



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

March 04, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Campbellsville National Bank
Charter Number 22225**

**1405 East Broadway
Campbellsville, KY 42718**

**Comptroller of the Currency
Louisville Field Office
9200 Shelbyville Road, Suite 505
Louisville, KY 40222**

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.

INSTITUTION'S CRA RATING

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Campbellsville National Bank in Campbellsville, Kentucky prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of March 4, 2004. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

This institution is rated Satisfactory.

Major Conclusions:

- A substantial majority of loans and other lending-related activities are in the bank's assessment area.
- The distribution of loans reflects excellent penetration among individuals of different income levels.
- The average loan-to-deposit ratio is reasonable, considering the bank's size, financial condition, and assessment area credit needs.

DESCRIPTION OF INSTITUTION

Campbellsville National Bank (CNB) is a full-service intrastate bank 100% owned by Campbellsville Bancorp, Inc, a one-bank holding company headquartered in Corbin, Kentucky. As of December 31, 2003, the bank had \$64 million in total assets, \$53 million in deposits, \$52 million in loans, and \$5 million in Tier One Capital. The bank offers traditional banking products and services and operates two full-service offices. The main office is located on Broadway in Campbellsville while the branch is located on the Campbellsville Bypass. Currently, the bank has two Automated Teller Machines (ATMs). One ATM is located at the main office and one ATM is located at the branch. While the ATM at the main office is full-service, the branch ATM is cash dispensing only. Both the offices and the ATM's are accessible to all segments of the community.

The bank's primary lending focus is home mortgage loans and consumer loans. CNB also makes loans to small businesses and farms in the area. As of December 31, 2003, net loans represented approximately 79% of the bank's average assets. The loan portfolio mix is as follows: 1-4 family residential mortgages 48%, total commercial real estate loans 24%, consumer loans 13%, farm-related real estate loans 8%, construction and development loans 4%, multifamily loans of approximately 2%, and agriculture loans 1%.

There are no legal or financial circumstances that impact the bank's ability to meet community credit needs. The last CRA evaluation was performed on April 19, 1999. The bank received a rating of satisfactory. This CRA evaluation will cover the time period of January 2002 to December 2003.

DESCRIPTION OF TAYLOR COUNTY

CNB has identified Taylor County as its assessment area (AA) for CRA purposes. The assessment area delineation is in conformance with the regulatory requirements of CRA and appears appropriate in relation to the location of the bank's offices. The delineation of the assessment area does not arbitrarily exclude any low- or moderate-income areas.

The assessment area includes the entire county and is located in the non-metropolitan portion of the State of Kentucky. The 2000 U.S. Census divided the assessment area into five census tracts (CT's) with all five being middle-income geographies. There were no low-income or moderate-income CT's identified within Taylor County. This was based on the Kentucky 2000 Median Family Income for a non-metropolitan area of \$38,600.

Taylor County is a rural county located in central Kentucky with a total population of 22,927 according to the 2000 U.S. Census. The 2000 population of the AA was comprised of 9,220 households, of which 3,852, or 42%, are considered to have low- or moderate-incomes. In addition, the percentage of households in the AA living below the poverty level is approximately 19% and 35% of the households receive social security benefits. The median family income for the assessment area is \$33,924.

The economy of the assessment area is growing with employment consisting primarily of light industrial manufacturing. The majority of the employment opportunities are mainly factory positions with some agriculture-related jobs. Specifically, major employers in Taylor County include Amazon.com (book & music distribution), Cox Interior (hardwood moldings), Taylor Regional Hospital, Taylor County School system, and the Wal-Mart Super Center. The unemployment rate has been improving. According to the U.S. Department of Labor, the most current unemployment rate for the assessment area is 5.4% for December 2003 and is now slightly below the annual unemployment rates for both state (6.2%) and national (6.0%).

Competition is considered strong and involves both banks and finance companies.

A community contact familiar with the area's credit needs indicated all local banks are active in the community and are willing to provide financing for potential projects. The contact did not identify any additional credit needs in the county that were not being addressed by the banks or through other sources.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Lending in Assessment Area

A substantial majority of loans and other lending-related activities are in CNB's assessment area. The analysis shows approximately 90% of the number and 75% of the dollar amount of loan originations sampled were to borrowers inside the assessment area. To reach this conclusion, the OCC analyzed the bank's lending activity by selecting a random sample of twenty loans originated since the last CRA examination. See table below for details.

SAMPLE OF LOAN ORIGINATIONS FROM JAN 2002 THROUGH DEC 2003				
	Number of Loans	Percentage of loans	Dollar Amt of Loans \$(000's)	Percentage of Loans
Within the Assessment Area	18	90.00%	\$360	75.47%
Outside the Assessment Area	2	10.00%	\$117	24.53%
Totals	20	100.00%	\$477	100.00%

* Source: Randomly selected sample of loans originated between Jan 2002 and December 2003.

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

The distribution of loans, given the demographics of the assessment area, reflects excellent penetration among individuals of different income levels (including low- and moderate-income). This conclusion is based on the OCC's analysis of the bank's lending activity. A random sample of twenty loans of each of the bank's primary loan types, which was determined by reviewing the number of loans outstanding and the dollar amount of loans outstanding, was used in the analysis. The primary loan types identified for this analysis included 1-4 family residential mortgages and consumer loans. See the tables below for details.

"Table INC-1 Home Mortgage Loans" shows the percentage of CNB's home mortgage loans to low- and moderate-income borrowers exceed the percentage of families in the assessment area with low- and moderate-income. Low-income borrowers received 30% of the number of home mortgage loans and moderate-income borrowers received 30% of the number of home mortgage loans. CNB's mortgage lending is excellent considering home mortgage credit is an identified need in the community.

Table INC-1 Home Mortgage Loans

1-4 FAMILY MORTGAGES					
Borrower Income Level	Sampled Between January 1, 2002 and December 31, 2003				% of Families within each Income Category
	# of Loans	%	\$ (000's)	%	
Low	6	30.00%	\$126	14.65%	21.81%
Moderate	6	30.00%	\$414	48.14%	17.30%
Middle	4	20.00%	\$ 58	6.74%	23.08%
Upper	4	20.00%	\$262	30.47%	37.81%
Total	20	100.00%	\$860	100.00%	100.00%

* Source: Randomly selected sample of 1-4 family residential mortgages (home purchase loans) originated between January 2002 and December 2003 from within the bank's assessment area.

** Note: This information is based upon the 2000 U. S. Census.

“Table INC-2 Consumer Loans” shows the overall percentage of CNB’s consumer loans to low- and moderate-income borrowers to exceed the percentage of households in the assessment area with low- and moderate-income. Low-income borrowers received 30% of the number of consumer loans. Moderate-income borrowers received 25% of the number of consumer loans.

Table INC-2 Consumer Loans

CONSUMER LOANS					
Borrower Income Level	Sampled Between January 1, 2002 and December 31, 2003				% of Households within each Income Category
	# of Loans	%	\$ (000's)	%	
Low	6	30.00%	\$ 44	22.45%	26.20%
Moderate	5	25.00%	\$ 38	19.39%	15.60%
Middle	8	40.00%	\$104	53.06%	18.10%
Upper	1	5.00%	\$ 10	5.10%	40.10%
Total	20	100.00%	\$196	100.00%	100.00%

* Source: Randomly selected sample of consumer loans originated between January 2002 and December 2003 from within the bank’s assessment area.

** Note: This information is based upon the 2000 U. S. Census.

We did not review farm and business loans as agricultural and commercial lending are not considered to be primary loan types for this bank and an analysis would not be meaningful.

Geographic Distribution of Loans

A review of the bank’s geographic distribution of loans was not performed as the analysis would not be appropriate since no low- or moderate-income CT’s were identified by the 1990 or the 2000 U. S. Census.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and assessment area credit needs.

CNB’s average net loan-to-deposit ratio for the nineteen quarters since the last CRA evaluation is 91.31%. The loan-to-deposit ratio as of December 31, 2003 is 96.25%.

The OCC identified a few local competitors as well as four similarly situated financial institutions operating in markets similar to CNB’s market. The similarly situated banks are comparable to CNB in asset and deposit size and major lending products. For these identified banks, the loan-to-deposit ratios ranged from 73% to 104% with an average ratio of approximately 86%.

Institution	Average
Campbellsville NB	91.31%
Bank #1 (local competitor)	73.28%
Bank #2 (local competitor)	80.50%
Bank #3	104.35%
Bank #4	90.48%
Bank #5	82.19%
Bank #6	79.95%

Responses to Complaints

CNB has not received any complaints about its performance in helping meet assessment area needs during this evaluation period.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.