in this assessment area account for 1.1 percent of the total market share of deposits for all institutions operating in the state of Kentucky.<sup>54</sup>

The assessment area represents 10 BNAs in Barren County and three BNAs in Metcalfe County. The following table provides the distribution of geographies by income level.

<b>Distribution of Geographies in Glasgow Assessment Area by Income Level</b>					
<b>Geographies</b>	<b>Income Level Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
Number of Geographies	0 0.0%	1 7.7%	10 76.9%	2 15.4%	<b>13</b> <b>100%</b>
Population Distribution	0 0.0%	2,269 5.3%	33,085 77.0%	7,610 17.7%	<b>42,964</b> <b>100%</b>

As shown above, the assessment area does not include any low-income areas. Furthermore, the majority of all BNAs are classified as middle- and upper-income areas, accounting for 92.3 percent of all areas. All of the bank's branches in this assessment area are confined to Barren County. As the bank draws considerable business from Metcalfe County, the bank decided that including the county in this assessment area would be appropriate. The assessment area had a combined population of 48,070 as of the 2000 census, representing an increase of 11.9 percent. The assessment area is sparsely populated, reflecting 77.5 persons per square mile in Barren County and 34.5 in Metcalfe County, compared to 101.7 for the state of Kentucky.

According to 1990 census data, 19.5 percent of families in the assessment area were living below the poverty level. Families in moderate- and middle-income areas experienced the highest rate of poverty, noted as being 26.2 percent and 21.7 percent, respectively. The median age of the housing stock in moderate-income BNAs is only slightly higher than in other geographies in the assessment area. The average home in a moderate-income BNA is 27 years old, while the average of all homes in the assessment area is 24 years. In addition, owner-occupied units only account for 68.3 percent of all housing units in moderate-income areas, while rental units account for 22.4 percent of total units. In contrast, owner-occupied units account for 74.2 percent of housing units in upper-income areas, while rental units only account for 21.6 percent of the total.

<sup>54</sup> Source: June 30, 2000 FDIC Market Share Report.

The economy of the assessment area is largely driven by the manufacturing industry. According to the United States Census Bureau, 72.1 percent of all employees in Metcalfe County are employed in a manufacturing position, while 37.2 percent of all employees in Barren County work in manufacturing jobs.<sup>55</sup> Other major industries include retail trade in both counties and health care in Barren County. This data also indicate that 86.4 percent of all assessment area businesses employ between one and 19 employees. Additionally, the Glasgow – Barren County Chamber of Commerce reports that Barren County has the state’s twelfth largest tourist income. According to the Bureau of Labor Statistics, the 2000 unemployment rate for Barren County was 5.3 percent and was 4.5 percent for Metcalfe County, compared to the state average of 4.1 percent.

## **CONCLUSIONS REGARDING PERFORMANCE TESTS IN THE GLASGOW ASSESSMENT AREA**

### **LENDING TEST**

The bank’s performance under the lending test in the Glasgow assessment area is generally deemed to be consistent with the rating achieved under this part by the institution as a whole. An analysis of loan distribution by borrower income reflects good penetration among customers of different income levels for HMDA and consumer loans. The bank’s performance in this assessment area is not as strong with respect to lending to businesses of different sizes but is consistent with respect to lending to small farms. The geographic distribution of lending activity revealed that adequate loan distribution is exhibited throughout all income geographies, particularly moderate-income areas. Overall, lending levels reflect good responsiveness to the credit needs of the combined assessment areas. While the bank has responded reasonably to credit needs through conventional means, limited qualified community development loans were also noted. Lastly, the bank periodically uses innovative and/or flexible lending practices in order to better serve the credit needs of the assessment areas.

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<sup>55</sup> Source: 1999 County Business Patterns.

## Borrower Characteristics

The following table shows the distribution of HMDA and consumer loans by income level of the borrower throughout the Glasgow assessment area.

<b>Distribution of Loans (by Number and Dollar Volume \$000s) in the Glasgow Assessment Area by Income Level of Borrower</b>					
<b>Loan Type</b>	<b>Borrower Income Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
HMDA	3	4	7	24	<b>38<sup>56</sup></b>
	7.9%	10.5%	18.4%	63.2%	<b>100%</b>
	\$153	\$182	\$498	\$2,029	<b>\$2,862</b>
Consumer	5.3%	6.4%	17.4%	70.9%	<b>100%</b>
	88	114	114	175	<b>491<sup>57</sup></b>
	17.9%	23.2%	23.2%	35.7%	<b>100%</b>
<b>TOTAL</b>	\$342	\$814	\$1,135	\$3,090	<b>\$5,381</b>
	6.4%	15.1%	21.1%	57.4%	<b>100%</b>
	<b>91</b>	<b>118</b>	<b>121</b>	<b>199</b>	<b>529</b>
	<b>17.2%</b>	<b>22.3%</b>	<b>22.9%</b>	<b>37.6%</b>	<b>100%</b>
	<b>\$495</b>	<b>\$996</b>	<b>\$1,633</b>	<b>\$5,119</b>	<b>\$8,243</b>
	<b>6.0%</b>	<b>12.1%</b>	<b>19.8%</b>	<b>62.1%</b>	<b>100%</b>
HMDA Aggregate Market Data <sup>58</sup>	9.3%	16.4%	25.7%	48.6%	<b>100%</b>
Population Distribution	24.5%	15.8%	19.6%	40.1%	<b>100%</b>

The bank's performance under this criterion is considered to be consistent with the performance of the bank as a whole. The bank extended 18.4 percent of its HMDA loans to LMI borrowers. Aggregate market data indicate that all lenders made 22.6 percent of HMDA loans to LMI borrowers, indicating that the bank's performance is acceptable. The bank performed most consistently with peer data in terms of lending to low-income borrowers, as it extended 7.9 percent of loans to these borrowers, compared to 8.1 percent for all lenders.

The distribution of consumer loans in the Glasgow assessment area is also consistent with the performance of the bank as a whole. As shown above, 41.1 percent of the bank's consumer loans in this assessment area were made to LMI borrowers, which compares favorably with the 40.3 percent of the population that LMI individuals encompass. Performance is strongest with respect to moderate-income borrowers, as it is noted that they received 23.2 percent of the loans, while only accounting for 15.8 percent of the population.

<sup>56</sup> Of the 40 HMDA loans extended inside the assessment area, two did not have income information and were removed from this analysis.

<sup>57</sup> Of the 503 consumer loans extended inside the assessment area, 12 did not have income information and were removed from this analysis.

<sup>58</sup> HMDA aggregate data of reportable loans in Glasgow assessment area for 1999.

The bank's distribution of commercial loans to small businesses in the Glasgow assessment area is not consistent with the performance of the bank as a whole, as illustrated in the following table.

<b>Distribution of Small Business Loans in Glasgow Assessment Area</b>				
<b>Gross Revenue</b>	<b>Loan Origination Amount (\$000s)</b>			<b>TOTAL</b>
	<b>≤\$100</b>	<b>&gt;\$100≤\$250</b>	<b>&gt;\$250≤\$1,000</b>	
\$1 Million or Less	93	2	2	<b>97</b>
	95.8%	2.1%	2.1%	<b>57.4%</b>
	\$1,531	\$247	\$1,292	<b>\$3,070</b>
Greater than \$1 Million	49.9%	8.0%	42.1%	<b>78.1%</b>
	72	0	0	<b>72</b>
	100%	0.0%	0.0%	<b>42.6%</b>
<b>TOTAL</b>	\$859	\$0	\$0	<b>\$859</b>
	100%	0.0%	0.0%	<b>21.9%</b>
	<b>165</b>	<b>2</b>	<b>2</b>	<b>169</b>
	<b>97.6%</b>	<b>1.2%</b>	<b>1.2%</b>	<b>100%</b>
	<b>\$2,390</b>	<b>\$247</b>	<b>\$1,292</b>	<b>\$3,929</b>
	<b>60.8%</b>	<b>6.3%</b>	<b>32.9%</b>	<b>100%</b>

According to the above table, the bank originated a total of 169 business loans within the combined assessment areas. Of these loans, the bank extended 57.4 percent by number and 78.1 percent by dollar volume to small businesses.<sup>59</sup> This reflects a low level of lending compared to the 1999 aggregate data, which show that 90.2 percent of all business loans were made to small businesses. Dun and Bradstreet data indicate that 86.0 percent of businesses in the Glasgow assessment area are considered small businesses. Despite the overall low percentage of commercial loans extended to small businesses, it is noted that 95.8 percent of all small business loans made by the bank were for an amount of \$100,000 or less, exhibiting a willingness to meet the credit needs of very small businesses to which the bank did lend.

<sup>59</sup> Small businesses are defined as businesses with gross annual revenues of \$1 million or less.

The bank's distribution of small farm loans in the Glasgow assessment area is consistent with the performance of the entire institution, as demonstrated in the following table.

<b>Distribution of Small Farm Loans in Glasgow Assessment Area</b>				
<b>Gross Revenue</b>	<b>Loan Origination Amount (\$000s)</b>			<b>TOTAL</b>
	<b>≤\$100</b>	<b>&gt;\$100≤\$250</b>	<b>&gt;\$250≤\$500</b>	
<b>\$1 Million or Less</b>	199	8	0	<b>207</b>
	96.1%	3.9%	0.0%	<b>96.3%</b>
	\$3,429	\$1,237	\$0	<b>\$4,666</b>
<b>Greater than \$1 Million</b>	73.5%	26.5%	0.0%	<b>90.7%</b>
	6	2	0	<b>8</b>
	75.0%	25.0%	0.0%	<b>3.7%</b>
<b>TOTAL</b>	\$76	\$400	\$0	<b>\$476</b>
	16.0%	84.0%	0.0%	<b>9.3%</b>
	<b>205</b>	<b>10</b>	<b>0</b>	<b>215</b>
	<b>95.3%</b>	<b>4.7%</b>	<b>0.0%</b>	<b>100%</b>
	<b>\$3,505</b>	<b>\$1,637</b>	<b>\$0</b>	<b>\$5,142</b>
	<b>68.2%</b>	<b>31.8%</b>	<b>0.0%</b>	<b>100%</b>

The above table shows a large volume of loans made to small farms.<sup>60</sup> Of the 215 farm loans made in the assessment area, 96.3 percent were extended to small farms. This compares favorably to 1999 CRA aggregate data, which indicate that lenders made 98.5 percent of farm loans to small farms. Additionally, Dun and Bradstreet data indicate that 97.9 percent of all farms are considered small farms. Further evidence of the bank's commitment to meeting the needs of small farms is noted in that 96.1 percent of all small farm loans were extended for amounts of \$100,000 or less.

<sup>60</sup> Small farms are defined as farms with gross annual revenues of \$1 million or less.

## Loan Distribution by Geography

The geographic distribution of loans in the Glasgow assessment area is consistent with the performance of the institution as a whole, and is detailed in the following table.

<b>Geographic Distribution of Loans (Number and Dollar Volume in \$000s) in the Glasgow Assessment Area by Income Level of Geography</b>					
<b>Loan Type</b>	<b>Geography Income Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
HMDA	0 0.0%	1 2.5%	27 67.5%	12 30.0%	<b>40</b> <b>100%</b>
	\$0 0.0%	\$64 2.1%	\$1,970 65.5%	\$972 32.4%	<b>\$3,006</b> <b>100%</b>
Consumer	0 0.0%	26 5.2%	371 73.8%	106 21.0%	<b>503</b> <b>100%</b>
	\$0 0.0%	\$154 2.8%	\$4,250 76.6%	\$1,145 20.6%	<b>\$5,549</b> <b>100%</b>
<b>TOTAL</b>	<b>0</b> <b>0.0%</b>	<b>27</b> <b>5.0%</b>	<b>398</b> <b>73.3%</b>	<b>118</b> <b>21.7%</b>	<b>543</b> <b>100%</b>
	<b>\$0</b> <b>0.0%</b>	<b>\$218</b> <b>2.5%</b>	<b>\$6,220</b> <b>72.8%</b>	<b>\$2,117</b> <b>24.7%</b>	<b>\$8,555</b> <b>100%</b>
Owner-Occupied Housing Units	0.0%	5.5%	75.4%	19.1%	<b>100%</b>
HMDA <sup>61</sup> Aggregate Market Data	0.0%	2.5%	73.0%	24.5%	<b>100%</b>
Percentage of Assessment Area Population	0.0%	5.3%	77.0%	17.7%	<b>100%</b>

As noted above, HMDA lending in moderate-income geographies is consistent with that of peer institutions. Both the bank and aggregate lenders extended 2.5 percent of HMDA loans in moderate-income areas. The bank's performance is also within reason of the population that resides in these areas and the percentage of owner-occupied housing units located in these geographies.

The bank's performance in extending consumer loans in moderate-income geographies is deemed to be adequate. The bank made 5.2 percent of its loans to moderate-income borrowers, compared to a representative population of 5.3 percent.

The geographic distribution of the bank's small business and small farm lending compares favorably with the 1999 business aggregate data for the assessment area. The bank made 10.9 percent of its small business and small farm loans in moderate-income geographies compared to 8.8 percent as demonstrated by the business aggregate data. This also compares reasonably with information obtained from Dun and Bradstreet which indicate that 5.2 percent of reporting businesses and farms are located in LMI areas.<sup>62</sup>

<sup>61</sup> HMDA aggregate data of reportable loans in the Glasgow assessment area for 1999.

<sup>62</sup> This information is provided by Dun and Bradstreet, based upon information supplied by reporting businesses. The data is for year 2000.

## Community Development Lending

Area Bank has originated an adequate volume of qualified community development loans in the Glasgow assessment area during the period reviewed. Information on the project is as follows.

*Industrial Development Economic Authority (IDEA)* – The bank provided a loan for \$45,856 for the development of an affordable home built in a new LMI subdivision.

## Innovative or Flexible Lending Practices

There are no innovative or flexible lending practices that are exclusive to the Glasgow assessment area. Please refer to page 14 of this document for information regarding the description of innovative and flexible lending practices that are available throughout the bank's assessment area.

## **INVESTMENT TEST**

### Qualified Investments

The bank's performance under the investment test in the Glasgow assessment area is consistent with the overall bank, considering this area's relative composition of the bank's business. The bank's qualified investments made in this MSA for 1998 through 2001 consists of \$112,850 in investments, while outstanding prior period investments total \$232,605. No qualified grants or donations were considered under this performance test.

The following is a listing and description of the investment made in the Glasgow assessment area:

*Municipal Bonds* – The bank received credit for \$345,455 in qualifying municipal bonds that directly benefited this assessment area. Of this amount, \$112,850 was purchased during the current period, with \$232,605 still outstanding from purchases made prior to the last evaluation. Refer to page 15 of this document for a discussion on how the qualifying levels of the bonds were apportioned.

## **SERVICE TEST**

### Overall Conclusion

The bank's overall performance in the Glasgow assessment area is somewhat weaker than the overall rating of high satisfactory achieved by the bank as a whole under this criterion. However, the bank's delivery systems are generally accessible to most portions of the assessment area, given the network of branches, hours of operation, and loan and deposit products available. Furthermore, the availability of services do not vary in a way that inconveniences portions of the assessment area, particularly LMI individuals or areas. The bank has not opened or closed any branches since the last examination.



## Retail Services

The bank offers a branch network that is generally available to borrowers throughout its assessment area. The following table depicts the distribution of the bank's branch and ATM facilities throughout the various geographies within the Glasgow assessment area.

<b>Branches and ATMs in the Glasgow Market</b>					
<b>Facility type</b>	<b>Number and Percentage of Locations Within Each Geography</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
Branches	0	0	2	3	<b>5</b>
	0.0%	0.0%	40.0%	60.0%	<b>100%</b>
ATMs	0	0	4	2	<b>6</b>
	0.0%	0.0%	66.7%	33.3%	<b>100%</b>
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>5</b>	<b>11</b>
	<b>0.0%</b>	<b>0.0%</b>	<b>54.5%</b>	<b>45.5%</b>	<b>100%</b>
Percentage of Population within each geography	0.0%	5.3%	77.0%	17.7%	<b>100%</b>

As noted previously, none of the geographies in the county are designated as low-income. As illustrated above, none of the bank's facilities are located in moderate-income areas. It should be noted that the sole moderate-income BNA only accounts for 5.3 percent of the total population. As such, not having a branch or ATM in the moderate-income area is not considered to be a serious issue, but the bank may consider placing a banking facility in this area to ensure that the needs of LMI people and areas are being met.

## Qualified Community Development Services

Overall, the bank provides a level of community development services in the Glasgow assessment area that is consistent with the performance of the bank as a whole, given the relative size of this market. The bank is involved in providing community development services to two organizations that operate in the Glasgow assessment area.

*Industrial Development Economic Authority (IDEA)* – A bank employee serves as Chairman of IDEA. The employee served in a leadership role in creating a consortium of local banks that financed the purchase of property and constructed a commercial building for speculative purposes. The building has since been leased to six entities.

*Kentucky Housing Corporation Home Buyer Assistance Program* – The bank provides home ownership counseling for LMI applicants who wish to purchase a home through the Kentucky Housing Corporation. The program offers closing cost and down payment

assistance in the form of a second mortgage that does not require repayment. Program eligibility stipulations ensure that this assistance benefits LMI borrowers.

## **BOWLING GREEN ASSESSMENT AREA**

### **DESCRIPTION OF BOWLING GREEN ASSESSMENT AREA**

The Bowling Green assessment area is comprised of all of Warren County, Kentucky, which is a non-metropolitan area located in the south central portion of the state. The assessment area encompasses all 19 BNAs in the county. The following table provides the distribution of geographies by income level.

<b>Distribution of Geographies in Bowling Green Assessment Area by Income Level</b>					
<b>Geographies</b>	<b>Income Level Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
Number of Geographies	0 0.0%	3 15.8%	5 26.3%	11 57.9%	<b>19</b> <b>100%</b>
Population Distribution	0 0.0%	9,374 12.2%	21,520 28.1%	45,779 59.7%	<b>76,673</b> <b>100%</b>

As shown above, the assessment area does not contain any low-income areas. The majority of BNAs are located in middle- and upper-income areas, with only 15.8 percent of the areas designated as moderate-income geographies. The assessment area had a population of 95,222 as of the 2000 census, representing an increase of 19.0 percent since the 1990 census. The county is densely populated, with 169.8 persons per square mile, compared to the state average of 101.7. Financial institutions in this assessment area account for 1.9 percent of the total market share of deposits for all institutions operating in the state of Kentucky.<sup>63</sup>

According to 1990 census data, 13.3 percent of families in the assessment area were living below the poverty level. Families in moderate-income areas experienced a much higher rate of poverty, noted as being 40.5 percent. The median age of the housing stock is also much higher in these areas. The average home in a moderate-income census tract is 46 years old. By comparison, the average age of all homes in the MSA is 27 years. In addition, owner-occupied units only account for 27.9 percent of all housing units in moderate-income areas, while rental units account for 68.1 of total units. In contrast, owner-occupied units account for 69.4 percent of housing units in upper-income areas, while rental units only account for 27.4 percent of the total.

The United States Census Bureau reports that 20.3 percent of all employees in the county are employed in the manufacturing industry, followed by 15.4 percent in health care positions and 10.2 percent in the accommodations and food service industry. According to the Bureau of Labor Statistics, the unemployment rate for Warren County was 3.2 percent in 2000, compared to the state average of 4.1 percent.

<sup>63</sup> Source: June 30, 2000 FDIC Market Share Report.

## CONCLUSIONS REGARDING PERFORMANCE TESTS IN THE BOWLING GREEN ASSESSMENT AREA

### LENDING TEST

The bank's performance under the lending test in the Bowling Green assessment area is deemed to be consistent with the rating achieved under this part by the institution as a whole. An analysis of loan distribution by borrower income reflects good penetration among HMDA loans and an adequate penetration of consumer loans. The bank's performance in this area also reflects adequate penetration among business and farms of different sizes. The geographic distribution of lending activity revealed a better distribution of HMDA loans throughout all income geographies, as compared to consumer loans. Overall, lending levels reflect good responsiveness to the credit needs of the assessment areas. While the bank has adequately responded to credit needs through conventional means, an exceptional level of qualified community development loans were also noted. Lastly, the bank periodically uses innovative and/or flexible lending practices in order to better serve the credit needs of the assessment areas.

#### Borrower Characteristics

The following table shows the distribution of HMDA and consumer loans by income level of the borrower throughout the Bowling Green assessment area.

<b>Distribution of Loans by Number and Dollar Volume (\$000s) in the Bowling Green Assessment Area by Income Level of Borrower</b>					
<b>Loan Type</b>	<b>Borrower Income Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
HMDA	3	8	11	37	<b>59</b>
	5.1%	13.6%	18.6%	62.7%	<b>100%</b>
	\$88	\$399	\$803	\$6,186	<b>\$7,476</b>
Consumer	1.2%	5.3%	10.7%	82.8%	<b>100%</b>
	20	41	45	129	<b>235<sup>64</sup></b>
	8.5%	17.4%	19.2%	54.9%	<b>100%</b>
<b>TOTAL</b>	\$178	\$422	\$798	\$3,499	<b>\$4,897</b>
	3.6%	8.6%	16.3%	71.5%	<b>100%</b>
	<b>23</b>	<b>49</b>	<b>56</b>	<b>166</b>	<b>294</b>
HMDA Aggregate Market Data <sup>65</sup>	<b>7.8%</b>	<b>16.7%</b>	<b>19.0%</b>	<b>56.5%</b>	<b>100%</b>
	<b>\$266</b>	<b>\$821</b>	<b>\$1,601</b>	<b>\$9,685</b>	<b>\$12,373</b>
	<b>2.1%</b>	<b>6.6%</b>	<b>12.9%</b>	<b>78.4%</b>	<b>100%</b>
Population Distribution	3,243	2,453	3,255	11,238	<b>20,189</b>
	16.1%	12.2%	16.1%	55.6%	<b>100%</b>

<sup>64</sup> Of the 245 consumer loans extended inside the assessment area, 10 did not have income information and were removed from this analysis.

<sup>65</sup> HMDA aggregate data of reportable loans in the Bowling Green assessment area for 1999.

Overall, the bank's performance under this criterion is considered to be consistent with the performance of the bank as a whole. However, HMDA lending in this assessment area generally exceeds the performance of the entire institution. HMDA lending in this assessment area exceeds peer data by a considerable amount, 18.7 percent and 12.5 percent, respectively.

The distribution of consumer loans is not consistent with the performance of the entire institution. Consumer loans to LMI borrowers account for 25.9 percent of total loans, while the representative population accounts for 28.3 percent. Low-income borrowers did not fare as well overall, as they represent 16.1 percent of the population but account for only 8.5 percent of total consumer loans. While total consumer loans to LMI borrowers are within 3.0 percent of the respective population of these individuals, the bank should be aware of the gap in lending to low-income borrowers.

The bank's distribution of commercial loans to small businesses in the Bowling Green assessment area is consistent with the performance of the bank as a whole, as illustrated in the following table.

<b>Distribution of Small Business Loans in Bowling Green Assessment Area</b>				
<b>Gross Revenue</b>	<b>Loan Origination Amount (\$000s)</b>			<b>TOTAL</b>
	<b>≤\$100</b>	<b>&gt;\$100≤\$250</b>	<b>&gt;\$250≤\$1,000</b>	
\$1 Million or Less	50	10	10	<b>70</b>
	71.4%	14.3%	14.3%	<b>85.4%</b>
Greater than \$1 Million	\$1,612	\$1,767	\$4,574	<b>\$7,953</b>
	20.3%	22.2%	57.5%	<b>74.5%</b>
<b>TOTAL</b>	4	5	3	<b>12</b>
	33.3%	41.7%	25.0%	<b>14.6%</b>
<b>TOTAL</b>	\$151	\$1,000	\$1,574	<b>\$2,725</b>
	5.5%	36.7%	57.8%	<b>25.5%</b>
<b>TOTAL</b>	<b>54</b>	<b>15</b>	<b>13</b>	<b>82</b>
	<b>65.9%</b>	<b>18.3%</b>	<b>15.8%</b>	<b>100%</b>
<b>TOTAL</b>	<b>\$1,763</b>	<b>\$2,767</b>	<b>\$6,148</b>	<b>\$10,678</b>
	<b>16.5%</b>	<b>25.9%</b>	<b>57.6%</b>	<b>100%</b>

According to the above table, the bank originated a total of 82 business loans within the Bowling Green assessment area. Of these loans, the bank extended 85.4 percent by number and 74.5 percent by dollar volume to small businesses.<sup>66</sup> This exceeds 1999 aggregate data, which show that 66.5 percent of all business loans were made to small businesses. This aggregate data reflect all reported business loans made in the bank's combined assessment areas by all lenders. Dun and Bradstreet data indicate that 88.0 percent of businesses in the combined assessment areas are considered small businesses. The bank extended 71.4 percent of its loans to small businesses for amounts of \$100,000 or less, exhibiting a willingness to meet the credit needs of very small businesses.

<sup>66</sup> Small businesses are defined as businesses with gross annual revenues of \$1 million or less.

The bank's distribution of small farm loans in the Bowling Green assessment area is not consistent with the performance of the entire institution, as demonstrated in the following table.

<b>Distribution of Small Farm Loans in Bowling Green Assessment Area</b>				
<b>Gross Revenue</b>	<b>Loan Origination Amount (\$000s)</b>			<b>TOTAL</b>
	<b>≤\$100</b>	<b>&gt;\$100≤\$250</b>	<b>&gt;\$250≤\$500</b>	
\$1 Million or Less	12 100%	0 0.0%	0 0.0%	<b>12</b> <b>80.0%</b>
	\$439 100%	\$0 0.0%	\$0 0.0%	<b>\$439</b> <b>35.1%</b>
Greater than \$1 Million	1 33.3%	0 0.0%	2 66.7%	<b>3</b> <b>20.0%</b>
	\$52 6.4%	\$0 0.0%	\$759 93.6%	<b>\$811</b> <b>64.9%</b>
<b>TOTAL</b>	<b>13</b> <b>86.7%</b>	<b>0</b> <b>0.0%</b>	<b>2</b> <b>13.3%</b>	<b>15</b> <b>100%</b>
	<b>\$491</b> <b>39.3%</b>	<b>\$0</b> <b>0.0%</b>	<b>\$759</b> <b>60.7%</b>	<b>\$1,250</b> <b>100%</b>

The above table shows a large volume of loans made to small farms.<sup>67</sup> Of the 15 farm loans made in the assessment area, 80.0 percent were extended to small farms. This compares favorably to 1999 CRA aggregate data, which indicate lenders made 82.8 percent of their farm loans to small farms. Additionally, Dun and Bradstreet data indicate that 98.1 percent of all farms are considered small farms. It is noted that 80.0 percent of all small farm loans were made for an amount of \$100,000 or less, which is deemed to be intended for the smallest of farms.

#### Loan Distribution by Geography

The geographic distribution of loans in the Bowling Green assessment area is generally consistent with the performance of the institution as a whole, and is detailed in the following table.

<sup>67</sup> Small farms are defined as farms with gross annual revenues of \$1 million or less.

<b>Geographic Distribution of Loans (Number and Dollar Volume in \$000s) in the Bowling Green Assessment Area by Income Level of Geography</b>					
<b>Loan Type</b>	<b>Geography Income Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
HMDA	0 0.0%	6 10.2%	13 22.0%	40 67.8%	<b>59</b> <b>100%</b>
	\$0 0.0%	\$314 4.2%	\$1,085 14.5%	\$6,077 81.3%	<b>\$7,476</b> <b>100%</b>
Consumer	0 0.0%	5 2.1%	64 26.1%	176 71.8%	<b>245</b> <b>100%</b>
	\$0 0.0%	\$66 1.3%	\$981 18.9%	\$4,142 79.8%	<b>\$5,189</b> <b>100%</b>
<b>TOTAL</b>	<b>0</b> <b>0.0%</b>	<b>11</b> <b>3.6%</b>	<b>77</b> <b>25.3%</b>	<b>216</b> <b>71.1%</b>	<b>304</b> <b>100%</b>
	<b>\$0</b> <b>0.0%</b>	<b>\$380</b> <b>3.0%</b>	<b>\$2,066</b> <b>16.3%</b>	<b>\$10,219</b> <b>80.7%</b>	<b>\$12,665</b> <b>100%</b>
Owner–Occupied Housing Units	0.0%	6.7%	28.6%	64.7%	<b>100%</b>
HMDA <sup>68</sup> Aggregate Market Data	0.0%	5.1%	20.6%	74.3%	<b>100%</b>
Percentage of Assessment Area Population	0.0%	12.2%	28.1%	59.7%	<b>100%</b>

As noted above, HMDA lending in moderate-income areas exceeds the representative proportion of owner-occupied housing units in those areas, as well as peer data. The level of lending (10.2 percent) also approaches the percentage of the assessment area who dwell in moderate-income geographies (12.2 percent).

The geographic distribution of consumer lending to moderate-income areas (2.1 percent) does not closely approximate the percentage of the population that resides in those areas (12.2 percent). As such, the geographic distribution of consumer lending in the Bowling Green assessment area is considered to be poor compared to the performance of the overall institution, and is in need of improvement.

The geographic distribution of the bank's small business and small farm lending reflects limited performance compared with the 1999 business aggregate data for the assessment area. The bank made 4.1 percent of its small business and small farm loans in moderate-income geographies compared to 13.4 percent as demonstrated by the business aggregate data. This is also weak compared with information obtained from Dun and Bradstreet which indicate that 21.2 percent of reporting businesses and farms are located in LMI areas.<sup>69</sup>

<sup>68</sup> HMDA aggregate data of reportable loans in the Bowling Green assessment area for 1999.

<sup>69</sup> This information is provided by Dun and Bradstreet, based upon information supplied by reporting businesses. The data is for year 2000.

## Community Development Lending

Area Bank has originated an exceptional volume of qualifying community development loans in the Bowling Green assessment area during the period reviewed, given the relative size of this market. The following are the categories of projects, to which the bank has loaned a total of \$1,064,000.

- \$358,000 loan to developer of local subdivision to provide affordable housing to the LMI sector.
- \$300,000 line of credit (LOC) established with Warren County Public Housing Authority. The LOC will be used for building five affordable single-family homes. This LOC is also used by this organization to purchase and rehabilitate older homes for the use of LMI families.
- \$71,000 and \$150,000 loans to Warren County Public Housing Authority for construction and permanent financing of a cabinet shop and resource center. The shop is to employ and train individuals who are LMI residents of public housing.
- \$185,000 LOC to local non-profit entity for construction of three new affordable homes.

## Innovative or Flexible Lending Practices

The Bowling Green assessment area provides a flexible program that is exclusive to this market. Please refer to page 14 of this document for information regarding the description of the bank's innovative and flexible lending practices that are available throughout the bank's assessment areas.

*First Step Program* – As with the Owensboro MSA, the Bowling Green assessment area makes use of this flexible lending program. As previously discussed, this program provides closing cost assistance and relaxed underwriting guidelines to LMI home borrowers.

## **INVESTMENT TEST**

### Qualified Investments

The bank's performance under the investment test in the Bowling Green assessment area is not similar to that of the overall bank. The bank did not make any qualified investments during the review period; however, outstanding investments from the period prior to the last examination total \$112,000. During the review period, the bank made \$37,500 in grants to one organization operating in the assessment area.

The following is a listing and description of the investments made in the Bowling Green assessment area.

*Municipal Bonds* – The bank received credit for \$112,000 in qualifying municipal bonds that directly benefit this assessment area. The entire amount qualified under this test

was from outstanding purchases made prior to the last evaluation. Refer to page 15 of this document for a discussion on how the qualifying levels of the bonds were apportioned.

The grant to the organization that operates in and benefits this assessment area totaled \$37,500 during the period of review and is detailed below.

*Welcome Home Program Grant* – The bank was awarded a \$37,500 grant by the Federal Home Loan Bank of Cincinnati. The grant is intended for down payment and closing cost assistance for LMI individuals. Each grant is limited to \$7,500 per borrower.

## SERVICE TEST

### Overall Conclusion

The bank’s performance in the Bowling Green assessment area is similar to the overall rating of high satisfactory achieved by the bank as a whole under this criterion. The bank’s delivery systems are readily accessible to all portions of the assessment area, given the network of branches, hours of operation, and loan and deposit products available. Furthermore, the availability of services do not vary in a way that inconveniences portions of the assessment area, particularly LMI individuals or areas. The bank opened two branches and closed one branch in this assessment area since the last evaluation.

### Retail Services

The bank offers a branch network that is readily available to borrowers throughout its assessment area. The following table depicts the distribution of the bank’s branch and ATM facilities throughout the various geographies within the Bowling Green assessment area.

<b>Branches and ATMs in Bowling Green Assessment Area</b>					
<b>Facility Type</b>	<b>Number and Percentage of Locations Within Each Geography</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
Branches	0	2	0	6	<b>8</b>
	0.0%	25.0%	0.0%	75.0%	<b>100%</b>
ATMs	0	1	2	8	<b>11</b>
	0.0%	9.1%	18.2%	72.7%	<b>100%</b>
<b>TOTAL</b>	<b>0</b>	<b>3</b>	<b>2</b>	<b>14</b>	<b>19</b>
	<b>0.0%</b>	<b>15.8%</b>	<b>10.5%</b>	<b>73.7%</b>	<b>100%</b>
Percentage of Population within each geography	0.0%	12.2%	28.1%	59.7%	<b>100%</b>



As previously noted, none of the geographies in this assessment area are identified as low-income areas. As illustrated above, 25.0 percent of the bank's branches and 15.8 percent of the bank's ATMs are located in moderate-income areas. This compares favorably with the population of these areas, shown above to be 12.2 percent. The branch network consists of five full-service offices and three others that are located in grocery stores. One of the branches located in a grocery store is located in a moderate-income census tract, further enhancing the accessibility of this location.

The majority of the branches in this assessment area are open from 8:30 a.m. to 4:00 p.m. on Monday through Thursday, with hours through 5:00 p.m. on Fridays. The three branches located in grocery stores open a little later at 10:00 a.m., but they stay open until 7:00 p.m. and are the only locations in this assessment area to offer Saturday lobby banking hours.

As noted previously, the bank makes its services available in a variety of other forms, including telephone and computer banking.

#### Qualified Community Development Services

Overall, the bank provides a level of community development services in the Bowling Green assessment area that is consistent with the performance of the bank as a whole, relative to this market's size. The bank and its employees are involved in providing community development services to the following organizations within the assessment area.

*Warren County Housing Authority* – Bank employees assist in providing instructors for housing seminars.

*Kentucky Housing Corporation Home Buyer Assistance Program* – The bank provides home ownership counseling for LMI applicants who wish to purchase a home through the Kentucky Housing Corporation. The program offers closing cost and down payment assistance in the form of a second mortgage that does not require repayment. Program eligibility stipulations ensure that this assistance benefits LMI borrowers.

## SOMERSET ASSESSMENT AREA

### DESCRIPTION OF SOMERSET ASSESSMENT AREA

The Somerset assessment area is comprised of five counties in southeast Kentucky, including Russell, Wayne, Pulaski, Laurel, and Knox counties. All of the counties are non-metropolitan and are contiguous from west to east, respectively. Each county is more sparsely populated than the state average, with the exception of Laurel County. Financial institutions in this assessment area account for 3.9 percent of the total market share of deposits for all institutions operating in the state of Kentucky.<sup>70</sup>

The assessment area encompasses all 40 BNAs in the five counties. The following table provides the distribution of geographies by income level.

<b>Distribution of Geographies in Somerset Assessment Area by Income Level</b>					
<b>Geographies</b>	<b>Income Level Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
Number of Geographies	2 5.0%	12 30.0%	24 60.0%	2 5.0%	<b>40</b> <b>100%</b>
Population Distribution	3,171 2.0%	39,625 25.6%	102,491 66.2%	9,500 6.2%	<b>154,787</b> <b>100%</b>

As noted above, the assessment area is largely comprised of middle-income BNAs. LMI areas only account for 35.0 percent of all assessment area BNAs and 27.6 percent of the population. The assessment area had a combined population of 176,965 as of the 2000 census, representing an increase of 14.3 percent since the 1990 census.

According to 1990 census data, 24.6 percent of families in the assessment area were living below the poverty level. Families in LMI areas experienced a much higher rate of poverty, noted as being 56.6 percent and 34.7 percent, respectively. The median age of the housing stock is consistent throughout the assessment area. The average home in a low-income census tract is 20 years old, while the average home in a moderate-income census tract is 19 years old. By comparison, the average age of all homes in the MSA is 18 years. Owner-occupied units account for 72.1 percent of all housing units in low-income areas, while rental units account for 19.8 percent of total units. In moderate-income areas, owner-occupied units account for 59.3 percent of total units, with 23.2 percent of the total in rental units. By comparison, owner-occupied units account for 65.4 percent of housing units on average in this assessment area, while rental units only account for 23.6 percent of housing units.

The counties that comprise this assessment area have diverse economies. In general, leading industries include manufacturing, wholesale and retail trade, and health care. According to the Bureau of Labor Statistics, the unemployment rate in the counties that comprise this assessment area ranged from a low of 3.7 percent for Pulaski County to a high of 8.2 percent for Russell County, compared to the state average of 4.1 percent.

<sup>70</sup> Source: June 30, 2000 FDIC Market Share Report.

## CONCLUSIONS WITH REGARD TO THE PERFORMANCE TESTS IN THE SOMERSET ASSESSMENT AREA

### LENDING TEST

The bank's performance under the lending test in the Somerset assessment area is deemed to be consistent with the rating achieved under this part by the institution as a whole. An analysis of loan distribution by borrower income reflects adequate penetration among HMDA and consumer loans and good penetration among businesses and farms of different sizes. The geographic distribution of lending activity revealed that sufficient loan distribution is exhibited throughout all income geographies, particularly LMI areas. Overall, lending levels reflect good responsiveness to the credit needs of the combined assessment areas. While the bank has adequately responded to credit needs through conventional lending avenues, no qualified community development loans were noted. Lastly, the bank periodically uses innovative and/or flexible lending practices in order to better serve the credit needs of the assessment areas.

### Borrower Characteristics

The following table shows the distribution of HMDA loans by income level of the borrower throughout the Somerset assessment area.

<b>Distribution of Loans by Number and Dollar Volume (\$000s) in the Somerset Assessment Area by Income Level of Borrower</b>					
<b>Loan Type</b>	<b>Borrower Income Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
HMDA	7	11	32	45	<b>95</b>
	7.4%	11.6%	33.7%	47.3%	<b>100%</b>
	\$262	\$439	\$2,042	\$3,158	<b>\$5,901</b>
Consumer	4.4%	7.4%	34.6%	53.6%	<b>100%</b>
	33	55	61	91	<b>240<sup>71</sup></b>
	13.8%	22.9%	25.4%	37.9%	<b>100%</b>
<b>TOTAL</b>	\$314	\$399	\$678	\$1,730	<b>\$3,121</b>
	10.1%	12.8%	21.7%	55.4%	<b>100%</b>
	<b>40</b>	<b>66</b>	<b>93</b>	<b>136</b>	<b>335</b>
HMDA Aggregate Market Data <sup>72</sup>	<b>11.9%</b>	<b>19.7%</b>	<b>27.8%</b>	<b>40.6%</b>	<b>100%</b>
	<b>\$576</b>	<b>\$838</b>	<b>\$2,720</b>	<b>\$4,888</b>	<b>\$9,022</b>
	<b>6.4%</b>	<b>9.3%</b>	<b>30.1%</b>	<b>54.2%</b>	<b>100%</b>
Population Distribution	2.8%	12.2%	30.1%	54.9%	<b>100%</b>
	12,906	7,851	9,017	15,379	<b>45,153</b>
	28.6%	17.4%	20.0%	34.0%	<b>100%</b>

<sup>71</sup> Of the 260 consumer loans extended inside the assessment area, 20 did not have income information and were removed from this analysis.

<sup>72</sup> HMDA aggregate data of reportable loans in the Somerset assessment area for 1999.

The bank's overall performance under this criterion is considered to be consistent with the performance of the bank as a whole. HMDA lending to LMI borrowers exceeds the performance of peer institutions, 19.0 percent and 15.0 percent, respectively. However, it does not closely approximate the population distribution of LMI borrowers, shown above to be 46.0 percent.

The distribution of consumer loans in the Somerset assessment area is not consistent with the performance of the entire institution, but still reflects acceptable performance. The bank extended 36.7 percent of its consumer loans to LMI borrowers, while these individuals represent 46.0 percent of the population.

The bank's distribution of commercial loans to small businesses in the Somerset assessment area is consistent with the performance of the bank as a whole, as illustrated in the following table.

<b>Distribution of Small Business Loans in the Somerset Assessment Area</b>				
<b>Gross Revenue</b>	<b>Loan Origination Amount (\$000s)</b>			<b>TOTAL</b>
	<b>≤\$100</b>	<b>&gt;\$100≤\$250</b>	<b>&gt;\$250≤\$1,000</b>	
\$1 Million or Less	13 61.9%	3 14.3%	5 23.8%	<b>21</b> <b>84.0%</b>
	\$264 11.1%	\$503 21.1%	\$1,618 67.8%	<b>\$2,385</b> <b>74.1%</b>
Greater than \$1 million	2 50.0%	0 0.0%	2 50.0%	<b>4</b> <b>16.0%</b>
	\$53 6.3%	\$0 0.0%	\$782 93.7%	<b>\$835</b> <b>25.9%</b>
<b>TOTAL</b>	<b>15</b> <b>60.0%</b>	<b>3</b> <b>12.0%</b>	<b>7</b> <b>28.0%</b>	<b>25</b> <b>100%</b>
	<b>\$317</b> <b>9.8%</b>	<b>\$503</b> <b>15.6%</b>	<b>\$2,400</b> <b>74.6%</b>	<b>\$3,220</b> <b>100%</b>

According to the above table, the bank originated a total of 25 business loans within the Somerset assessment area. Of these loans, the bank extended 84.0 percent by number and 74.1 percent by dollar volume to small businesses.<sup>73</sup> This exceeds the 1999 aggregate data, which show that 72.4 percent of all business loans were made to small businesses. This aggregate data reflect all reported business loans made in the bank's combined assessment areas by all lenders. Dun and Bradstreet data indicate that 87.2 percent of businesses in the combined assessment areas are considered small businesses. The bank extended 61.9 percent of its loans to small businesses in amounts of \$100,000 or less, exhibiting a willingness to meet the credit needs of very small businesses.

The analysis of the bank's distribution of small farm loans in the Somerset assessment area was not deemed to be meaningful, as only one such loan was extended during the review period. The loan was extended to a small farm in an amount of \$100,000 or less.

<sup>73</sup> Small businesses are defined as businesses with gross annual revenues of \$1 million or less.

## Loan Distribution by Geography

The geographic distribution of loans in the Somerset assessment area is consistent with the performance of the institution as a whole, and is detailed in the following table.

<b>Geographic Distribution of Loans (Number and Dollar Volume in \$000s) in the Somerset Assessment Area by Income Level of Geographies</b>					
<b>Loan Type</b>	<b>Geography Income Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
HMDA	3	14	63	15	<b>95</b>
	3.2%	14.7%	66.3%	15.8%	<b>100%</b>
	\$160	\$881	\$3,832	\$1,028	<b>\$5,901</b>
Consumer	2.7%	14.9%	64.9%	17.5%	<b>100%</b>
	3	32	191	34	<b>260</b>
	1.2%	12.3%	73.5%	13.0%	<b>100%</b>
<b>TOTAL</b>	\$37	\$319	\$2,536	\$328	<b>\$3,220</b>
	1.1%	9.9%	78.8%	10.2%	<b>100%</b>
	<b>6</b>	<b>46</b>	<b>254</b>	<b>49</b>	<b>355</b>
Owner-occupied Housing Units	<b>1.7%</b>	<b>13.0%</b>	<b>71.5%</b>	<b>13.8%</b>	<b>100%</b>
	<b>\$197</b>	<b>\$1,200</b>	<b>\$6,368</b>	<b>\$1,356</b>	<b>\$9,121</b>
	<b>2.2%</b>	<b>13.2%</b>	<b>69.8%</b>	<b>14.8%</b>	<b>100%</b>
HMDA Aggregate Market Data <sup>74</sup>	2.0%	24.3%	67.6%	6.1%	<b>100%</b>
Percentage of Assessment Area Population	1.4%	13.8%	71.0%	13.8%	<b>100%</b>

As noted above, HMDA lending in LMI areas by the bank exceeds the performance of peers, shown to be 17.9 percent and 15.2 percent, respectively. However, as with the overall bank, HMDA lending does not correspond with the proportion of owner-occupied housing units or the population in LMI areas.

Consumer lending in LMI areas also falls short of the representative population that comprises these areas, specifically with regard to moderate-income geographies. The bank extended 12.3 percent of its consumer loans in moderate-income areas, while the applicable percentage of the population in these areas accounts for 25.6 percent. This is identified as an opportunity for improvement.

The geographic distribution of the bank's small business and small farm lending compares favorably with the 1999 business aggregate data for the assessment area. The bank made 7.7 percent of its small business and small farm loans in LMI geographies compared to 11.3 percent as demonstrated by the business aggregate data. This also compares reasonably with information obtained from Dun and

<sup>74</sup> HMDA aggregate data of reportable loans in the Somerset assessment area for 1999.

Bradstreet which indicate that 14.6 percent of reporting businesses and farms are located in LMI areas.<sup>75</sup>

### Community Development Lending

Area Bank has not originated any qualified community development loans in the Somerset assessment area during the period reviewed, reflecting a weaker performance for this specific assessment area compared to the institution as a whole.

### Innovative or Flexible Lending Practices

The Somerset assessment area provides a flexible program that is exclusive to this market. Please refer to page 14 of this document for information regarding the description of the bank's innovative and flexible lending practices that are available throughout the bank's assessment areas.

*Somerset Home Ownership Commission* – The bank provides tax exempt financing for a new subdivision in Somerset that is targeted to LMI families. The bank has extended three loans totaling \$233,013 to LMI homebuyers under this program. While the individual loans extended under this program have been considered under the Lending Test as HMDA reportable loans, the program is considered to be flexible in meeting the credit needs of the community.

## **INVESTMENT TEST**

### Qualified Investments

The bank's performance under the investment test in the Somerset assessment area is similar to that of the overall bank. The bank's qualified investments made in this assessment area for 1998 through 2001 consists of \$357,000 in investments and \$155,000 in grants and donations to two organizations. The bank is also given credit for \$987,860 in outstanding investments from the period prior to the last evaluation.

*Municipal Bonds* – The bank received credit for \$1,379,330 in qualifying municipal bonds that directly benefit this assessment area. Of this amount, \$391,470 is qualified as a current period investment, while the remaining \$987,860 is given credit from periods prior to the last evaluation. Refer to page 15 of this document for a discussion on how the qualifying levels of the bonds were apportioned.

Qualified grants and donations totaled \$155,000 during the period reviewed. The grants and donations are detailed below.

*Welcome Home Program Grant* – The bank has been awarded a \$37,500 grant by the Federal Home Loan Bank of Cincinnati each year since 1998, totaling \$150,000. The grant is intended for down payment and closing cost assistance for LMI individuals. Each grant is limited to \$7,500 per borrower.

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<sup>75</sup> This information is provided by Dun and Bradstreet, based upon information supplied by reporting businesses. The data is for year 2000.

*Blakely Family YMCA* – The bank contributed \$5,000 to the operating fund of the YMCA. As previously discussed, the YMCA is involved in several programs which directly benefit LMI families.

## SERVICE TEST

### Overall Conclusion

The bank’s overall performance in the Somerset assessment area is generally consistent with the overall rating of high satisfactory achieved by the bank as a whole under this criterion. The bank’s delivery systems are generally accessible to most portions of the assessment area, given the network of branches, hours of operation, and loan and deposit products available. Furthermore, the availability of services do not vary in a way that inconveniences portions of the assessment area, particularly LMI individuals or areas. The bank has not opened or closed any branches since the last examination.

### Retail Services

The bank offers a branch network that is generally available to borrowers throughout most of its assessment area. The following table depicts the distribution of the bank’s branch and ATM facilities throughout the various geographies within the Somerset assessment area.

<b>Branches and ATMs in the Somerset Assessment Area</b>					
<b>Facility type</b>	<b>Number and Percentage within each geography Category</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
Branches	0	2	5	0	<b>7</b>
	0.0%	28.6%	71.4%	0.0%	<b>100%</b>
ATMs	0	2	5	0	<b>7</b>
	0.0%	28.6%	71.4%	0.0%	<b>100%</b>
<b>TOTAL</b>	<b>0</b>	<b>4</b>	<b>10</b>	<b>0</b>	<b>14</b>
	<b>0.0%</b>	<b>28.6%</b>	<b>71.4%</b>	<b>0.0%</b>	<b>100%</b>
Percentage of Population	2.0%	25.6%	66.2%	6.2%	100%

As illustrated above, the bank does not have any facilities located in low-income areas. However, the percentage of branches and ATMs in moderate-income areas compares favorably with the population dispersed throughout those areas. Additionally, the two low-income geographies in the assessment area have branches and ATMs available in nearby BNAs. The branch network consists of seven full-service branches.

The majority of the branches in this assessment area are open from 8:30 a.m. to 4:00 p.m. on Monday through Thursday. Lobby hours of operation are extended until 6:00

p.m. on Friday. Other than ATMs and other through other electronic means, banking services are not available on Saturday or Sunday in this assessment area.

### Qualified Community Development Services

Overall, the bank provides a level of community development services in the Somerset assessment area that is consistent with the performance of the bank as a whole. The bank and its employees are involved in providing community development services to two organizations within the assessment area.

*United Way of South Central Kentucky* – Bank employees have served as board members in a financial capacity each year since 1999.

*Somerset Downtown Development Foundation* – A bank employee serves on the board and is a member of the Economic Restructuring Committee. This non-profit corporation promotes development of the downtown business district in Somerset.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN OTHER NON-METROPOLITAN AREAS IN KENTUCKY**

The assessment areas that were not evaluated under full-scope examination procedures were selected based on their relative activity during the period reviewed and number of branch facilities.

## **SPRINGFIELD ASSESSMENT AREA**

### **DESCRIPTION OF ASSESSMENT AREA**

The Springfield assessment area is comprised of all of Washington County, a non-metropolitan area which is located in central Kentucky. The assessment area is sparsely populated, with 36.3 persons per square mile, compared to the state average of 101.7.<sup>76</sup> Based on 2000 census data, the county had a population of 10,916, representing an increase of 4.5 percent since the 1990 census. Financial institutions in this assessment area account for 0.4 percent of the total market share of deposits for all institutions operating in the state of Kentucky.<sup>77</sup>

The assessment area encompasses all three BNAs in the county. The following table summarizes the distribution of BNAs and population levels within census tracts in the assessment area.

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<sup>76</sup> Source: 2000 census.

<sup>77</sup> Source: June 30, 2000 FDIC Market Share Report.



<b>Distribution of Geographies in Springfield Assessment Area by Income Level</b>					
<b>Geographies</b>	<b>Income Level Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
Number of Geographies	0 0%	0 0%	3 100%	0 0%	100%
Total Population Distribution <sup>78</sup>	0 0.0%	0 0.0%	10,441 100%	0 0.0%	100%

As noted above, there are no LMI BNAs in the assessment area, and all BNAs are classified as middle-income.

According to 1990 census data, 17.3 percent of families in the assessment area were living below the poverty level. The median age of the housing stock is 29 years. Owner-occupied units account for 73.0 percent of all housing units, while rental units account for 20.3 percent of the total.

The United States Census Bureau reports that 29.7 percent of all county employees work in the manufacturing industry, followed by 12.8 percent in retail trade positions and 9.8 percent in construction.<sup>79</sup> Additionally, 88.1 percent of all assessment area businesses employed from one to 19 employees. According to the Bureau of Labor Statistics, the unemployment rate for Washington County was 3.5 percent in 2000, compared to the state average of 4.1 percent.

## **CONCLUSIONS WITH REGARD TO THE PERFORMANCE TESTS IN THE SPRINGFIELD ASSESSMENT AREA**

### **LENDING TEST**

The examination procedures were not used to review this area; however, the loan activity was evaluated to verify whether the performance was consistent with conclusions noted in the metropolitan and non-metropolitan areas considered under full-scope evaluation procedures. The findings were generally consistent with activity reviewed in the six larger assessment areas.

A review of the distribution of sampled loans to individual borrowers of different income levels and to businesses of different sizes reveals that the bank satisfactorily provides loans to borrowers of all income levels. For instance, 50.6 percent of the consumer loans sampled were to LMI borrowers, as compared to a relative population of 36.0 percent. The bank's real estate loans reflect 9.1 percent originated to moderate-income borrowers, with no such loans to low-income borrowers, but it is noted that the sample of residential loans was quite small. A review of commercial loans revealed that 84.6 percent were extended to small businesses, while 100 percent of farm loans were made to small farms. An analysis into the geographic distribution of loans was not conducted, as the assessment area is comprised solely of middle-income geographies.

<sup>78</sup> Source: 1990 census.

<sup>79</sup> Source: 1999 County Business Patterns.

## Community Development Lending

Area Bank has not originated any qualified community development loans in the Springfield assessment area during the period reviewed.

## Innovative or Flexible Lending Practices

There are no innovative or flexible lending practices that are exclusive to the Springfield assessment area. Please refer to page 14 of this document for information regarding the description of innovative and flexible lending practices that are available throughout the bank's assessment area.

## **INVESTMENT TEST**

The bank's performance in making qualified investments in the Russellville assessment area was not strictly evaluated under the investment test, but the following investments are noted for the purpose of comparison.

*Municipal Bonds* – The bank received credit for \$82,000 in qualifying municipal bonds that directly benefit this assessment area. This entire amount is qualified as an investment that is still outstanding from the period prior to the last evaluation. Refer to page 15 of this document for a discussion on how the qualifying levels of the bonds were apportioned.

## **SERVICE TEST**

While not strictly evaluated under the service test, the following observations were made regarding the bank's performance in the Springfield assessment area. The bank's delivery systems are readily accessible to all portions of the assessment area, given the bank's branch network, hours of operation, and loan and deposit products. The bank operates two branches in the assessment area. One of the branches includes an ATM. Both of the branches are located in middle-income areas, as all BNAs in the assessment area are so designated. The bank offers standard retail products, including free checking, savings accounts, certificates of deposit, and other services. Also, services do not vary in a way that inconvenience portions of the assessment area, particularly LMI individuals. A bank employee serves as a board member of a local economic development authority, and the bank provides home ownership counseling for the state housing finance agency.

## RUSSELLVILLE ASSESSMENT AREA

### DESCRIPTION OF ASSESSMENT AREA

The Russellville assessment area is comprised of all of Logan County, a non-metropolitan area that is located in southern Kentucky on the Tennessee border. Based on 2000 census data, the county had a population of 26,573, representing an increase of 8.8 percent since the 1990 census. The assessment area is sparsely populated, with 47.8 persons per square mile, compared to the state average of 101.7.<sup>80</sup> Financial institutions in this assessment area account for 0.7 percent of the total market share of deposits for all institutions operating in the state of Kentucky.<sup>81</sup>

The assessment area encompasses all six of the BNAs in the county. The following table summarizes the distribution of BNAs and population levels within geographies in the assessment area.

<b>Distribution of Geographies in Russellville Assessment Area by Income Level</b>					
<b>Geographies</b>	<b>Income Level Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
Number of Geographies	0 0%	0 0%	4 66.7%	2 33.3%	<b>6</b> <b>100%</b>
Total Population Distribution <sup>82</sup>	0 0.0%	0 0.0%	15,842 64.9%	8,574 35.1%	<b>24,416</b> <b>100%</b>

As noted in the table above, there are no LMI geographies in this assessment area. Middle-income BNAs account for 66.7 percent of the geographies and 64.6 percent of the population, while upper-income BNAs account for the remaining 33.3 percent of the geographies and 35.1 percent of the population.

According to 1990 census data, 13.3 percent of families in the assessment area were living below the poverty level. Families in middle- and upper-income geographies experienced a like rate of poverty, noted as being 13.3 percent and 13.4 percent, respectively. The median age of the housing stock is also shown to be the same in these areas, with the average home noted as being 22 years. In addition, the owner occupancy status of housing units in these areas is similar. On average, 66.2 percent of total housing units in the assessment area are owner occupied, while 26.7 percent are rental units.

The local economy is heavily reliant on manufacturing, as the United States Census Bureau reports that 55.1 percent of all employees are employed in this industry.<sup>83</sup> The Retail trade positions account for 11.3 percent of total employees and health care accounts for 4.1 percent of the total. Additionally, 87.5 percent of all business establishments in the assessment area employ between one and 19 employees. According to the Bureau of Labor Statistics, the unemployment rate for Logan County was 3.5 percent in 2000, compared to the state average of 4.1 percent.

<sup>80</sup> Source: 2000 census.

<sup>81</sup> Source: June 30, 2000 FDIC Market Share Report.

<sup>82</sup> Source: 1990 census.

<sup>83</sup> Source: 1999 County Business Patterns.

## **CONCLUSIONS WITH REGARD TO THE PERFORMANCE TESTS IN THE RUSSELLVILLE ASSESSMENT AREA**

### **LENDING TEST**

The examination procedures were not used to review this area; however, the loan activity was evaluated in order to determine if performance was consistent with conclusions noted in the metropolitan and non-metropolitan areas considered under full-scope evaluation procedures. The findings were generally consistent with activity reviewed in the six larger assessment areas.

A review of the distribution of sampled loans to individual borrowers of different income levels and to businesses of different sizes reveals that the bank extensively provides loans to borrowers of all income levels. For example, 47.6 percent of the consumer loans sampled for were to LMI borrowers, as compared to a relative population of 33.1 percent. The bank's real estate loans reflect 23.8 percent originated to LMI borrowers. This compares favorably with the 1999 HMDA Aggregate Data percentage, which show that 19.4 percent of the mortgage lending was to LMI borrowers.<sup>84</sup> A review of commercial loans revealed that 92.9 percent were extended to small businesses, while 95.7 percent of farm loans were made to small farms. An analysis into the geographic distribution of loans was not conducted, as the assessment area is comprised solely of middle- and upper-income geographies.

#### Community Development Lending

Area Bank has not originated any qualified community development loans in the Russellville assessment area during the period reviewed.

#### Innovative or Flexible Lending Practices

There are no innovative or flexible lending practices that are exclusive to the Russellville assessment area. Please refer to page 14 of this document for information regarding the description of innovative and flexible lending practices that are available throughout the bank's assessment area.

### **INVESTMENT TEST**

The bank's performance in the Russellville assessment area was not strictly evaluated under the investment test, but the following investments are noted for the purpose of comparison.

*Municipal Bonds* – The bank received credit for \$131,185 in qualifying municipal bonds that directly benefit this assessment area. This entire amount is qualified as an investment that is still outstanding from the period prior to the last evaluation. Refer to

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<sup>84</sup> The 1999 HMDA Aggregate Data used in this case represents all non-metropolitan areas.

page 15 of this document for a discussion on how the qualifying levels of the bonds were apportioned.

*Welcome Home Program Grant* – The bank was awarded a \$30,000 grant by the Federal Home Loan Bank of Cincinnati. The grant is intended for down payment and closing cost assistance for LMI individuals. Each grant is limited to \$7,500.

*Habitat for Humanity* - In addition to the funds provided for down payment and closing cost assistance noted above, the bank has contributed \$200 to each of the four homes constructed under the program. The bank was also instrumental in obtaining similar donations from three other local financial institutions in the area. Two of the banks contributed \$100 to each of the four homes and the other bank contributed \$200 per home.

## **SERVICE TEST**

While not strictly evaluated under the service test, the following observations were made regarding the bank's performance in the Russellville assessment area. The bank's delivery systems are readily accessible to all portions of the assessment area, given the bank's branch network, hours of operation, and loan and deposit products. The bank operates three branches in the assessment area and has an ATM at each location. Two of the three branches are located in upper-income areas, while the third is located in a middle-income census tract. As there are no LMI areas in the assessment area, this distribution is reasonable. Also, services do not vary in a way that inconvenience portions of the assessment area particularly LMI individuals.

## **PADUCAH ASSESSMENT AREA**

### **DESCRIPTION OF ASSESSMENT AREA**

The Paducah assessment area is comprised of all of Livingston, Lyon and McCracken Counties, which are all non-metropolitan counties located in western Kentucky. Based on 2000 census data, the counties had a population of 83,398, representing an increase of 6.2 percent since the 1990 census. Livingston and Lyon counties are sparsely populated, with 31.0 and 37.4 persons per square mile, respectively. Conversely, McCracken County is densely populated, with 261.0 persons per square mile, compared to the state average of 101.7.<sup>85</sup> Financial institutions in this assessment area account for 2.2 percent of the total market share of deposits for all institutions operating in the state of Kentucky.<sup>86</sup>

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<sup>85</sup> Source: 2000 census.

<sup>86</sup> Source: June 30, 2000 FDIC Market Share Report.

The following table summarizes the distribution of BNAs and population levels within geographies in the assessment area.

<b>Distribution of Geographies in Paducah Assessment Area by Income Level</b>					
<b>Geographies</b>	<b>Income Level Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
Number of Geographies	0 0%	5 25.0%	7 35.0%	8 40.0%	<b>20</b> <b>100%</b>
Total Population Distribution <sup>87</sup>	0 0.0%	10,192 13.0%	29,995 38.2%	38,378 48.8%	<b>78,565</b> <b>100%</b>

As noted above, the assessment area does not include any low-income geographies. The majority of the assessment area is comprised of middle- and upper-income geographies, accounting for 75.0 percent of the geographies and 87.0 percent of the population. The moderate-income geographies account for 25.0 percent of the areas and 13.0 percent of the population.

According to 1990 census data, 12.0 percent of families in the assessment area were living below the poverty level. Families in moderate-income areas experienced a much higher rate of poverty, noted as being 36.0 percent. The median age of the housing stock is also considerably higher in these areas. The average home in a moderate-income geography is 38 years old. By comparison, the average age of all homes in the assessment area is 28 years. In addition, owner-occupied units only account for 39.9 percent of all housing units in moderate-income geographies, while rental units account for 53.2 percent of total units in these areas. In contrast, owner-occupied units account for 75.8 percent of housing units in upper-income geographies, while rental units only account for 19.7 percent of the total.

The economy of each respective county is diverse. According to the United States Census Bureau, mining accounts for 20.7 percent of all employees in Livingston County, while retail trade is the major industry in Lyon and McCracken counties, accounting for 28.1 percent and 18.2 percent of total employees, respectively.<sup>88</sup> Health care and the accommodations and food service industries place among the top three in each of the three counties. Additionally, 85.2 percent of all businesses in the assessment area employ between one and 19 employees. According to the Bureau of Labor Statistics, the 2000 unemployment rate for Livingston, Lyon and McCracken Counties was 6.4 percent, 4.9 percent and 4.3 percent, respectively, compared to the state average of 4.1 percent.

## **CONCLUSIONS WITH REGARD TO THE PERFORMANCE TESTS IN THE PADUCAH ASSESSMENT AREA**

### **LENDING TEST**

The examination procedures were not used to review this area; however, the loan activity was evaluated in order to determine if performance was consistent with conclusions noted in the metropolitan and non-metropolitan areas considered under full-

<sup>87</sup> Source: 1990 census.

<sup>88</sup> Source: 1999 County Business Patterns.

scope examination procedures. The findings were generally consistent with activity reviewed in the six larger assessment areas.

A review of the distribution of sampled loans to individual borrowers of different income levels and to businesses of different sizes reveals that the bank satisfactorily provides loans to borrowers of all income levels. For instance, 39.3 percent of the consumer loans sampled for were to LMI borrowers, as compared to a relative population of 30.0 percent. The bank's real estate loans reflect 16.7 percent originated to LMI borrowers. This compares acceptably with the 1999 HMDA Aggregate Data percentage, which show that 19.8 percent of the mortgage lending was to LMI borrowers. A review of commercial loans revealed that 72.4 percent were extended to small businesses, while 83.3 percent of farm loans were made to small farms. The geographic distribution of loans was also evaluated. The bank did not perform as well under this aspect of the lending test, and it is noted that the bank did not make any mortgage loans in the moderate-income areas for the sample reviewed.

### Community Development Lending

Area Bank has not originated any qualified community development loans in the Paducah assessment area during the period reviewed.

### Innovative or Flexible Lending Practices

There are no innovative or flexible lending practices that are exclusive to the Paducah assessment area. Please refer to page 14 of this document for information regarding the description of innovative and flexible lending practices that are available throughout the bank's assessment area.

## **INVESTMENT TEST**

The bank's performance in the Paducah assessment area was not strictly evaluated under the investment test, but the following investments are noted for the purpose of comparison.

*Municipal Bonds* – The bank received credit for \$353,875 in qualifying municipal bonds that directly benefit this assessment area. This entire amount is qualified as an investment that is still outstanding from the period prior to the last evaluation. Refer to page 15 of this document for a discussion on how the qualifying levels of the bonds were apportioned.

## **SERVICE TEST**

While not strictly evaluated under the service test, the following observations were made regarding the bank's performance in the Paducah assessment area. The bank's delivery systems are generally accessible to all portions of the assessment area, given the bank's branch network, hours of operation, and loan and deposit products. The bank operates six branches in the assessment area. Three of these branches have an onsite ATM, and the bank operates two additional free-standing ATMs in the assessment area. One of the six branches is located in a moderate-income geographies, while the other five are located in middle-income geographies. Given the

distribution of the BNAs in the county, the dispersion of branches is reasonable. Also, services do not vary in a way that inconvenience portions of the assessment area, particularly LMI individuals. Bank employees serve as board members on two organizations that provide community development services, and the bank provides home ownership counseling for the state housing finance agency.

## HARLAN ASSESSMENT AREA

### DESCRIPTION OF HARLAN ASSESSMENT AREA

The Harlan assessment area is comprised of all of Harlan County, a non-metropolitan area that is located in southeastern Kentucky. Based on 2000 census data, the county had a population of 33,202, representing a decrease of 9.2 percent since the 1990 census. The assessment area encompasses all 12 of the BNAs in the county. The assessment area is sparsely populated, with 71.1 persons per square mile, compared to the state average of 101.7.<sup>89</sup> Financial institutions in this assessment area account for 0.6 percent of the total market share of deposits for all institutions operating in the state of Kentucky.<sup>90</sup>

The following table summarizes the distribution of BNAs and population levels within geographies in the assessment area.

<b>Distribution of Geographies in Harlan Assessment Area by Income Level</b>					
<b>Geographies</b>	<b>Income Level Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
Number of Geographies	0 0%	8 66.7%	3 25.0%	1 8.3%	<b>12</b> <b>100%</b>
Total Population Distribution <sup>91</sup>	0 0.0%	26,052 71.2%	8,650 23.7%	1,872 5.1%	<b>36,574</b> <b>100%</b>

As noted above, the assessment area does not include any low-income BNAs. The majority of BNAs are classified as moderate-income, accounting for 66.7 percent of all areas and 71.2 percent of the population. Middle- and upper-income BNAs account for 33.3 percent of the BNAs and 28.8 percent of the population.

According to 1990 census data, 29.7 percent of families in the assessment area were living below the poverty level. Families in low-income areas experienced the highest rate of poverty, noted as being 34.2 percent. The median age of the housing stock is highest in upper-income areas, shown to be 45 years, while the median age of all homes in assessment area is 26 years. In addition, upper-income BNAs have the lowest owner-occupancy rates. Owner-occupied units only account for 50.9 percent of all housing units in upper-income BNAs, while rental units account for 45.3 percent of the total. In contrast, owner-occupied units account for 68.0 percent of housing units in middle-income BNAs, while rental units only account for 23.9 percent of the total. In

<sup>89</sup> Source: 2000 census.

<sup>90</sup> Source: June 30, 2000 FDIC Market Share Report.

<sup>91</sup> Source: 1990 census.



moderate-income BNAs, owner-occupied units account for 63.3 percent of total housing units, while rental units account for 30.2 percent of the total.

The United States Census Bureau reports that 20.4 percent of all county employees work in the retail trade industry, followed by 18.6 percent in health care and 7.6 percent in accommodations and food service.<sup>92</sup> Additionally, 86.9 percent of all businesses in the assessment area employ between one and 19 employees. According to the Bureau of Labor Statistics, the unemployment rate for Harlan County was 10.7 percent in 2000, which is considerably higher than the state average of 4.1 percent.

## **CONCLUSIONS WITH REGARD TO THE PERFORMANCE TESTS IN THE HARLAN ASSESSMENT AREA**

### **LENDING TEST**

The examination procedures were not used to review this area; however, the loan activity was evaluated to verify that operations were consistent with conclusions noted in the metropolitan and non-metropolitan areas considered under full-scope examination procedures. The findings were generally consistent with activity reviewed in the six larger assessment areas.

A review of the distribution of sampled loans to individual borrowers of different income levels and to businesses of different sizes reveals that the bank satisfactorily provides loans to borrowers of all income levels. For instance, 50.7 percent of the consumer loans sampled were to LMI borrowers as compared to a population of 49.7 percent. The bank's real estate loans reflect 25.0 percent originated to LMI borrowers. This compares favorably with the 1999 HMDA Aggregate Data percentage, which show that 19.4 percent of the mortgage lending was to LMI borrowers. A review of commercial loans revealed that 66.7 percent were extended to small businesses; no farm loans were reported in this assessment area during the period reviewed. The geographic distribution of these loans was also evaluated and similar results were noted.

#### Community Development Lending

Area Bank has committed to one community development loan program in the Harlan assessment area.

*Community Regional Development Council* – The bank has agreed to participate in a project to rehabilitate an existing industrial park through the development of a 40,000 square foot complex. The bank has committed to extend \$540,000 of a \$700,000 loan for the project.

#### Innovative or Flexible Lending Practices

There are no innovative or flexible lending practices that are exclusive to the Harlan assessment area. Please refer to page 14 of this document for information regarding the description of innovative and flexible lending practices that are available throughout the bank's assessment area.

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<sup>92</sup> Source: 1999 County Business Patterns.

## **INVESTMENT TEST**

The bank's performance in the Harlan assessment area was not strictly evaluated under the investment test, but the following investments are noted for the purpose of comparison.

*Municipal Bonds* – The bank received credit for \$106,640 in qualifying municipal bonds that directly benefit this assessment area. This entire amount is qualified as an investment that is still outstanding from the period prior to the last evaluation. Refer to page 15 of this document for a discussion on how the qualifying levels of the bonds were apportioned.

*Tree of Love* – Bank has donated \$500 each year since 1998. This organization provides Christmas gifts for needy children.

*Christ Hands* – The bank has donated \$550 each year since 1998. This organization feeds the homeless and low-income families in the area.

*Repair Fair* – The bank has donated \$500 each year since 1998. The money is used to make repairs to the homes of LMI families.

*Tri-Cities Heritage Development Corporation (TCHDC)* – The bank has donated \$1,500 each year since 1998. The goal of TCHDC is to attract new industries to the county.

*Pine Mountain Community Development* – The bank contributed \$25,000 to the start up of the organization that helps small businesses with loan funding and consulting.

## **SERVICE TEST**

While not strictly evaluated under the service test, the following observations were made regarding the bank's performance in the Harlan assessment area. The bank's delivery systems are readily accessible to all portions of the assessment area, given the bank's branch network, hours of operation, and loan and deposit products. The bank operates four branches with an ATM at each location and one free-standing ATM in the county. Three of the four branches are located in moderate-income BNAs, while the fourth is located in an upper-income BNA. This distribution of branches is consistent with the income levels of BNAs in the assessment area. Also, services do not vary in a way that inconvenience portions of the assessment area particularly LMI individuals. Bank employees are involved in five organizations that provide community development services in the Harlan assessment area, serving in different capacities on several committees and as a financial counselors.

## CALHOUN ASSESSMENT AREA

### DESCRIPTION OF CALHOUN ASSESSMENT AREA

The Calhoun assessment area is comprised of all of McLean County, a non-metropolitan area that is located in northwest Kentucky. Based on 2000 Census data, the county had a population of 9,938, representing a 3.2 percent increase since the 1990 Census. The assessment area encompasses all four of the BNAs in the county. The assessment area is sparsely populated, with 39.1 persons per square mile, compared to the state average of 101.7.<sup>93</sup> Financial institutions in this assessment area account for 0.3 percent of the total market share of deposits for all institutions operating in the state of Kentucky.<sup>94</sup>

The following table summarizes the distribution of block numbering areas and population levels within geographies in the assessment area.

<b>Distribution of Geographies in Calhoun Assessment Area by Income Level</b>					
<b>Geographies</b>	<b>Income Level Classification</b>				<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
Number of Geographies	0 0%	0 0%	4 100%	0 0%	<b>4</b> <b>100%</b>
Total Population Distribution <sup>95</sup>	0 0.0%	0 0.0%	9,628 100%	0 0.0%	<b>9,628</b> <b>100%</b>

As noted above, there are no BNAs in the assessment area designated as an LMI area; all areas are designated as middle-income geographies.

According to 1990 census data, 16.1 percent of families in the assessment area were living below the poverty level. The median age of the housing stock is 24 years old. Owner-occupied units account for 72.8 percent of all housing units in the assessment area, while rental units account for 19.4 percent of total units.

The United States Census Bureau reports that 19.4 percent of all employees in the county work in the retail trade industry, followed by 12.4 percent in manufacturing and 11.5 percent in wholesale trade.<sup>96</sup> According to the Bureau of Labor Statistics, the unemployment rate for McLean County was 6.0 percent in 2000, compared to the state average of 4.1 percent.

<sup>93</sup> Source: 2000 census.

<sup>94</sup> Source: June 30, 2000 FDIC Market Share Report.

<sup>95</sup> Source: 1990 census.

<sup>96</sup> Source: 1999 County Business Patterns.

## **CONCLUSIONS WITH REGARD TO THE PERFORMANCE TESTS IN THE CALHOUN ASSESSMENT AREA**

### **LENDING TEST**

The examination procedures were not used to review this area; however, the loan activity was evaluated to verify that operations were consistent with conclusions noted in the metropolitan and non-metropolitan areas considered under full-scope examination procedures. The findings were consistent with activity reviewed in the six larger assessment areas.

A review of the distribution of sampled loans to individual borrowers of different income levels and to businesses of different sizes reveals that the bank satisfactorily provides loans to borrowers of all income levels. For instance, 43.2 percent of the consumer loans sampled were to LMI borrowers, as compared to a population of 34.1 percent. The bank's real estate loans reflect 16.7 percent originated to LMI borrowers. This compares favorably with the 1999 HMDA Aggregate Data percentage, which show that 19.4 percent of the mortgage lending was to LMI borrowers. A review of commercial loans revealed that 100 percent were extended to small businesses, while 97.2 percent of farm loans were made to small farms. The geographic distribution of loans was not considered, since all geographies are designated as middle-income BNAs.

#### Community Development Lending

Area Bank has not originated any qualified community development loans in the Calhoun assessment area during the period reviewed.

#### Innovative or Flexible Lending Practices

There are no innovative or flexible lending practices that are exclusive to the Paducah assessment area. Please refer to page 14 of this document for information regarding the description of innovative and flexible lending practices that are available throughout the bank's assessment area.

### **INVESTMENT TEST**

The bank's performance in the Calhoun assessment area was not strictly evaluated under the investment test, but the following investment was noted for the purpose of comparison.

McLean County Industrial Foundation – The bank has provided an annual \$500 sponsorship fee for each year during the review period, totaling \$2,000.

### **SERVICE TEST**

While not strictly evaluated under the service test, the following observations were made regarding the bank's performance in the Calhoun assessment area. The bank's delivery systems are readily accessible to all portions of the assessment area, given the bank's branch network, hours of operation, and loan and deposit products. The bank has one branch with an ATM and two free-standing ATMs in the county. All of the

locations are located in middle-income areas, as all geographies in the assessment area are so designated. Also, services do not vary in a way that inconvenience portions of the assessment area particularly LMI individuals.

### **Additional Information**

A fair lending analysis focusing on Regulation B – Equal Credit Opportunity Act and the Fair Housing Act was performed during the examination. The analysis revealed that with respect to the loans and products reviewed, the bank is in compliance with the substantive provisions of anti-discrimination laws and regulations.

**SCOPE OF EXAMINATION**

The bank’s major product lines were reviewed for analysis under the lending test. The loans used in the analysis included all of the bank’s HMDA data, small business and small farm loans, and all consumer loans originated in the period October 1, 2000 to March 31, 2001. Also, the bank was asked to provide information concerning the number and dollar volume of community development loans, the number and dollar amount of qualified community development investments, and retail services including any qualified community development services. The bank has 13 assessment areas.

<b>TIME PERIOD REVIEWED</b>	October 2000 through March 2001
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<b>FINANCIAL INSTITUTION</b>	<b>PRODUCTS REVIEWED</b>
Area Bank Owensboro, Kentucky	Small Farm Small Business HMDA Consumer

<b>AFFILIATE(S) REVIEWED</b>	<b>AFFILIATE RELATIONSHIP</b>	<b>PRODUCTS REVIEWED</b>
None	N/A	N/A

**LIST OF ASSESMENT AREAS AND TYPE OF EXAMINATION**

ASSESSMENT AREAS	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
<i>One:</i> MSA 5990	Full-scope	One	
<i>Two:</i> A portion of MSA 1660	Full-scope		
<i>Three:</i> A portion of MSA 1620	Limited-scope		
<i>Four:</i> A portion of MSA 4280	Limited-scope		
<i>Five:</i> Calloway County, Kentucky and Henry County, Tennessee	Full-scope		
<i>Six:</i> Barren and Metcalfe Counties	Full-scope	One	
<i>Seven:</i> Warren County	Full-scope		
<i>Eight:</i> Knox, Laurel, Pulaski, Russell and Wayne Counties	Full-scope		
<i>Nine:</i> Washington County	Limited-scope		
<i>Ten:</i> Logan County	Limited-scope		
<i>Eleven:</i> Livingston, Lyon and McCracken Counties	Limited-scope		
<i>Twelve:</i> Harlan County	Limited-scope	One	
<i>Thirteen:</i> McLean County	Limited-scope		

**AREA BANK  
GEOGRAPHIES IN ASSESSMENT AREAS<sup>97</sup>**

<b>Assessment Area<sup>98</sup></b>	<b>Low-Income</b>	<b>Moderate-Income</b>	<b>Middle-Income</b>	<b>Upper-Income</b>	<b>Total Geographies</b>
1	2	2	12	4	<b>20<sup>99</sup></b>
2	0	5	7	3	<b>15</b>
3	1	6	14	36	<b>57</b>
4	0	2	9	0	<b>11</b>
5	0	0	8	1	<b>9</b>
6	0	1	10	2	<b>13</b>
7	0	3	5	11	<b>19</b>
8	2	12	24	2	<b>40</b>
9	0	0	3	0	<b>3</b>
10	0	0	4	2	<b>6</b>
11	0	5	7	8	<b>20</b>
12	0	8	3	1	<b>12</b>
13	0	0	4	0	<b>4</b>
<b>Total</b>	<b>5</b>	<b>44</b>	<b>110</b>	<b>70</b>	<b>229</b>
Percentage	2.2%	19.2%	48.0%	30.6%	<b>100%</b>

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<sup>97</sup> All assessment areas include entire counties, with the exception of assessment area 4 and assessment area 5. Assessment area 4 is defined as specific census tracts within Jefferson County, Kentucky and assessment area 5 is defined as all BNAs within Calloway County, Kentucky and a single BNA within Henry County, Tennessee.

<sup>98</sup> Refer to assessment areas as numbered on page 89.

<sup>99</sup> There are 21 census tracts in this assessment area, but one census tract does not have any population or an income designation.