



## **PUBLIC DISCLOSURE**

February 10, 2014

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The First National Bank of Williamson  
Charter Number 6830

68 East Second Avenue  
Williamson, West Virginia 25661

Office of the Comptroller of the Currency  
Roanoke Field Office  
4419 Pheasant Ridge Road  
Suite 300  
Roanoke, Virginia 24014

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

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

**State Name: West Virginia Rating: Satisfactory**  
**State Name: Kentucky Rating: Satisfactory**

The major factors supporting the institution's rating include:

- The bank's quarterly average net loan-to-deposit ratio is reasonable based on the bank's size, financial condition, area credit needs, and relevant competitive factors;
- A substantial majority of the loans were made in the bank's assessment area (AA);
- The distribution of loans reflects reasonable penetration among borrowers of different incomes; and
- The geographic distribution of loans reflects reasonable dispersion throughout census tracts of different income levels.

## **SCOPE OF EXAMINATION**

First National Bank of Williamson (FNB Williamson) was evaluated under the small bank Community Reinvestment Act (CRA) procedures. This Performance Evaluation assesses the bank's performance under the Lending Test for the period of January 1, 2009 through December 31, 2013. We sampled loans originated between January 1, 2012 and December 31, 2013 as this was representative of the bank's lending strategy since the last CRA evaluation. We selected home mortgage loans and consumer loans as the primary loan products based on total loans originated during the evaluation period and discussions with bank management. Our analysis was based on the sample of home mortgage loans and consumer loans originated during the evaluation period. The sample was selected based on judgmental sampling guidelines.

The Lending Test analysis is based on the bank's performance during the evaluation period using comparative demographic data from the 2010 U.S. Census.

## **DESCRIPTION OF INSTITUTION**

FNB Williamson is an independent, interstate community bank headquartered in Williamson, West Virginia. In addition to operating in West Virginia, the bank operates a branch in neighboring Pikeville, Kentucky. As of December 31, 2013, FNB Williamson had total assets of \$99.8 million and Tier One Capital of \$12.8 million. FNB Williamson has one subsidiary, FNB Agency, LLC. FNB Agency, LLC is an insurance agency, and the subsidiary activities were not considered and had no impact on FNB Williamson's CRA performance.

As of December 31, 2013, the bank has three branches, two “drive-thru” locations, and two Automated Teller Machines (ATMs). The bank’s main branch is located at 68 East Second Avenue, Williamson, West Virginia. This branch offers regular business hours Monday through Friday. The second branch, which opened in October 2004, is located at 4th Avenue Extension, Williamson, West Virginia. This branch offers business hours Monday through Friday and Saturday mornings. There is also a drive-thru located at 4th Avenue and Logan Street, Williamson, West Virginia that is open Monday through Friday and Saturday mornings. These two branches and the drive-thru are located in distressed middle-income census tracts (as designated by the federal banking agencies) in Williamson, West Virginia. The third branch and the second drive-thru were opened in February 2005, and they are located at 109 Prater Place, Pikeville, Kentucky. This branch and the drive-thru are open Monday through Friday and Saturday mornings, and the drive-thru offers extended morning and evening hours Monday through Friday.

The branches offer full-service banking, while the drive-thru locations offer limited banking, which consists of loan payments, deposits, withdrawals, and cashier’s checks. The main branch and the Pikeville branch also have ATMs. No branches were opened, or closed during the evaluation period.

FNB Williamson offers a variety of deposit and loan products to meet consumer and commercial banking needs. The bank’s Internet website, [www.fnbwilliamson.com](http://www.fnbwilliamson.com), provides detailed information on products and services for both consumers and businesses. Banking services are standard, with the addition of on-line banking with free bill pay. FNB Williamson also offers 24-hour account access service.

As of December 31, 2013, FNB Williamson’s gross loans totaled \$48.9 million and total deposits were \$84.7 million. Gross loans represented 49 percent of total assets. The institution's loan portfolio as of December 31, 2013 is listed in **Table 1** below.

<b>Table 1 Loan Product Category</b>	<b>Gross Loans as of December 31, 2013*</b>	
	<b>Dollar (000's)</b>	<b>Percent</b>
<b>Residential Mortgage Loans</b>	<b>\$27,562</b>	<b>56.34%</b>
<b>Individuals</b>	<b>\$7,270</b>	<b>14.86%</b>
<b>Commercial and Commercial Real Estate</b>	<b>\$5,981</b>	<b>12.23%</b>
<b>Commercial and Industrial</b>	<b>5,403</b>	<b>11.04%</b>
<b>All Other</b>	<b>\$1,758</b>	<b>3.59%</b>
<b>Construction &amp; Land Development</b>	<b>\$950</b>	<b>1.94%</b>
<b>Total</b>	<b>\$48,924</b>	<b>100%</b>

\*Data obtained from “Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only – FFIEC 041”.

Competition for loans and deposits comes from local community banks and larger regional institutions. Some of FNB Williamson's primary competitors are Branch Banking and Trust Company, Bank of Mingo, Community Trust Bank, and U.S. Bank, N.A.

There are no legal or financial impediments to the bank's ability to help meet the credit needs of its AAs. The bank was rated "Satisfactory" at its last CRA evaluation, which was dated February 23, 2009.

## **Selection of Areas for Full-Scope Review**

In each state where the bank has an office, a sample of AAs within that state are selected for full-scope reviews. The Mingo County AA in West Virginia and the Pike County AA in Kentucky were selected for full-scope reviews. Please refer to the "Scope" section under each State Rating for details regarding how the areas were selected.

## **Ratings**

The bank's overall rating is a blend of state ratings. Full-scope reviews were performed for the Mingo County AA in West Virginia and the Pike County AA in Kentucky. More weight was placed on the West Virginia state rating because a majority of the bank's lending and deposits are located in West Virginia. Please refer to the "Scope" section under each state rating for details regarding how the areas were weighted in arriving at the overall state rating.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

FNB Williamson's performance under the Lending Test is considered "Satisfactory". The bank's loan-to-deposit (LTD) ratio is reasonable, and a substantial majority of loans were originated inside its AA. FNB Williamson's geographic distribution reflects reasonable dispersion throughout census tracts of different income levels, and the bank's borrower distribution reflects reasonable penetration among borrowers of different incomes.

### **LOAN-TO-DEPOSIT RATIO**

FNB Williamson's quarterly average (LTD) ratio is reasonable in light of its capacity to lend, other similarly situated institutions in their AA, demographic and economic facts about the AA, and the lending opportunities available in the bank's AA. It meets the standard for satisfactory performance. The bank's quarterly average net LTD ratio for the twenty quarters since the last CRA examination is 67.55 percent.

The Bank of Mingo was identified as a similarly-situated competitor institution to FNB Williamson. Both institutions have a residential loan focus with significant commercial lending, comparable branching structure, similar asset size, and operate in the same

market areas. The average LTD ratio for Bank of Mingo for the previous 20 quarters is 58.94 percent. This quarterly average ratio is moderately below the quarterly average LTD ratio for FNB Williamson. FNB Williamson has experienced declines in its quarterly average LTD ratio over the 20 quarters in the evaluation period; however, it has seen quarters of increase, where The Bank of Mingo's downward trend is steady and continuous for the duration.

#### **LENDING IN ASSESSMENT AREA**

FNB Williamson originated a substantial majority of loans inside its AA. Based on the residential mortgage loans and the consumer loans sampled during the evaluation period, 90 percent of the residential real estate and consumer loans were made within the bank's combined AA. By product type, 90 percent of the consumer loans sampled were originated within the combined AA, and 90 percent of the residential real estate loans sampled were originated within the bank's combined AA.

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

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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

## State Rating

### State of West Virginia

#### CRA Rating for West Virginia: Satisfactory

- The distribution of loans reflects reasonable penetration among borrowers of different incomes and businesses of different sizes; and,
- The geographic distribution of loans reflects reasonable dispersion throughout census tracts of different income levels.

#### DESCRIPTION OF INSTITUTION'S OPERATIONS IN WEST VIRGINIA

The bank's primary market is in the state of West Virginia, and the bank has one assessment area, Mingo County non-MSA AA, in the state of West Virginia. The bank operates two branches and an ATM in this area. Mingo County is located in the southwestern portion of the state, approximately 80 miles southwest of the state capital, Charleston. Mingo County borders Pike County, Kentucky, and the Tug Fork River separates the two counties. Demographic data for the AA is displayed below.

Demographic Information for Full Scope Area: Mingo County AA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	7	0%	0%	100%	0%
Population by Geography	26,839	0%	0%	100%	0%
Owner-Occupied Housing by Geography	8,436	0%	0%	100%	0%
Business by Geography	1,098	0%	0%	100%	0%
Farms by Geography	8	0%	0%	100%	0%
Family Distribution by Income Level	7,487	25.16%	17.43%	20.03%	37.37%
Distribution of Low and Moderate Income Families throughout AA Geographies	3,189	0%	0%	100%	0%
Median Family Income		\$43,801	Median Housing Value		\$64,568
HUD Adjusted Median Family Income for 2012		\$45,400	Unemployment Rate*		9.8%
Households Below Poverty Level		21%			

Source: 2010 U.S. Census and 2012 HUD updated MFI

\*Bureau of Labor Statistics, December 2013

There are seven census tracts (CTs) in the Mingo County AA. All seven CTs are middle-income geographies that have been designated as distressed by the federal banking agencies based on the rates of poverty and population loss. There are no low-, moderate-, or upper-income tracts in the AA. This AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The 2010 U.S. Census reported the total population in the AA at 26,839. Within the AA, there are 7,487 families and 10,936 households. Approximately 25 percent of the

families are categorized as low-income, 18 percent as moderate-income, 20 percent as middle-income, and 37 percent as upper-income. The percentage of households below the poverty level is 21 percent. There are 12,829 housing units, of which 66 percent are owner-occupied, 19 percent are rental-occupied, and 15 percent are vacant housing units.

According to the 2013 business demographics, there are a total of 1,098 businesses in the AA. Approximately 66.3 percent of the businesses reporting have revenues less than \$1 million, approximately 5 percent have revenues greater than \$1 million, and the revenue was not reported for approximately 29 percent of the businesses.

The West Virginia economy generally outperformed the U.S. economy over the past five years due to a relatively strong energy sector featuring rising coal prices, increasing coal exports to foreign countries, and rising natural gas production. The pace of recovery will be greatly influenced by activity in the energy sector, which faces significant challenges as mine and power plant closures continue to cause job losses over the near term.

Patriot Coal's bankruptcy and mine closures from Alpha Natural Resources and Arch Coal may well push down expectations for employment in the mining industry. Exports, which in the past have been a bright spot in the mining sector, are also forecast to slow over the next five years, further reducing the sector's prospects.

Major employment in the AA includes services with 42 percent, retail trade with 15 percent, and transportation/communication at 7 percent. The top three employers in Mingo County are Mingo County Board of Education, Mingo Logan Coal Company, and West Virginia Mine Power, Inc. (Source: WV Department of Commerce – Workforce WV). While this is typically a coal mining area, mining represents less than 3 percent of employment. According to the U. S. Bureau of Labor Statistics, the December 2013 unemployment rate for Mingo County was 9.8 percent. This rate is higher than the state unemployment rate of 6.0 percent and the national unemployment rate of 6.7 percent.

According to the June 30, 2013 FDIC Summary of Deposits Market Share Report, FNB Williamson ranked third out of four institutions in the Mingo County West Virginia non-MSA AA with 15.48 percent of deposits. The competitor's deposit market share ranked as follows - Branch Banking & Trust Company (BB&T) is ranked first with four offices in the county and 48.79 percent of the deposits, Bank of Mingo with six offices and 21.62 percent of the deposits, and Community Trust Bank with one office and 14.11 percent of the deposits.

## **Community Contact**

We completed a community contact with Coalfield Community Action Partnership (Coalfield CAP). This organization is part of the statewide membership organization, West Virginia Community Action Partnerships, Inc. (WVCAP). The organization is responsible for works in partnership with the West Virginia Governor's Office of Economic Opportunity to identify training needs and coordinate training opportunities for the Community Action Agencies. WVCAP works closely with lobbyist to promote legislation that supports the efforts of local Community Action Agencies, while striving to protect the interests of low-income individuals and families. WVCAP advocates for and supports public policy beneficial to the needs of local Community Action Agencies.

Coalfield CAP identified the top three needs for Mingo County West Virginia as 1) home repair; 2) affordable medical care; and 3) affordable health facilities. The contact stated that the financial institutions are meeting the credit need of this community. FNB Williamson has provided loans to the Coalfield CAP for the purchase of real estate, construction and renovation to the real estate for the organization's corporate offices and training centers. He stated that one of the areas for banks to help with would be to provide low-cost loans to low-income families for home repairs and weatherizing homes.

## **SCOPE OF EVALUATION IN WEST VIRGINIA**

The Mingo County AA received a full-scope review. The West Virginia state rating is based on the results of the Mingo County AA's full-scope review.

More weight was placed on FNB Williamson's performance in its Mingo County AA than its performance in its Pike County AA since this is the county in which FNB Williamson operates the larger number of its branch offices and derives the larger number of its deposits and loans.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

FNB Williamson's performance under the lending test in the Mingo County AA is rated "Satisfactory". FNB Williamson's geographic distribution reflects reasonable dispersion throughout census tracts of different income levels, and FNB Williamson's borrower distribution reflects reasonable penetration among borrowers of different incomes and businesses of different sizes.

### **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

Overall, the borrower distribution of home mortgage and consumer loans reflects reasonable penetration and meets the standard for satisfactory performance. FNB Williamson's poor distribution of home mortgage loans was offset by its satisfactory distribution of consumer loans.

## Home Mortgage Loans

The distribution of home mortgage loans reflects poor penetration among borrowers of different income levels. FNB Williamson's record of home mortgage lending to borrowers of different incomes does not meet the standard for satisfactory performance.

The percentage of home mortgage loans made to low-income borrowers is significantly lower than the percentage of low-income families in the AA. The percentage of home mortgage loans made to moderate-income borrowers is significantly lower than the percentage of moderate-income families in the AA. This level of residential mortgage lending to borrowers of different income levels is reasonable considering the demographic context in which the institution operates.

FNB Williamson's ability to extend residential mortgage loans to low- and moderate-income borrowers is hampered by AA demographics. The average median housing value in this AA was \$64,568. According to the 2012 HUD updated median family income, low-income individuals earn less than \$23,050. Additionally, 22 percent of households in the AA are below the poverty level. The lack of affordability limits the opportunities for home mortgage lending to low-income individuals.

Low credit demand is also being impacted by the level of creditworthy applicants, the lack of demand and the lack of turnover of houses. Specifically, of the households in the bank's AA, 13.31 percent of the AA population is age 65 or older and 28.21 percent of AA households are comprised of retired residents. In addition, 46.97 percent of area households derive income from social security.

The 2010 US Census data reports that owner-occupied housing represents 65.76 percent of housing, and the median year built for AA housing is 1975. Limited residential mortgage loan demand from low- or moderate-income families can be attributed to many low-income families consisting of more senior, long-time residents who have already owned and occupied residences in the area for many years.

**Table 2** shows the distribution of home mortgage loan products among borrowers of different income levels for the period of January 1, 2012 through December 31, 2013 as compared to the percent of families in each income category.

Table 2 – Borrower Distribution of Residential Real Estate Loans in Mingo County AA		
Income Level	% of Households	% of Number of Loans
Low	26.16%	5.00%
Moderate	17.43%	10.00%
Middle	20.03%	15.64%
Upper	37.37%	73.29%

Source: 2012-2013 Loan Sample; 2010 U.S. Census Data

## Consumer Loans

The distribution of consumer loans reflects reasonable penetration among borrowers of different income levels. FNB Williamson’s record of consumer lending to borrowers of different incomes meets the standard for satisfactory performance.

The percentage of consumer loans made to low-income borrowers is near to the percentage of low-income households in the AA. The percentage of consumer loans made to moderate-income borrowers is above the percentage of moderate-income families in the AA. Low credit demand is also being impacted by the level of creditworthy applicants as discussed above.

**Table 2A** details the bank’s performance in lending for the period of January 1, 2012 through December 31, 2013.

Table 2A – Borrower Distribution of Consumer Loans within Mingo County AA		
Income Level	% of AA Families	% of Number of Loans
Low	26.70%	23.81%
Moderate	18.07%	19.05%
Middle	15.47%	31.55%
Upper	39.76%	43.60%

Source: 2012-2013 loan sample; 2010 U.S. Census Data

## Geographic Distribution of Loans

Mingo County AA does not contain any low- or moderate-income tracts; therefore, an analysis of geographic distribution within that AA would not be meaningful.

## Community Development Loans

In our analysis, we took into consideration the number and amount of Community Development Loans that FNB Williamson originated during the evaluation period. FNB Williamson’s community development performance demonstrates an adequate level of responsiveness to the community development needs of its assessment areas through community development loans. The opportunity and availability of qualified community development loans within the bank’s assessment area is limited.

The bank has made two community development loans totaling \$370 thousand during the evaluation period in the Mingo County AA. Proceeds of the loan originated in March 2012 were used to purchase real estate to relocate corporate offices and training centers of Coalfield Community Action Partnership. The proceeds of the loan originated in June 2012 were used to construct and renovate the real estate acquired with the March 2012 loan. This community services organization provides Home Weatherization Program, Food Services Programs, and Emergency Food and Shelter Programs.

### **Responses to Complaints**

FNB Williamson did not receive any complaints about its performance in helping to meet credit needs in the assessment area during this evaluation period. This has a neutral impact on the overall assessment.

## State Rating

### State of Kentucky

#### CRA Rating for Kentucky: Satisfactory

- The distribution of loans reflects reasonable penetration among borrowers of different incomes and businesses of different sizes; and,
- The geographic distribution of loans reflects reasonable dispersion throughout census tracts of different income levels.

#### DESCRIPTION OF INSTITUTION'S OPERATIONS IN KENTUCKY

The bank's second market is in the state of Kentucky. FNB Williamson identified all of Pike County as an assessment area as the bank has one branch and one ATM in Pikeville, Kentucky. Pike County, Kentucky borders Mingo County, West Virginia; separated by the Tug Fork River. Demographic data for the AA is displayed in **Table 3** below.

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % #
Geographies (Census Tracts/BNAs)	19	0%	26.32%	68.42%	5.26%
Population by Geography	65,024	0%	23.05%	67.38%	9.57%
Owner-Occupied Housing by Geography	20,351	0%	23.20%	68.11%	8.69%
Business by Geography	4,914	0%	14.65%	65.75%	19.60%
Farms by Geography	61	0%	6.56%	73.77%	19.67%
Family Distribution by Income Level	19,182	24.32%	18.73%	18.66%	38.29%
Distribution of Low and Moderate Income Families throughout AA Geographies	8,258	0%	27.51%	65.78%	6.71%
Median Family Income	\$43,212	Median Housing Value		\$71,263	
HUD Adjusted Median Family Income for 2012	\$43,600	Unemployment Rate		10.5%*	
Households Below Poverty Level	23%				

Source: 2010 U.S. Census and 2012 HUD updated MFI;

\*Bureau of Labor Statistics December 2013

There are nineteen census tracts (CTs) in Pike County. Five CTs are moderate-income, fifteen CTs are middle-income, and one CT is upper-income. All fifteen middle-income geographies have been designated as distressed and underserved by the federal banking agencies because of the rate of poverty and the remote rural location of the geographies. There are no low-income tracts in the AA. This AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

According to the 2013 business demographics, there are 4,914 businesses in the AA. Approximately 69 percent of the businesses reporting have revenues less than \$1 million, approximately 3 percent have revenues greater than \$1 million, and approximately 28 percent of the businesses are not reporting revenues. Approximately 15 percent of businesses are located in moderate-income geographies, 66 percent are located in middle-income geographies, and 19 percent are located in upper-income geographies.

Pike County is the second-largest coal producing county in Kentucky as reported in 2013 next to Union County in the western part of the state. Adding that to the counties of Harlan County, Perry County, and Martin County, eastern Kentucky produces nearly 75% of all coal produced in the entire state. Over 150 million tons are produced annually.

The economic status of eastern Kentucky and the Appalachian region has come to be a prominent discussion in the news. The poverty level of counties in the Appalachian region of Kentucky is 24.4 percent compared to the United States Poverty Level of 12.4 percent. Of the top eight coal-producing counties in eastern Kentucky, Pike County is the only county that does not have a higher poverty rate than Appalachian Kentucky as a whole. So while mining employment is extremely important as a source of income for individuals in coal-producing counties, the benefits of these jobs do not translate into prosperity for the region. The growth of Pike County away from the coal industry in the economic perspective has contributed to its lower poverty level.

Competition in this area comes from community banks as well as larger regional financial institutions. According to the June 30, 2013 FDIC Summary of Deposits Market Share Report, FNB Williamson was ranked sixth out of seven institutions in the Pike County AA with a 1.08 percent deposit market share. Community Trust Bank, Inc. ranked first with eleven offices and 62.12 percent deposit market share; BB&T ranked second with four offices and 16.36 percent deposit market share; U.S. Bank, N.A. ranked third with seven offices and 13.20 percent deposit market share; and Citizens National Bank of Paintsville ranked fourth with two offices and 5.70 percent deposit market share.

According to the U.S. Bureau of Labor Statistics, the December 2013 unemployment rate for Pike County was 10.5 percent. This rate is higher than the State of Kentucky's unemployment rate of 7.9 percent and the national unemployment rate of 6.7 percent. Major employment in the AA includes services with 41 percent, retail trade with 14 percent, and transportation/communication at 8 percent. While this is typically a coal mining area, it represents less than 3 percent of employment.

## **SCOPE OF EVALUATION IN KENTUCKY**

The Pike County AA received a full-scope review. The Kentucky state rating is based on the results of the Pike County AA full-scope review. Less weight was placed on FNB Williamson's performance in its Pike County AA than its performance in its Mingo County AA because FNB Williamson operates a larger number of its branch offices and derives a larger number of its deposits and loans in its Mingo County AA.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

FNB Williamson's performance under the lending test in the Pike County AA is rated "Satisfactory". FNB Williamson's geographic distribution reflects reasonable dispersion throughout census tracts of different income levels, and FNB Williamson's borrower distribution reflects reasonable penetration among borrowers of different incomes.

### **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

Overall, the borrower distribution of home mortgage and consumer loans reflects reasonable penetration and meets the standard for satisfactory performance.

#### **Home Mortgage Loans**

The distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels. FNB Williamson's record of lending to borrowers of different incomes meets the standard for satisfactory performance.

Based on our loan sample, there were no home mortgage loans made to low-income borrowers. The percentage of home mortgage loans made to moderate-income borrowers is near to the percentage of moderate-income families in the AA. This level of residential mortgage lending to borrowers of different income levels is reasonable considering the demographic context in which the institution operates.

FNB Williamson's ability to extend residential mortgage loans to low- and moderate-income borrowers is hampered by AA demographics. The average median housing value in this AA was \$71,263. According to the 2012 HUD updated median family income, low-income individuals earn less than \$22,350. Additionally, 23 percent of households in the AA are below the poverty level. The lack of affordability limits the opportunities for home mortgage lending to low-income individuals.

Low credit demand is also being impacted by the level of creditworthy applicants, the lack of demand, and the lack of turnover of houses. Specifically, of the households in the bank's AA, 13.59 percent of the AA population is age 65 or older and 21.05 percent of AA households are comprised of retired residents. In addition, 43.92 percent of area households derive income from social security and 22.70 percent are considered to be at or below poverty level.

The 2010 US Census data reports that owner-occupied housing represents 66.36 percent of housing, and the median year built for AA housing is 1975. Limited residential mortgage loan demand from low- or moderate-income families can be attributed to many low-income families consisting of more senior, long-time residents who have already owned and occupied residences in the area for many years.

**Table 4** shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2012 through December 31, 2013 as compared to the percent of families in each income category.

<b>Table 4 – Borrower Distribution of Residential Real Estate Loans in Pike County AA</b>		
<b>Income Level</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>
Low	24.32%	0%
Moderate	18.73%	15%
Middle	18.66%	25%
Upper	38.29%	60%

Source: 2012-2013 loan sample; 2010 U.S. Census Data.

### Consumer Loans

The distribution of consumer loans reflects reasonable penetration among borrowers of different income levels. FNB Williamson’s record of consumer lending to borrowers of different incomes meets the standard for satisfactory performance.

The percentage of consumer loans made to low-income borrowers is below the percentage of low-income households in the AA. The percentage of consumer loans made to moderate-income borrowers is well above the percentage of moderate-income families in the AA. Low credit demand is also being impacted by the level of creditworthy applicants,

**Table 4A** details the bank’s performance in lending for the period of January 1, 2012 through December 31, 2013.

<b>Table 4A – Borrower Distribution of Consumer Loans within Pike County AA</b>		
<b>Income Level</b>	<b>% of Households</b>	<b>% of Number of Loans</b>
Low	26.79%	14.29%
Moderate	16.99%	33.33%
Middle	16.53%	19.05%
Upper	39.80%	33.33%

Source: 2012-2013 loan sample; 2010 U.S. Census Data

### Geographic Distribution of Loans

The geographic distribution of home mortgage loans and consumer loans reflects reasonable dispersion throughout census tracts of different income levels, and FNB Williamson’s performance meets the standard for satisfactory performance. There were no conspicuous gaps identified within the bank’s Pike County AA.

There are no low-income geographies in the AA, there are five moderate-income geographies in the AA, and fifteen middle-income geographies in the AA that have been designated as distressed and underserved geographies because of the poverty rate and the remote rural location.

**Home Mortgage Loans**

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout census tracts of different income levels, and FNB Williamson’s performance meets the standard for satisfactory performance. FNB Williamson’s ability to extend residential mortgage loans to low- and moderate-income geographies is hampered by AA demographics as discussed above.

The percentage of home mortgage loans made in moderate-income geographies is below the percentage of owner-occupied housing units in these geographies. Since all fifteen middle-income geographies were designated as distressed and underserved non-metropolitan middle-income geographies for the duration of the evaluation period, the bank received consideration for lending to the middle-income geographies.

**Table 5** details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level for the period of January 1, 2012 through December 31, 2013.

<b>Table 5 – Geographic Distribution of Residential Real Estate Loans in Pike County AA</b>		
<b>Income Level</b>	<b>% of AA Owner Occupied Housing</b>	<b>% of Number of Loans</b>
Low	0%	0%
Moderate	23.20%	15%
Middle	68.11%	80%
Upper	8.59%	5%

Source: 2012-2013 loan sample; 2010 U.S. Census Data

**Consumer Loans**

The geographic distribution of consumer loans reflects reasonable dispersion throughout census tracts of different income levels, and FNB Williamson’s performance meets the standard for satisfactory performance.

The percentage of FNB Williamson’s loans made to consumers in moderate-income geographies is well below the percentage of households located in these geographies. Since all fifteen middle-income geographies were designated as distressed and underserved non-metropolitan middle-income geographies, the bank received consideration for lending to consumers in middle-income geographies.

**Table 5A** details the bank’s performance as compared to the percentage of businesses in each census tract income level for the period of January 1, 2012 through December 31, 2013.

<b>Table 5A – Geographic Distribution of Consumer Loans within Pike County AA</b>		
<b>Income Level</b>	<b>% of Households</b>	<b>% of Number of Loans</b>
Low	26.79%	0%
Moderate	16.88%	5%
Middle	16.53%	90%
Upper	39.80%	5%

Source: 2012-2013 loan sample; 2010 U.S. Census Data

### **Community Development Loans**

In our analysis, we took into consideration the number and amount of Community Development Loans that FNB Williamson originated during the evaluation period. FNB Williamson’s community development performance demonstrates an adequate level of responsiveness to the community development needs of its assessment areas through community development loans. The opportunity and availability of qualified community development loans within the bank’s assessment area is limited.

The bank has made one community development loan totaling \$433,500 during the evaluation period in the Pike County Kentucky AA. Proceeds of the loan originated in June 2013 were used to purchase a 16-unit multi-family affordable housing complex in Belfry, Kentucky.

### **Responses to Complaints**

FNB Williamson did not receive any complaints about its performance in helping to meet credit needs in the assessment area during this evaluation period. This has a neutral impact on the bank’s CRA assessment.