Office of the
Comptroller of the Currency
Washington, DC 20219

SMALL BANK

PUBLIC DISCLOSURE

November 5, 2018

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, and should not 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.

Table of Contents

Overall CRA Rating: Satisfactory

West Virginia Rating: **Satisfactory**
Kentucky Rating: **Satisfactory**

The First National Bank of Williamson (hereinafter referred to as FNBW) has a *Satisfactory* record of meeting the credit needs of the assessment areas (AAs) in a manner consistent with its resources and capabilities. The major factors supporting this rating include:

- FNBW's quarterly average loan-to-deposit (LTD) ratio is reasonable based on the bank's size, financial condition, credit needs of the communities served, and competition in its markets.

- FNBW makes a substantial majority of its loans within its AAs.

- The distribution of loans is indicative of the bank's demographic data, local economy, and community development opportunities.

Description of Institution

The First National Bank of Williamson (FNBW) is an independent, interstate community bank headquartered in Williamson, West Virginia. As of December 31, 2017, 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 is located at 4th Avenue Extension, Williamson, West Virginia. This branch offers business hours Monday through Friday and Saturday mornings. There is 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 (CTs) (as designated by federal banking agencies) in Williamson, West Virginia. The third branch and the second drive-thru are located at 109 Prater Place, Pikeville, Kentucky. This branch and drive-thru are open Monday through Friday and Saturday mornings, and the drive-thru offers extended morning and evening hours Monday through Friday.

FNBW is a traditional, full-service community bank, while the drive-thru locations offer limited banking, which consists of loan payments, deposits, withdrawals, and cashier's checks. No branches were opened, or closed during the evaluation period.

FNBW offers a variety of deposit and loan products to meet consumer and commercial banking needs. The bank's Internet website, 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. FNBW also offers 24-hour account access service.

Competition for loans and deposits comes from local community banks and larger regional institutions. Some of FNBW's primary competitors are Branch Banking and Trust Company (BB&T), 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 received a Satisfactory CRA rating at its last CRA Performance Evaluation (PE), dated February 10, 2014.

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 FNBW's CRA performance.

As of December 31, 2017, FNBW reported total assets of $80.8 million and Tier One Capital of $10.6 million. The bank's loan portfolio of approximately $50 million in gross loans represents 62 percent of total assets. **Table 1** depicts the loan portfolio by loan products.

Table 1: Distribution of Loan Portfolio*		
TYPE OF LOAN:	**Balance Outstanding ($000s)**	**% OF TOTAL LOANS**
Residential Mortgage Loans	$24,092	61.90
Commercial & Industrial Including Commercial Real Estate	8,061	20.71
Individuals	2,693	6.92
Construction & Land Development	1,942	4.99
Farmland and Agricultural	2,134	5.48
Total	$38,922	100.00

*Data obtained from "Consolidated Reports of Condition and Income for A Bank with Domestic Offices Only – FFIEC 041" for the quarter ended December 31, 2017

Scope of the Evaluation

Evaluation Period/Products Evaluated

The Office of the Comptroller of the Currency (OCC) evaluated lending activities of FNBW using the small bank Community Reinvestment Act (CRA) procedures.

The Lending Test covers the bank's lending performance from January 1, 2015 to December 21, 2017. For 2017, the Office of Management and Budget changed the 2010 U.S. Census data. The changes resulted in differences to the MSA/MD, tract, and income designations. We incorporated Census changes into sampling for the bank's Lending Test. We determined this timeframe is representative of FNBW's lending strategy since the previous CRA PE.

We selected home mortgage loans as the primary loan product based on the distribution of total loans originated during the evaluation period and discussions with bank management. We based our analysis on the sample of home mortgage loans originated during the evaluation period using the 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.

Selection of Areas for Full-Scope Review

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

Ratings

The bank's overall rating is a blend of state ratings for Kentucky and Virginia. We performed full-scope reviews for the Mingo County AA in West Virginia and the Pike County AA in Kentucky. 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

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

LENDING TEST

Loan-to-Deposit (LTD) Ratio

FNBW's quarterly average LTD ratio is reasonable in light of its capacity to lend, other similarly situated institutions in their AAs, demographic and economic facts about the AAs, and the lending opportunities available in the AAs. The LTD ratio meets the standard for satisfactory performance. The bank's quarterly average net LTD ratio for the sixteen quarters since the last CRA examination is 66.17 percent.

We identified the Bank of Mingo as a similarly-situated competitor institution to FNBW. 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 sixteen quarters is 47.23 percent. This quarterly average ratio is moderately below the quarterly average LTD ratio for FNBW. FNBW had a level quarterly average LTD ratio over the sixteen 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

FNBW originated a substantial majority of loans inside its AAs. Based on the residential mortgage loans sampled during the evaluation period, 85 percent of the residential real estate loans were made within the bank's combined AA.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that FNBP engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Responses to Complaints

There were no complaints regarding the bank's CRA performance during the evaluation period. This has a neutral impact on the overall CRA rating.

STATE RATING

State of West Virginia

CRA rating for the state of West Virginia: Satisfactory
The Lending test is rated Satisfactory

The primary factors supporting the CRA rating are as follows:

- The distribution of loans reflects reasonable penetration among borrowers of different incomes and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout CTs 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, 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 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 (CTs/BNAs)	7	0	28.6	71.4	0.0
Population by Geography	25,931	0	27.1	72.9	0.0
Owner-Occupied Housing by Geography	8,232	0	31.2	68.8	0.0
Business by Geography	774	0	25.0	75.0	0.0
Farms by Geography	7	0	28.6	71.4	0.0
Family Distribution by Income Level	7,572	28	16.8	15.7	0.0
Distribution of Low and Moderate Income Families throughout AA Geographies	3,189	0	30.03	69.97	0.0
Median Family Income Households Below Poverty Level	$48,507 28.2%	Median Housing Value Unemployment Rate*			$75,742 7.6%

* Source: 2010 U.S. Census & 2015 ACS Census and 2017 D&B Data. Due to rounding, totals may not equal 100.0

Mingo County, West Virginia is the 24th most populated county in West Virginia. There are seven CTs in the Mingo County AA. Two of the CTs are moderate-income, while five are middle-income geographies. All seven CTS have been designated as distressed by the federal banking agencies based on the rates of poverty and population loss. There are no low-, or upper-income tracts in the AA. This AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

U.S. Census Data reports the total population in Mingo County, West Virginia is 24,127, with a poverty rate of 28 percent. Within the AA, there are 8,218 families and approximately 10,853 households. Roughly 28 percent of the families are categorized as low-income, 17 percent as moderate-income, 16 percent as middle-income, and 39 percent as upper-income. The percentage of households below the poverty level is 28 percent. There are 12,824 housing units, of which 75 percent are owner-occupied and 25 percent are rental-occupied.

According to the 2017 business demographics, there are 774 businesses in the AA. Approximately 73 percent of the businesses reporting have revenues less than $1 million; approximately 7.5 percent have revenues greater than $1 million. The revenue was not reported for approximately 20 percent of the businesses.

West Virginia's economy emerged from a sharp recession in mid-2016 and appears to be in the early stages of a solid economic rebound. The state's beleaguered coal industry rebounded, especially in southern West Virginia coalfields. Erratic production of the state's natural gas industry has stabilized, and now registers solid growth. Economic performance since 2012 is a significant outlier from the overall national economy backdrop. Nationally, employers expanded payrolls by 10 percent since the beginning of 2012. By comparison, total employment within West Virginia has been on a downward trajectory for several years, and as of the second quarter 2017, remains nearly 3 percent below the cyclical peak the state achieved in early 2012. West Virginia lags the economic performance of neighboring states.

The primary driving forces behind West Virginia's economic struggles of the past several years are the state's coal and natural gas industries. Between 2012 and 2016, market forces and regulatory changes dramatically reduced the use of West Virginia coal to generate electricity in the United States. Subsequently, this reduction accounted for a wide majority of energy-related job losses.

Lagging demand for thermal and metallurgical coal, a severe excess capacity in global steel markets, a strong dollar and rapid declines in coal use across portions of Western Europe, further contributed to the coal industry's struggles in recent years.

The industry's fortunes improved appreciably over the past several quarters. A sizeable portion of this rebound is due to a surge in Asia-Pacific metallurgical coal demand since fall 2017. Similarly, the natural gas industry also saw a sharp increase in recent productivity. Overall, the forecast calls for the state's economy to remain on path to economic recovery and annual growth of 0.7 percent during the next five years. Growth is expected not only in the energy sector, but also in manufacturing, construction, and the service sectors.

Major employment in the bank's AA includes services with 43 percent, retail trade with 15 percent, and finance, insurance and trade at 9 percent. The top five job categories are construction and extraction, sales and related office and administrative support, education and training, and transportation[1]. While this is typically a coal mining area, mining represents less than 2 percent of employment. According to the U.S. Bureau of Labor Statistics, the unemployment rate for Mingo County was 8 percent, as of December 2017. This rate is higher than the state unemployment rate of 5.4 percent and the national unemployment rate of 4.1 percent.

---

[1] Source: Town Charts, Mingo County, West Virginia Economy Data

According to the June 30, 2017 Federal Deposit Insurance Corporation (FDIC) Summary of Deposits Market Share Report, FNBW ranked third out of four institutions in the Mingo County West Virginia non-MSA AA with 16.53 percent of deposits. The competitor's deposit market share ranked as follows: BB&T is ranked first with four offices in the county and 50.25 percent of the deposits, Bank of Mingo with five offices and 18.82 percent of the deposits, and Community Trust Bank with one office and 14.40 percent of the deposits.

Community Contact

We completed a community contact with The Housing Authority of Mingo County (HAMC). This organization offers assistance to low and moderate income families in the areas of homeownership, refinancing, repairs, rental assistance, transitional housing, and credit counseling. HAMC also provides sober housing (for drug recovery) as well as activities to support economic development, such as working with a not-for-profit entity to assist clients in job training and education to enable them to reenter the workforce. Funding for the programs come primarily from government sources.

The organization primarily serves Mingo County, but also serves Logan, Wayne, McDowell and Wyoming counties in West Virginia. Mingo and the surrounding counties are the poorest in West Virginia. The key needs in the area are affordable housing, economic development, and financial education.

The community contact identified a need for financial institutions to support more affordable housing, financial/credit counseling, and technical assistance for small businesses. Many consumers and businesses do not really know what products are available and how to access/leverage credit to help them build assets or start/grow their businesses.

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 FNBW's performance in its Mingo County AA than performance in its Pike County AA since this is the county in which FNBW operates the larger number of its branch offices and derives the larger number of its deposits and loans.

Conclusions With Respect To Performance Criteria

FNBW's performance under the lending test in the Mingo County AA is rated Satisfactory. FNBW's geographic distribution reflects reasonable dispersion throughout CTs of different income levels, and FNBW'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 loans reflects reasonable penetration and meets the standard for satisfactory performance. While we did not sample consumer loans, discussions with management indicated that FNBW originates most of its consumer loans in its Mingo County AA.

Home Mortgage Loans

The distribution of home mortgage loans reflects poor penetration among borrowers of low-moderate income levels. FNBW'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, however, considering the demographic context in which the institution operates.

FNBW'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 $75,742. According to U.S. Census data updated median household income, low-income individuals earn less than $32,441 annually. Additionally, 28 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 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, 18.1 percent of the AA population is age 65 or older. Additionally, 19 percent of area households derive income from social security, while only 37 percent of the county is fully employed.

The 2010 U.S. Census data reports that owner-occupied housing represents 75 percent of housing, and the median year built for AA housing is 1982. 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 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, 2015 through December 31, 2017 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	28.0	10.53
Moderate	16.8	5.26
Middle	15.7	31.58
Upper	39.5	52.63

Source: 2015-2017 Loan Sample; 2017 U.S. Census Data

Geographic Distribution of Loans

Mingo County AA does not contain any low-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 FNBW originated during the evaluation period. The opportunity and availability of qualified community development loans within the bank's assessment area is limited. While the bank originated several community developments prior to, and since the evaluation period, none were originated during that period.

STATE RATING

State of Kentucky

CRA rating for the State of Kentucky: Satisfactory

The primary factors supporting the CRA rating are as follows:

- 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 CTs of different income levels.

Description of Institution's Operations in Kentucky

The bank's second market is in the state of Kentucky. FNBW 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.

Table 3 - Demographic Information for Full Scope Area: Pike County Kentucky					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % #
Geographies (CTs/BNAs)	19	0	21.06	73.68	5.26
Population by Geography	63,434	0	20.10	70.42	9.48
Owner-Occupied Housing by Geography	30,309	0	21.41	69.40	9.19
Business by Geography	3,498	0	12.12	64.09	23.79
Farms by Geography	57	0	17.54	56.14	26.32
Family Distribution by Income Level	17,898	0	20.27	70.57	9.16
Distribution of Low and Moderate Income Families throughout AA Geographies	7,711	0	25.11	68.38	6.51
Median Family Income	$43,124	Median Housing Value			$79,294
HUD Adjusted Median Family Income for 2012	$33,183				
Households Below Poverty Level	24.7%	Unemployment Rate			8.9%*

Source: 2017 U.S. Census and 2017 HUD updated MFI
* Bureau of Labor Statistics June 2017

There are nineteen CTs in Pike County. Four CTs are moderate-income, fourteen CTs are middle-income, and one CT is upper-income. All fourteen middle-income geographies are designated as distressed and underserved by the federal banking agencies because of the poverty rate 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 2017 business demographics, there are 3,498 businesses in the AA. Approximately 81 percent of the businesses reporting have revenues less than $1 million, approximately 5 percent have revenues greater than $1 million, and approximately 16 percent of the businesses are not reporting revenues. Approximately 21 percent of businesses are located in moderate-income geographies, 74 percent are located in middle-income geographies, and 5 percent are located in upper-income geographies.

Pike County is the second-largest coal-producing county in Kentucky as reported in 2017, next to Union County in the western part of the state. Adding these to the counties of Harlan, Perry, and Martin, eastern Kentucky produces nearly 75% of all coal produced statewide. Over 150 million tons are produced annually.

According to the U.S. Bureau of Labor Statistics, the December 2017 unemployment rate for Pike County was 8.9 percent. This rate is higher than the State of Kentucky's unemployment rate of 4.5 percent and the national unemployment rate of 4.1 percent. Major employment in the AA includes services with 44 percent, retail trade with 16 percent, and transportation/communication at 8 percent. While this is typically a coal mining area, it represents less than 2 percent of employment.

Competition in this area comes from community banks as well as larger regional financial institutions. According to the June 30, 2017 FDIC Summary of Deposits Market Share Report, FNBW was ranked sixth out of seven institutions in the Pike County AA with a 0.83 percent deposit market share. Community Trust Bank, Inc. ranked first with eleven offices and 64.87 percent deposit market share, US Bank ranked second with four offices and 14.50 percent deposit market share, BB&T ranked third with seven offices and 12.33 percent deposit market share, and Citizens Bank of Kentucky ranked fourth with two offices and 5.53 percent deposit market share.

Community Contact

We completed a community contact with the Pike County Habitat for Humanity. This organization is dedicated to "... building decent, affordable housing for low- and moderate-income people." Unlike other Habitat affiliates, this location does not provide repair or resale services, only new home construction.

The organization primarily serves within a 15-mile radius of Pikeville, Kentucky. Habitat's funding is (partially) self-sustained through mortgage payments from already-built housing, supplemented with grants from federal home loan bank programs and community based donations.

The community contact identified a strong need for financial institutions to develop/present various financial counseling classes to help people improve their credit scores, learn how to secure financing, and to understand how financial products work. There is also a need for affordable rental housing units as the market has limited available housing and therefore provides opportunities for bank involvement to fund such housing options.

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. We placed less weight on FNBW's performance in its Pike County AA than its performance in its Mingo County AA because FNBW 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

FNBW's performance under the lending test in the Pike County AA is rated Satisfactory. FNBW's geographic distribution reflects reasonable dispersion throughout CTs of different income levels, and FNBW'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 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. FNBW's record of lending to borrowers of different incomes meets the standard for satisfactory performance.

Based on our loan sample, there were three home mortgage loans made to low-income borrowers. The percentage of home mortgage loans made to low-income is near the percentage of low-income families in the AA. 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.

FNBW'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 $79,294. According to the 2017 HUD updated median family income, low-income individuals earn less than $33,183. Additionally, 25 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 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, 15.43 percent of the AA population is age 65 or older and 19.05 percent of AA households are comprised of retired residents. In addition, 46.05 percent of area households derive income from social security and 24.66 percent are considered to be at or below poverty level.

The 2017 U.S. Census data reports that owner-occupied housing represents 62.90 percent of housing, and the median year built for AA housing is 1983. 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 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, 2015 through December 31, 2017 as compared to the percent of families in each income category.

Table 4 – Borrower Distribution of Residential Real Estate Loans in Pike County AA		
Income Level	**% of AA Families**	**% of Number of Loans**
Low	25.01	15
Moderate	18.07	10
Middle	18.37	10
Upper	38.55	65

Source: 2015-2017 loan sample; 2017 U.S. Census Data.

Geographic Distribution of Loans

The geographic distribution of home mortgage loans and consumer loans reflects reasonable dispersion throughout CTs of different income levels, and FNBW'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 four moderate-income geographies in the AA, and fourteen middle-income geographies in the AA that have been designated as distressed and underserved geographies because of the poverty rate and remote rural location.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout CTs of different income levels, and FNBW's performance meets the standard for satisfactory performance. FNBW'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 fourteen 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 CT income level for the period of January 1, 2015 through December 31, 2017.

Table 5 – Geographic Distribution of Residential Real Estate Loans in Pike County AA		
Income Level	**% of AA Owner-Occupied Housing**	**% of Number of Loans**
Low	0	15
Moderate	21.41	10
Middle	69.40	10
Upper	9.19	65

Source: 2015-2017 loan sample; 2017 U.S. Census Data

Community Development Loans

In our analysis, we took into consideration the number and amount of Community Development Loans that FNBW originated during the evaluation period. FNBW'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 did not make any community development loans during the evaluation period in the Pike County, Kentucky AA.

Appendix: Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

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 MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon 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 Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of $1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, 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 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 that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited 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 MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division (MD): As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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

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.

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 multi-state 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 multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

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

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

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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