

PUBLIC DISCLOSURE

March 6, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FNB Bank, Inc.
Certificate Number: 2759

101 E Broadway Street
Mayfield, Kentucky 42066

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Chicago Regional Office

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION’S CRA RATING: This institution is rated **Outstanding**.

An institution in this group has an outstanding record of helping to meet the credit needs of its AAs, including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources and capabilities. FNB Bank, Inc.’s (FNBs) Community Reinvestment Act (CRA) performance under the Lending Test and Community Development (CD) Test supports the overall rating. The following points summarize the institution's performance.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable given the institution’s size, financial condition, and AAs credit needs.
- A substantial majority of the loans are in the institution’s AAs.
- The geographic distribution of loans reflects reasonable dispersion throughout the AAs.
- The distribution of borrowers reflects reasonable penetration of loans among businesses of different sizes and individuals of different income levels.
- The institution did not received CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

The CD Test is rated Outstanding.

- The institution’s CD performance demonstrated excellent responsiveness to the CD needs in its AAs through CD loans, qualified investments, and CD services, as appropriate considering the institution's capacity and the need and availability of such opportunities for CD in the institution’s AAs.

DESCRIPTION OF INSTITUTION

FNB, headquartered in Mayfield, Kentucky, is a \$657.7 million subsidiary of Jackson Financial Corporation, a one-institution holding company also headquartered in Mayfield. In December 2021, the Mayfield community experienced an EF4 tornado, which significantly damaged the main office and caused the institution to close this office temporarily until the institution can rebuild. FNB’s temporary main office (Mayfield Downtown) is located in Graves County, Kentucky. FNB also has two additional branches in Graves County (Mayfield South and Wingo); two branches in Calloway County (Murray North and Murray South); two branches in Trigg County (Caditz Main and Caditz West); and two branches in McCracken County (Midtown Paducah and Lone Oak). The Midtown Paducah branch is a relocation that occurred in June 2020 and is within three miles of the closed branch (Jefferson Street in Paducah, Kentucky); both locations are not in LMI tracts. The institution opened a new branch in Marshall County (Benton), Kentucky since the previous evaluation in July 2022. All 10 locations are in southwestern Kentucky. The institution has not had any merger or acquisition activity since the previous evaluation. Examiners rated FNB’s CRA performance as “Outstanding,” using Interagency Small Institution (ISB) Procedures, during the previous FDIC evaluation, dated March 23, 2020.

FNB continues to offer a variety of traditional loan and deposit products to consumer and business customers. Credit products include commercial, home mortgage, agricultural, and consumer loans,

primarily focusing on commercial and home mortgage lending. Product offerings for commercial and agricultural borrowers include Small Business Administration (SBA) and United States Department of Agriculture (USDA) Farm Service Agency. FNB also assists in facilitating originations for several secondary market loan programs, including Kentucky Housing Corporation (KHC), Federal Housing Association, Veterans Administration (VA), Rural Housing Services, and USDA. Additionally FNB offers a Small Dollar Loan (SDL) program. Deposit services including checking, savings, individual retirement accounts, and certificates of deposit. Alternative banking services include internet and mobile banking, electronic bill pay, and nine institution-owned automated teller machines (ATMs).

Lawmakers signed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) into law on March 27, 2020, and authorized the SBA to guarantee \$349 billion in loans under a new Paycheck Protection Program (PPP). The intent of the CARES Act was for the SBA to provide relief to America's small businesses expeditiously by giving all lenders delegated authority and streamlining the requirements of the 7(a) loan program. In addition, the PPP and HealthCare Enhancement Act became law on April 24, 2020, and authorized an additional \$310.0 billion for guarantees of PPP loans. As of this evaluation, FNB originated 706 PPP loans, totaling approximately \$28.3 million (315 PPP loans, totaling approximately \$16.2 million in 2020 and 391 PPP loans, totaling approximately \$12.1 million in 2021). This lending activity demonstrates FNB's willingness to meet the credit needs of its community by moving quickly to provide small businesses relief during the COVID-19 pandemic.

As reported on the December 31, 2022 Reports of Condition and Income (Call Report), assets totaled approximately \$657.7 million, including total loans of approximately \$458.8 million, total securities of \$167.4 million, and total deposits of \$602.5 million. The following table illustrates the institution's loan portfolio as of December 31, 2022. In addition to the residential loans reflected in the table, FNB facilitated the origination of 517 secondary market loans, totaling approximately \$84.5 million since the previous evaluation.

Loan Portfolio Distribution as of 12/31/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	40,024	8.7
Secured by Farmland	37,253	8.1
Secured by 1-4 Family Residential Properties	115,019	25.1
Secured by Multifamily (5 or more) Residential Properties	5,973	1.3
Secured by Nonfarm Nonresidential Properties	126,328	27.5
Total Real Estate Loans	324,597	70.7
Commercial and Industrial Loans	66,236	14.4
Agricultural Production and Other Loans to Farmers	14,910	3.3
Consumer Loans	45,165	9.8
Other Loans	7,871	1.7
Total Loans	458,779	100.0
<i>Source: Call Report; Due to rounding, totals may not equal 100.0%.</i>		

Examiners did not identify any financial, legal, or other impediments that would limit the institution's ability to meet the credit needs of its AAs.

DESCRIPTION OF AAs

The CRA requires each financial institution to define one or more AAs within which examiners will evaluate their performance. The institution has two separate AAs located in southwestern Kentucky. The Kentucky Non-Metropolitan Statistical Area (Non-MSA) consists of the contiguous Kentucky counties of Graves, McCracken, Marshall, and Calloway; and the Clarksville, TN-KY MSA AA consists of Trigg County, Kentucky, which is contiguous to the Kentucky Non-MSA AA. The institution's AA delineation meets the requirements of the CRA regulation and does not arbitrarily exclude any LMI areas.

For CRA performance data, examiners analysis includes two sets of census data. Data related to CRA performance in 2021 and prior years, examiners used the 2015 American Community Survey (ACS) and 2010 Census boundary data. Data from January 1, 2022 forward, examiners used the 2015-2020 ACS for the majority of demographic fields, with selected 2020 Census data for population related fields.

SCOPE OF EVALUATION

General Information

The evaluation period is from the previous evaluation, dated March 23, 2020, to the current performance evaluation of March 6, 2023. Examiners used the ISB Examination Procedures, which includes two tests: the Lending Test and the CD Test. Examiners provide details of the criteria for the Lending Test and CD Test in the appendices below. Institutions must achieve at least a "Satisfactory" rating under each test to obtain an overall "Satisfactory" rating.

FNB conducts the majority of their business in the Kentucky Non-MSA AA; therefore, examiners conducted a full-scope review of this AA, and gave performance in that AA the most weight when assigning an overall rating. Because the Clarksville, TN-KY MSA AA does not contain a significant portion of the institution's lending and a major portion of the county contains a national park and a military base, examiners conducted a limited-scope review of this AA. Further, the census tracts in this MSA AA were all middle income until changes in the tract designations occurred with the 2020 census where only one tract is now moderate-income and the remaining are middle-income. Lastly, a full-scope review of the MSA AA occurred during the previous evaluation. Refer to the subsequent sections below for specific information on each AA.

Activities Reviewed

Examiners considered the institution's business strategy and the number volume of loans originated during the evaluation period, major product lines, and the AAs credit needs. Examiners determined the institution's major product lines are small business and home mortgage. Examiners gave equal weight to small business and home mortgage lending, because the institution has a large secondary market program, which is not included in the loan portfolio breakdown. The most recent December 31, 2022, Call Report indicated commercial lending is the primary credit product with 41.9 percent loan portfolio composition. Home mortgage loans are the second most prominent product with 26.4

percent. However, as noted above, the home mortgage percentage does not include loans sold on the secondary market. Small farm and consumer loans do not represent major product lines; therefore, they provided no material support for conclusions or ratings, and examiners will not present them. Institution records indicated the lending focus and product mix remained consistent throughout the evaluation period.

FNB is not required to collect and report small business data; therefore, examiners reviewed a sample of small business loans originated from January 1, 2022, to December 31, 2022. Examiners used FNB's records to identify small business lending activities. In 2022, the institution originated 703 small business loans, totaling approximately \$49.2 million, of which examiners sampled 213 loans totaling approximately \$15.2 million, representing a five percent precision. The sample is representative of the institution's performance during the entire evaluation period. Examiners used 2020 U.S. Census data and 2022 D&B data as standards for demographic comparison for small business lending.

Examiners considered all home mortgage loans originated in 2020 and 2021, using the institution's Home Mortgage Disclosure Act (HMDA) Loan Application Registers. FNB originated 228 home loans, totaling approximately \$35.9 million in 2020, and 226 home loans, totaling approximately \$40.6 million in 2021. This evaluation presents information for 2021, the most recent year for which aggregate data is available. Examiners did not present the 2020 results, because they yielded conclusions consistent with the 2021 performance. The 2015 ACS data and 2021 HMDA aggregate data served as a standard of comparison in analyzing the institution's home mortgage lending.

Although examiners reviewed and presented the number and dollar volume of small business and home mortgage loans for the Lending Test, examiners emphasized performance by number of loans, because this is a better indicator of the number of small businesses and individuals served. In evaluating the Geographic Distribution and Borrower Profile criteria for each AA, examiners only evaluated loans extended within each respective AA.

For the CD Test, institution management provided data on CD loans, qualified investments, and CD services provided since the previous evaluation dated March 23, 2020.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

FNB's performance under the Lending Test is reasonable. Geographic Distribution and Borrower Profile support this conclusion. Below is a discussion of the overall conclusions for each performance criteria. Refer to the separate analysis within each AA for more detail.

LTD Ratio

FNB's LTD ratio is reasonable given the institution's size, financial condition, and AA credit needs. The institution's LTD ratio, calculated from Call Report data, averaged 76.3 percent over the previous 12 calendar quarters from March 31, 2020, to December 31, 2022. The ratio ranged from a high of 85.1 percent as of March 31, 2020, to a low of 64.5 percent as of March 31, 2022. FNB's LTD ratios remained generally stable throughout the review period. As noted above, FNB has sold a large number of loans to the secondary market. The Call Report does not reflect the secondary market

loans sold; therefore, the LTD ratio does not reflect these loans. The number and dollar amount of loans sold to the secondary market supplements the institution’s lending performance.

Examiners selected similar institutions based on their asset size, geographic location, and lending focus as a comparison. As shown in the following table, FNB’s LTD ratio is similar to those of similarly situated institutions.

LTD Ratio Comparison		
Institution	Total Assets as of 12/31/2022 (\$000s)	Average Net LTD Ratio (%)
FNB	657,695	76.3
Similarly-Situated Institution #1	891,968	92.4
Similarly-Situated Institution #2	565,435	70.1
Similarly-Situated Institution #3	433,272	68.1
<i>Source: Call Report 03/31/2020 – 12/31/2022</i>		

AA Concentration

As shown in the following table, the institution made a substantial majority of its small business and home mortgage loans by number and dollar volume within the AAs.

Lending Inside and Outside of the AAs										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business										
2022	209	98.1	4	1.9	213	14,079	92.4	1,165	7.6	15,244
Home Mortgage										
2020	211	92.5	17	7.5	228	33,809	94.3	2,060	5.7	35,869
2021	198	87.6	28	12.4	226	31,836	78.4	8,757	21.6	40,593
<i>Source: 2020 and 2021 HMDA Reported Data and 1/1/2022-12/31/2022 Institution Data.</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AAs. The institution supports this conclusion with the reasonable performance in small business and home mortgage lending in the Kentucky Non-MSA AA. Examiners present detailed conclusions and supporting data for performance in each AA below.

Borrower Profile

FNB’s distribution of loans to borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels in the AAs. Examiners focused on the number of small business loans to businesses with Gross Annual Revenues (GARs) of \$1 million or less and home mortgage loans to LMI borrowers.

Response to Complaints

The institution did not receive any CRA-related complaints since the prior evaluations; therefore, this criterion did not affect the Lending Test rating.

CD TEST

FNB demonstrated excellent responsiveness to the CD needs of its AAs through CD loans, qualified investments, and CD services. Examiners considered the institution's capacity, need, and availability of such opportunities, as well as similarly situated banks' (SSBs) performance. Examiners selected similar institutions based on asset size, geographic location, and lending focus. Examiners support this conclusion by excellent performance in the Kentucky Non-MSA AA. Refer to subsequent sections of this evaluation for specific AA performance.

CD Loans

FNB originated or renewed 28 CD loans, totaling approximately \$49.6 million during the review period. Since the institution sufficiently met the credit needs of its AAs, examiners qualified five CD loans, totaling approximately \$5.0 million that benefitted an area outside of the AAs. This level of total activities represents 8.1 percent of total assets and 10.8 percent of total loans.

FNB's performance exceeds a majority of five SSBs, whose CD loans ranged from 2.5 to 7.5 percent of total assets, and 3.2 to 11.7 percent of total loans. In addition, FNB's performance increased since the previous evaluation by 3.0 percent by dollar volume. The following table displays FNB's overall CD lending activity by AA.

Overall Community Development Lending by AA										
	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
AA	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Kentucky Non-MSA	5	2,584	4	5,452	10	24,926	1	10,000	20	42,962
Clarksville, TN-KY MSA	1	376	1	35	1	1,220	-	-	3	1,631
Statewide or Regional Lending	3	2,582	-	-	2	2,434	-	-	5	5,016
Totals	9	5,542	5	5,487	13	28,580	1	10,000	28	49,609

Source: Bank Data 3/20/2020-3/06/2023

Below are notable examples of FNB's qualified CD loans in the greater statewide or regional area:

- In 2021, FNB originated a loan for approximately \$534,000 to purchase a 23-unit apartment complex located in Metropolis, Massac County, Illinois. Of the 23 units, 22 had rent amounts below the applicable fair market amounts for that area (Affordable Housing).
- In 2022, FNB originated two loans for a total of approximately \$2.4 million to construct a 10,000 square foot building with long-term leases by Family Dollar, which is an LMI employer (Economic Development).

Qualified Investments

FNB made 124 qualified investments and donations, totaling approximately \$11 million. Since the institution sufficiently met the investment needs of its AAs, examiners qualified 12 investments, totaling approximately \$2.5 million that benefitted an area outside of the AAs. This level of total activities represents 1.8 percent of total assets and 6.6 percent of total securities. FNB’s performance decreased since the prior exam, in which qualified investments represented 2.7 percent of total assets and 14.7 percent of total securities.

FNB’s performance exceeds a majority of five SSBs, whose qualified investments ranged from 0.0 to 1.4 percent of total assets, and 2.7 to 8.5 percent of total securities. The following table displays FNB’s overall qualified investment activity by AA.

Overall Qualified Investments by AAs										
AA	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Kentucky Non-MSA	-	-	20	7,406	-	-	-	-	20	7,405
Clarksville, TN-KY MSA	-	-	2	595	-	-	-	-	2	595
Statewide and Regional Investments	-	-	12	2,524	-	-	-	-	12	2,524
Subtotal	-	-	34	10,525	-	-	-	-	34	10,525
Qualified Grants & Donations	-	-	71	437	12	67	6	19	89	523
Statewide and Regional Donations	-	-	1	1	-	-	-	-	1	1
Total	-	-	106	10,963	12	67	6	19	124	11,049

Source: Bank Data 3/20/2020-3/06/2023

Below are notable examples of FNB’s qualified investments in the greater statewide or regional area:

- In 2020, FNB made two investments, totaling \$490,000, to finance roof renovations at Ballard County Career and Technical Center and Central Office (Revitalize or Stabilize).
- In 2022, FNB made two investments in Hopkinsville, Kentucky, totaling \$265,000, to support financing the cost of acquisition, construction, installation, and equipping of improvements to the South Fork Little River Flood Control (Community Services).

CD Services

FNB employees provided 2,550 hours of financial expertise and technical assistance to various community organizations throughout the AAs. FNB’s performance exceeds one SSB’s performance, whom provided 645 hours of service. In addition, FNB increased hours of service significantly since the prior evaluation, in which employees provided 1,280 hours of financial

expertise and financial assistance. The following table displays FNB’s overall service activity by AA and purpose.

Community Development Service Hours by AAs					
AA	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
Kentucky Non-MSA	60	1,591	442	270	2,363
Clarksville, TN-KY MSA	2	94	91	-	187
Total	62	1,685	533	270	2,550
<i>Source: Bank Data 3/20/2020-3/06/2023</i>					

According to 2015 ACS data, FNB operated three branches in moderate-income census tracts; however, two branches moved to middle-income census tracts with the 2020 U.S. Census income designation changes. The institution’s presence in these areas demonstrates a commitment to providing banking services to LMI individuals.

In addition to the CD services in the table above, FNB provided technical assistance to LMI individuals through the following financial service offerings:

- FNB continues to offer a qualified SDL Program, developed internally as an alternative to higher cost financial products. FNB has extended 84 SDL’s, totaling \$138,628 to LMI individuals during the review period.
- FNB continues to participate in lending programs offered by the KHC, which is a public corporation chartered by the state of Kentucky to support affordable housing initiatives. Through these programs, qualified LMI homebuyers can obtain funds for down payment assistance, and receive certain tax credits. Through these programs, FNB assisted 21 LMI homebuyers obtain down payment assistance funds, and nine LMI homebuyers in receiving tax credits.
- FNB continues to participate in the Welcome Home Program sponsored by the Federal Home Loan Bank (FHLB) of Cincinnati. This program offers qualified LMI homebuyers with funds for down payment assistance and closing costs for purchasing primary residences. Through these programs, FNB provided technical assistance to 22 LMI customers in obtaining financial assistance totaling approximately \$110,000.
- FNB continues to participate in lending programs offered through the United States SBA. The SBA offers various programs that provide flexible terms and underwriting conditions to aid the facilitation of business loans to qualifying small businesses. Through these programs, FNB provided technical assistance to 12 customers in obtaining 15 SBA loans totaling approximately \$2.9 million in the review period.
- Along with another local community bank, FNB developed the Dream Together Program, designed to offer low interest rate loans and incentives for local businesses impacted by the December 2021 tornado. Since inception, the bank has participated in 13 originations, totaling approximately \$1.6 million.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the institution’s compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

KENTUCKY NON-MSA AA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN KENTUCKY NON-MSA AA

Examiners performed a full-scope review of FNB’s performance in this AA, which includes all census tracts in Graves, McCracken, Marshall, and Calloway counties. The Kentucky Non-MSA AA accounted for 91.5 percent of sampled small business loans and 76.8 percent of 2021 home mortgage loans, 76.7 percent of total deposits, and 80.0 percent of the institution’s branches.

Economic and Demographic Data

Examiners compared the small business loan sample to 2020 U.S. Census data (noted in the table below). Based on the 2020 U.S. Census Data, the AA is comprised of 50 census tracts designated as follows: 1 low-, 7 moderate-, 16 middle-, 24 upper-income. The Kentucky Non-MSA AA also includes two non-assigned census tracts.

Examiners compared home mortgage lending activities to 2015 ACS data (noted in the table below). Based on the 2015 ACS, the Kentucky Non-MSA AA was comprised of 41 census tracts designated as follows: 1 low-, 6 moderate-, 17 middle-, and 17 upper-income. According to the 2015 ACS, 12.1 percent of families in this AA had incomes below the poverty level.

Demographic Information of the Kentucky Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts) - 2021	41	2.4	14.6	41.5	41.5	0.0
Geographies (Census Tracts) - 2022	50	2.0	14.0	32.0	48.0	4.0
Population by Geography - 2021	172,197	1.0	11.4	40.5	47.1	0.0
Population by Geography - 2022	173,286	1.7	8.5	32.4	55.9	1.6
Housing Units by Geography - 2021	82,230	1.1	12.7	41.6	44.7	0.0
Housing Units by Geography - 2022	84,252	2.9	8.7	32.6	53.8	2.0
Owner-Occupied Units by Geography - 2021	48,365	0.4	6.5	40.2	52.9	0.0
Owner-Occupied Units by Geography - 2022	49,276	0.5	5.5	31.4	61.1	1.4
Occupied Rental Units by Geography - 2021	20,975	2.3	26.5	38.8	32.4	0.0

Demographic Information of the Kentucky Non-MSA AA Continued						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Vacant Units by Geography - 2021	12,890	1.1	13.8	51.3	33.8	0.0
Vacant Units by Geography - 2022	13,452	5.6	9.6	36.8	44.2	3.9
Businesses by Geography - 2021	14,732	1.2	13.9	37.5	47.5	0.0
Businesses by Geography - 2022	15,991	1.6	12.3	28.1	55.1	2.8
Family Distribution by Income Level - 2021	44,394	16.6	14.0	19.0	50.3	0.0
Family Distribution by Income Level - 2022	44,398	16.4	15.3	18.2	50.1	0.0
Household Distribution by Income Level - 2021	69,340	21.7	13.6	16.0	48.6	0.0
Household Distribution by Income Level - 2022	70,800	22.6	14.9	15.1	47.4	0.0
Median Family Income Non-MSAs – KY 2021		\$45,986	Median Housing Value - 2021			\$114,869
Median Family Income Non-MSAs – KY 2022		\$54,327	Median Housing Value - 2022			\$131,152
			Median Gross Rent - 2021			\$596
			Median Gross Rent - 2022			\$699
			Families Below Poverty Level - 2021			12.1%
			Families Below Poverty Level - 2022			10.6%
<i>Source: 2015 ACS, 2020 U.S. Census, and 2022 D&B Data. Due to rounding, totals may not equal 100.0%. (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The analysis of small business loans under the Borrower Profile criterion compares the distribution of lending by the borrower’s GAR level. According to 2022 D&B data, there were 15,991 businesses within the AA. GARs for these businesses are as follows: 85.8 percent with \$1 million or less; 3.7 percent with more than \$1 million; and 10.5 percent with revenues not reported. Additionally, 63.7 percent of businesses operate with four or fewer employees and 89.9 percent operate from a single location. The most dominant industries in the Kentucky Non-MSA AA include the service industry at 34.1 percent; non-classifiable establishments at 19.1 percent; retail trade at 12.6 percent; and finance, insurance, and real estate at 10.2 percent.

The Geographic Distribution criterion compares the institution’s home mortgage lending to the distribution of owner-occupied housing units by tract income category. According to the 2015 ACS data, the AA had 82,230 housing units, of which 58.8 percent were owner-occupied, 25.5 percent were occupied rentals, and 15.7 percent were vacant.

Data obtained from the U. S. Bureau of Labor and Statistics indicates the average 2022 unemployment rate for the state of Kentucky was 3.9 percent, which is slightly higher than the national unemployment rate of 3.6 percent at year-end. The 2022 average unemployment rate for Graves County was 4.3 percent, McCracken County was 4.1 percent, Marshall County was 4.1 percent, and Calloway County was 4.1 percent. Unemployment rates for all four counties in the

Kentucky Non-MSA AA were on par with the statewide unemployment and slightly higher than national unemployment rates in 2022.

Due to the pandemic, average unemployment rates nationally, state level, and county level fluctuated significantly. The average national unemployment rate in 2020 was 8.1 percent, which was higher than the Kentucky unemployment rate in 2020 of 6.5 percent. Graves County (5.7 percent), Calloway County (6.0 percent), Marshall County (6.0 percent), and McCracken County (6.9 percent) unemployment rates in 2020 were on par with the state average. In 2021, the average unemployment rate nationally (5.4 percent), in Kentucky (4.4 percent), and at the county level was significantly lower than the unemployment rate in 2020.

Examiners used the FFIEC Median Family Income (MFI) ranges to evaluate home mortgage lending under the Borrower Profile criterion. The following table provides the MFI levels for the Kentucky Non-MSA AA.

MFI Ranges - Kentucky Non-MSA AA				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2021 (\$52,600)	<\$26,300	\$26,300 to <\$42,080	\$42,080 to <\$63,120	≥\$63,120
<i>Source: FFIEC</i>				

Competition

The Kentucky Non-MSA AA is highly competitive in the market for financial services. According to FDIC Deposit Market Share data as of June 30, 2022, 15 institutions operated 65 offices in Graves, McCracken, Marshall, and Calloway counties. Of these institutions, FNB ranked fifth, with 9.7 percent of market share.

The institution is not required to collect or report its small business loan data, and it has not elected to do so; therefore, the analysis of small business loans does not include comparisons against aggregate data. However, the aggregate data is useful to gauge the level of competition for small business loans. Aggregate data for 2021 indicates that 81 lenders reported 3,293 small business loans in the Kentucky Non-MSA AA, indicating a high degree of competition for this product.

There is a high level of competition for home mortgage loans among institutions, credit unions, and non-depository mortgage lenders. In 2021, 257 lenders reported 5,243 residential mortgage loans originated or purchased. FNB ranked ninth out of this group of lenders, with 2.9 percent market share.

Community Contact

As part of the evaluation process, examiners contact third parties active in the AA to assist in identifying credit and community development needs and opportunities, including the bank’s responsiveness to those needs.

Examiners reviewed a recent community contact with an economic development agency that serves multiple counties in the AA. The agency focuses on recruitment and retention efforts of local businesses that provide employment for community members. The contact stated the area has

experienced significant growth since 2020 with a vibrant and robust workforce, with many employment opportunities in manufacturing, healthcare, education, and transportation industries.

The contact stated local institutions perform well and have strong partnerships with the community. Specifically, institutions in the area have interest in collaborating with economic development organizations and small businesses to expand technology, cash management, and other essential financial services.

Credit and CD Needs and Opportunities

Examiners considered information from the community contact, CRA Public Evaluations of other institutions operating in the area, institution management, and demographic and economic data, and determined that small business and home mortgage lending represent the primary credit needs for the Kentucky Non-MSA AA. Furthermore, based on information provided by the community contact, and demographic and economic data, the AA has CD needs that include economic development and affordable housing.

Given the substantial similarities between the Kentucky Non-MSA AA and the Clarksville, TN-KY MSA AA, examiners concluded similar credit and CD needs and opportunities for both AAs.

CONCLUSIONS ON PERFORMANCE CRITERIA IN KENTUCKY NON-MSA AA

LENDING TEST

FNB demonstrated reasonable performance under the Lending Test in the Kentucky Non-MSA AA. Geographic Distribution and Borrower Profile performance supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion of small business and home mortgage loans. Examiners focused on the percentage by number of loans in LMI census tracts.

Small Business Loans

The geographic distribution of sampled small business loans reflects reasonable dispersion throughout the Kentucky Non-MSA AA. Examiners focused on the comparison to the percent of businesses in each tract income level. The following table reflects FNB's performance compared to the percentage of businesses located within each tract category.

Geographic Distribution of Small Business Loans – Kentucky Non-MSA AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	1.6	-	0.0	-	0.0
Moderate	12.3	5	2.6	1,023	7.9
Middle	28.2	137	70.3	7,256	56.2
Upper	55.1	53	27.1	4,636	35.9
NA	2.8	-	0.0	-	0.0
Total	100.0	195	100.0	12,915	100.0

Source: 2020 U.S Census; 2022 D&B Data; Institution Data

The Kentucky Non-MSA AA contains one low-income census tract, located in Murray, Calloway County. Calloway County currently has 10 financial institutions with 16 offices, which shows the level of competition in the area. Therefore, it is reasonable that FNB did not originate any of the sampled small business loans in the sole low-income tract.

Five of the seven moderate-income census tracts located in this AA are located in and around Paducah, McCracken County. McCracken County currently has 10 financial institutions with 28 offices, and FNB only maintains 2.8 percent deposit market share. Given the significant competition in the area with most of the moderate-income census tracts, it is reasonable that FNB had minimal penetration in these areas.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the Kentucky Non-MSA AA. Examiners focused comparisons on aggregate performance data, because it is more indicative of the level of lending opportunity in a given area. The following table illustrates the geographic distribution of home mortgage loans throughout this AA.

Geographic Distribution of Home Mortgage Loans – Kentucky Non-MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.4	0.4	1	0.7	80	0.3
Moderate	6.5	6.5	26	17.1	5,394	19.6
Middle	40.2	37.0	56	36.8	6,844	24.9
Upper	52.9	56.1	69	45.4	15,158	55.2
Total	100.0	100.0	152	100.0	27,476	100.0

Source: 2015 ACS; Institution Data, 2021 HMDA Aggregate Data.

FNB’s lending performance in LMI census tracts exceeds aggregate data. The institution’s lending volume by number in moderate-income census tracts in 2021 exceeded aggregate performance by 10.6 percent. Additionally, of the 235 secondary market loans originated in 2021, 6.4 percent were in LMI tracts. This further demonstrated the bank’s commitment to facilitating home mortgage lending in LMI areas.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels in the Kentucky Non-MSA AA. Examiners focused on small businesses with GARs of \$1 million or less and the number of home mortgage loans to LMI borrowers.

Small Business Loans

The distribution of small business loans reflects excellent penetration among businesses of different sizes. Examiners compared the bank’s performance to the percentage of businesses within each income designation. In 2022, FNB originated all loans in the sample to businesses with GARs of \$1 million or less. When compared to the demographics of businesses in this revenue category in the AA, this reflects excellent performance. The following table illustrates the distribution of small business loans by size of the business in the Kentucky Non-MSA AA.

Distribution of Small Business Loans by GAR Category – Kentucky Non-MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	85.8	195	100.0	12,915	100.0
>\$1,000,000	3.7	-	0.0	-	0.0
Revenue Not Available	10.5	-	0.0	-	0.0
Totals	100.0	195	100.0	12,915	100.0

Source: 2022 D&B Data and Bank Data.

Home Mortgage Loans

FNB’s overall distribution of home mortgage loans to individuals of different income levels, including LMI borrowers, reflects reasonable penetration within the Kentucky Non-MSA AA. Examiners compared the institution’s performance to the aggregate data, because this provides a better picture of demand and actual opportunities. The following table illustrates the distribution of loans by borrower income level throughout the Kentucky Non-MSA AA.

Distribution of Home Mortgage Loans by Borrower Income Level – Kentucky Non-MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	16.6*	3.5	8	5.3	540	2.0
Moderate	14.0	12.3	11	7.2	592	2.2
Middle	19.1	17.4	13	8.6	1,309	4.8
Upper	50.3	47.8	70	46.1	12,505	45.5
Not Available	0.0	19.0	50	32.9	12,531	45.6
Totals	100.0	100.0	152	100.0	27,476	100.0

*Source: 2015 ACS; Institution Data, 2021 HMDA Aggregate Data, Due to rounding, totals may not equal 100.0% *Families below poverty equal 12.1 percent.*

FNB’s lending to low-income borrowers was higher than aggregate performance within the Kentucky Non-MSA AA. The institution’s lending volume by number to low-income borrowers in 2021 exceeded aggregate performance by 1.8 percent. According to demographic data, of the 16.6 percent of low-income families in the AA, 12.1 percent live below the poverty level, which can create a lack of lending opportunities. Due to their limited financial resources, families below the poverty level generally do not have the capacity to support a home mortgage loan, limiting the demand and opportunity to lend to low-income borrowers. Additionally, a low-income family with an income of less than \$26,300 may not qualify for a mortgage under conventional underwriting standards, given the area median housing value of \$114,869. Additionally, of the 235 secondary market loans facilitated in 2021, 1.7 percent was to low-income borrowers in the Kentucky Non-MSA AA.

The institution’s performance with moderate-income individuals was lower than aggregate performance. FNB’s lending to moderate-income borrowers trailed the aggregate by 5.1 percent and the demographic by 6.8 percent in 2021. However, of the 235 secondary market loans facilitated in 2021, 12.3 percent were to moderate-income borrowers in the Kentucky Non-MSA AA. The institution’s performance for moderate-income individuals is therefore reasonable. The institution's overall home mortgage lending to LMI individuals is reasonable.

CD TEST

FNB demonstrated excellent responsiveness to the CD needs of its assessment area. Excellent CD loans, qualified investments, and CD services performance support this conclusion.

CD Loans

FNB originated or renewed 20 CD loans, totaling approximately \$43.0 million in the Kentucky Non-MSA AA since the previous evaluation. This level of total activities represents 87.0 percent of total CD lending, which is reasonable to the size of its operations in this AA. The following table illustrates the institution’s CD loans by year and purpose. The institution did not originate any CD loans in the Kentucky-Non MSA AA for year-to-date 2023.

Community Development Lending – Kentucky Non-MSA AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial)*	-	-	-	-	1	3,050	-	-	1	3,050
2021	2	454	4	5,452	2	1,922	-	-	8	7,828
2022	3	2,130	-	-	7	19,954	1	10,000	11	32,084
Totals	5	2,584	4	5,452	10	24,926	1	10,000	20	42,962

Source: Bank Data 3/20/2020-3/06/2023

Below are notable examples of FNB’s qualified CD loans in the Kentucky Non-MSA AA:

- In 2020, FNB made a \$3 million contribution to a \$6 million participation loan pool to finance the construction of a new business that will provide employment opportunities to LMI individuals in the AA (Economic Development).
- In 2021, FNB originated a \$5 million loan to a municipal entity to fund electric meters

throughout the AA, including LMI census tracts (Community Services).

- In 2022, FNB was the lead participant of a \$10 million line of credit to finance the rehabilitation of an electric plant that sustained substantial damage during a recent natural disaster, providing essential services to all residents of the AA, including LMI individuals and families (Revitalization and Stabilization).

Qualified Investments

FNB made 96 qualified investments, totaling approximately \$7.8 million since the previous evaluation in Kentucky Non-MSA AA. This level of activity represents 70.6 percent of the total qualified investment activity, which is appropriate given the bank’s presence in this area. The following table illustrates the institution’s CD investments by year and purpose. The institution has not made any qualified investments for year-to-date in 2023.

Qualified Investments by Year – Kentucky Non-MSA AA										
Activity	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	Year	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#
2020 (Partial)*	-	-	13	6,101	-	-	-	-	13	6,101
2021	-	-	2	490	-	-	-	-	2	490
2022	-	-	5	815	-	-	-	-	5	815
Subtotals	-	-	20	7,406	-	-	-	-	20	7,406
Qualified Grants & Donations	-	-	60	315	10	64	6	19	76	398
Totals	-	-	80	7,721	10	64	6	19	96	7,804
<i>Source: Bank Data 3/20/2020-3/06/2023</i>										

In addition to the investments and donations detailed above, FNB facilitated multiple community fundraisers to support tornado relief efforts for Graves County individuals, families, and schools, totaling approximately \$282,000 in community donations.

Below are notable examples of FNB’s qualified investments in the Kentucky Non-MSA AA:

- In 2022, FNB made five investments, totaling \$815,000, to support financing of enhancements for two local elementary schools in which a majority of the students are eligible to receive free or reduced-price lunches (Community Services).
- In 2022, FNB made two investments, totaling \$490,000, to support financing of enhancements to a heating, ventilation, and air-conditioning system for a local elementary school in which a majority of the students are eligible to receive free or reduced-price lunches (Community Services).

CD Services

FNB employees and officers provided 2,363 hours of financial expertise, financial literacy, or technical assistance to community development-related organizations in the Kentucky Non-MSA

AA since the previous evaluation. This level of activity represents 92.7 percent of the total service activity, which is appropriate given the bank’s presence in this area.

As shown in the following table, a majority of the service hours supported community service efforts and activities. The following table illustrates the institution’s CD services by year and purpose.

Community Development Service Hours - Kentucky Non-MSA AA					
Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
2020 (Partial)	21	434	150	-	605
2021	25	455	171	36	687
2022	14	567	109	234	924
2023 (YTD)	-	135	12	-	147
Total	60	1,591	442	270	2,363

Source: Bank Data 3/20/2020-3/06/2023

Below are notable examples of FNB’s CD services in the Kentucky Non-MSA AA:

- Throughout 2022, FNB employees provided immediate response to tornado relief efforts across Western Kentucky, which resulted in a declaration of a Designated Disaster Area across the AA. Employees participated in disaster recovery efforts by assisting the community, individuals, families, and businesses impacted by property and home damage, displacement, and employment loss (Community Services).
- Throughout 2022, an employee of FNB collaborated with Junior Achievement programs to provide weekly financial literacy services to a local elementary school in which a majority of the students are eligible to receive free or reduced-price lunches (Community Services).
- Throughout the review period, an employee used their financial expertise to serve on the Board of Directors for a local non-profit housing organization that provides affordable housing for LMI individuals and families in the AA (Affordable Housing).

CLARKSVILLE, TN-KY MSA AA – Limited-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN CLARKSVILLE, TN-KY MSA AA

Examiners performed a limited-scope review of FNB’s performance in this AA, which includes all census tracts in Trigg County, Kentucky. Trigg County is located in the Clarksville, TN-KY MSA. The Clarksville, TN-KY MSA AA contains two of the institution’s ten branches, and two of the institution’s ATMs. The Clarksville, TN-KY MSA AA accounted for 6.6 percent of sampled small business loans and 23.2 percent of 2021 home mortgage loans, 23.3 percent of total deposits, and 20 percent of the institution’s branches.

The table below shows demographic information for the Clarksville, TN-KY MSA AA.

Demographic Information of the Clarksville TN-KY MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts) - 2021	5	0.0	0.0	60.0	0.0	40.0
Geographies (Census Tracts) - 2022	7	0.0	14.3	57.1	0.0	28.6
Population by Geography - 2021	14,250	0.0	0.0	99.9	0.0	0.1
Population by Geography - 2022	14,061	0.0	20.7	79.2	0.0	0.0
Housing Units by Geography - 2021	7,835	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography - 2022	7,972	0.0	17.1	82.9	0.0	0.0
Owner-Occupied Units by Geography - 2021	4,946	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography - 2022	4,673	0.0	15.2	84.8	0.0	0.0
Occupied Rental Units by Geography - 2021	1,068	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography - 2022	1,243	0.0	45.1	54.9	0.0	0.0
Vacant Units by Geography - 2021	1,821	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography - 2022	2,056	0.0	4.2	95.8	0.0	0.0
Businesses by Geography - 2021	952	0.0	0.0	99.1	0.0	0.9
Businesses by Geography - 2022	1,041	0.0	26.7	72.4	0.0	0.9
Family Distribution by Income Level - 2021	4,186	20.0	19.2	18.7	42.0	0.0
Family Distribution by Income Level - 2022	3,965	21.7	15.8	25.4	37.0	0.0
Household Distribution by Income Level - 2021	6,014	26.3	16.7	17.0	40.0	0.0
Household Distribution by Income Level - 2022	5,916	27.2	16.7	19.3	36.7	0.0
MFI - Clarksville, TN-KY MSA - 2021		\$53,979	Median Housing Value - 2021			\$115,390
MFI - Clarksville, TN-KY MSA - 2022		\$65,849	Median Housing Value - 2022			\$160,079
			Median Gross Rent - 2021			\$562
			Median Gross Rent - 2022			\$619
			Families Below Poverty Level - 2021			11.3%
			Families Below Poverty Level - 2022			11.1%
<i>Source: 2015 ACS, 2020 U.S. Census, and 2022 D&B Data. Due to rounding, totals may not equal 100.0%. (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

As depicted in the table above, the AA’s geographic data changed slightly between the 2015 ACS and the 2020 U.S. Census. During the previous evaluation, the AA had no census tracts in LMI

geographies. With the 2020 U.S. Census, the AA now has one moderate-income census tract and six middle-income census tracts.

According to 2022 D&B data, there were 1,041 businesses within the AA. GARs for these businesses are as follows: 88.0 percent with \$1 million or less; 2.0 percent with more than \$1 million; and 10.0 percent with revenues not reported. Additionally, 66.7 percent of businesses operate with four or fewer employees and 92.3 percent operate from a single location. The most dominant industries in the Clarksville, TN-KY MSA AA include the service industry at 28.3 percent; non-classifiable establishments at 26.0 percent; retail trade at 11.3 percent; and finance, insurance, and real estate at 7.9 percent.

According to the 2015 ACS data, the AA had 7,835 housing units, of which 63.1 percent were owner-occupied, 13.6 percent were occupied rentals, and 23.2 percent were vacant.

Data obtained from the U. S. Bureau of Labor and Statistics indicates the average 2022 unemployment rate for the state of Kentucky was 3.9 percent, which is slightly higher than the National unemployment rate of 3.6 percent at year-end. The 2022 average unemployment rate for Trigg County was 4.4 percent.

Due to the pandemic, average unemployment rates nationally, state level, and county level fluctuated significantly. The average national unemployment rate in 2020 was 8.1 percent, which was higher than the Kentucky unemployment rate in 2020 of 6.5 percent. Trigg County (6.8 percent) unemployment rate in 2020 was on par with the state average. In 2021, the average unemployment rate nationally (5.4 percent), in Kentucky (4.4 percent), and in Trigg County (5.1 percent) was significantly lower than the unemployment rate in 2020.

CONCLUSIONS ON PERFORMANCE CRITERIA IN CLARKSVILLE, TN-KY MSA AA

The institution's Lending Test performance in the Clarksville, TN-KY MSA AA is consistent with the institution's lending performance in the Kentucky Non-MSA AA. In 2022, FNB originated 14 of sampled small business loans, totaling approximately \$1.1 million.

With respect to the Borrower Profile criterion, the institution's overall performance is excellent. All small business loans in the sample were to businesses with GAR of less than a million dollars. In 2021, FNB originated 10.9 percent of home loans to low-income borrowers compared to 6.1 percent aggregate performance, and 23.9 percent of home loans to moderate-income borrowers compared to 15.3 percent aggregate performance.

LENDING TEST

The institution's Lending Test performance in the Clarksville, TN-KY MSA AA is consistent with the institution's lending performance in the Kentucky Non-MSA AA. In 2022, FNB originated 14 of the sampled small business loans, totaling approximately \$1.1 million. In 2021, the institution originated 46 home mortgage loans, totaling approximately \$4.4 million. All lending activity was in middle-income census tracts, which is reasonable considering Trigg County only consists of middle-income census tracts.

With respect to the Borrower Profile criterion, the institution’s overall performance is excellent. All small business loans in the sample were to businesses with GARs of less than a million dollars. In 2021, FNB originated 10.9 percent of home loans to low-income borrowers compared to 6.1 percent aggregate performance, and 23.9 percent of home loans to moderate-income borrowers compared to 15.3 percent aggregate performance.

CD TEST

FNB’s CD Test performance in the Clarksville TN-KY MSA AA is consistent with the institution’s CD performance in the Kentucky Non-MSA AA. During the review period, the institution originated three CD loans totaling approximately \$1.6 million (one in 2021 for \$25,260 and two in 2022 for approximately \$1.6 million).

In addition, FNB made 13 qualified investments and donations totaling \$716,211. The following table illustrates the investment activity by year.

Qualified Investments - Clarksville TN-KY MSA AA		
Activity Year	Totals	
	#	\$(000s)
Prior Period	1	90
2020	2	28
2021	6	62
2022	4	536
YTD 2023	0	0
Total	13	716
<i>Source: Bank Data</i>		

For CD services, employees provided 187 hours of financial and technical assistance to various qualified CD-related organizations in the AA. The following table illustrates the service hours by year

Community Development Services – Clarksville TN-KY MSA AA	
Activity Year	Total Hours
	#
2020	32
2021	64
2022	76
YTD 2023	15
Total	187
<i>Source: Bank Data</i>	

APPENDICES

INTERMEDIATE SMALL INSTITUTION PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the institution's record of helping to meet the credit needs of its AA(s) by considering the following criteria:

- 1) The institution's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, CD loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the institution's AA(s);
- 3) The geographic distribution of the institution's loans;
- 4) The institution's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The institution's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its AA(s).

CD Test

The CD Test considers the following criteria:

- 1) The number and amount of CD loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the institution provides CD services; and
- 4) The institution's responsiveness through such activities to CD lending, investment, and service needs.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/AA.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

AA: A geographic area delineated by the institution under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as CD activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

CD Corporation (CDC): A CDC allows institutions and holding companies to make equity type of investments in CD projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

CD Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with CD as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include CD institutions, CD loan funds, CD credit unions, micro enterprise funds, and CD venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

CD Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's AA as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's AA(s) or a broader statewide or regional area including the institution's AA(s).

CD Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

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, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;

- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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. Other family 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).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an AA. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, 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 do 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; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an AA. Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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 metropolitan area/AA.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities 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 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 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and

rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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 lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan 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 multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

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

Small Farm Loan: 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, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a

population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.