



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

June 11, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First & Farmers National Bank, Inc.
Charter Number: 6769

100 Public Square
Somerset, Kentucky 42501

Office of the Comptroller of the Currency

10200 Forest Green Boulevard, Suite 501
Louisville, Kentucky 40223-5165

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.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

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

- A substantial majority of FFNB's loans originated during this assessment period were within the Assessment Area (AA);
- FFNB's distribution of loans to low- and moderate-income individuals is reasonable;
- FFNB's geographic distribution of loans reflects reasonable dispersion throughout the AAs;
- FFNB's community development performance demonstrates adequate responsiveness to the community development needs of the AA; and
- FFNB's loan-to-deposit ratio is reasonable.

Scope of Examination

The previous CRA evaluation was conducted on February 6, 2007 using Small Bank examination procedures. Due to a bank merger, the bank now qualifies to be evaluated under Intermediate Small Bank examination procedures. These include a lending test and a community development test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The community development test evaluates the bank's responsiveness to community development needs in its AA through community development lending, qualified investments, and community development services.

The CRA evaluation period covers the time period between April 1, 2007 and June 28, 2012. Conclusions regarding the bank's lending performance are based on a sample of the bank's primary loan types, residential real estate and business loans, originated between January 1, 2010 and December 31, 2011. Our analysis of the geographic and borrower distribution of loans compares those originated during the testing period to the 2000 U.S. Census demographic information. The income level designations, used in the analysis of the home mortgage loans, are based on the Department of Housing and Urban Development (HUD) estimate of the Kentucky 2010 and 2011 Median Family Incomes for a non-metropolitan area. The overall rating for FFNB, under each lending test, is the consolidation of conclusions reached for each full-scope assessment area. When consolidating AA conclusions into overall ratings, more weight was given to AA1 than AA2 as the majority of FFNB's loans being located in AA1. When determining

conclusions for the lending tests, residential real estate loans were weighted more heavily than business loans. This weighting is reflective of the bank's respective lending volumes.

Conclusions regarding the bank's community development tests are based on the bank's level of community development lending, qualified investments, and community development services performed between April 1, 2007 and June 28, 2012.

Description of Institution

First & Farmers National Bank, Inc. (FFNB) is a full-service intrastate bank 100 percent owned by Albany Bancorp, Inc., a one-bank holding company, located in Somerset, Kentucky. In 2008, the bank merged with the First National Bank of Columbia (FNB) located in Columbia, Kentucky. As of March 31, 2012, the bank had \$474 million in total assets, \$393 million in deposits, \$263 million in loans, and \$41 million in Tier 1 Capital.

The bank offers traditional banking products and services. The bank operates eleven branches, ten drive-thru locations, and fifteen automated teller machines (ATM) in four Kentucky counties. The bank's Somerset Main Office is located in downtown Somerset, Kentucky (Pulaski County). Three other branches located in Somerset are Somerset Plaza, North Main Street, and Grand Central. There are another two branches located in Pulaski County which are the Burnside Branch in Burnside, Kentucky and the Nancy Branch in Nancy, Kentucky. The bank's Albany Main Office and Albany Plaza branch are located in Albany, Kentucky in Clinton County. The Columbia Main Office and Columbia Branch are located in Columbia, Kentucky in Adair County. The Burkesville Main Office is located in Burkesville, Kentucky in Cumberland County. All branches have a drive-thru and ATM except the main offices in Somerset and Columbia. There is an additional standalone drive-thru located in Columbia. There are three additional ATMs located in Pulaski County, one in Clinton County, and one in Adair County. The bank branch locations are accessible to all segments of the community.

FFNB opened one branch since our last examination. In August 2009, the bank opened the North Main Street Branch in Somerset, Kentucky; two ATMs; and one cash-dispensing ATM. The bank also closed one drive-thru and two ATMs.

The bank's primary lending focus is residential real estate and small business loans. FFNB also offers consumer and farm loans appropriate for market area. The need for traditional long-term, fixed-rate home loans is met by offering access to government guaranteed home mortgages primarily through the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). Another guaranteed loan program is offered through the United States Department of Agriculture Rural Housing Service (RHS). The RHS lends directly to low income borrowers in rural areas and guarantees loans that meet RHS requirements made by approved lenders. These secondary market agencies offer liberal financing programs to aid first-time home buyers and low- and moderate-income families. In the

prior two years, the bank has processed or sold 163 loans, totaling \$18 million, to secondary market institutions. The majority of these loans were made to families and individuals residing in the bank's assessment area.

As of March 31, 2012, net loans represented approximately 56 percent of the bank's average assets. The loan portfolio mix is as follows: 1-4 family residential mortgages 47 percent, commercial real estate loans 23 percent, consumer loans 10 percent, commercial and industrial loans 10 percent, farm-related real estate loans 6 percent, agriculture loans 2 percent, and municipal loans 2 percent.

There are no legal or financial circumstances that impact the bank's ability to meet community credit needs. The last CRA evaluation was performed on February 20, 2007. The bank received a rating of Satisfactory.

Description of Assessment Areas

FFNB has delineated two assessment areas. The first AA consists of one county (Pulaski) and the second AA consists of three counties (Adair, Clinton, and Cumberland). The two AAs are separated by Russell County where no branches are located and very little lending takes place. The AAs are not contiguous and therefore, considered separate. Both AAs conform to the regulatory requirements of CRA, appear appropriate in relation to the location of the bank's offices, and do not arbitrarily exclude any low- or moderate-income geography.

Description of Assessment Area One (AA1): Pulaski County

The first assessment area identified for CRA purposes is Pulaski County, Kentucky. FFNB's main office is located in Somerset, the AA's largest city. The 2000 U.S. Census divides the AA into eleven census tracts (CTs). Of these, one is moderate-income, nine middle-income, and one upper-income. There are no low-income CTs in the AA.

Pulaski County is a rural county in South Central Kentucky with a total population of 56,217 according to the 2000 U.S. Census. In 2010, the population was 63,063. The 2000 population of the AA was comprised of 22,664 households, of which 6,010, or 27 percent, are considered to have low-incomes and 3,504, or 15 percent, have moderate-incomes. Additionally, 4,569, or 20 percent of the households in the AA, live below the poverty level and 830, or 4 percent, receive public assistance.

As of March 2012, Pulaski County has an unemployment level of 10.4 percent which is higher than the state average of 9.0 percent. According to the Kentucky Cabinet for Economic Development, the county has seen an expansion in the size and number of manufacturing and service firms since 2009. In total, 15 companies have expanded their bases in Pulaski County for a combined investment of \$51 million. The cabinet lists six industrial firms employing over 300 people: Toyotetsu America at 642 (auto parts), Super Service at 525 (trucking), Blackboard at 500 (educational software),

Hendrickson USA at 353 (auto parts), Armstrong Wood Products at 332, and Eagle Hardwoods at 300.

The bank’s major competition in the Pulaski County area consists of other banks and finance companies. Competition is strong as many financial institutions service the AA. There are 10 banks with 32 offices operating here. As of June 30, 2011, these offices hold a combined total of \$1.023 billion in deposits. FFNB has the second-largest market share in the AA with 15 percent. The competition includes one regional bank with deposits of \$109 million and nine community banks with total deposits ranging from \$936 thousand to \$265 million.

Type of Information	AA1	
Total Population in AA1	63,063	
Kentucky HUD Adjusted Median Family Income – 2011	\$43,000	
Families in AA1:		
Income Levels of Families	#	%
Low	3,415	21
Moderate	2,933	18
Middle	3,499	21
Upper	6,534	40
Total Families within AA1	16,381	100
Median Home Value:	\$63,665	
Median Year Built:	1976	
Farms in AA1:	#	%
Under \$1 Million Revenue	254	99
Over \$1 Million Revenue	0	0
Revenue Not Reported	1	1
Total	255	100
Businesses in AA1:	#	%
Under \$1 Million Revenue	4,916	70
Over \$1 Million Revenue	182	3
Revenue Not Reported	1,881	27
Total	6,979	100

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

The second assessment area consists of Adair, Clinton, and Cumberland Counties. Located in the non-metropolitan portion of the state of Kentucky, the AA includes all three counties in their entirety. The 2000 U.S. Census divides the AA into ten census tracts (CTs), with two moderate-income and eight middle-income geographies. There are no low- or upper-income CTs in the AA.

Adair, Clinton, and Cumberland Counties are rural counties in South Central Kentucky with a total population of 34,024 according to the 2000 US Census. In 2010, the population was 35,784. The 2000 population in the AA was comprised of 13,766 households, of which 4,613 or 34 percent have low-incomes and 2,369 or 17 percent have moderate-incomes. Other household factors to consider are 3,660 or 27 percent of the households in the AA live below the poverty level and 642 or 5 percent receive public assistance.

As of March 2012, Adair, Clinton, and Cumberland Counties have unemployment levels of 9.9 percent, 10.2 percent, and 13.2 percent, respectively. All are higher than the state average of 9.0 percent. The major industries in the counties are transportation, manufacturing, and services. Major employers for the AA are Equity Group - Kentucky Division LLC with 1,430 employees, Patriot Industries, Inc. with 160, and IMO Pump with 108.

The bank's major competition in and around the Adair, Clinton, and Cumberland County area consists of other banks and finance companies. Competition is moderate and many financial institutions service the AA. According to the Federal Deposit Insurance Corporation (FDIC) website, eight banks with 16 offices operate in these counties. As of June 30, 2011, these offices hold a combined total of \$580 million in deposits. FFNB has the largest market share in the AA with 40 percent. The competition includes one regional bank with total deposits of \$3 billion and seven community banks with total deposits ranging from \$23 million to \$2 billion.

Type of Information	AA2	
Total Population in AA2	34,024	
Kentucky HUD Adjusted Median Family Income – 2011	\$43,000	
Families in AA2:		
Income Levels of Families	#	%
Low	2,529	26
Moderate	1,932	20
Middle	1,979	21
Upper	3,178	33
Total	9,618	100
Median Home Value:	\$51,296	
Median Year Built:	1974	
Farms in AA2:	#	%
Under \$1 Million Revenue	210	100
Over \$1 Million Revenue	1	0
Revenue Not Reported	0	0
Total	211	100
Businesses in AA2:	#	%
Under \$1 Million Revenue	2,614	70
Over \$1 Million Revenue	79	2
Revenue Not Reported	1,019	28
Total	3,712	100

A community contact familiar with the area's credit needs indicated all local banks are active in the community and are willing to provide financing for potential projects. The contact did not identify any credit needs in the AA not being addressed by the banks or through other sources.

Conclusions with Respect to Performance Tests

First & Farmers National Bank's performance under the lending test is Satisfactory.

FFNB's loan-to-deposit (LTD) ratio is reasonable. A substantial majority of loan originations were inside the bank's AAs. FFNB's borrower income distribution reflects reasonable penetration among borrowers of different income-levels and businesses of

different sizes. The geographic distribution of FFNB’s residential and business loans reflect reasonable dispersion among geographies.

More weight and consideration was placed on FFNB’s borrower income distribution performance because less than 25 percent of the AA includes low- and moderate-income census tracts when evaluating performance under the criteria below.

LENDING TEST

Loan-to-Deposit Ratio

FFNB’s loan-to-deposit ratio indicates a reasonable level of lending activity given FFNB’s size, financial condition, and AA credit needs. The bank’s average net loan-to-deposit ratio for the twenty quarters since the last CRA evaluation is 72 percent. The loan-to-deposit ratio has been stable since the last CRA evaluation and was 68 percent as of December 31, 2011.

The OCC identified one other bank considered similarly situated and comparable to FFNB in asset and deposit size, major lending products, and number of offices operating in the AA. FFNB’s average loan-to-deposit ratio during the same period exceeds the comparable bank. FFNB’s lending responsiveness to community credit needs is considered satisfactory given the depressed economic conditions and the level of competition in the AA. FFNB’s current loan-to-deposit ratio is lower than its national peer group, which is 73 percent.

Institution	Average
First & Farmers National Bank	71.38%
Local Comparable Bank	67.18%

Lending in Assessment Area

A substantial majority of the loans sampled are inside FFNB’s AA. To reach this conclusion, the OCC analyzed the bank’s lending activity by selecting a random sample of 42 residential and 36 business loans originated between January 1, 2010 and December 31, 2011. The analysis shows 99 percent of the number and dollars originated were to borrowers inside the AA. Management originated all residential loans inside the AA and only two business loans outside. See the following table for details.

Lending in Assessment Areas Loan Originations Between January 1, 2010 and December 31, 2011										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	42	100	0	0	42	2,624	100	0	0	2,624
Business	36	95	2	5	38	2,284	97	63	3	2,347
Totals	78	98	2	2	80	4,908	99	63	1	4,971

* Source: Random sample of residential real estate and business loans originated between January 1, 2010 and December 31, 2011.

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

The overall income distribution of loans, given the demographics of the AAs, reflects reasonable penetration among individuals of different income levels (including low- and moderate-income borrowers) and business entities with annual revenues of less than \$1 million.

Residential Real Estate Loans

The income distribution of residential loans to borrowers reflects reasonable penetration. The bank's performance in helping meet the overall home loan needs to low- and moderate-income families is reasonable. The following tables show the distribution of FFNB's lending activity from January 1, 2010 to December 31, 2011 by borrower income within the AAs. The bank's performance is compared to the distribution of families.

Table INC-1 1-4 Family Residential Loans in AA1 shows the percentage of FFNB's residential loans to low-income borrowers is slightly lower than the demographic comparator. FFNB's loan distribution to low-income borrowers represents 19 percent of total loan originations, falling below the demographic comparator considering 26 percent of the families are low-income. Home loans to moderate-income borrowers represent 14 percent of total loans, in-line with the demographic comparator considering 15 percent of families are moderate-income. Given the credit needs of AA1, FFNB's residential mortgage lending performance is reasonable.

Table INC-1 1-4 Family Residential Loans in AA1

1-4 FAMILY RESIDENTIAL LOANS in AA1					
Borrower Income Level	Loan Originations Between Jan 1, 2010 and Dec 31, 2011				Percentage of Families within each Income Category
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$ (000's)	Percentage of Dollars	
Low	4	19	125	10	26
Moderate	3	14	184	14	15
Middle	5	24	210	17	19
Upper	9	43	751	59	40
Total	21	100	1,270	100	100

* Source: Random sample of 1-4 family residential loans originated within the bank's AA1.

** Further segmentation of home mortgage lending activity by purpose was not available from the data used for this analysis.

Table INC-2 1-4 Family Residential Loans in AA2 shows the percentage of FFNB's residential loans to low-income borrowers is lower than the demographic comparator. FFNB's loan distribution to low-income borrowers in AA2 represents 10 percent of total loan originations, falling below the demographic comparator considering 34 percent of the families are low-income. Home loans to moderate-income borrowers represent 28 percent of total loans, well exceeding the demographic comparator considering 17 percent of families are moderate-income. Given the credit needs of AA2, FFNB's residential mortgage lending performance is reasonable.

Table INC-2 1-4 Family Residential Loans in AA2

1-4 FAMILY RESIDENTIAL LOANS in AA2					
Borrower Income Level	Loan Originations Between Jan 1, 2010 and Dec 31, 2011				Percentage of Families within each Income Category
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$ (000's)	Percentage of Dollars	
Low	2	10	149	11	34
Moderate	6	28	236	16	17
Middle	4	19	370	27	17
Upper	9	43	635	46	32
Total	21	100	1,390	100	100

* Source: Random sample of 1-4 family residential loans originated within the bank's AA2.

** Further segmentation of home mortgage lending activity by purpose was not available from the data used for this analysis.

Business Loans

The distribution of business loans to borrowers reflects reasonable penetration. The bank's performance in helping meet the overall loan needs to small businesses is reasonable. The following tables show the distribution of FFNB's lending activity from January 1, 2010 to December 31, 2011 by borrower income within the AAs. The bank's performance is compared to the distribution of businesses.

Table INC-3 Business Loans in AA1 shows FFNB originated 79 percent of its business loans to small businesses with annual revenues of less than \$1 million. FFNB's performance in AA1 is reasonable and meets the demographic comparator when compared to the percentage of small businesses within AA1.

Table INC-3 Business Loans in AA1

BUSINESS LOANS in AA1					
Business Income Level in Revenues	Loan Originations Between Jan 1, 2010 and Dec 31, 2011				Percentage of Businesses in the AA
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$(000's)	Percentage of Dollars	
< \$1 Million	15	79	647	67	79
> \$1 Million	4	21	318	33	3
Not Reported	0	0	0	0	18
Total	19	100	965	100	100

* Source: Random sample of commercial loans originated within the bank's AA1.

Table INC-4 Business Loans in AA2 shows FFNB originated 95 percent of its business loans to small businesses with annual revenues of less than \$1 million. FFNB's performance exceeds the demographic comparator of 70 percent. FFNB's loan distribution to small businesses in AA2 has excellent penetration when compared to the percentage of small businesses within AA2.

Table INC-4 Business Loans

BUSINESS LOANS AA2					
Business Income Level in Revenues	Loan Originations Between Jan 1, 2010 and Dec 31, 2011				Percentage of Businesses in the AA
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$(000's)	Percentage of Dollars	
< \$1 Million	19	95	1,251	97	70
> \$1 Million	0	0	0	0	4
Not Reported	1	5	34	3	26
Total	20	100	1,285	100	100

* Source: Random sample of commercial loans originated within the bank's AA2.

Geographic Distribution of Loans

The overall geographic distribution of loans, given the demographics of the assessment areas, reflects reasonable dispersion throughout the AAs and supports an overall satisfactory rating for both residential and business loans.

During the assessment period, the bank's assessment area contained zero census tracts designated as low-income (0 percent) and three census tracts (14 percent) designated as moderate-income. Information taken from random sampling showed management originated loans in all census tract income levels. The sample also showed management did not originate any residential real estate or business loans in the moderate-income census tract located in AA1. This appears reasonable considering only three percent of owner-occupied units and only two percent of businesses are located in AA1. There were no other notable conspicuous gaps in lending to any moderate-income CTs.

Residential Real Estate Loans

The following tables show FFNB's geographical distribution of home loans reflects reasonable dispersion of residential real estate loans in moderate-income census tracts considering their needs. Originations fell short of the comparator of three percent and 29 percent for all owner-occupied housing in the AA's three moderate-income CTs.

Table GEO-1 1-4 Family Residential Loans in AA1 shows FFNB did not originate any residential loans in the moderate-income census tract leaving a small gap in lending. We found this reasonable given the bank has little opportunity to lend in the tract due to the CT containing only three percent of the owner occupied housing in the AA.

Table GEO-1 1-4 Family Residential Loans in AA1

1-4 FAMILY RESIDENTIAL LOANS AA1					
Census Tract Income Level	Loan Originations Between Jan 1, 2010 and Dec 31, 2011				Distribution of Owner Occupied Housing
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$(000's)	Percentage of Dollars	
Moderate	0	0	0	0	3
Middle	19	90	1,100	87	80
Upper	2	10	170	13	17
Total	21	100	1,270	100	100

* Source: Randomly selected sample of 1-4 family residential loans originated within the bank's AA1.

** Further segmentation of home mortgage lending activity by purpose was not available from the data used for this analysis.

Table GEO-2 1-4 Family Residential Loans in AA2 shows FFNB's residential loans in moderate-income geographies meet the demographic comparator. FFNB's geographic distribution to moderate-income census tracts in AA2 represented 29 percent of total loan originations, equaling the demographic comparator considering 29 percent of owner occupied housing is in the moderate-income census tracts. Given the credit needs of AA2, FFNB's residential mortgage lending performance is reasonable.

Table GEO-2 1-4 Family Residential Loans in AA2

1-4 FAMILY RESIDENTIAL LOANS AA2					
Census Tract Income Level	Loan Originations Between Jan 1, 2010 and Dec 31, 2011				Distribution of Owner Occupied Housing
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$(000's)	Percentage of Dollars	
Moderate	6	29	466	33	29
Middle	15	71	923	67	71
Total	21	100	1,389	100	100

* Source: Randomly selected sample of 1-4 family residential loans originated within the bank's AA2.

** Further segmentation of home mortgage lending activity by purpose was not available from the data used for this analysis.

Business Loans

The following tables show FFNB's geographical distribution of business loans reflects reasonable dispersion in moderate-income census tracts considering their needs. Originations fell short of the comparator of two percent and 28 percent for all businesses in the AAs' three moderate-income CTs. The following tables show the geographic distribution of FFNB's lending activity from January 1, 2010 to December 31, 2011 by census tract. The bank's performance is compared to the distribution of businesses.

Table GEO-3 Business Loans in AA1 shows FFNB did not originate any business loans located within the moderate-income census tract leaving a small gap in lending. We found this reasonable given the bank has little opportunity to lend due to the tract containing only two percent of the businesses in the AA.

Table GEO-3 Business Loans in AA1

BUSINESS LOANS AA1					
Census Tract Income Level	Loan Originations Between Jan 1, 2010 and Dec 31, 2011				Distribution of Businesses in the AA
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$(000's)	Percentage of Dollars	
Moderate	0	0	0	0	2
Middle	14	74	464	48	77
Upper	5	26	501	52	21
Total	19	100	965	100	100

* Source: Randomly selected sample of commercial loans originated within the bank's AA1.

Table GEO-4 Business Loans in AA2 shows FFNB extended 15 percent of its business loans in the two moderate-income census tracts. One tract is located in Adair County and one in Clinton County. According to 2000 census reports, 28 percent of the businesses in AA2 are located in these two census tracts. Our analysis shows the bank did not meet the geographic comparator, however, we consider the bank's business lending reasonable. Our conclusion showed the two moderate-income census tracts in AA2 are located in very rural areas providing very little business lending opportunities, 28 percent, or 1,019 businesses, did not report earnings therefore, possibly skewing the percentage of business loans within the two tracts, and the Albany community has very little loan demand.

Table GEO-4 Business Loans in AA2

BUSINESS LOANS AA2					
Census Tract Income Level	Loan Originations Between Jan 1, 2010 and Dec 31, 2011				Distribution of Businesses in the AA
	Number of Loans	Percentage of Loans	Dollar Amt of Loans \$(000's)	Percentage of Dollars	
Moderate	3	15	26	2	28
Middle	17	85	1,259	98	77
Total	20	100	1,285	100	100

* Source: Randomly selected sample of commercial loans originated within the bank's AA2.

COMMUNITY DEVELOPMENT TEST

First & Farmers National Bank's (FFNB) overall community development performance through its record of retail services, community development loans, and qualified investments demonstrates adequate responsiveness to community development needs in its Assessment Areas (AAs).

Number and Amount of Community Development Loans

FFNB's community development lending reflects adequate responsiveness to community development needs within its AAs. FFNB originated 11 community development loans totaling approximately \$5.7 million during the evaluation period. These loans were distributed among various projects including economic development initiatives, revitalization and stabilization efforts towards low- and moderate-income communities, and affordable housing project financing.

Loans in AA1 reflect adequate responsiveness to community development (CD) needs within the AA. FFNB provided three loans, either directly or through participation, totaling 1.15 million in the Pulaski County AA. These include \$440 thousand in economic development, \$243 thousand in affordable housing, and \$466 thousand in revitalization.

Loans in AA2 reflect adequate responsiveness to CD needs within the AA. FFNB originated five loans totaling \$2.04 million. They included three economic development loans, one community service loan, and one revitalization loan.

Number and Amount of Qualified Investments

FFNB's community development investing demonstrates adequate responsiveness to the opportunities in the bank's AAs.

Investments in AA1 reflect adequate responsiveness to CD needs within the AA. Management purchased \$380 thousand in revenue bonds during the evaluation period. The two bonds were for the Somerset, Kentucky Independent School District Financial Corp for the remodeling of a middle and high school. The schools are located in a middle-income census tract recognized as distressed areas in 2011. FFNB also provided \$53 thousand in the form of donations to local organizations whose mission is to provide assistance to low- and moderate-income individuals.

Investments in AA2 reflect adequate responsiveness to CD needs within the AA. Management purchased a \$1.5 million revenue bond during the evaluation period. The bond was for the Cumberland County School District for the purpose of constructing a new middle school. The location of the school falls in a distressed and underserved area. The bank also provided \$47 thousand in qualifying donations to organizations whose primary purpose is for community development.

Extent to Which the Bank Provides Community Development Services

The bank shows an overall adequate responsiveness to meeting community needs through qualified community services. FFNB provided community development services targeting low- to moderate-income individuals during the assessment period.

General Services reflect adequate responsiveness to CD needs within the AA. FFNB offers on-line banking to provide customers with additional access to their consumer and business accounts. Through online-banking, customers can check account balances, view statements, transfer funds between accounts, make loan payments, and initiate online Bill Pay. FFNB also provides a banking service where customers can check balances, pay bills, and find a bank branch. In evaluating FFNB's services, we considered the bank's size in relation to its AA's size and to its lack of low-income census tracts. We also took into consideration AA1 has nine middle-income census tracts and AA2 has eight which are located in a distressed area.

Services in AA1 reflect adequate responsiveness to the needs within the AA. FFNB operates six branches and seven ATMs in AA1, all of which are located in a distressed or underserved area.

FFNB participated in the Kentucky Housing Corporation's Unemployment Bridge Loan Program (UBP), which is a new forgivable loan option for eligible homeowners to assist

them in making their mortgage payments. To be eligible, the homeowner must have experienced a job loss or reduction in income due to changing economic conditions through no fault of their own and demonstrate a need for assistance. The maximum amount of assistance is \$25 thousand or 12 months, whichever occurs first.

FFNB employees participated in a rural health clinic sponsored by the Rotary Club of Somerset. The clinic targets low- and moderate-income individuals for health screenings and medical treatment.

Services in AA2 reflect adequate responsiveness to the needs within the AA. FFNB operates six branches and six ATMs in the assessment area, all of which are located in distressed or underserved area.

Bank employees and management actively participate in local organizations. Below are some examples:

- **Columbia-Adair Co. Chamber of Commerce**
The primary purpose of this organization is promoting, establishing, and maintaining businesses in Adair County, most of which are small businesses. A bank officer presently serves as the Treasurer of the organization. Another bank officer serves on the board of directors and finance committee of the organization.
- **Golden Harvest Village**
This is a housing complex specifically targeted towards Section 8 housing recipients. A bank officer serves as a board member for the organization.
- **Lake Cumberland Area Development District**
The primary purpose of this organization is to recruit business and industry to Pulaski County and the Lake Cumberland Area. These businesses provide employment opportunities for low- and moderate-income individuals. A bank officer is currently serving as a board member of the organization.
- **Burkesville Chamber of Commerce**
The primary purpose of this organization is promoting, establishing, and maintaining businesses in Cumberland County, most of which are small. A bank officer serves as a board member and provides financial expertise.

Responsiveness to Community Development Needs

FFNB's community development activities, as a whole, demonstrate adequate responsiveness to the needs and opportunities in the AAs. Several bank community development loans promote economic development for low- and moderate-income individuals. The bank invested in local education bonds, which promoted school redevelopment located in distressed or underserved areas, and donated to local

organizations that targeted low- to moderate-income individuals. FFNB provided community services to organizations offering services to low- and moderate-income individuals and organizations assisting small businesses.

Responses to Complaints

FFNB has not received any complaints about its performance in helping meet the assessment areas' credit needs during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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