

PUBLIC DISCLOSURE

March 3, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Fredonia Valley Bank
Certificate Number: 9669

602 Cassidy Ave
Fredonia, Kentucky 42411

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Chicago Regional Office

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Chicago, Illinois 60606

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.

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INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The following statements summarize the institution’s overall lending performance:

- The loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs.
- The bank made a substantial majority of home mortgage loans and a majority of small business loans inside the assessment area.
- The assessment area does not include low- and moderate- income census tracts; therefore, the geographic distribution criterion would not result in meaningful conclusions.
- The distribution of borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA- related complaints since the previous evaluation; therefore, this factor did not affect the rating.

DESCRIPTION OF INSTITUTION

Fredonia Valley Bank (FVB) is a \$110.1 million institution headquartered in Fredonia, Kentucky. The bank is wholly-owned by Fredonia Valley Bancorp, Inc., a one-bank holding company also in Fredonia, Kentucky. The bank continues to operate in Caldwell, Crittenden, and Lyon Counties in western-Kentucky. FVB continues to operate two full-service locations: the main office in Caldwell County and a branch in Lyon County. No offices were opened or closed during this evaluation period. FVB received a “Satisfactory” rating at its previous FDIC CRA Performance Evaluation, dated December 10, 2018, using the Interagency Small Institution Examination Procedures.

The bank continues to offer a range of conventional home mortgage, small business, and consumer loan products. The bank also offers a variety of deposit services, including checking, savings, money market deposit accounts, and certificates of deposit. Alternative banking services include internet and mobile banking, electronic bill pay, and two bank-owned automated teller machines (ATMs).

As of the December 31, 2024, Reports of Condition and Income (Call Report), the bank reported total assets of \$110.1 million, total loans of \$69.3 million, total securities of \$22.9 million, and total deposits of \$95.3 million. As shown in the following table, the major categories of loans by dollar volume are 1-4 family residential lending, totaling 62.0 percent, and commercial and industrial loans, totaling 13.6 percent.

Loan Portfolio Distribution as of 12/31/2024		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	658	1.0
Secured by Farmland	4,186	6.0
Secured by 1-4 Family Residential Properties	42,939	62.0
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	7,518	11.0
Total Real Estate Loans	55,301	80.0
Commercial and Industrial Loans	9,454	13.6
Agricultural Production and Other Loans to Farmers	1,529	2.0
Consumer Loans	3,027	4.4
Other Loans	5	0.0
Total Loans	69,316	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet its assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its performance. FVB designated a single assessment area in the Kentucky non-metropolitan statistical area (MSA) Counties of Caldwell, Crittenden, and Lyon. Each of these counties are adjacent to one another. Additionally, Caldwell and Lyon Counties are near the Land Between the Lakes National Recreation Area. The assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low- and moderate-income geographies. The assessment area received a full-scope review. The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

The assessment area includes all 12 census tracts in the Kentucky Counties of Caldwell, Crittenden, and Lyon, with the following income designations: zero low-, zero moderate-, five middle, six upper-income, and one census tract with no income designation. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	12	0.0	0.0	41.7	50.0	8.3
Population by Geography	30,319	0.0	0.0	52.3	47.7	0.0
Housing Units by Geography	15,766	0.0	0.0	54.2	45.8	0.0
Owner-Occupied Units by Geography	9,575	0.0	0.0	50.4	49.6	0.0
Occupied Rental Units by Geography	2,494	0.0	0.0	51.2	48.8	0.0
Vacant Units by Geography	3,697	0.0	0.0	65.8	34.2	0.0
Businesses by Geography	2,545	0.0	0.0	56.5	43.4	0.0
Farms by Geography	267	0.0	0.0	46.1	53.9	0.0
Family Distribution by Income Level	7,950	16.3	16.8	16.6	50.3	0.0
Household Distribution by Income Level	12,069	20.9	16.3	15.3	47.5	0.0
Median Family Income Non-MSAs – KY (FFIEC)		\$66,100	Median Housing Value			\$110,194
Families Below Poverty Level		11.7%	Median Gross Rent			\$630

Source: 2020 U.S. Census and 2024 D&B Data. Due to rounding, totals may not equal 100.0%. () The NA category consists of geographies that have not been assigned an income classification.*

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. According to 2020 U.S. Census Data, the assessment area contains 15,766 housing units. Of these, 60.7 percent (9,575) are owner-occupied, 15.8 percent (2,494) are occupied rentals, and 23.5 percent (3,697) are vacant.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of loans by the gross annual revenue level. According to 2024 D&B data, there are 2,545 businesses operating in the assessment area. Gross annual revenues for these businesses include 86.2 percent (2,194) with \$1 million or less, 2.7 percent (68) with more than \$1 million, and 11.1 percent (283) with unknown revenues. Approximately 85 percent of these businesses have gross annual revenues below \$500,000. In addition, 65 percent of these businesses have four or fewer employees, and 90 percent operate from a single location.

Examiners used the Federal Financial Institutions Examination Council (FFIEC) median family income estimates to analyze home mortgage loans under the Borrower Profile criterion. The following table shows the ranges for the assessment area during the evaluation period

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2024 (\$66,100)	<\$33,050	\$33,050 to <\$52,880	\$52,880 to <\$79,320	≥\$79,320

Source: FFIEC

Data obtained from the U.S. Bureau of Labor and Statistics indicates that the 2024 average national unemployment rate was 4.0 percent, and Kentucky's average unemployment rate was 4.7 percent. The 2024 average unemployment rate for Caldwell County was 4.6 percent, Crittenden County was 5.1 percent, and Lyon County was 5.0 percent. The assessment areas average unemployment rate was consistent with Kentucky's average unemployment rate and was slightly above the national average unemployment rate.

Competition

FVB operates in a competitive market for financial services. According to FDIC Deposit Market Share data as of June 30, 2024, there were 10 financial institutions that operated 12 full-service branches within the bank's assessment area. Of these institutions, FVB ranked fourth with 16.7 percent deposit market share.

The bank is not required to collect or report Home Mortgage Disclosure Act (HMDA) or CRA data and has not elected to do so. Therefore, the analysis of home mortgage and small business loans under the Lending Test does not include comparisons to aggregate data. The aggregate data, however, reflects the level of demand for home mortgage and small business loans in the assessment area and is therefore included.

Aggregate HMDA data for 2023, the most recent year for which aggregate data is currently available, reflects 105 institutions reporting 518 loans in the assessment area. The top five lenders accounted for approximately 38.8 percent of total market share.

Aggregate CRA data for small business lending in 2023 reflects 32 institutions reported 269 small business loans in the assessment area. The top three lenders accounted for 49.8 percent of total market share. Each of the top three lenders are large national credit card banks, which indicates lower demand for small business loans compared to credit cards.

Community Contacts

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit needs and opportunities, including the bank's responsiveness to those needs.

Examiners contacted a local economic development group familiar with Caldwell, Crittenden, and Lyon Counties' commercial lending market. The contact stated that local small business loan demand varies in the counties, that there is a lack of industry in the area, and the local economy is largely tied to seasonal tourism. The contact stated that there is a need for collateral supported small business loans and that local financial institutions are meeting those needs of the community. The contact stated that most of the borrowers in the area would prefer to work in-person with a local lender. The use of SBA programs frequently requires out-of-area support to get the application and loan underwriting completed. Increased knowledge about SBA programs in the local banks would allow increased usage of such programs and assist in meeting small business credit needs.

Credit Needs

Considering information from the community contact, bank management, and demographic and economic data, examiners determined small business lending represents the primary credit need and

that local institutions are meeting those needs. SBA and other special small business loan programs with guaranteed support are in demand to address small business needs.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated December 10, 2018, to the current evaluation dated March 3, 2025. Examiners used the Interagency Small Institution Examination Procedures to evaluate FVB's performance, which includes the Lending Test, as detailed in the Appendix.

Activities Reviewed

Examiners identified home mortgage and small business lending as the primary product lines. Examiners considered the bank's business strategy, the number and dollar volume of loans originated during the evaluation period, loan portfolio composition, and assessment area credit needs. No other loan types such as consumer or small farm loans represented a major product line; therefore, they provided no material support for the conclusions or ratings and are not presented. Bank records indicated that the lending focus and product mix remained consistent throughout the examination period. Equal weighting was applied to the bank's home mortgage and small business lending when considering bank performance and assigning ratings.

Examiners analyzed a sample of home mortgage loans between January 1, 2024, and December 31, 2024. The bank originated or renewed 86 home mortgage loans totaling approximately \$10.6 million in 2024. From this universe, examiners selected a sample of 41 loans totaling approximately \$4.7 million. The 2020 U.S. Census data provided a standard of comparison for home mortgage loans originated in 2024.

Examiners also analyzed a sample of small business loans originated between January 1, 2024, and December 31, 2024. The bank originated or renewed 88 small business loans totaling approximately \$7 million in 2024. From this universe, examiners selected a sample of 41 loans totaling approximately \$3.4 million. Dunn & Bradstreet (D&B) data for 2024 provided a standard of comparison for small business loans.

Although examiners analyzed and presented the number and dollar volume of home mortgage and small business loans, examiners emphasized performance by number of loans because it is a better indicator of the number of individuals and small businesses served.

In evaluating the Borrower Profile criterion, examiners only evaluated loans extended within the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Overall, FVB demonstrated reasonable performance under the Lending Test, with Assessment Area Concentration and Borrower Profile primarily supporting this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs. The bank’s loan-to-deposit ratio, calculated from Call Report data, averaged 73.8 percent over the past 24 calendar quarters from March 13, 2019, to December 31, 2024. The ratio ranged from a low of 59.7 percent as of March 31, 2022, to a high of 91.8 percent as of September 30, 2019. The ratio has remained generally stable during the evaluation period. FVB maintained a ratio similar to those of comparable institutions, as shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-To-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2024 (\$000s)	Average Net LTD Ratio (%)
Fredonia Valley Bank	110,128	73.8
Similarly-Situated Institution #1	130,789	64.1
Similarly-Situated Institution #2	114,666	71.8
Similarly-Situated Institution #3	111,583	71.1
Similarly-Situated Institution #4	92,637	78.9
<i>Source: Reports of Condition and Income 3/31/2019 – 12/31/2024</i>		

Assessment Area Concentration

As illustrated in the table below, FVB made a substantial majority of home mortgage loans and a majority of small business loans, by number and dollar volume, within the assessment area in 2024.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans				Total \$
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$(000s)	%	\$(000s)	%	
Home Mortgage	33	80.5	8	19.5	41	3,482	74.2	1,209	25.8	4,691
Small Business	27	65.9	14	34.1	41	2,208	65.9	1,143	34.1	3,351
<i>Source: Bank Data. Due to rounding, totals may not equal 100.0%.</i>										

Geographic Distribution

The assessment area does not contain any low- or moderate-income census tracts. As a result, examiners did not analyze the geographic distribution of loans within the assessment area since this would not result in meaningful conclusions.

Borrower Profile

The distribution of borrowers reflects excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes, given the demographics of the assessment area.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is excellent. The following table displays the lending distribution, by borrower income level, for home mortgage loans extended within the assessment area.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	16.3	7	21.2	331	9.5
Moderate	16.8	6	18.2	490	14.1
Middle	16.6	5	15.2	468	13.4
Upper	50.3	15	45.5	2,193	63.0
Totals	100.0	33	100.0	3,482	100.0

Source: 2020 U.S. Census and Bank Data. Due to rounding, totals may not equal 100.0%.

Home mortgage lending to low-income borrowers, at 21.2 percent, is above the demographic data. Considering 11.7 percent of families live below the poverty level, which limits the demand and opportunity for the bank to lend to low-income borrowers, the bank's performance further exceeds demographic data. Additionally, home mortgage lending to moderate-income borrowers, at 18.2 percent, is slightly above demographic data.

Small Business Loans

The distribution of small business loans reflects excellent penetration of loans to businesses with gross annual revenues of \$1 million or less. The following table shows that 96.3 percent of loans originated were to businesses with gross annual revenues of \$1 million or less, which is well above the demographic data.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	86.2	26	96.3	2,193	99.3
>\$1,000,000	2.7	1	3.7	15	0.7
Revenue Not Available	11.1	0	0.0	0	0.0
Totals	100.0	27	100.0	2,208	100.0

Source: 2024 D&B Data and Bank Data. Due to rounding, totals may not equal 100.0%.

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this

criterion did not affect the Lending Test rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

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.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

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.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family 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).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that 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 applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, 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 Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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.

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.

Rural Area: Territories, populations, and housing units that are not classified as urban.

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

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

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.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.