

PUBLIC DISCLOSURE

February 1, 2016

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.

TABLE OF CONTENTS

Institution’s CRA Rating 1

Scope of Examination2

Description of Institution4

Description of Assessment Area6

Conclusions with Respect to Performance Tests12

Appendix A: Assessment Area Map.....23

Appendix B: Tables24

Appendix C: Glossary.....26

INSTITUTION'S CRA RATING: Satisfactory
The Lending Test is rated: Satisfactory
The Community Development Test is rated: Outstanding

The major factors supporting the institution's rating include:

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs;
- A majority of loans and other lending-related activities are inside the assessment area;
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area;
- The distribution of loans to borrowers reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income):
- The distribution of loans to businesses and farms reflects a reasonable penetration among businesses and farms of different revenue sizes given the demographics of the assessment areas;
- There were 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 examination conducted on December 3, 2012 by this Reserve Bank resulted in a "Satisfactory" performance rating.

SCOPE OF EXAMINATION

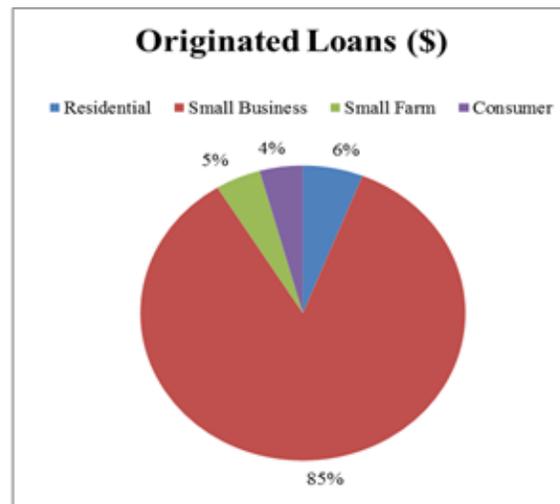
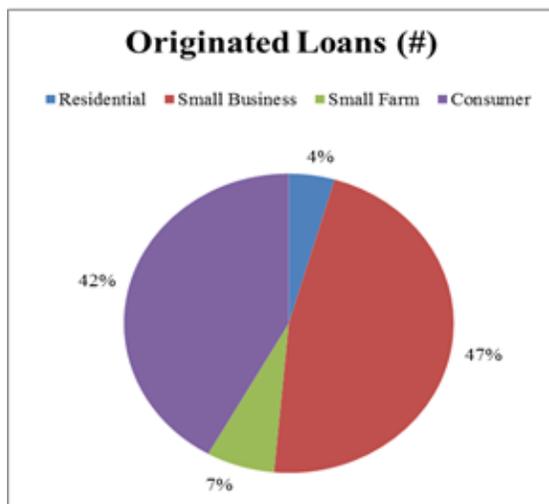
The Peoples Bank and Trust Company of Madison County (Peoples) Community Reinvestment Act (CRA) performance was evaluated using the interagency intermediate small bank examination procedures under Regulation BB.

Peoples' CRA performance was evaluated based on lending data for the period of January 1, 2015 to September 30, 2015. The products evaluated included residential, consumer, small business and small farm loans. Residential loans are comprised of home purchase and refinance loans and were combined in this review. Consumer loans are comprised of other secured and other unsecured loans and were combined in this review. Small business loans were comprised of non-real estate and real-estate secured loans and were combined in this review. Lastly, small farm loans were also reviewed.

Community development activities for the period between December 3, 2012 and February 1, 2016 were also reviewed as part of this evaluation, specifically community development loans, investments, and services occurring since the previous examination.

The following table and charts illustrate the volume and distribution of loans originated by Peoples Bank and Trust Company of Madison County during the evaluation period.

Loan Type	Number of Loans	Dollar Amount of Loans (000s)
Residential	71	7,336
Small Business	744	104,504
Small Farm	106	5,545
Consumer	663	5,276
Total	1,584	122,661



Based on total loan volume by number and dollar amount and the composition of the loan portfolio, small business loans received the most weight due to having the highest volume of originated loans, followed by residential lending.

For the purpose of this evaluation, borrower distribution received greater weight than geographic distribution given the limited number of low- and moderate-income and/or distressed or underserved middle-income census tracts.

The size and financial condition of the institution, lending opportunities within the assessment area, and competition with other institutions were also considered in the bank's performance context. No community contact interviews were utilized in this review.

DESCRIPTION OF INSTITUTION

Peoples, headquartered in Berea, Kentucky, is a banking subsidiary of Whitaker Bank Corporation of Kentucky (Corporation) and an affiliate of Whitaker Bank, Incorporated, both of which are located in Lexington, Kentucky. As of September 30, 2015, Peoples reported \$390 million in total assets, which reflects no change since the previous CRA evaluation; however, the assets have fluctuated between the two evaluation periods.

Peoples' main office is located in Berea, Kentucky in Madison County. The bank operates nine additional branch locations and 12 full-service/cash-dispensing ATMs throughout the assessment area. One main office and eight branches are in Madison County, with one additional branch in Rockcastle County. Since the previous evaluation, Peoples has not opened or closed any branch offices or ATMs.

Peoples is a full-service retail bank offering deposit accounts, residential mortgages, consumer, commercial, and agricultural loans. The bank also 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 bank also offers lines of credit, revolving lines of credit, and term loans

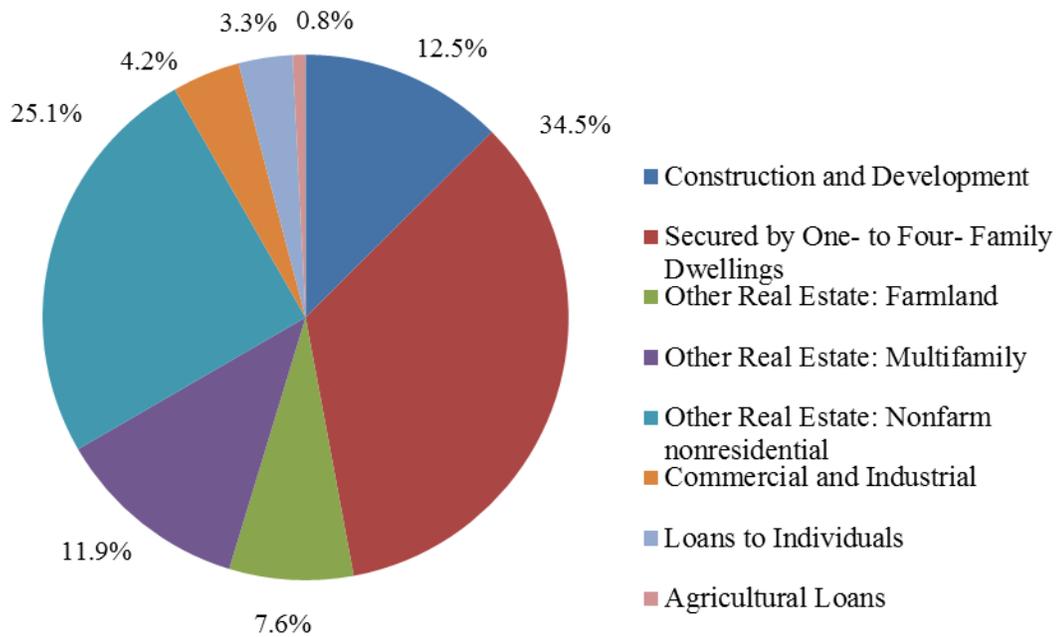
As of September 30, 2015, net loans and leases represent \$223 million, which is equal to 57.2% of total assets. Net loans and leases decreased by 14.4% since the previous CRA evaluation.

The following table and chart represent the bank's loan portfolio as of June 30, 2015.

COMPOSITION OF LOAN PORTFOLIO						
Loan Type	6/30/2015		12/31/2014		12/31/2013	
	\$ (000s)	Percent	\$ (000s)	Percent	\$ (000s)	Percent
Construction and Development	27,931	12.5%	26,187	11.7%	33,560	13.8%
Secured by One- to Four- Family Dwellings	77,028	34.5%	78,337	34.9%	86,666	35.6%
Other Real Estate: Farmland	17,004	7.6%	17,172	7.7%	19,998	8.2%
Other Real Estate: Multifamily	26,635	11.9%	26,362	11.8%	19,230	7.9%
Other Real Estate: Nonfarm nonresidential	55,907	25.1%	59,005	26.3%	65,560	27.0%
Commercial and Industrial	9,321	4.2%	8,385	3.7%	8,528	3.5%
Loans to Individuals	7,403	3.3%	6,985	3.1%	7,823	3.2%
Agricultural Loans	1,759	0.8%	1,742	0.8%	1,895	0.8%
Total	\$222,988	100.00%	\$224,175	100.00%	\$243,260	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.

**Loan Portfolio
as of
6/30/2015**



Peoples' investment portfolio as of June 30, 2015 was \$139.6 million, which represents 35.3% of total assets. The investment portfolio is mainly made up of U.S. Treasury and Agency securities and municipal securities, which account for 57.1% and 30.4% of total investments, respectively. The remainder of the investment portfolio is comprised of other securities, federal funds sold, and interest bearing bank balances.

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

Peoples has one assessment area within Kentucky consisting of the entirety of Madison and Rockcastle Counties. Madison and Rockcastle Counties are in a non-metropolitan statistical area. The bank's assessment area is entirely rural and includes 23 census tracts comprised of one low-, three moderate-, eight middle-, and 11 upper-income census tracts. All of Peoples' middle-income tracts are designated as distressed or underserved. Peoples' main office is located in a moderate-income census tract.

Madison County is a heavily rural area located in central Kentucky approximately 37 miles southwest of Lexington. Richmond is the largest city and county seat. In 2014, the county had an estimated population according to the US Census Bureau of 87,340. In Madison County, Peoples has included in its assessment area one low-, one moderate-, seven middle-, and 10 upper income tracts.

Rockcastle County is located just south of Madison County and is also a heavily rural area. Mount Vernon is the largest city and county seat in Rockcastle County. In 2014, the county had an estimated population according to the US Census Bureau of 16,826. In Rockcastle County, Peoples has included in its assessment area two moderate-, one middle-, and one upper-income census tracts.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report¹ as of June 30, 2015, Peoples ranked first out of 16 institutions in Madison and Rockcastle Counties, with 10 branch offices and a market share of 25.1%. After Peoples, the largest institutions by deposit share are larger regional financial institutions: Community Trust Bank, Inc. (16.6%); JPMorgan Chase Bank, NA (9.6%); and Citizens Bank (8.2%). The following table illustrates deposit market share by financial institutions in the assessment area:

#	Financial Institution	Deposit Market Share
1	Peoples Bank and Trust Company of Madison County	25.10%
2	Community Trust Bank, Inc.	16.59%
3	JPMorgan Chase Bank, National Association	9.58%
4	Citizens Bank	8.21%
5	Madison Bank	7.98%
6	Central Bank & Trust Co.	7.67%
7	U.S. Bank National Association	5.53%
8	PNC Bank, National Association	5.15%
9	Cumberland Valley National Bank & Trust Company	4.03%
10	Citizens Guaranty Bank	3.25%

¹ FDIC Summary of Deposits: www.fdic.gov

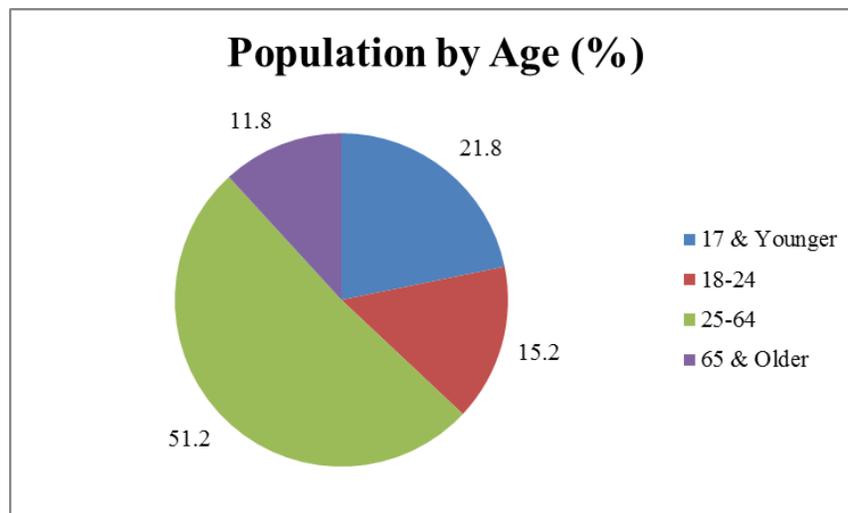
Population Characteristics

According to the 2010 U.S. Census Bureau Report, the total population in the assessment area was 99,972, with about 17.4% of the population living in low- and moderate-income tracts. The following table shows the 2010 and estimated 2014 population of the two counties within the bank’s assessment area, as well as the estimated population change.² From 2010 to 2014, Madison County experienced a population increase of 5.3%, while Rockcastle County experienced a decrease of 1.3%, respectively.

County	2010 Population	2014 Population	Population Percent Change
Madison	82,916	87,340	5.3%
Rockcastle	17,056	16,826	-1.3%
Total	99,972	104,166	

Approximately 4.2% of the assessment area resides in low-, 8.4% reside in moderate-, 41.4% reside in middle-, and 46.0% reside in upper-income tracts.

The population by age is distributed as follows:



Approximately 21.8% of the population is under 18, while approximately 66.4% of the population is between the ages of 18 and 64, which is the legal age to enter into a contract and the prime ages when individuals are generally in need of loans.

² American Fact Finder, <http://factfinder2.census.gov>

Income Characteristics

According to 2010 U.S. Census data, the median family income levels for the assessment area was \$50,089. This is below Kentucky’s median family income of \$52,046. As the following table illustrates, based on the 2015 U.S. Department of Housing and Urban Development (HUD) data, the median family income for the state was \$46,900,³ a number that decreased over the years.

**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
2014	\$45,900	0 - \$22,949	\$22,950 - \$36,719	\$36,720 - \$55,079	\$55,080 - & above
2015	\$46,900	0 - \$23,449	\$23,450 - \$37,519	\$37,520 - \$56,279	\$56,280 - & above

The assessment area contains 37,231 households, of which 24,694 or 66.3% are designated as families. Low- and moderate-income families represent 19.1% and 14.6% of all families in this assessment area, respectively, with 14.7% of families below the poverty level, compared to Kentucky’s rate of 13.5%.

According to the 2014 data from the Economic Research Service of the U.S. Department of Agriculture (USDA),⁴ household poverty rates for counties in Peoples’ assessment area were as follows:

County	2010 Poverty Rate	2014 Poverty Rate	Change
Madison	21.40%	19.70%	-7.94%
Rockcastle	23.90%	24.10%	0.84%
Kentucky	18.90%	19.00%	0.53%
United States	15.30%	15.80%	3.27%

As of 2014, approximately 19.7% of Madison County’s population was in poverty, which decreased from 21.4% in 2010. In contrast, 24.1% of Rockcastle County’s population was in poverty, which showed an increase from the poverty rate of 23.9% in 2010. Similarly, for Kentucky, 19.0% of the population was in poverty in 2014, which was slightly higher than the 2010 poverty rate of 18.9%.

This relatively high poverty rate could indicate that individuals, especially those that are low- or moderate-income, may lack the financial resources needed to obtain loans. Based on this data, the poverty rate for Rockcastle County has increased at a higher rate than the country and significantly higher for Rockcastle County than Kentucky.

³ <http://www.huduser.org/portal/datasets/il/il13/index.html>

⁴ <http://www.ers.usda.gov/data-products/county-level-data-sets/poverty.aspx>

Labor, Employment and Economic Characteristics

According to the Kentucky Cabinet for Economic Development,⁵ the largest industries by average employment are services, trade and transportation, and utilities.

The following table identifies the primary employment sectors (by number of persons employed in the county) and major employers in the bank’s assessment area.

County	Primary Employment Sectors	Major Employers
Madison	Services; Trade, Transportation, and Utilities; Manufacturing; Construction; :Public Administration;	EnerSys; Sherwin-Williams Company; The Okonite Company; Quanex Building Products; Blue Grass Chemical Agent Destruction Pilot Plant; Hitachi Automotive Systems Americas Inc;
Rockcastle	Services; Trade, Transportation, and Utilities; Public Administration; Information;	SOURCEHOV Inc; EST Tool & Machine Inc; B & H Tool Works Inc of Rockcastle County; Plastisud;

The following table shows the 2014 and 2015 average annual unemployment rates for Madison and Rockcastle Counties and Kentucky.

Unemployment Rates
Assessment Area: Peoples Bank and Trust Company of Madison County

Area	Years - Annualized	
	2014	2015
Madison Co.	3.9	3.6 (P)
Rockcastle Co.	6.1	5.3 (P)
Kentucky	5.1	4.6 (P)

Not Seasonally Adjusted

P: Preliminary as of September 2015

The unemployment rate for Madison County was lower than that of Kentucky, while Rockcastle County was higher for both years. Both Kentucky and Madison and Rockcastle Counties experienced declines in the rate between the two years.

Housing Characteristics

There were 42,063 housing units in the assessment area based on the 2010 U.S. Census. Within the assessment area, 57.4% of the units were owner-occupied, 31.1% were rental units, and 11.5% were vacant. The owner-occupancy rate is lower in comparison to Kentucky’s rate, where 61.3% of the units were owner-occupied. The housing type includes 64.0% single-family, 12.6% mobile, and 12.9% multi-family homes. The income tract distribution of housing is .1% in low-, 8.7% in moderate-, 44.5% in middle-, and 45.9% in upper-income tracts. Given the low percentage of housing units in low-income and moderate-income tracts, this indicates a limited opportunity for mortgage credit in these geographies.

⁵ <http://www.thinkkentucky.com/SelectKentucky/>

The median age of the housing stock in the assessment area was 26 years, in comparison to median age of 33 years in Kentucky.

The median housing value in the assessment area is \$126,555, with an affordability ratio of 31.3%. The higher the affordability ratio, the more affordable a home is considered. The housing affordability ratio is calculated by dividing the median family income by the median housing value. The housing stock in the assessment area was less affordable than in Kentucky at 35.6%. Furthermore, based on the 2010 median family income for the assessment area, approximately 34.7% of the homes valued up to \$91,802 in the assessment area would be considered affordable for low- income individuals and 59.6% of the homes valued up to \$146,884 would be considered affordable for moderate-income individuals. These percentages were calculated assuming a housing expense ratio equal to 28.0% of gross income for a 4.0% fixed, 30-year loan.

According to RealtyTrac,⁶ Rockcastle County had lower ratio of properties in foreclosure than the national and Kentucky rate.

Geography Name	Ratio of Properties Receiving Foreclosure Filings in December, 2015
Madison County	NA
Rockcastle County	1:4253
Kentucky	1:2703
United States	1:1278

According to Sperlings Best Places,⁷ the following table depicts the median home cost, housing appreciation in the prior year, and cost of living for all counties in Peoples’ assessment area. The cost of living is higher in Madison County and lower in Rockcastle County than the average cost of living for Kentucky at 87.6%.

County	Median Home Cost	Housing Appreciation	Cost of Living
Madison County	\$144,800	-1.10%	91.2
Rockcastle County	\$74,100	-1.10%	79.1
Kentucky	\$125,100	0.50%	87.6

The median gross rent in the assessment area was \$545, with 12.1% of the rents under \$350 a month, according to the 2010 U.S. Census. The median gross rent in both Madison and Rockcastle Counties was lower than Kentucky’s median gross rent of \$601. Almost one-third (31.1%) of housing units in the assessment area are rental units. The majority of rental units (56.5%) rent for more than \$500 a month. Furthermore, 43.9% of renters had rental costs greater than 30.0% of their income. The majority of rental units are in Madison County (89.4%), which is expected given that Eastern Kentucky University and Berea College are located in Madison County.

The following table further illustrates the demographics of Peoples’ assessment area.

⁶ www.realtytrac.com

⁷ <http://bestplaces.net>

Combined Demographics Report

Assessment Area(s): Berea 2015

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	4.3	113	0.5	57	50.4	4,708	19.1
Moderate-income	3	13	2,193	8.9	690	31.5	3,616	14.6
Middle-income	8	34.8	10,691	43.3	1,862	17.4	4,392	17.8
Upper-income	11	47.8	11,697	47.4	1,027	8.8	11,978	48.5
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	23	100.0	24,694	100.0	3,636	14.7	24,694	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	353	6	0	1.7	290	82.2	57	16.1
Moderate-income	3,665	2,404	10	65.6	628	17.1	633	17.3
Middle-income	18,720	9,691	40.1	51.8	6,919	37	2,110	11.3
Upper-income	19,325	12,056	49.9	62.4	5,237	27.1	2,032	10.5
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	42,063	24,157	100.0	57.4	13,074	31.1	4,832	11.5
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	18	0.5	15	0.5	3	1.9	0	0
Moderate-income	220	6.3	200	6.2	11	6.8	9	7.4
Middle-income	1,596	45.5	1,455	45.1	80	49.7	61	50.4
Upper-income	1,676	47.7	1,558	48.3	67	41.6	51	42.1
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	3,510	100.0	3,228	100.0	161	100.0	121	100.0
Percentage of Total Businesses:			92.0		4.6		3.4	
	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
Moderate-income	23	13.7	23	13.8	0	0	0	0
Middle-income	54	32.1	54	32.3	0	0	0	0
Upper-income	91	54.2	90	53.9	1	100	0	0
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	168	100.0	167	100.0	1	100.0	0	.0
Percentage of Total Farms:			99.4		.6		.0	

2015 FFIEC Census Data and 2014 D&B Information

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

Peoples' overall performance under the lending test is considered satisfactory. The loan-to-deposit ratio is reasonable. The bank made a majority of its loans inside its assessment area. The geographic distribution of lending and the borrower distribution of lending is reasonable.

Details of the bank's residential, consumer, small business, and small farm lending can be found in the tables in Appendix B.

Loan-to-Deposit Ratio

A financial institution's loan-to-deposit (LTD) ratio compares an institution's aggregate loan balances outstanding to its total deposits outstanding. The ratio is a measure of an institution's lending volume relative to its capacity to lend and is derived by adding the quarterly LTD ratios and dividing the total by the number of quarters.

The following table shows Peoples' quarterly LTD ratios for 12 quarters since the previous evaluation, along with the average LTD ratio for the same period.

Peoples B&TC Of Madison Cty Loan-to-Deposit Ratios				
AS OF DATE	PEOPLES B&TC OF MADISON CTY	COMMUNITY TR BK INC	CENTRAL B&TC	CUSTOM PEER
September 30, 2015	75.67	93.37	91.22	92.30
June 30, 2015	73.48	94.45	88.43	91.44
March 31, 2015	72.50	91.88	88.26	90.07
December 31, 2014	75.75	93.73	92.19	92.96
September 30, 2014	74.91	91.09	94.69	92.89
June 30, 2014	76.23	89.79	92.63	91.21
March 31, 2014	78.54	87.11	90.05	88.58
December 31, 2013	82.08	90.25	91.53	90.89
September 30, 2013	82.60	89.56	87.77	88.67
June 30, 2013	85.51	87.08	88.04	87.56
March 31, 2013	84.86	85.95	86.56	86.26
December 31, 2012	86.41	87.09	88.25	87.67
Quarterly Loan-to-Deposit Ratio Average Since the Previous Evaluation	79.05	90.11	89.97	90.04

Peoples has averaged 79.05% over the past 12 quarters of operation and is below the custom peer group average ratio of 90.04.⁸ The bank's ratio performance was consistent throughout the evaluation period, but shows an overall decrease since 2012.

⁸ National peer group consists of all commercial banks having assets between \$100 and \$300 million in

Peoples' loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.

Lending in the Assessment Area

Peoples' residential, small business, small farm, and consumer loans were analyzed to determine the volume of lending inside and outside its assessment area. The following table shows the distribution of loans made inside and outside the banks assessment area.

Lending Inside and Outside the Assessment Area

Exam: Peoples - Berea, KY

Loan Type - Description	Inside				Outside				Total	
	#	%	\$(000s)	%	#	%	\$(000s)	%	#	\$(000s)
OS - Other - Secured	361	94.8	4,003	92.7	20	5.2	314	7.3	381	4,318
OU - Other - Unsecured	264	93.6	868	90.7	18	6.4	89	9.3	282	958
RL - Residential Loans	66	93.0	7,041	96.0	5	7.0	295	4.0	71	7,336
Total Consumer related	691	94.1	11,913	94.5	43	5.9	699	5.5	734	12,612
SB - Small Business	542	72.8	67,392	64.5	202	27.2	37,112	35.5	744	104,504
Total Small Bus. related	542	72.8	67,392	64.5	202	27.2	37,112	35.5	744	104,504
SF - Small Farm	84	79.2	3,953	71.3	22	20.8	1,591	28.7	106	5,545
Total Small Farm related	84	79.2	3,953	71.3	22	20.8	1,591	28.7	106	5,545
TOTAL LOANS	1,317	83.1	83,259	67.9	267	16.9	39,402	32.1	1,584	122,660

As the aforementioned table indicates, a majority (83.1% by volume and 67.9% by dollar amount) of Peoples' loans were made inside its delineated assessment area.

Geographic Distribution of Lending

The geographic distribution in this assessment area is reasonable due to Peoples' excellent performance for residential lending and good performance for small business, small farm, and consumer lending. The following chart depicts the total loans originated by each tract income level and the number and percentage of census tracts with no lending activity. Peoples made loans in all of its tracts in this assessment area during the evaluation period.

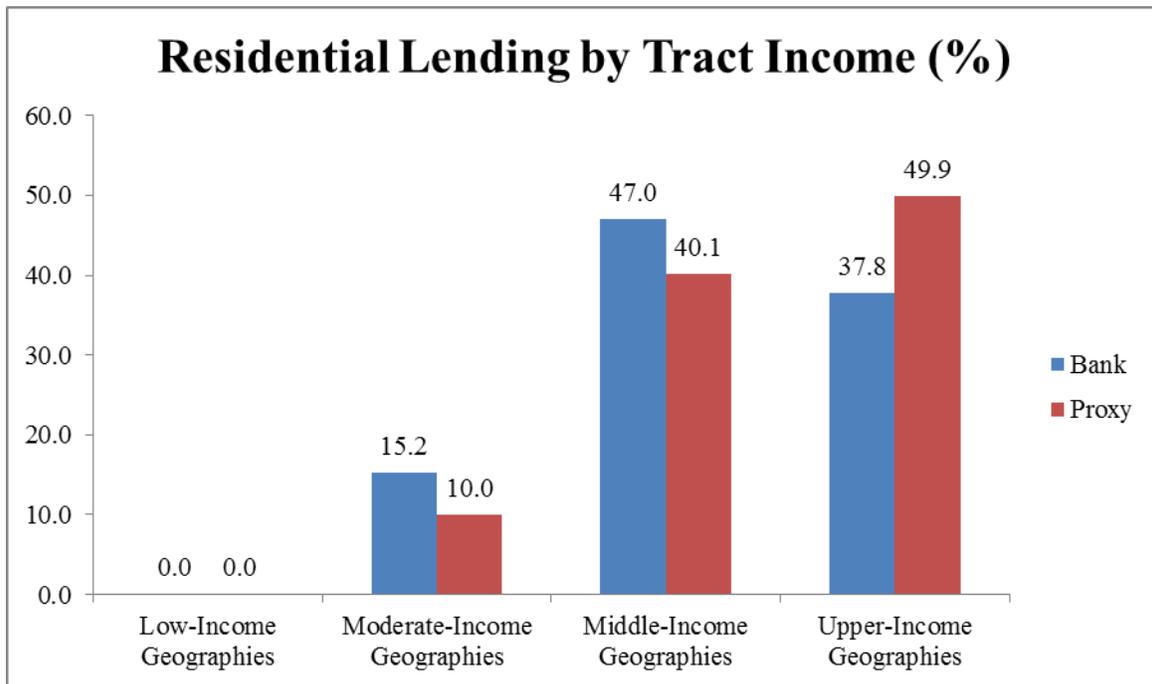
nonmetropolitan areas with three or more full-service offices.

Total Loan Types Originated in Assessment Area by Tract Income Level					
Geographies	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
# (%) of Tracts in Assessment Area	1 (4.3%)	3 (13.0%)	8 (34.8%)	11 (47.8%)	23
# (%) of Total Originated Loans	2 (0.0)	152 (11.5%)	633 (48.1%)	530 (40.2%)	1317
# (%) of Tracts with Lending	1 (4.3%)	3 (13.0%)	8 (34.8%)	11 (47.8%)	23
# (%) of Tracts without Lending	0	0	0	0	0

The chart indicates that Peoples is penetrating the moderate-, middle-, and upper-income tracts at a higher rate than low-income tracts. Given that there are only four low- and moderate-income tracts and 19 middle- and upper-income tracts, more lending in middle- and upper-income tracts would be expected.

Residential Lending

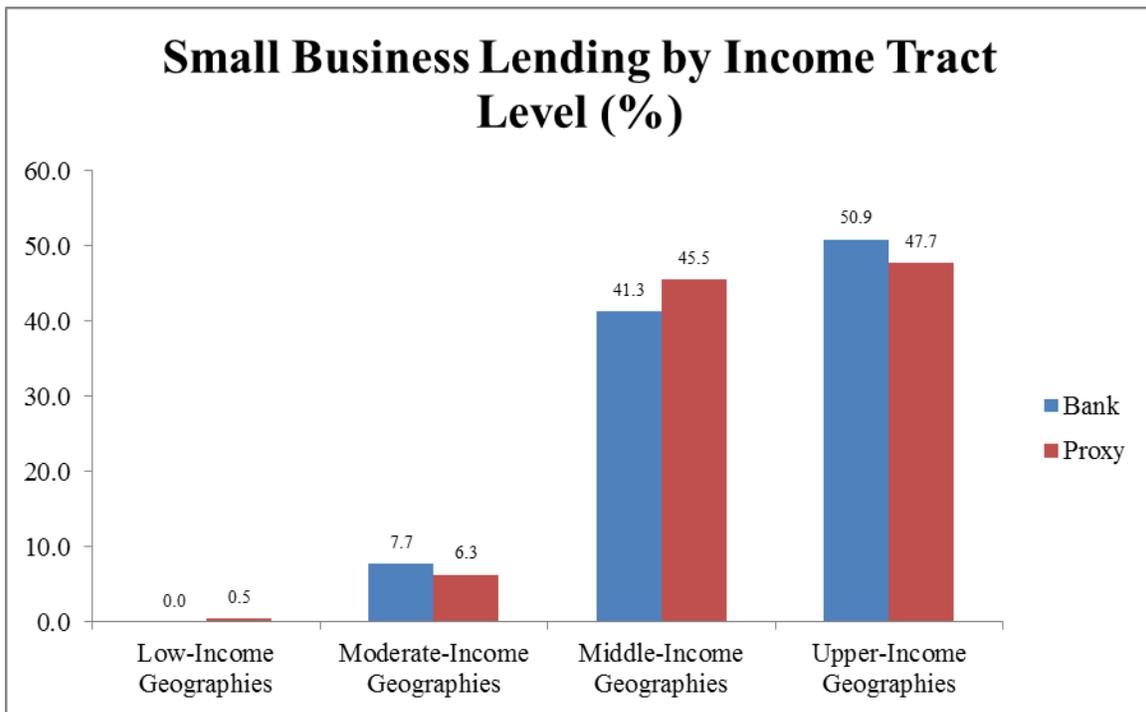
Peoples originated 66 residential loans during the evaluation period. As shown in the chart below, Peoples originated more loans in moderate- and middle-income geographies when compared to proxy. There were no loans made in low-income geographies, which is the same as proxy. The bank originated fewer loans in the upper-income tract in comparison to proxy. This indicates that Peoples’ geographic distribution relative to residential lending is excellent, as the bank is able to exceed proxy for moderate- and middle-income tracts.



Small Business

Peoples originated 542 small business loans during the evaluation period. Of those, none were in low-, 42 were in moderate-, 224 were in middle-, and 276 were in upper-income tracts. Small business lending was the biggest segment of the bank’s loan portfolio.

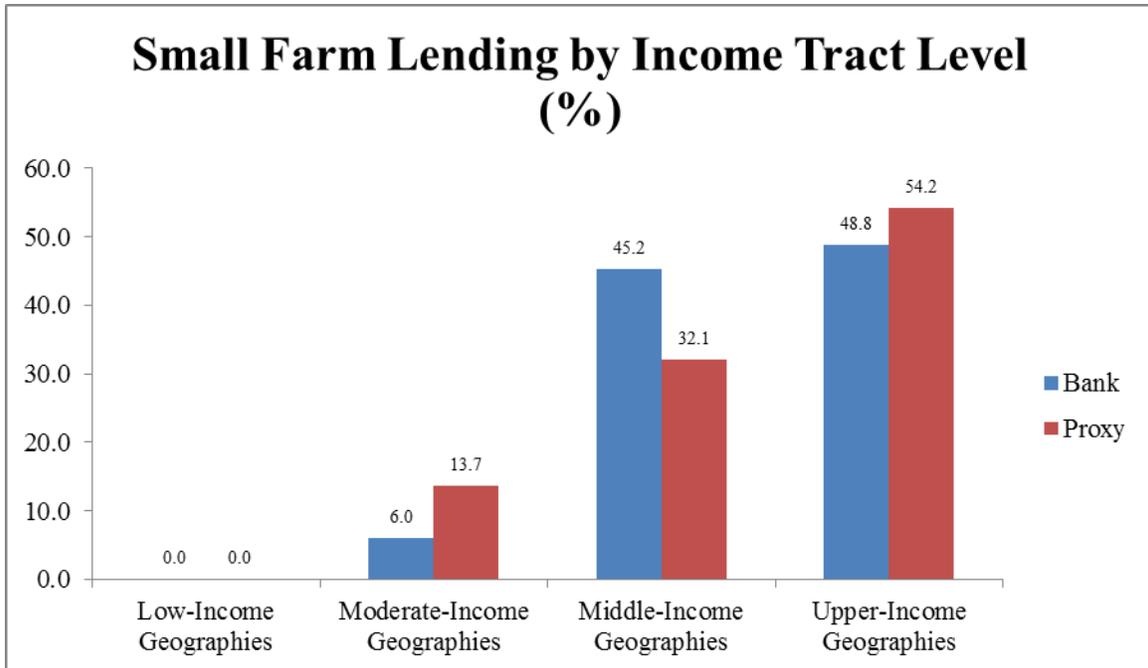
The bank has exceeded proxy in moderate- and upper-income tracts, but originated slightly fewer than proxy in low- and middle-income tracts, although the low-income tract proxy was only 0.5%. Due to Peoples’ underperformance for low- and middle-income tracts, geographic distribution is considered good.



Small Farm

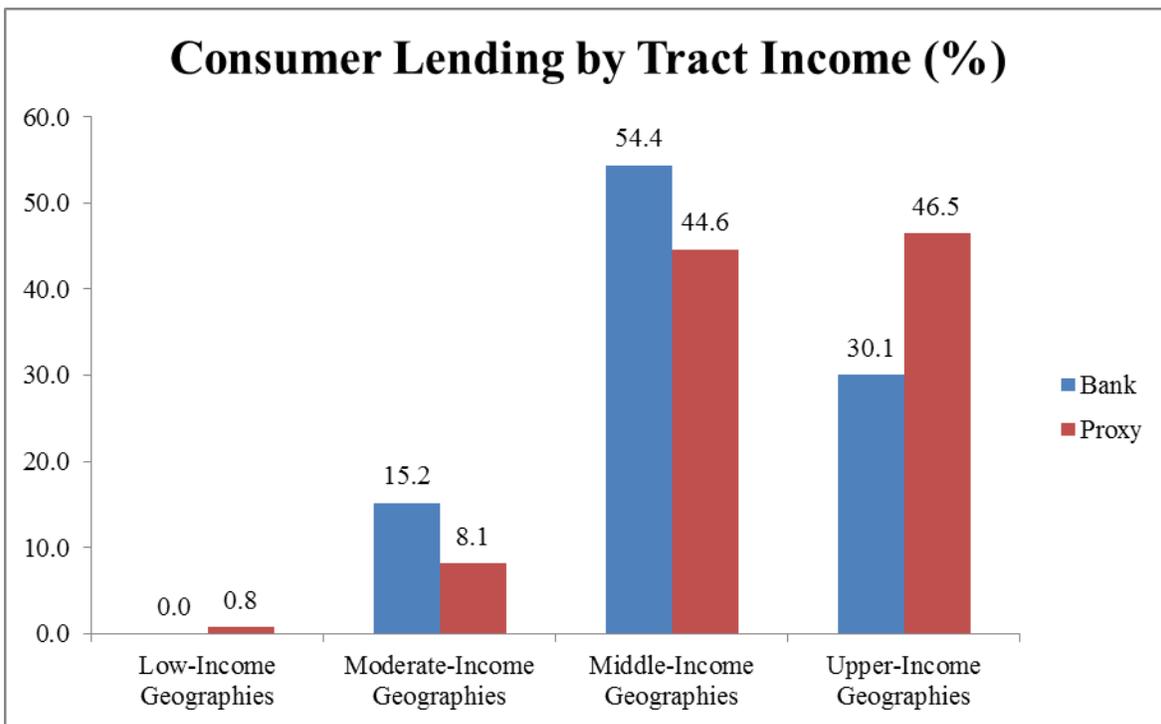
Peoples originated 84 small farm loans during the evaluation period. Of these, none were originated in low-, five were in moderate-, 38 were in middle-, and 41 were in upper-income tracts.

The bank exceeded proxy in middle-income tracts and met the zero proxy for low-income tracts, originating less than proxy for moderate- and upper-income tracts. Due to the low performance in comparison to proxy for moderate-income tracts, geographic distribution of small farm loans is considered good.



Consumer Lending

Peoples originated 625 consumer loans during the evaluation period, exceeding proxy in moderate- and middle-income tracts, and below proxy in low- and upper-income tracts. This indicates a good geographic distribution for consumer lending.

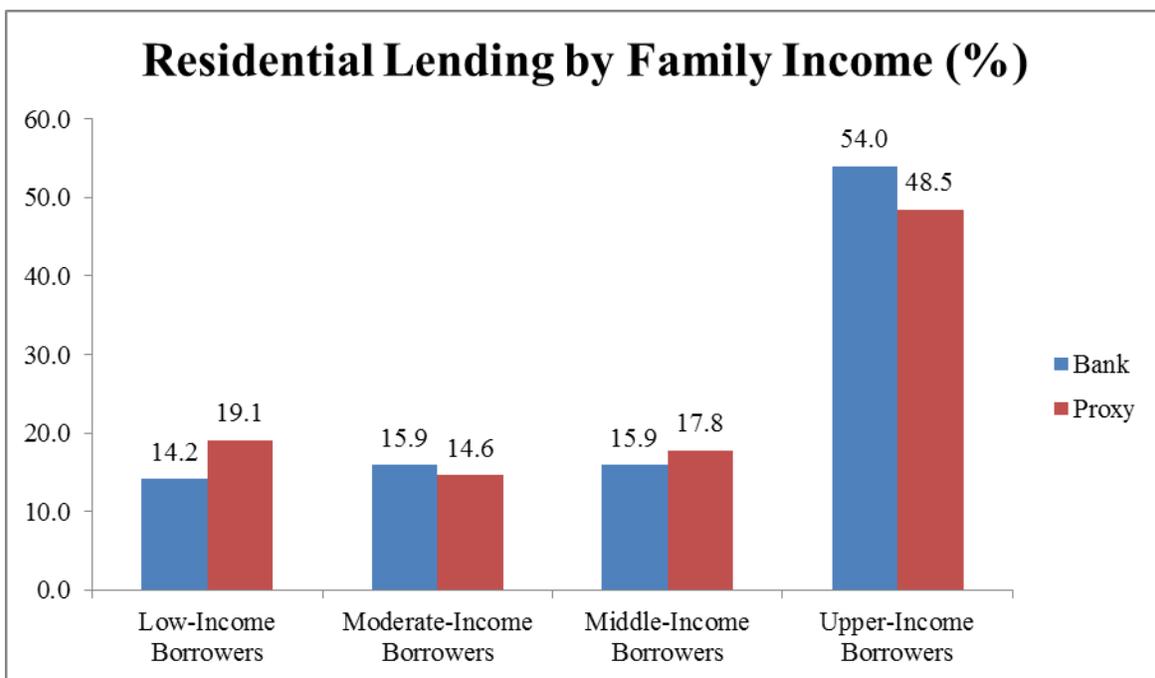


Borrower Distribution of Lending

Peoples' lending to borrowers of different income levels and lending to businesses of different revenue sizes, along with lending to small farms of different revenue sizes, is considered reasonable. The borrower distribution of consumer lending is excellent, while residential lending is good. Lending to small businesses under \$1M in revenue is good, and lending to small farms with revenues less than or equal to \$1M is excellent.

Residential Lending

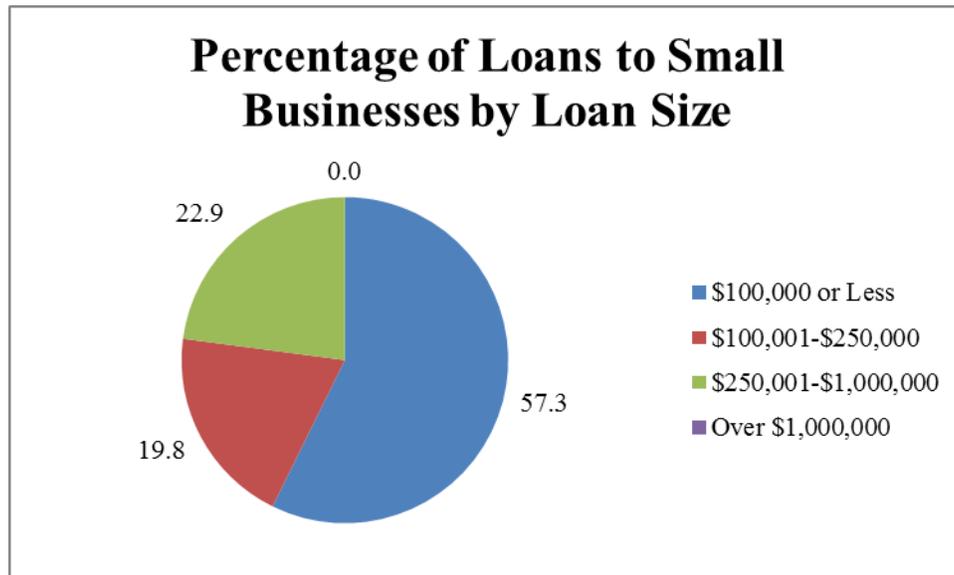
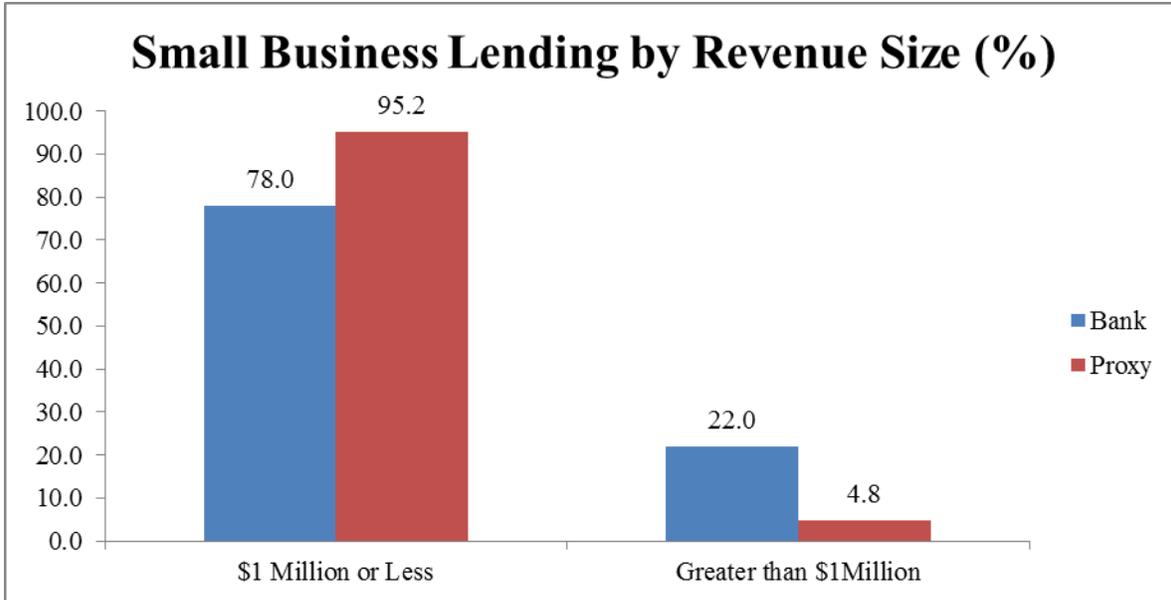
Peoples' mortgage lending performance was compared to the income levels of families in the assessment area (proxy). Peoples' lending to low- and middle-income families was less than proxy, while lending to moderate- and upper-income families was higher than proxy, as indicated in the chart below.



Although Peoples' percentage is below proxy to low-income families for residential lending, the significance of the area demographics must be taken into consideration. Considering this and the relatively low percentage of families in poverty, the borrower distribution of residential lending is good.

Small Business Lending

Small businesses are defined as those with gross revenues of less than or equal to \$1 million. Peoples originated 542 small business loans totaling \$67 million during the evaluation period, as 78.0% of the bank's loans were originated to businesses with \$1 million or less in revenue compared to proxy at 95.2%.

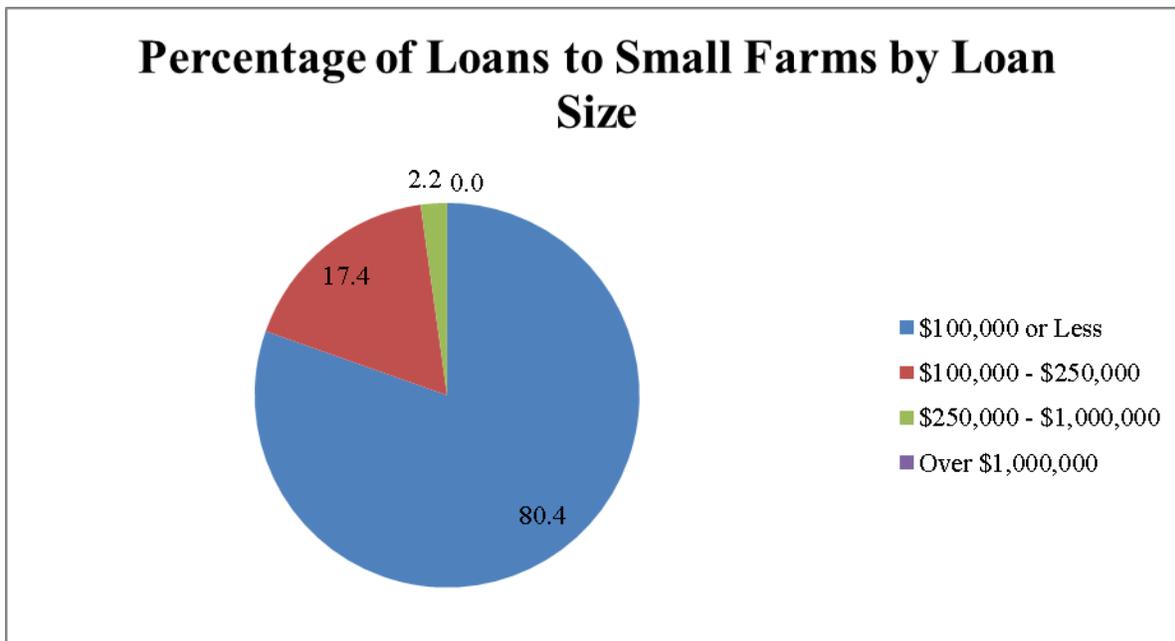
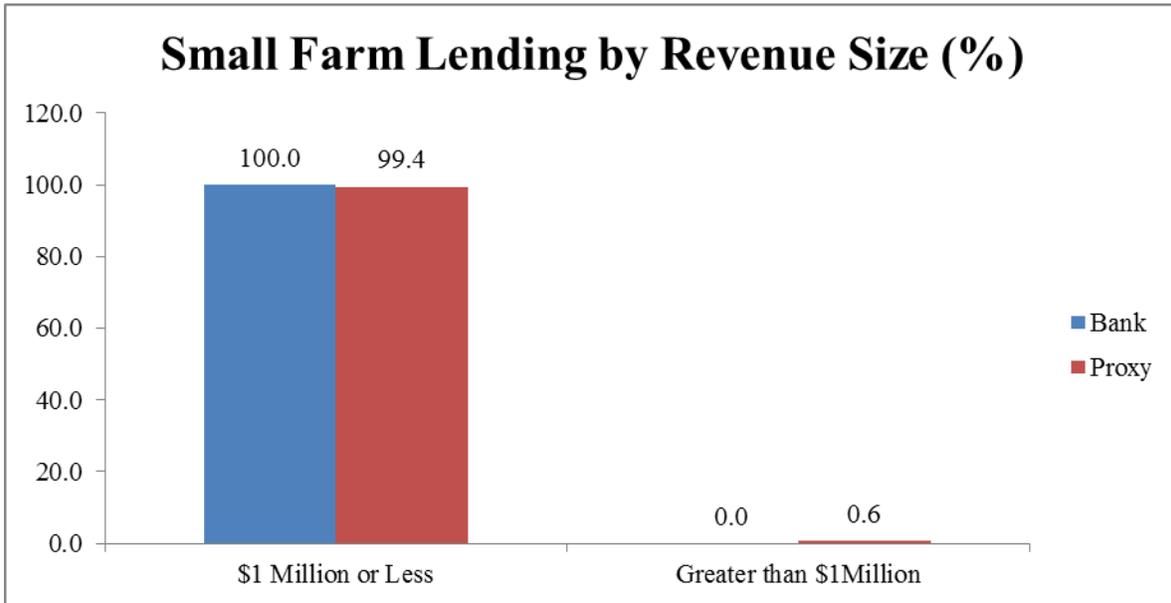


According to lending data, 57.3% of Peoples’ business loans were extended in an amount of \$100,000 or less and 19.8% of its business loans were for amounts of \$100,000 and greater, but less than or equal to \$250,000, whereas 22.9% of the bank’s business loans were for amounts \$250,000 and greater, but less than or equal to \$1 million. Lastly, none of Peoples’ business loans were for amounts greater than \$1 million.

This is consistent, as smaller loans are generally commensurate with the borrowing needs of smaller businesses. Peoples’ small business lending activity is considered good and demonstrates that the bank is effectively meeting the credit needs of its local businesses.

Small Farm

Peoples originated 84 loans to small farms totaling \$4 million during the evaluation period and 100% of the loans originated were to businesses with \$1 million or less in revenue compared to proxy at 99.4%. Peoples’ performance for borrower distribution to small farms is considered excellent.



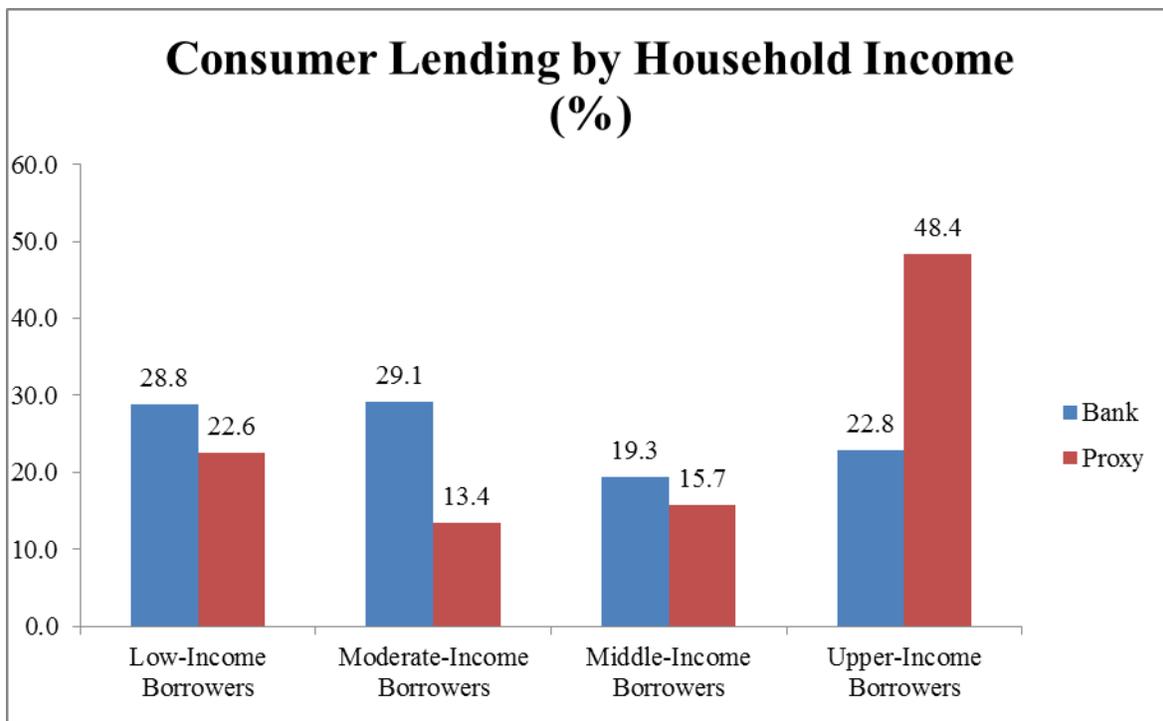
According to lending data, 80.4% of Peoples’ small farm loans were extended in amounts of \$100,000 or less and 17.4% of its farm loans were for amounts greater than \$100,000, but less than or equal to \$250,000, whereas 2.2% of the bank’s farm loans were for amounts greater than

\$250,000, but less than or equal to \$1 million. Lastly, none of Peoples’ farm loans were for amounts greater than \$1 million.

Smaller loans are generally commensurate with the borrowing needs of smaller farms. Peoples’ small farm lending activity is considered excellent and demonstrates that it is effectively meeting the credit needs of local farmers.

Consumer Lending

As depicted in the following graph, Peoples made a significantly higher percentage of consumer loans to low-income borrowers compared to the percentage of consumer loans made to upper-income households relative to proxy. Peoples also originated a substantially higher percentage of consumer loans (29.1%) to moderate-income borrowers compared to proxy at 13.4%. Lending to middle-income borrowers was also higher than proxy at 19.3% for consumer compared to proxy at 15.7%. The bank originated a substantially lower percentage of loans to upper-income borrowers for consumer loans (22.8%) compared to proxy at 48.4%. Peoples’ borrower distribution of consumer lending is considered excellent.



Response to Consumer Complaints

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

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 during this evaluation period.

Community Development Test

Peoples is rated outstanding under the community development test. The bank's community development performance demonstrates excellent responsiveness to the community development needs of its assessment area through community development lending, qualified investments, and community development services, as appropriate, considering its capacity and the need and availability of such opportunities for community development in its assessment area.

Community Development Lending

Peoples demonstrated an excellent responsiveness to the community development needs of the assessment area through community development loans. The bank originated 12 community development loans totaling \$3,734,689 that benefited the assessment area during the evaluation period. These loans supported revitalizing and stabilizing low- and moderate-income neighborhoods and provided affordable housing and community services to low- and moderate-income individuals.

Qualified Investments

Peoples demonstrated an excellent responsiveness to the community development investment needs of its assessment area. During the evaluation period, the bank invested in municipal bonds supporting low- and moderate-income communities that totaled approximately \$2,313,496. Peoples also had three outstanding municipal bond holdings from a previous evaluation period with a current book value of \$1,837,667 and one paid-off investment that was qualified at the previous evaluation.

In addition, Peoples made qualified donations in the amount of \$34,438 to support 30 different organizations that provide community services targeted to low- and moderate-income individuals.

Community Development Services

Peoples demonstrated an excellent responsiveness to community development services. Peoples' officers and staff members provided services to the community by engaging in activities that promoted or facilitated affordable housing, services for low- and moderate-income individuals, and economic development.

Financial Education

Peoples provided financial education through partnerships with local schools, organizations, and businesses. Examples of financial literacy topics covered included savings and deposit accounts, financial planning, and career in banking.

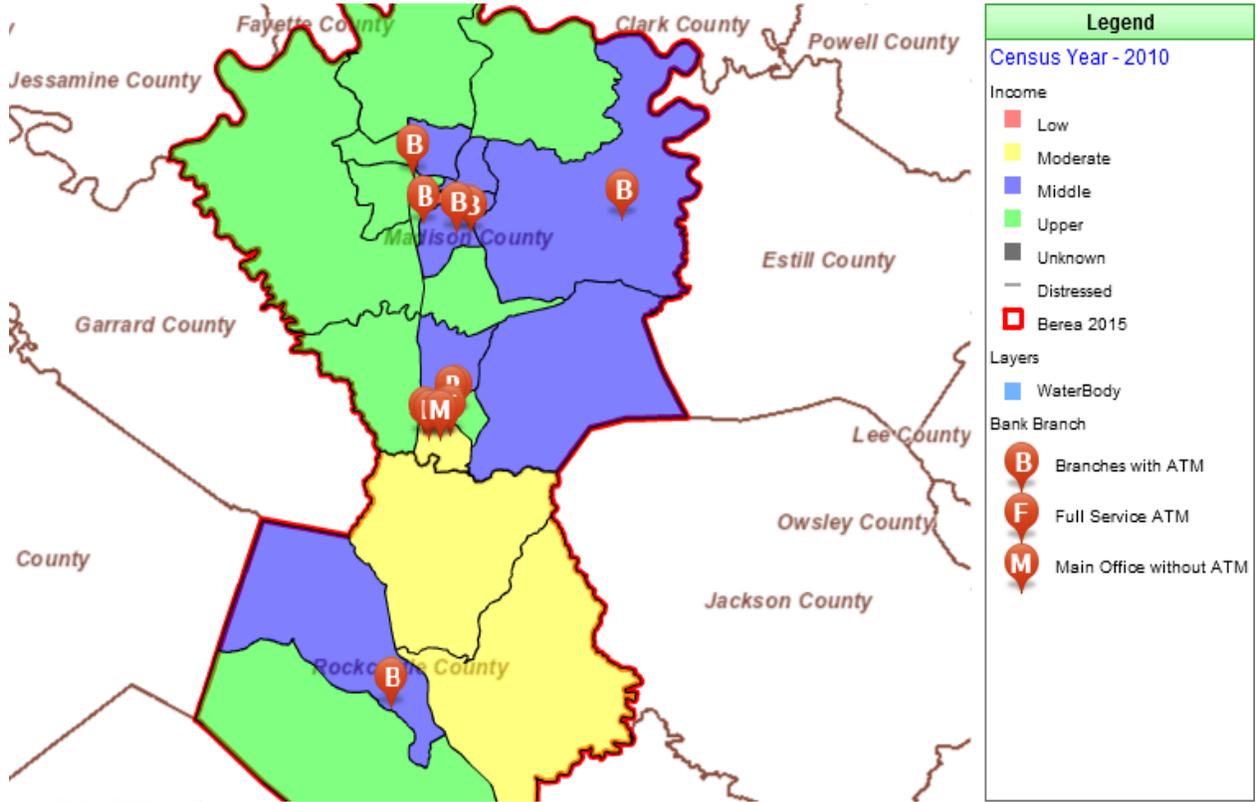
Board and Committee Memberships

Peoples' employees provided financial expertise through their involvement with community development organizations throughout the assessment area. Board and committee membership positions were held at organizations that provide legal services to low-income residents and provide financial education to minority low- and moderate-income individuals.

Technical Assistance

Peoples' employees also provided technical assistance to community development and non-profit organizations. Examples of technical assistance included economic development and providing financial literacy training.

APPENDIX A ASSESSMENT AREA MAP



**APPENDIX B
LENDING TABLES**

CRA Loan Distribution Table

Exam: Peoples - Berea, KY

Assessment Area/Group: Berea 2015

Income Categories	SMALL BUSINESS				SMALL FARM			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	By Tract Income							
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	42	7.7%	2,414	3.6%	5	6.0%	61	1.5%
Low/Moderate Total	42	7.7%	2,414	3.6%	5	6.0%	61	1.5%
Middle	224	41.3%	33,144	49.2%	38	45.2%	1,918	48.5%
Upper	276	50.9%	31,834	47.2%	41	48.8%	1,974	49.9%
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	542	100.0%	67,392	100.0%	84	100.0%	3,953	100.0%
	By Revenue							
Total \$1 Million or Less	96	17.7%	15,943	23.7%	46	54.8%	2,657	67.2%
Over \$1 Million	27	5.0%	5,904	8.8%	0	0.0%	0	0.0%
Not Known	419	77.3%	45,546	67.6%	38	45.2%	1,296	32.8%
Total	542	100.0%	67,392	100.0%	84	100.0%	3,953	100.0%
	By Loan Size							
\$100,000 or less	369	68.1%	12,629	18.7%	71	84.5%	1,501	38.0%
\$100,001 - \$250,000	115	21.2%	17,051	25.3%	12	14.3%	2,111	53.4%
\$250,001 - \$1 Million (Bus)-\$500k (Farm)	54	10.0%	27,294	40.5%	1	1.2%	341	8.6%
Over \$1 Million (Bus)-\$500k (Farm)	4	0.7%	10,418	15.5%	0	0.0%	0	0.0%
Total	542	100.0%	67,392	100.0%	84	100.0%	3,953	100.0%
	By Loan Size and Revenue \$1 Million or Less							
\$100,000 or less	55	57.3%	1,774	11.1%	37	80.4%	949	35.7%
\$100,001 - \$250,000	19	19.8%	2,891	18.1%	8	17.4%	1,367	51.5%
\$250,001 - \$1 Million (Bus)-\$500k (Farm)	22	22.9%	11,277	70.7%	1	2.2%	341	12.8%
Over \$1 Million (Bus)-\$500k (Farm)	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	96	100.0%	15,943	100.0%	46	100.0%	2,657	100.0%

*Information based on 2010 ACS data

Consumer Loan Distribution Table

Exam: Peoples - Berea, KY

Assessment Area/Group : Berea 2015

	CONSUMER LOANS							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	Other - Secured							
Low	2	0.6%	29	0.7%	94	26.0%	602	15.0%
Moderate	47	13.0%	652	16.3%	93	25.8%	758	18.9%
Low/Moderate Total	49	13.6%	680	17.0%	187	51.8%	1,360	34.0%
Middle	193	53.5%	1,757	43.9%	66	18.3%	684	17.1%
Upper	119	33.0%	1,566	39.1%	76	21.1%	1,268	31.7%
Unknown	0	0.0%	0	0.0%	32	8.9%	691	17.3%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	361	100.0%	4,003	100.0%	361	100.0%	4,003	100.0%
	Other - Unsecured							
Low	0	0.0%	0	0.0%	75	28.4%	146	16.8%
Moderate	48	18.2%	160	18.5%	78	29.5%	227	26.1%
Low/Moderate Total	48	18.2%	160	18.5%	153	58.0%	373	43.0%
Middle	147	55.7%	431	49.6%	47	17.8%	186	21.5%
Upper	69	26.1%	277	31.9%	58	22.0%	296	34.1%
Unknown	0	0.0%	0	0.0%	6	2.3%	13	1.4%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	264	100.0%	868	100.0%	264	100.0%	868	100.0%
	Residential Loans							
Low	0	0.0%	0	0.0%	9	13.6%	647	9.2%
Moderate	10	15.2%	658	9.4%	10	15.2%	516	7.3%
Low/Moderate Total	10	15.2%	658	9.4%	19	28.8%	1,163	16.5%
Middle	31	47.0%	2,212	31.4%	10	15.2%	391	5.5%
Upper	25	37.9%	4,170	59.2%	34	51.5%	5,335	75.8%
Unknown	0	0.0%	0	0.0%	3	4.5%	153	2.2%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	66	100.0%	7,041	100.0%	66	100.0%	7,041	100.0%
	Consumer Loan Totals							
Low	2	0.3%	29	0.2%	178	25.8%	1,395	11.7%
Moderate	105	15.2%	1,470	12.3%	181	26.2%	1,501	12.6%
Low/Moderate Total	107	15.5%	1,499	12.6%	359	52.0%	2,896	24.3%
Middle	371	53.7%	4,400	36.9%	123	17.8%	1,261	10.6%
Upper	213	30.8%	6,014	50.5%	168	24.3%	6,900	57.9%
Unknown	0	0.0%	0	0.0%	41	5.9%	856	7.2%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	691	100.0%	11,913	100.0%	691	100.0%	11,913	100.0%

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.