

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

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Person to be contacted regarding this report:	Tim Barnes	RSSD: (For Bank Holding Companies)	2955300
UST Sequence Number:	656	Holding Company Docket Number: (For Thrift Holding Companies)	N/A
CPP/CDCI Funds Received:	1,900,000	FDIC Certificate Number: (For Depository Institutions)	35455
CPP/CDCI Funds Repaid to Date:	0	Credit Union Charter Number: (For Credit Unions)	N/A
Date Funded (first funding):	Feb 13, 2009	City:	Corbin
Date Repaid ¹ :	N/A	State:	Kentucky

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	Loans reduced by \$10.7M in 2010 and \$13.88M since the CPP funding of which \$4.88M was associated with charge off loans or moving loans to OREO. The CPP funds allowed the bank to be active in seeking loan growth during the economic downturn.
<input type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	Securities purchased have increased by \$4.828 from CPP funding date until December 31, 2010.

<input checked="" type="checkbox"/>	Make other investments	The bank opened a new location in Barbourville, KY in September 2008 and the CPP funds allowed the bank additional capital to grow this location. As of December 31, 2010, the Barbourville branch had total loans of \$5.2M and deposits of \$12.9M while employing 5.5FTEs.
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	The ALLL grew by \$100K since the CPP funding date.
<input checked="" type="checkbox"/>	Reduce borrowings	Federal Home Loan Bank advances were reduced by \$500K in 2009 and \$2.5M in 2010.
<input checked="" type="checkbox"/>	Increase charge-offs	The bank had charge-offs totaling \$427K in 2009 and \$896.2K in 2010 which were supported by the CPP funding.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	Of the \$1.9M in CPP funding, \$750,000 was injected into the bank by holding company as capital. The bank capital ratio totaled 8.63% as of December 31, 2010.

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Hometown Bank was able to maintain capital ratios by 8.0%. Capital ratios increased from a low of 7.94% at 2/28/09 to 8.63% as of December 31, 2010. Without the CPP funding, Hometown Bank would have been forced to reducing lending opportunities and curtail deposit gathering at all locations. Due to CPP funding, the holding company was not forced into an additional capital stock sale in a down market.

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Due to CPP funding, the holding company was not forced into an additional capital stock sale in a down market and the bank did not have to take steps to reduce loans and deposit growth efforts.

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

The CPP funds allowed Hometown Bank to continue to seek loan and deposit growth at our new Barbourville location which opened