



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 02, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Southern National Bank
Charter Number: 1493

27 Public Square
Lancaster, KY 40484

Office of the Comptroller of the Currency

Louisville Field Office
9200 Shelbyville Road, Suite 505
Louisville, KY 40222-5134

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 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.

Scope of Examination

Evaluation Period/Products Evaluated

We performed a full-scope review of the three assessment areas delineated by the bank. The evaluation period for the lending test is January 1, 2006 through December 31, 2008. For community development ("CD") loans, investments, and services, our evaluation period runs from the ending date of the last CRA examination, which is January 9, 2006 through February 2, 2009, the starting date of this evaluation.

Overall, we evaluated two primary product lines of First Southern National Bank ("FSNB"), 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.

Data Integrity

We tested FSNB's publicly filed information on home mortgage loans as part of this evaluation.

We tested the 2006, 2007, and 2008 loan data. We found the home mortgage loan data for all three years to be substantially accurate which ensures accurate data for this evaluation.

Description of Institution

First Southern National Bank 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 \$751 million. As of September 30, 2008, FSNB reported total assets of \$722 million.

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, 2008, net loans represented 64 percent of total assets and consisted of commercial and commercial real estate loans (42 percent), residential real estate loans (32 percent), agricultural and agricultural real estate loans (13 percent), construction and development loans (7 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, 2008, FSNB reported Tier-one capital of \$50 million.

FSNB was rated "Satisfactory" at its last CRA evaluation dated January 9, 2006.

Description of Assessment Area(S)

FSNB has delineated three assessment areas. Assessment area 1 ("AA1") is in a non-metropolitan area located in south central Kentucky and consists of Garrard, Lincoln, Pulaski, Madison, and Wayne counties. Assessment area 2 ("AA2") is in the Lexington MSA and consists of Fayette and Jessamine counties. Assessment area 3 ("AA3") is in a non-metropolitan area located in western Kentucky and consists of Logan, Ballard, and Caldwell counties. All of the AAs comply with CRA regulations 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.

The bank also has a newly opened Loan Production Office ("LPO") located in the Bowling Green MSA/Warren County; however, Warren County has not been included as part of the bank's declared AA. The bank plans to convert the LPO to a full-service branch in 2009 and officially include Warren County as part of their AA going forward.

A review of community contacts familiar with the area's credit needs indicated all local banks are active in the community and willing to provide financing for potential projects. However, they also stated few opportunities to participate in community development projects exist for

AA1 and AA3. The contacts identified affordable housing for low- and moderate-income families as a major credit need. In addition, the contacts indicated there is a need for small business loans to continue recruiting industry to the area and further reduce unemployment rates.

Conclusions with Respect to Performance Tests

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 87 percent of its HMDA loans in AA1, AA2, and AA3. In addition, FSNB originated 90 percent of its business loans in AA1, AA2, and AA3 (based upon a sample of 60 business loans taken from throughout the three AAs).
- FSNB's quarterly average loan-to-deposit ratio since the last CRA examination is approximately 77 percent. This is considered reasonable when compared to both local competitors and similarly situated banks with ratios ranging from 59 to 105 percent.
- FSNB's overall geographic distribution of loans reflects satisfactory dispersion throughout the assessment area for mortgages and business loans with excellent 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 AA3 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 AA1 and AA3 represented approximately 100 percent of the bank's reportable loans, which was greater than the average of 48 percent of area businesses with revenues of less than \$1 million. Loans to businesses with revenues of \$1 million or less originated within AA2 represented approximately 90% of the bank's reportable loans, which was greater than the 63% 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 January 2006, FSNB has originated 323 loans for \$39 million that were sold on the secondary market. The

majority of these loans involved the completion of affordable housing units for typically low- and/or moderate-income borrowers.

- There were no CRA-related complaints.

COMMUNITY DEVELOPMENT TEST

Performance is rated overall Satisfactory.

Community Development Loans

Community development (CD) lending is satisfactory. FSNB originated eight qualified loans during the evaluation period totaling approximately \$4.2 million, representing approximately 8.32 percent of FSNB's Tier-one capital. FSNB also had five CD loans originated from prior periods with a current outstanding balance of \$2.9 million. 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, benefits, and/or housing to low- and/or moderate-income families and children in the AA.

In addition, FSNB also originated a significant amount of home mortgages, business, and farm loans located in areas outside of their chosen assessment area but in CTs that have been designated as "distressed middle-income CTs." These particular census tracts have been designated as distressed middle-income CTs due to high poverty levels. The bank originated 187 loans in these census tracts for a total of \$12.4 million.

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. Opportunities for qualified investments and/or CD loans are more available in AA2, while opportunities within the non-metropolitan areas (AA1 and AA3) 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 five local revenue bonds for a total of \$995 thousand. The majority of these were local school revenue bonds in the non-MSA assessment areas. In addition, the bank purchased nine other school revenue bonds from outside their

chosen assessment area but from census tracts designated as Distressed Middle-Income CTs for a total of \$3.8 million.

- FSNB also made a significant number of donations to a variety of organizations, all of which have a CD purpose. The main donations were made to one organization, totaling \$2.6 million for 2006 through 2008. FSNB made this donation to a faith-based foundation that contributes to numerous churches primarily serving 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 as well as help pay medical expenses and funeral expenses. In addition, FSNB made other qualified investments/donations to several local organizations for a total of \$424 thousand, 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, to groups organized for the purpose of feeding and clothing less fortunate individuals, and to individuals that have expressed a financial need by contacting the bank directly.

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 sixteen of the twenty-two branches. In addition, the bank has fifteen full-service ATMs located throughout the different AAs at the branches.
- While the bank closed two branches during our period of review, neither of the branches were located in low- or moderate-income CTs. Furthermore, the bank opened two branches in middle-income CTs.
- 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 eleven of the offices offering extended lobby hours for Friday until 5:00 P.M., two of the offices offering extended lobby hours for Friday until 6:00 P.M., and one of the offices offering extended lobby hours by opening at 7:30 a.m. every day. 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. In addition, five of the drive-thrus are open at 7:30 a.m.

- 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-line 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. In addition, the bank also offers a toll free, 24-hour telephone service. 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.
- 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 include, but are not limited to:
 1. Chamber of Commerce in 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. FSNB employees have served in the following positions since 2006:
 - a. Chairman of the Lincoln County Chamber of Commerce (currently).
 - b. Board member for the Monticello County Chamber of Commerce (2006 - 2007).
 - c. Board member of the Logan County Chamber of Commerce (2006 - 2008).
 - d. Board member of the Garrard County Chamber of Commerce (2006 - 2008).
 - e. President of the Garrard County Chamber of Commerce (2006 - 2007).
 - f. Ambassador for the Somerset/Pulaski Chamber of Commerce (currently).
 - g. Ambassador for the Logan County Chamber of Commerce (2006 - 2008).
 2. Garrard County Tourism: The primary purpose of this organization is promoting tourism in Garrard County. One of FSNB's Senior Vice Presidents has served as Treasurer for the years of 2006 through 2008.
 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 Community Presidents is serving as the Treasurer for the Princeton Habitat for Humanity. This person is also a member of the Board for the Caldwell County Free Clinic as well as the Treasurer for the Board of Directors for the Salvation Service Unit of

Caldwell County. In addition, the bank has one person from the Loan department serving as a member of the Madison County Habitat for Humanity; and one Vice President serving as a Director for the Lincoln County Habitat for Humanity.

4. Other organizations where bank officers either serve as Board members or provide financial expertise include: the River Foundation (local chapter), the American Red Cross (local chapter), Big Brothers Big Sisters (local chapter), United Way Heart of Kentucky (local chapter), Wayne County Area Technology Center, ANGELS Food Bank program, Lincoln County Planning and Zoning, Logan County Adult Learning and Workforce Training Organization, Salvation Army (local chapter), Lincoln County Educational Fund, Kentucky Disaster Relief Association, 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	15,666	0.22%	13.01%	51.73%	35.04%	0.00%
Farms by Geography	733	0.00%	11.19%	57.71%	31.10%	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	= \$32,884	Median Housing Value		= \$70,871		
HUD Adjusted Median Family Income for 2007	= \$39,100	Unemployment Rate		See below		
Households Below the Poverty Level	= 20.27%					

(*) 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 AA1 consists of all of Garrard, Lincoln, Madison, Pulaski, and Wayne counties. For this AA, FSNB has 11 branches with two branches located in moderate-income CTs, eight branches located in middle-income CT's, and one branch 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 \$305 million. As of June 30, 2008, 48 percent of FSNB's deposits were derived from this AA. Based on FDIC market share data as of June 30, 2008, this equates to a 12 percent deposit market share that ranks FSNB as the second 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 90 people. The majority of Garrard County residents (approximately 67 percent) commute outside the county for employment.
- Lincoln County: The largest employer is Brake Parts, Inc., and it employees approximately 460 people. The majority of Lincoln County residents (approximately 60 percent) commute outside the county for employment.
- Madison County: The five largest employers are EnerSys, Inc. (batteries); Mikron Industries, Inc. (vinyl extrusions); Richmond Auto Parts Technology, Inc. (automotive parts); Sherwin-Williams Automotive Finishes Corporation (automotive coatings & finishes); and The Okonite Company (insulated electrical cable). These five organizations employee approximately 1,400 people.
- Pulaski County: The five largest employers are Super Service (a freight carrier); Eagle Hardwoods, Inc. (hardwood flooring); Armstrong Wood Products (hardwood flooring); Southern Belle Dairy Co, LLC. (liquid milk and juice drinks); and Toyotetsu America, Inc. (automotive components & stampings). These five organizations employee approximately 2,250 individuals.
- Wayne County: The four largest employers are American Woodmark Corporation (wooden cabinets); Belden-CDT (electronic wire and cable); Patriot Industries, Inc. (sporting goods); and Cobb Vantress, Inc. (chicken breeder). Together, these four organizations employee approximately 1,350 individuals.

As of November 2008, the unemployment rate for this AA ranged from 5.8 percent in Madison County to 9.0 percent in Wayne County, as compared to 7.0 percent for the state of Kentucky.

In this non-metropolitan AA, households living below the poverty level average 20 percent with the lowest poverty rate in Garrard County at 17 percent to 27 percent in Wayne County. As a result, it is especially difficult for this segment of the population to afford and maintain a home. Other demographics to consider: 30 percent of the households within this AA are on social security, 26 percent of all housing units are rental properties, and 20 percent of all housing units are mobile homes or trailers. These demographics further support residents' difficulty in owning homes and turning to rental properties and/or mobile homes as an affordable alternative due to fixed incomes as well as high poverty levels discussed above.

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 27 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.

Based on the demographics of the area and discussions with bank management as well as recent community contacts, 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%	1.45%
Population by Geography	299,553	9.79%	19.35%	41.62%	29.10%	0.14%
Owner-Occupied Housing by Geography	69,225	3.87%	16.68%	43.59%	35.86%	0.00%
Businesses by Geography	28,600	13.30%	15.30%	37.05%	34.12%	0.23%
Farms by Geography	1,047	5.83%	12.51%	38.30%	43.36%	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%	15.15%	0.00%
Median Family Income HUD Adjusted Median Family Income for 2007 Households Below the Poverty Level	= \$51,365 = \$59,800 = 12.70%	Median Housing Value Unemployment Rate			= \$116,066 See below	

(*) 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: Only 68 of the 69 CTs are rated low, moderate, middle, or upper income. One CT has been left unrated by the US Census Bureau. Consequently, data connected to this one unrated CT is reflected as being "N/A."

FSNB's AA2 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 three branch offices along with three full-service ATMs located at each of the branches.

As of June 30, 2008, approximately 7 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 \$48 million. Based on FDIC deposit market share data as of June 30, 2008, this equates to 0.81 percent deposit market share that ranks FSNB as the twenty-second largest deposit taking institution in the AA.

AA2 is located in central Kentucky. The local economy is well respected for retail trade, manufacturing, and services. Major employers for each county include the following:

- Fayette County: The largest employers include Lexmark International, Inc. (printers & information processing supplies); Trane Company (commercial & industrial air handling equipment); Amazon.com (fulfillment center); ACS (mailroom, scanning, and data capture along with customer care); L-3 Communications Integrated Systems (contractor logistics support); Webasto Roof Systems, Inc. (automotive sunroofs); and Valvoline (administrative offices and lab). These companies employ over 10,000 individuals.

- Jessamine County: The largest employers include Trim Masters, Inc. (labels, tags & shipping supplies); Alltech, Inc. (animal feed additives); McKechnie Vehicle Components (plastic injection molding); Donaldson Co, Inc. (industrial air pollution control devices); RockTenn (paperboard folding boxes); and McLane Cumberland (food distribution center). These companies employ approximately 2,000 people. The majority of Jessamine County residents (approximately 54 percent) commute outside of the county for employment.

As of November 2008, the unemployment rate for the Lexington MSA was 7.0 percent, as compared to 7.0 percent for the State of Kentucky. The unemployment rate in Jessamine County was 5.6 percent and 4.8 percent in Fayette County.

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	530438	0.00%	0.00%	49.47%	50.53%	0%
Farms by Geography	435	0.00%	0.00%	33.10%	66.90%	0%
Family Distribution by Income Level	13,895	16.33%	16.17%	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 2007 Households Below the Poverty Level	= \$32,884 = \$39,100 = 15.69%	Median Housing Value Unemployment Rate				= \$61,286 See below

(*) 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 AA3 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. FSNB's deposits in the AA total approximately \$289 million. As of June 30, 2008, 45 percent of FSNB's deposits were derived from this AA. Based on FDIC market share data as of June 30, 2008, this equates to a 39 percent deposit market share that ranks FSNB as the largest deposit taking institution in the AA.

This three county area is located in western Kentucky. The local economy is considered stable and 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), Ventra Plastics (injection molded plastic automotive trim), and Sensus Precision Die Casting (aluminum die castings). These four organizations employ approximately 2,200 people.
- Ballard County: The largest employer is NewPage Corporation (wood pulp and paper) in Wickliffe and employees approximately 520 people. A significant amount of Ballard County residents (approximately 47 percent) commute outside of the county for employment.

- Caldwell County: The largest employer is Bremner, Inc. (cookies and crackers) in Princeton and employees approximately 580 people. A significant amount of Caldwell residents (approximately 32 percent) commute outside of the county for employment.

As of November 2008, the unemployment rate for the AA ranged from 6.5 percent in Caldwell County to 6.7 percent in Ballard County, as compared to 7.0 percent for the state of Kentucky.

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. Lending Volume

Lending Volume		Geography: AA 1, AA 2, AND AA 3										Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008	
MA/Assessment Area (2007):	% 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)	#	\$ (000's)		
Full Review:													
AA 1: First Southern Five City NonMSA	46.35	723	59,174	20	1,719	N/A	N/A	13	7,069	756	67,962	N/A	
AA 2: First Southern Lexington Fayette MSA	6.79	106	17,664	20	5,109	N/A	N/A	0	0	126	22,773	N/A	
AA 3: First Southern Combined Ballard Caldwell Logan	44.74	698	36,103	20	1,534	N/A	N/A	0	0	718	37,637	N/A	

* Loan Data as of December 31, 2008. Rated area refers to either state or multi-state MA rating area. This column represents the percentage of HMDA loans generated within the assessment areas during the evaluation period. 2.12% of the HMDA loans were generated outside of the assessment area in the Bowling Green-MSA, where the bank has an LPO located.

** The evaluation period for Community Development Loans is from January 01, 2006 to February 2, 2009.

*** Deposit Data as of February 09, 2009. 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		Geography: AA 1, AA 2, AND AA 3										Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008			
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% Owner Occ Units***	% Owner Occ Units***	% Owner Occ Units***	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
AA 1: First Southern Five City NonMSA	279	85.58	0.04	0.36	10.48	19.71	55.87	52.33	33.61	27.60	N/A	N/A	N/A	N/A	N/A
AA 2: First Southern Lexington Fayette MSA	47	14.42	3.87	10.64	16.68	17.02	43.59	42.55	35.86	29.79	N/A	N/A	N/A	N/A	N/A
Full Review:															

* Based on 2007 Peer Mortgage Data (Eastern)
 ** Home purchase loans originated and purchased in the MAA/AA as a percentage of all home purchase loans originated and purchased in the rated area.
 *** Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.
 **** Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT		Geography: AA 1, AA 2, AND AA 3		Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008										
MA/Assessment Area:	Total Home Improvement Loans #	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
		% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
AA 1: First Southern Five City NonMSA	171	0.04	0.00	10.48	26.90	55.87	57.31	33.61	15.79	N/A	N/A	N/A	N/A	N/A
AA 2: First Southern Lexington Fayette MSA	16	3.87	0.00	16.68	12.50	43.59	43.75	35.86	43.75	N/A	N/A	N/A	N/A	N/A
Full Review:														

* Based on 2007 Peer Mortgage Data (Eastern)

** 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 units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

**** Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE		Geography: AA 1, AA 2, AND AA 3		Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008											
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
AA 1: First Southern Five City NonMSA	271	86.58	0.04	0.00	10.48	18.82	55.87	46.86	33.61	34.32	N/A	N/A	N/A	N/A	N/A
AA 2: First Southern Lexington Fayette MSA	42	13.42	3.87	2.37	16.68	16.67	43.59	40.48	35.86	40.48	N/A	N/A	N/A	N/A	N/A
Full Review:															

* Based on 2007 Peer Mortgage Data (Eastern)

** Home refinance loans originated and purchased in the MA/JAA as a percentage of all home refinance loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

**** Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

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Table 5. Geographic Distribution of Business Loans

Geographic Distribution: BUSINESS LOANS		Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008												
		Geography: AA 1 AND AA 2				Market Share (%) by Geography*								
MA/Assessment Area:	Total Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mid	Upp
	#	% of Total**	% of Business S***	% BANK Loans	% of Business S***	% BANK Loans	% of Business S***	% BANK Loans	% of Business S***	% BANK Loans				
AA 1: Garrard, Lincoln, Madison, Pulaski, and Wayne Counties	20	50.00	0.22	0.00	13.01	35.00	51.73	50.00	35.04	15.00	NA	NA	NA	NA
AA 2: Fayette and Jessamine Counties	20	50.00	13.30	5.00	15.30	15.00	37.05	50.00	34.12	30.00	NA	NA	NA	NA

Full Review:

Note: In regards to AA2, the percentage of businesses located throughout the assessment area do not add up to 100 percent due to location information for 0.23 percent of the businesses not being available. Please refer to Appendix A – AA2: Lexington MSA of Fayette and Jessamine Counties for details regarding demographics.

* Based on 2003 Peer Small Business Date: US. Not available for this review.

** Sample of 20 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: 2008 Business Geo-Demographic Data.

Table 6. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		Geography: AA 1, AA 2, AND AA 3										Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008			
MA/Assessment Area:	Total Home Mortgage Refinance 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
Full Review:															
AA 1: First Southern Five Cty NonMSA	279	54.28	20.05	9.49	16.43	14.23	19.63	19.76	43.89	56.52	N/A	N/A	N/A	N/A	N/A
AA 2: First Southern Lexington Fayette MSA	47	9.14	20.82	5.13	17.39	23.08	21.33	33.33	40.46	38.46	N/A	N/A	N/A	N/A	N/A
AA 3: First Southern Combined Ballard Caldwell Logan	188	36.58	16.33	5.06	16.17	18.54	19.19	24.16	48.31	52.24	N/A	N/A	N/A	N/A	N/A

* Based on 2007 Peer Mortgage Data (Eastern)

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

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

**** 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.

Table 7. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT		Geography: AA 1, AA 2, AND AA 3				Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008									
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total**	% Families S***	% BANK Loans****	% Families1	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
Full Review:															
AA 1: First Southern Five Cty NonMSA	171	44.53	20.05	20.27	16.43	13.07	19.63	22.22	43.89	44.44	N/A	N/A	N/A	N/A	N/A
AA 2: First Southern Lexington Fayette MSA	16	4.17	20.82	0.00	17.39	13.33	21.33	20.00	40.46	66.67	N/A	N/A	N/A	N/A	N/A
AA 3: First Southern Combined Ballard Caldwell Logan	197	51.30	16.33	10.87	16.17	22.83	19.19	18.48	48.31	47.82	N/A	N/A	N/A	N/A	N/A

* Based on 2007 Peer Mortgage Data (Eastern)
 ** 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.
 1 Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

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Table 8. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE		Geography: AA 1, AA 2, AND AA 3				Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008									
MA/Assessment Area:	Total Home Mortgage Refinance Loans #	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*					
		% of Total**	% Families** *	% BANK Loans****	% Families2	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp	
AA 1: First Southern Five City NonMSA	271	43.29	20.05	9.24	16.43	12.85	19.63	19.68	43.89	58.23	N/A	N/A	N/A	N/A	N/A
AA 2: First Southern Lexington Fayette MSA	42	6.71	20.82	10.26	17.39	25.64	21.33	15.38	40.46	48.72	N/A	N/A	N/A	N/A	N/A
AA 3: First Southern Combined Ballard Caldwell Logan	313	50.00	16.33	7.98	16.17	16.28	19.19	19.93	48.31	55.81	N/A	N/A	N/A	N/A	N/A

Full Review:

* Based on 2007 Peer Mortgage Data (Eastern)
 ** As a percentage of loans with borrower income information available.
 *** Percentage of Families is based on the 2000 Census information.
 **** Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.
 2 Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 9. Borrower Distribution of Business Loans

Borrower Distribution: BUSINESS LOANS		Geography: AA 1, AA 2, AND AA 3		Evaluation Period: JANUARY 1, 2006 TO DECEMBER 31, 2008					
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Market Share*				
	#	% of Total**	% of Businesses***	% BANK Loans****					
		Loans by Original Amount Regardless of Business Size		Rev\$ 1 Million or Less					
		\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All				
Full Review:									
AA 1: Garrard, Lincoln, Madison, Pulaski, and Wayne Counties	20	33.33	53.89	100.00	75.00	20.00	5.00	NA	NA
AA 2: Fayette and Jessamine Counties	20	33.33	63.27	90.00	60.00	5.00	35.00	NA	NA
AA 3: Ballard, Caldwell, and Logan Counties	20	33.34	41.50	100.00	70.00	30.00	0.00	NA	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 (2008 Business Demographics).

**** Small loans to businesses with revenues of \$1 million or less as a percentage of business loans sampled (i.e. sample size of 20 business loans).

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Table 10. Community Development Loans

MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments		Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	#	\$(000's)
Full Review:								
AA 1: First Southern Five City NonMSA	5	2,909	8	4,160	13	7,069	0	0
AA 2: First Southern Lexington Fayette MSA	0	0	0	0	0	0	0	0
AA 3: First Southern Combined Ballard Caldwell Logan	0	0	0	0	0	0	0	0
							100.00	0
							0.00	0
							0.00	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.

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: JANUARY 1, 2006 TO FEBRUARY 2, 2009			
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	Low	Mod	Upp			
AA 1: First Southern Five City NonMSA	0.00	11	50.00	0.00	18.18	72.73	9.09	1	2	0	0	-1	0	2.33	10.45	53.21	34.01			
AA 2: First Southern Lexington Fayette MSA	0.00	3	13.64	0.00	0.00	33.33	66.67	1	0	0	0	+1	0	9.79	19.35	41.62	29.10			
AA 3: First Southern Combined Ballard Caldwell Logan	0.00	8	36.36	0.00	0.00	50.00	50.00	0	0	0	0	0	0	0.00	0.00	50.55	49.45			

Full Review:

In regards to AA2, the percentage of population within each geography does not add up to 100 percent due to one of the 69 census tracts not being rated as low, moderate, middle, or upper income. Consequently, 0.14 percent of the population is not represented above as they are located in this one census tract. Please refer to Appendix A -- AA2: Lexington MSA of Fayette and Jessamine Counties for details regarding demographics.

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: JANUARY 1, 2006 TO FEBRUARY 9, 2009													
MA/Assessment Area:	Deposits % of Total Bank Deposits	Branches			# of Bank ATMs	% of Total Bank ATMs	ATMs			Population							
		% of Total Bank Branches	Location of Branches by Income of Geographies (%)				Location of ATMs by Income of Geographies			% of Population within Each Geography							
			Low	Mod			Upp	Low	Mod	Upp	Low	Mod	Upp				
Full Review:																	
AA 1: First Southern Five City NonMSA	47.52	11	50.00	0.00	18.18	72.73	9.09	5	38.46	0.00	20.00	80.00	0.00	2.33	10.45	53.21	34.01
AA 2: First Southern Lexington Fayette MSA	7.42	3	13.64	0.00	0.00	33.33	66.67	3	23.08	0.00	0.00	33.33	66.67	9.79	19.35	41.62	29.10
AA 3: First Southern Combined Ballard Caldwell Logan	45.06	8	36.36	0.00	0.00	50.00	50.00	5	38.46	0.00	0.00	50.00	50.00	0.00	0.00	50.55	49.45

In regards to AA2, the percentage of population within each geography does not add up to 100 percent due to one of the 69 census tracts not being rated as low, moderate, middle, or upper income. Consequently, 0.14 percent of the population is not represented above as they are located in this one census tract. Please refer to Appendix A – AA2: Lexington MSA of Fayette and Jessamine Counties for details regarding demographics.

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