PUBLIC DISCLOSURE

August 20, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Peoples Bank and Trust Company of Hazard
RSSD #814711

524 Main Street
Hazard, Kentucky 41701

Federal Reserve Bank of Cleveland

P.O. Box 6387
Cleveland, OH 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 loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs;
- A substantial majority of loans and other lending-related activities occurred in the assessment area;
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment areas;
- The distribution of loans to borrowers reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different revenue sizes given the demographics of the assessment areas, and;
- There were no CRA-related complaints filed against the bank since the previous CRA examination.

The previous CRA examination conducted June 14, 2010 resulted in a rating of "Satisfactory."

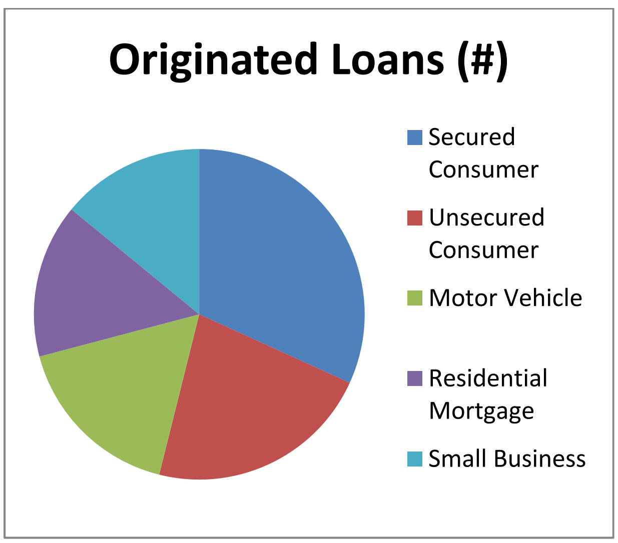
SCOPE OF EXAMINATION

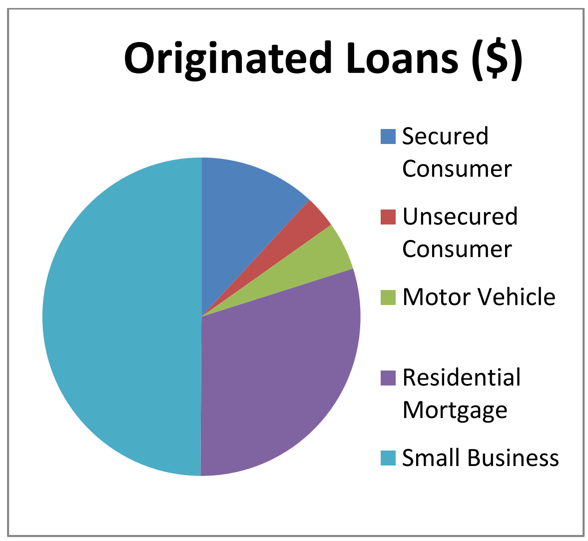
The CRA public evaluation is based on the level of the bank's lending within its assessment area, including the distribution to borrowers of different income levels and to small businesses of different revenue sizes and is based on loans originated from January 1, 2011 to December 31, 2011. The bank's lending activity for this period was evaluated using the interagency small bank examination procedures.

The loan products evaluated included residential mortgage loans, secured consumer loans, unsecured consumer loans, motor vehicle loans, and small business loans. Each of the loan types included in the evaluation is a significant product offering for the bank. Each loan type is important to the community, as well. Secured and unsecured consumer loans, with their lower dollar amounts, are often an affordable funding resource for low- and moderate-income borrowers. Since public transportation is not available in the assessment area and motor vehicles are needed for residents to maintain employment, there is a need for motor vehicle loans. Residential mortgage loans are vital to the community for housing purposes, while small business loans are important for providing opportunities for employment. All loan products were weighted equally.

The following table and charts indicate the volume of loans originated during the evaluation period.

Loan Type	Number of Loans[1]	Dollar Amount of Loans (000s)
Secured Consumer Loans	249	$4,350
Unsecured Consumer Loans	173	$1,216
Motor Vehicle Loans	133	$1,801
Residential Mortgage Loans	118	$10,991
Small Business Loans	110	$18,288





[1] In some cases, information for originated loans could not be provided by the bank; therefore, the loan volumes used for the geographic distribution and the borrower distribution are based on a sample of originated loans and are lower than the number of originated loans listed above.

Borrower distribution was given more weight than geographic distribution, as there is greater variety among borrowers of different income levels than tracts. The majority of tracts were moderate-income, which made the assessment area more homogeneous in terms of tract composition; however, borrowers of all income levels resided in the assessment area.

DESCRIPTION OF INSTITUTION

Peoples Bank and Trust Company of Hazard (Peoples) is a full-service retail bank headquartered in Hazard, Kentucky. As of March 31, 2012, Peoples had total assets of $292 million, which represents an increase of 3.3% from the previous examination. Peoples is the sole subsidiary of Hazard Bancorp.

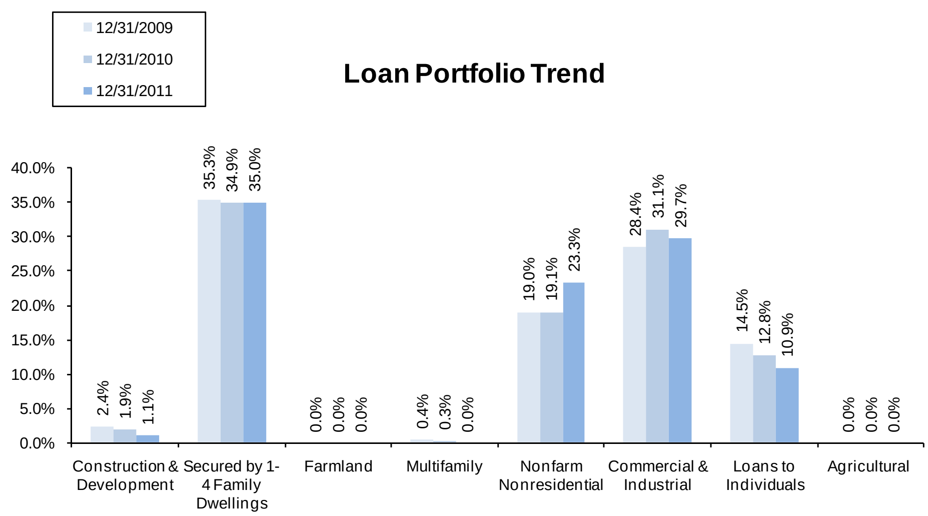
The loan portfolio represented 73.0% of total assets. Securities and federal funds sold constituted most of the remaining assets. Peoples is both a commercial and consumer lender.

The following charts represent the bank's loan portfolio.

COMPOSITION OF LOAN PORTFOLIO

Loan Type	12/31/2011		12/31/2010		12/31/2009	
	$ (000s)	Percent	$ (000s)	Percent	$ (000s)	Percent
Construction and Development	2,250	1.1%	4,065	1.9%	5,081	2.4%
Secured by One- to Four- Family Dwellings	73,788	35.0%	74,279	34.9%	74,748	35.3%
Other Real Estate: Farmland	0	0.0%	0	0.0%	0	0.0%
Multifamily	0	0.0%	744	0.3%	924	0.4%
Nonfarm nonresidential	49,137	23.3%	40,603	19.1%	40,247	19.0%
Commercial and Industrial	62,690	29.7%	66,207	31.1%	60,283	28.4%
Loans to Individuals	23,043	10.9%	27,204	12.8%	30,643	14.5%
Agricultural Loans	0	0.0%	0	0.0%	0	0.0%
Total	*$210,908*	*100.00%*	*$213,102*	*100.00%*	*$211,926*	*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.



All of Peoples' seven branch offices are in Perry County. Four branches are in moderate-income geographies and three offices, including the main office, are in middle-income tracts. All of the offices have ATMs, except for one branch in a moderate-income geography.

There are no legal or financial constraints preventing Peoples' from meeting the credit needs of its assessment area consistent with its asset size, business strategy, resources, and local economy.

DESCRIPTION OF ASSESSMENT AREA

The assessment area for Peoples consists of Breathitt, Knott, Leslie, Letcher, Owsley, and Perry Counties in southeastern Kentucky. None of these counties are in a metropolitan statistical area. Of the 32 tracts in the assessment area, 22 are moderate-income and ten are middle-income geographies. All of the middle-income tracts are distressed due to the poverty rate. Additionally, the three middle-income tracts in Letcher County and the four middle-income tracts in Perry County are distressed due to loss of population. Also, the middle income tracts in Breathitt, Knott, Letcher, and Perry Counties are underserved due to being remote and rural.

As of June 30, 2011, the Federal Deposit Insurance Corporation (FDIC) reported ten insured financial institutions operating 37 branches within the assessment area. The FDIC's market share report indicates that Peoples ranked second among these institutions, holding 18.04% of the market share of deposits. The following table illustrates the deposit market share for the institutions in the assessment area.

FDIC Deposit Market Share Report		
Rank	**Financial Institution**	**Market Share**
1	Community Trust Bank, Inc.	18.26%
2	Peoples Bank and Trust Company of Hazard	18.04%
3	Whitaker Bank	14.50%
4	Bank of Hindman	10.39%
5	1st Trust Bank, Inc.	8.63%
6	Citizens Bank & Trust Co. of Jackson	7.34%
7	The First National Bank of Jackson	7.32%
8	Hyden Citizens Bank	7.26%
9	First Federal Savings and Loan Association	5.30%
10	Farmers State Bank	2.95%

Population

The 2000 data released by the U.S. Census Bureau indicates the population in the bank's assessment area is 105,675. The following table depicts the 2000 and estimated 2009 populations of all six counties within the bank's assessment area, as well as the estimated population change:

County	2000 Population	2009 Population (estimated)	Population Percentage Change
Breathitt	16,100	15,575	-3.26%
Knott	17,649	17,126	-2.96%
Leslie	12,401	11,503	-7.24%
Letcher	25,277	23,633	-6.50%
Owlsley	4,858	4,619	-4.92%
Perry	29,390	29,136	-0.86%
Total	105,675	101,592	-3.86%

The population estimates reveal that each county in the assessment area has experienced population declines.

Income Characteristics

The following table depicts the Median Family Income (MFI) for each of the six counties in the assessment area for 2000 and 2011.[2] The MFI in each county is lower than the MFI for all of Non-metropolitan Kentucky.

Median Family Income (MFI)		
County	**2000 MFI**	**2011 MFI**
Breathitt	$23,721	$31,100
Knott	$24,930	$37,400
Leslie	$22,225	$36,000
Letcher	$24,869	$39,500
Owlsley	$18,034	$25,800
Perry	$26,718	$41,300
Non-metropolitan Kentucky	$32,884	$43,000

The following table depicts the percentage of people below the poverty level in 2000 and 2010 for all six counties within the bank's assessment area.[3] The poverty level for each county in the assessment area significantly exceeds the poverty level of the Commonwealth of Kentucky as a whole.

Percentage of Persons Below Poverty Level		
County	**2000 Census Data**	**2010**
Breathitt	33.2	28.3
Knott	31.1	26.4
Leslie	32.7	29.2
Letcher	27.1	23.2
Owlsley	45.4	40.1
Perry	29.1	28.7
Commonwealth of Kentucky	15.8	18.9

Labor, Employment, and Economics

The following table depicts the unemployment rate in 2010 and 2011 for all six counties within the bank's assessment area. The unemployment rate for each county in the assessment area exceeds the unemployment rate of the Commonwealth of Kentucky as a whole.

[2] www.huduser.org
[3] Source: Appalachian Regional Commission

Unemployment Rates
Assessment Area: Peoples Bk & Tr Co, Hazard

Area	Years - Annualized	
	2010	**2011**
Breathitt Co.	11.0 (E)	10.4 (E)
Knott Co.	12.9 (E)	11.1 (E)
Leslie Co.	12.7 (E)	12.5 (E)
Letcher Co.	11.4 (E)	10.2 (E)
Owsley Co.	11.3 (E)	11.6 (E)
Perry Co.	11.2 (E)	10.2 (E)
Kentucky	**10.2 (D)**	**9.5 (D)**

Not Seasonally Adjusted
D: Reflects revised population controls and model reestimation.
E: Reflects revised inputs, reestimation, and controlling to new statewide totals.

The following table depicts the largest industries by the number of people employed for all six counties within the bank's assessment area.[4]

County	Industries
Breathitt	Services, trade/transportation/utilities, and public administration
Knott	Services, public administration, and trade/transportation/utilities.
Leslie	Trade/transportation/utilities, services, and public administration
Letcher	Trade/transportation/utilities, services, and public administration
Owlsley	Services, public administration, and manufacturing
Perry	Mining, trade/transportation/utilities, and services

Community contacts indicated that the employment conditions have further deteriorated, particularly in Perry County. Perry County Coal and Arch Coal Company have recently eliminated significant numbers of jobs. Additional cuts from low demand for coal due to the recent mild winter, reduced natural gas prices, and stringent EPA regulations are anticipated. American Woodmark Corporation, which manufactures kitchen and bathroom cabinets, recently closed its Perry County operations, eliminating a significant number of jobs. The local industrial park has one tenant remaining, a call center.

[4] Source: Kentucky Center for Economic Development

Housing

There were 46,286 housing units in the assessment area as of the 2000 U.S. Census. Owner-occupied properties comprised 70.4% of the total units and rental units comprised 18.6% of the total units. The owner-occupancy rate for the assessment area was higher than Kentucky's rate of 64.3%. Of the housing units, 63.8% were one-to-four family dwellings, 2.8% were multi-family dwellings, and 33.3% were mobile homes. Of the total housing units, 57.5% are located in moderate-income census tracts and 42.5% are located in middle-income census tracts.

The median age of housing in the assessment area was 25 years as of the 2000 U.S. Census, which was comparable to the median age of housing for Kentucky overall. The median age of housing was comparable between moderate-income census tracts (24 years) and middle-income census tracts (26 years).

According to Sperling's Best Places, the median cost of a home in Hazard, Kentucky is $76,500 and home values have depreciated by 1.0% in the past year.[5] Compared to the rest of the nation, the cost of living in Hazard is 18.3% lower than average.

Based on the estimated 2011 median family income for Perry County ($41,300), about 20.9% of the homes valued up to $67,317 in the assessment area would be considered affordable for low-income individuals and approximately 49.7% of the homes valued up to $107,708 would be considered affordable for moderate-income individuals. These percentages were calculated assuming an average mortgage payment equal to 28.0% of gross income for a 5.0% fixed-rate, 30-year loan.

Community Contacts

Two community contact interviews were conducted in conjunction with this examination. The community contacts provided context to the demographic and economic characteristics of the assessment area. One contact was conducted with an economic development organization in Perry County and the other contact was conducted with a community development organization in Perry County.

[5] www.bestplaces.net

Combined Demographics Report

Assessment Area(s): Peoples Bk & Tr AA - 2011

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	10,561	34.4
Moderate-income	22	68.8	18,043	58.7	5,558	30.8	5,687	18.5
Middle-income	10	31.3	12,697	41.3	2,755	21.7	5,164	16.8
Upper-income	0	0.0	0	0.0	0	0.0	9,328	30.3
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	**32**	**100.0**	**30,740**	**100.0**	**8,313**	**27.0**	**30,740**	**100.0**

	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	26,615	19,204	58.9	72.2	4,463	16.8	2,948	11.1
Middle-income	19,671	13,382	41.1	68.0	4,162	21.2	2,127	10.8
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	**46,286**	**32,586**	**100.0**	**70.4**	**8,625**	**18.6**	**5,075**	**11.0**

	Total Businesses by Tract		Businesses 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	1,673	48.8	1,485	48.7	65	39.6	123	56.9
Middle-income	1,758	51.2	1,566	51.3	99	60.4	93	43.1
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	**3,431**	**100.0**	**3,051**	**100.0**	**164**	**100.0**	**216**	**100.0**
	Percentage of Total Businesses:			**88.9**		**4.8**		**6.3**

	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	30	58.8	29	58.0	1	100.0	0	0.0
Middle-income	21	41.2	21	42.0	0	0.0	0	0.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	**51**	**100.0**	**50**	**100.0**	**1**	**100.0**	**0**	**.0**
	Percentage of Total Farms:			**98.0**		**2.0**		**.0**

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

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Peoples' loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank has averaged 85.61% over the past eight quarters of operation and is above the peer group average ratio of 73.29%. Peoples' loan-to-deposit ratio over the last eight quarters has declined slightly from a high of 88.57% as of September 30, 2010 to 83.50% as of March 31, 2012. Peoples' loan-to-deposit ratio exceeded the peer ratio in each of the eight quarters, as well as the loan-to-deposit ratio of two local peer institutions.

The following table shows Peoples' quarterly loan-to-deposit ratios for eight quarters since the previous evaluation, along with the average loan-to-deposit ratio for the same period. The table includes the national peer ratio, as well as two local institutions.

Loan-to-Deposit Ratios				
As of Date	Bank Ratio	Peer Ratio[6]	Hindman[7]	1st Trust[8]
March 31, 2012	83.50	68.42	35.82	76.85
December 31, 2011	85.13	71.34	35.70	75.74
September 30, 2011	84.43	72.76	35.25	75.75
June 30, 2011	84.89	73.08	33.92	80.35
March 31, 2011	84.98	72.10	30.91	78.43
December 31, 2010	86.38	74.82	30.34	78.36
September 30, 2010	88.57	76.60	30.86	74.72
June 30, 2010	86.98	77.17	28.50	78.99
Quarterly Loan-to-Deposit Ratio Average since the previous examination	**85.61**	**73.29**	**32.66**	**77.40**

Lending in the Assessment Area

The table below depicts Peoples' volume of loans extended inside and outside of the bank's assessment area during the evaluation period.

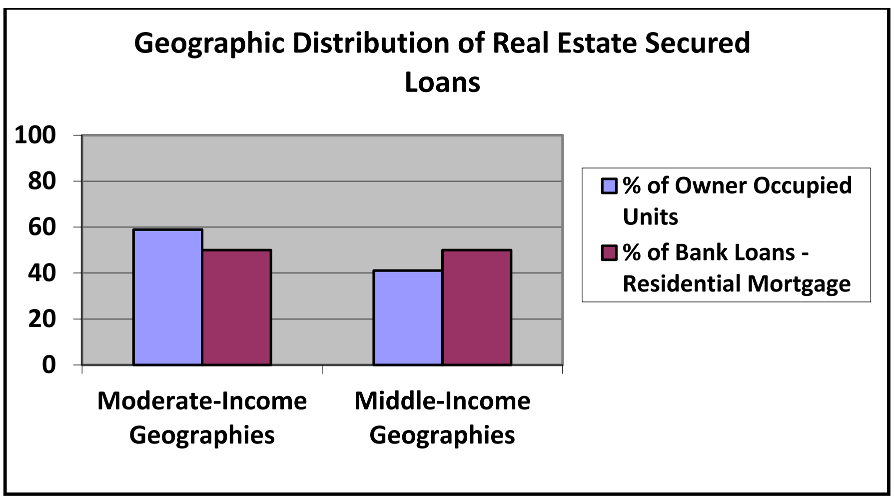
[6] Peoples Bank and Trust Company of Hazard national peer group consists of all insured commercial banks having assets between 100 million and 300 million, with three or more banking offices and not located in a MSA.
[7] Bank of Hindman, Hindman, KY
[8] 1st Trust Bank, Inc., Hazard, KY

Loan Type	Inside				Outside			
	#	%	$(000s)	%	#	%	$(000s)	%
Motor Vehicle Loans	127	95.5	1,730	96.1	6	4.5	71	3.9
Residential Mortgage Loans	110	93.2	9,674	88.0	8	6.8	1,317	12.0
Secured Consumer Loans	234	94.0	3,844	88.4	15	6.0	505	11.6
Unsecured Consumer Loans	159	91.9	1,057	86.9	14	8.1	159	13.1
Small Business Loans	96	87.3	11,945	65.3	14	12.7	6,343	34.7
TOTAL LOANS	**726**	**92.7**	**28,251**	**77.1**	**57**	**7.3**	**8,395**	**22.9**

Of the loans made to consumers, 93.6% by volume and 88.8% by dollar amount were made within the bank's assessment area. Of the loans made to small businesses, 87.3% by volume and 65.3% were made within the bank's assessment area. Therefore, a substantial majority of the bank's loans by both volume and dollar amount were made inside its assessment area.

Geographic Distribution of Lending

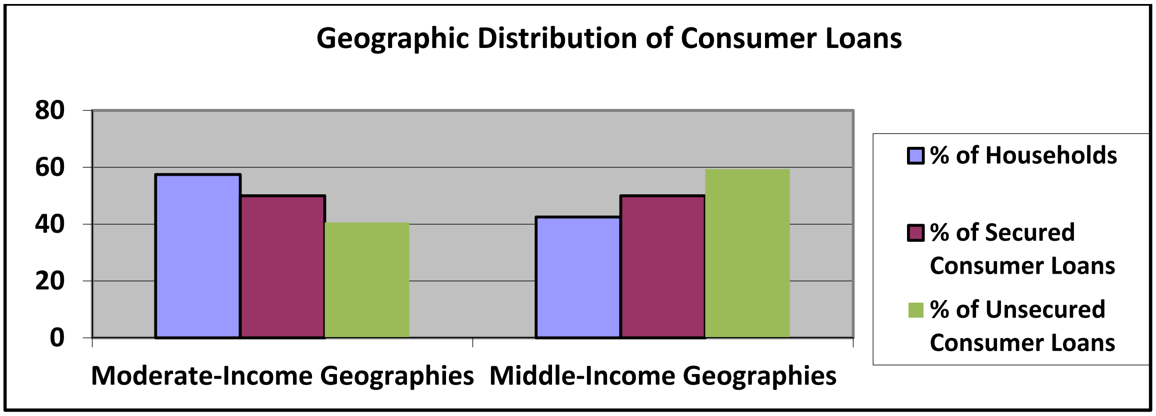
The overall geographic distribution of lending is reasonable.



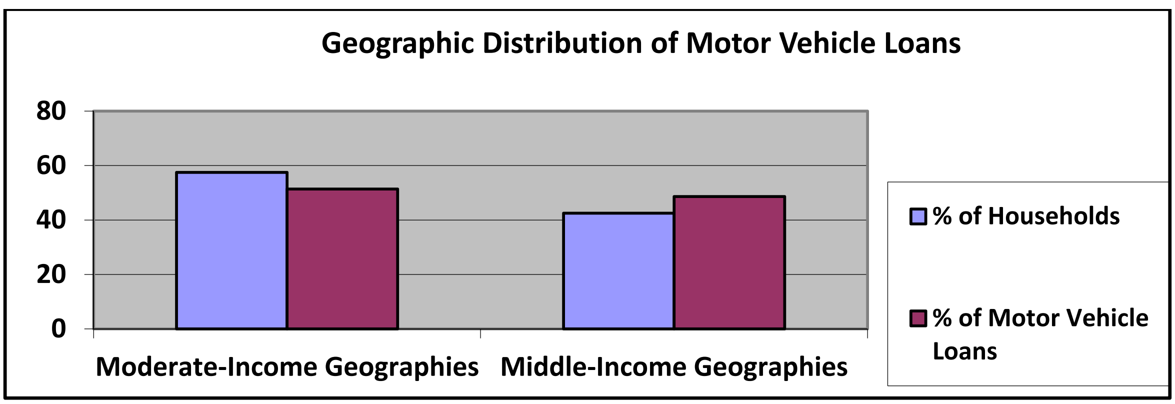
The geographic distribution of mortgage loans was considered reasonable. The bank made 50.0% of its mortgage loans in moderate-income tracts, which was only slightly lower than the proxy (the percentage of owner-occupied housing by income tract) at 58.9%. More mortgage loans were made in the middle-income tracts by the bank at 50.0% than the proxy at 41.1%.

A number of factors limit the ability of lenders to originate residential mortgage loans in moderate-income tracts. Declining real estate values since 2008 make purchasing a home less attractive in terms of personal investment. Additionally, declining values make it more difficult for existing home owners with limited equity to refinance their existing mortgage loan. The increased age of the housing stock means that prospective home buyers would need to budget for home improvement and upkeep costs, in addition to mortgage repayment costs.

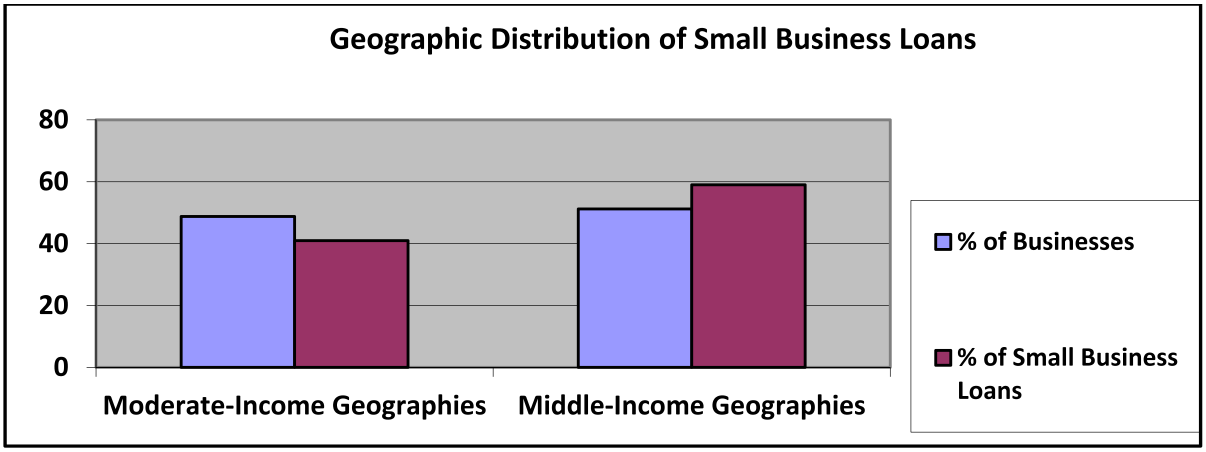
Job losses in multiple sectors and high unemployment rates make it increasingly difficult for borrowers to qualify for mortgage loans. Lastly, 30.8% of the families in moderate income tracts have incomes below the poverty level and would likely not be able to qualify for any type of mortgage loan.



The geographic distribution of consumer loans was considered reasonable. The bank made 50.0% of its secured consumer loans in moderate-income tracts, which was slightly lower than the percentage of households (proxy) at 57.47%. More secured consumer loans were made by the bank in the middle-income tracts at 50.0% than the proxy at 42.53%. The bank made 40.6% of its unsecured consumer loans in moderate-income tracts, which was lower than the proxy at 57.47%. More unsecured consumer loans were made by the bank in the middle-income tracts at 59.4% than the proxy at 42.53%.



The geographic distribution of motor vehicle loans was considered reasonable. The bank made 51.4% of its motor vehicle loans in moderate-income tracts, which was slightly lower than the percentage of households (proxy) at 57.47%. More motor vehicle loans were made by the bank in the middle-income tracts at 48.6% than the proxy at 42.53%.

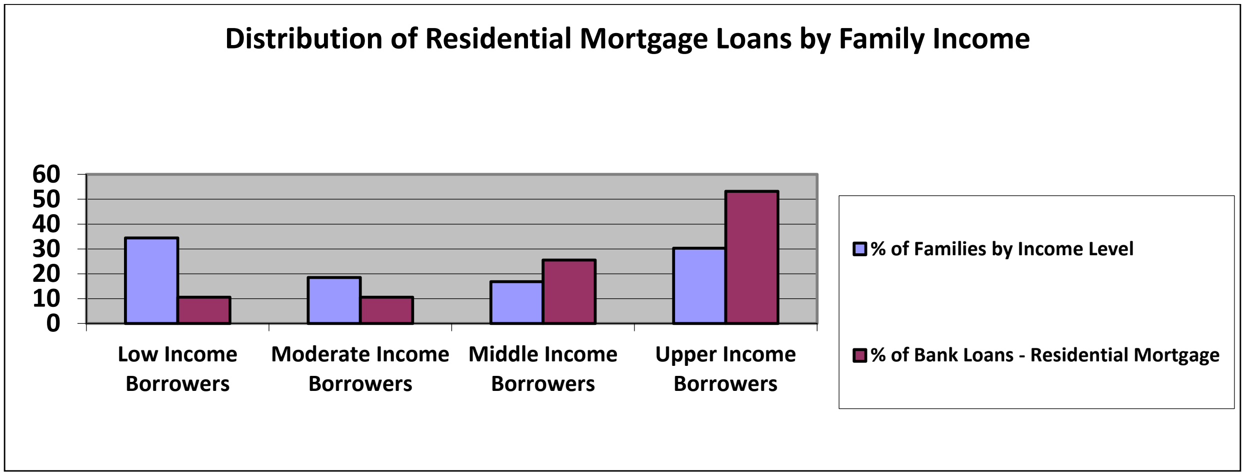


The geographic distribution of small business loans was considered reasonable. The bank made 41.0% of its small business loans in moderate-income tracts, which was reasonably comparable to the percentage of businesses in moderate-income tracts (proxy) at 48.8%. More small business loans were made by the bank in the middle-income tracts at 59.0% than the proxy at 51.2%.

People's overall geographic distribution for lending is considered reasonable. Residential mortgage, consumer (secured and unsecured), motor vehicle, and small business loans are comparable to the proxies used to approximate the demand for loans in the assessment area. In addition, the census tracts comprising the bank's assessment area are either considered moderate-income census tracts, distressed due to poverty and/or population loss, or underserved due to being remote and rural. Therefore, the institution is limited in its lending opportunities.

Based upon the analysis of the bank's lending, no significant gaps were noted. During the evaluation period, the bank did not originate loans in six moderate-income census tracts and one middle-income census tracts. All of the census tracts with no lending were located outside of Perry County (Peoples' branch network is located only in Perry County). The only county in which no loans were originated is Owlsley County, which had both the lowest median family income and the highest poverty rate of the counties in the assessment area. According to 2000 U.S. Census data, 63.7% of households in moderate-income tracts were below the poverty level and 61.8% of households in moderate-income tracts were receiving public assistance. These factors severely limit the institution's ability to lend. In addition, the one middle-income tract in which no loans were originated was considered distressed due to both poverty and population loss, as well as underserved due to its remote and rural location.

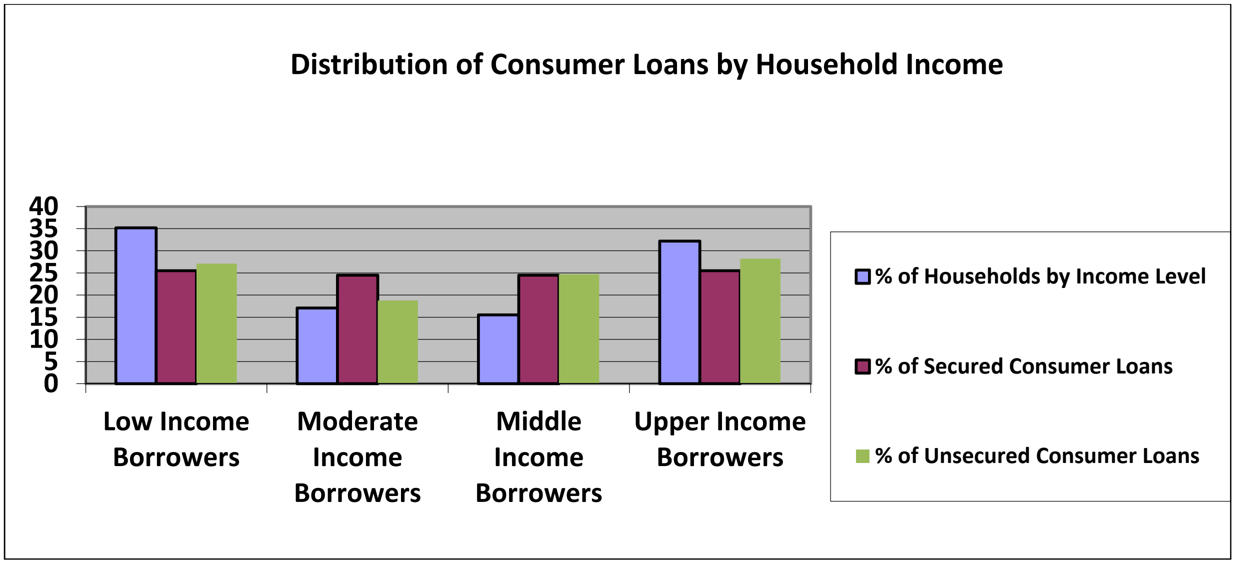
Borrower Distribution of Lending



The borrower distribution of residential mortgage loans was considered reasonable. The bank made 10.6% of its mortgage loans to low-income borrowers compared to the percentage of low-income families in the assessment area at 34.4%. Also, the bank made 10.6% of its mortgage loans to moderate-income borrowers compared to the percentage of moderate-income families in the assessment area at 18.5%. Middle-income borrowers received 25.5% of the mortgage loans compared to the proxy of 16.8%. Upper-income borrowers received 53.2% of the mortgage loans compared to the proxy of 30.3%.

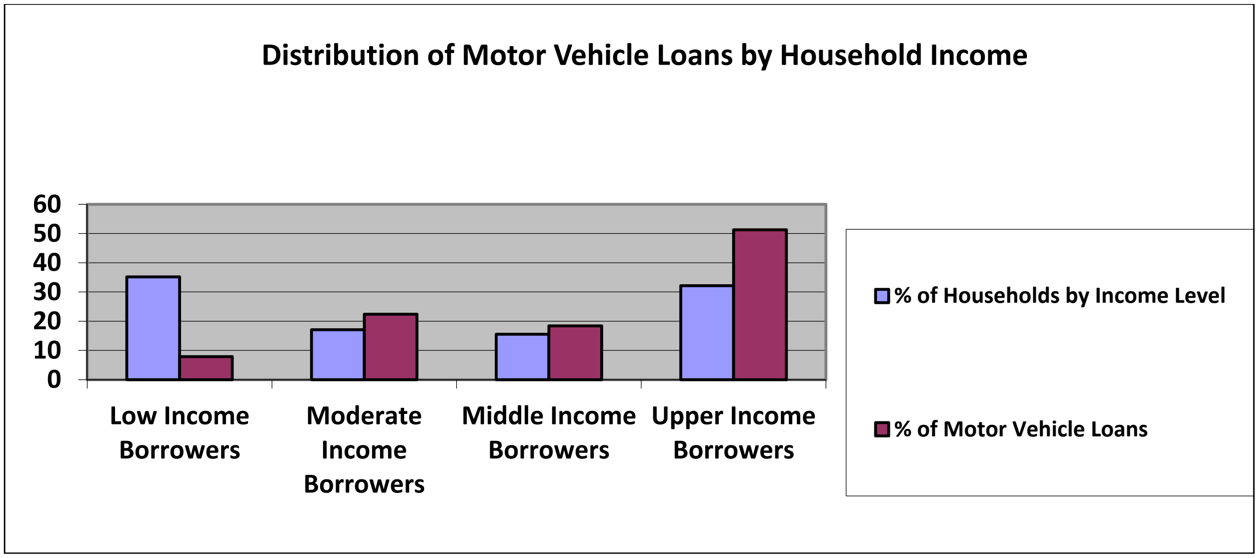
A number of factors limit the ability of creditors to originate residential mortgage loans to low- and middle-income borrowers. A limited percentage of homes would be marginally affordable for low-income (20.9%) or middle-income (49.7%) families. The increased age of the housing stock means that prospective home buyers would need to budget for home improvement and upkeep costs, in addition to mortgage repayment costs. Job losses in multiple sectors and high unemployment rates make it increasingly difficult for low- and moderate-income borrowers to qualify for mortgage loans. Lastly, 27.0% of families in the assessment area have incomes below the poverty level and are likely to be low-income. Families below the poverty level would not likely be able to qualify for any type of residential mortgage loan.

Despite these factors, Peoples' distribution of residential mortgage loans to moderate-income borrowers was reasonably close to the proxy. As a result, the borrower distribution of residential mortgage loans was considered reasonable.



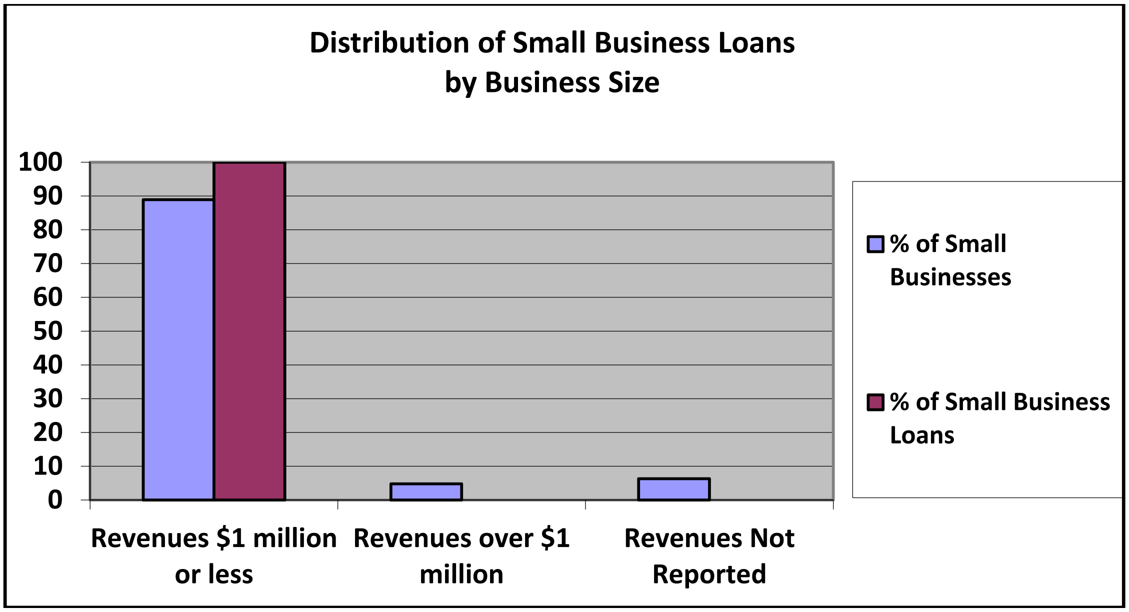
The borrower distribution of secured consumer loans was considered excellent. The bank made 25.5% of its secured consumer loans to low-income borrowers, which was less than the percentage of low-income households in the assessment area at 35.2%. Moderate-income borrowers received 24.5% of the secured consumer loans, which is greater than the percentage of moderate-income households of 17.1%. Middle-income borrowers received 24.5% of the secured consumer loans compared to the proxy of 15.6%. Upper-income borrowers received 25.5% of secured consumer loans compared to the proxy figure of 32.2%.

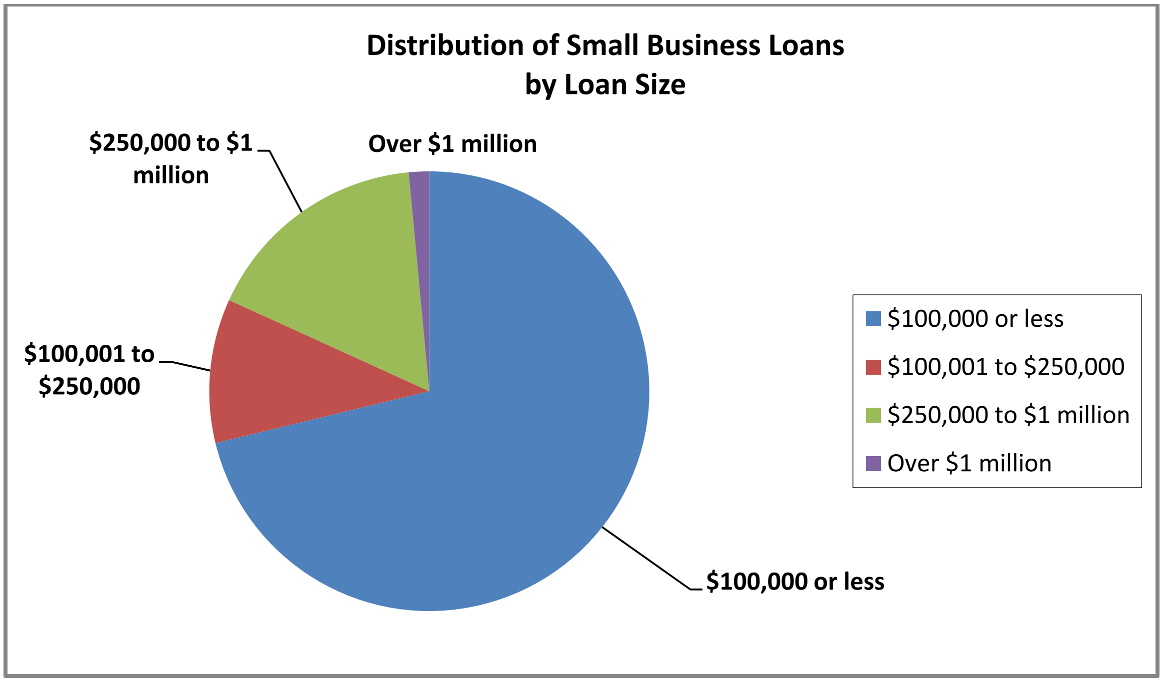
The borrower distribution of unsecured consumer loans was considered excellent. The bank made 27.1% of its unsecured consumer loans to low-income borrowers, which was less than the percentage of low-income households in the assessment area at 35.2%. Moderate-income borrowers received 18.8% of the unsecured consumer loans, which is greater than the percentage of moderate-income households of 17.1%. Middle-income borrowers received 24.7% of the unsecured consumer loans compared to the proxy of 15.55%. Upper-income borrowers received 28.2% of unsecured consumer loans compared to the proxy figure of 32.2 % and 1.2% of the unsecured consumer loans were to borrowers of unknown income.



The borrower distribution of motor vehicle loans was considered reasonable. The bank made 7.9% of its motor vehicle loans to low-income borrowers, which was less than the percentage of low-income households in the assessment area at 35.2%. Moderate-income borrowers received 22.4% of the motor vehicle loans, which is greater than the percentage of moderate-income households of 17.08%. Middle-income borrowers received 18.4 % of the motor vehicle loans compared to the proxy of 15.55%. Upper-income borrowers received 51.3% of secured consumer loans compared to the proxy figure of 32.17%.

Low-income households generally spend a relatively high proportion of their incomes on basic necessities such as food, clothing, and shelter. As a result, demand for traditional consumer loans is limited among low-income families. Additionally, 27.0% of families in the assessment area have incomes below the poverty level, many of whom are likely to be low-income. Families below the poverty level have limited capacity to qualify for consumer loans. Peoples' distribution of consumer loans to moderate-income borrowers was reasonably close to the proxy. As a result, the borrower distribution of consumer loans was considered reasonable.





The borrower distribution for small business loans is considered good. Small business lending was comparable to the percentage of small businesses in the assessment area.

An analysis of small business lending was conducted to determine the extent of lending to businesses of different revenue sizes, including small businesses. Peoples originated 100.0% of its loans to businesses with revenues of $1 million or less. This exceeds the percentage of small businesses in the assessment area at 88.9%. The loan size was also considered, as smaller loans are generally commensurate with the borrowing needs of smaller business. This review showed that 71.2% of small business loans were for loan amounts of $100,000 or less.

Given the bank's level of lending to borrowers of different income levels (in particular, low- and moderate-income borrowers) and to businesses of various sizes, the borrower distribution of loans is reasonable. Refer to the tables in Appendix B for additional information.

Response to Consumer Complaints

No CRA-related complaints were filed against Peoples during this evaluation period.

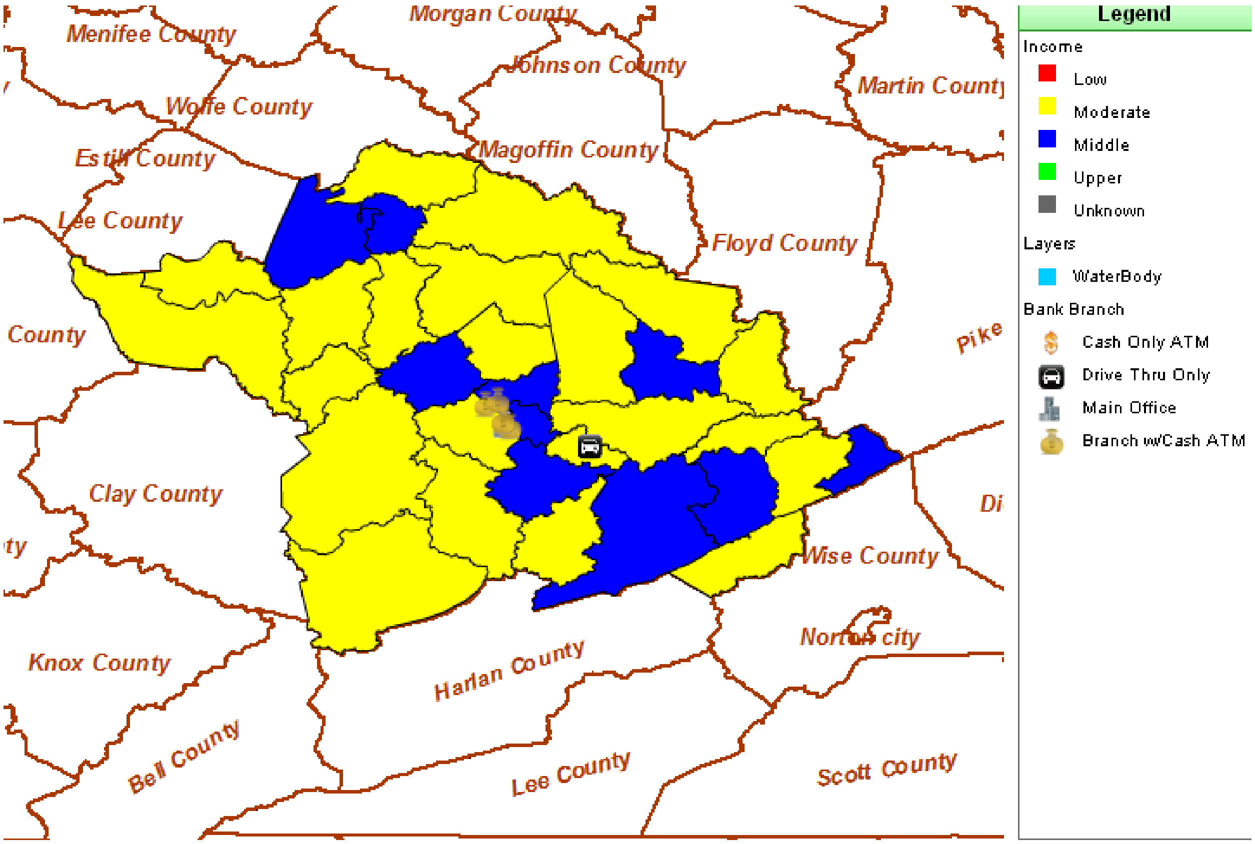
Fair Lending or Other Illegal Credit Practices Review

No evidence of discriminatory or other illegal credit practices was noted during this evaluation.

APPENDIX A

ASSESSMENT AREA MAP

<u>Peoples Bank & Trust, Hazard, KY – Assessment Area</u>



APPENDIX B

LENDING TABLES

Consumer Loan Distribution Table

Exam: Peoples Bank & Trust Co.

	Consumer Loans							
	By Tract Income				By Borrower Income			
	#	%	$(000s)	%	#	%	$(000s)	%
	Consumer - Secured							
Low	0	0.0	0	0.0	26	25.5	170	14.1
Moderate	65	50.0	894	55.2	25	24.5	222	18.3
Low/Moderate Total	65	50.0	894	55.2	51	50.0	393	32.4
Middle	65	50.0	725	44.8	25	24.5	346	28.6
Upper	0	0.0	0	0.0	26	25.5	472	39.0
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	130	100.0	1,619	100.0	102	100.0	1,211	100.0
	Consumer – Unsecured							
Low	0	0.0	0	0.0	23	27.1	37	6.7
Moderate	41	40.6	292	45.7	16	18.8	100	18.2
Low/Moderate Total	41	40.6	292	45.7	39	45.9	137	24.9
Middle	60	59.4	347	54.3	21	24.7	75	13.6
Upper	0	0.0	0	0.0	24	28.2	336	61.2
Unknown	0	0.0	0	0.0	1	1.2	2	0.3
Tract Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total	101	100.0	639	100.0	85	100.0	550	100.0
	Motor Vehicle							
Low	0	0.0	0	0.0	6	7.9	63	5.8
Moderate	38	51.4	522	50.4	17	22.4	198	18.2
Low/Moderate Total	38	51.4	522	50.4	23	30.3	261	23.9
Middle	36	48.6	515	49.6	14	18.4	200	18.3
Upper	0	0.0	0	0.0	39	51.3	630	57.8
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	74	100.0	1,037	100.0	76	100.0	1,091	100.0
	Residential Loans							
Low	0	0.0	0	0.0	5	10.6	161	4.6
Moderate	39	50.0	3,522	52.4	5	10.6	306	8.7
Low/Moderate Total	39	50.0	3,522	52.4	10	21.3	468	13.2
Middle	39	50.0	3,197	47.6	12	25.5	513	14.5
Upper	0	0.0	0	0.0	25	53.2	2,551	72.2
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	78	100.0	6,719	100.0	47	100.0	3,532	100.0
	Consumer Loan Totals							
Low	0	0.0	0	0.0	60	19.4	431	6.8
Moderate	183	47.8	5,231	52.2	63	20.3	827	12.9
Low/Moderate Total	183	47.8	5,231	52.2	123	39.7	1,258	19.7
Middle	200	52.2	4,784	47.8	72	23.2	1,134	17.8
Upper	0	0.0	0	0.0	114	36.8	3,990	62.5
Unknown	0	0.0	0	0.0	1	0.3	2	0.0
Tract Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total	383	100.0	10,015	100.0	310	100.0	6,384	100.0

CRA Loan Distribution Table

Exam: Peoples Bank & Trust Co.

	SMALL BUSINESS				SMALL FARM				SMALL BUS. SECURED BY REAL ESTATE			
Income Categories	**#**	**%**	**$(000s)**	**%**	**#**	**%**	**$(000S)**	**%**	**#**	**%**	**$(000s)**	**%**
					By Tract Income							
Low	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	25	41.0	4,552	52.3	0	0.0	0	0.0	0	0.0	0	0.0
Low/Moderate Total	25	41.0	4,552	52.3	0	0.0	0	0.0	0	0.0	0	0.0
Middle	36	59.0	4,148	47.7	0	0.0	0	0.0	0	0.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	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	0	0.0	0	0.0
Total	61	100.0	8,699	100.0	0	0.0	0	0.0	0	0.0	0	0.0
					By Revenue							
Total $1Million or Less	66	100.0	9,652	100.0	0	0.0	0	0.0	0	0.0	0	0.0
Over $1Million	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Not Known	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Total	66	100.0	9,652	100.0	0	0.0	0	0.0	0	0.0	0	0.0
					By Loan Size							
$100,000 or Less	47	71.2	1,634	16.9	0	0.0	0	0.0	0	0.0	0	0.0
$100,001 - $250,000	7	10.6	1,333	13.8	0	0.0	0	0.0	0	0.0	0	0.0
$250,001 - $1Million (Bus) - $500k (Farm)	11	16.7	5,217	54.1	0	0.0	0	0.0	0	0.0	0	0.0
Over $1Million(Bus) - $500k (Farm)	1	1.5	1,468	15.2	0	0.0	0	0.0	0	0.0	0	0.0
Total	66	100.0	9,652	100.0	0	0.0	0	0.0	0	0.0	0	0.0
					By Loan Size and Revenue $1Million or Less							
$100,000 or Less	47	71.2	1,634	16.9	0	0.0	0	0.0	0	0.0	0	0.0
$100,001 - $250,000	7	10.6	1,333	13.8	0	0.0	0	0.0	0	0.0	0	0.0
$250,001 - $1Million (Bus) - $500k (Farm)	11	16.7	5,217	54.1	0	0.0	0	0.0	0	0.0	0	0.0
Over $1Million(Bus) - $500k (Farm)	1	1.5	1,468	15.2	0	0.0	0	0.0	0	0.0	0	0.0
Total	66	100.0	9,652	100.0	0	0.0	0	0.0	0	0.0	0	0.0

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.