PUBLIC DISCLOSURE

May 5, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community Financial Services Bank
RSSD #698144

221 West Fifth Street
Benton, Kentucky 42025

Federal Reserve Bank of St. Louis

P.O. Box 442
St. Louis, Missouri 63166-0442

NOTE: **This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of the 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.**

TABLE OF CONTENTS

INSTITUTION’S CRA RATING: This institution is rated SATISFACTORY.

The Lending Test is rated: Satisfactory
The Community Development Test is rated: Satisfactory

Community Financial Services Bank meets the criteria for a Satisfactory rating based on the evaluation of the bank’s lending and community development activities. The factors supporting the institution’s rating are as follows:

- The loan-to-deposit (LTD) ratio is reasonable given the institution’s size, financial condition, and credit needs of the assessment area (AA).

- A majority of loans and other lending-related activities are in the AA.

- The borrower’s profile analysis reflects reasonable penetration among individuals of different income levels (including low- and moderate-income (LMI)) and businesses of different revenue sizes.

- The geographic distribution of loans reflects a reasonable dispersion throughout the AA.

- There were no CRA-related complaints filed against the bank since the previous CRA evaluation.

- The bank’s overall community development performance demonstrates adequate responsiveness to the community development needs of its AA, considering the bank’s capacity and the need and availability of such opportunities for community development in its AA. The bank has responded to these needs through community development loans, qualified investments, and community development services.

SCOPE OF EXAMINATION

The bank’s CRA performance was evaluated using the Federal Financial Institutions Examination Council’s (FFIEC’s) *Intermediate Small Bank Institution Examination Procedures,* which entail two performance tests: the Lending Test and the Community Development Test. 1–4 family residential real estate (RRE) loans and small business loans were used to evaluate the bank’s lending performance, as these loan categories are considered the bank’s core business lines based on lending volume and the bank’s stated business strategy. Therefore, the loan activity represented by these credit products is deemed indicative of the bank’s overall lending performance. However, as the bank has a particular emphasis on home mortgage lending, performance based on the 1–4 family RRE loan category carried the most significance toward the bank’s overall performance conclusions.

The following table details the performance criterion and the corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	December 31, 2022 – March 31, 2025
Assessment Area Concentration	January 1, 2023 – December 31, 2023
Geographic Distribution of Loans	January 1, 2023 – December 31, 2023
Loan Distribution by Borrower's Profile	January 1, 2023 – December 31, 2023
Response to Written CRA Complaints	October 11, 2022 – May 4, 2025
Community Development Activities	October 11, 2022 – May 4, 2025

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on Home Mortgage Disclosure Act (HMDA) and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2016–2020 U.S. Census: American Community Survey data; certain business demographics are based on 2023 Dun & Bradstreet data. When analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is generally placed on the aggregate lending data, because it is expected to describe many factors impacting lenders within an assessment area. Aggregate lending datasets are updated annually and are, therefore, expected to predict more relevant comparisons. In addition, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating in the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from $589.1 million to $1,026.4 billion as of March 31, 2025.

As part of the Community Development Test, the bank's performance was evaluated using the following criteria, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area:

- The number and dollar amount of community development loans.
- The number and dollar amount of qualified investments and grants.
- The extent to which the bank provides community development services.

The review included community development activities initiated from the date of the bank's previous CRA evaluation to this review date. In addition, investments made prior to the date of the previous CRA evaluation, but still outstanding as of this review date, were also considered.

To augment this evaluation, one community contact interview was conducted with a member of the local community to ascertain specific credit needs, opportunities, and local market conditions within the bank's assessment area. Information from this interview also assisted in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from this community contact interview are included in the *Description of Assessment Area* section.

DESCRIPTION OF INSTITUTION

Community Financial Services Bank is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by Community Financial Services, Inc., a one-bank holding company headquartered in Benton, Kentucky. The bank's branch network consists of eight offices (including the main office). All branches are full-service facilities with drive-up accessibility and automated teller machines (ATMs). In addition, the bank operates six stand-alone ATMs; four are cash-dispensing-only units, and the other two are interactive teller machines. The bank did not open or close any branch offices during this review period. Based on this branch network and other service delivery systems, such as extended banking hours of operation and full-service online banking capabilities, the bank is well positioned to deliver financial services to its entire assessment area.

For this review period, no legal impediments or financial constraints were identified that would have hindered the bank from serving the credit needs of its customers, and the bank appeared capable of meeting assessment area credit needs based on its available resources and financial products. As of March 31, 2025, the bank reported total assets of $1.4 billion. As of the same date, loans and leases outstanding were $981.1 million (70.3 percent of total assets), and deposits totaled $1.3 billion. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of March 31, 2025		
Credit Category	**Amount $ (000s)**	**Percentage (%) of Total Loans**
Loans to Individuals	291,478	29.7
1–4 Family RRE	273,713	27.9
Commercial Real Estate	180,797	18.4
Commercial and Industrial	94,489	9.6
Multifamily Residential	39,664	4.0
Construction and Development	38,328	3.9
Farmland	30,582	3.1
Total Other Loans	30,032	3.1
Farm Loans	2,043	0.2
TOTAL LOANS	**981,126**	**100**
Note: Percentages may not total 100.0% due to rounding.		

As indicated by the table above, a significant portion of the bank's lending resources is directed to loans to individuals, loans secured by 1–4 family RRE, and commercial real estate. While representing a significant product offering for the bank by dollar amount, loans to individuals are primarily composed of loans to purchase sport recreational vehicles, a product that is not a pressing borrowing need for LMI individuals or geographies. The bank also originates and subsequently sells a significant volume of loans related to RRE. As these loans are sold on the secondary market shortly after origination, this activity would not be captured in the table.

The bank received a Satisfactory rating at its previous CRA evaluation conducted on October 11, 2022, by this Reserve Bank.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank's sole assessment area is located in western Kentucky and is composed of Calloway, Graves, Marshall, and McCracken counties in their entireties. Until recently, all four counties were part of nonmetropolitan statistical area (nonMSA) Kentucky. However, as of the July 21, 2023, Office of Management and Budget Bulletin 23-01, McCracken County is included in the Paducah, Kentucky-Illinois MSA.

Calloway, Graves, Marshall, and McCracken counties have a total population of 173,286. The largest county in the assessment area is McCracken County, which has a population of 67,875; it is also home to the largest city in the assessment area, Paducah, Kentucky, which is located at the confluence of the Tennessee and Ohio rivers. The remaining three counties are south and/or southeast from McCracken County, with populations that ranged from 31,659 to 37,103.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2024, there are 15 FDIC-insured depository institutions in the assessment area that together operate 61 offices. Of the area banks, Community Financial Services Bank ranked first in terms of deposit market share, with 24.4 percent of the total deposit dollars.

Credit needs in the four-county area include a standard blend of consumer and commercial loan products. Other credit needs as noted primarily by the community contact include small dollar loans and affordable housing. Considering the needs of the LMI population in the assessment area, along with the available sources of community development intermediaries, such as nonprofit agencies and government assistance entities, there is a sufficient level of community development opportunity for financial institution participation.

Income and Wealth Demographics

The following table summarizes the distribution of census tracts by income level and the family population within those tracts.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown-**	**TOTAL**
Census Tracts	1	7	16	24	2	**50**
	2.0%	14.0%	32.0%	48.0%	4.0%	**100%**
Family Population	400	3,445	14,322	25,586	645	**44,398**
	0.9%	7.8%	32.3%	57.6%	1.5%	**100%**

As shown above, 16.0 percent of the census tracts in the assessment area are LMI geographies, but only 8.7 percent of the family population resides in these tracts. These LMI areas are primarily concentrated in McCracken County.

Based on 2020 U.S. Census data, the median family income for the assessment area was $64,570. At the same time, the median family income for nonMSA Kentucky was $54,327. More recently, the FFIEC estimates the 2023 median family income for nonMSA Kentucky to be $64,900. The following table displays population percentages of assessment area families by income level compared to nonMSA Kentucky as a whole.

Family Population by Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown-**	**TOTAL**
Assessment Area	7,297	6,788	8,058	22,255	0	**44,398**
	16.4%	15.3%	18.2%	50.1%	0.0%	**100%**
NonMSA Kentucky	109,027	79,154	88,561	196,893	0	**710,406**
	23.0%	16.7%	18.7%	41.6%	0.0%	**100%**

As shown in the table above, 31.7 percent of families within the assessment area were considered LMI, which is lower than the LMI family percentage of 39.7 percent in nonMSA Kentucky. Additionally, the assessment area's upper-income family population (50.1 percent) is larger than nonMSA Kentucky (41.6 percent). Lastly, the percentage of families living below the poverty threshold in the assessment area (10.6 percent) falls below the 16.0 percent level in nonMSA Kentucky. Considering these factors, the bank's assessment area appears to be more affluent than nonMSA Kentucky as a whole.

Housing Demographics

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be less affordable than nonMSA Kentucky overall.

Housing Cost Burden (%)						
Area	**Cost Burden – Renters**			**Cost Burden – Owners**		
	Low-Income	**Moderate-Income**	**All Renters**	**Low-Income**	**Moderate-Income**	**All Owners**
Assessment Area	63.5	37.7	37.8	54.0	22.6	15.8
NonMSA Kentucky	60.3	28.7	34.0	50.1	20.9	16.3
Cost burden is housing cost that equals 30 percent or more of household income.						

According to the table above, more LMI renters are cost burdened in the assessment area than nonMSA Kentucky as a whole, which suggests that LMI families might struggle to save for a down payment, and, ultimately, purchase a home. This is further supported by the assessment area having a higher median rental rate ($712/month) than nonMSA Kentucky as a whole ($657/month).

Similarly, the table shows that LMI homeowners in the bank's assessment area are more cost burdened than homeowners throughout nonMSA Kentucky. This could be explained by the fact that the assessment area has a lower housing affordability ratio (35.7 percent) and a higher median housing value ($134,066) than nonMSA Kentucky's overall housing affordability ratio (39.0 percent) and median housing value ($107,295). The community contact further reiterated this point and suggested that there is not enough affordable housing to rent or purchase in the region.

Industry and Employment Demographics

The assessment area supports a large and diverse business community, including a strong small business sector, as evidenced by the Dun & Bradstreet data indicating that 91.3 percent of businesses have gross annual revenues of $1 million or less. Furthermore, according to the U.S. Department of Labor, Bureau of Labor Statistics (BLS), there are 80,349 paid employees in the assessment area (including 11,748 governmental employees). By percentage of nongovernmental employees, the three largest job categories are retail trade (15.7 percent), followed by accommodation and food service (13.6 percent) and healthcare and social assistance (13.1 percent).

The following table details BLS unemployment data (not seasonally adjusted) for the assessment area and nonMSA Kentucky as a whole.

Unemployment Levels (%)			
Dataset	**Time Period (Annual Average)**		
	2022	**2023**	**2024 (Jan.–Nov.)**
Assessment Area	4.2	4.1	4.8
NonMSA Kentucky	4.5	4.7	5.5

As shown in the table above, unemployment levels in the assessment area are lower than overall nonMSA Kentucky levels. Trends varied amongst the four counties across the review period as unemployment levels in three of the four counties decreased from 2022 to 2023, while one county (Callaway) increased. That said, unemployment levels across the assessment area and in nonMSA Kentucky as a whole increased between 2023 and 2024.

Community Contact Information

Information from one community contact was used to help shape the performance context in which the bank's activities in this assessment area were evaluated. The interview was with an individual specializing in economic and small business development. The community contact categorized the economy as stable and doing well. Generally speaking, the contact indicated that homes are not selling as quickly, and sale prices appear to have plateaued. However, there is still a strong demand for affordable housing, and the waitlists for low-income housing in the region are very long. When asked about needs, credit counseling was identified by the community contact. Lastly, the contact described the Kentucky Lake Region as relatively vibrant, serving as a strong base for business startups and entrepreneurial endeavors.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Loan-to-Deposit (LTD) Ratio

One indication of the bank's overall level of lending activity is its LTD ratio. The table below displays the bank's average LTD ratio in comparison to those of regional peers. The average LTD ratio represents a 10-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	**Headquarters**	**Asset Size $ (000s) as of March 31, 2025**	**Average LTD Ratio (%)**
Community Financial Services Bank	Benton, Kentucky	1,395,292	76.2
Regional Banks	Paducah, Kentucky	1,026,374	93.1
	Mayfield, Kentucky	708,533	74.7
	Mayfield, Kentucky	589,079	66.3

Based on data from the previous table, the bank's level of lending is in line with area banks used for comparison. During the review period, the bank's LTD ratio increased slightly from 74.5 percent to 76.6 percent, with a 10-quarter average of 76.2 percent. In comparison, the average LTD ratios for regional peers ranged from 66.3 percent to 93.1 percent. Therefore, compared to data from similarly situated banks, the bank's average LTD ratio is reasonable.

Assessment Area Concentration

For the loan activity reviewed as part of this evaluation, the following table displays the number and dollar volume of loans inside and outside the bank's assessment area.

Lending Inside and Outside the Assessment Area January 1, 2023 through December 31, 2023								
Loan Type	**Inside**				**Outside**			
	#	**# %**	**$ (000s)**	**$ %**	**#**	**# %**	**$ (000s)**	**$ %**
1–4 Family RRE	123	92.5	18,290	89.9	10	7.5	2,058	10.1
Small Business	77	84.6	12,972	84.8	14	15.4	2,325	15.2
TOTAL LOANS	200	89.3	31,263	87.7	24	10.7	4,383	12.3
Note: Percentages may not total 100.0% due to rounding.								

A majority of loans and other lending-related activities were made in the bank's assessment area. As shown above, 89.3 percent of the total loans were made inside the assessment area, accounting for 87.7 percent of the dollar volume of total loans.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is reasonable, based on performance from both loan categories reviewed. As was stated previously, greater significance was placed on the bank's performance in the 1–4 family RRE loan category given the bank's business model.

Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the applicable median family income figure as estimated by the FFIEC ($64,900 for nonMSA Kentucky as of 2023). The following table shows the distribution of the bank's 1–4 family RRE-reported loans in 2023 by borrower income level, family population income demographics for the assessment area, and 2023 aggregate data.

Borrower Distribution of 1–4 Family RRE Loans

Borrower Income Levels	Bank Loans		Aggregate Data	Bank Loans		Aggregate Data	Families by Income Level
	#	# %	# %	$ (000s)	$ %	$ %	%
Low	3	2.4	4.3	182	1.0	1.6	16.4
Moderate	16	13.0	15.3	1,151	6.3	9.1	15.3
Middle	22	17.9	22.7	2,096	11.5	18.3	18.1
Upper	61	49.6	40.9	10,638	58.2	51.1	50.1
Unknown	21	17.1	16.8	4,223	23.1	19.9	0.0
TOTAL	**123**	**100.0**	**100.0**	**18,290**	**100.0**	**100.0**	**100.0**

Source: 2023 FFIEC Census Data
2016–2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0% due to rounding.

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (2.4 percent) is below the low-income family population figure (16.4 percent) but similar to the aggregate lending level to low-income borrowers (4.3 percent), reflecting reasonable performance. The bank's level of lending to moderate-income borrowers (13.0 percent) is comparable to the moderate-income family population percentage (15.3 percent) and the aggregate lending level to moderate-income borrowers (15.3 percent), again reflecting reasonable performance. Therefore, considering performance to both income categories, the bank's overall distribution of loans by borrower's profile is reasonable.

Next, small business loans were reviewed to determine the bank's lending levels to businesses of different revenue sizes. The following table shows the distribution of 2023 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Small Business Loans by Revenue and Loan Size									
Business Revenue and Loan Size		Count			Dollars			Total Businesses	
		Bank		Aggregate	Bank		Aggregate		
		#	%	%	$ (000s)	$ %	$ %	%	
Business Revenue	$1 Million or Less	43	55.8	63.0	6,119	47.2	41.2	91.3	
	Over $1 Million/ Unknown	34	44.2	37.0	6,853	52.8	58.8	8.7	
	TOTAL	**77**	**100.0**	**100.0**	**12,972**	**100.0**	**100.0**	**100.0**	
Loan Size	$100,000 or Less	44	57.1	93.7	2,031	15.7	36.8		
	$100,001–$250,000	19	24.7	3.5	3,544	27.3	17.6		
	$250,001–$1 Million	14	18.2	2.8	7,397	57.0	45.7		
	Over $1 Million	0	0.0	0.0	0	0.0	0.0		
	TOTAL	**77**	**100.0**	**100.0**	**12,972**	**100.0**	**100.0**		
Loan Size – Revenue $1 Million or Less	$100,000 or Less	26	60.5		994	16.2			
	$100,001–$250,000	9	20.9		1,529	25.0			
	$250,001–$1 Million	8	18.6		3,596	58.8			
	Over $1 Million	0	0.0		0	0.0			
	TOTAL	**43**	**100.0**		**6,119**	**100.0**			
Note: Percentages may not total 100.0% due to rounding.									

The bank's distribution of small business loans to businesses of different sizes is poor. The bank made 55.8 percent of its small business loans to businesses with revenues of $1 million or less, which is below the aggregate lending level (63.0 percent) and well below the demographic estimate of businesses with annual revenues of $1 million or less (91.3 percent).

<u>Geographic Distribution of Loans</u>

As noted previously, the bank's assessment area includes one low-income and seven moderate-income census tracts, representing 16.0 percent of all area census tracts. Overall, the bank's geographic distribution of loans reflects reasonable penetration throughout these LMI census tracts. Furthermore, based on reviews from both loan categories, the bank had loan activity in 84.0 percent of all assessment area census tracts, and there were no conspicuous lending gaps noted in LMI areas.

The following table displays the geographic distribution of 2023 1–4 family RRE loans compared to owner-occupied housing demographics and aggregate performance for the assessment area.

Geographic Distribution of 1–4 Family RRE Loans							
Borrower Income Levels	**Bank Loans**		**Aggregate Data**	**Bank Loans**		**Aggregate Data**	**Owner-Occupied Units**
	#	**# %**	**# %**	**$ (000s)**	**$ %**	**$ %**	**%**
Low	0	0.0	0.4	0	0.0	0.9	0.5
Moderate	5	4.1	6.2	523	2.9	4.4	5.5
Middle	36	29.3	33.6	4,624	25.3	30.5	31.4
Upper	79	64.2	58.5	12,798	70.0	62.9	61.1
Unknown	3	2.4	1.2	345	1.9	1.3	1.4
TOTAL	**123**	**100.0**	**100.0**	**18,290**	**100.0**	**100.0**	**100.0**

Source: 2023 FFIEC Census Data
2016–2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0% due to rounding.

Of the loans reviewed, none were to borrowers in low-income geographies; however, given the very low level of RRE lending opportunities in the assessment area's lone low-income census tract (as evidenced by the aggregate lending level, 0.4 percent, and demographic figure, 0.5 percent), this lending performance is considered reasonable. The bank's penetration of moderate-income census tracts (4.1 percent) is similar to the percentage of owner-occupied housing units in moderate-income census tracts (5.5 percent) and to the aggregate level (6.2 percent), reflecting reasonable performance. Therefore, the bank's geographic distribution of 1–4 family RRE loans in LMI geographies is reasonable.

Second, the bank's geographic distribution of small business loans was reviewed. The following table displays 2023 small business loan activity by geography income level compared to the location of businesses throughout the bank's assessment area and 2023 small business aggregate data.

Geographic Distribution of Small Business Loans							
Tract Income Levels	**Count**			**Dollars**			**Businesses**
	Bank		**Aggregate**	**Bank**		**Aggregate**	
	#	**%**	**%**	**$ (000s)**	**$ %**	**$ %**	**%**
Low	0	0.0	1.5	0	0.0	1.3	1.6
Moderate	5	6.5	10.9	1,072	8.3	18.1	13.1
Middle	17	22.1	28.1	2,995	23.1	26.3	28.1
Upper	55	71.4	56.1	8,906	68.7	48.8	54.5
Unknown	0	0.0	3.4	0	0.0	5.6	2.8
TOTAL	**77**	**100.0**	**100.0**	**12,973**	**100.0**	**100.0**	**100.0**

Source: 2023 FFIEC Census Data
2023 Dun & Bradstreet Data
2016–2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Of the loans reviewed, none were made in low-income geographies. In comparison, the estimated percentage of businesses operating inside low-income geographies is 1.6 percent, and the aggregate lending level in the sole low-income census tract is 1.5 percent, suggesting limited opportunities for lending. Therefore, the bank's performance is reasonable. The bank made 6.5 percent of reviewed loans in moderate-income census tracts, which is generally in line with the aggregate lending level (10.9 percent) while trailing the percentage of small businesses operating in moderate-income geographies (13.1 percent). This also reflects reasonable performance. Therefore, the bank's overall performance is considered reasonable.

Responses to Complaints

No CRA-related complaints were filed against the bank during this review period (October 11, 2022 through May 4, 2025).

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test is rated satisfactory. The bank demonstrates adequate responsiveness to the community development needs of its assessment area, considering the bank's capacity and the need and availability of such opportunities. The following table summarizes the bank's community development activity during the review period, along with qualified prior-period investments that remain outstanding.

Total Community Development Activities Inside the Assessment Area October 11, 2022 – May 4, 2025			
Community Development Component	**#**		**$**
Loans	24		16.4 million
Investments, Current and Prior	15		10.2 million
Current Period	3		1.8 million
Prior Period, Still Outstanding	12		8.4 million
Donations	13		50,026
Services	17 employees	160 hours	26 organizations

During the review period, the bank made 24 community development loans in its assessment area totaling $16.4 million; these loans supported the revitalization and stabilization of LMI geographies in the bank's assessment area.

The bank also made community development investments in its assessment area totaling $10.2 million. This amount included 3 new qualified investments totaling $1.8 million and 12 continuing investments made in a prior review period, yet still outstanding, totaling $8.4 million. Most of the investments were municipal bonds issued by qualifying school districts for community services. Furthermore, the bank made 13 donations totaling $50,026.00. The donations were to 26 separate organizations that have a community service purpose.

During the review period, 17 bank personnel used financial expertise to contribute 160 service hours to 26 different community development organizations within the bank's assessment area. Service activities included delivering financial education in schools that primarily serve LMI families, providing financial expertise to community service organizations as board members, and presenting budgeting and financial literacy workshops at a local shelter.

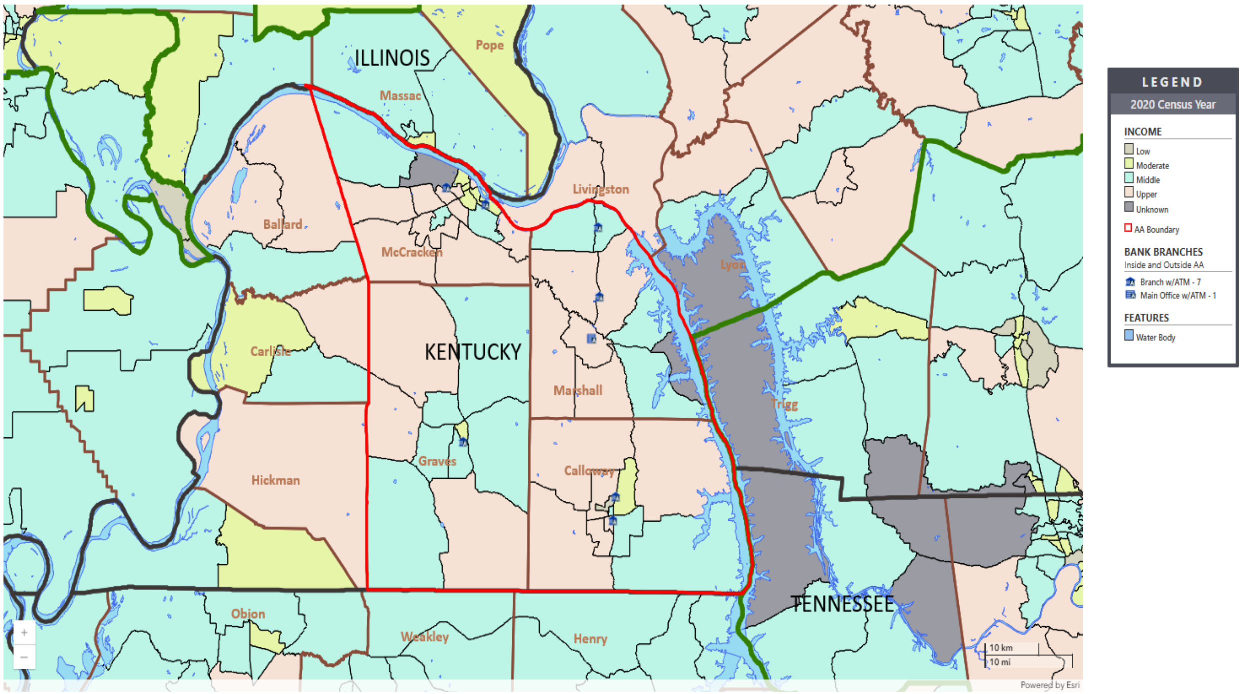
In addition to adequately meeting the community development needs of its assessment area, the bank had community development activities outside its assessment area but still within the broader statewide Kentucky area. In total, the bank made 22 broader, statewide community development investments totaling $33.4 million and two community development loans totaling $38,990.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Based on findings from the Consumer Affairs examination, including a fair lending analysis performed under Regulation B – Equal Credit Opportunity and the Fair Housing Act requirements, conducted concurrently with this CRA evaluation, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – ASSESSMENT AREA MAP

<u>Western Kentucky Assessment Area</u>



APPENDIX B – 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.

Assessment area: One or more of the geographic areas delineated by the bank and used by the regulatory agency to assess an institution's record of CRA performance.

Census tract: A small subdivision of metropolitan and nonmetropolitan counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely, depending on population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community contact: Interviews conducted as part of the CRA examination to gather information that might assist examiners in understanding the bank's community, available opportunities for helping to meet local credit and community development needs, and perceptions on the performance of financial institutions in helping meet local credit needs. Communications and information gathered can help to provide a context to assist in the evaluation of an institution's CRA performance.

Community development: An activity associated with one of the following five descriptions: (1) <u>affordable housing</u> (including multifamily rental housing) for low- or moderate-income individuals; (2) <u>community services</u> targeted to low- or moderate-income individuals; (3) activities that promote <u>economic development</u> by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; (4) activities that <u>revitalize or stabilize</u> low- or moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or (5) Neighborhood Stabilization Program (NSP) eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate-, and middle-income individuals and geographies.

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.

Demographics: The statistical characteristics of human populations (e.g., age, race, sex, and income) used especially to identify markets.

Distressed nonmetropolitan middle-income geography: A middle-income, nonmetropolitan 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 nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

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

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

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders who 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 income of applicants; the amount of loan requested; and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancing of home improvement and home purchase loans.

Household: One or more persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

Housing affordability ratio: Calculated by dividing the median household income by the median housing value. It represents the amount of single family, owner-occupied housing that a dollar of income can purchase for the median household in the census tract. Values closer to 100 percent indicate greater affordability.

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

Low-income: Individual 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 family income: The dollar amount that divides the family income distribution into two equal groups, half having incomes above the median, half having incomes below the median. The median family income is based on all families within the area being analyzed.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a geography.

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

Nonmetropolitan statistical area (nonMSA): Not part of a metropolitan area. (See metropolitan area.)

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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.

Performance context: The performance context is a broad range of economic, demographic, and institution- and community-specific information that an examiner reviews to understand the context in which an institution’s record of performance should be evaluated. The performance context is not a formal or written assessment of community credit needs.

Performance criteria: These are the different criteria against which a bank's performance in helping to meet the credit needs of its assessment area(s) is measured. The criteria relate to lending, investment, retail service, and community development activities performed by a bank. The performance criteria have both quantitative and qualitative aspects. There are different sets of criteria for large banks, intermediate small banks, small banks, wholesale/limited purpose banks, and strategic plan banks.

Performance evaluation (PE): A written evaluation of a financial institution's record of meeting the credit needs of its community, as prepared by the federal financial supervision agency responsible for supervising the institution.

Qualified investment: A qualified investment is defined as any 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.

Small businesses/small farms: A small business/farm is considered to be one in which gross annual revenues for the preceding calendar year were $1 million or less.

Small loan(s) to business(es): That is, "small business loans" are included in "loans to small businesses" as defined in the Consolidated Reports of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of $1 million or less and typically are secured by either nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

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

Underserved middle-income geography: A middle-income, nonmetropolitan geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate 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.