



## **INTERMEDIATE SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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### **PUBLIC DISCLOSURE**

January 09, 2006

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First Southern National Bank  
Charter Number 1493**

**27 Public Square  
Lancaster, KY 40444**

**Comptroller of the Currency  
Southern Ohio & Kentucky  
9200 Shelbyville Road, Suite 505  
Louisville, KY 40222**

**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.**

## **INSTITUTION'S CRA RATING: This institution is rated overall Satisfactory.**

The Lending Test is rated: Outstanding.

The Community Development Test is rated: Satisfactory.

### **Major Conclusions:**

- A substantial majority of loans and other lending-related activities are in the bank's assessment area.
- The average loan-to-deposit ratio is reasonable, considering the bank's size, financial condition, and assessment area credit needs.
- Geographic distribution of loans is considered excellent, considering the community's credit needs and demographics in relation to the bank's location and capacity to lend. There were no conspicuous gaps in lending.
- The distribution of loans reflects reasonable penetration among individuals of different income levels for mortgages and excellent levels of lending to businesses of different sizes.
- Community development activities are satisfactory.

## **DESCRIPTION OF INSTITUTION**

First Southern National Bank ("FSNB") is an intrastate financial institution headquartered in Lancaster, Kentucky. FSNB is wholly owned by First Southern Bancorp, headquartered in Stanford, Kentucky, with total assets of approximately \$709 million. As of September 30, 2005, FSNB reported total assets of \$686 million. The holding company merged three of its affiliate banks into FSNB during the evaluation period, which increased FSNB's number of branches from fourteen to twenty-two. This merger occurred in July 2005.

FSNB is a full-service lender offering various loan and deposit products. FSNB offers conventional and government guaranteed home mortgage loans, home improvement loans, consumer loans, and a full range of business loans. As of September 30, 2005, net loans represented 75 percent of total assets and consisted of commercial and commercial real estate loans (52 percent), residential real estate loans (30 percent), agricultural and agricultural real estate loans (12 percent), consumer loans (4 percent), and other loans (2 percent). FSNB has historically been a commercial, home mortgage, and agricultural lender. Consumer lending is not a primary line of business for FSNB.

There are no legal, financial, or other factors impeding FSNB's ability to help meet the credit needs of the communities it serves. As of September 30, 2005, FSNB reported Tier 1 capital of \$51 million.

FSNB was rated "Satisfactory" at its last CRA evaluation dated July 31, 2002.

## **DESCRIPTION OF ASSESSMENT AREAS**

FSNB has delineated three assessment areas. Assessment area 1 (“AA 1”) is in a non-metropolitan area located in south central Kentucky and consists of Garrard, Lincoln, Pulaski, Madison, and Wayne counties. Assessment area 2 (“AA 2”) is in the Lexington MSA and consists of Fayette and Jessamine counties. Assessment area 3 (“AA 3”) is in another non-metropolitan area located in western Kentucky and consists of Logan, Ballard, and Caldwell counties. All of the AAs are legal and the bank did not arbitrarily exclude any low- or moderate-income geographies. Please refer to Appendix A for details regarding the market profiles of each of the assessment areas as well as branch locations, competition, and local demographics.

We contacted one community organization and reviewed two recently completed community contacts to ascertain the community and credit needs in the AAs. All of the contacts indicated there is a need to continue recruiting industry to the area to further reduce unemployment rates as well as a need for small business loans. A low-income housing organization indicated a need for more affordable home financing along with more flexible underwriting criteria.

## **SCOPE OF EXAMINATION**

### **Evaluation Period/Products Evaluated**

We performed a full-scope review of the three assessment areas. However, since the merger of the Western Kentucky offices only took place in July 2005, the review of AA 3 (i.e. the non-metropolitan AA of Logan, Ballard, and Caldwell counties) did not carry as much weight as the review of AA 1 and AA 2.

- For AA 1 and AA 2, the evaluation period for the lending test is August 1, 2002 through December 31, 2005. For community development (“CD”) loans, investments, and services, our evaluation period runs from the ending date of the last CRA examination which is July 31, 2002, through January 9, 2005, the starting date of this evaluation.
- For AA 3, the evaluation period for the lending test is July 1, 2005 through December 31, 2005. For CD loans, investments, and services, our evaluation period is for January 1, 2005 through January 9, 2006, the starting date of this evaluation.

Overall, we evaluated FSNB’s two primary product lines, home mortgages (i.e. home purchase loans, home improvement loans, and home refinance loans) and business loans, as well as any CD loans. When determining conclusions for the Lending Test, business loans and home purchase loans were weighted more heavily than home improvement and home refinance loans. This weighting is reflective of the bank’s respective lending volumes.

Note: For this examination, we used the 2000 demographic information for our analysis of both borrower distribution and geographic distribution. Typically, the analysis of geographic distribution uses both the 1990 census demographics and the 2000 census demographics for a comparison of loan distribution among the different census tracts depending upon the year of origination. Loans originated in 2002 or before are compared to the 1990 census demographics and loans originated in 2003 and later are compared to the 2000 census demographics. However, due to the lack of significant changes within

geographies located within the three assessment areas, our analysis of the geographic distribution of loans will utilize the 2000 census data only.

### **Data Integrity**

We tested FSNB's publicly filed information on home mortgage loans as part of this evaluation. We tested the 2004 and 2005 loan data. We found the home mortgage loan data for both years to be substantially accurate. As a result, this evaluation is based on accurate data.

Note: We used HMDA for the review of mortgages originated in AA 1 and AA 2. However, as the newly merged branches in Western Kentucky are not required to begin collecting HMDA until January 1, 2006, we used sampling in order to perform our analysis of mortgages in AA 3.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

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

### **Lending Test**

Performance is rated outstanding.

Refer to Table 1 through 9 in Appendix B for facts and data used to evaluate the bank's lending.

- A substantial majority of loans are made to borrowers within the AA. The bank originated 77 percent of its HMDA loans in AA 1 and AA 2; 85 percent of its home mortgage loans in AA 3 – Western Kentucky (based upon a sample of 40 loans); and 86 percent of its business loans in AA 1, AA 2, and AA 3 (based upon a sample of 140 business loans taken from throughout the three AAs). Note: FSNB originates and purchases large out-of-area commercial loans through their commercial lending department, which was not included in our sample. Since the last CRA examination, FSNB originated 79 commercial loans for a total of \$139 million through this department.
- FSNB's average loan-to-deposit ratio since the last CRA examination is approximately 87 percent. This is considered reasonable when compared to both local competitors and similarly situated banks with ratios ranging from 55 to 96 percent.
- FSNB's overall geographic distribution of loans reflects excellent dispersion throughout the assessment area for mortgages and business loans with reasonable geographic penetration of the low- and moderate-income census tracts ("CTs"). FSNB's lending activity extends throughout the assessment area. There were no conspicuous gaps in lending noted within any of the CTs. Note: A geographic distribution analysis was not performed for AA 3 as there were no low- or moderate-income CTs.
- FSNB's overall distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels within the different assessment areas.
- FSNB's distribution of loans to small businesses (i.e. businesses with revenues less than \$1 million) was excellent based on our sample of business loans from each of the assessment areas. Loans to

businesses with revenues of \$1 million or less originated within AA 1 and AA 3 represented approximately 100 percent of the bank's reportable loans, which was greater than the approximate 60 percent of area businesses with revenues of less than \$1 million. Loans to businesses with revenues of \$1 million or less originated within AA 2 represented approximately 98% of the bank's reportable loans, which was greater than the 62% of area businesses with revenues of less than \$1 million.

- While FSNB offers traditional lending products within their AA, they also offer access to affordable housing loan products through the secondary market. Since August 2002, FSNB has originated 794 loans for \$86 million that were sold on the secondary market. All of these loans involved the completion of affordable housing units for typically low- and/or moderate-income borrowers.

## **Community Development Test**

### Community Development Loans

Community development lending is satisfactory. FSNB originated eight qualified loans during the evaluation period totaling approximately \$5 million, representing approximately 9.80 percent of FSNB's tier one capital. FSNB also had one CD loan originated during early 2002 for \$315,000 with a current outstanding balance of \$222,131. This volume is highly favorable because the money went into projects that improved the economics of the AA as well as created jobs for low- and/or moderate-income individuals or programs that provided services and benefits to low- and/or moderate-income families and children in the AA.

Refer to Table 10 in Appendix B for facts and data used to evaluate the bank's level of CD loans.

### Qualified Investments

Qualified investment performance is outstanding. We considered community development opportunities in the three AA's, as well as the capacity for the local infrastructure to create qualified investments. While opportunities for qualified investments and/or CD loans are more available in AA 2, opportunities within the non-metropolitan areas (AA 1 and AA 3) are somewhat limited as most community development activities are typically either federally or state funded. Locally, the most prominent CD organizations consist of the Chamber of Commerce and development foundations. Housing needs are primarily met through services provided by Kentucky Housing Corporation, a federally funded program, that serves the entire state of Kentucky. They provide home loans to low- and moderate-income persons at below market interest rates and require little or no down payment. They also provide homeownership counseling. The local chapter of the Habitat for Humanity is also an initiative that works for affordable housing. Based upon this information, we placed significant weight on the fact that opportunities to make qualified investments other than donations are limited.

- During the evaluation period, FSNB purchased 36 local revenue bonds for a total of \$7.5 million. The majority of these involved the purchase of local school revenue bonds in the non-MSA assessment areas. Seven of these bonds (approximately \$2 million) benefit the schools in Wayne County, which is part of the federally designated Empowerment Zone. In general, empowerment zones are federally designated areas characterized by severe economic distress.
- FSNB also made a significant number of donations to a variety of organizations, all of which have a CD purpose. The main donations are made to one organization, totaling \$2 million for 2002 through

2005. FSNB made this donation to a faith-based foundation that contributes to numerous churches that primarily serve the needs of the low- and moderate-income individuals in the different AAs. The churches help provide living expenses such as utility bills and rent to low-income families. They may also provide clothing for low-income children, help pay medical expenses and funeral expenses. In addition, FSNB made other qualified investments/donations to several local organizations for a total of \$23,052, all of which have a CD purpose. FSNB made these donations to affordable housing organizations, to medical relief groups, to organizations that provide financial support to low- and moderate-income individuals, and to groups organized for the purpose of feeding and clothing less fortunate individuals. Lastly, FSNB contributed approximately \$100,000 to Hurricane Relief, which helped to provide clothing, food, and shelter for those displaced during the 2005 hurricane season in the Southern USA. FSNB continues to work with the Kentucky Christian Foundation (KCF) Emergency Relief Fund Committee to raise and distribute money.

### Community Development Services

Performance under the CD service test is satisfactory. In evaluating FSNB's services, we considered the bank's size in relation to the size of the AAs as well as the low number of low- and moderate-income geographies located throughout the three AAs. This analysis also included a review of employee involvement in CRA-related activities.

Refer to Table 11 in Appendix B for facts and data used to evaluate the distribution of the bank's branch delivery system, and branch openings and closings.

- FSNB's delivery systems are accessible to essentially all geographies and individuals of different income levels in the AA. Full financial services and drive-thru services are offered at fifteen of the twenty-two branches. In addition, the bank has eleven full-service ATMs located throughout the different AAs at the branches.
- The bank has not closed any branches during our period of review; however, the holding company did merge three of FSNB's affiliates located in Western Kentucky into FSNB during July 2005. By doing this, FSNB increased from 14 branches to 22 branches.
- FSNB's hours of operation are considered outstanding. While individual branches may differ in the exact hours of operation, nineteen of the twenty-two offices offer lobby hours from 9:00 A.M. until 4:00 P.M. Monday through Thursday with twelve of the offices offering extended lobby hours for Friday until 5:00 P.M. and two offices offering extended lobby hours for Friday until 6:00 P.M. Drive-through banking is available at nineteen of the twenty-two offices until 4:00 P.M. with a majority of the drive-thrus offering Friday extended hours until 5:00 P.M. or 6:00 P.M. The majority of branches also offer Saturday banking.
- FSNB has various checking and deposit products with free cashing of government checks for both bank and non-bank customers as well as Internet banking and on-site banking. The on-line computer banking service allows customers to obtain deposit and loan account information, make payments on bank loans, transfer funds, and pay other household bills. On-site banking is a service that allows commercial businesses to make arrangements with FSNB for the bank to send an employee to their place of business and pick up deposits. This service is offered in Fayette, Jessamine, Madison, and Pulaski counties. In addition, the bank also offers a toll free, 24-hour telephone service at their Western Kentucky banks. Since the bank could not provide specific information on how low- and

moderate-income individuals are impacted by Internet banking service or telephone access, significant weight was not placed on alternate delivery systems when drawing conclusions in the AA.

- Other services provided to the community include the donation of office space to the Logan County Chamber of Commerce and providing free flu shots to low- and moderate-income people located in Lincoln County during 2005.
- Overall, FSNB's CD services are considered adequate given the moderate- to high-level of opportunities for CRA-related services and/or activities available in the three AAs. While a large number of employees of FSNB have served in organizations in the community that provide general services to low- and moderate-income persons, FSNB's level of bank executives involved in community organizations with a CD purpose is low. There are a variety of organizations throughout FSNB's assessment areas that provide bank management the opportunity to serve as Board members or advisors for organizations such as industrial foundations, advisory councils, housing authorities, etc. In addition, there are further opportunities for the bank to conduct home ownership seminars and counseling sessions, or to provide financial and/or technical skills to local organizations that provide services to low- or moderate-income individuals. Some of the organizations FSNB currently participates with includes, but is not limited to:
  1. Chamber of Commerce in Somerset/Pulaski County, Garrard County, Wayne County, Lincoln County, and Logan County: The primary purpose of this organization is promoting, establishing, and maintaining businesses in the county in which it is located, most of which are small businesses.
    - a. One of FSNB's loan department personnel is serving as an Ambassador for the Somerset/Pulaski Chamber of Commerce in 2005.
    - b. One of FSNB's loan officers is serving as a Director for the Garrard County Chamber of Commerce in 2005. This person is also involved in several sub-committees of the Chamber of Commerce. This loan officer is also serving on the 2005 committee for the local Garrard County River Foundation.
    - c. One of FSNB's loan officers is serving as a board member in 2005.
    - d. One of FSNB's loan officers is serving as a board member for the Lincoln County Chamber of Commerce in 2005.
    - e. FSNB has two employees serving as Ambassadors for the Logan County Chamber of Commerce in 2005 and one upper-level executive serving as a board member in 2005.
  2. Garrard County Tourism: The primary purpose of this organization is promoting tourism in Garrard County. One of FSNB's Senior Vice Presidents is serving as Treasurer for this organization in 2005.
  3. Habitat for Humanity: This is a nonprofit, housing committee dedicated to eliminating homelessness and improving the conditions of low- and moderate-income housing of all families in need by using volunteer labor and donations of money and materials. One of FSNB's Branch Managers is serving as the 2005 President of the Lincoln County Habitat for Humanity. This person is also a member of the 2005 local River Foundation and a board member of the Lincoln County Planning and Zoning Committee as well as the Lincoln County Extension Office.

4. Other organizations where bank officers either serve as Board members or provide financial expertise to include: Local chapter of the River Foundation, the American Red Cross (local chapter), Big Brothers Big Sisters (local chapter), United Way Heart of Kentucky (local chapter) and the Downtown Somerset Development Committee.

#### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.



## Appendix A: Market Profiles for Full-Scope Areas

### AA 1: Non-Metropolitan AA of Garrard, Lincoln, Madison, Pulaski, and Wayne Counties

Demographic Information for Full-Scope Area: Non-metropolitan AA in South-Central KY						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	39	2.56%	17.95%	51.28%	28.21%	0.00%
Population by Geography	185,165	2.33%	10.45%	53.21%	34.01%	0.00%
Owner-Occupied Housing by Geography	51,169	0.04%	10.48%	55.87%	33.61%	0.00%
Businesses by Geography	10,581	0.31%	12.61%	49.59%	37.49%	0.00%
Farms by Geography	641	0.00%	11.70%	60.06%	28.24%	0.00%
Family Distribution by Income Level	51,664	20.05%	16.43%	19.63%	43.89%	0.00%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	18,846	0.55%	15.49%	59.72%	24.24%	0.00%
Median Family Income HUD Adjusted Median Family Income for 2005 Households Below the Poverty Level	= \$32,884 = \$38,400 = 21.83%	Median Housing Value Unemployment Rate		= \$59,827 = 3.01%		

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 U.S. Census, and 2005 HUD updated MFI.

Note: These numbers were obtained directly from the 2000 U.S. Census and may or may not equal exactly 100 percent for each category.

FSNB's non-metropolitan AA 1 consists of all of Garrard, Lincoln, Madison, Pulaski, and Wayne counties. For this AA, FSNB has 12 branches with three branches located in moderate-income CTs, three branches located in middle-income CT's, and six branches located in upper-income CTs. In addition, FSNB has five ATMs located in the AA with the ATMs being located at branch offices.

FSNB's deposits in the AA total approximately \$287 million. As of June 30, 2005, 88 percent of FSNB's deposits were derived from this AA. Based on FDIC market share data as of June 30, 2005, this equates to a 13 percent deposit market share that ranks FSNB as the largest deposit taking institution in the AA.

This five county area is located in south central Kentucky. The local economy is considered to be stable with the Madison County area considered to be growing. The local economy is well respected for retail trade, manufacturing, and services. Major employers for each county include the following:

- Garrard County: The largest employer is Allison Abrasives Incorporated, and it employees approximately 100 people. The majority of Garrard County residents (approximately 68 percent) commute outside the county for employment.
- Lincoln County: The largest employer is Brake Parts, Inc., and it employees approximately 425

people. The majority of Lincoln County residents (approximately 60 percent) commute outside the county for employment.

- Madison County: The five largest employers are NACCO Materials Handling Group (lift trucks), KI-USA Corp (machine-stamped automotive parts), Tokico USA, Inc. (automotive parts), EnerSys, Inc. (batteries), and Mikron Industries, Inc. (vinyl extrusions). These five organizations employ approximately 3,000 people.
- Pulaski County: The three largest employers are Super Service (a freight carrier), Eagle Hardwoods, Inc., and Armstrong Wood Products. These three organizations employ approximately 1,521 individuals.
- Wayne County: The four largest employers are American Woodmark Corporation, Belden-CDT (electronic wire and cable), Patriot Industries, Inc. (sporting goods), and W&W Hardwoods, Inc. Together, these four organizations employ approximately 1,300 individuals.

As of October 2005, the unemployment rate for this AA ranged from 4.2 percent in Madison County to 5.8 percent in Wayne County, as compared to 5.5 percent for the state of Kentucky.

In this non-metropolitan AA, households living below the poverty level range from 15 percent in Garrard County to 30 percent in Wayne County. Consequently, it is especially difficult for this segment of the population to afford and maintain a home.

Part of Wayne County is located in a designated empowerment zone. Empowerment zones are federally designated areas characterized by severe economic distress. The poverty level for Wayne County alone is 30 percent. There are four components to an empowerment zone development program: economic opportunity; sustainable community development; the use of community-based partnerships; and a strategic vision of what the community seeks to become, such as a center for advanced technical development, a hub for the production and sale of farm products, or the production of specialized manufacturing. (*Source: USDA Rural Development/Empowerment Zone Program*). A variety of federal, state, local, and private funding is used to create or improve housing, health care, education, and economic infrastructure. At the federal level, block grants and tax credits are used to finance such development with the ultimate goal of the designation to create a sustainable economy.

We reviewed two community contacts made during the evaluation period. One contact was involved with the Pulaski County Industrial Foundation, and one contact was involved in a local organization that works with LMI children from the community. Both contacts stated the primary need is for affordable housing and consumer loans while small business loans are also a credit need within the community.

Based on the demographics of the area and discussions with bank management, there is an identified need for mortgages and business loans. A limited level of community resources exists to facilitate activities to address the unmet credit and community development needs of the AA. Consequently, there are moderate opportunities for community development services due to the existing unmet credit and community development needs in the area. In addition, opportunities for community development loans and qualified investments in the AA are moderate. However, competition for CD loans, qualified investments, and services is moderate to strong and consists of a few larger regional banks within the AA, all of which limits opportunities.

## AA 2: Lexington MSA of Fayette and Jessamine Counties

Demographic Information for Full-Scope Area: Lexington MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	69	13.04%	20.29%	40.58%	24.64%	0.00%
Population by Geography	299,553	9.79%	19.35%	41.62%	29.10%	0.00%
Owner-Occupied Housing by Geography	69,225	3.87%	16.68%	43.59%	35.86%	0.00%
Businesses by Geography	22,281	14.75%	15.69%	37.65%	31.57%	0.00%
Farms by Geography	922	6.40%	12.58%	39.26%	41.76%	0.00%
Family Distribution by Income Level	74,371	20.82%	17.39%	21.33%	40.46%	0.00%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	28,416	12.21%	29.41%	43.23%	15.16%	0.00%
Median Family Income HUD Adjusted Median Family Income for 2005 Households Below the Poverty Level	= \$51,365 = \$60,000 = 12.18%	Median Housing Value Unemployment Rate			= \$112,713 = 2.66%	

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 U.S. Census, and 2005 HUD updated MFI.

Note: These numbers were obtained directly from the 2000 U.S. Census and may or may not equal exactly 100 percent for each category.

FSNB's AA 2 consists of Fayette and Jessamine counties, in the Lexington MSA. (Note: The AA does not include Bourbon, Clark, Scott, and Woodford counties in the Lexington MSA.) FSNB has two branch offices and one full-service ATM located at the Nicholasville Branch, which is located in a middle-income geography.

As of June 30, 2005, approximately 12 percent of FSNB's deposits were derived from this MSA. FSNB's deposits in the Lexington MSA (Fayette, Jessamine, and Madison Counties) AA total approximately \$41 million. Based on FDIC deposit market share data as of June 30, 2005, this equates to 0.81 percent deposit market share that ranks FSNB as the twenty-second largest deposit taking institution in the AA.

AA 2 is located in central Kentucky. The local economy is well respected for retail trade, manufacturing, and services. Major employers in Fayette County include Lexmark International, Trane Company, Amazon.com, and Valvoline Company. These four companies employ over 6,400 individuals. Major employers in Jessamine County include Trim Masters, Inc; Alltech, Inc; Hospital Specialty Company; and McLane Cumberland. These four companies employ approximately 1,600 people. The majority of Jessamine County residents (approximately 54 percent) commute outside of the county for employment.

As of October 2005, the unemployment rate for the Lexington MSA was 4.3 percent, as compared to 5.5 percent for the State of Kentucky.

Based on the demographics of the MSA and discussions with bank management, there is an identified need for mortgages and business loans. Consequently, there are moderate opportunities for community development services due to the existing unmet credit and community development needs in the MSA. In addition, opportunities for community development loans and qualified investments in the AA are moderate. However, competition for CD loans, qualified investments, and services is strong and consists of several, larger regional banks within the AA.

### AA 3: Non-Metropolitan AA of Logan, Ballard, and Caldwell Counties

Demographic Information for Full-Scope Area: Non-metropolitan AA in Western KY						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	12	0.00%	0.00%	50.00%	50.00%	0%
Population by Geography	47,919	0.00%	0.00%	50.55%	49.45%	0%
Owner-Occupied Housing by Geography	14,882	0.00%	0.00%	50.95%	49.05%	0%
Businesses by Geography	3,118	0.00%	0.00%	47.95%	52.05%	0%
Farms by Geography	415	0.00%	0.00%	33.49%	66.51%	0%
Family Distribution by Income Level	13,895	16.33%	16.43%	19.19%	48.31%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	4,516	0.00%	0.00%	56.93%	43.07%	0%
Median Family Income HUD Adjusted Median Family Income for 2005 Households Below the Poverty Level	= \$32,884 = \$38,400 = 21.83%	Median Housing Value Unemployment Rate		= \$59,827 = 3.01%		

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 U.S. Census, and 2005 HUD updated MFI.

Note: These numbers were obtained directly from the 2000 U.S. Census and may or may not equal exactly 100 percent for each category.

FSNB's non-metropolitan AA 3 consists of all of Logan, Ballard, and Caldwell counties. FSNB has 8 branches with all of the branches located in either middle- or upper-income CTs. In addition, FSNB has five ATMs located in the AA at branch offices. The most current FDIC market share data is as of June 30, 2005, and these offices were not merged with FSNB until July 2005. Consequently, this market share information is not material to this examination.

This three county area is located in western Kentucky. The local economy is considered stable. The local economy is mainly dependent upon manufacturing with agricultural production as well. The major employers for each county include the following:

- Logan County: The four largest employers are Logan Aluminum Inc, Carpenter Company (carpet cushioning), Emerson Electric Company (electric motors), and Sensus Precision Die Casting (aluminum die castings). These four organizations employ approximately 2200 people.
- Ballard County: The largest employer is Mead Westvaco Corporation (wood pulp and paper) in Wickliffe and employees approximately 560 people. A significant amount of Logan County residents (approximately 48 percent) commute outside of the county for employment.
- Caldwell County: The largest employer is Bremner, Inc. (cookies and crackers) in Princeton and employees approximately 600 people. A significant amount of Caldwell residents (approximately 32 percent) commute outside of the county for employment.

- As of October 2005, the unemployment rate for the AA ranged from 4.9 percent in Caldwell County to 5.9 percent in Logan County, as compared to 5.5 percent for the state of Kentucky.

One community contact was made during the evaluation period. The contact was with the Logan Economic Alliance for Development located in Logan County. The contact stated the local financial institutions have met and are exceeding community expectations in regards to mortgage and business lending as well as community involvement. However, the contact added efforts should continue in the area of small business development.

Based on the demographics of the area, community contacts, and discussions with bank management, there is an identified need for mortgages and business loans. A limited level of community resources exists to facilitate activities to address the unmet credit and community development needs of the AA. Consequently, there are moderate opportunities for community development services due to the existing unmet credit and community development needs in the AA. In addition, opportunities for community development loans and qualified investments in the AA are considered to be moderate. However, competition for CD loans, qualified investments, and services is moderate within the AA, which may limit overall opportunities.

# Appendix B: Tables of Performance Data

Institution ID: First Southern National Bank

## Table 1-a. Lending Volume

Lending Volume	Geography: AA 1 AND AA 2				Evaluation Period: AUGUST 1, 2002 TO DECEMBER 31, 2005							
	% of Rated Area Loans (#) in MA/AA*	Home Mortgages		Business Loans		Small Loans to Farms		Community Development Loans**		Total Reported Loans	% of Rated Area Deposits in MA/AA***	
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)			
MA/Assessment Area: Full Review:												
AA 1: Garrard, Lincoln, Madison, Pulaski, and Wayne Counties	81.41	1358	114,204	40	2,016	N/A	N/A	7	4,725	1,405	120,945	N/A
AA 2: Fayette and Jessamine Counties	18.59	310	25,069	40	11,791	N/A	N/A	1	50	351	36,910	N/A

## Table 1-b. Lending Volume

Lending Volume	Geography: AA 3				Evaluation Period: JULY 1, 2005 TO DECEMBER 31, 2005							
	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans	% of Rated Area Deposits in MA/AA***	
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)			
MA/Assessment Area: Full Review:												
AA 3: Ballard, Caldwell, and Logan Counties	100.00	40	2,188	40	3,118	N/A	N/A	1	467	81	5,773	N/A

\* Loan Data for Table 1-a as of December 31, 2005. Rated area refers to either state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is from August 1, 2002 to January 9, 2006.

\*\*\* Deposit Data was not available for this review. Rated Area refers to either the state, multi-state MA, or institution, as appropriate

\* Loan Data for Table 1-b as of December 31, 2005. Rated area refers to either state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is from January 1, 2005 to January 9, 2006.

\*\*\* Deposit Data was not available for this review. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE LOANS		Geography: AA 1 AND AA 2				Evaluation Period: AUGUST 1, 2002 TO DECEMBER 31, 2005									
MA/Assessment Area:	Total Home Mortgage Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of Owner Occupied Units***	% BANK Loans	% of Owner Occupied Units***	% BANK Loans	% of Owner Occupied Units***	% BANK Loans	% of Owner Occupied Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
AA 1: Garrard, Lincoln, Madison, Pulaski, and Wayne Counties	414	80.70	0.04	1.21	10.48	23.91	55.87	57.97	33.61	16.91	NA	NA	NA	NA	NA
AA 2: Fayette and Jessamine Counties	99	19.30	3.87	2.02	16.68	21.22	43.59	37.37	35.86	39.39	NA	NA	NA	NA	NA

**Full Review:**

\* Based on 2005 Peer Mortgage Data: Not available for this review.

\*\* Home mortgage loans originated and purchased in the MA/AA as a percentage of all home mortgage loans originated and purchased in the rated area.

\*\*\* Percentage of Owner-Occupied Units is the number of owner-occupied housing units in a particular geography divided by the number of owner-occupied housing units in the area based upon the 2000 census and the 2000 census information.



**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT LOANS		Geography: AA 1 AND AA 2				Evaluation Period: AUGUST 1, 2002 TO DECEMBER 31, 2005										
MA/Assessment Area:	Total Home Mortgage Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*					
	#	% of Total**	% of Owner Occupied Units***	% BANK Loans	% of Owner Occupied Units ***	% BANK Loans	% of Owner Occupied Units ***	% BANK Loans	% of Owner Occupied Units ***	% BANK Loans	% of Owner Occupied Units ***	Overall	Low	Mod	Mid	Upp
AA 1: Garrard, Lincoln, Madison, Pulaski, and Wayne Counties	242	93.08	0.04	0.00	10.48	27.69	55.87	61.57	33.61	10.74	NA	NA	NA	NA	NA	NA
AA 2: Fayette and Jessamine Counties	18	6.92	3.87	5.55	16.68	16.67	43.59	38.89	35.86	38.89	NA	NA	NA	NA	NA	NA

**Full Review:**

\* Based on 2005 Peer Mortgage Data: Not available for this review.

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner-Occupied Units is the number of owner-occupied housing units in a particular geography divided by the number of owner-occupied housing units in the area based upon the 2000 census and the 2000 census information.

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE LOANS		Geography: AA 1 AND AA 2				Evaluation Period: AUGUST 1, 2002 TO DECEMBER 31, 2005								
MA/Assessment Area:	Total Home Mortgage Loans	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of Owner Occupied Units***	% BANK Loans	% of Owner Occupied Units***	% BANK Loans	% of Owner Occupied Units***	% BANK Loans	% of Owner Occupied Units***	Overall	Low	Mod	Mid	Upp
AA 1: Garrard, Lincoln, Madison, Pulaski, and Wayne Counties	702	78.44	0.04	0.28	10.48	22.93	55.87	60.54	33.61	16.25	NA	NA	NA	NA
AA 2: Fayette and Jessamine Counties	193	21.56	3.87	1.55	16.68	15.03	43.59	43.52	35.86	39.90	NA	NA	NA	NA

**Full Review:**

\* Based on 2005 Peer Mortgage Data. Not available for this review.  
 \*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.  
 \*\*\* Percentage of Owner-Occupied Units is the number of owner-occupied housing units in a particular geography divided by the number of owner-occupied housing units in the area based upon the 2000 census information.

Table 5. Geographic Distribution of Business Loans

Geographic Distribution: BUSINESS LOANS		Geography: AA 1 AND AA 2				Evaluation Period: AUGUST 1, 2002 TO DECEMBER 31, 2005									
MA/Assessment Area:	Total Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of Businesses ***	% BANK Loans	% of Businesses ***	% BANK Loans	% of Businesses ***	% BANK Loans	% of Businesses ***	% BANK Loans	Overall	Low	Mod	Mid	Upp
AA 1: Garrard, Lincoln, Madison, Pulaski, and Wayne Counties	40	50.00	0.31	2.50	12.61	22.50	49.59	62.50	37.49	12.50	NA	NA	NA	NA	NA
AA 2: Fayette and Jessamine Counties	40	50.00	14.75	5.00	15.69	20.00	37.65	30.00	31.91	45.00	NA	NA	NA	NA	NA

Full Review:

\* Based on 2003 Peer Small Business Data: US. Not available for this review.  
 \*\* Sample of 40 Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.  
 \*\*\* Source Data: Dun and Bradstreet (2003).

**Table 6-a. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE LOANS														
		Geography: AA 1 AND AA 2				Evaluation Period: AUGUST 1, 2002 TO DECEMBER 31, 2005								
MA/Assessment Area:	Total Home Mortgage Loans #	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
		% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
AA 1: Garrard, Lincoln, Madison, Pulaski, and Wayne Counties	384	20.05	9.12	16.43	14.58	19.63	20.83	43.89	55.47	NA	NA	NA	NA	NA
AA 2: Fayette and Jessamine Counties	97	20.82	6.19	17.39	25.77	21.33	14.43	40.46	53.61	NA	NA	NA	NA	NA

Full Review:

**Table 6-b. Borrower Distribution of Home Mortgage Loans**

Borrower Distribution: HOME MORTGAGES														
		Geography: AA 3				Evaluation Period: JULY 1, 2005 TO DECEMBER 31, 2005								
MA/Assessment Area:	Total Home Mortgage Loans #	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
		% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
AA 3: Fayette and Jessamine Counties	40	16.33	27.50	16.17	22.50	19.19	17.50	48.31	32.50	NA	NA	NA	NA	NA

Full Review:

\* Based on Peer Mortgage Data: Not available for this review.

\*\* As a percentage of loans with borrower income information available.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Table 8-a: home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\* Based on Peer Mortgage Data: Not available for this review.

\*\* As a percentage of loans with borrower income information available.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Table 8-b: Sample of 40 Home mortgage loans originated and purchased in the MA/AA as a percentage of all home mortgage loans originated and purchased in the rated area, (mortgages include home purchase, refinance, and home improvement loans).

**Table 7. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT LOANS		Geography: AA 1 AND AA 2						Evaluation Period: AUGUST 1, 2002 TO DECEMBER 31, 2005							
MA/Assessment Area:	Total Home Mortgage Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
AA 1: Garrard, Lincoln, Madison, Pulaski, and Wayne Counties	217	93.53	20.05	16.13	16.43	21.20	19.63	18.89	43.89	43.78	NA	NA	NA	NA	NA
AA 2: Fayette and Jessamine Counties	15	6.47	20.82	33.33	17.39	20.00	21.33	0.00	40.46	46.67	NA	NA	NA	NA	NA

**Full Review:**

\* Based on Peer Mortgage Data: Not available for this review.  
 \*\* As a percentage of loans with borrower income information available.  
 \*\*\* Percentage of Families is based on the 2000 Census information.  
 \*\*\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

**Table 8. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE LOANS		Geography: AA 1 AND AA 2				Evaluation Period: AUGUST 1, 2002 TO DECEMBER 31, 2005									
MA/Assessment Area:	Total Home Mortgage Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total**	% Families***	% BANK Loans****	% Families****	% BANK Loans****	% Families****	% BANK Loans****	% Families****	% BANK Loans****	Overall	Low	Mod	Mid	Upp
AA 1: Garrard, Lincoln, Madison, Pulaski, and Wayne Counties	673	78.62	20.05	4.01	16.43	14.56	19.63	26.30	43.89	55.13	NA	NA	NA	NA	NA
AA 2: Fayette and Jessamine Counties	183	21.38	20.82	10.38	17.39	14.75	21.33	25.14	40.46	49.73	NA	NA	NA	NA	NA

**Full Review:**

\* Based on Peer Mortgage Data: Not available for this review.  
 \*\* As a percentage of loans with borrower income information available.  
 \*\*\* Percentage of Families is based on the 2000 Census information.  
 \*\*\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

**Table 9-a. Borrower Distribution of Business Loans**

Borrower Distribution: BUSINESS LOANS				Geography: AA 1 AND AA 2		Evaluation Period: AUGUST 1, 2002 TO DECEMBER 31, 2005		
Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size		Market Share*		
#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	
<b>Full Review:</b>								
AA 1: Garrard, Lincoln, Madison, Pulaski, and Wayne Counties	40	50.00	61.63	100.00	85.00	15.00	0.00	NA
AA 2: Fayette and Jessamine Counties	40	50.00	62.39	97.50	70.00	12.50	17.50	NA

**Table 9-b. Borrower Distribution of Business Loans**

Borrower Distribution: BUSINESS LOANS				Geography: AA 3		Evaluation Period: JULY 1, 2005 TO DECEMBER 31, 2005		
Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size		Market Share*		
#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	
<b>Full Review:</b>								
AA 3: Ballard, Caldwell, and Logan Counties	40	100.00	55.68	100.00	77.50	15.00	7.50	NA

\* Based on 2003 Peer Small Business Data: US.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2003).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of business loans sampled (i.e. sample size of 40 business loans).

**Table 10. Community Development Loans**

Qualified Investments MA/Assessment Area:	Geography: AA 1, AA 2, AND AA 3				Evaluation Period: AUGUST 1, 2002 TO JANUARY 9, 2006				
	Prior Period CD Loans*		Current Period CD Loans		Total CD Loans		Unfunded Commitments**		
	#	\$(000's)	#	\$(000's)	#	\$(000's)	#	\$(000's)	
<b>Full Review:</b>									
AA 1, AA 2, AND AA 3***	1	315	8	4,927	9	5,242	100.00	0	0

\* 'Prior Period Investments' means investments made in a previous period that are outstanding as of the examination date.  
 \*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.  
 \*\*\* CD Loans for AA 3 were only considered if they were originated between January 1, 2005 and January 9, 2006.



**Table 11-a. Distribution of Branch Delivery System and Branch Openings/Closings**

Distribution of Branch Delivery System and Branch Openings/Closings										Geography: AA 1, AA 2, AND AA 3						Evaluation Period: AUGUST 1, 2002 TO JANUARY 9, 2006					
MA/Assessment Area:	Deposits			Branches			Branch Openings/Closings			Population											
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)			# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)			% of Population within Each Geography									
				Low	Mod	Upp			Low	Mod	Upp	Low	Mod	Upp							
AA 1: Garrard, Lincoln, Madison, Pulaski, and Wayne Counties	88	12	54.55	0.00	25.00	58.33	16.67	0	0	0	0	0	2.33	10.45	53.21	34.01					
AA 2: Fayette and Jessamine Counties	12	2	9.09	0.00	100.00	0.00	0.00	0	0	0	0	0	9.79	19.35	41.62	29.10					
AA 3: Ballard, Caldwell, and Logan Counties	N/A	8	36.36	0.00	0.00	50.00	50.00	8	0	0	+4	+4	0.00	0.00	50.55	49.45					

Note: These numbers were obtained directly from the 2000 U.S. Census and may or may not equal exactly 100 percent for each category.

**Table 11-b: Distribution of Branch and ATM Delivery System**

Distribution of Branch and ATM Delivery System										Geography: AA 1, AA 2, AND AA 3						Evaluation Period: AUGUST 1, 2002 TO JANUARY 9, 2006					
MA/Assessment Area:	Deposits			Branches			ATMs			Population											
	% of Total Bank Deposits	# of Bank Branches	% of Total Bank Branches	Location of Branches by Income of Geographies (%)			# of Bank ATMs	% of Total Bank ATMs	Location of ATMs by Income of Geographies			% of Population within Each Geography									
				Low	Mod	Upp			Low	Mod	Upp	Low	Mod	Upp							
AA 1: Garrard, Lincoln, Madison, Pulaski, and Wayne Counties	88	12	54.55	0.00	25.00	58.33	16.67	5	45.45	0.00	20.00	60.00	20.00	2.33	10.45	53.21	34.01				
AA 2: Fayette and Jessamine Counties	12	2	9.09	0.00	100.00	0.00	0.00	1	9.10	0.00	0.00	100.00	0.00	9.79	19.35	41.62	29.10				
AA 3: Ballard, Caldwell, and Logan Counties	N/A	8	36.36	0.00	0.00	50.00	50.00	5	45.45	0.00	0.00	40.00	60.00	0.00	0.00	50.55	49.45				

Note: These numbers were obtained directly from the 2000 U.S. Census and may or may not equal exactly 100 percent for each category.