

PUBLIC DISCLOSURE

December 3, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Peoples Bank and Trust Company of Madison County
RSSD #746513

419 Chestnut Street
Berea, Kentucky 40403

Federal Reserve Bank of Cleveland

P.O. Box 6387
Cleveland, Ohio 44101-1387

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.

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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: Outstanding

The major factors supporting the institution's rating include:

- A reasonable loan-to-deposit ratio, given the bank's size, financial condition, and assessment area credit needs;
- A majority of loans and other lending-related activities are in the assessment area;
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area;
- There is a reasonable penetration among individuals of different income (including low- and moderate-income individuals) levels and businesses of different sizes;
- There have been no CRA-related complaints filed against the bank since the previous CRA examination; and,
- The bank's community development performance demonstrates an excellent responsiveness to community development needs of its assessment area through community development loans, qualified investments, and community development services as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area.

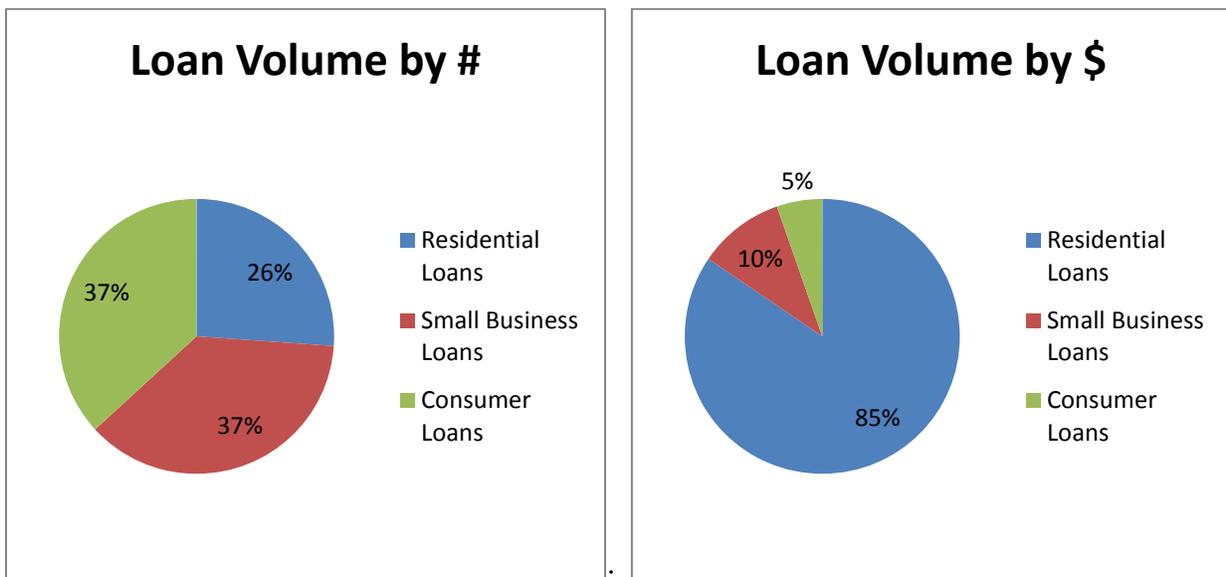
The previous CRA evaluation conducted August 26, 2012 by this Reserve Bank resulted in an overall rating of "Satisfactory." The lending and community development tests were both rated "Satisfactory."

SCOPE OF EXAMINATION

Peoples Bank and Trust Company of Madison County (Peoples) was evaluated using the standards required for intermediate small banks. Peoples' delineated one assessment area, which received a full-scope review.

Lending performance inside the bank's assessment area was evaluated using loan data from January 1, 2011 through December 31, 2011. The major products reviewed for this evaluation were residential, small business, and consumer loans. Residential loans are comprised of home purchase and refinance loans and were combined in this review. Small business loans are comprised of non-real estate and real estate-secured loans and were combined in this review. Lastly, other secured and other unsecured loans make up the consumer loans evaluated in this review.

Community development activities for the period between August 17, 2010 and December 1, 2012 were also reviewed as part of this evaluation, specifically community development loans, investments, and services occurring since the previous examination.



Based on total loan volume by number and dollar amount, residential lending received the greatest weight in this analysis, followed by small business and consumer lending, respectively.

Lastly, three community contact interviews were used to provide additional information regarding some of the credit needs and opportunities throughout the bank's assessment area. Details from these interviews are presented in subsequent sections of this performance evaluation.

DESCRIPTION OF INSTITUTION

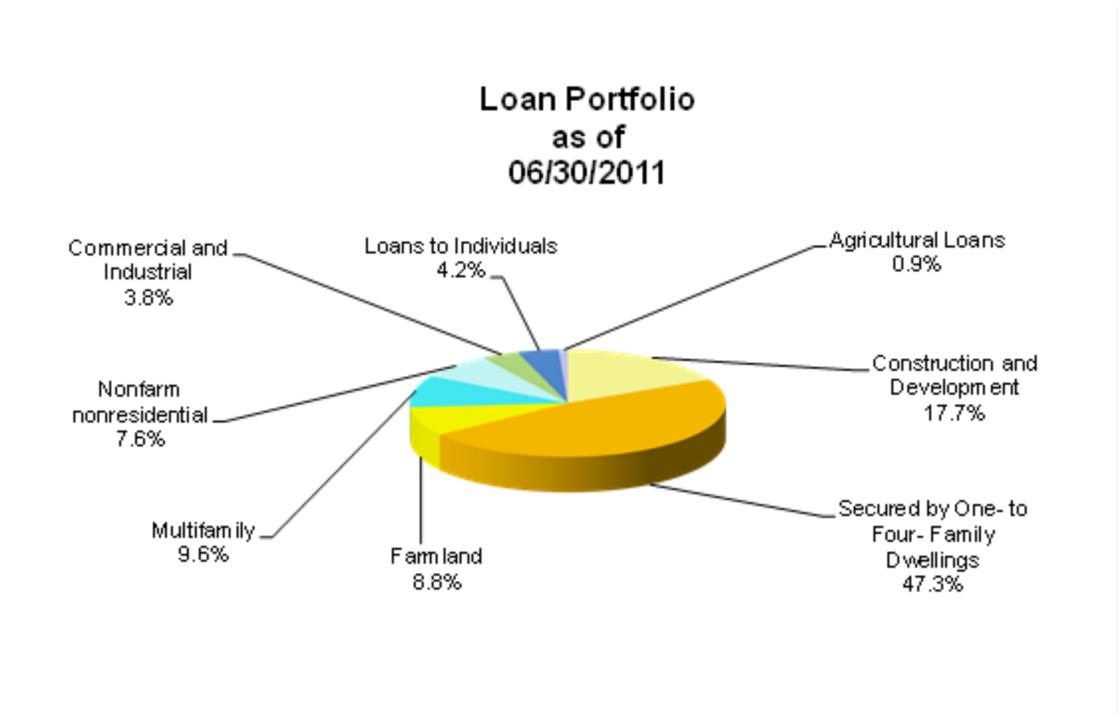
Peoples is a full-service retail bank headquartered in Berea, Kentucky and is a subsidiary of Whitaker Bank Corporation of Kentucky (Corporation) and an affiliate of Whitaker Bank, which are both located in Lexington, Kentucky. According to the Uniform Bank Performance Report (UBPR), as of September 30, 2012, Peoples reported total assets of \$390 million, which is a decrease of nearly 10.0% since the previous CRA performance evaluation. The Corporation reported consolidated assets of \$1.9 billion.

Peoples has one main office, seven full-service branch offices, and one limited-service branch office located in Madison County. The bank also has one full-service branch office located in Rockcastle County. The main office and eight full-service branch offices each have an on-premise, full-service ATM and the limited-service branch office has a stand-alone, cash-only ATM. In addition, the bank has three full-service, stand-alone ATMs that serve Madison County. Since the previous evaluation, the bank has not opened or closed any branch offices.

Peoples engages in a wide range of commercial and personal banking and trust activities that include accepting time and demand deposits, providing cash management services to corporate and individual customers, issuing letters of credit, renting safe deposit boxes, providing funds transfer services, and full-service brokerage services through Kentucky Trust Company. The lending activities of the bank include making commercial, construction, mortgage, and personal loans. The bank also offers lines of credit, revolving lines of credit, and term loans. Net loans represent 65.3% of the bank's average assets, which is about a 2.9% increase since the previous CRA performance evaluation. Information regarding the composition of the bank's overall loan portfolio is presented in the table and chart below.

COMPOSITION OF LOAN PORTFOLIO						
Loan Type	6/30/2012		12/31/2011		12/31/2010	
	\$ (000s)	Percent	\$ (000s)	Percent	\$ (000s)	Percent
Construction and Development	34,660	17.7%	33,869	16.6%	33,360 ¹	16.8%
Secured by One- to Four- Family Dwellings	92,369	47.3%	96,924	47.4%	105,368 ¹	53.0%
Other Real Estate: Farmland	17,188	8.8%	16,646	8.1%	11,098 ¹	5.6%
Multifamily	18,811	9.6%	19,263	9.4%	16,702 ¹	8.4%
Nonfarm nonresidential	14,819	7.6%	19,449	9.5%	14,211 ¹	7.2%
Commercial and Industrial	7,494	3.8%	8,492	4.2%	7,879 ¹	4.0%
Loans to Individuals	8,266	4.2%	8,092	4.0%	8,805 ¹	4.4%
Agricultural Loans	1,812	0.9%	1,581	0.8%	1,324 ¹	0.7%
Total	\$195,419	100.00%	\$204,316	100.00%	\$198,747	100.00%

* This table does not include the entire loan portfolio. Specifically, it excludes loans to depository institutions, bankers acceptances, lease financing receivables, obligations of state and political subdivisions, and other loans that do not meet any other category. Contra assets are also not included in this table.



DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE KENTUCKY NONMETROPOLITAN AREA

The bank's delineated CRA assessment area consists of the entireties of Madison and Rockcastle Counties, which are located in the Commonwealth of Kentucky's nonmetropolitan area. The bank's CRA assessment area is comprised of one low-income tract, one moderate-income tract, eight middle-income tracts, and eight upper-income tracts. During this evaluation period, four of bank's eight middle-income tracts are considered to be distressed due to poverty. The distressed tracts are all located in Rockcastle County.

Peoples had 29.3% of the deposits as of June 30, 2011¹ and is ranked first out of 15 institutions in this market. Community Trust Bank, Madison Bank, and Citizens Bank had the second, third, and fourth highest shares at 15.1%, 11.1%, and 8.5%, respectively. Also, Central Bank & Trust Company had 5.8% of the market share and ranked seventh out of 15 institutions in this market.

Madison and Rockcastle Counties are part of the Richmond-Berea Micropolitan Statistical Area, which, according to the U.S. Census Bureau, has an estimated population of 101,257 as of July 1, 2011. This micropolitan area is part of the Lexington-Fayette-Frankfort-Richmond Combined Statistical Area.

Three community contacts were conducted to provide additional information regarding the assessment area. One contact represented an economic development association. The contact indicated that the main economic driver in Appalachia was the coal industry and with the elimination of so many coal-related jobs over the last several years, this area has experienced rising unemployment and a downturn in the economic outlook for small businesses. The contact indicated that while individuals who lost high-paying jobs in the coal industry are trying to become entrepreneurs and start new businesses unrelated to coal, these individuals may lack the necessary entrepreneurial skills to do so; therefore, there is a need in this area for entrepreneurial-type training. The contact stated there is a need for small business funding in this area.

Another community contact was made at a small business development center. The contact stated that underwriting standards have become stricter since 2008, especially at large financial institutions. However, the contact indicated that local community banks understand the needs of small businesses in their markets and seem more willing to fund loans to start-up businesses. This contact also expressed the need for banks to begin relaxing their underwriting standards for small business owners and respond more quickly to small business loan requests to allow individuals the chance to pursue other options if they are going to be denied.

The third community contact was made with a community action agency. The contact stated that due to the high poverty rates in the area, the amount of people requesting assistance has significantly increased over the years. Among the services where the agency has seen the highest increase in demand by low- and moderate-income individuals/families are those targeted at basic needs, such as rental and utility assistance, weatherization, emergency food, assistance in paying for medication, healthcare, and family budgeting classes.

¹ <http://www2.fdic.gov/sod/sodMarketBank2.asp>

Population Characteristics

The population in the assessment area was 87,454 in 2000, with about 7.2% of the population living in low- and moderate-income tracts. In addition, 77.6% of the population was 18 years of age or older, which is the legal age to enter into a contract.

The following table shows the population by county in the assessment area from 2000 through 2011 with the percentage of the population increase or decrease during that time.² Overall, there was an increase in population, with the largest population increase being in Madison County.

County Name	2000 Population	2010 Population	July 1, 2011 (annual estimates)	Percentage Change from 2000 to 2011
Madison	70,872	82,916	84,188	+18.8
Rockcastle	16,582	17,056	17,069	+2.9

Income Characteristics

In 2000, the assessment area’s median family income was \$38,652, which was lower than Kentucky’s median family income of \$40,939. Madison County’s median family income (\$41,383) was about 27.0% higher than Rockcastle’s at \$30,278. The 2011 HUD-estimated median family income for nonmetropolitan Kentucky increased to \$43,000.

**Borrower Income Levels
Kentucky State Non-metro**

HUD Estimated Median Family Income		Low 0 - 49.99%	Moderate 50% - 79.99%	Middle 80% - 119.99%	Upper 120% - & above
2010	\$42,500	0 - \$21,249	\$21,250 - \$33,999	\$34,000 - \$50,999	\$51,000 - & above
2011	\$43,000	0 - \$21,499	\$21,500 - \$34,399	\$34,400 - \$51,599	\$51,600 - & above

In 2000, the assessment area contained 33,727 households, of which 23,080 (68.4%) were families. Of the total families in the assessment area, 17.7% were low-income, 14.9% were moderate-income, 18.4% were middle-income, 49.0% were upper-income, and 13.5% of the families were below the poverty level. About 44.2% of families in Rockcastle County are considered to be low-income or moderate-income compared to 29.6% of the families in Madison County.

Poverty rates increased in this assessment area from 1999 to 2010.³ Both Madison and Rockcastle Counties exceeded the corresponding statewide and national poverty rates in 1999 and 2010, with Madison County experiencing the greater increase in poverty during this time period. Given the high poverty rates in the area, it is expected that loan demand would be depressed.

² <http://ksdc.louisville.edu/kpr/pro/projections.htm>

³ <http://www.ers.usda.gov/data-products/county-level-data-sets/poverty.aspx>

County Name	1999 Poverty Rate	2010 Poverty Rate
Madison	16.8	21.4
Rockcastle	23.1	23.9
Kentucky	15.8	18.9
United States	11.3	15.1

Housing Characteristics

There were 36,948 housing units in the assessment area as of the 2000 U.S. Census. The owner-occupancy rate was 58.0%. From an income perspective, only 4.0% of housing units and 1.1% of owner-occupied units were either in a low- or moderate-income tract. In low- and moderate-income tracts, approximately one-third of the housing units are multi-family dwellings. In addition 69.4% are rental units and 15.0% are vacant. These numbers indicate that demand for single-family home loans would be more concentrated in middle- and upper-income tracts.

As of the 2000 U.S. Census, the median age of the housing stock in this assessment area was 22 years, with 13.1% of the stock built before 1950. Since the age of the housing stock is older, there could be a need for home improvement and rehabilitation loans.

The median housing value in this assessment area was \$78,268, with an affordability ratio of 39.5. The affordability ratio was 37.6 in Madison County and 51.9 in Rockcastle County. Based on the 2011 median family income for this area, about 47.5% and 77.7% of the homes valued up to \$83,789 would be considered affordable for low-income individuals in Madison and Rockcastle Counties, respectively. Approximately 77.7% and 92.8% of the homes valued up to \$134,062 would be considered affordable for moderate-income individuals in Madison and Rockcastle Counties, respectively. These percentages were calculated assuming an average mortgage payment equal to 28.0% of gross income for a 3.50% fixed-rate, 30-year loan.

According to RealtyTrac,⁴ a leading source for foreclosure information, the following information about foreclosure filings and the number of properties in foreclosure in this assessment area is included in the table below:

⁴ <http://www.realtytrac.com/trendcenter/>

County Name	Foreclosed Properties in October 2012	Ratio of Properties Receiving Foreclosure Filings in October 2012
Madison	5	1:7,009
Rockcastle	N/A	N/A
Kentucky	1,001	1:1,925
United States	186,455	1:706

No foreclosure information was available for Rockcastle County for October 2012, according to RealtyTrac. The lower the second number in the ratio, the higher the foreclosure rate. According to RealtyTrac, foreclosures are down 19.0% nationally from October 2011.

The median gross rent in the assessment area was \$419 as of 2000. Rockcastle County had the lowest median gross rent at \$282, while the median gross rent was \$428 in Madison County. The lowest rents (those less than \$350) comprised the majority of rental units in Rockcastle County at 42.1% compared to 24.9% in Madison County. Conversely, rental costs between \$350 and \$500 comprised the majority of rental units in Madison County at 41.4% compared to 18.0% in Rockcastle County. Further, 33.3% of renters in this assessment area had rental costs greater than 30.0% of their income. Approximately 89.0% of rental units in this assessment area are located in Madison County. This would be expected given that Madison County is home to both Eastern Kentucky University and Berea College. Also, 76.3% and 66.9% of the housing units in low- and moderate-income tracts, respectively, are comprised of rental units in this assessment area. These numbers indicate that demand for single-family home loans would be concentrated in middle- and upper-income tracts.

Labor, Employment, and Economic Characteristics

Major employers⁵ in this assessment area include, but are not limited to, the following:

County Name	Major Employers
Madison	Berea College, Eastern Kentucky University, Blue Grass Army Depot, and Okonite Company.
Rockcastle	SourceHov, Inc. and B&H Tool Works, Inc. of Rockcastle County

The following table illustrates the unadjusted unemployment rates for 2010, 2011, and October 2012 for the counties in the assessment area, Kentucky and the nation.

Geography Name	Annualized 2010	Annualized 2011	October 2012
Madison County	8.4	7.7	6.4
Rockcastle County	10.6	11.7	8.6
Kentucky	10.2	9.5	7.8
United States	9.6	9.1	7.9

⁵ <http://thinkkentucky.com/EDIS/cmnty/cmntyindex.aspx?param=0>

As shown above, county, state, and national unemployment rates continue to drop since the end of 2011. Madison County continues to have unemployment rates below Kentucky's and the nation's rates.

Combined Demographics Report

Assessment Area(s): Peoples Bank AA 2011

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	5.6	174	0.8	54	31.0	4,092	17.7
Moderate-income	1	5.6	382	1.7	140	36.6	3,430	14.9
Middle-income	8	44.4	10,237	44.4	1,748	17.1	4,240	18.4
Upper-income	8	44.4	12,287	53.2	1,173	9.5	11,318	49.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	18	100.0	23,080	100.0	3,115	13.5	23,080	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	396	22	0.1	5.6	302	76.3	72	18.2
Moderate-income	1,070	208	1.0	19.4	716	66.9	146	13.6
Middle-income	16,758	9,579	44.7	57.2	5,481	32.7	1,698	10.1
Upper-income	18,724	11,613	54.2	62.0	5,775	30.8	1,336	7.1
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	36,948	21,422	100.0	58.0	12,274	33.2	3,252	8.8
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	7	0.2	7	0.2	0	0.0	0	0.0
Moderate-income	154	4.3	140	4.3	7	4.2	7	4.7
Middle-income	1,238	34.6	1,120	34.4	59	35.1	59	39.6
Upper-income	2,178	60.9	1,993	61.1	102	60.7	83	55.7
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	3,577	100.0	3,260	100.0	168	100.0	149	100.0
Percentage of Total Businesses:			91.1		4.7		4.2	
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	54	44.3	52	43.7	2	66.7	0	0.0
Upper-income	68	55.7	67	56.3	1	33.3	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	122	100.0	119	100.0	3	100.0	0	.0
Percentage of Total Farms:			97.5		2.5		.0	

Based on 2010 D&B information according to 2000 Census Boundaries.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

The lending test rating is considered to be Satisfactory.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is a measure of an institution's lending volume relative to its capacity to lend and is derived by adding the quarterly loan-to-deposit ratios and dividing the total by the numbers of quarters. Peoples' peer group consists of all insured commercial banks having assets between \$300 million and \$1 billion.

The bank averaged 83.1% over the past nine quarters of operation and is greater than the aggregate peer's with an average ratio of 76.1%. The bank's loan-to-deposit ratio has consistently exceeded the aggregate peer's for the previous nine quarters. During this time span, there was about a 10.0% increase in the bank's loan-to-deposit ratio. According to bank management, this is primarily due to a slight decrease in total loans and managing deposit levels accordingly.

Loan-to-Deposit Ratios							
Peoples B&TC of Madison County				Aggregate Peer	Peer 1	Peer 2	Peer 3
As of Date	Net Loans \$(000s)	Total Deposits \$(000s)	Bank Ratio	Aggregate's Ratio	Madison's Ratio	Community Trust's Ratio	Central B&TC's Ratio
September 30, 2012	260,716	297,047	87.77	74.44	71.01	86.19	87.75
June 30, 2012	257,695	301,490	85.47	74.31	77.25	85.23	88.98
March 31, 2012	261,373	308,252	84.79	73.29	72.68	84.82	87.98
December 31, 2011	259,768	314,459	82.61	75.10	73.09	87.32	87.53
September 30, 2011	263,284	323,746	81.32	75.89	73.81	90.04	88.79
June 30, 2011	264,630	317,772	83.28	76.63	75.26	91.18	91.53
March 31, 2011	265,604	324,320	81.90	76.48	71.84	90.99	91.83
December 31, 2010	266,792	331,620	80.45	78.86	73.46	96.32	91.13
September 30, 2010	267,948	335,435	79.88	79.69	78.11	93.24	94.19
Quarterly Loan-to-Deposit Ratio Average Since the Previous Evaluation			83.05	76.07	74.06	89.48	89.97

In addition, Peoples' loan-to-deposit ratio was also compared to the three following local peer banks based on asset size, deposit market share, number of branch offices, and total deposits: Madison Bank, Community Trust Bank, and Central Bank & Trust Company. Reviewing the ratios above, Peoples' average quarterly loan-to-deposit ratio is similar to Community Trust's (a much larger community bank) and Central's (which bank management considers to be its closest competitor). Therefore, considering the bank's lending-related activity, size, financial condition, and the assessment area credit needs, Peoples' loan-to-deposit ratio is considered to be reasonable.

Lending Penetration

The table below shows the distribution of loans inside and outside the bank’s assessment area. A majority of People’s loans (85.9% by volume and 82.1% by dollar) were made within the bank’s CRA delineated footprint.

Lending Inside and Outside the Assessment Area

Exam: Peoples Bank - Berea

Loan Type - Description	Inside				Outside				Total			
	#	%	\$(000s)	%	#	%	\$(000s)	%	#	%	\$(000s)	%
OS - Other - Secured	342	85.9	2,722	86.1	56	14.1	438	13.9	398	100.0	3,160	100.0
OU - Other - Unsecured	157	84.9	405	85.6	28	15.1	68	14.4	185	100.0	473	100.0
RL - Residential Loans	353	84.9	49,321	81.8	63	15.1	10,998	18.2	416	100.0	60,319	100.0
Total Consumer related	852	85.3	52,447	82.0	147	14.7	11,504	18.0	999	100.0	63,951	100.0
SB - Small Business	499	86.9	5,865	83.4	75	13.1	1,169	16.6	574	100.0	7,034	100.0
Total Small Bus. related	499	86.9	5,865	83.4	75	13.1	1,169	16.6	574	100.0	7,034	100.0
TOTAL LOANS	1,351	85.9	58,312	82.1	222	14.1	12,674	17.9	1,573	100.0	70,986	100.0

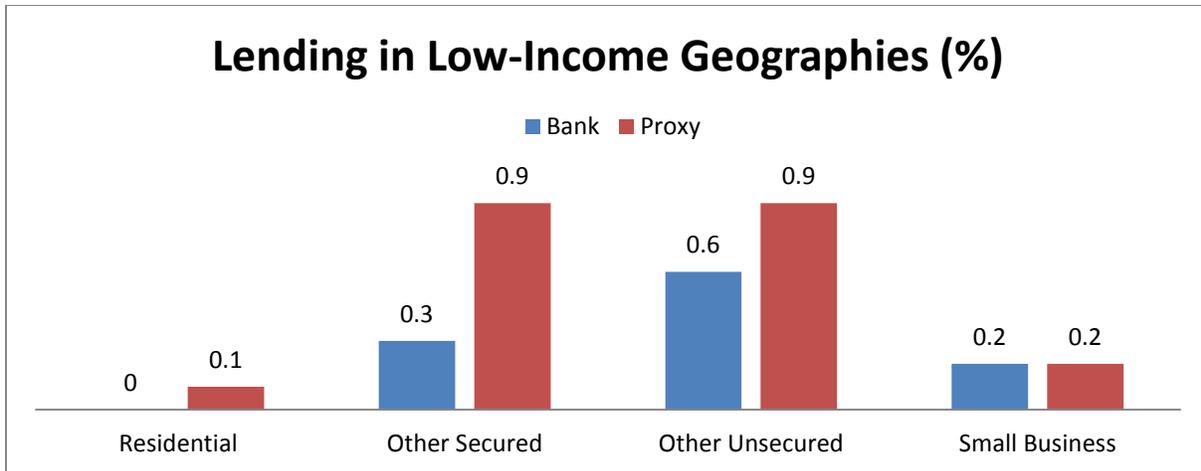
The loan data contains 0 validity error records and are included in the report.

Geographic Distribution

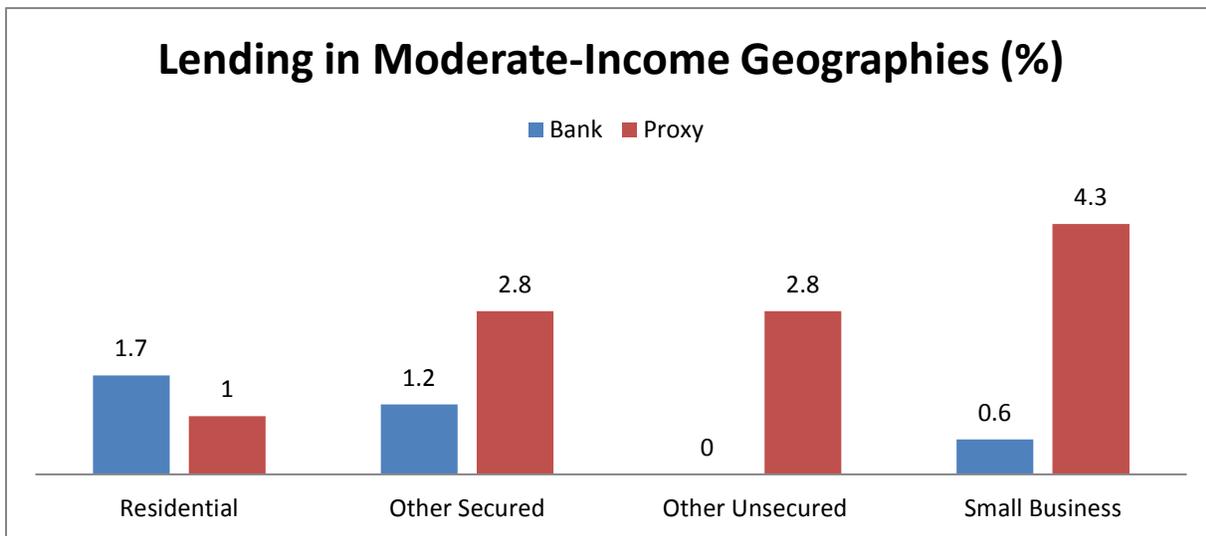
In this evaluation, borrower distribution received greater weight than geographic distribution based on the overall assessment area’s percentage of low- and moderate-income population at 32.6% compared to the percentage of low- and moderate-income geographies at 11.2%.

Overall, Peoples’ distribution of loans among geographies is considered reasonable. Residential lending, which received the greatest weight, is good. Small business lending and consumer (other secured and other unsecured) lending, which received the least weight, are also good.

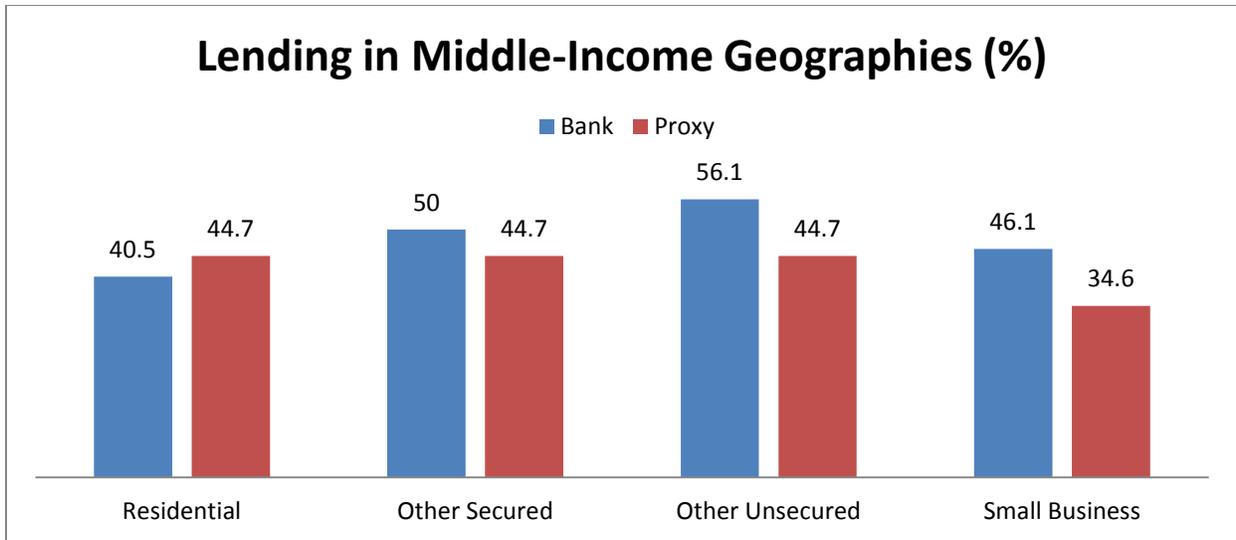
No gaps in lending were noted. During the evaluation period, Peoples originated loans in 100.0% of its census tracts.



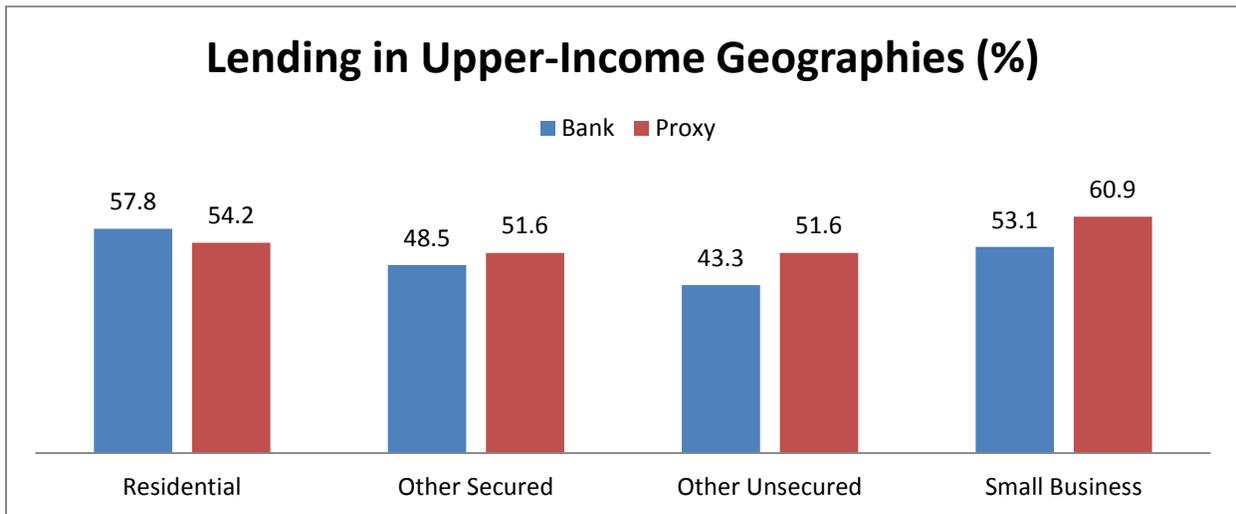
As shown in the chart above, the bank made no residential loans in its low-income tract; however, the number of owner-occupied units (proxy) is only 0.1%. The bank’s lending fell below the number of households (proxy) for both other secured and other unsecured consumer loans; however, the low-income tract is primarily comprised of student housing for Eastern Kentucky University. Given the high level of students in the area, it is expected that consumer loan demand would be limited. However, small business lending was comparable to the number of businesses in the area (proxy). Therefore, Peoples’ lending performance is considered good in its only low-income tract.



As shown in the chart above, the bank’s lending significantly exceeded the number of owner-occupied units (proxy) for residential lending in its moderate-income tract, which is noteworthy considering that only 1.0% of the housing units in this tract are owner-occupied. The bank’s lending fell significantly below the number of households (proxy) for other secured and other unsecured consumer loans in this tract. Small business lending also fell significantly below the number of businesses in the area (proxy). Therefore, Peoples’ lending performance is considered adequate in its only moderate-income tract.



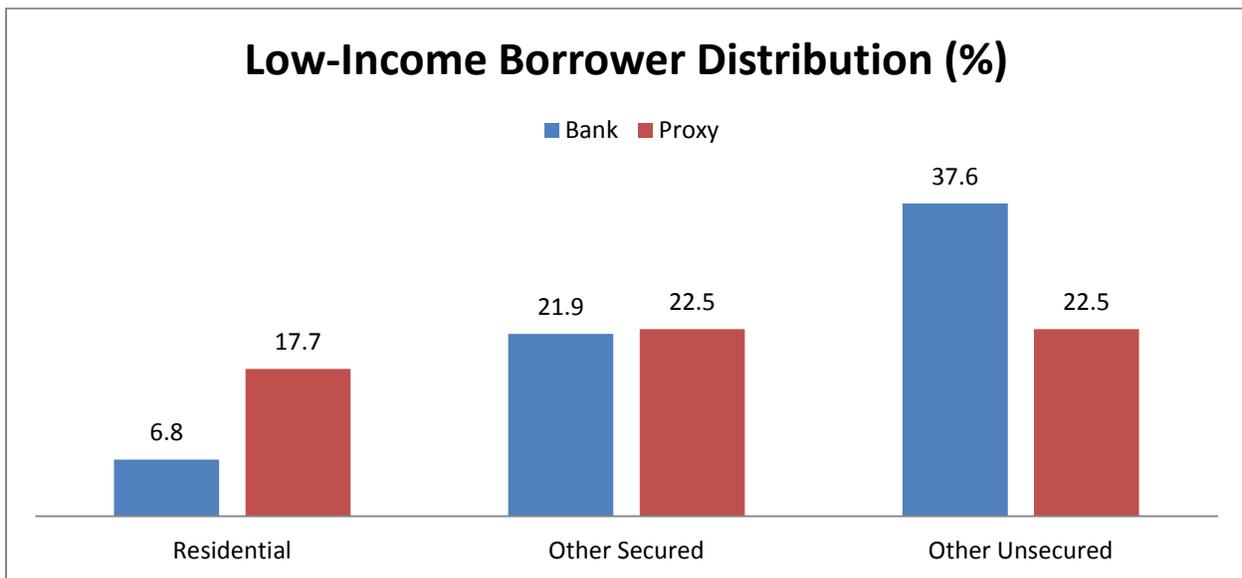
As shown in the chart above, the bank's lending fell slightly below the proxy for residential lending in middle-income tracts. However, the bank's lending exceeded the proxies for consumer and small business lending. Therefore, Peoples' lending performance is considered excellent in middle-income geographies.



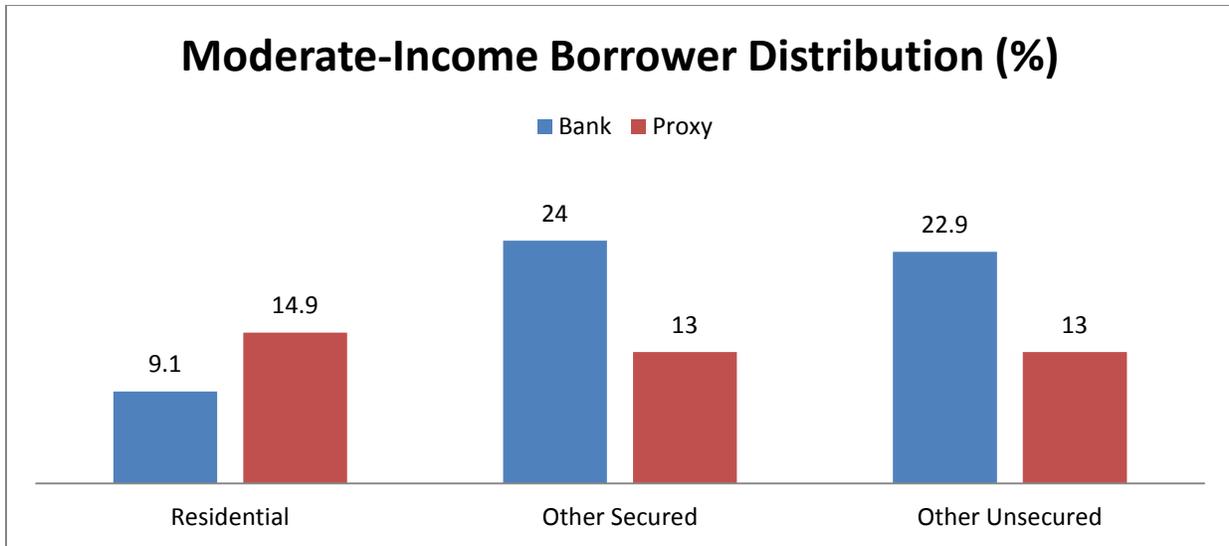
As shown in the chart above, the bank's lending exceeded the proxy for residential lending in upper-income tracts. Peoples' lending fell slightly below the proxies for consumer and small business lending. Therefore, the bank's lending performance is considered good in upper-income geographies.

Distribution by Borrower Income and Revenue Size of the Business

Overall, the distribution of loans based on borrower’s income and for businesses of different revenue sizes is reasonable. Given the high poverty rates in the area, it is expected that loan demand would be depressed. Although poverty level is determined by family size and income, a larger proportion of poverty level families are found among low-income families and, to some extent, moderate-income families. In the borrower income analysis, only 2.5% of residential loans and 5.8% of consumer loans had unreported incomes. Residential lending, which received the greatest weight, is good. Small business lending and consumer lending, which received the least weight, are excellent.

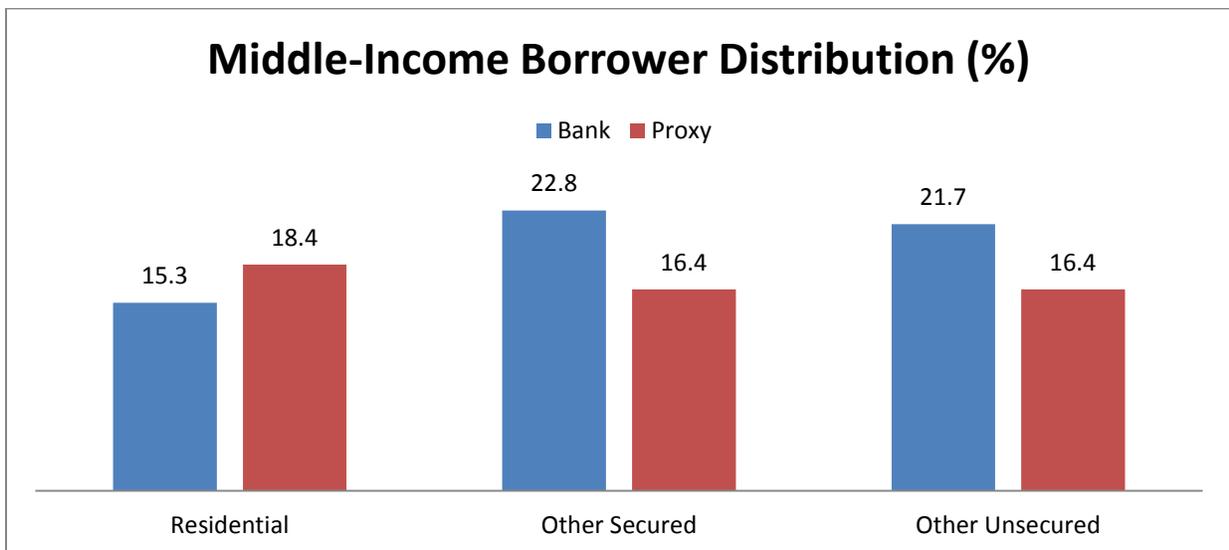


As shown in the chart above, the borrower distribution of residential loans to low-income borrowers is substantially below the percentage of families (proxy). However, the borrower distribution of other secured loans fell slightly below the number of households (proxy), while other unsecured loans significantly exceeded the proxy for demand.

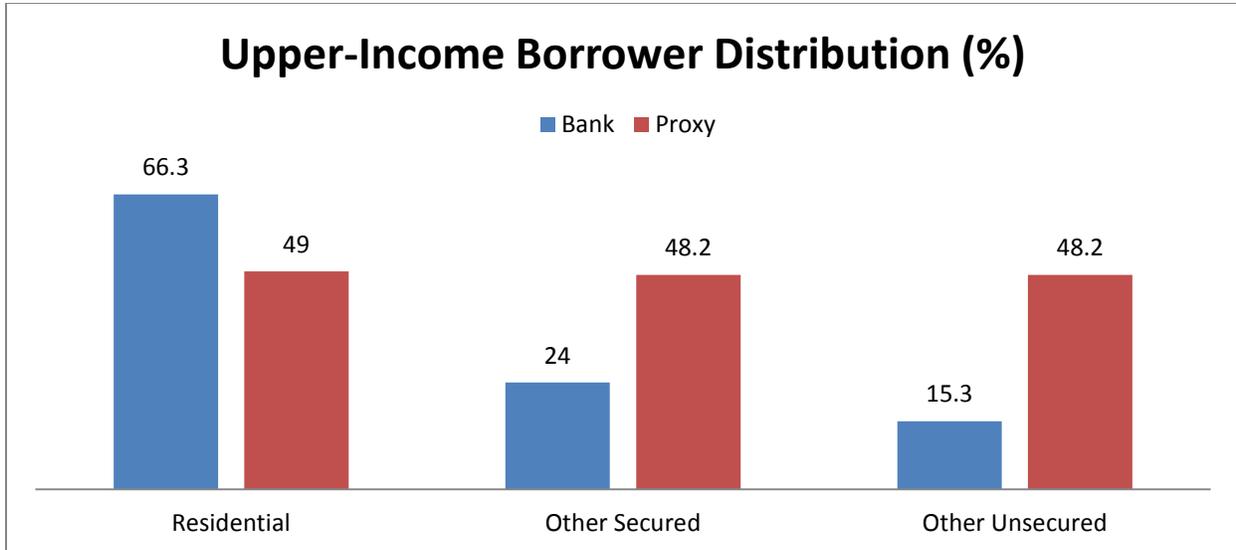


As shown in the chart above, the borrower distribution of residential loans to moderate-income borrowers fell below the percentage of families (proxy). However, the borrower distribution of other secured and other unsecured loans significantly exceeded the number of households (proxy).

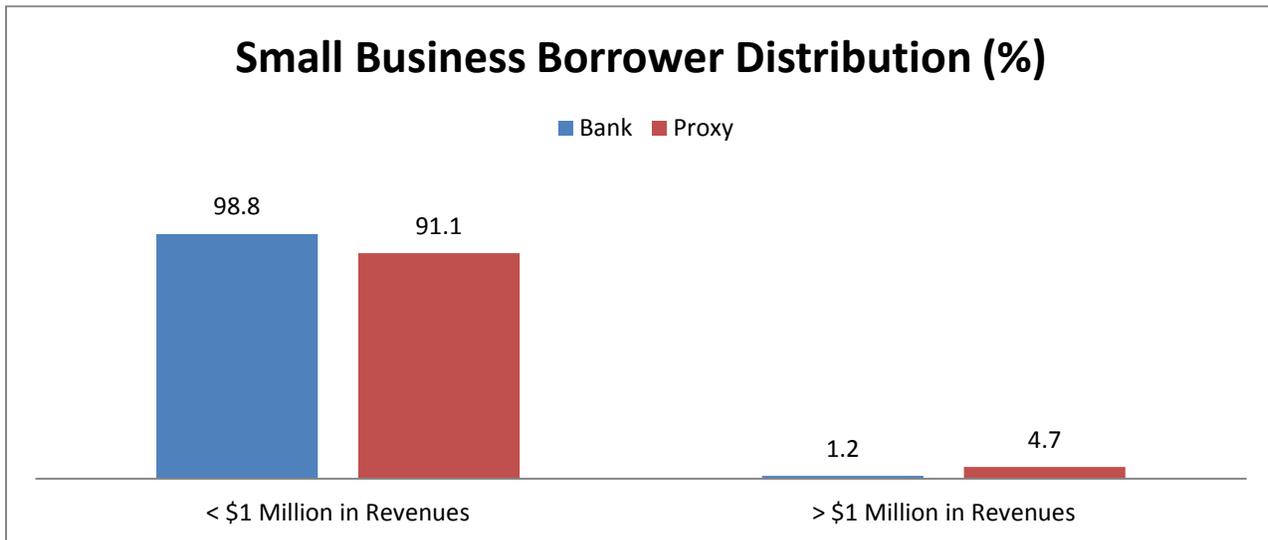
While housing is reasonably affordable within the bank's assessment area, this market also has high poverty rates. In addition, the bank's low-income tract has a limited number of owner-occupied housing units and a population comprised primarily of college students. Considering these factors, it seems reasonable that the bank's ability to originate loans of all types would be negatively impacted. Therefore, Peoples' borrower distribution among low-income borrowers is good and excellent among moderate-income borrowers.



As shown in the chart above, the borrower distribution of residential loans to middle-income borrowers fell slightly below the proxy for demand, while other secured and other unsecured loans exceeded the proxy for demand. Therefore, Peoples’ borrower distribution among middle-income borrowers is excellent.



As shown in the chart above, the borrower distribution of residential loans to upper-income borrowers exceeds the proxy for demand. Other secured lending fell below the proxy, while other unsecured lending fell significantly below the proxy for demand. Therefore, Peoples’ borrower distribution among upper-income borrowers is good.



Of the 499 small business loans originated, 493 (98.8%) were originated to businesses with less than \$1 million in revenue, which is greater than the 91.1% of small businesses in the assessment area. Therefore, the bank has an excellent level of providing small business loans to businesses of different revenue sizes.

Further analysis of small business lending shows 99.0% of the bank's small business loans were for \$100,000 or less. Typically, the extent to which a bank is willing to extend loans in amounts of \$100,000 or less is reviewed because smaller businesses often have a greater need for small-dollar loans. In addition, two community contacts indicated the need for small business loans in this market. This demonstrates an excellent responsiveness to meeting the credit needs of small businesses in this area.

Response to Consumer Complaints

There were no CRA-related complaints that were filed against Peoples during this evaluation period.

Community Development Test

The community development test is considered to be Outstanding.

The bank's community development performance demonstrates an excellent responsiveness to community development needs of its assessment area through community development loans, qualified investments and community development services, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area. Also, a community contact indicated that services targeted toward low- and moderate-income individuals and families is a significant need in this market and a majority of Peoples' community development activities support needed community services.

Community Development Loans

During this review period, Peoples originated 11 community development loans aggregating \$3.0 million. Of these loans five were for affordable housing totaling \$1.4 million, three were for community services targeted toward low- and moderate-income individuals totaling \$843,000, and three were for the revitalization/stabilization of distressed middle-income geographies totaling \$810,000.

Of the five affordable housing loans, one loan provided funds to an organization originating home purchase loans to low- and moderate-income home buyers and three loans provided funds to purchase bank-owned, foreclosed, rental properties. These funds were used to renovate 16 units for Section 8 rental housing in the cities of Richmond and Berea, Kentucky. The final affordable housing loan provided funds to complete the rehabilitation of 15 handicap-accessible units for Section 8 rental housing in Berea, Kentucky. In addition, these homes were built using recycled plastic soda bottles and received donated energy efficient heating/cooling units and corresponding duct work and insulation from the Kentucky Rural Electric Co-Op as part of its energy efficiency pilot project.

Of the three community service loans, one loan extended an operating line of credit to a community action agency that addresses the causes and conditions of poverty and promotes self-sufficiency among the area's low- and moderate-income population. The second loan was to construct a building for a food bank that serves low- and moderate-income individuals and families in Madison County, and the third loan was to purchase a foreclosed, bank-owned commercial property that the borrower plans to rehabilitate and lease to a non-profit agency wanting to re-establish its presence in the Berea area. This agency serves low- and moderate-income individuals and families with a variety of emergency-related assistance programs.

Of the three revitalization/stabilization loans, two supported distressed middle-income areas by providing funds to purchase a fire truck for a volunteer fire department and to extend a line of credit for continued operating expenses for a local sheriff's department. The third loan provided funds to purchase equipment for a small business located in an Empowerment Zone adjacent to the bank's assessment area. Over half of the company's employees reside within the bank's assessment area; therefore, this loan helps to retain employment for at least six low- and moderate-income individuals that reside within the bank's assessment area.

Community Development Investments

During this evaluation period, Peoples funded four investments and made several small dollar donations aggregating \$2.6 million.

The bank received credit for three new investments totaling \$2.2 million. Two of these investments provide additional operating monies for local low- and moderate-income school districts in Madison and Rockcastle counties. The third investment benefits distressed middle-income and lower-income areas in Rockcastle and Madison Counties, respectively, to improve economic positions of the municipalities involved for delivering clean water and maintaining efficient sewer systems in these communities. The fourth investment, totaling \$370,777 in unamortized funds, was made during the previous evaluation period. This investment provides additional operating monies to a local low- and moderate-income independent school district in Berea, Kentucky.

Lastly, the remaining balance (\$22,170) consists of several small dollar donations supporting 25 local organizations that provide a variety of community services to low- and moderate-income individuals and families within the bank's assessment area.

Community Development Services

In general, the branch distribution is representative of the makeup of the geographies. While none of the bank's branches or ATMs are located in a low- or moderate-income geography, there are two branches and a cash-only ATM located by the Eastern Bypass that are less than two miles from the low-income tract. In addition, a portion of Eastern Kentucky University's campus and a majority of student housing is located in this tract; therefore, service opportunities may be limited for the bank in this area. However, Peoples does offer a totally free checking product that is popular with students attending Berea College and to a lesser extent Eastern Kentucky University.

Also, the Peoples branch office in Mt. Vernon (Rockcastle County) is located in a distressed middle-income geography. For a map of the bank’s assessment area detailing its branch distribution, refer to Appendix A of this report.

The following table shows the total distribution of Peoples’ branches and ATMs compared to families by tract income.

Branch and ATM Distribution					
Geography	Number of Branches	Percent	Number of ATMs	Percent	Percent of Families by Tract Income
Low-Income	0	0.0%	0	0.0%	17.7%
Moderate-Income	0	0.0%	0	0.0%	14.9%
Middle-Income	4	40.0%	5	38.5%	18.4%
Upper-Income	6	60.0%	8	61.5%	49.0%
Totals	10	100.0%	13	100.0%	100.0%

In addition to branch delivery systems; Peoples offers alternative delivery systems, such as ATMs, telephone and internet banking.

Bank employees provide their financial expertise to the following organizations:
(EVP = executive vice president, SVP = senior vice president)

- *Berea Business & Professional Women’s Club* – A branch manager serves as secretary and financial chair. Another branch manager serves on the ambassador and young professionals committees and helps with fund raising initiatives. This organization promotes the business interests and fosters cooperation of working women.
- *Berea Chamber of Commerce* – A branch manager serves as the director and is responsible for controlling the chamber’s finances. This organization is a business network for local businesses that helps to promote economic development.
- *Berea College* – An EVP and the CRA Officer made presentations about entrepreneurship, business, banking, and financial management. The majority of the student body is low- and moderate-income.
- *Berea Community School* – A branch manager is the director of the educational assistance fund and treasurer. The majority of the student body is low- and moderate-income.
- *Berea Health Ministries* – The CRA Officer is a board member and treasurer for the ministry. The ministry provides healthcare for low- and moderate-income individuals without insurance.
- *Berea Industrial Development Corporation* – The bank’s president and a branch manager are board members. The president helps to manage the budget, and the branch manager serves on the revolving loan/grant fund committee. This committee administers block grant monies.
- *Berea Rotary Club* – The bank’s president serves as a member of the scholarship committee. The committee members review scholarship applications and award funds to the neediest (low- and moderate-income) students. This club allows business professionals to provide humanitarian services to the community.

- *Berea YMCA* – An EVP is the chair of the finance committee. This committee formulates and monitors the annual budget, including monies allocated to services targeted to low- and moderate-income individuals and families.
- *Madison County Beef Association & Farmers Bureau* – An employee is a member of the bureau and provides financial expertise to farmers and ranchers to better understand their credit risk and what types of funding are available. The bureau promotes economic development among farmers and ranchers.
- *Madison County Board of Health* – A bank director is a physician and board member on the county's board of health. Major topics of discussion include budgeting issues and challenges as a result of decreased government funding and an increase in the number of low-income, indigent, and underinsured patients requiring healthcare.
- *MEPCO Home Health Agency* – A bank director is a physician and board member for this agency. Due to a decrease in Medicare/Medicaid reimbursements, an increasing percentage of the board's time is spent discussing new funding options to care for indigent home health care patients. This organization is one of the only home health agencies that accepts the uninsured in this market area.
- *Mountain Association for Community Economic Development (MACED)* – The CRA Officer serves as a member of the revolving loan committee. This association has an enterprise development program that provides loan capital and technical assistance to small businesses and non-profits in its service region.
- *Mt. Vernon Chamber of Commerce* – A branch manager serves as member of the audit committee and is responsible for auditing the chamber's expenditures.
- *Mt. Vernon Kiwanis Club* – A branch manager serves as a member of the budget committee. Kiwanis is a service club of volunteers that promotes the adoption and application of higher business and professional standards and helps to promote economic development by building better communities.
- *New Opportunity School for Women* – An SVP serves as an advisory board member for fund raising and provides financial money management education for the low- and moderate-women in the program. This school helps middle-aged, lower-income women in Appalachia to become better educated and employed.
- *Pro Bono Legal Services* - A bank director who is an attorney provides 50 hours of pro bono legal services a year to low- and moderate-income individuals who are unable to pay full legal fees.
- *Waco Elementary* – A branch manager provides financial literacy education. The majority of the student body is low- and moderate-income.
- *Westside Christian Church* – The CRA Officer is a member of the benevolent committee which helps with fund raising efforts and is responsible for dispersing funds to low- and moderate-income individuals and families in need.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. The bank continues the use of fair lending policies and procedures and has an effective fair lending training program.

APPENDIX A
LENDING TABLES

Consumer Loan Distribution Table

Exam: Peoples Bank - Berea

Assessment Area/Group :Peoples Bank AA 2011

	CONSUMER LOANS							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	Other - Secured							
Low	1	0.3%	5	0.2%	75	21.9%	435	16.0%
Moderate	4	1.2%	45	1.6%	82	24.0%	549	20.2%
Low/Moderate Total	5	1.5%	50	1.8%	157	45.9%	985	36.2%
Middle	171	50.0%	1,265	46.5%	78	22.8%	619	22.7%
Upper	166	48.5%	1,407	51.7%	82	24.0%	919	33.8%
Unknown	0	0.0%	0	0.0%	25	7.3%	199	7.3%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	342	100.0%	2,722	100.0%	342	100.0%	2,722	100.0%
	Other - Unsecured							
Low	1	0.6%	4	1.0%	59	37.6%	100	24.8%
Moderate	0	0.0%	0	0.0%	36	22.9%	96	23.8%
Low/Moderate Total	1	0.6%	4	1.0%	95	60.5%	196	48.6%
Middle	88	56.1%	203	50.1%	34	21.7%	99	24.4%
Upper	68	43.3%	198	48.9%	24	15.3%	101	25.0%
Unknown	0	0.0%	0	0.0%	4	2.5%	9	2.1%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	157	100.0%	405	100.0%	157	100.0%	405	100.1%
	Residential Loans							
Low	0	0.0%	0	0.0%	24	6.8%	1,177	2.4%
Moderate	6	1.7%	605	1.2%	32	9.1%	2,077	4.2%
Low/Moderate Total	6	1.7%	605	1.2%	56	15.9%	3,254	6.6%
Middle	143	40.5%	22,434	45.5%	54	15.3%	3,256	6.6%
Upper	204	57.8%	26,282	53.3%	234	66.3%	41,733	84.6%
Unknown	0	0.0%	0	0.0%	9	2.5%	1,078	2.2%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	353	100.0%	49,321	100.0%	353	100.0%	49,321	100.0%
	Consumer Loan Totals							
Low	2	0.2%	9	0.0%	158	18.5%	1,712	3.3%
Moderate	10	1.2%	649	1.2%	150	17.6%	2,722	5.2%
Low/Moderate Total	12	1.4%	659	1.3%	308	36.2%	4,435	8.5%
Middle	402	47.2%	23,902	45.6%	166	19.5%	3,974	7.6%
Upper	438	51.4%	27,887	53.2%	340	39.9%	42,753	81.5%
Unknown	0	0.0%	0	0.0%	38	4.5%	1,286	2.5%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	852	100.0%	52,447	100.0%	852	100.0%	52,447	100.0%

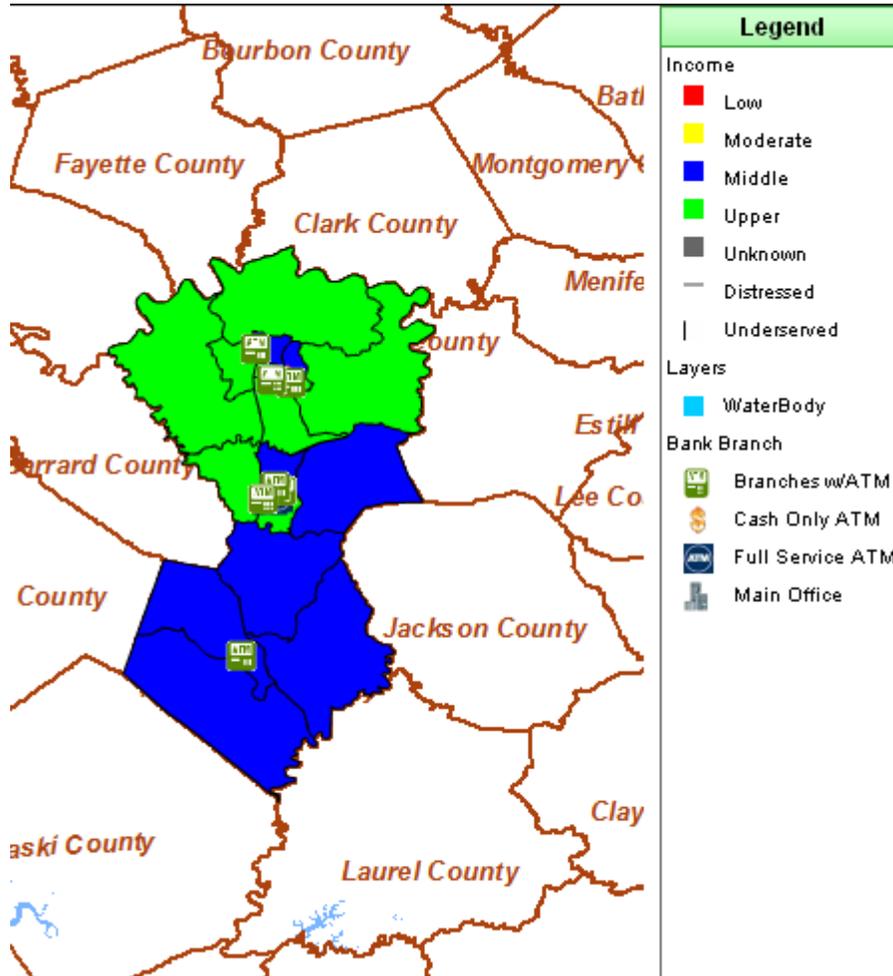
CRA Loan Distribution Table

Exam: Peoples Bank - Berea

Assessment Area/Group: Peoples Bank AA 2011

Income Categories	SMALL BUSINESS				SMALL FARM			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	By Tract Income							
Low	1	0.2%	27	0.5%	0	0.0%	0	0.0%
Moderate	3	0.6%	51	0.9%	0	0.0%	0	0.0%
Low/Moderate Total	4	0.8%	78	1.3%	0	0.0%	0	0.0%
Middle	230	46.1%	2,545	43.4%	0	0.0%	0	0.0%
Upper	265	53.1%	3,242	55.3%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	499	100.0%	5,865	100.0%	0	0.0%	0	0.0%
	By Revenue							
Total \$1 Million or Less	493	98.8%	5,645	96.3%	0	0.0%	0	0.0%
Over \$1 Million	6	1.2%	219	3.7%	0	0.0%	0	0.0%
Not Known	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	499	100.0%	5,865	100.0%	0	0.0%	0	0.0%
	By Loan Size							
\$100,000 or less	494	99.0%	4,928	84.0%	0	0.0%	0	0.0%
\$100,001 - \$250,000	4	0.8%	594	10.1%	0	0.0%	0	0.0%
\$250,001 - \$1 Million (Bus)-\$500k (Farm)	1	0.2%	343	5.8%	0	0.0%	0	0.0%
Over \$1 Million (Bus)-\$500k (Farm)	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	499	100.0%	5,865	100.0%	0	0.0%	0	0.0%
	By Loan Size and Revenue \$1 Million or Less							
\$100,000 or less	489	99.2%	4,813	85.3%	0	0.0%	0	0.0%
\$100,001 - \$250,000	3	0.6%	489	8.7%	0	0.0%	0	0.0%
\$250,001 - \$1 Million (Bus)-\$500k (Farm)	1	0.2%	343	6.1%	0	0.0%	0	0.0%
Over \$1 Million (Bus)-\$500k (Farm)	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	493	100.0%	5,645	100.0%	0	0.0%	0	0.0%

APPENDIX B ASSESSMENT AREA MAP



APPENDIX C

GLOSSARY OF TERMS

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.

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

Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet 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; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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

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

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 applications, the amount of loan requested, and the disposition of the application (for example, 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 refinancings of home improvement and home purchase loans.

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

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, 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.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A 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. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a 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.

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

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

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

Rated area: A rated area is a state or 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 loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. 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): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

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