



## PUBLIC DISCLOSURE

August 3, 2015

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First & Farmers National Bank, Inc.  
Charter Number 6769

100 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, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

**INSTITUTION'S CRA RATING: Satisfactory.**

- **The Lending Test rating: Satisfactory.**
- **The Community Development (CD) Test rating: Outstanding.**

First & Farmers National Bank (F&FNB or Bank) has a satisfactory record of meeting the credit needs of its community. This conclusion is based on the following:

- F&FNB's average loan-to-deposit (LTD) ratio during the assessment period was reasonable given the Bank's size, financial condition, and credit needs of its assessment areas (AA).
- During the assessment period, the Bank originated a substantial majority of its loans within its AAs.
- The distribution of F&FNB's loans to borrowers of different incomes reflected reasonable penetration among low- and moderate-income individuals in the AAs.
- The distribution of F&FNB's loans to geographies of different incomes reflected excellent penetration throughout the AAs.
- F&FNB's CD performance, through the proliferation of qualified CD loans, investments, and community services demonstrated excellent responsiveness to CD needs in its AAs.

## **Scope of the Examination**

F&FNB was evaluated under the Office of the Comptroller of the Currency's (OCC) Intermediate Small Bank Examination Procedures, which 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. The CD test evaluated the Bank's responsiveness to CD needs in its AAs through CD lending, qualified investments, and CD services. In addition, we spoke with a community contact familiar with local credit needs within the Bank's AAs.

This evaluation's assessment period covered January 1, 2013 through June 30, 2015. The scope of the lending test included an assessment of the Bank's primary loan types, which were residential real estate and consumer loans. The OCC determined the primary loan types by analyzing the number and dollar amount of new loan originations since the last examination. The OCC concluded business loans were not a major product by the number of loans originated, despite representing a large amount of outstanding dollars. The OCC based the residential real estate and consumer loan analysis on the loans F&FNB reported on its trial balance and internal CRA report from January 1, 2013 through June 30, 2015. The OCC performed a data integrity review in September 2015 to verify the accuracy of the Bank's internal CRA report; we concluded it was reliable.

Our analysis of the borrower and geographic distribution of loans compared those originated during the testing period to the 2010 United States (U.S.) Census

demographic information. The income level designations used in the analysis of home mortgage loans were based on the Federal Financial Institutions Examination Council's (FFIEC) estimate of the 2013, 2014, and 2015 Kentucky Median Family Incomes for a nonmetropolitan area.

### **Description of the Institution**

F&FNB is a full-service, intrastate bank headquartered in Somerset, Kentucky. F&FNB is wholly owned by Albany Bancorp, Inc., a single-bank holding company. As of June 30, 2015, the Bank had approximately \$493 million in total assets, \$406 million in deposits, \$252 million in loans, and \$50 million in tier 1 capital.

F&FNB offers traditional banking products and services. The Bank's primary lending focus is residential real estate, consumer, and small business loans. F&FNB also offers agricultural and farm real estate loans appropriate for the market area. The Bank meets the need for traditional long-term, fixed-rate home loans by offering access to government-guaranteed home mortgages, primarily through the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). The Bank also offers access to home loans through the U.S. Department of Agriculture Rural Housing Service (RHS). The RHS lends directly to low income borrowers in rural areas and guarantees loans that meet RHS requirements made by approved lenders. These secondary market agencies offer financing programs to aid first-time homebuyers and low- and moderate-income families. In the prior two years, the Bank processed or sold 163 loans, totaling \$18 million, to secondary market institutions. The Bank made a majority of these loans to families and individuals residing in its AAs.

F&FNB serves its community through 12 branches within four counties in southeastern Kentucky. The main office is located in Somerset, Kentucky in Pulaski County. Additional branches and standalone automated teller machines (ATM) include

- five branches in Pulaski County, with three in Somerset, Kentucky; one in Burnside, Kentucky; and one in Nancy, Kentucky.
- an office and two branches in Adair County in Columbia, Kentucky.
- two branches in Clinton County in Albany, Kentucky.
- a branch in Cumberland County in Burkesville, Kentucky.
- two standalone ATMs in Pulaski County in Somerset, Kentucky.
- a standalone ATM in Adair County in Columbia, Kentucky.

All branches have a drive-thru and ATM, with the exception of the main office in Somerset, Kentucky and office in Columbia, Kentucky. The Bank's locations are accessible to all segments of the community.

As of June 30, 2015, gross loans and leases represented approximately 52 percent of the Bank's average assets.

The following loan portfolio mix information is based on the Bank's June 30, 2015 call report.

Loan Type	Dollars (000's)	Percentage %
Residential Mortgage Loans	\$118,107	47%
Commercial Loans, including Real Estate and Industrial	\$98,914	39%
Loans to Individuals	\$19,848	8%
Construction & Development Loans	\$8,171	3%
Agricultural Loans	\$5,120	2%
Municipal Loans	\$1,841	1%
All Other Loans	\$227	0%
<b>TOTAL</b>	<b>\$252,228</b>	<b>100%</b>

Source(s): June 30, 2015 call report.

F&FNB received a Satisfactory rating at its last CRA evaluation, dated June 11, 2012. There were no legal or financial circumstances that affected the Bank's ability to meet community credit needs.

## Description of the Assessment Areas

F&FNB identified two AAs for the purposes of CRA. The first AA, AA1, consists of Pulaski County, Kentucky. The second AA, AA2, consists of the contiguous Kentucky counties of Adair, Clinton, and Cumberland. Both AAs are located in southeastern Kentucky. The delineation of the AAs is in conformance with regulatory requirements and is appropriate in relation to the location of the Bank's offices. The AAs do not arbitrarily exclude any low- or moderate-income geographies.

### Description of Assessment Area One (AA1): Pulaski County, Kentucky

AA1 consists of all census tracts within Pulaski County, Kentucky. According to 2010 U.S. Census data, the AA contains 14 tracts: two moderate-income, 10 middle-income, and two upper-income. The FFIEC designated all 10 middle-income tracts as distressed during the assessment period due to the high level of poverty in each tract.

According to the 2010 U.S. Census, the total population within the AA was 63,063. The total population was comprised of 25,872 households, out of which 11,203 households fell within low- or moderate-income levels. Other metrics regarding the AA included that 39.5 percent of households received Social Security, 2.5 percent received some form of public assistance, and 23 percent fell below the poverty line. In addition, the unemployment rate in Pulaski County, Kentucky as of June 2015 was 5.8 percent, which was higher than the Kentucky statewide unemployment rate of 5.1 percent.

According to the Pulaski County Chamber of Commerce, the largest employers in the county are the Pulaski County School System; the Communities at Oakwood, a mental-

health facility; and Lake Cumberland Regional Hospital. Large industrial firms in the county include Super Service, a transportation firm; Toyotetsu America, an automotive component manufacturer; and Armstrong World Industries, Inc., a flooring manufacturer.

Competition among financial institutions in the AA is strong. According to Federal Deposit Insurance Corporation (FDIC) information, 10 financial institutions, including F&FNB, service approximately \$1 billion in deposits in the county, as of June 30, 2015. Of this, F&FNB held approximately 16.7 percent of the market share in the county. Competition includes one large, regional bank, with deposits totaling about \$142 billion, and eight community banks, with total deposits ranging from \$116 million to \$2.8 billion.

A community contact familiar with the community needs within the AA noted the recession did not affect Pulaski County as severely as surrounding areas. The contact indicated the primary credit need in the AA is for small businesses. The contact stated local financial institutions are adequately meeting these needs.

The following table provides further demographic information regarding AA1. It is based on 2010 U.S. Census data, unless otherwise noted.

Demographic Information for FFNB's AA1					
Demographic Characteristics	#	Low (% of #)	Moderate (% of #)	Middle (% of #)	Upper (% of #)
Geographies (Census Tracts/BNAs)*	14	0%	14%	72%	14%
Population by Geography	63,063	0%	15%	67%	18%
Family Distribution by Income Level	17,665	23%	18%	19%	40%
Owner-Occupied Housing by Geography	19,058	0%	15%	67%	18%
Businesses by Geography	4,474	0%	13%	71%	16%
Farms by Geography	307	0%	7%	80%	13%
Household Distribution by Income Level	25,872	28%	16%	16%	40%
Median Family Income		Median Housing Value		\$97,168	
2015	\$46,900	Unemployment Rate		5.8%	
2014	\$45,900				
2013	\$44,700				
Households Below the Poverty Level	23.0%				

Source: 2010 U.S. Census data and 2013-2015 FFIEC estimated Median Family Income (MFI).

**Description of Assessment Area Two (AA2): Kentucky Counties of Adair, Clinton, and Cumberland**

AA2 consists of all census tracts within the contiguous Kentucky counties of Adair, Clinton, and Cumberland. According to 2010 U.S. Census data, the AA contained 12 tracts: four moderate-income, seven middle-income, and one upper-income. During the

evaluation period, the FFIEC designated all six middle-income tracts in Adair County as distressed due to the high level of poverty in each tract. In addition, it designated one middle-income tract in Cumberland County as distressed and underserved.

According to the 2010 U.S. Census, the total population within the AA was 35,784. The total population was comprised of 14,116 households, out of which 7,059 fell within low- or moderate-income levels. Other metrics regarding the AA include that 42.4 percent of households received Social Security, 1.8 percent received some form of public assistance, and 27 percent fell below the poverty line. In addition, the unemployment rate in Adair, Clinton, and Cumberland counties, as of June 2015, was 6.8 percent, 7.8 percent, and 5.4 percent, respectively. Each unemployment rate was higher than that of the Kentucky statewide unemployment rate of 5.1 percent.

According to the Kentucky Cabinet for Economic Development, the largest employers in the AA are Lindsey Wilson College and the Adair County School System. Large industrial firms in the AA include Equity Group – Kentucky Division, LLC, a poultry processing firm; Patriot Industries, Inc., a military products manufacturer; and IMO Pump, Inc., a pump manufacturer.

Competition among financial institutions in the AA is moderate. According to FDIC data, eight financial institutions, including F&FNB, serviced approximately \$570 million in deposits in the AA, as of June 30, 2015. Of this, F&FNB held approximately 40 percent of the market share. Competition includes one regional bank, with deposits totaling about \$4 billion, and six community banks, with total deposits ranging from \$30 million to \$2.9 billion.

A community contact familiar with the financing needs within the region stated unemployment in the region remains higher than the Kentucky statewide average. The contact indicated the primary credit need in the region is for small businesses loans to assist in recruiting industry to the area to help lower the unemployment rate. The contact indicated these needs were being met.

The following table provides further demographic information regarding AA2. It is based on 2010 U.S. Census data, unless otherwise noted.

<b>Demographic Information for FFNB's AA2</b>					
Demographic Characteristics	#	Low (% of #)	Moderate (% of #)	Middle (% of #)	Upper (% of #)
Geographies (Census Tracts/BNAs)*	12	0%	33%	59%	8%
Population by Geography	35,785	0%	40%	56%	4%
Families Distribution by Income Levels	9,616	30%	18%	23%	29%
Owner-Occupied Housing by Geography	10,667	0%	41%	54%	5%
Businesses by Geography	2,223	0%	38%	59%	3%
Farms by Geography	302	0%	23%	72%	5%

Household Distribution by Income Level	14,116	33%	17%	16%	33%
Median Family Income		Median Housing Value	\$72,119		
2015	\$46,900				
2014	\$45,900				
2013	\$44,700	Unemployment Rate	5.1%		
Households Below the Poverty Level	27.3%				

Source: 2010 U.S. Census data and 2013-2015 FFIEC estimated MFI.

## Conclusions with Respect to the Performance Tests

### LENDING TEST

F&FNB’s performance under the lending test is satisfactory. The quarterly average LTD ratio was reasonable, and the Bank originated a substantial majority of loans inside its AAs. F&FNB’s borrower distribution reflected reasonable penetration among low- and moderate-income families and households. The Bank’s geographic distribution of loans reflected reasonable dispersion throughout the AA. The Bank did not receive any written complaints regarding its CRA performance during the evaluation period.

#### Loan-to-Deposit Ratio

F&FNB’s average LTD ratio was reasonable given the Bank’s size and financial condition and the credit needs of the AA. F&FNB’s LTD ratio averaged 61.53 percent over the 12 quarters since the last CRA evaluation. The quarterly LTD ratio ranged from a low of 60.15 percent to a high of 63.30 percent. The average LTD ratio was similar to that of community banks with similar asset size, location, and products offered within the Bank’s AAs. All three of the comparable banks had LTD ratios ranging from 68 percent and 79 percent during the same timeframe.

Institution	Average LTD Ratio
First and Farmers National Bank	61.53%
The Citizens National Bank of Somerset	68.45%
People’s Bank and Trust Company of Clinton County	76.48%
Bank of Columbia	79.51%

#### Lending in the Assessment Area

F&FNB originated a substantial majority of its loans inside its AAs. The following table delineates the Bank’s lending within its AAs by number and dollar amount of loans originated during the evaluation period. F&FNB originated 94 percent of residential real estate loans, by number, in its AAs. In addition, F&FNB originated 91.7 percent of vehicle loans, by number, in its AAs.

Lending in AA1 and AA2										
	Inside Assessment Area				Outside Assessment Area				Total	
	#	%	\$ (000's)	%	#	%	\$ (000's)	%	#	\$ (000's)
Residential Real Estate	379	94.04%	\$50,738	96.10%	24	5.96%	\$2,060	3.90%	403	\$52,798
Consumer	407	91.67%	\$46,779	90.91%	37	8.33%	\$4,677	9.09%	444	\$51,456
Total	43	87.76%	\$2,408	89.12%	6	12.24%	\$294	10.88%	49	\$2,702

Source: Internal bank trial balance between January 1, 2013 and June 30, 2015.

## Lending to Borrowers of Different Incomes

The distribution of F&FNB's primary products to borrowers of different incomes reflected reasonable penetration among low- and moderate-income individuals in the AAs.

### AA1 – Pulaski County

The overall distribution of residential real estate loans and consumer loans in AA1 reflected reasonable penetration among low- and moderate-income borrowers.

#### Residential Real Estate Loans

The OCC analyzed and compared the Bank's trial balance data for residential real estate loans to the percentage of families at each income level within the AA, as reported in the 2010 U.S. Census.

F&FNB's distribution of residential real estate loans reflected reasonable dispersion. The distribution of home loan originations to low-income borrowers represented 18.06 percent of total originations during the assessment period, which was less than the demographic comparator of 22.39 percent. Home loan originations to moderate-income borrowers represented 17.42 percent, which was slightly less than the demographic comparator of 18.13 percent.

In AA1, F&FNB faced several impediments to lending to low- and moderate-income borrowers. The 2010 U.S. Census data shows approximately 23 percent of the population earned an income that fell below the poverty line. In addition, approximately 39 percent of individuals lived with fixed incomes. These factors inhibit low-income individuals from affording a home purchase. Further, 22 percent of the occupied housing stock was comprised of rental units. Although these units serve low- and moderate-income residents, they also present a barrier to home loan origination for the Bank.

<b>Borrower Distribution of Residential Real Estate Loans in AA1 January 1, 2013 – June 30, 2015</b>			
Borrower Income Level	Number of Loans	% of Number of Loans	% AA Families
Low	28	18.06%	22.39%
Moderate	27	17.42%	18.13%
Middle	32	20.65%	20.27%
Upper	68	43.87%	39.21%
Total	155	100%	100%

*Source: Internal bank trial balance between January 1, 2013 and June 30, 2015 and 2010 U.S. Census data.*

### Consumer Loans

The OCC analyzed and compared the Bank's trial balance data for consumer loans to the percentage of households at each income level within the AA, as reported in the 2010 U.S. Census.

F&FNB's distribution of consumer loans reflected reasonable dispersion. The distribution of consumer loan originations to low-income borrowers represented 28.96 percent of total originations during the assessment period, which was more than the demographic comparator of 27.59 percent. Consumer loan originations to moderate-income borrowers represented 25.87 percent, which was substantially more than the demographic comparator of 15.71 percent.

<b>Borrower Distribution of Consumer Loans in AA1 January 1, 2013 – June 30, 2015</b>			
Borrower Income Level	Number of Loans	% of Number of Loans	% AA Households
Low	75	28.96%	27.59%
Moderate	67	25.87%	15.71%
Middle	66	25.48%	16.75%
Upper	51	19.69%	39.95%
Total	259	100%	100%

*Source: Internal bank trial balance between January 1, 2013 and June 30, 2015 and 2010 U.S. Census data.*

### **AA2 – Adair, Cumberland, and Clinton Counties in Kentucky**

The overall distribution of residential real estate loans and consumer loans in AA2 reflects reasonable penetration among low- and moderate-income borrowers.

#### Residential Real Estate Loans

The OCC analyzed and compared the Bank's trial balance data for residential real estate loans to the percentage of families at each income level within the AA, as reported in the 2010 U.S. Census.

F&FNB's distribution of residential real estate loans reflected reasonable dispersion. The distribution of home loan originations to low-income borrowers represented 13.29 percent of total originations during the assessment period, which was less than the demographic comparator of 29.55 percent. Home loan originations to moderate-income

borrowers represented 18.18 percent, which was slightly less than the demographic comparator of 18.21 percent.

As previously stated, several reasons explain F&FNB's performance compared to the demographic data for lending to low- and moderate-income borrowers in AA2. The 2010 U.S. Census data shows 27 percent of the population earned an income that fell below the poverty line, and 42 percent of individuals lived with fixed incomes. It is difficult for low-income individuals to afford a home purchase. In addition, 20 percent of the occupied housing stock was comprised of rental units. These units serve low- and moderate-income residents but present a barrier to home loan origination for the Bank.

<b>Borrower Distribution of Residential Real Estate Loans in AA2 January 1, 2013 – June 30, 2015</b>			
Borrower Income Level	Number of Loans	% of Number of Loans	% AA Families
Low	19	13.29%	29.55%
Moderate	26	18.18%	18.21%
Middle	41	28.67%	23.08%
Upper	57	39.86%	29.16%
Total	143	100%	100%

*Source: Internal bank trial balance between January 1, 2013 and June 30, 2015 and 2010 U.S. Census data.*

### Consumer Loans

The OCC analyzed and compared the Bank's trial balance data for consumer loans to the percentage of households at each income level within the AA, as reported in the 2010 U.S. Census.

F&FNB's distribution of consumer loans reflected reasonable dispersion. The distribution of consumer loan originations to low-income borrowers represented 29.36 percent of total originations during the assessment period, which was less than the demographic comparator of 33.02 percent. Consumer loan originations to moderate-income borrowers represented 30.91 percent, which was substantially more than the demographic comparator of 16.99 percent.

<b>Borrower Distribution of Consumer Loans in AA2 January 1, 2013 – June 30, 2015</b>			
Borrower Income Level	Number of Loans	% of Number of Loans	% AA Households
Low	133	29.36%	33.02%
Moderate	140	30.91%	16.99%
Middle	100	22.08%	16.49%
Upper	80	17.66%	27.34%
Total	453	100%	100%

*Source: Internal bank trial balance between January 1, 2013 and June 30, 2015 and 2010 U.S. Census data.*

## Geographic Distribution of Loans

The distribution of F&FNB's primary products to geographies of different incomes reflected excellent penetration throughout the AAs.

### AA1 – Pulaski County

F&FNB's performance for lending to geographies of different income levels for residential real estate loans in AA1 reflected excellent dispersion. The Bank's performance for consumer loans to geographies of different incomes reflected reasonable dispersion.

#### Residential Real Estate Loans

The OCC analyzed and compared the Bank's trial balance data for residential real estate loans to the percentage of owner-occupied homes located in each census tract income category within the AA, as reported in the 2010 U.S. Census.

F&FNB's distribution of residential real estate loans reflected excellent dispersion. During the evaluation period, the Bank originated 18.13 percent of home loans to borrowers located in moderate-income geographies, which was more than the demographic comparator of 16.80 percent. The AA contained no low-income geographies.

Geographic Distribution of Residential Real Estate Loans in AA1 January 1, 2013 – June 30, 2015			
Tract Income Level	Number of Loans	% of Number of Loans	% AA Owner Occupied Housing
Low	0	0.00%	0.00%
Moderate	29	18.13%	16.80%
Middle	89	55.63%	67.37%
Upper	42	26.25%	15.83%
Total	160	100%	100%

*Source: Internal bank trial balance between January 1, 2013 and June 30, 2015 and 2010 U.S. Census data.*

#### Consumer Loans

The OCC analyzed and compared the Bank's trial balance data for residential real estate loans to the percentage of households located in each census tract income category within the AA, as reported in the 2010 U.S. Census.

F&FNB's distribution of consumer loans reflected reasonable dispersion. During the evaluation period, the Bank originated 21.24 percent of consumer loans to borrowers located in moderate-income geographies, which was more than the demographic comparator of 15.25 percent. The AA contained no low-income geographies.

<b>Geographic Distribution of Consumer Loans in AA1 January 1, 2013 – June 30, 2015</b>			
Tract Income Level	Number of Loans	% Number of Loans	% of AA Households
Low	0	0.00%	0.00%
Moderate	55	21.24%	15.25%
Middle	169	65.25%	67.76%
Upper	35	13.51%	16.99%
Total	259	100%	100%

Source: Internal bank trial balance between January 1, 2013 and June 30, 2015 and 2010 U.S. Census data.

## **AA2 – Adair, Cumberland, and Clinton Counties in Kentucky**

Overall, lending to geographies of different incomes levels for both residential real estate loans and consumer loans in AA2 reflected excellent dispersion.

### Residential Real Estate Loans

The OCC analyzed and compared the Bank’s trial balance data for residential real estate loans to the percentage of owner-occupied homes located in each census tract income category within the AA, as reported in the 2010 U.S. Census.

F&FNB’s distribution of residential real estate loans reflected excellent dispersion. During the evaluation period, the Bank originated 59.31 percent of home loans to borrowers located in moderate-income geographies, which was substantially more than the demographic comparator of 40.48 percent. The AA contained no low-income geographies.

<b>Geographic Distribution of Residential Real Estate Loans in AA2 January 1, 2013 – June 30, 2015</b>			
Tract Income Level	Number of Loans	% of Number of Loans	% AA Owner Occupied Housing
Low	0	0.00%	0.00%
Moderate	86	59.31%	40.48%
Middle	57	39.31%	54.38%
Upper	2	1.38%	5.14%
Total	145	100%	100%

Source: Internal bank trial balance between January 1, 2013 and June 30, 2015 and 2010 U.S. Census data.

### Consumer Loans

The OCC analyzed and compared the Bank’s trial balance data for residential real estate loans to the percentage of households located in each census tract income category within the AA, as reported in the 2010 U.S. Census.

F&FNB’s distribution of consumer loans reflected excellent dispersion. During the evaluation period, the Bank originated 57.40 percent of consumer loans to borrowers located in moderate-income geographies, which was substantially more than the

demographic comparator of 41.32 percent. The AA contained no low-income geographies.

<b>Geographic Distribution of Consumer Loans in the AA2 January 1, 2013 – June 30, 2015</b>			
Tract Income Level	Number of Loans	% Number of Loans	% of AA Households
Low	0	0.00%	0.00%
Moderate	260	57.40%	41.32%
Middle	183	40.40%	54.29%
Upper	10	2.20%	4.39%
Total	453	100%	100%

*Source: Internal bank trial balance between January 1, 2013 and June 30, 2015 and 2010 U.S. Census data.*

### **Responses to Complaints**

F&FNB did not receive any written complaints regarding its CRA performance during the evaluation period.

### **COMMUNITY DEVELOPMENT TEST**

The Bank's performance under the CD test is Outstanding.

F&FNB's CD performance, through the proliferation of qualified CD loans, investments, and community services, demonstrates excellent responsiveness to CD needs in its AAs. To assess F&FNB's CD performance, we considered the Bank's capacity to provide CD loans, investments, and services, as well as the need and availability of opportunities in its AAs.

#### **Number and Amount of Community Development Loans**

F&FNB's CD lending activities demonstrated adequate performance in responding to CD needs within its AAs. F&FNB originated seven loans, totaling approximately \$3.8 million, to various entities during the evaluation period. The purpose of the loans ranged from projects to revitalize low- or moderate-income geographies to economic development projects to create or retain jobs for low- or moderate-income individuals.

Loans in AA1 reflected adequate responsiveness to CD needs. F&FNB made one loan, totaling \$225,000, to finance a small business in the AA.

Loans in AA2 reflected excellent responsiveness to CD needs. F&FNB made six loans totaling \$3.6 million. These loans included \$1.4 million to revitalize utilities infrastructure that serve a distressed, middle-income geography; \$1.2 million to attract a new employer dedicated to creating long-term jobs in a moderate-income geography; \$600,000 to support a hospital in a moderate-income geography; and a number of smaller loans to support small businesses in the AA.

## **Number and Amount of Qualified Investments**

F&FNB's CD investment activities demonstrated excellent performance in responding to CD needs within its AAs. During the evaluation period, F&FNB made approximately \$7.1 million in investments in various organizations that promote community development.

Investments in AA1 reflected excellent responsiveness to CD needs within the AA. Management purchased approximately \$4.3 million in municipal bonds. These investments included two bonds, totaling \$2.3 million, from the Somerset Independent School District to finance remodeling and expansion of an elementary school. Two bonds, totaling about \$2 million, from the Pulaski County School District were to finance improvements at two elementary schools. In addition, F&FNB made approximately \$48,000 in donations to various CD organizations within the AA.

Investments in AA2 reflected excellent responsiveness to CD needs within the AA. Management purchased approximately \$700,000 in bonds. These included two bonds, totaling \$323,000, to the Adair County School District to construct a job-training center at a high school and four bonds totaling \$361,000 to Lindsey Wilson College to construct a dormitory. In addition, F&FNB made approximately \$10,000 in donations to various CD organizations within the AA.

In addition, management purchased two bonds totaling \$2 million to Kentucky Housing Corporation to support affordable housing. The investment in this organization serves the state of Kentucky, including both AAs.

## **Extent to Which the Bank Provides Community Development Services**

F&FNB's CD services offered within its AAs demonstrated an excellent responsiveness to meeting community needs.

F&FNB offers all of its customers access to their personal or business banking accounts through its online and mobile banking products. Online banking allows customers to locate the nearest branch or ATM, monitor account balances, transfer funds between accounts, make loan payments, and initiate BillPay transactions. Business banking customers also have the ability to initiate ACH transactions online. F&FNB provides customers additional access to their accounts through a mobile application and text message banking.

F&FNB has four branches located in moderate-income geographies. In AA1, the Burnside branch is located in a moderate-income geography in Pulaski County. In AA2, the Bank's downtown Albany and Albany (Plaza Drive) branches in Clinton County and the Burkesville branch in Cumberland County are all located in moderate-income census tracts. F&FNB's eight other branches and three full-service ATMs are all located in distressed, middle-income geographies in their respective AAs.

F&FNB participated in the Kentucky Housing Corporation's Unemployment Bridge Loan Program, which is a loan option for eligible homeowners to assist them in making their mortgage payments. To be eligible, the homeowner must have experienced a job loss or reduction in income due to changing economic conditions through no fault of their own and demonstrate a need for assistance. The maximum amount of assistance is \$25,000 or 12 months, whichever occurs first. In addition, F&FNB offers eligible customers access to Kentucky Housing Corporation mortgage loans, which offers secondary-market mortgages to low- or moderate-income individuals.

F&FNB's officers and employees serve in a variety of local CD organizations. One officer serves on a loan committee for Lake Cumberland Area Development District, an organization that supports small business development in the AA. Another officer serves as a board member of Bethany House, a women's shelter serving low- or moderate-income individuals in the AA. On three separate occasions, Bank employees provided financial literacy training to students at various schools, all of which primarily serve low- or moderate-income students. In addition, other employees or officers provide financial expertise or serve as board members to the following organizations in the AA: Albany, Kentucky Housing Authority; Golden Harvest Village; Clinton County Chamber of Commerce; Clinton County Lion's Club; Columbia-Adair County Economic Development Authority; God's Food Pantry; and the Somerset Development Board.

### **Responsiveness to Community Development Needs**

F&FNB's CD activities demonstrated an excellent responsiveness to the community needs within its AA. Bank CD loans assisted in providing economic development opportunities for low- or moderate-income individuals or helped to revitalize a moderate- or distressed, middle-income geography. The Bank invested in municipal education bonds, which helped to promote school redevelopment in a distressed area. In addition, the Bank invested in bonds that facilitated affordable housing for low- or moderate-income individuals throughout Kentucky. F&FNB's employees and officers served in numerous positions for multiple organizations that provide CD services in the AAs.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by a bank or in any AA by an affiliate whose loans have been considered as part of the a bank's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.