PUBLIC DISCLOSURE

November 30, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First Capital Bank of Kentucky
RSSD# 2399119

293 North Hubbards Lane
Louisville, Kentucky 40207

Federal Reserve Bank of St. Louis

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

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

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INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY.
The Lending Test is rated Satisfactory.
The Community Development Test is rated Satisfactory.

The First Capital Bank of Kentucky (FCBKY) meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending activity. The factors supporting the institution's rating include:

- The geographic distribution of loans analysis reflects reasonable dispersion throughout the bank's assessment area.

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

- The bank's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs.

- A majority of the bank's loans and other lending-related activities are in the bank's assessment area.

- No CRA-related complaints were filed against the bank for this review period.

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

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) *Interagency CRA Procedures for Intermediate Small Institutions.* The intermediate small bank examination procedures entail two performance tests, the Lending Test and the Community Development Test. The period of review spanned from the date of the bank's previous CRA evaluation on October 15, 2012 to November 30, 2015.

Lending Test

Under the Lending Test, the bank's performance is evaluated under the following criteria, as applicable.

- The geographic distribution of loans.
- Loan distribution by borrower's profile (applicant income and business revenue profile).
- The bank's average LTD ratio.

- The concentration of lending within the assessment area.
- A review of the bank's response to written CRA complaints.

Lending performance was based on the following loan products and the corresponding time periods as displayed in the following table:

Loan Product	Time Period
Home Mortgage Disclosure Act (HMDA)	January 1, 2014 – December 31, 2014
Small Business	

These two loan categories are considered the bank's primary lines of business, based on lending volume by number and dollar amounts and in light of the bank's stated business strategy. Therefore, loan activity represented by these credit products is deemed indicative of the bank's overall lending performance. These products were equally weighted for this evaluation based on the origination volume and business strategy.

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on HMDA and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2010 U.S. Census data, and certain business geodemographics are based on 2014 Dun & Bradstreet data. When analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is generally placed on the aggregate lending data, because it is expected to describe many factors impacting lenders within an assessment area. Aggregate lending datasets are also updated annually and are therefore expected to predict more relevant comparisons. In addition, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating within the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from $451.3 million to $855.9 million.

Community Development Test

Under the Community Development Test, the bank's performance was evaluated via responsiveness to the following community development needs, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment areas.

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

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

Community Contacts

To augment this evaluation, three community contact interviews were conducted with members of the local community. The interviews were conducted in order to ascertain specific credit needs, opportunities, and local market conditions within the bank's assessment area. Key details from these community contact interviews are included in the *Description of Assessment Area* section.

DESCRIPTION OF INSTITUTION

FCBKY is a full-service retail bank offering both consumer and commercial loan and deposit products. FCBKY is wholly owned by FCB Bancorp, Inc., a one-bank financial holding company headquartered in Louisville, Kentucky. The bank's branch network consists of seven branches and the main office. Six branches and the main office are full-service facilities with drive-up accessibility; the remaining branch is a limited-service facility located in a senior living community. All eight locations have full-service, deposit-taking automated teller machines (ATMs); in addition, the bank has one stand-alone cash-dispensing-only ATM. The bank also offers a type of mobile branch service where deposits are picked up from approximately 20 commercial deposit customers; this service is operated out of the main office. Finally, the bank has a commercial loan production office adjacent to the main office and a construction loan production office operating out of one of the branches.

The bank opened two branches during this review period. One branch opened January 2013 in a middle-income tract located to the southeast of downtown, and the other branch opened in January 2014 in an upper-income tract located in the northeast part of the assessment area. The bank's facilities are spread across the eastern portion of the assessment area. Based on this branch network and other service delivery systems, such as extended banking hours of operation and full-service online banking capabilities, the bank is well positioned to deliver financial services to its entire assessment area.

For this review period, no legal impediments or financial constraints were identified that would have hindered the bank from serving the credits needs of its customers, and the bank appeared capable of meeting assessment area credit needs based on its available resources and financial products. As of September 30, 2015, the bank reported total assets of $499.0 million. As of the same date, loans and leases outstanding were $402.2 million (80.6 percent of total assets), and deposits totaled $350.2 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of September 30, 2015		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$30,199	7.5%
Commercial Real Estate	$232,199	57.7%
Multifamily Residential	$28,053	7.0%
1–4 Family Residential	$95,043	23.6%
Farmland	$1,307	0.3%
Commercial and Industrial	$13,992	3.5%
Loans to Individuals	$1,444	0.4%
TOTAL	**$402,237**	**100%**

As indicated in the table above, a significant portion of the bank's lending resources is directed to loans secured by commercial real estate and loans secured by 1–4 family residential properties. The bank also originates and subsequently sells a significant volume of loans related to residential real estate; as these loans are typically sold on the secondary market shortly after origination, this activity would not be captured in the data discussed here. During 2014, the bank originated and sold 145 residential real estate loans totaling $27.3 million.This information aligns with the bank's business strategy as a commercial and residential real estate lender.

The bank received a Satisfactory rating at its previous CRA evaluation conducted on October 15, 2012, by the Federal Deposit Insurance Corporation (FDIC).

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank's assessment area has a population of 741,096 as of the 2010 U.S. Census and includes all of Jefferson County, the primary county of the Louisville/Jefferson County, Kentucky-Indiana metropolitan statistical area (Louisville MSA). In 2003, the city of Louisville merged with Jefferson County and now has the same boundaries. According to the FDIC Deposit Market Share Report as of June 30, 2015, of the 25 FDIC-insured depository institutions with a branch presence in this assessment area, the bank ranked 9th in terms of deposit market share, encompassing 2.0 percent of the total assessment area deposit dollars.

Particular credit needs in the assessment area, as noted primarily from community contacts, include microloans, working capital loans, and innovative and flexible lending options, such as lower capital injection requirements or grant programs to spur small business expansion. Additionally, since some portions of the assessment area have seen a decrease in property values, innovative and flexible residential real estate loans are needed to stabilize and revitalize these areas.

Income and Wealth Demographics

As previously noted, the bank's assessment area consists of the 191 census tracts, comprising Jefferson County. The following table reflects the number and family population of the census tracts within the assessment area in each income category.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	34 17.8%	35 18.3%	64 33.5%	57 29.8%	1 0.5%	**191** **100%**
Family Population	22,943 12.4%	27,099 14.6%	74,243 40.1%	60,784 32.8%	0 0.0%	**185,069** **100%**

The previous table reveals that the bank's assessment area contains 69 LMI census tracts. The unknown-income census tract is solely comprised of the Louisville International Airport.

Based on 2010 U.S. Census data, the median family income for the assessment area is $59,182. More recently, the FFIEC estimates the 2014 Louisville MSA median family income to be $64,200. The following table displays population percentages of assessment area families by income level compared to the family population of the Louisville MSA.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	42,703 23.1%	32,062 17.3%	36,734 19.8%	73,570 39.8%	**185,069** **100%**
Louisville MSA	67,830 21.3%	56,485 17.8%	66,736 20.9%	127,391 40.0%	**318,082** **100%**

Based on the data in the preceding table, the assessment area appears less affluent when compared to the Louisville MSA as a whole. While the assessment area and Louisville MSA have a similar level of upper-income families, the assessment area has a higher level of low-income families as a percentage of the total population. Furthermore, the percentage of assessment area families living below the poverty level (11.9 percent) is greater than percentage of families in the Louisville MSA living below the poverty level (10.5 percent).

Housing Demographics

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be similarly affordable to the entire Louisville MSA. The median housing value for the assessment area is $145,900, which is similar to the figure for the Louisville MSA, $144,568. The assessment area housing affordability ratio of 31.1 percent is below the state figure of 33.0

percent. Lastly, the median gross rent for the assessment area of $667 per month is the same as the Louisville MSA. Similarly, the percentage of renters paying more than 30 percent of income for rent is 44.4 percent for the assessment area and 43.4 percent for the Louisville MSA. Based on this data, it appears that affordable housing is a need for LMI residents in the assessment area, and homeownership may be out of reach for many low-income families. This is indicative of the need for flexible and innovative housing loan programs to compensate for the higher housing cost, as noted by community contacts.

Industry and Employment Demographics

The assessment area economy is diverse and is supported by a mixture of manufacturing and service-oriented sectors. According to the U.S. Census Bureau 2014 County Business Patterns, by number of paid employees in the assessment area, health care and social assistance plays the lead role (66,102). This is followed by retail trade (41,944), accommodation and food services (40,801), and manufacturing (40,532). Furthermore, business demographic estimates that 88.1 percent of assessment area businesses have gross annual revenues of $1 million or less. According to the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted), unemployment in the assessment area is slightly higher than the Louisville MSA, and both areas have been experiencing a decline in unemployment, as noted in the following table:

Local Area Unemployment Statistics – Bureau of Labor Statistics			
Dataset	**2012 Annual Average**	**2013 Annual Average**	**2014 Annual Average**
Assessment Area	8.42%	7.85%	6.25%
Louisville MSA	8.11%	7.59%	6.07%

Community Contact Information

Information from three community contact interviews was used to help shape the performance context in which the bank’s activities in this assessment area were evaluated. Of these interviews, two were conducted with individuals working in economic development roles, and one was with an individual specializing in affordable housing. The community contacts working in economic development indicated a need for small business development in the western portions of Jefferson County. Community contacts noted that the depreciated values in portions of the assessment area cause a cyclical pattern in which it becomes difficult to obtain financing for housing and small businesses due to limited capital or equity. Small business loans are needed in the assessment area, primarily in small dollar amounts. The individual specializing in affordable housing indicated that incomes have decreased over time while the cost of housing has increased, creating the need for affordable housing loan programs. This individual also noted the need for affordable home improvement loans for lower-income areas and for borrowers with little equity in their home.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

FCBKY's performance under the Lending Test is satisfactory. The geographic distribution of loans analysis reflects reasonable dispersion throughout the bank's assessment area. Secondly, the borrower's profile analysis reveals reasonable penetration among individuals of different income levels, including LMI levels and businesses of different sizes. The bank's LTD ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of the bank's loans and other lending-related activities are in the bank's assessment area. Lastly, no CRA-related complaints were filed against the bank for this review period.

Geographic Distribution of Loans

As noted in the *Description of Assessment Area* section, the bank's assessment area contains 34 low-income census tracts, 35 moderate-income census tracts, 64 middle-income census tracts, 57 upper-income census tracts, and 1 unknown-income census tract. The analysis in this section illustrates the distribution of the bank's loan activity across these geographies. Overall, the bank's geographic distribution of loans reflects reasonable dispersion throughout this assessment area based on activity analyzed from both loan categories. The following table displays the geographic distribution of HMDA loans compared to owner-occupied housing statistics and the aggregate performance for the assessment area.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2014 through December 31, 2014						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase Loans	9 6.3%	7 4.9%	35 24.6%	91 64.1%	0 0.0%	**142** **100%**
Refinance Loans	5 6.4%	5 6.4%	14 17.9%	54 69.2%	0 0.0%	**78** **100%**
Home Improvement Loans	1 20.0%	1 20.0%	2 40.0%	1 20.0%	0 0.0%	**5** **100%**
Multifamily Loans	2 18.2%	4 36.4%	2 18.2%	3 27.3%	0 0.0%	**11** **100%**
2014 HMDA TOTAL	**17** **7.2%**	**17** **7.2%**	**53** **22.5%**	**149** **63.1%**	**0** **0.0%**	**236** **100%**
Owner-Occupied Housing	7.3%	13.3%	42.5%	37.0%	0.0%	**100%**
2014 HMDA Aggregate	4.3%	11.9%	41.9%	41.8%	0.0%	**100%**

The analysis of HMDA loans revealed excellent lending performance in the low-income census tracts. The bank's total penetration of low-income census tracts by number of loans (7.2 percent) is similar to the percentage of owner-occupied housing units in low-income census tracts (7.3 percent). However, the bank's performance in low-income census tracts is higher than that of other lenders in the assessment area, based on 2014 HMDA aggregate data which indicate that 4.3 percent of aggregate HMDA loans inside this assessment area were made to borrowers residing in low-income geographies.

In contrast, bank performance in moderate-income census tracts was significantly below comparison data. The bank's total penetration of moderate-income census tracts by number of loans (7.2 percent) is below the percentage of owner-occupied housing units in moderate-income census tracts (13.3 percent). Additionally, the bank's performance in moderate-income census tracts is also below that of other lenders based on aggregate lending data, which indicate that 11.9 percent of aggregate HMDA loans inside this assessment area were made to borrowers residing in moderate-income census tracts. This reflects poor HMDA lending performance in moderate-income census tracts.

Overall, the bank's geographic distribution of HMDA loans is reasonable. The bank is far exceeding the aggregate performance in low-income census tracts. Furthermore, when compared to the previous CRA evaluation, the bank has substantially improved its lending performance to

LMI census tracts. This positive trend further substantiates the overall reasonable rating for HMDA performance.

As with the HMDA loan category, the bank's geographic distribution of small business loans was reviewed. The following table displays the results of this review, along with the estimated percentages of small businesses located in each geography income category and the 2014 aggregate performance for comparison purposes.

Distribution of Loans Inside Assessment Area by Income Level of Geography
January 1, 2014 through December 31, 2014

Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Small Business Loans	4	15	8	19	1	**47**
	8.5%	31.9%	17.0%	40.4%	2.1%	**100%**
Business Institutions	14.8%	12.6%	31.5%	40.8%	0.4%	**100%**
2014 Small Business Aggregate	12.2%	13.8%	29.6%	42.9%	1.5%	**100%**

As illustrated in the previous table, the bank's level of lending in the low-income census tracts is lower than the comparison data and is considered poor. The bank originated 8.5 percent of small business loans to small businesses within low-income census tracts. In comparison, 2014 business geodemographic data indicate that 14.8 percent of assessment area small businesses are located in low-income census tracts. The bank's performance is also below the performance of other lenders, based on 2014 CRA aggregate data, which indicate that 12.2 percent of reported small business loans were in low-income census tracts. Although the level of lending is considered poor, the bank's lending has improved since the previous CRA examination, when it made no small business loans in low-income census tracts.

In contrast, the bank's lending level in moderate-income census tracts is substantially higher than comparison data. The bank originated 31.9 percent of its small business loans to small businesses located in moderate-income census tracts. The 2014 business geodemographic data indicate that 12.6 percent of assessment area small businesses are located in moderate-income census tracts. Furthermore, the 2014 CRA aggregate data indicates that 13.8 percent of reported small business loans were in moderate-income census tracts. This indicates excellent penetration of small business loans in moderate-income census tracts. The combined lending to small businesses in LMI geographies, 40.4 percent, is well above the demographic data (27.4 percent) and aggregate data (26.0 percent); furthermore, the bank's lending in low-income census tracts has improved since the previous CRA evaluation. Therefore, the bank's overall penetration of small business loans based on geography is considered reasonable.

Loan Distribution by Borrower's Profile

Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the applicable median family income figure as estimated by the FFIEC ($64,200 for the Louisville MSA as of 2014). The analysis in this section illustrates the distribution of the bank's loan by borrowers' income level and business revenue level. Overall, the bank's loan distribution by borrower profile is reasonable, based on activity analyzed from both loan categories.The following table shows the distribution of HMDA loans by borrower income level compared to family population income characteristics and 2014 aggregate data for the assessment area.

Distribution of Loans Inside Assessment Area by Income Level of Borrower
January 1, 2014 through December 31, 2014

Dataset	Borrower Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Home Purchase Loans	8 5.6%	31 21.8%	20 14.1%	57 40.1%	26 18.3%	**142** **100%**
Refinance Loans	4 5.1%	11 14.1%	16 20.5%	38 48.7%	9 11.5%	**78** **100%**
Home Improvement Loans	1 20.0%	0 0.0%	0 0.0%	0 0.0%	4 80.0%	**5** **100%**
Multifamily Loans	0 0.0%	0 0.0%	0 0.0%	0 0.0%	11 100.0%	**11** **100%**
2014 HMDA TOTAL	**13** **5.5%**	**42** **17.8%**	**36** **15.3%**	**95** **40.3%**	**50** **21.2%**	**236** **100%**
Family Population	23.1%	17.3%	19.8%	39.8%	0.0%	**100%**
2014 HMDA Aggregate	10.5%	19.5%	19.6%	32.2%	18.2%	**100%**

The bank's total percentage of lending to low-income borrowers (5.5 percent) is significantly below the percentage of low-income families within the assessment area (23.1 percent), as well as the aggregate performance (10.5 percent). This exhibits poor performance for lending to low-income borrowers. However, bank performance to moderate-income borrowers is considered reasonable. The bank's lending to moderate-income borrowers (17.8 percent) is slightly above the percentage of moderate-income families in the assessment area (17.3 percent), and its performance is below the aggregate level (19.5 percent). Notably, the bank makes a significant level of home purchase loans to moderate-income borrowers (21.8 percent of home purchase loans) that compares favorably to the percentage of moderate-income families in the assessment area.

The bank's overall HMDA lending performance by borrower's profile is reasonable, as indicated by the lending performance, the performance trend, and the alternative loan products offered. The bank has shown an increasing trend to LMI borrowers since the previous CRA evaluation, in which the bank's lending numbers to LMI borrowers were at 4.1 percent for low-income borrowers and 13.1 percent for moderate-income borrowers. Additionally, the bank has developed affordable housing loan programs that are responsive to the needs of LMI borrowers; this was a credit need identified by one of the community contacts. These programs include features such as lower down payment requirements and no mortgage insurance.

As with the HMDA lending analysis, the bank's distribution of small business loans to businesses of various sizes was also reviewed. The following table reflects FCBKY's distribution of small business loans by gross annual business revenue and loan amount compared to Dun & Bradstreet and aggregate data for 2014.

Lending Distribution by Business Revenue Level
January 1, 2014 through December 31, 2014

Gross Revenue	Loan Origination Amount (in $000s)			TOTAL
	<u><</u>$100	>$100<u><</u>$250	>$250<u><</u>$1,000	
$1 Million or Less	14 29.8%	6 12.8%	3 6.4%	**23** **48.9%**
Greater than $1 Million	15 31.9%	3 6.4%	6 12.8%	**24** **51.1%**
TOTAL	**29** **61.7%**	**9** **19.1%**	**9** **19.1%**	**47** **100%**
Dun & Bradstreet Buinesses ≤ $1 Million				**88.1%**
Small Business Aggregate ≤ $1 Million				**42.8%**

Based on this analysis of small business loans, FCBKY is doing a reasonable job of meeting the credit needs of small businesses. The table above demonstrates that 23 of 47 loans reviewed (48.9 percent) were made to businesses with gross annual revenues of $1 million or less. According to Dun & Bradstreet estimates, 88.1 percent of businesses reporting for 2014 had revenues of $1 million or less. However, the CRA aggregate data for the assessment area reflect that 42.8 percent of business lending was to small businesses. In addition, the fact that 60.9 percent of loans to small businesses (gross annual revenues less than $1 million) were in amounts of $100,000 or less further indicates the bank's willingness to meet the credit needs of small businesses. Small dollar business loans were a need discussed by two of the community contacts. Consequently, the bank's borrower's profile performance for the small business loan category is reasonable.

<u>Loan-to-Deposit (LTD) Ratio</u>

One indication of the bank's overall level of lending activity is its LTD ratio. The table below displays the bank's average LTD ratio in comparison to those of regional peers. The average LTD ratio represents a 13-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	**Asset Size ($000s) as of September 30, 2015**	**Headquarters**	**Average LTD Ratio**
FCBKY	$498,985	Louisville, Kentucky	101.8%
Regional Banks	$855,949	Louisville, Kentucky	74.3%
	$527,645	Shelbyville, Kentucky	87.2%
	$451,268	Bardstown, Kentucky	64.0%

Based on data from the previous table, the bank's level of lending is above that of other banks in the region. During the review period, the bank's LTD ratio ranged from a low of 84.8 percent (June 2013) to a high of 115.9 percent (March 2015) with a generally increasing trend. In comparison, the average LTD ratios for the regional peers ranged from 64.0 percent to 87.2 percent. Therefore, in comparison to data from regional banks as displayed in the table above, the bank's average LTD ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs.

Assessment Area Concentration

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

Lending Inside and Outside of Assessment Area ($000s) January 1, 2014 through December 31, 2014			
Loan Type	**Inside Assessment Area**	**Outside Assessment Area**	**TOTAL**
HMDA	236 86.1%	38 13.9%	**274** **100%**
	$48,760 73.4%	$17,657 26.6%	**$66,417** **100%**
Small Business	47 79.7%	12 20.3%	**59** **100%**
	$7,628 70.1%	$3,259 29.9%	**$10,887** **100%**
TOTAL	**283** **85.0%**	**50** **15.0%**	**333** **100%**
	$56,388 **72.9%**	**$20,916** **27.1%**	**$77,304** **100%**

As shown above, a majority of loans sampled were extended to borrowers or businesses that reside or operate in the bank's assessment area. In total, 85.0 percent of the total loans were made inside the assessment area, accounting for 72.9 percent of the dollar volume of total loans.

Review of Complaints

No CRA-related complaints were filed against the bank during this review period (October 15, 2012 through November 30, 2015).

COMMUNITY DEVELOPMENT TEST

The bank's community development lending is considered adequate. Seven community development loans directly benefitting the bank's assessment area were originated totaling $11.8 million and are considered responsive to the assessment area's community development needs and opportunities. Two of the loans were for the revitalization and stabilization of LMI areas; the remaining five loans provided affordable housing to LMI individuals. Two additional community development loans totaling $2.2 million with a primary purpose of affordable housing were made just outside of Jefferson County, but in the Louisville MSA.

The bank made six qualifying investments totaling $21.1 million. All of these investments were in bonds supporting small business development. The bank also provided 37 different donations to 12 different organizations, totaling $80,000. These donations supported community services, economic development, and affordable housing needs in the assessment area.

In addition, 12 employees of FCBKY recorded 363 community development service hours to 7 separate organizations related to community service, economic development, and affordable housing within the assessment area. Furthermore, the bank offers multiple programs that provide community services or assist with affordable housing needs in the assessment area. The bank offers a deposit product, which includes financial literacy training aimed at attracting unbanked LMI individuals. FCBKY offers five different affordable housing programs that include lower down payment requirements and do not require mortgage insurance. These programs are responsive to the community development needs of the assessment area, as one community contact interview indicated a need for better mortgage insurance rates or alternatives to mortgage insurance to lower the cost of housing. Additionally, the bank offers an internal foreclosure prevention program that works with financially distressed borrowers to increase the chance of borrowers keeping their homes.

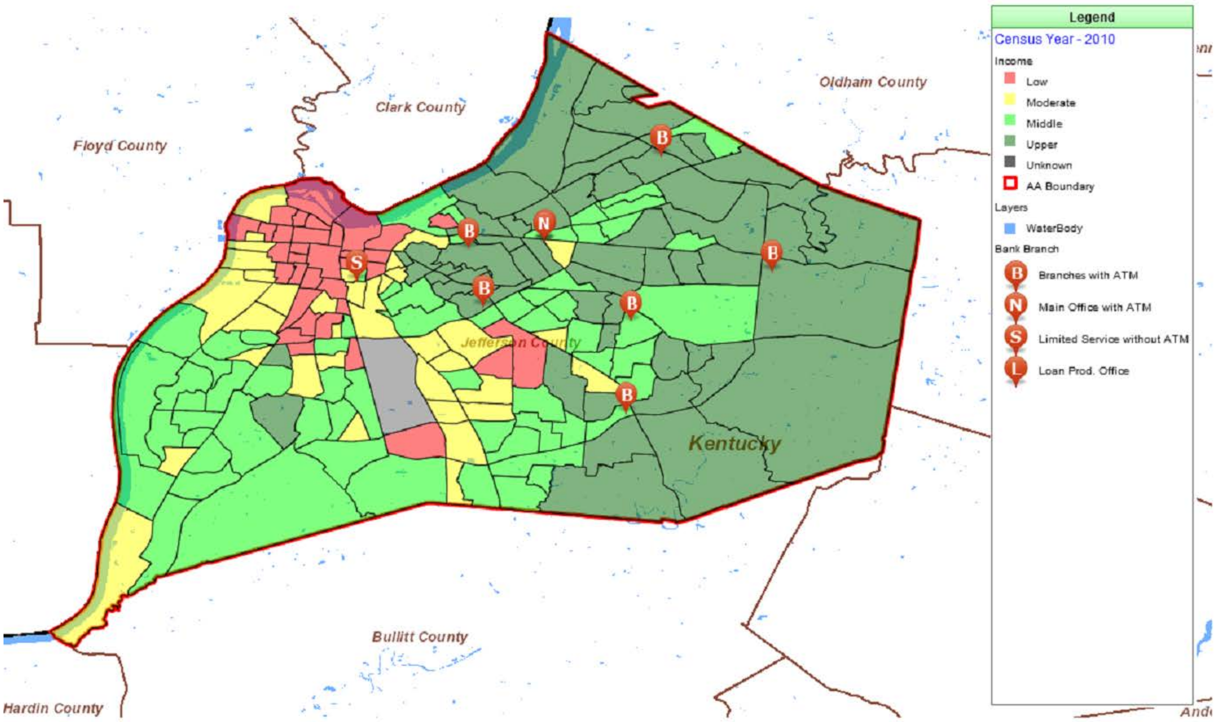
Consequently, FCBKY's community development lending, investment, and service record enhances credit availability in the assessment area and supports a satisfactory CRA rating for the Community Development Test.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

Appendix A

ASSESSMENT AREA DETAIL



GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

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

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

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

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

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

Demographics: The statistical characteristics of human populations (such as age, race, sex, income, etc.) used especially to identify markets.

Distressed nonmetropolitan middle-income geography: A middle-income, nonmetropolitan geography will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20 percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

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

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

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders who do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

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

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

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

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

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

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

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

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

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

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

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

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

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

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

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

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

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

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

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

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

Underserved middle-income geography: A middle-income, nonmetropolitan geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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