



PUBLIC DISCLOSURE

April 12, 2021

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

First Southern National Bank
Charter Number 1493
27 Public Square
Lancaster, Kentucky 40444

Office of the Comptroller of the Currency
10200 Forest Green Boulevard, Suite 501
Louisville, Kentucky 40223

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, and should not 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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Overall CRA Rating

Institution’s CRA Rating: This institution is rated **Satisfactory**.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The major factors that support this rating include:

- The Lending Test rating is based on a reasonable loan-to-deposit ratio; a majority of First Southern National Bank’s (FSNB or Bank) lending taking place within its assessment areas (AA); excellent geographic distribution of lending by income of the geography; and a reasonable distribution of lending among borrowers of different incomes and businesses of different sizes.
- The Community Development (CD) Test rating is based on satisfactory responsiveness to community needs through qualified CD loans, investments, and services.

Loan-to-Deposit Ratio

Considering the Bank’s size, financial condition, and credit needs of the AAs, the Bank’s loan-to-deposit (LTD) ratio is reasonable. FSNB’s LTD ratio averaged 77.18 percent over the 12 quarters since the prior CRA evaluation, with a quarterly high of 81.34 percent and a quarterly low of 69.80 percent. FSNB ranks 15th out of 18 similarly situated banks serving its AAs. The mean LTD ratio for all similarly situated banks and FSNB over the previous 12 months is 82.04 percent.

Lending in Assessment Area

A substantial majority of the Bank’s loans are inside its AAs. The Bank originated and purchased 83.6 percent of its total loans by number inside the Bank’s AAs during the evaluation period. This analysis is performed at the Bank, rather than the AA level.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	1,344	83.5	265	16.5	1,609	153,208	77.3	44,926	22.7	198,134
Small Business	17	85.0	3	15.0	20	4,086	83.9	908	16.1	4,994
Total	1,361	83.6	269	16.5	1,629	157,294	77.4	45,834	22.6	203,128

Source: Home Mortgage Disclosure Act data originated January 1, 2018 – December 31, 2020 and random sample of business loans from Bank records that were originated during the same period. Due to rounding, totals may not equal 100.0%

Description of Institution

FSNB is a full-service, \$1.03 billion intrastate bank headquartered in Lancaster, Kentucky. FSNB is wholly owned by First Southern Bancorp, Inc., headquartered in Stanford, Kentucky. FSNB’s main office is also located in Stanford, Kentucky. FSNB has 15 branch locations and 16 automated teller

machines (ATM) across 11 Kentucky counties. There were no changes to branch locations during the evaluation period.

FSNB is a full-service lender offering traditional and digital banking products and services. Business loan services include commercial real estate, lines of credit, construction, and agricultural lending. The Bank offers conventional and government guaranteed home mortgage loans as well as a wide variety of consumer loans including auto, boat, and second mortgage loans. Deposit products include a menu of personal and business checking accounts, certificates of deposit, money market deposit accounts, and individual retirement accounts, among other offerings. Online and mobile banking services include account opening, account management, mobile deposit, bill pay, and person to person payments.

As of December 31, 2020, FSNB reported \$911.51 million in total deposits and \$648.02 million in total loans. The following represents the composition of the loan portfolio

Loan Portfolio Summary by Loan Type		
December 31, 2020		
Loan Category	\$ (000)	% of total loan volume
Commercial Loans	366,242	56.52
Residential Loans	254,468	39.27
Consumer Loans	19,853	3.06
Agriculture Loans	7,097	1.10
Other Loans	355	0.05
Total Loans	648,015	100.00

Source: December 31, 2020 Call Report Data

Competition from other financial institutions is strong. Competition includes branches of large national banks and several community banks and savings banks. According to June 30, 2020 Federal Deposit Insurance Corporation (FDIC) data, FSNB’s market share across all counties where it has a full-service location is 4.8 percent. The Bank has the sixth most market share out of 59 institutions with locations in one or more of the eleven counties in which FSNB operates.

As of the date of this evaluation there are no legal or financial impediments limiting FSNB’s ability to meet the credit and CD needs of its AAs. The previous CRA evaluation was performed by The Office of the Comptroller of the Currency (OCC) on January 22, 2018. FSNB received a Satisfactory rating.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated FSNB’s record of meeting the credit needs of its AAs using Intermediate Small Bank (ISB) procedures. The ISB procedures include both a Lending Test and a CD Test. The evaluation for both tests covered the period between January 1, 2018 through December 31, 2020.

The Lending Test evaluates FSNB's record of meeting the credit needs of its AAs through lending activities. Based on volume, commercial and home mortgage loans were identified as primary products. As indicated in the *Loan Portfolio Summary by Loan Type* table above, commercial and residential loans combined, comprise over 95 percent of the Bank's total loan portfolio.

Our analysis of the Bank's lending performance is based on available Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR) data and a sample of randomly selected business loans from the Bank's records for 2018 – 2020. The OCC performed a data integrity review in November 2020 and verified the Bank's HMDA LAR data was reliable.

The CD test evaluated FSNB's responsiveness to CD needs in its AAs through CD lending, qualified investments, and CD services.

Selection of Areas for Full-Scope Review

The Bank has three AAs. All three AAs meet the requirements of the CRA and do not arbitrarily exclude any census tracts based on the designation of their income level or the demographic make-up of the census tracts. All three AAs received full-scope reviews. Refer to *Appendix A: Scope of Examination* for more information on these AAs.

Ratings

The Bank's overall rating is based on the State of Kentucky rating. The State rating is based on a full-scope review of the Bank's AAs. In assessing performance, more weight was given to commercial lending activities which accounted for approximately 62.1 percent of dollars loaned during the evaluation period, whereas home mortgage loans accounted for 20.4 percent. In addition, more weight was given to AA1 as that is where the majority of the Bank's operations are located. Refer to *Description of the Institution's Operations in Kentucky* for additional detail.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC does not have public information regarding non-compliance with statutes and regulations prohibiting discriminatory or other illegal credit practices with respect to this institution. In determining this institution's overall CRA rating, the OCC has considered information that was made available to the OCC on a confidential basis during its consultations.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of Kentucky

CRA rating for the State of Kentucky: Satisfactory

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The major factors that support this rating include:

- The Bank's geographic distribution of home mortgage loans and small loans to businesses is excellent.
- The Bank exhibits a reasonable distribution of loans to individuals of different income levels and businesses of different sizes.
- The Bank demonstrated satisfactory responsiveness to the CD lending, investment, and service needs of the AAs.
- The Bank's locations and service delivery channels are reasonably accessible to geographies and individuals and businesses of different incomes.

Description of Institution's Operations in Kentucky

FSNB delineated three AAs for CRA purposes. AA1 consists of eight non-contiguous, non-MSA counties in Kentucky. The geographic proximity and general economic conditions for each of these counties is sufficiently similar to combine into one AA. AA2 is located in central Kentucky and includes all census tracts in Fayette and Jessamine counties in the Lexington-Fayette, Kentucky MSA. AA3 is located in south-central Kentucky in Warren County, in the Bowling Green, Kentucky MSA.

Opportunities for community reinvestment include support of organizations that provide services for low- and moderate-income families. Community contacts across all three of FSNB's AAs identified the need for low-cost funding to promote and support the creation of affordable housing and living wage jobs as significant needs. Other opportunities include financial literacy and education and credit repair programs. Community contacts indicated local banks are active in meeting community credit needs.

AA1: Non-MSA Kentucky Counties of Caldwell, Garrard, Lincoln, Logan, Madison, Muhlenberg, Pulaski, and Wayne.

AA1 consists of the entireties of Caldwell, Garrard, Lincoln, Logan, Madison, Muhlenberg, Pulaski, and Wayne counties. AA1 includes five contiguous counties in central Kentucky (Garrard, Lincoln, Madison, Pulaski, and Wayne), two contiguous counties in western Kentucky (Logan and Muhlenberg), and a non-contiguous county in western Kentucky (Caldwell). Select middle-income census tracts in Caldwell, Madison, and Pulaski counties were designated as *distressed* by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency in 2018. Select middle-income tracts in Lincoln, Muhlenberg, and Wayne counties were designated as *distressed* throughout the entire evaluation period. Annual designations of *distressed* or *underserved* nonmetropolitan middle-income geographies are determined based on rates of poverty, unemployment, and population loss or population size, density, and dispersion.

The following table shows demographic information covering FSNB’s AA1

Table A – Demographic Information of the Assessment Area						
Assessment Area 1: Non-MSA Kentucky Counties of Caldwell, Garrard, Lincoln, Logan, Madison, Muhlenberg, Pulaski, and Wayne						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	66	0.0	15.2	60.6	24.2	0.0
Population by Geography	282,588	0.0	12.7	60.4	26.9	0.0
Housing Units by Geography	128,332	0.0	13.0	62.2	24.8	0.0
Owner-Occupied Units by Geography	74,794	0.0	10.4	61.2	28.3	0.0
Occupied Rental Units by Geography	34,846	0.0	14.8	62.8	22.5	0.0
Vacant Units by Geography	18,692	0.0	19.8	65.2	15.1	0.0
Businesses by Geography	16,441	0.0	9.0	60.3	30.7	0.0
Farms by Geography	1,086	0.0	8.7	60.8	30.5	0.0
Family Distribution by Income Level	74,223	22.6	14.5	19.2	43.7	0.0
Household Distribution by Income Level	109,640	25.3	13.9	16.0	44.8	0.0
Median Family Income Non-MSAs – KY		\$45,986	Median Housing Value			\$109,857
			Median Gross Rent			\$600
			Families Below Poverty Level			17.4%
<i>Source: 2015 ACS and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The total population of AA1 is 282,588. AA1 consists of 66 census tracts with no low-income tracts, 10 moderate-income tracts, 40 middle-income tracts, and 16 upper-income tracts.

According to the Bureau of Labor Statistics, as of December 31, 2020, preliminary unemployment rates

for the counties in AA1 ranged from 4.1 percent to 7.7 percent. Lincoln and Muhlenberg counties have unemployment rates above the average 2020 unemployment rate for Kentucky. The average unemployment rates in 2020 for Kentucky and the nation were 5.6 percent and 6.7 percent, respectively. Major industries in AA1 include Manufacturing (Caldwell, Logan, Muhlenberg, Wayne) Healthcare and Social Assistance (Lincoln, Garrard, Pulaski), and Educational Services (Madison).

Competition from other financial institutions is strong. The FDIC Market Share Report indicates FSNB has \$757.42 million in total deposits and ranks first with 15.28 percent of the market share in AA1. In addition to FSNB’s 10 full-service branches and two standalone ATMs in AA1, there are 34 other financial institutions with 99 offices.

AA2: Lexington-Fayette, Kentucky MSA (Fayette and Jessamine Counties)

AA2 consists of the entireties of Fayette and Jessamine Counties, two of the six counties within the Lexington-Fayette, Kentucky MSA. The following table shows demographic information covering FSNBs AA2.

Table A – Demographic Information of the Assessment Area						
Assessment Area 2: Lexington-Fayette MSA (Fayette and Jessamine Counties)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	91	11.0	25.3	34.1	29.7	0.0
Population by Geography	358,634	10.0	26.3	33.8	29.9	0.0
Housing Units by Geography	157,681	10.2	27.4	34.1	28.3	0.0
Owner-Occupied Units by Geography	79,870	5.4	20.8	35.3	38.5	0.0
Occupied Rental Units by Geography	64,194	15.3	35.3	32.4	17.1	0.0
Vacant Units by Geography	13,617	14.9	29.1	34.8	21.2	0.0
Businesses by Geography	33,784	6.7	19.3	39.5	34.6	0.0
Farms by Geography	1,221	5.3	15.5	41.3	37.9	0.0
Family Distribution by Income Level	86,379	24.1	16.0	18.5	41.4	0.0
Household Distribution by Income Level	144,064	26.7	15.4	15.8	42.0	0.0
Median Family Income MSA - 30460 Lexington-Fayette, KY MSA		\$66,800	Median Housing Value			\$181,152
			Median Gross Rent			\$779
			Families Below Poverty Level			12.7%
<i>Source: 2015 ACS and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The total population of AA2 is 358,634. AA2 consists of 91 census tracts with ten low-income tracts, 23 moderate-income tracts, 31 middle-income tracts, and 27 upper-income tracts.

The economic conditions of AA2 compare favorably to Kentucky and National 2020 averages. According to the Bureau of Labor Statistics, as of December 31, 2020, the preliminary unemployment

rates in Fayette County and Jessamine County are 5.1 percent and 5.0 percent, respectively. The average unemployment rates in 2020 for Kentucky and the nation were 5.6 percent and 6.7 percent, respectively. Major industries in AA2 include Healthcare and Social Assistance, Educational Services, and Manufacturing.

Competition from other financial institutions is strong. In addition to FSNB’s two full-service branches and one standalone ATM location, there are 36 other financial institutions with 182 offices. Approximately 10.75 percent of FSNB’s total deposits are within AA2 and based on June 30, 2020 FDIC deposit market share data, FSNB ranks 19th in AA2 market share with 0.92 percent.

AA3: Bowling Green, Kentucky MSA (Warren County)

AA3 consists of the entirety of Warren County, one of the four counties within the Bowling Green, Kentucky MSA. The following table shows demographic information covering FSNBs AA3.

Table A – Demographic Information of the Assessment Area						
Assessment Area 3: Bowling Green MSA (Warren County)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	24	8.3	20.8	29.2	37.5	4.2
Population by Geography	118,950	6.8	19.1	28.9	43.1	2.1
Housing Units by Geography	49,133	6.6	20.2	31.6	39.3	2.2
Owner-Occupied Units by Geography	26,135	2.8	11.4	34.1	51.3	0.4
Occupied Rental Units by Geography	19,252	11.9	30.9	28.8	23.8	4.6
Vacant Units by Geography	3,746	6.3	27.1	28.9	34.8	2.9
Businesses by Geography	9,523	6.6	19.0	30.9	38.6	5.0
Farms by Geography	420	1.7	6.7	32.1	57.4	2.1
Family Distribution by Income Level	29,513	19.7	16.6	19.7	44.0	0.0
Household Distribution by Income Level	45,387	23.9	14.0	17.6	44.5	0.0
Median Family Income MSA - 14540 Bowling Green, KY MSA		\$55,109	Median Housing Value			\$141,614
			Median Gross Rent			\$696
			Families Below Poverty Level			13.2%
<i>Source: 2015 ACS and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The total population of AA3 is 118,950. AA3 consists of two low-income tracts, five moderate-income tracts, seven middle-income tracts, nine upper income tracts, and one unknown-income tract.

The economic conditions of AA3 compare favorably to 2020 Kentucky averages and national averages. According to the Bureau of Labor Statistics, as of December 31, 2020, the preliminary unemployment rate for Warren County, Kentucky is 5.3 percent. The average unemployment rates in 2020 for Kentucky and the nation were 5.6 percent and 6.7 percent, respectively. Major industries in AA3 include Manufacturing, Healthcare and Social Assistance, and Retail Trade.

Competition from other financial institutions is strong. In addition to FSNB's one full-service branch, there are 18 other financial institutions with 54 offices. Approximately 2.3 percent of FSNB's deposits are within AA3. The presence of only a single FSNB branch in AA3 is reflected in market share data. Based on June 30, 2020 FDIC deposit market share data, FSNB ranks 17th with a market share of 0.69 percent.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN KENTUCKY

LENDING TEST

The Bank's performance under the Lending Test in Kentucky is rated Satisfactory. In determining our conclusions, we gave the most consideration to small loans to businesses as that represents the bulk of FSNB's loan portfolio. In addition, we placed more weight on performance in AA1 as that is where the vast majority of the Bank's branches and lending activity are located.

Distribution of Loans by Income Level of the Geography

The Bank exhibits excellent geographic distribution of loans in Kentucky.

Home Mortgage Loans

Refer to Table O in appendix D for the facts and data used to evaluate the geographic distribution of the Bank's home mortgage loan originations and purchases.

AA1: Non-MSA Counties (Caldwell, Garrard, Lincoln, Logan, Madison, Muhlenberg, Pulaski, Wayne)

Lending in geographies of different income levels in AA1 reflects excellent dispersion. FSNB originated 10.8 percent of home mortgage loans to borrowers in moderate-income census tracts. This was higher than both the 10.4 percent of owner-occupied housing units in moderate-income census tracts and the aggregate lending comparator of 7.5 percent. There are no low-income census tracts in AA1.

AA2: Lexington-Fayette, Kentucky MSA (Fayette and Jessamine Counties)

Lending in geographies of different income levels in AA2 reflects reasonable dispersion. FSNB originated 3.3 percent of home mortgage loans to borrowers in low-income census tracts. This was below the 5.4 percent of owner-occupied housing units in low income census tracts as well as the aggregate lending comparator of 4.2 percent. In addition, FSNB originated 37.7 percent of loans to borrowers within moderate-income census tracts. This was significantly higher than the 20.8 percent of owner-occupied housing units in moderate-income census tracts and almost twice the aggregate lending comparator of 19.2 percent.

AA3: Bowling Green, Kentucky MSA (Warren County)

Lending in geographies of different income levels in AA3 reflects excellent dispersion. FSNB originated 3.4 percent of home mortgage loans to borrowers in low-income census tracts. This was above both the

owner-occupied housing units and aggregate lending comparators of 2.8 and 2.7 percent, respectively. FSNB originated 12.3 percent of loans to borrowers in moderate-income census tracts. This was also slightly above the 11.4 percent of owner-occupied housing units in moderate-income census tracts and the aggregate lending comparator of 12.1 percent.

Small Loans to Businesses

Refer to Table Q in appendix D for the facts and data used to evaluate the geographic distribution of the Bank's originations and purchases of small loans to businesses.

AA1: Non-MSA Counties (Caldwell, Garrard, Lincoln, Logan, Madison, Muhlenberg, Pulaski, Wayne)

Lending to geographies of different income levels in AA1 reflects excellent dispersion. FSNB originated 25.0 percent of loans to small businesses in moderate-income census tracts. This compares favorably to the 9.0 percent of businesses located in moderate-income tracts and the aggregate lending comparator of 8.8 percent. There are no low-income census tracts in AA1.

AA2: Lexington-Fayette, Kentucky MSA (Fayette and Jessamine Counties)

Lending to geographies of different income levels in AA2 reflects excellent dispersion. FSNB originated 10.0 percent of loans to small businesses in low-income census tracts. This compares favorably to the 6.7 percent of businesses located in low-income census tracts and the aggregate lending comparator of 6.8 percent. The Bank originated 35.0 percent of loans to small businesses in moderate-income tracts. This is significantly higher than the 9.0 percent of businesses located in moderate-income census tracts and the aggregate lending comparator of 21.5 percent.

AA3: Bowling Green, Kentucky MSA (Warren County)

Lending to geographies of different income levels in AA3 reflects reasonable dispersion. FSNB originated 5.0 percent of small loans to businesses in low-income census tracts. This is on par with the 6.6 percent of businesses located in low-income census tracts and the aggregate lending comparator of 5.9 percent. The Bank originated 35.0 percent of loans to small businesses in moderate-income census tracts. This is significantly higher than the 19.0 percent of businesses located in moderate-income census tracts and the aggregate lending comparator of 20.2 percent.

Distribution of Loans by Income Level of the Borrower

FSNB exhibits reasonable distribution of loans to borrowers of different incomes and to businesses of different sizes, given the product lines offered by the Bank.

Home Mortgage Loans

Refer to Table P in appendix D for the facts and data used to evaluate the borrower distribution of the Bank's home mortgage loan originations and purchases.

AA1: Non-MSA Counties (Caldwell, Garrard, Lincoln, Logan, Madison, Muhlenberg, Pulaski, Wayne)

FSNB's distribution of home mortgage loans to low- and moderate-income families in AA1 is reasonable. FSNB originated 3.3 percent of loans to low-income borrowers and 14.1 percent of loans to moderate-income borrowers. Lending to low-income borrowers is below the 22.6 percent of low-income families in the AA, but on par with the aggregate lending comparator of 3.2 percent. There are several challenges in home mortgage lending to low-income borrowers. In AA1, 17.4 percent of families have incomes below the poverty level. The housing cost relative to income may also have a limiting effect for some low-income families. Low-income families in AA1 earn \$22,993 or less based on the AA's median family income level. With a median housing value of \$109,857 in AA1, the median housing value is at least 4.78 times the annual income of low-income families in the AA. In addition, 27.2 percent of the occupied housing units in the AA in 2020 were categorized as rental units. This limits home mortgage availability in the AA. Lending to moderate-income borrowers, however; is comparable to the 14.5 percent of moderate-income families in the AA and is above the 12.6 percent aggregate lending comparator.

AA2: Lexington-Fayette, Kentucky MSA (Fayette and Jessamine Counties)

FSNB's distribution of home mortgage loans to low- and moderate-income families in AA2 is reasonable. FSNB originated 13.9 percent of loans to low-income borrowers and 14.8 percent of loans to moderate-income borrowers. Lending to low-income borrowers is below the 24.1 percent of low-income families in the AA, but significantly higher than the aggregate lending comparator of 8.6 percent. Like AA1, there are several challenges in home mortgage lending to low-income families in AA2. A very high percentage of housing units in AA2, 40.7 percent, are rental units. The median housing value is also 5.42 times the annual income of low-income families in AA2. Furthermore, 12.7 percent of families in AA2 have income at or below the poverty level. All of these may limit low-income home mortgage lending activity. FSNB's lending to moderate-income borrowers is only slightly below the 16.0 percent of moderate-income families in the AA and the 18.4 percent aggregate lending comparator.

AA3: Bowling Green, Kentucky MSA (Warren County)

FSNB's distribution of home mortgage loans to low- and moderate-income families in AA3 is reasonable. FSNB originated 2.7 percent of loans to low-income borrowers and 10.3 percent of loans to moderate income borrowers. Lending to both low- and moderate-income borrowers is below the 19.7 percent and 16.6 percent of low- and moderate-income families in the AA, respectively. Similar to AA2, a high percentage, 39.2 percent, of the AAs total housing units consist of rental units. The AA's median housing value is also 5.14 times the annual income of low-income families. In addition, 13.2 percent of all families in the AA have incomes at or below the poverty level. FSNB's relatively small presence in this AA in relation to other financial institutions also plays a role in the Bank's overall loan volume in this AA.

Small Loans to Businesses

Refer to Table R in appendix D for the facts and data used to evaluate the borrower distribution of the Bank's originations and purchases of small loans to businesses.

AA1: Non-MSA Counties (Caldwell, Garrard, Lincoln, Logan, Madison, Muhlenberg, Pulaski, Wayne)

FSNB's distribution of loans to businesses of different sizes in AA1 is reasonable. FSNB originated 70.0 percent of loans to businesses with revenues of less than \$1 million. While this is below the 83.9 percent of small businesses in the AA, it is significantly higher than the aggregate lending comparator of 43.6 percent.

AA2: Lexington-Fayette, Kentucky MSA (Fayette and Jessamine Counties)

FSNB's distribution of loans to businesses of different sizes in AA2 is reasonable. FSNB originated 70.0 percent of loans to businesses with revenues of less than \$1 million. While this is below the 85.2 percent of small businesses in the AA, it is significantly higher than the aggregate lending comparator of 46.3 percent.

AA3: Bowling Green, Kentucky MSA (Warren County)

FSNB's distribution of loans to businesses of different sizes in AA3 is excellent. FSNB originated 85.0 percent of loans to businesses with revenues of less than \$1 million. This is higher than the 83.8 percent of small businesses in the AA and significantly higher than the aggregate lending comparator of 48.9 percent.

Responses to Complaints

FSNB did not receive any written complaints regarding its CRA performance during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The Bank's performance under the Community Development Test in the state of Kentucky is rated Satisfactory.

Based on a full-scope review, the Bank exhibits adequate responsiveness to community development needs in the state through community development loans, qualified investments, and community development services, as appropriate, considering the Bank's capacity and the need and availability of such opportunities for community development in the Bank's AAs. In assessing responsiveness, more weight was given to CD loans, investments, and activities within the Bank's AAs, with a particular emphasis on AA1 where approximately 86.9 percent of deposits and the majority of the Bank's operations are located.

Number and Amount of Community Development Loans

Refer to the Community Development Loan table below for the facts and data used to evaluate the Bank's level of CD lending. The table includes all CD loans, including multifamily loans that also qualify as CD loans.

<i>Community Development Loans</i>				
Assessment Area	Total			
	#	% of Total #	\$(000's)	% of Total \$
1	301	64.3	19,150	57.5
2	122	26.1	7,042	21.1
3	44	9.4	5,382	16.2
KY	1	0.2	1,761	5.3
Total	468	100.0	33,335	100.1

Due to rounding, totals may not equal 100.0%.

FSNB originated 467 CD loans totaling approximately \$31.57 million within its AAs and one CD loan totaling \$1.76 million in a county adjacent to AA1.

The table above includes qualified loans originated under the Small Business Administration's Paycheck Protection Program (PPP) initiated in response to the COVID-19 pandemic in 2020. These loans served to preserve jobs within the Bank's AAs. One additional PPP loan outside of the Bank's AAs served the same purpose across the broader area of Kentucky.

The chart also reflects eight other CD loans. Among these were loans to support job creation and retention for pharmacies located in moderate- or distressed middle-income census tracts and loans to fund projects to provide shelter and training for women transitioning from domestic violence, incarceration, or addiction.

Number and Amount of Qualified Investments

<i>Qualified Investments</i>								
Assessment Area	Prior Period*		Current Period		Total			
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$
1	0	0	5	1,755	5	62.5	1,755	36.9
KY	3	3,000	0	0	3	37.5	3,000	63.1
Total	3	3,000	5	1,755	8	100.0	4,755	100.0

* Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

The Qualified Investment table, shown above, sets forth the information and data used to evaluate the Bank's level of qualified CD investments. This table includes all CD investments, including prior period investments that remain outstanding as of the examination date.

As depicted above, FSNB

- purchased five Kentucky school district bonds for \$1.76 million. Bonds were issued by a county within AA1 that included only moderate-income census tracts or middle-income census tracts designated as distressed.

- held three Kentucky Housing Corporation bonds, purchased in a prior period, at year-end 2020. These bonds support affordable housing efforts in the broader statewide area.

In addition to the investment bonds reflected in the table above, the Bank provided monetary grants totaling approximately \$60,769 to five qualified community service organizations within the Bank's AAs during the evaluation period. Donations supported established programs such as food pantries and a women's shelter, among others.

Extent to Which the Bank Provides Community Development Services

FSNB provided a variety of CD services targeting low- to moderate-income individuals during the evaluation period. Many of these services align with the need for financial education as identified by community contacts within the Bank's AAs.

FSNB has three branches located in moderate-income geographies. The Bank also has two branches, one full-service stand-alone ATM, and one cash-dispensing stand-alone ATM located in distressed, middle-income geographies. FSNB offers 24-hour telephone banking, as well as an array of online and mobile banking services that provide both consumer and business customers with additional avenues to open, access, and manage their accounts. Online banking customers also have access to free services and tools to help build a budget and track spending.

In response to the COVID-19 global pandemic in 2020, the Bank offered short-term loan modifications to customers negatively impacted by the resulting challenging economic conditions. This demonstrated flexibility in working with all customers, but particularly those most affected by sudden and unprecedented changes in income.

All visitors to the FSNB website are offered free access to the Bank's Financial Literacy Resource Center. In partnership with Banzai! a library of articles, financial calculators, and interactive coaching programs provide foundational financial concepts education that ranges from budgeting to credit repair.

FSNB officers and employees participated in numerous CD services during the evaluation period and as restrictions due to COVID-19 allowed. Dozens of employees participated in school presentations or programs designed to promote financial literacy to students of all ages. For example, a loan officer provided instruction as part of a program offered by the University of Kentucky Agriculture Extension Office that invites top grade-earners from two high schools, one of which has 92.6 percent of students on free or reduced lunch, to a two-day seminar designed to teach about the private enterprise system. A number of employees have been and remain involved with the Junior Achievement program with the goal of introducing youth to the realities of the working world and personal finance. One employee serves on the board of the Christian Appalachian Project, the purpose of which is to provide food, home repair, and other needs for those in poverty. Another example is a branch manager who serves on an advisory committee for a Technology Center in a county consisting of all moderate-income or distressed middle-income census tracts. The branch manager uses her financial expertise to help students understand and prepare for their introduction into the workforce.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSA(s) and non-MSA(s) that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

Time Period Reviewed:	January 1, 2018 to December 31, 2020	
Bank Products Reviewed:	Small Business Loans Home Mortgage Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
<i>Not Applicable</i>	<i>Not Applicable</i>	<i>Not Applicable</i>
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Kentucky:		
AA1: Non MSA Kentucky Counties	Full-Scope	Inclusive of Caldwell, Garrard, Lincoln, Logan, Madison, Muhlenberg, Pulaski, and Wayne Counties only.
AA2: Lexington-Fayette, Kentucky MSA #30460	Full-Scope	Fayette and Jessamine Counties only.
AA3: Bowling Green, Kentucky MSA #14540	Full-Scope	Warren County only.

Appendix B: Summary of State Rating

RATINGS First Southern National Bank			
Overall Bank:	Lending Test Rating*	CD Test Rating	Overall Bank/State/Multistate Rating
First Southern National Bank	Satisfactory	Satisfactory	Satisfactory
State:			
Kentucky	Satisfactory	Satisfactory	Satisfactory

(*) The Lending Test and Community Development Test carry equal weight in the overall rating.

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder’ and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: 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 percent and less than 120 percent, in the case of a geography

Moderate-Income: 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 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rating Area: A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography **2018-20**

Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate
AA1 – Non MSA Kentucky Counties	1,137	114,387	84.6	7,435	0.0	0.0	0.0	10.4	10.8	7.5	61.2	71.4	54.4	28.3	17.8	38.1	0.0	0.0	0.0
AA2 – Lexington MSA (Fayette and Jessamine Counties)	61	8,780	4.5	14,449	5.4	3.3	4.2	20.8	37.7	19.2	35.3	42.6	33.6	38.5	16.4	43.0	0.0	0.0	0.0
AA3 – Bowling Green MSA (Warren County)	146	30,041	10.9	4,604	2.8	3.4	2.7	11.4	12.3	12.1	34.1	42.5	30.1	51.3	41.1	54.4	0.4	0.7	0.6
Total	1,344	153,207	100.0	26,488	2.8	0.5	2.8	15.2	12.2	14.7	45.9	67.0	38.8	36.2	20.2	43.6	0.1	0.1	0.1

Source: 2015 ACS Census; 01/01/2018 - 12/31/2020 Bank Data, 2019 HMDA Aggregate Data, "--" data not available.
 Due to rounding, totals may not equal 100.0%

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower **2018-20**

Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
AA1 – Non MSA Kentucky Counties	1,137	114,387	84.6	7,435	22.6	3.3	3.2	14.5	14.1	12.6	19.2	17.2	21.3	43.7	50.0	46.1	0.0	15.5	16.7
AA2 – Lexington MSA (Fayette and Jessamine Counties)	61	8,780	4.5	14,449	24.1	13.9	8.6	16.0	14.8	18.4	18.5	18.0	20.2	41.4	36.1	39.6	0.0	23.0	13.2
AA3 – Bowling Green MSA (Warren County)	146	30,041	10.9	4,604	19.7	2.7	3.0	16.6	10.3	14.2	19.7	13.0	19.6	44.0	41.1	43.5	0.0	32.9	19.6
Total	1,344	153,207	100.0	26,488	22.8	3.4	6.1	15.5	13.7	16.1	18.9	16.8	20.4	42.7	48.4	42.1	0.0	17.7	15.3

Source: 2015 ACS Census; 01/01/2018 - 12/31/2020 Bank Data, 2019 HMDA Aggregate Data, "--" data not available.
 Due to rounding, totals may not equal 100.0%

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography **2018-20**

Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
AA1 – Non MSA Kentucky Counties	20	5,397	33.3	3,068	0.0	0.0	0.0	9.0	25.0	8.8	60.3	60.0	55.8	30.7	15.0	35.4	0.0	0.0	0.0
AA2 – Lexington-Fayette, Kentucky MSA (Fayette and Jessamine Counties)	20	4,114	33.3	8,531	6.7	10.0	6.8	9.0	35.0	21.5	39.5	45.0	37.1	34.6	10.0	34.7	0.0	0.0	0.0
AA3 – Bowling Green, Kentucky MSA (Warren County)	20	2,825	33.3	2,665	6.6	5.0	5.9	19.0	35.0	20.2	30.9	40.0	29.8	38.6	20.0	40.9	5.0	0.0	3.2
Total	60	12,336	100.0	14,264	4.8	5.0	5.1	16.4	31.7	18.5	43.8	48.3	39.8	34.1	15.0	36.0	0.8	0.0	0.6

Source: 2019 D&B Data; Random sample of business loans originated between 01/01/2018 - 12/31/2020 from Bank Data; 2019 CRA Aggregate Data, Due to rounding, totals may not equal 100.0%. Bank \$ reflects amounts in a sample inclusive of 2020 lending. As such, Bank \$ may reflect higher totals than Overall Market data which is inclusive of 2018 and 2019 only.

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues **2018-20**

Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
AA1 – Non MSA Kentucky Counties	20	5,397	33.3	3,068	83.9	70.0	43.6	4.0	30.0	12.1	0.0
AA2 – Lexington-Fayette, Kentucky MSA (Fayette and Jessamine Counties)	20	4,114	33.3	8,531	85.2	70.0	46.3	4.7	30.0	10.1	0.0
AA3 – Bowling Green, Kentucky MSA (Warren County)	20	2,826	33.3	2,665	83.8	85.0	48.9	4.7	15.0	11.6	0.0
Total	60	12,337	100.00	14,264	84.6	75.0	46.2	4.5	25.0	10.9	0.0

Source: 2019 D&B Data; Random sample of business loans originated between 01/01/2018 - 12/31/2020 from Bank Data; 2019 CRA Aggregate Data, Due to rounding, totals may not equal 100.0%. Bank \$ reflects amounts in a sample inclusive of 2020 lending. As such, Bank \$ may reflect higher totals than Overall Market data which is inclusive of 2018 and 2019 only.