

PUBLIC DISCLOSURE

December 14, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Kentucky Farmers Bank Corporation
Certificate Number: 267

2500 Broadway
Catlettsburg, Kentucky 41129

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 **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The Kentucky Farmers Bank Corporation's (KFBC's) satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the rating. The following points summarize the bank's Lending Test performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage and small business loans in the assessment areas.
- The geographic distribution reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects reasonable penetration of loans among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

DESCRIPTION OF INSTITUTION

KFBC, headquartered in Catlettsburg, Kentucky, is a \$272 million dollar community bank operating four locations in eastern Kentucky. KFBC does not have a holding company. In late-October, 2019, the bank acquired a branch in Lawrence County.

FDIC examiners used the Interagency Small Institution Examination (Small Bank) procedures during the January 11, 2016, examination to evaluate KFBC's CRA performance and rated the bank's performance as "Satisfactory".

KFBC offers a variety of traditional loan and deposit products to consumer and business customers. Credit products include home mortgage, commercial, consumer, and agricultural loans. Deposit products include checking, savings, money market, and certificates of deposit. Alternative banking services include internet and mobile banking, electronic bill payment, and four bank-owned automated teller machines. Additionally, KFBC offers Wealth Management services, which include investments, retirement, and brokerage services.

In May 2021, the bank began to purchase loans through Bankers Health Group (BHG). BHG provided small business and personal loans to healthcare professionals throughout the country. As of September 30, 2021, the bank has purchased 25 loans totaling approximately \$2.2 million.

The President signed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) into law on March 27, 2020 and authorized the Small Business Administration (SBA) to guarantee 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 regular 7(a) loan program. In addition, the President signed the PPP and Health Care Enhancement Act into law on April 24, 2020, and authorized

additional funds for guarantees of PPP loans. As of the current evaluation date, KFBC originated 504 loans totaling approximately \$20.3 million under the PPP program. Of these loans, 501 totaling \$15.8 million were small PPP loans with amounts less than or equal to \$1 million. The bank's PPP lending demonstrates the bank's willingness to meet the credit needs of its community by moving quickly to provide small businesses relief during the COVID-19 pandemic (pandemic).

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs. As of September 30, 2021, the bank's assets totaled \$271.9 million, and included total loans of \$137.6 million, total securities of \$95.5 million, and total deposits of \$224.7 million. As noted in the table below, the bank's primary business focus is real estate-secured loans.

Loan Portfolio Distribution as of September 30, 2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	4,977	3.5
Secured by Farmland	785	0.5
Secured by 1-4 Family Residential Properties	62,189	45.2
Secured by Multifamily (5 or more) Residential Properties	4,767	3.5
Secured by Nonfarm Nonresidential Properties	38,878	28.3
Total Real Estate Loans	\$111,596	81%
Commercial and Industrial Loans	10,539	7.7
Consumer Loans	9,099	6.6
Other Loans	6,443	4.7
Total Loans	\$137,550	100%
<i>Source: September 30, 2021 Consolidated Report of Condition and Income (Call Report.)</i>		

DESCRIPTION OF ASSESSMENT AREAS

KFBC operates in two designated assessment areas in Kentucky. The Huntington-Ashland, WV-KY-OH assessment area encompasses all of Boyd County and four southeastern census tracts in Greenup County. The Huntington-Ashland, WV-KY-OH Assessment Area contains one low- and four moderate-income census tracts. The Kentucky Non-Metropolitan Statistical Area (KY Non-MSA) assessment area consists of one middle-income northeastern census tract in Lawrence County.

The addition of the census tracts in Greenup and Lawrence counties are new since the previous evaluation. The bank's assessment areas conform to CRA requirements as they consist of whole, contiguous census tracts and do not arbitrarily exclude low- or moderate-income census tracts. Refer to subsequent sections below for specific information on each assessment area.

SCOPE OF EVALUATION

General Information

During this evaluation, examiners used Small Bank Procedures to evaluate the bank's CRA performance from the previous evaluation on January 11, 2016, to the current evaluation, dated December 16, 2021. Examiners conducted a full-scope review for both assessment areas.

The bank conducts a majority of its business in the Huntington- Ashland, WV-KY-OH assessment area; therefore, examiners gave more weight to performance in this assessment area when assigning the overall rating. Additionally, the bank opened the Kentucky Non-MSA branch in October 2019, and there has been less activity in the assessment area.

Activities Reviewed

Based on the September 30, 2021 Call Report, the bank's business strategy, and the number and dollar volume of loans originated during the evaluation period, examiners determined that the bank's major product lines are home mortgage and small business loans. The bank's record of originating home mortgage loans contributed more weight to the overall conclusions, due to larger loan volume when compared to small business loans during the review period. Small farm loans and consumer loans do not represent major product lines; therefore, examiners did not review or present them.

Examiners used home mortgage loans reported on the bank's 2019 and 2020 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) to evaluate home mortgage performance. The bank originated 126 home mortgage loans, totaling approximately \$14.8 million in 2019, and 137 home loans, totaling approximately \$16.1 million in 2020. The aggregate performance of all lenders required to report HMDA data within each assessment area provided a standard for comparison. Additionally, examiners used the American Community Survey (ACS) as a source of comparable data.

Examiners selected a random sample of small business loans originated between October 1, 2020, and September 30, 2021, to evaluate the bank's performance related to geographic distribution of small business loans and distribution of small business loans by gross annual revenue (GAR). The bank originated 91 small business loans, totaling approximately \$6.4 million during this review period. Examiners sampled 41 loans, totaling approximately \$2.7 million. D&B Data for 2021 provided a standard of comparison for the sampled small business loans.

Although examiners reviewed and presented the number and dollar volume of home mortgage and small business loans, examiners emphasized performance by number of loans, because the number of loans is a better indicator of the number of individuals and small businesses served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

KFBC demonstrated reasonable performance under the Lending Test. Geographic distribution and borrower profile performance primarily support this conclusion.

Loan-to-Deposit (LTD) Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. Over the last 23 quarters, from March 31, 2016, to September 30, 2021, the bank's average net LTD ratio was 57.3 percent. The ratio remained relatively stable during the evaluation period, ranging from a low of 46.6 percent as of March 31, 2016, to a high of 69.7 percent as of September 30, 2020. As shown in the table below, KFBC maintained a ratio slightly lower than those of comparable institutions. Examiners chose comparable institutions based on geographic location and lending focus.

LTD Ratio Comparison		
Bank	Total Assets as of 3/31/21 (\$000s)	Average Net LTD Ratio (%)
Kentucky Farmers Bank Corporation	271,872	57.3%
Similarly-Situated Institution #1	329,091	67.4%
Similarly-Situated Institution #2	799,537	69.0%
Similarly-Situated Institution #3	5,906,324	86.5%
Source: Call Reports 3/31/16 - 9/30/21.		

Assessment Area Concentration

As shown in the table below, the bank originated a majority of home mortgage loans, by number and dollar volume, inside of their assessment area. Additionally, the bank originated the majority of sampled small business by number inside of their assessment area. Of the 20 loans outside of the assessment area, three for approximately \$475 thousand were PPP loans, and 13 for approximately \$1.1 million were BHG loans. Therefore, the high dollar amount of small business loans extended outside of the assessment area was driven in part by pandemic related loan programs.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	89	70.6	37	29.4	126	9,464	63.9	5,351	36.1	14,815
2020	80	58.4	57	41.6	137	8,546	53.2	7,518	46.8	16,064
Subtotal	169	64.3	94	35.7	263	18,010	58.3	12,869	41.7	30,879
Small Business	21	51.2	20	48.8	41	914	34.4	1,746	65.6	2,660
Source: 2019 and 2020 HMDA Reported Data and Bank Data.										

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment area. Examiners focused on the percentage by number of loans in low- and moderate-income (LMI) census tracts and gave more weight to the bank's performance within moderate-income census tracts, due to the high number of these tracts. Additionally, there are no low-income census tracts in the KY Non-MSA assessment area. Examiners present conclusions and supporting data for performance in each assessment area below.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. Examiners focused on the number of home mortgage loans to LMI borrowers and small business loans to businesses with GARs of \$1 million or less. Examiners present conclusions and supporting data for performance in each assessment area below.

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank'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.

Huntington-Ashland, WV-KY-OH MSA Assessment Area – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THIS ASSESSMENT AREA

The Huntington-Ashland, WV-KY-OH MSA assessment area consists of all census tracts in Boyd County and four census tracts in southeastern Greenup County. Of the 17 census tracts in this assessment area, one is low-income, four are moderate-income, eight are middle-income, and four are upper-income.

Economic and Demographic Data

Based on the 2015 ACS, there were 28,939 housing units in the assessment area. Approximately 63.3 percent of housing was owner-occupied and approximately 26 percent was rental-occupied. Approximately 82.6 percent of housing was 1-4 family units, 7.8 percent was multifamily units, and 10.7 percent was vacant. Examiners use the distribution of owner-occupied housing units to compare home mortgage lending under the Geographic Distribution criterion. See the demographic data in the table below for more details.

Demographic Information of the Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	17	5.9	23.5	47.1	23.5
Population by Geography	65,030	6.2	10.7	58.2	25.0
Housing Units by Geography	28,939	6.4	12.1	55.9	25.6
Owner-Occupied Units by Geography	18,306	3.7	7.5	60.9	27.8
Occupied Rental Units by Geography	7,537	13.0	20.9	45.5	20.6
Vacant Units by Geography	3,096	6.4	17.7	51.2	24.7
Businesses by Geography	4,793	3.6	28.3	45.5	22.5
Farms by Geography	94	5.3	12.8	57.4	24.5
Family Distribution by Income Level	17,659	21.5	16.6	20.0	41.9
Household Distribution by Income Level	25,843	24.7	14.7	16.6	44.0
Median Family Income MSA - Huntington-Ashland, WV-KY-OH MSA #26580		\$54,584	Median Housing Value		\$102,191
Families Below Poverty Level		14.4%	Median Gross Rent		\$610
Source: 2015 ACS and 2021 D&B Data.					

According to 2021 D&B data, there were 4,793 businesses within the assessment area. Businesses with GARs of \$1 million or less represent approximately 80.1 percent of all businesses and

approximately 4.9 percent of businesses have GAR of over \$1 million; the remaining 15 percent have unknown revenues. Examiners used the distribution of businesses by GAR to evaluate the bank's small business loans under the Borrower Profile criterion. The service industry represented the largest portion of businesses in the area at 40.2 percent, followed by retail trade at 14.3 percent. The majority of businesses in the area were small businesses, with approximately 61.6 percent having 4 or fewer employees, and 84.7 percent operating from a single location, indicating the opportunity level to lend to small businesses.

Examiners used the 2019 and 2020 FFIEC Median Family Income (MFI) levels to analyze home mortgage loans under the Borrower Profile criterion. See the MFI data in the table below for more details.

MFI Ranges - Huntington-Ashland, WV-KY-OH MSA #26580				
MFIs	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2019 (\$58,800)	<\$29,400	\$29,400 to <\$47,040	\$47,040 to <\$70,560	≥\$70,560
2020 (\$60,500)	<\$30,250	\$30,250 to <\$48,400	\$48,400 to <\$72,600	≥\$72,600
<i>Source: FFIEC.</i>				

Examiners obtained data from the U.S. Bureau of Labor and Statistics for September 2021. Unemployment rates in September 2021 are similar to the unemployment rates throughout the evaluation period. Although unemployment rates spiked in 2020 due to the pandemic, the unemployment rates rebounded in 2021 to pre-pandemic rates. As illustrated in the table below, both counties in the assessment area had higher unemployment rates than the Kentucky statewide average and the national average.

County	Unemployment Rate
Boyd	5.2
Greenup	5.8
Statewide	3.9
National	4.8
<i>Source: U.S. Bureau of Labor and Statistics.</i>	

Competition

KFBC operates in a moderately competitive environment for financial services. The FDIC's Deposit Market Share data as of June 30, 2021, provides a measurement of the competition. Within Boyd and Greenup counties, there were nine institutions operating 31 offices. KFBC ranked third with 13.1 percent deposit market share.

Since KFBC is located in an MSA, they are required to collect and report home mortgage lending data. Aggregate market share data for home mortgage lending provides a measurement of the level of competition for these loans among banks, credit unions, and non-depository lenders in the assessment area. Aggregate home mortgage lending data for 2020, reflects 133 lenders originated 2,501 home mortgage loans in the assessment area. KFBC ranked eighth with 3.3 percent of market share. Aggregate data for 2019 is similar to that of 2020, with 140 lenders originating 1,890 home

mortgage loans in the assessment area. Aggregate lending in 2019 and 2020 reflects a high level of competition for home mortgage loans in the bank's assessment area.

KFBC is not required to collect or report its small business loan data, and has not elected to do so; therefore, the current analysis does not include comparisons against aggregate market share data. However, aggregate market share data provides a measurement of the level of competition for these loans among banks, credit unions, and non-depository lenders in the assessment area. Aggregate business-lending data for 2019, reflects 50 lenders originated 980 business loans in the assessment area. The top three lenders originated 40.1 percent of loans. Aggregate data for 2018 is similar to that of 2019, with 47 lenders originating 859 business loans in the assessment area. Aggregate lending in 2018 and 2019 reflects a high level of competition for small business loans in the bank's assessment area.

Community Contacts

As part of the evaluation process, examiners conduct or review contacts with third parties active in the assessment area. This process assists examiners in identifying credit needs and opportunities, including the bank's responsiveness to those needs.

Examiners contacted a representative familiar with the housing market in the assessment area. The contact stated homes in the area sell quickly when they become available. The contact also indicated there is a shortage of affordable housing; therefore, many LMI individuals and families seek rental properties and require rental assistance. Additionally, the contact stated competition for home mortgage loans within the assessment area is high, but that local financial institutions work with customers to make loans.

Examiners also contacted a representative of a community development organization in the assessment area. The contact stated the area's economy is in transition, as many small businesses did not survive the pandemic. Post-pandemic, the contact is seeing a revitalization of the economy as redevelopment occurs. Although the redevelopment is not specific to small businesses, the organization is working to attract larger companies into the area and increase employment opportunities. The contact stated many local financial institutions partner with the organization to aid in bringing jobs back to the community. Additionally, institutions participate in financial literacy opportunities in the community.

Credit Needs

Considering information from the community contacts, demographic, and economic data, examiners determined home mortgage and small business loans represent the primary needs for the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN HUNTINGTON-ASHLAND, WV-KY-OH ASSESSMENT AREA

LENDING TEST

KFBC demonstrated reasonable performance under the Lending Test. Geographic distribution and borrower profile performance primarily support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. KFBC's performance of home mortgage and small business lending supports this conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. As noted in the table below, the bank's performance in LMI census tracts is overall greater than that of their peers. Notably, the bank outperformed peer in the moderate-income census tract in 2019 by 4.4 percent and in 2020 by 6.3 percent.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	3.7	2.6	2	2.2	243	2.6
2020	3.7	4.3	5	6.3	419	4.9
Moderate						
2019	7.5	6.8	10	11.2	685	7.2
2020	7.5	5.0	9	11.3	888	10.4
Middle						
2019	60.9	56.3	59	66.3	6,596	69.7
2020	60.9	56.9	54	67.5	5,822	68.1
Upper						
2019	27.8	34.4	18	20.2	1,940	20.5
2020	27.8	33.8	12	15.0	1,417	16.6
Totals						
2019	100%	100%	89	100%	\$9,464	100%
2020	100%	100%	80	100%	\$8,546	100%
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data.</i>						

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion. The table below details the lending performance in each tract income level. Although bank performance trails demographic data in the moderate-income census tracts, examiners consider performance reasonable due to competition. In 2021, there were 1,356 businesses in moderate-income census tracts. As noted above, there were at least 50 lenders in 2019 that originated nearly 1,000 small business loans in the assessment area. The number of lenders originating loans in the assessment area illustrates the degree of competition for these loans.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	5.9	2	9.5	13	1.4
Moderate	23.5	1	4.8	107	11.7
Middle	47.1	18	85.7	794	86.9
Upper	23.5	0	--	0	--
Totals	100%	21	100%	\$914	100%
<i>Source: 2021 D&B Data; Bank Data.</i>					

Borrower Profile

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

Home Mortgage Loans

KFBC's distribution of home mortgage loans to individuals of different income levels, including LMI borrowers, reflects reasonable penetration. The following table presents the lending performance for each borrower income level.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	21.5*	8.0	12	13.5	419	4.4
2020	21.5*	5.7	5	6.3	206	2.4
Moderate						
2019	16.6	16.5	6	6.7	315	3.3
2020	16.6	16.4	14	17.5	856	10.0
Middle						
2019	20.0	22.8	19	21.3	1,432	15.1
2020	20.0	19.3	18	22.5	1,970	23.0
Upper						
2019	41.9	36.0	49	55.1	7,060	74.6
2020	41.9	36.5	39	48.8	5,078	59.4
Not Available						
2019	--	16.7	3	3.4	238	2.5
2020	--	22.1	4	5.0	437	5.1
Totals						
2019	100%	100%	89	100%	\$9,464	100%
2020	100%	100%	80	100%	\$8,546	100%
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data. *Includes 14.4% of families below the poverty level. Totals may not equal 100% due to rounding.</i>						

Home mortgage lending to low-income individuals was excellent in 2019, especially when considering the percentage of families living below the poverty level, at 14.4 percent. Due to their limited financial resources, families with incomes below the poverty level generally do not have the capacity to support a home mortgage loan, limiting demand and opportunity for extending loans. KFBC's performance was below the aggregate in 2019 for moderate-income borrowers and was slightly above demographic for 2020. KFBC's performance demonstrates a dedication to helping the most economically disadvantaged achieve home ownership.

Small Business Loans

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. The table below details the lending performance by GAR level. Five of the eight loans originated with revenues not available were PPP loans, which did not require borrowers to provide GARs. Of all small business loans originated between October 1, 2020, and September 30, 2021, the bank originated 57.1 percent to businesses with GARs of \$1 million or less. Furthermore, the bank originated 11 (approximately 52.4 percent) small business loans to businesses with GAR of \$250,000 or less, which reflects the bank's commitment and willingness to lend to the smallest of businesses.

Distribution of Small Business Loans by GAR Category					
GAR Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000	80.1	12	57.1	393	43.0
> \$1,000,000	4.9	1	4.8	116	12.7
Revenue Not Available	15.0	8	38.1	405	44.3
Totals	100%	21	100%	\$914	100%
<i>Source: 2021 D&B Data; Bank Data.</i>					

Kentucky Non-MSA Assessment Area – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN KENTUCKY NON-MSA ASSESSMENT AREA

This assessment area consists of one middle-income census tract in Lawrence County (9301). As noted above, KFBC acquired a bank in Lawrence County in late-October 2019. Because the acquisition took place in the fourth quarter of 2019, examiners did not review the bank's performance in 2019.

Economic and Demographic Data

Based on the 2015 ACS, there were 3,141 housing units in the assessment area. Approximately 62.5 percent of housing was owner-occupied and approximately 21.5 percent was rental-occupied. Approximately 75.6 percent of housing was 1-4 family units, 6.3 percent was multifamily units, and 16.1 percent was vacant. Examiners use the distribution of owner-occupied housing units to compare home mortgage lending under the Geographic Distribution criterion. See the demographic data in the table below for more details.

According to 2021 D&B data, there were 588 businesses within the assessment area. Businesses with GARs of \$1 million or less represent approximately 76.9 percent of all businesses and

approximately 4.2 percent of businesses have GAR of over \$1 million; the remaining 18.9 percent have unknown revenues. Examiners used the distribution of businesses by GAR to evaluate the bank's small business loans under the Borrower Profile criterion.

Demographic Information of the Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	1	--	--	100	--
Population by Geography	6,913	--	--	100	--
Housing Units by Geography	3,141	--	--	100	--
Owner-Occupied Units by Geography	1,962	--	--	100	--
Occupied Rental Units by Geography	675	--	--	100	--
Vacant Units by Geography	504	--	--	100	--
Businesses by Geography	588	--	--	100	--
Farms by Geography	13	--	--	100	--
Family Distribution by Income Level	1,890	17.5	13.6	19.6	49.3
Household Distribution by Income Level	2,637	28.8	11.3	12.9	46.9
Median Family Income Non-MSAs - KY		\$45,986	Median Housing Value		\$100,700
Families Below Poverty Level		13.7%	Median Gross Rent		\$487
Source: 2015 ACS and 2021 D&B Data.					

Examiners used the 2020 FFIEC MFI levels to analyze home mortgage loans under the Borrower Profile criterion. See the MFI data in the table below for more details.

MFI Ranges - KY Non MSA #99999				
MFI	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$51,500)	<\$25,750	\$25,750 to <\$41,200	\$41,200 to <\$61,800	≥\$61,800
<i>Source: FFIEC.</i>				

Examiners obtained data from the U.S. Bureau of Labor and Statistics for September 2021. Unemployment rates in September 2021 are similar to the unemployment rates throughout the evaluation period. Although unemployment rates spiked in 2020 due to the pandemic, the unemployment rates rebounded in 2021 to 2019 rates. As illustrated in the table below, Lawrence County had higher unemployment rates than the Kentucky statewide average and the national average.

County	Unemployment Rate
Lawrence	5.6
Statewide	3.9
National	4.8
<i>Source: U.S. Bureau of Labor and Statistics.</i>	

The service industry represented the largest portion of businesses in the area at 40.3 percent, followed by retail trade at 17.6 percent. The majority of businesses in the area were small businesses, with approximately 62.6 percent having 4 or fewer employees, and 81.5 percent operating from a single location, indicating the opportunity level to lend to small businesses.

Competition

KFBC operates in a minimally competitive environment for financial services. The FDIC's Deposit Market Share data, as of June 30, 2021, provides a measurement of the competition. Within Lawrence County, there were four institutions operating five offices. KFBC ranked last with 11.8 percent deposit market share.

KFBC is required to collect and report home mortgage lending data. Aggregate market share data for home loans provides a measurement of competition for these loans among banks, credit unions, and non-depository lenders in the assessment area. Aggregate home mortgage lending data for 2020, reflects 52 lenders originated 157 home mortgage loans in the assessment area. KFBC ranked fourth with 5.7 percent of market share. Aggregate lending in 2020 reflects a high level of competition for home mortgage loans in the bank's assessment area.

KFBC is not required to collect or report its small business loan data, and has not elected to do so; therefore, the current analysis does not include comparisons against aggregate market share data. However, aggregate market share data provides a measurement of the level of competition for these loans among banks, credit unions, and non-depository lenders in the assessment area. Aggregate business-lending data for 2019, reflects 29 lenders originated 137 business loans in the assessment area. The top three lenders originated 36.5 percent of loans. Aggregate data for 2018 is similar to that of 2019, with 29 lenders originating 104 business loans in the assessment area. Aggregate lending in 2018 and 2019 reflects a high level of competition for small business loans in the bank's assessment area.

Community Contact

As noted above, examiners use community contacts to assist in identifying credit needs and opportunities, including the bank's responsiveness to those needs. Examiners were not able to find any community contacts in Lawrence County that were willing to discuss credit needs and opportunities.

Credit Needs

Considering demographic and economic data, examiners determined home mortgage and small business loans represent the primary needs for the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN KENTUCKY NON-MSA ASSESSMENT AREA

LENDING TEST

KFBC demonstrated poor performance under the Lending Test. The borrower profile performance primarily support this conclusion.

Geographic Distribution

Since the assessment area consists of one middle-income census tract, an analysis of the geographic distribution of loans is not meaningful.

Borrower Profile

The distribution of borrowers reflects poor penetration among individuals of different income levels and businesses of different sizes. Examiners focused on the number of home mortgage loans to LMI borrowers and small business loans to businesses with GARs of \$1 million or less.

Home Mortgage Loans

KFBC's distribution of home mortgage loans to individuals of different income levels, including LMI borrowers, reflects poor penetration. The bank made no loans to low-income borrowers in 2020. The following table presents the lending performance for each borrower income level.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	17.5*	1.9	0	--	0	--
Moderate						
2020	13.6	10.8	2	22.2	203	21.3
Middle						
2020	19.6	21.0	1	11.1	48	5.0
Upper						
2020	49.3	45.9	6	66.7	701	73.7
Totals						
2020	100%	100%	9	100%	\$952	100%
<i>Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data. *Includes 13.7% of families below the poverty level.</i>						

Small Business Loans

The distribution of small business loans reflects poor penetration of loans to businesses with GARs of \$1 million or less. The bank did not originate any of the 41 small business loans sampled within this assessment area.

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

- 1) The bank's LTD ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank'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 bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

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/assessment area.

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.

Assessment Area: A geographic area delineated by the institution under the requirements of CRA.

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.

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.

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 assessment area. 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.

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.

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/assessment area.

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 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.

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

Small Business Loan: A loan included in “loans to small businesses” as defined in the 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 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.

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.