



PUBLIC DISCLOSURE

March 16, 2020

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

The Citizens National Bank of Somerset
Charter Number 11544

44 Public Square, Somerset, Kentucky 42501

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 Community Reinvestment Act (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 distribution of loans to low- and moderate-income (LMI) borrowers and excellent distribution to businesses of different sizes. In addition, the geographic distribution of loans to LMI borrowers and businesses of different sizes reflects reasonable dispersion. The bank's loan-to-deposit (LTD) ratio is also reasonable and a substantial majority of loans are inside the bank's assessment areas (AAs).
- The Community Development (CD) Test rating is based on CNB's overall adequate responsiveness to community needs through CD loans, qualified investments, and CD services, taking into consideration the bank's capacity, as well as the needs and available opportunities for community development in the AAs.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AAs, the bank's LTD ratio is reasonable. The LTD ratio averaged 73.4 percent over the 11 quarters since the previous CRA examination, with a quarterly high of 76.4 percent and quarterly low of 68.7 percent. CNB ranks fifth among a total of seven similarly-situated banks serving its AAs. The other six banks average LTD ratios were 75.6 percent, ranging from 54.8 percent to 95.8 percent over the same 11 quarters. Our conclusions considered the competitive environments of the AAs and CNB's volume of secondary market activity. CNB originated and sold approximately \$38 million in home mortgage loans on the secondary market during the evaluation period which were not captured in the LTD ratio.

Lending in Assessment Area

CNB originated a substantial majority of loans within its AAs. By number of loans, CNB originated 84.8 percent of residential loans and 75.9 percent of business loans inside its AAs. This analysis is performed at the bank rather than the AA level. The following table details CNB's lending within the AAs by number and dollar amount during the evaluation period. Based on a random sample, the percentage of 2017 home mortgage loans originated inside and outside the AAs is consistent with 2018 and 2019.

Lending Inside and Outside of the Assessment Area										
January 1, 2017 – December 31, 2019										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2018	227	87.3	33	12.7	260	28,139	87.2	4,149	12.8	32,288
2019	254	82.5	54	17.5	308	29,487	80.9	6,979	19.1	36,466
Subtotal	481	84.8	87	15.2	568	57,626	83.8	11,128	16.2	68,754
Business										
2017	15	71.4	6	28.6	21	2,691	70.1	1,149	29.9	3,840
2018	12	85.7	2	14.3	14	2,026	85.4	347	14.6	2,373
2019	17	73.9	6	26.1	23	3,999	66.8	1,990	33.2	5,989
Subtotal	44	75.9	14	24.1	58	8,716	71.4	3,486	28.6	12,202
Total	525	83.9	101	16.1	626	66,342	82.0	14,614	18.0	80,956

Source: Evaluation Period: 1/1/2017 - 12/31/2019 bank Data
Due to rounding, totals may not equal 100.0

Description of Institution

CNB is an intrastate financial institution wholly owned by Citizens Bancshares, Inc., headquartered in Somerset, Kentucky. As of this evaluation, CNB had 10 locations which were accessible to all segments of its communities. Seven offices are located in Pulaski County: a main office and four branches in Somerset, Kentucky, one branch in Science Hill, Kentucky and one branch in Nancy, Kentucky. The bank also has one location each in Monticello, Kentucky (Wayne County) and Russell Springs, Kentucky (Russell County). The Monticello branch is in a middle-income census tract (CT) that is specifically designated as “distressed or underserved.” In addition, the Russell Springs branch is in a middle-income CT with most of the county designated as “distressed or under-served” per the 2019 Federal Financial Institutions Examination Council (FFIEC) Census Report. The bank opened a branch in Jessamine County in 2014. The branch is located in a middle-income CT in the Lexington-Fayette, Kentucky metropolitan statistical area (MSA). All offices are equipped with drive-up facilities. There are full-service automated teller machines at each location along with other cash dispensers located throughout the AAs. No branches were closed since the previous CRA evaluation.

CNB is a full-service lender offering traditional banking products and services. Its products include conventional home mortgage loans and government-guaranteed home mortgage loans. CNB also offers home improvement, consumer, and a full range of business loans. Deposit products include personal checking and savings, money market, business checking, NOW accounts, and certificates of deposit. The bank offers a student savings account paying one dollar for each “A” received per grading period.

As of December 31, 2019, CNB had \$445 million in total assets, \$363 million in deposits, \$46 million in tier 1 capital, and \$253 million in outstanding loans. The loan portfolio consisted of the following:

Loan Portfolio Summary by Loan Type		
December 31, 2019		
Loan Category	\$ (000)	%
Construction and Development	17,609	6.97
One-to-Four Family Residential	103,616	41.03
Farmland	7,595	3.01
Multifamily	11,669	4.62
Commercial Real Estate	73,301	29.02
Commercial and Industrial (non-real estate)	12,969	5.14
Consumer	18,822	7.45
Other	6,978	2.76
Total Loans	\$ 252,559	100.00%

Source: December 31, 2019 Call Report

As part of this evaluation, we obtained information from a representative of a local CD organization located in AA1 (a detailed description of CNB's AAs can be found in the *Description of Institution's Operations in Kentucky* section of this evaluation). The representative indicated quality employment, affordable housing, utility assistance, mental health counseling, transportation, food assistance and before/after school childcare are AA needs. Another recent contact with a representative of a local CD organization in the Lexington MSA, which includes AA2, stated start-up business funds were an AA need. The contact also noted that limited land availability has an impact on the housing market in the Lexington MSA. In general, both contacts expressed the willingness of local banks to both lend and donate to community projects.

There were no legal or financial impediments to CNB's ability to meet the credit and CD needs of its AAs. The bank was rated Satisfactory at its May 1, 2017 CRA examination.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We conducted an evaluation of CNB's CRA performance using Intermediate Small Bank (ISB) procedures. The ISB procedures include a lending test and a CD test. The lending test evaluated the bank's record of meeting the credit needs of its AAs through its lending activities from January 1, 2017 through December 31, 2019. The CD test evaluated the bank's CD lending, qualified investments, and service activities for the same time period. We based the lending test on originations of CNB's primary loan products, one-to-four family residential and commercial real estate loans.

The residential loan analysis included all home mortgage loans reported in the Home Mortgage Disclosure Act (HMDA) Loan Application Registers for 2018 and 2019. The bank was not required to report geographic location data for the Non-MSA (AA 1) in 2017 and therefore, a random sample of 20 loans was selected for analysis of this AA. HMDA data for 2017 is not included in Table O or P in Appendix C. The residential loan analysis included a comparison of the borrower and geographic distribution of loans originated and purchased during the evaluation period to the 2015 United States Census (2015 U.S. Census) demographic information and the percentage of loans originated and purchased by all reporting lenders (the aggregate comparator). The income level designations used in this analysis were based on the FFIEC estimate of the 2017, 2018 and 2019 Kentucky Median Family Incomes for MSAs and nonmetropolitan areas.

The business loan analyses were performed using all loans within the bank's AAs classified as secured by non-farm, non-residential real estate loans originated between January 1, 2017 and December 31, 2019, excluding community development loans. The business loans sampled were compared to 2015 U.S. Census data and 2019 Business Geo-demographic Data.

Selection of Areas for Full-Scope Review

Each of the bank's AAs received full-scope reviews. Refer to *Appendix A: Scope of Examination* for a list of each AA.

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 two AAs. More weight was given to the distribution of loans by income level of borrower and gross annual revenues of businesses than the geographic distribution of loans because there were no low-income CTs in either of the two AAs over the evaluation period. More weight was given to bank performance in AA1 as the vast majority of CNBs lending activities took place in AA1 over the assessment period. Refer to the *Description of Institution's Operations in Kentucky* for additional details regarding how the areas were weighted in arriving at the respective ratings.

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 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:

- A substantial majority of the bank's loans are within the AAs.
- The distribution of home mortgage loans to borrowers of different income levels is reasonable. CNB's distribution of loans to businesses of different sizes is excellent.
- The geographic dispersion of home mortgage loans and small business loans throughout the bank's AAs is reasonable.
- CNB's LTD ratio is reasonable.
- CNB exhibits adequate responsiveness to CD needs in the AAs through qualified investments, CD services, and CD loans as appropriate, taking into consideration the bank's capacity, as well as the need and available opportunities for CD in the bank's AAs.

Description of Institution's Operations in Kentucky

CNB's AAs meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income areas. CNB delineated two AAs for CRA purposes. AA1 is in a nonmetropolitan area located in south-central Kentucky. This AA (AA1) consists of Pulaski, Russell, and Wayne Counties in Kentucky, consistent with the previous evaluation. The 2014 opening of the Jessamine County branch in the Lexington-Fayette, Kentucky MSA resulted in a second AA (AA2).

AA1: Nonmetropolitan AA of South-Central Kentucky (Pulaski, Russell, and Wayne Counties)

2015 U.S. Census Data: The AA consisted of 24 CTs. There were no low-income CTs. Six were moderate-income tracts, 16 were middle-income tracts, and two were upper-income tracts. All 16 of the middle-income CTs in the bank's AA were designated distressed geographies by the FFIEC due to elevated poverty levels. Four of these CTs located in Russell County were also designated as underserved.

Economic Data: According to the Bureau of Labor Statistics, the December 2019 unemployment rates for Pulaski, Russell, and Wayne Counties were 4.50 percent, 5.40 percent, and 5.20 percent, respectively. All counties exceeded the state and national unemployment rates of 4.30 percent and 3.40 percent, respectively.

Major employers for each county included the following:

- Pulaski County: Toyotetsu America, Inc. (932 employees); Super Service, LLC (700 employees); and Hendrickson USA, LLC (507 employees).
- Russell County: Stephens Pipe & Supply (700 employees); Bruss North American, Inc. (415 employees); and Dr. Schneider Automotive Systems, Inc. (408 employees).
- Wayne County: American Woodmark Corporation (555 employees); Patriot Industries, Inc. (360 employees); and Cobb Vantress Inc. (250 employees).

Competition from other financial institutions is strong. The bank's competitors include several local community banks and branches of large regional banks. According to the Federal Deposit Insurance Corporation's (FDIC) Summary of Deposits as of June 30, 2019, 14 banks with 48 offices operated in the counties. These locations held a combined total of \$1.96 billion in deposits with CNB ranking second with a 17.32 percent market share. CNB operated nine branches in the AA, and most lending activity over the assessment period took place in this AA. As a result, we placed most weight on lending activities in this AA when assessing the bank's overall CRA performance.

The following table shows demographic information covering CNB's AA of Pulaski, Russell, and Wayne Counties.

Demographic Information for Full-Scope Area (AA1)						
Nonmetropolitan South-Central Kentucky AA						
2019						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	24	0.0	25.0	66.7	8.3	0.0
Population by Geography	101,959	0.0	21.6	66.9	11.5	0.0
Housing Units by Geography	52,069	0.0	22.2	68.0	9.9	0.0
Owner-Occupied Units by Geography	28,438	0.0	21.7	66.3	12.0	0.0
Occupied Rental Units by Geography	12,122	0.0	20.8	68.9	10.3	0.0
Vacant Units by Geography	11,509	0.0	24.9	71.0	4.2	0.0
Businesses by Geography	5,813	0.0	15.8	70.7	13.4	0.0
Farms by Geography	350	0.0	17.4	73.1	9.4	0.0
Family Distribution by Income Level	26,977	27.4	16.6	19.6	36.4	0.0
Household Distribution by Income Level	40,560	30.9	14.2	16.6	38.3	0.0
Median Family Income Non-MSAs - KY		\$45,986	Median Housing Value			\$96,759
			Median Gross Rent			\$554
			Families Below Poverty Level			21.0%
<i>Source: 2015 ACS Census and 2019 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>						

AA2: Lexington-Fayette, Kentucky MSA (Jessamine County)

2015 U.S. Census Data: The AA consisted of nine CTs. There were no low-income CTs. Five were moderate-income tracts, three were middle-income tracts, and one was an upper-income tract.

Economic Data: According to the Bureau of Labor Statistics, the December 2019 unemployment rate for Jessamine County was 3.1 percent, comparing favorably to the state and national unemployment rates of 4.3 percent and 3.4 percent, respectively. Major employers were McLane Cumberland (500 employees); Alltech, Inc. (450 employees); and McKechnie Vehicle Components (353 employees).

Competition from other financial institutions is strong. The bank's competitors included several local community banks and branches of large regional banks. According to the FDIC Summary of Deposits as of June 30, 2019, 13 banks with 22 offices operated in the AA. These branches held a combined total of \$0.62 billion in deposits with CNB ranking 10th with a 1.47 percent market share.

The following table shows demographic information covering CNB's AA of Jessamine County.

Demographic Information for Full-Scope Area (AA2)						
Lexington-Fayette, KY MSA 2019						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	9	0.0	55.6	33.3	11.1	0.0
Population by Geography	50,328	0.0	50.3	37.1	12.6	0.0
Housing Units by Geography	19,796	0.0	52.5	35.8	11.7	0.0
Owner-Occupied Units by Geography	11,676	0.0	47.5	35.8	16.6	0.0
Occupied Rental Units by Geography	6,636	0.0	61.3	35.3	3.4	0.0
Vacant Units by Geography	1,484	0.0	52.3	37.9	9.8	0.0
Businesses by Geography	3,646	0.0	44.5	30.3	25.2	0.0
Farms by Geography	183	0.0	41.0	29.0	30.1	0.0
Family Distribution by Income Level	13,913	28.2	17.6	19.5	34.8	0.0
Household Distribution by Income Level	18,312	25.5	15.7	16.9	41.9	0.0
Median Family Income MSA - 30460 Lexington-Fayette, KY MSA		\$66,800	Median Housing Value			\$188,315
			Median Gross Rent			\$767
			Families Below Poverty Level			15.5%
<i>Source: 2015 ACS Census and 2019 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>						

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN KENTUCKY

LENDING TEST

The bank's performance under the Lending Test in Kentucky is rated Satisfactory.

Based on a full-scope review, CNB's lending performance in the State of Kentucky is reasonable.

Distribution of Loans by Income Level of the Geography

The bank exhibits reasonable geographic distribution of loans in the State.

Home Mortgage Loans

The overall geographic distribution of home mortgage loans throughout the bank's AAs is reasonable. Refer to Table O in *Appendix C: Tables of Performance Data* for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

Nonmetropolitan South-Central Kentucky (AA1):

Lending to geographies of different income levels in the AA reflects reasonable dispersion. There were no low-income CTs in the AA. The bank originated nine percent of residential loans to borrowers in the moderate-income census tracts in 2018. This was well below the percentage of owner-occupied housing units of 21.7 percent in these geographies and below the aggregate distribution of 14.9 percent. Originations in 2019 increased to 14.3 percent, which was below the percentage of owner-occupied housing units at 21.7 percent. One challenge faced by CNB is that four of the six moderate-income CTs in the AA are in Wayne County where the bank has only one office. In 2017, 25 percent of the loan sample was originated in moderate income tracts, which was above both the percentages of owner-occupied housing units and the aggregate comparators of 21.7 and 17.6 percent, respectively.

Lexington-Fayette, Kentucky MSA (AA2):

As indicated earlier, much less weight was placed on the bank's performance in AA2 due to the low volume of lending activities in this AA. Nevertheless, lending to geographies of different income levels in AA2 reflects reasonable dispersion. There were no low-income CTs in the AA. The bank originated 20 percent of its residential loans to borrowers in the moderate-income census tracts in 2018 which was below both the percentage of owner-occupied housing at 47.5 percent and the aggregate comparator at 49.8 percent. In 2019 44.4 percent were originated in moderate income CTs which was approximate to the percentage of owner-occupied housing units at 47.5 percent. The 2017 loan sample indicated 15 percent of home mortgage loans originated were in moderate-income geographies.

Small Loans to Businesses

The bank exhibits reasonable geographic distribution of business loans within the AAs. Refer to Table Q in *Appendix C: Tables of Performance Data* for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to businesses.

Nonmetropolitan South-Central Kentucky (AA1):

CNB's distribution of business loans in the AA reflected reasonable dispersion in the moderate-income CTs. Of the loans sampled, 16.7 percent of business loans were to borrowers in the moderate-income census tracts, which compares favorably to both the business and aggregate comparator percentages of 15.8 and 11.2 percent, respectively.

Lexington-Fayette, Kentucky MSA (AA2):

The geographic distribution of business loans reflects reasonable dispersion in the AA. Of the sampled loans, the bank originated 50 percent of business loans to borrowers in the moderate-income census tracts, which was above the business and aggregate comparator percentages of 44.5 and 44 percent respectively. As lending activity in this AA was very limited, little to no weight was placed on geographic performance in this AA.

Lending Gap Analysis

We analyzed CNB's geographic lending patterns throughout the AAs and did not identify any unexplained conspicuous lending gaps.

Distribution of Loans by Income Level of the Borrower

The bank exhibits a reasonable distribution of loans to individuals of different income levels and excellent penetration to businesses of different sizes, given the product lines offered by the bank.

Home Mortgage Loans

The overall distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels in the AAs. Refer to Table P in *Appendix C: Tables of Performance Data* for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Nonmetropolitan South-Central Kentucky (AA1):

This AA was afforded the most weight in assessing performance as a significant majority of lending takes place in this AA.

Lending to low-income borrowers in the AA is reasonable. In 2018, the bank originated 6.8 percent of residential loans to low-income borrowers, which is less than the demographic comparator of 27.4 percent but identical to the aggregate comparator of 6.8 percent. In 2019, 7.3 percent of loans were to low-income borrowers, which was well below the demographic comparator of 27.4 percent. Based on a random sample of loans, performance for 2017 was not inconsistent with performance in 2018 and 2019.

There are several factors affecting CNB's ability to lend to low-income borrowers. The unemployment rate for the AA was above the state and national rates, and approximately 21 percent of low-income families were identified as below the poverty level in 2018 and 2019. This impacts the ability of some individuals to afford or maintain a home. In addition, rental units comprised 26.3 percent of total housing units in the AA, which is an approximate three percent increase since the previous CRA evaluation. As low- and moderate-income persons turn to rental housing, opportunities for banks to originate home loans may be reduced. Furthermore, median housing values also limit home mortgage affordability for low-income borrowers. As indicated in the *Demographic Information for Full-Scope Area (AA1)* on page 7, the median housing value in the AA is \$96,759. Based on the 2019 AA median-family income of \$45,986, low-income families earn less than \$22,993. As a result, median housing values are 4.2 times the annual median income of low-income families. This too, limits the affordability and opportunities for low-income borrower lending.

Lending to moderate-income borrowers in the AA in 2018 and 2019 is reasonable. In 2018, CNB originated 10.8 percent of its residential loans to moderate-income borrowers, which was below both the demographic comparator of 16.6 percent and aggregate distribution of 16.3 percent. In 2019, the bank originated 18 percent of loans to moderate-income borrowers, which was above the demographic comparator of 16.60 percent. Based on a random sample of home mortgage loans originated in 2017, the bank originated 45.5 percent of loans to moderate-income borrowers, which significantly exceeded the demographic comparator.

Lexington-Fayette, Kentucky MSA (AA2):

CNB's home mortgage loans reflect a reasonable income distribution in AA2. Less reliance was placed on performance in this AA as the very low volume of primary loan product originations prevents meaningful analysis. In 2018, the bank originated 20 percent of residential loans to low-income borrowers, which is below the demographic comparator but well above the aggregate comparator of 10.2 percent. CNB did not originate any loans to moderate-income borrowers in 2018. In 2019 CNB did not originate any residential loans to low-income borrowers but originated 11.1 percent to moderate-income borrowers, which was below the demographic comparator. Performance for 2017 was consistent with the bank's combined performance for 2018 and 2019.

Similar barriers to low- or moderate-income borrower home mortgage lending exist in AA2 as in AA1. Based on information presented in the *Demographic Information for Full-Scope Area (AA2) on page 8*, the AA's median housing value is \$188,315. This value is well above the state average of \$135,300, and 3.5 to 5.6 times the median income for moderate- and low-income families. This makes it difficult for some borrowers to afford a home in the AA. In addition, rental units comprised 34.8 percent of total housing units in the AA. As low- and moderate-income persons turn to rental housing, opportunities for banks to originate home loans is reduced.

Small Loans to Businesses

Overall, CNB exhibits an excellent distribution of loans to businesses of different sizes. In assessing CNB's performance, most weight was placed on activity in AA1 as a substantial majority of the Bank's lending occurred in that AA. Refer to Table R in *Appendix C: Tables of Performance Data* for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses.

Nonmetropolitan South-Central Kentucky (AA1):

Using loan size as a proxy for a business borrower's gross annual revenue (GAR), CNB exhibited an excellent distribution of loans to businesses of different size. Over the assessment period, the vast majority of business loans originated by CNB were to businesses with GAR less than \$1 million. In fact, 50 percent of CNB's business loans were originated in amounts of \$100,000 or less. This demonstrates CNB's commitment to lend to very small businesses. In addition, 29 percent of CNB's business loans were originated in amounts between \$100,000 and \$250,000 and 21 percent were originated in amounts between \$250,000 and \$1,000,000. Demographics in Table R show 82.3 percent of businesses in this AA have revenue equal to or less than \$1 million and 42.3 percent of the business loans reported by all lenders are made to businesses with GAR less than or equal to \$1 million.

Lexington-Fayette, Kentucky MSA (AA2):

CNB's business lending volume in this AA does not provide sufficient data to make a meaningful conclusion. Only two loans to small businesses were originated in this AA over the rating period. Both loans; however, were originated to businesses with GAR less than or equal to \$1 million.

Responses to Complaints

CNB 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.

The evaluation period for CD activities was January 1, 2017, through December 31, 2019. The conclusion is based on full scope reviews of the AAs. The bank exhibits adequate responsiveness to CD needs through CD loans, qualified investments, and CD services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's AAs.

Number and Amount of Community Development Loans

CNB demonstrated adequate responsiveness to the needs of its AAs through CD lending. CNB originated or renewed 444 CD loans, totaling approximately \$15.9 million, during the evaluation period. The majority of these were small business loans which revitalized or stabilized distressed nonmetropolitan middle-income geographies. CNB also originated several loans to small businesses that retained or created jobs for LMI individuals.

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 qualified as CD loans.

<i>Community Development Loans</i>				
Assessment Area	Total			
	#	% of Total #	\$(000's)	% of Total \$
AA1	436	98.2%	\$15,071	94.6%
AA2	8	1.8%	\$859	5.4%
Total	444	100%	\$15,930	100%

Number and Amount of Qualified Investments

CNB's level of qualified investments demonstrates adequate responsiveness to the CD needs of its AAs. CNB made one qualified investment during the evaluation period of \$620,565 for a medical facility in a distressed middle-income tract. CNB has also been active in making qualified grants and donations in the AAs. The bank made 326 qualified donations totaling approximately \$76,440 in its AAs. Of the total

dollar amount, 47.6 percent benefited primarily LMI students. Donations were also made to organizations that provide affordable housing, health care services, and food to LMI families. Additional donations were made to organizations that promote economic development by providing job creation or retention and improvement for individuals who are currently LMI. Notable examples include a food pantry and non-profit with a mission of economic revitalization. In addition, the bank maintained prior period qualified investments totaling \$1.2 million.

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
AA1	2	\$1,171	1	\$621	3	100%	\$1,791	100%	0	0
AA2	0	0	0	0	0	0%	0	0%	0	0
Total	2	\$1,171	1	\$621	3	100%	\$1,791	100%	0	0

Extent to Which the Bank Provides Community Development Services

CNB's CD services reflects adequate responsiveness to meeting community needs within its AAs. The bank's size in relation to the size of the AAs and the needs within the community were considered in evaluating CNB's CD services.

CNB offered a full array of secondary market loans during the evaluation period and sold approximately \$38 million in loans on the secondary market. CNB also participates in various programs such as the Kentucky Housing Corporation's Mortgage Credit Certificate Program and the Federal Home Loan Bank's "Welcome Home" grant to assist LMI individuals in obtaining home loans.

CNB officers and employees volunteered in a variety of CD services in the AAs. One officer served as the treasurer for a non-profit catering to LMI persons and another employee provided financial expertise to the same organization. Other employees performed financial analysis for non-profit organizations targeting low- and middle-income individuals and families. Several employees also served on various boards and committees of schools serving primarily LMI students.

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, 2017 to December 31, 2019	
Bank Products Reviewed:	Home mortgage, small business, CD loans, qualified investments, and CD services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
Not Applicable		
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Kentucky		
Non-MSA South Central KY (Pulaski Russel and Wayne Counties)	Full-Scope	
MSA Lexington/Fayette (Jessamine County)	Full-Scope	

Appendix B: 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 C: 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																			2018-19		
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		
MSA AA2	14	2,086	2.9	1,810	N/A	N/A	N/A	47.5	35.7	49.8	35.8	57.1	32.3	16.6	7.1	17.8	0.0	0.0	0.0		
Non-MSA AA1	467	55,540	97.1	1,836	N/A	N/A	N/A	21.7	11.8	14.9	66.3	67.7	67.4	12.0	20.6	17.7	0.0	0.0	0.0		
Total	481	57,626	100.0	3,646	N/A	N/A	N/A	29.2	12.4	32.3	57.5	67.4	50.0	13.3	20.2	17.8	0.0	0.0	0.0		

Source: 2015 ACS Census;01/01/2018 - 12/31/2019 Bank Data. Aggregate data was based on 2018 data; 2019 data was not yet 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																			2018-19		
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		
MSA AA2	14	2,086	2.9	1,810	28.2	7.1	10.2	17.6	7.1	17.0	19.5	21.4	18.4	34.8	43.0	36.6	0.0	21.4	17.8		
Non-MSA AA1	467	55,540	97.1	1,836	27.4	7.1	6.8	16.6	14.6	16.3	19.6	19.1	20.8	36.4	49.0	39.9	0.0	10.3	16.3		
Total	481	57,626	100.0	3,646	27.7	7.1	8.4	16.9	14.4	16.6	19.6	19.1	19.6	35.8	48.9	38.3	0.0	10.6	17.1		

Source: 2015 ACS Census; 01/01/2018 - 12/31/2019 Bank Data. Aggregate data was based on 2018 data; 2019 data was not yet 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 **2017-19**

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
MSA AA2	2	991	8.2	1,106	0.0	0.0	0.0	44.5	50.0	44.0	30.3	0.0	28.3	25.2	50.0	27.7	0.0	0.0	0.0
Non-MSA AA1	42	7,726	91.8	926	0.0	0.0	0.0	15.8	16.7	11.2	70.7	71.4	74.0	13.4	11.9	14.8	0.0	0.0	0.0
Total	44	8,717	100	2,032	0.0	0.0	0.0	26.9	18.2	29.1	55.2	68.2	49.1	17.9	13.6	21.8	0.0	0.0	0.0

*Source: 2019 D&B Data; 01/01/2017 - 12/31/2019 Bank Data; Aggregate data was based on 2018 data; 2019 data was not yet available.
Due to rounding, totals may not equal 100.0*

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues											
2017-19											
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
MSA AA2	2	991	8.2	1,106	86.3	100	38.2	5.0	0	8.7	0.0
Non-MSA AA1	42	7,726	91.8	926	82.3	100	42.3	5.4	0	12.3	0.0
Total	44	8,717	100.0	2,032	83.8	100	40.1	5.3	0	10.9	0.0
<p><i>Source: 2019 D&B Data; 01/01/2017 - 12/31/2019 Bank Data. Aggregate data was based on 2018 data; 2019 data was not yet available. Loan size used as a proxy for revenue. Due to rounding, totals may not equal 100.0</i></p>											