



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

August 13, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Forcht Bank, National Association
Charter Number 24349

2404 Sir Barton Way
Lexington, Kentucky 40509

Office of the Comptroller of the Currency

10200 Forest Green Boulevard, Suite 501
Louisville, Kentucky 40223

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.

Forcht Bank, National Association (FB) has a satisfactory record of meeting community credit needs. This conclusion is based on the following:

- FB's loan-to-deposit ratio is reasonable.
- A substantial majority of FB's loans were originated within the Assessment Areas (AAs).
- FB's distribution of loans to low- and moderate-income individuals reflects reasonable penetration.
- FB's geographic distribution of loans reflects reasonable dispersion throughout the AAs.
- FB's community development performance demonstrates adequate responsiveness to the community developments needs of the AAs.

Scope of Examination

Forcht Bank, National Association (FB) was evaluated under the Intermediate Small Bank examination procedures. These procedures include a lending test and a community development (CD) test. The lending test evaluated FB's record of meeting the credit needs of its Assessment Areas (AAs) through its lending activities. The CD test evaluated FB's responsiveness to CD needs in its AA through community development lending, qualified investments, and community development services.

The evaluation covers the time period between June 8, 2009 and August 13, 2012. The scope of the lending test included an assessment of FB's primary loan types: residential real estate and business purpose loans. The residential real estate lending analysis was based on the loans FB reported on the Home Mortgage Disclosure Act Loan Application Register (HMDA LAR) from January 1, 2010 through December 31, 2011. The OCC performed a data integrity review to verify the accuracy of the HDMA data and concluded it was reliable. The business-purpose loan analysis was performed using a random sample of business loans originated or purchased in 2010 and 2011.¹

Our analysis of the borrower and geographic distribution of loans compared those originated during the testing period to the 2000 U.S. Census demographic information. The income level designations used in the analysis of home mortgage loans are based on the Department of Housing and Urban Development (HUD) estimate of the Kentucky

¹ FB is not required to report business purpose loans on the HMDA-LAR.

2010 and 2011 Median Family Incomes for a Metropolitan Statistical Area (MSA) and nonmetropolitan area. The overall rating under each lending test is the consolidation of conclusions reached for each full-scope assessment area. When determining conclusions for the lending tests, performance in the nonmetropolitan AA was given more weight, as this is FB's primary business area.

Conclusions regarding FB's CD tests are based on FB's level of community development lending, qualified investments, and community development services performed from June 8, 2009 through August 13, 2012.

Description of Institution

Forcht Bank, National Association (FB) is an intrastate financial institution headquartered in Lexington, Kentucky. FB is wholly owned by Forcht Bancorp, Inc., headquartered in Corbin, Kentucky. As of March 31, 2012, FB reported \$1.03 billion in total assets, \$834 million in deposits, \$581 million in total loans, and \$98 million in Tier One Capital. FB has 35 locations, which are accessible to all segments of the community. Three branches were added since the last CRA evaluation. Three branches in the Cincinnati-Middletown assessment area were closed, however FB has other nearby branches available to service the area.

FB is a full-service lender offering traditional banking products and services. These include conventional home mortgage loans and government guaranteed home mortgage loans through the secondary market. In addition, FB offers home improvement, consumer, and a full range of business loans, including loans through the Federal Housing Administration, Kentucky Housing Corporation, Veterans Administration, USDA Rural Housing, Small Business Administration, and Farm Service Agency. As of March 31, 2012, net loans represented 56 percent of FB's total assets. The loan portfolio mix is as follows: 1-4 family residential real estate loans (45 percent); commercial and commercial real estate loans (44 percent); construction and development loans (6 percent); and consumer loans (5 percent).

FB was rated "Satisfactory" at the last CRA evaluation dated June 8, 2009. There are no legal circumstances affecting FB's ability to meet community credit needs. However, the economic turmoil experienced during the evaluation period negatively impacted FB's lending activities. The unemployment rate in the bank's largest AA is well above state and national averages. FB experienced a high level of loan losses in 2010. Accordingly, FB's focus was changed from business development to the reduction of problem credits, and the loan production team was centralized. As the bank worked through the significant asset quality issues, FB's new president assigned production officers to all locations in the fourth quarter of 2011 to begin a new strategy of growth.

Loan demand remains soft and competition for quality loans is strong. However, three community contacts familiar with the AAs' credit needs stated access to capital is sufficient in their areas. They stated the primary need for consumers is financial education and local businesses need customer and workforce development.

Description of Assessment Areas

FB has delineated four Assessment Areas (AAs) for CRA purposes. AA1 is Fayette County, located in the Lexington-Fayette, Kentucky Metropolitan Statistical Area (MSA). AA2 is Jefferson County, located in the Louisville-Jefferson County, Kentucky-Indiana MSA. AA3 is in the Cincinnati-Middletown MSA and consists of Boone and Grant Counties. AA4 is in a nonmetropolitan area located in south-central Kentucky and consists of McCreary, Pulaski, Knox, Whitley, Laurel, Green, Taylor, and Madison Counties. The AA delineations are in conformance with regulatory requirements, appear appropriate in relation to the location of FB’s offices, and do not arbitrarily exclude any low- or moderate-income areas.

AA1: Lexington-Fayette, MSA (Fayette County)

Demographic Information for Full-Scope Area: Lexington-Fayette, Kentucky MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	61	14.75	18.03	39.34	26.23	1.64
Population by Geography	260,512	11.25	17.22	39.42	31.95	0.17
Owner-Occupied Housing by Geography	59,915	4.47	13.97	42.17	39.39	0.00
Businesses by Geography	33,893	12.94	12.08	33.51	41.18	0.29
Farms by Geography	1,101	6.90	8.27	35.24	49.59	0.00
Families by Income Level	63,648	20.53	16.68	21.17	41.62	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	23,682	14.65	26.75	41.49	17.11	0.00
Median Family Income	\$51,365	Median Housing Value				\$116,911
HUD Adjusted Median Family Income for 2011	\$66,200	Unemployment Rate				See Below
Households Below the Poverty Level	12.89%					

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 U.S. Census and 2011 HUD estimated Median Family Income.

Note: These numbers were obtained directly from the 2000 U.S. Census and may or may not equal exactly 100 percent for each category. Only 60 of the 61 CTs are rated low, moderate, middle, or upper income. One CT was left unrated by the US Census Bureau. Consequently, data connected to this one unrated CT is reflected as being "N/A."

FB’s AA1 consists of Fayette County in the central Kentucky Lexington-Fayette, Kentucky MSA. (Note: the AA does not include Bourbon, Clark, Jessamine, Scott, or Woodford counties in the Lexington MSA, as the bank does not have branches within them). There are 61 census tracts in the AA: nine are low-income; 11 are moderate-income, 24 are middle-income, and 16 are upper-income.

The local economy is supported by retail trade, manufacturing, and service industries. The largest single employer in Fayette County is the University of Kentucky (education). The largest private employers are: Lexmark International, Inc. (printers and information processing); Lockheed Martin (contractor logistics support); Amazon.com (fulfillment center); Trane Lexington (commercial and industrial air handling equipment); Xerox (mailroom, scanning, and data capture along with customer care); UPS (small package distribution); Ashland Consumer Markets/Valvoline (administrative offices and lab); Gall's (corporate office inbound call center, distribution, shipping); and Link-Belt Construction Equipment Company (telescopic cable cranes).

As of June 2012, the unemployment rates for the Lexington MSA and Fayette County were 6.8 percent and 6.5 percent, respectively. Both are lower than the state unemployment rate of 8.5 percent.

Based on June 30, 2011 FDIC deposit market share data, approximately 10 percent of FB's deposits were derived from this AA. FB's deposits of \$79 million rank the bank 15th out of 23 deposit-taking institutions in the AA, a 1.34 percent market share. FB has five branch offices with full-service ATMs in this AA. One office is located in a moderate-income census tract.

AA2: Louisville-Jefferson County, Kentucky-Indiana MSA (Jefferson County)

Demographic Information for Full-Scope Area: Louisville-Jefferson County, Kentucky-Indiana MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	170	7.65	30.00	34.12	28.24	0.00
Population by Geography	693,604	5.99	23.58	38.70	31.72	0.00
Owner-Occupied Housing by Geography	186,358	2.63	18.63	41.62	37.11	0.00
Businesses by Geography	80,564	4.25	20.48	30.40	44.87	0.00
Farms by Geography	1,467	1.84	13.97	36.20	47.99	0.00
Families by Income Level	183,647	21.34	17.42	21.65	39.59	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	71,183	11.60	33.98	39.03	15.39	0.00
Median Family Income	\$49,301	Median Housing Value				\$110,287
HUD Adjusted Median Family Income for 2011	\$62,900	Unemployment Rate				See Below
Households Below the Poverty Level	12.19%					

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 U.S. Census and 2011 HUD estimated Median Family Income.

Note: These numbers were obtained directly from the 2000 U.S. Census and may or may not equal exactly 100 percent for each category.

FB's AA2 consists of Jefferson County in the north-central Kentucky Louisville-Jefferson County, Kentucky-Indiana MSA. (Note: the AA does not include the Kentucky counties of Bullitt, Henry, Meade, Nelson, Oldham, Shelby, Spencer and Trimble counties or any of the Indiana counties located in the MSA, as FB does not have branches within them). There are 170 census tracts in the AA: 13 are low-income; 51 are moderate-income; 58 are middle-income; and 48 are upper-income.

The local economy is supported by service, transportation, and manufacturing industries. The largest single employers include: UPS (courier services); GE (household appliances); Humana, Inc. (back office service, sales); Ford Motor Company (truck production); Bank of America (credit and debit card processing); and Yum Restaurant Service Group, Inc. (back office operations). These companies employ approximately 28,000 individuals. In addition to these private companies, the University of Louisville (U of L) is located within the AA. U of L employs approximately 6,000 individuals and services over 20,000 students.

As of June 2012, the unemployment rates for the Louisville MSA and Jefferson County were 8.3 percent and 8.8 percent, respectively. These rates are comparable to the unemployment rate for the state of Kentucky.

Based on June 30, 2011 FDIC deposit market share data, approximately 9 percent of FB's deposits were derived from this AA. FB's deposits of \$71 million rank the bank 16th out of 25 deposit-taking institutions in the AA, a 0.45 percent market share. Within the AA, FB has four branch offices with full-service ATMs. One office is located in a moderate-income census tract.

AA3: Cincinnati-Middletown MSA (Boone and Grant Counties)

Demographic Information for Full-Scope Area: Cincinnati-Middletown MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	20	0.00	25.00	45.00	30.00	0.00
Population by Geography	108,375	0.00	21.60	45.71	32.69	0.00
Owner-Occupied Housing by Geography	29,256	0.00	21.93	42.60	35.47	0.00
Businesses by Geography	14,465	0.00	23.40	41.74	34.86	0.00
Farms by Geography	510	0.00	25.10	48.24	26.67	0.00
Families by Income Level	29,927	17.00	17.07	25.42	40.51	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	10,199	0.00	34.50	47.33	18.17	0.00
Median Family Income	\$54,771	Median Housing Value		\$115,347		
HUD Adjusted Median Family Income for 2011	\$70,400	Unemployment Rate		See Below		
Households Below the Poverty Level	7.24%					

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 U.S. Census and 2011 HUD estimated Median Family Income.

Note: These numbers were obtained directly from the 2000 U.S. Census and may or may not equal exactly 100 percent for each category.

FB's AA3 consists of Boone and Grant Counties in the northern Kentucky Cincinnati-Middletown MSA. (Note: The AA does not include the Kentucky counties of Bracken, Campbell, Gallatin, Kenton, or Pendleton or any of the Indiana or Ohio counties in the MSA; FB does not have branches within them). There are 20 census tracts in AA3: there are no low-income tracts; five are moderate-income; nine are middle-income; and six are upper-income tracts.

The local economy is primarily supported by service industries. Major employers include: Fidelity Investments (financial services); Comair (air terminal); Citicorp Credit Services (financial services customer service); and Toyota Motors (corporate headquarters). These companies employ over 20,000 individuals.

As of June 2012, the unemployment rate for the Cincinnati MSA was 7.2 percent. The unemployment rates in Boone and Grant Counties were 7.3 percent and 8.5 percent, respectively.

Based on June 30, 2011 FDIC deposit market share data, approximately 19 percent of FB's deposits were derived from this AA. FB's deposits of \$150 million rank the bank 4th out of 20 deposit-taking institutions in the AA, a 6.59 percent market share. FB has five branch offices with full-service ATMs in this AA. Three offices are located in moderate-income census tracts.

AA4: Nonmetropolitan AA of South-Central Kentucky (McCreary, Pulaski, Knox, Whitley, Laurel, Green, Taylor, and Madison Counties)

Demographic Information for Full-Scope Area: Nonmetropolitan South-Central Kentucky AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	64	1.56	25.00	56.25	17.19	0.00
Population by Geography	298,989	1.44	20.25	57.60	20.70	0.00
Owner-Occupied Housing by Geography	83,312	0.03	20.73	59.25	19.99	0.00
Businesses by Geography	30,022	0.15	13.32	62.43	24.10	0.00
Farms by Geography	1,119	0.00	7.69	71.13	21.18	0.00
Families by Income Level	83,743	23.35	17.78	20.31	38.56	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	34,445	0.30	28.26	58.16	13.28	0.00
Median Family Income	\$32,884	Median Housing Value				\$64,405
HUD Adjusted Median Family Income for 2011	\$43,000					
Households Below the Poverty Level	22.98%	Unemployment Rate				See Below

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2000 U.S. Census and 2011 HUD estimated Median Family Income.
 Note: These numbers were obtained directly from the 2000 U.S. Census and may or may not equal exactly 100 percent for each category.

FB’s Non-MSA AA4 consists of McCreary, Pulaski, Knox, Whitley, Laurel, Green, Taylor, and Madison Counties in south-central Kentucky. There are 64 census tracts in AA4: one is a low-income tract; 16 are moderate-income; 36 are middle-income; and 11 are upper-income tracts. Six of the eight counties in the AA are designated as distressed.

The local economy is supported by trade, transportation, and service industries. Major employers for each county include the following:

- **McCreary County:** The largest employer is Outdoor Venture Corporation (military tent systems and accessories), employing approximately 230 individuals.
- **Pulaski County:** The largest employers include: Toyotetsu America, Inc. (automotive components); Super Service LLC (truckload interstate carrier); Armstrong Wood Products (hardwood flooring); Eagle Hardwoods (hardwood flooring); and Hendrickson WUA LLC (trailer suspension systems). These companies employ over 2,000 individuals.
- **Knox, Whitley, and Laurel Counties:** The largest employers include: Vangent, Inc. (call center); CTA Acoustics, Inc. (organic fiber padding); Pepsi-Cola (soft drinks); TCO, Inc. (automotive lighting units); Computer Science Corporation (inbound call

center); and Trueseal Technologies (sealants for insulated glass windows). These companies employ nearly 2,000 individuals.

- Green County: The largest employers include: Topps Safety Apparel, Inc. (work clothes); and Aluminum Fabricators Inc. (aluminum steeples and architectural metal products). These companies employ over 50 people.
- Taylor County: The largest employers include: Amazon.com (fulfillment center); Cox Interior, Inc. (manufacturer of interior trim); Murakami Manufacturing US, Inc. (automotive mirrors); Intelenet America LLC (information data center); Ingersoll-Rand Co. (vacuum pumps and air compressors); and Campbellsville Apparel (men's t-shirts). These companies employ over 2,000 individuals.
- Madison County: The largest employers include: Hitachi Automotive Systems Americas Inc. (manufacture and assembly of brake and suspension systems); NACCO Materials (lift trucks); Blue Grass Chemical Agent Destruction Plant (chemical weapons destruction); Sherwin-Williams Company (auto coatings and finishes); and Richmond Auto Parts Technology Inc. (automotive transmission parts). These companies employ over 3,000 individuals.

As of June 2012, the unemployment rate for the counties in the AA were: McCreary, 12.9 percent; Pulaski, 9.3 percent; Knox, 11.7 percent; Whitley, 9.8 percent; Laurel, 9.7 percent; Green, 8.3 percent; Taylor, 8.3 percent; and Madison, 7.2 percent. Unemployment for the state of Kentucky was 8.5 percent.

Based on June 30, 2011 FDIC deposit market share data, approximately 62 percent of FB's deposits were derived from this AA. FB's deposits of \$489 million rank the bank the highest of 30 deposit-taking institutions in the AA, an 11.88 percent market share. FB has 21 branch offices with full-service ATMs in this AA. There is also a cash-dispensing ATM in Whitley County. Five offices are located in moderate-income census tracts.

Conclusions with Respect to Performance Tests

FB's performance under the lending test is satisfactory.

FB's loan-to-deposit ratio is reasonable and a substantial majority of loan originations were inside the Assessment Area (AA). FB's borrower distribution reflects reasonable penetration among borrowers of different income levels and businesses of different sizes. The geographic distribution of FB's residential and business loans reflects reasonable dispersion among geographies.

The most weight and consideration was given to the nonmetropolitan AA, as the majority of loans and deposits are derived from this AA.

LENDING TEST

Loan-to-Deposit Ratio

FB's net loan-to-deposit ratio is reasonable, given the bank's size, financial condition, and needs of its AAs. The bank's net loan-to-deposit ratio averaged 79.71 percent over the 12 quarters since the last CRA examination, with a quarterly low of 68.97 percent and a quarterly high of 90.96 percent. FB's average loan-to-deposit ratio was near the highest of the community banks of similar size, location, and product offerings within the AA. The other banks had average ratios ranging from 69.80 percent to 84.94 percent.

Our conclusion took into consideration the competitive market within the AAs and FB's secondary market activity. FB's average loan-to-deposit ratio does not reflect all residential mortgage lending activity, as the bank routinely originates and sells mortgages to the secondary market. During the evaluation period, FB originated and sold approximately \$76 million in loans to the secondary market and currently has an additional \$1.8 million in the pipeline.

Institution	Average Net Loan-to-Deposit Ratio
Forcht Bank, N.A.	79.71%
Bank #1	69.80%
Bank #2	70.02%
Bank #3	84.94%

Lending in Assessment Area

FB originated a substantial majority of loans inside the AAs. The following table details FB's lending within the AAs by number and dollar amount of loans originated during the evaluation period. FB originated 85.51 percent of its primary loan products in the AAs.

Lending in All Assessment Areas Residential and Business Loan Originations January 1, 2010 – December 31, 2011										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA- Reported	818	85.21	142	14.79	960	78,931	78.39	21,760	21.61	100,691
Business Purpose	20	100.00	0	0.00	20	1,272,410	0.00	0	0.00	1,272,410
Totals	838	85.51	142	14.49	980	1,351,341	98.42	21,760	1.58	1,373,101

Source: HMDA data for residential loans originated between January 1, 2010 and December 31, 2011. Random sample of business purpose loans, originated between January 1, 2010 and December 31, 2011, from the bank's loan trial balance.

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

Overall, the distribution of loans, given FB's performance context, reflects reasonable penetration among low- and moderate-income individuals and business entities with annual revenue of less than \$1 million.

Lexington MSA AA

Overall, the distribution of loans to borrowers of different incomes and businesses of different sizes reflects reasonable penetration within the Lexington MSA AA. However, FB's loan distribution to low- and moderate-income borrowers reflects poor penetration. Loans to low-income borrowers represented 6.67 percent of total loan originations, which is significantly lower than the demographic comparator of 20.53 percent. Home loan originations to moderate-income borrowers were 13.33 percent, lower than the demographic comparator of 16.68 percent.

There are several reasons for FB's performance against demographic data. There was no production officer assigned to the branch located in a moderate-income census tract, and nearest to the low-income tracts, until the fourth quarter of 2011. Additionally, there are barriers to lending to low- or moderate-income borrowers. Nearly 13 percent of the population lives below the poverty level, and 20 percent are on fixed incomes. Living on such a low income makes it difficult to either afford or maintain a home. Other barriers include the unavailability of private mortgage insurance without strong credit scores and the lack of a sufficient down payment to qualify for in-house and secondary market programs. The AA has a moderate to high percentage of rental units available to meet the housing needs of low- and moderate-income borrowers. As these individuals turn to rental housing, opportunities for banks to originate homes loans is reduced.

The following table shows the distribution of residential real estate loan products among borrowers of different income levels compared to the percentage of families in each income level.

Borrower Distribution of Residential Real Estate Loans in Lexington MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchases	20.53	8.70	16.68	8.70	21.17	26.09	41.62	56.51
Home Improvement	20.53	0.00	16.68	0.00	21.17	0.00	41.62	0.00
Home Refinance	20.53	4.55	16.68	18.18	21.17	31.82	41.62	45.45
Total	20.53	6.67	16.68	13.33	21.17	28.89	41.62	51.11

Source: HMDA data for residential loans originated between January 1, 2010 and December 31, 2011 and 2000 U.S. Census data.

The distribution of business loans reflects reasonable penetration among small businesses with revenues of less than \$1 million. Of the loans sampled, 65 percent were to small businesses, which meets the demographic data.

The following table shows the distribution of loans among businesses of different incomes compared to the percentage of businesses in each income level.

Borrower Distribution of Loans to Businesses in Lexington MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	65.66	3.26	31.08	100.00
% of Bank Loans in AA by #	65.00	35.00	0.00	100.00
% of Bank Loans in AA by \$	62.66	37.34	0.00	100.00

Source: 2000 U.S. Census data. Random sample of business loans originated between January 1, 2010 and December 31, 2011.

Louisville MSA AA

The distribution of loans to borrowers of different incomes and businesses of different sizes reflects excellent penetration within the Louisville MSA AA.

FB’s loan distribution to low-income borrowers represented 22.81 percent of total loan originations, which exceeds the demographic comparator of 21.34 percent of low-income families in the AA. Residential real estate loan originations to moderate-income borrowers, at 31.58 percent, significantly exceed the demographic comparator of 17.42 percent.

The following table shows the distribution of residential real estate loan products among borrowers of different income levels compared to the percentage of families in each income level.

Borrower Distribution of Residential Real Estate Loans in Louisville MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchases	21.34	25.93	17.42	29.63	21.65	25.93	39.59	18.51
Home Improvement	21.34	25.00	17.42	25.00	21.65	25.00	39.59	25.00
Home Refinance	21.34	19.23	17.42	34.62	21.65	7.69	39.59	38.46
Total	21.34	22.81	17.42	31.58	21.65	17.54	39.59	28.07

Source: HMDA data for residential loans originated between January 1, 2010 and December 31, 2011 and 2000 U.S. Census data.

The distribution of business loans reflects excellent penetration among small businesses with revenues of less than \$1 million. Loans to small businesses made up 68.75 percent of loans sampled, exceeding the demographic data.

The following table shows the distribution of loans among businesses of different incomes compared to the percentage of businesses in each income level.

Borrower Distribution of Loans to Businesses in Louisville MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	66.42	3.40	30.18	100.00
% of Bank Loans in AA by #	68.75	31.25	0.00	100.00
% of Bank Loans in AA by \$	64.98	35.02	0.00	100.00

Source: 2000 U.S. Census data. Random sample of business loans originated between January 1, 2010 and December 31, 2011.

Cincinnati MSA AA

The distribution of residential real estate loans reflects reasonable penetration among individuals of different incomes in the Cincinnati MSA AA, given FB’s focus on improving asset quality. The penetration of loans to small businesses is excellent.

FB’s loan distribution of residential real estate loans to low- and moderate-income borrowers reflects reasonable penetration. Loans to low- income borrowers represented 16.36 percent of total loan originations, which is near the demographic comparator of 17 percent. Residential real estate loan originations to moderate-income borrowers were 9.09 percent, significantly lower than the demographic comparator of 17.07 percent.

The following table shows the distribution of residential real estate loan products among borrowers of different income levels compared to the percentage of families in each income level.

Borrower Distribution of Residential Real Estate Loans in Cincinnati MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchases	17.00	21.43	17.07	0.00	25.42	42.86	40.51	35.71
Home Improvement	17.00	66.67	17.07	0.00	25.42	0.00	40.51	33.33
Home Refinance	17.00	10.53	17.07	13.16	25.42	36.84	40.51	39.47
Total	17.00	16.36	17.07	9.09	25.42	36.36	40.51	38.19

Source: HMDA data for residential loans originated between January 1, 2010 and December 31, 2011 and 2000 U.S. Census data.

The distribution of business loans reflects excellent penetration among small businesses with revenues of less than \$1 million. Loans to small businesses, 75 percent of loans sampled, exceed demographic data.

The following table shows the distribution of loans among businesses of different incomes compared to the percentage of businesses in each income level.

Borrower Distribution of Loans to Businesses in Cincinnati MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	67.17	2.34	30.49	100.00
% of Bank Loans in AA by #	75.00	25.00	0.00	100.00
% of Bank Loans in AA by \$	68.97	31.03	0.00	100.00

Source: 2000 U.S. Census data. Random sample of business loans originated between January 1, 2010 and December 31, 2011.

Non-MSA South-Central Kentucky AA

The distribution of residential real estate loans reflects reasonable penetration among individuals of different incomes in the Non-MSA South-Central Kentucky AA, given FB's focus on improving asset quality. The penetration of loans to small businesses is excellent.

FB's loan distribution of residential real estate loans to low- and moderate-income income borrowers reflects reasonable penetration. Loans to low- income borrowers represented 9.57 percent of total loan originations, which is significantly lower than the demographic comparator of 23.35 percent of low-income families in the AA. However, home loan originations to moderate-income borrowers were 19.64 percent, which exceeds the demographic comparator of 17.78 percent.

There are several barriers to lending to low- or moderate-income borrowers. Nearly 23 percent of the population lives below the poverty level and 31 percent receive social security. Living on such a low income makes it difficult to either afford or maintain a

home. Other barriers include the unavailability of private mortgage insurance without strong credit scores and the lack of a sufficient down payment to qualify for in-house and secondary market programs.

The following table shows the distribution of residential real estate loan products among borrowers of different income levels compared to the percentage of families in each income level.

Borrower Distribution of Residential Real Estate Loans in Non-MSA South-Central Kentucky AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchases	23.35	9.64	17.78	19.28	21.31	30.52	38.56	40.56
Home Improvement	23.35	14.29	17.78	24.18	20.31	20.88	38.56	40.65
Home Refinance	23.35	7.89	17.78	18.42	20.31	19.17	38.56	54.52
Total	23.35	9.57	17.78	19.64	20.31	24.09	38.56	46.70

Source: HMDA data for residential loans originated between January 1, 2010 and December 31, 2011 and 2000 U.S. Census data.

The distribution of business loans reflects excellent penetration among small businesses with revenues of less than \$1 million. Of the loans sampled, 85 percent were to small businesses, significantly exceeding the demographic data.

The following table shows the distribution of loans among businesses of different incomes compared to the percentage of businesses in each income level.

Borrower Distribution of Loans to Businesses in Non-MSA South-Central Kentucky AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	70.67	2.19	27.14	100.00
% of Bank Loans in AA by #	85.00	15.00	0.00	100.00
% of Bank Loans in AA by \$	91.25	8.75	0.00	100.00

Source: 2000 U.S. Census data. Random sample of business loans originated between January 1, 2010 and December 31, 2011.

Geographic Distribution of Loans

The overall geographic distribution of loans reflects reasonable dispersion into the low- and moderate-income census tracts.

Lexington MSA AA

Lending to geographies of different income levels in the Lexington MSA AA reflects reasonable dispersion. Within the Lexington MSA AA there are nine low-income and eleven moderate-income census tracts out of 61.

FB’s geographic distribution to low-income census tracts represented 10.53 percent of total residential real estate loan originations, which significantly exceeds the demographic comparator of 4.47 percent. The geographic distribution of home loans within the moderate-income census tracts, 10.53 percent, was near the demographic comparator of 13.97 percent.

The following table details FB’s performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Geographic Distribution of Residential Real Estate Loans in Lexington MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchases	4.47	6.90	13.97	13.79	42.17	27.59	39.39	51.72
Home Improvement	4.47	0.00	13.97	0.00	42.17	0.00	39.39	0.00
Home Refinance	4.47	14.29	13.97	7.14	42.17	14.29	39.39	64.28
Total	4.47	10.53	13.97	10.53	42.17	21.05	39.39	57.89

Source: HMDA data for Residential loans originated between January 1, 2010 and December 31, 2011 and 2000 U.S. Census data.

FB’s distribution of business loans in the AA reflects reasonable dispersion into the low- and moderate-income census tracts. FB originated approximately 5 percent of their business loans to entities located in low-income tracts and 10 percent to those located in moderate-income tracts, lower than the respective comparators of 12.94 percent and 12.08 percent. There are several reasons for this. First, the AA’s low-income census tracts are more residential in nature than commercial. Additionally, until the fourth quarter of 2011, there was no production officer assigned to the moderate-income branch located nearest to the AA’s low-income tracts. The low-income tracts are readily serviced by larger banks in closer proximity.

The following table details the bank’s performance as compared to the percentage of businesses in each census tract income level.

Geographic Distribution of Loans to Businesses in Lexington MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Business Entities	% of # of Loans	% of AA Business Entities	% of # of Loans	% of AA Business Entities	% of # of Loans	% of AA Business Entities	% of # of Loans
Total	12.94	5.00	12.08	10.00	33.51	50.00	41.18	35.00

Source: % of AA Businesses derived from 2000 Census information. Bank generated reports containing Business loans originated between January 1, 2010 and December 31, 2011.

Louisville MSA AA

Lending to geographies of different income levels in the Louisville MSA AA reflects reasonable dispersion.

FB's distribution of residential real estate loans in the AA reflects reasonable dispersion, despite the relatively low level of residential real estate loans originated in low- and moderate-income census tracts. FB had no residential real estate loans in a low-income tract. However, less than three percent of owner-occupied housing within the AA is in a low-income tract. FB's geographic distribution within moderate-income census tracts represented 4.35 percent of total loan originations, significantly lower than the demographic comparator of 18.63 percent. The lack of penetration into low- and moderate-income census tracts is due to several factors. There are 13 low-income and 51 moderate-income census tracts among the 170 within the AA. The low-income tracts are clustered on the northern border of FB's AA and surrounded by the majority of moderate-income census tracts. FB's offices are situated in the southern and southeastern areas of the AA, one of which is in a moderate-income tract. However, many other banks are in closer proximity to these tracts, several of which are much larger and have much greater market presence. FB has only four branches in the AA. Additionally, until the fourth quarter of 2011, only one of the four branches in the AA had a production officer.

The following table details the FB's performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Geographic Distribution of Residential Real Estate Loans in Louisville MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchases	2.63	0.00	18.63	0.00	41.63	57.58	37.11	42.42
Home Improvement	2.63	0.00	18.63	0.00	41.63	100.00	37.11	0.00
Home Refinance	2.63	0.00	18.63	9.38	41.63	71.87	37.11	18.75
Total	2.63	0.00	18.63	4.35	41.63	66.66	37.11	28.99

Source: HMDA data for Residential loans originated between January 1, 2010 and December 31, 2011 and 2000 U.S. Census data.

FB’s distribution of business loans in the AA reflects reasonable dispersion into the low- and moderate-income census tracts. None of the loans in the business sample were originated to entities located in low-income tracts; however, less than five percent businesses within the AA are in low-income tracts. Twelve and a half percent of loans within the sample were to businesses located in moderate-income tracts, well below the demographic comparator of 20.48 percent. As mentioned, until the fourth quarter of 2011, only one of the four branches in the AA had a production officer.

The following table details FB’s performance as compared to the percentage of businesses in each census tract income level.

Geographic Distribution of Loans to Businesses in Louisville MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Business Entities	% of # of Loans	% of AA Business Entities	% of # of Loans	% of AA Business Entities	% of # of Loans	% of AA Business Entities	% of # of Loans
Total	4.25	0.00	20.48	12.50	30.40	68.70	44.87	18.80

Source: % of AA Businesses derived from 2000 Census information. Bank generated reports containing Business loans originated between January 1, 2010 and December 31, 2011.

Cincinnati MSA AA

Lending to geographies of different income levels in the Cincinnati MSA AA reflects excellent dispersion. Of the 20 census tracts within the AA, none are low-income and five are moderate-income.

FB’s geographic distribution of residential real estate loans to moderate-income census tracts reflects excellent dispersion. FB’s originations of 67.75 percent significantly exceed the demographic comparator of 21.93 percent.

The following table details FB’s performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Geographic Distribution of Residential Real Estate Loans In Cincinnati MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchases	0.00	0.00	21.93	44.44	42.60	38.89	35.47	16.67
Home Improvement	0.00	0.00	21.93	100.00	42.60	0.00	0.00	0.00
Home Refinance	0.00	0.00	21.93	75.60	42.60	12.20	35.47	12.20
Total	0.00	0.00	21.93	67.75	42.61	19.35	35.47	12.90

Source: HMDA data for Residential loans originated between January 1, 2010 and December 31, 2011 and 2000 U.S. Census data.

FB’s distribution of business loans in the AA reflects excellent dispersion into the moderate-income census tracts. Forty percent of business loans were to those located in moderate-income tracts, significantly exceeding the demographic comparator of 23.40 percent.

The following table details FB’s performance as compared to the percentage of businesses in each census tract income level.

Geographic Distribution of Loans to Businesses in Cincinnati MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Business Entities	% of # of Loans	% of AA Business Entities	% of # of Loans	% of AA Business Entities	% of # of Loans	% of AA Business Entities	% of # of Loans
Total	0.00	0.00	23.40	40.00	41.74	30.00	34.86	30.00

Source: % of AA Businesses derived from 2000 Census information. Bank generated reports containing Business loans originated between January 1, 2010 and December 31, 2011.

Non-MSA South-Central Kentucky AA

Lending to geographies of different income levels in the Non-MSA South-Central Kentucky AA reflects reasonable dispersion. Within the 64 census tracts in the AA, one is low-income tract and 16 are moderate-income tracts. Six of the eight counties in the AA are designated as distressed.

FB’s distribution of residential real estate loans in the AA reflects reasonable dispersion. There were no residential real estate loans originated in FB’s low-income census tract, located within Madison County. This county was added to the AA subsequent to the

last evaluation, as FB opened a branch there in 2010. The geographic distribution of residential real estate loans within the moderate-income census tracts, 20.79 percent, meets the demographic comparator of 20.73 percent.

The following table details FB’s performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Geographic Distribution of Residential Real Estate Loans In Non-MSA South-Central Kentucky AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchases	0.03	0.00	20.73	20.46	59.25	70.66	19.99	8.88
Home Improvement	0.03	0.00	20.73	21.65	59.25	72.16	19.99	6.19
Home Refinance	0.03	0.00	20.73	20.80	59.25	71.17	19.99	8.03
Total	0.03	0.00	20.73	20.79	59.25	71.11	19.99	8.10

Source: HMDA data for Residential loans originated between January 1, 2010 and December 31, 2011 and 2000 U.S. Census data.

FB’s distribution of business loans in the AA reflects excellent dispersion into the moderate-income census tracts. No business loans were originated in FBs low-income census tract for reasons stated above. Fifteen percent of business loans were to those located in moderate-income tracts, exceeding the demographic comparator of 13.32 percent.

The following table details FB’s performance as compared to the percentage of businesses in each census tract income level

Geographic Distribution of Loans to Businesses in Non-MSA South-Central Kentucky AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Business Entities	% of # of Loans	% of AA Business Entities	% of # of Loans	% of AA Business Entities	% of # of Loans	% of AA Business Entities	% of # of Loans
Total	0.15	0.00	13.32	15.00	62.43	70.00	24.10	15.00

Source: % of AA Businesses derived from 2000 Census information. Bank generated reports containing Business loans originated between January 1, 2010 and December 31, 2011.

Responses to Complaints

FB did not receive any written complaints regarding its CRA performance during the evaluation period.

COMMUNITY DEVELOPMENT TEST

FB's performance under the Community Development Test is rated satisfactory.

FB demonstrated adequate responsiveness to community development needs in its AAs through retail services, community development loans, and qualified investments.

Number and Amount of Community Development Loans

FB's community development lending reflects adequate responsiveness to community development needs within the AAs. FB originated six community development loans during the evaluation period, totaling approximately \$295,000. These loans were part of the Federal Home Loan Bank of Cincinnati's Affordable Housing Welcome Home Program. Grant funds from the program assisted FB homebuyers with down payments and closing costs. All six loans were to borrowers in counties designated as distressed in AA4. No loans were submitted for consideration from AA1, 2, or 3.

Number and Amount of Qualified Investments

FB's amount of qualified community development investments demonstrates excellent responsiveness to the community development needs of the AAs.

During the evaluation period, FB purchased school revenue bonds within each AA. All of the investments in AA4 were in counties designated as distressed.

- AA1: 11 bonds totaling \$9.2 million
- AA2: five bonds totaling \$5.7 million
- AA3: eight bonds totaling \$8.6 million
- AA4: 10 bonds totaling \$21.3 million.

In addition, FB purchased three Kentucky Housing Corporation (KHC) revenue bonds totaling \$2.8 million. KHC is a state housing agency created to provide affordable housing opportunities.

FB also made \$21,000 in qualifying donations to organizations within the AAs. Approximately \$10,000 were to organizations in counties designated as distressed.

Extent to Which the Bank Provides Community Development Services

FB shows excellent responsiveness to meeting community needs through qualified community services. In evaluating FB's services, we considered the bank's size in relation to the size of the AAs and the needs within the communities.

FB offers on-line banking to provide customers with additional access to their consumer and business accounts. Through on-line banking, customers can check account balances, view statements, transfer funds, make loan payments, pay bills, and locate the nearest branch or ATM. With Forcht 2 Go, the bank's new mobile banking service, customers can perform these same functions using a web-enabled mobile device. FB's website includes a library to assist consumers and business customers. The personal library includes worksheets for income tax, retirement, and estate planning, among others. The business library houses articles on starting and managing a business. There are also consumer alerts posted regarding internet threats, identity theft, and check fraud.

FB participates in the following programs designed to meet the housing needs of low- to moderate-income individuals within the AAs.

- The Resources, Education, and Assistance for Community Housing Program (REACH). REACH is a private, nonprofit organization committed to making housing more affordable for members of the community. The organization offers programs to help low- to moderate-income families and individuals become first-time homeowners. FB's president serves on the REACH board of directors.
- The Federal Housing Administration, Kentucky Housing Corporation, Veterans Administration, USDA Rural Housing, Small Business Administration and Farm Service Agency.

FB's officers and employees are involved in a variety of community development services. Those specific to each AA include:

AA1

- FB's president serves on the board of Business & Education Network (BEN). BEN was formed to promote workforce readiness and career awareness.
- FB's president serves on the board of Commerce Lexington, a group which promotes economic development and job creation in Lexington and neighboring communities.

AA2

- An officer served as special advisor to Americana Community Center to develop a marketing plan and raise funds to serve low-income immigrant families in south Louisville.
- An officer is a member of the PRP Business Association.

AA3

- An officer serves on the board of Ohio Valley Goodwill, an organization that provides employment and training services for people with disabilities and other barriers to employment.
- An officer serves on the board of Northern Kentucky Children’s Homes, which provides housing to at-risk children.
- Officers serve on the boards of the Grant County Chamber of Commerce, St. Elizabeth Medical Center Foundation, Williamstown Independent School Educational Foundation, Grant County Board of Health, and Community Partners of Grant County Board of Education.

AA4

- An officer serves on the board of Green River Ministries, a homeless shelter.
- Several officers are members of the Grant and Laurel County Chambers of Commerce.
- An officer serves on the board of Lake Cumberland Area Development District, an organization which encourages industrial development.
- An officer serves on the McCreary County Industrial Development Board.
- An officer serves as trustee for the University of the Cumberlands. Ninety-five percent of all students are low-income.

Responsiveness to Community Development Needs

FB’s community development activities, as a whole, demonstrate adequate responsiveness to the needs and opportunities in the AAs. FB’s community development loans assisted low- and moderate-income homebuyers. Investments in school revenue bonds benefited each assessment area, as well as other counties in the state of Kentucky. FB employees provide numerous community services to organizations offering services to low- and moderate-income individuals and organizations assisting small businesses.

Fair Lending or Other Illegal Credit Practices Review

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

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