



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 13, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Southern National Bank
Charter Number: 1493

27 Public Square
Lancaster, Kentucky 40444

Office of the Comptroller of the Currency

ADC-LOUISVILLE Field Office
10200 Forest Green Blvd Suite 501
Louisville, Kentucky 40223

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: Satisfactory

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

First Southern National Bank (FSNB) has a satisfactory record of meeting community credit needs. This conclusion is based on the following:

- FSNB's loan-to-deposit ratio is reasonable.
- A substantial majority of FSNB's loans originated during this assessment period were within the Assessment Areas (AAs).
- FSNB's distribution of loans to low- and moderate-income individuals is reasonable.
- FSNB's geographic distribution of loans reflects reasonable dispersion throughout the AAs.
- FSNB's community development performance demonstrates excellent responsiveness to the community development needs of the AAs.

Scope of Examination

First Southern National Bank (FSNB) was evaluated under the Intermediate Small Bank examination procedures, which include a lending test and a community development test. The lending test evaluated the bank's record of meeting the credit needs of its Assessment Area (AA) through its lending activities. The community development test evaluated the bank's responsiveness to community development needs in its AA through community development lending, qualified investments, and community development services.

The lending test evaluated FSNB's lending performance from January 1, 2010 through December 31, 2011. The evaluation period for the community development test is from February 3, 2009 through February 13, 2012.

The scope of the lending test included an assessment of the bank's primary loan types, residential real estate loans and business purpose loans. The residential real estate lending analysis was based on the loans FSNB reported on the Home Mortgage Disclosure Act Loan Application Register (HMDA LAR) from January 1, 2010 through December 31, 2011. The OCC performed a data integrity review to verify the accuracy of the bank's HMDA data, and concluded the data was reliable. The business purpose loan analysis was performed by identifying a sample of eighty (80) business loan originations.¹

¹ FSNB is not required to report business purpose loans on HMDA-LAR

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 \$688 million. As of December 31, 2011, FSNB had \$676 million in total assets, \$573 million in deposits, \$396 million in loans, and \$59 million in Tier 1 capital. FSNB offers traditional banking products and services and has 19 locations. Since the last CRA examination, the bank closed three branches; none of the branch closures were in low- or moderate-income census tracts. FSNB is accessible to all segments of the community.

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 December 31, 2011, net loans represented 58 percent of FSNB's assets. The loan portfolio mix is as follows: 42 percent - commercial and commercial real estate loans, 38 percent - residential real estate loans, 12 percent - agricultural and agricultural real estate loans, 4 percent - construction and development loans, and 4 percent - consumer loans.

There are no legal, financial, or other factors impeding FSNB's ability to help meet the credit needs of the communities it serves. The last CRA evaluation was performed February 2, 2009. FSNB received a rating of Satisfactory.

Description of Assessment Area(S)

FSNB serves four Assessment Areas (AAs). Two AAs are located in metropolitan statistical areas (MSAs) and two are located in non-MSA areas. (“AA1”) is the Bowling Green, Kentucky MSA and includes only Warren County. (“AA2”) is the Lexington, Kentucky MSA and includes two counties: Fayette and Jessamine. (“AA3”) is a Non-MSA located in central Kentucky and includes five counties: Garrard, Lincoln, Madison, Pulaski, and Wayne. (“AA4”) is in a Non-MSA located in western Kentucky and includes three counties: Ballard, Caldwell, and Logan.

The AAs delineation is in conformance with the regulatory requirements and is appropriate in relation to the location of FSNB’s offices. The delineation of the AAs does not arbitrarily exclude any low- or moderate-income areas.

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. 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.

AA 1: Bowling Green MSA (Warren County)

Demographic Information for Full-Scope Area: Bowling Green MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	19	0.00%	21.05%	57.89%	21.05%	0.00%
Population by Geography	92,522	0.00%	18.05%	54.35%	27.60%	0.00%
Owner-Occupied Housing by Geography	22,643	0.00%	9.66%	54.60%	35.74%	0.00%
Businesses by Geography	11,951	0.00%	18.17%	51.34%	30.47%	0.00%
Farms by Geography	496	0.00%	5.04%	53.43%	41.53%	0.00%
Family Distribution by Income Level	23,726	19.59%	16.71%	20.88%	42.83%	0.00%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	8,611	0.00%	25.91%	54.95%	19.14%	0.00%
Median Family Income HUD Adjusted Median Family Income for 2011: Households Below the Poverty Level	= \$45,967 = \$56,600 = 15.97%	Median Housing Value Unemployment Rate		= \$95,965 See below		

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

Source: 2000 U.S. Census, and 2011 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 AA1 consists of Warren County, in the Bowling Green MSA. (Note: The AA does not include Edmonson County in the Bowling Green MSA.) FSNB has one branch office along with one full-service ATM located at the branch.

As of June 30, 2011, less than 1 percent (0.41%) of FSNB’s deposits was derived from this MSA. FSNB’s deposits in the Bowling Green MSA (Warren County) AA total approximately \$2.24 million. Based on FDIC deposit market share data as of June 30, 2011, this equates to 0.12 percent deposit market share. This ranks FSNB as the eighteenth (out of 20) largest deposit taking institution in the AA.

AA1 is located in south-central Kentucky. The local economy is built around the service and manufacturing sectors. Major employers for Warren County include the following:

- Houchens Industries (employee owned conglomerate), Commonwealth Health Corporation/The Medical Center, Western Kentucky University, Warren County Public Schools, Fruit of the Loom, and Sun Products (fabric care and household products). Combined, these workforces total 11,083 employees.

As of November 2011, the unemployment rate for the Bowling Green MSA was 7.4 percent, as compared to 8.5 percent for the Commonwealth of Kentucky. The unemployment rate in Warren County was 7.1 percent.

AA 2: Lexington MSA (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%	0.15%
Owner-Occupied Housing by Geography	69,225	3.87%	16.68%	43.59%	35.85%	0.00%
Businesses by Geography	39,056	11.23%	14.29%	35.66%	38.56%	0.25%
Farms by Geography	1,361	5.58%	11.76%	37.11%	45.55%	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 2011: Households Below the Poverty Level	= \$54,695 = \$66,200 = 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, 2011 Business Demographic Data and 2011 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 AA2 consists of Fayette and Jessamine counties, in the Lexington MSA. (Note: The AA does not include Bourbon, Clark, Scott, and Woodford counties because the bank does not have branches within these counties) FSNB has three branch offices with three full-service ATMs located in each.

As of June 30, 2011, approximately 9.34 percent of FSNB's deposits were derived from this MSA. FSNB's deposits in the Lexington MSA (Fayette and Jessamine counties) AA total approximately \$52 million. Based on FDIC deposit market share data as of June 30, 2011, this equates to 0.80 percent deposit market share that ranks FSNB as the twenty-second (out of 28) 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 are Lexmark International, Inc. (printers and information processing supplies); Lockheed Martin (contractor logistics support); Amazon.com (fulfillment center); ACS (mailroom, scanning, and data capture along with customer care); Trane Company (commercial and industrial air handling equipment); Xerox (mailroom, scanning, and data capture along with customer care); UPS (small package distribution); Ashland Consumer Markets/Valvoline (administrative offices and lab); and Gall's (corporate office, inbound call center, distribution, shipping). These companies employ over 10,000 individuals.
- Jessamine County: The largest employers are McLane Cumberland (food distribution center); R J Corman Railroad Group (rail services and helicopter repair); McKechnie Vehicle Components (plastic injection molding); Alltech, Inc. (animal feed additives); Donaldson Co, Inc. (industrial air pollution control devices); RockTenn (paperboard folding boxes); and AmCor Rigid Plastics (custom plastic products). These companies employ approximately 2,000 individuals. The majority of Jessamine County residents (approximately 53 percent) commute outside of the county for employment.

As of November 2011, the unemployment rate for the Lexington MSA was 7.0 percent, as compared to 8.5 percent for the Commonwealth of Kentucky. The unemployment rate in Jessamine County was 7.8 percent and 6.7 percent in Fayette County.

AA 3: Non-MSA Central Kentucky (Garrard, Lincoln, Madison, Pulaski, and Wayne Counties)

Demographic Information for Full-Scope Area: Non-MSA Central Kentucky AA						
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	19,599	0.23%	9.18%	53.48%	37.10%	0.00%
Farms by Geography	855	0.00%	7.13%	58.95%	33.92%	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 2011: Households Below the Poverty Level	= \$35,963 = \$43,000 = 20.27%	Median Housing Value Unemployment Rate			= \$70,871 See below	

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2000 U.S. Census, 2011 Business Demographic Summary and 2011 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-MSA AA3 consists of all of Garrard, Lincoln, Madison, Pulaski, and Wayne counties. FSNB has eleven branches in this AA, two located in moderate-income census tracts (CTs); eight located in middle-income CTs; and one located in upper-income CTs. In addition, FSNB has five ATMs within the AA located at branch offices.

FSNB’s deposits in AA3 total approximately \$262 million. As of June 30, 2011, 48 percent of FSNB’s deposits were derived from this AA. Based on FDIC market share data as of June 30, 2011, this equates to a 10 percent deposit market share. This ranks FSNB as the fourth (out of 23) largest deposit taking institution in the AA.

This five county area is located in central and 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, which employs approximately 74 individuals. The majority of Garrard County residents (approximately 67 percent) commute outside the county for employment.

- Lincoln County: The largest employer is Brake Parts, Inc., which employs approximately 365 individuals. The majority of Lincoln County residents (approximately 60 percent) commute outside the county for employment.
- Madison County: The five largest employers are Hitachi Automotive Systems (brake and suspension systems); NACCO (lift trucks); Blue Grass Chemical Agent Destruction Plant (chemical weapon destruction); Sherwin-Williams Automotive Finishes Corporation (automotive coatings & finishes); and EnerSys (batteries). These five organizations employ approximately 3,182 individuals.
- Pulaski County: The five largest employers are Toyotetsu America (automotive components and stampings); Super Service (a freight carrier); Blackboard (software technical support center); Hendrickson USA (trailer suspension systems); and Armstrong Wood Products (hardwood flooring). These five organizations employ approximately 2,353 individuals.
- Wayne County: The four largest employers are American Woodmark Corporation (wooden cabinets); Patriot Industries, Inc. (sporting goods); Belden-CDT (electronic wire and cable); and Cobb Vantress, Inc. (chicken breeder). Together, these four organizations employ approximately 1,167 individuals.

As of November 2011, the unemployment rate for this AA ranged from 7.2 percent in Madison County to 11.5 percent in Lincoln County, as compared to 8.5 percent for the Commonwealth of Kentucky.

AA 4: Non-MSA Western Kentucky AA (Ballard, Caldwell, and Logan Counties)

Demographic Information for Full-Scope Area: Non-MSA Western Kentucky AA						
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	6,004	0.00%	0.00%	51.12%	48.88%	0%
Farms by Geography	528	0.00%	0.00%	35.23%	64.77%	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 = \$38,688 HUD Adjusted Median Family Income for 2011: = \$43,000 Households Below the Poverty Level = 15.69%		Median Housing Value = \$61,286 Unemployment Rate See below				

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

Source: 2000 U.S. Census, 2011 Business Demographic Summary and 2011 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-MSA AA4 consists of all of Ballard, Caldwell, and Logan counties. FSNB has eight branches all located in either middle- or upper-income CTs. In addition, FSNB has five ATMs within the AA located at branch offices.

FSNB’s deposits in AA4 total approximately \$236 million. As of June 30, 2011, 43 percent of FSNB’s deposits were derived from this AA. Based on FDIC market share data as of June 30, 2011, this equates to a 32 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 and agricultural production. The major employers for each county include the following:

- Logan County: The five 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 1,900 individuals.
- Ballard County: The largest employer is Wickliffe Paper Company, LLC (wood pulp and paper) in Wickliffe and employs approximately 480 individuals. 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 employs approximately 631 individuals. A significant amount of Caldwell residents (approximately 32 percent) commute outside of the county for employment.

As of November 2011, the unemployment rate for AA4 ranged from 7 percent in Caldwell County to 9.5 percent in Ballard County, as compared to 8.5 percent for the Commonwealth of Kentucky.

Conclusions with Respect to Performance Tests

First Southern National Bank's (FSNB) performance under the lending test is satisfactory.

FSNB's loan-to-deposit ratio is reasonable and a substantial majority of loan originations were inside the bank's Assessment Areas (AAs). FSNB's borrower distribution reflects reasonable penetration among borrowers of different income-levels and businesses of different sizes. The geographic distribution of FSNB's residential and business loans reflect reasonable dispersion among geographies.

Less weight and consideration was given to the Bowling Green MSA AA due to the length of time the bank has been in this AA. Less than one percent of the deposits are derived from this AA and only two percent of the bank's originated loans are in this AA.

LENDING TEST

Loan-to-Deposit Ratio

FSNB's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AAs credit needs. The bank's net loan-to-deposit ratio averaged 70 percent over the 11 quarters since the last CRA examination, with a quarterly low of 66 percent and a quarterly high of 80 percent. FSNB's net loan-to-deposit ratio is below other community banks of similar size, location, and product offerings. The other banks had average net loan-to-deposit ratios ranging from 71 percent to 88 percent over the 11 quarters.

Our conclusion took into consideration the competitive market within the AA and FSNB's secondary market activity. FSNB's average loan-to-deposit ratio does not reflect all home mortgage lending activity, as the bank routinely originates and sells mortgages to the secondary market. Since January 2010, FSNB has sold approximately \$8 million in mortgage loans to the secondary market.

Institution	Average Net Loan-to-Deposit Ratio
First Southern National Bank	69.81
Bank #1	70.71
Bank #2	81.48
Bank #3	88.18

Lending in Assessment Area

FSNB originated a substantial majority inside the AAs. The following table details the bank’s lending within the AAs by number and dollar amount of loans originated during the evaluation period. Loan originations to borrowers within the bank’s AAs totaled 85 percent by number and 44 percent by dollar amount.

Lending in all Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans (000’s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA-reported	985	85	172	15	1,157	62,657	43	82,050	57	144,707
Business Purpose	65	81	15	19	80	1,574	76	491	24	2,065
Totals	1,050	85	187	15	1,237	64,231	44	82,541	56	146,772

Source: HMDA data for Residential loans originated between January 1, 2010 and December 31, 2011. Random sample of 80 business purpose loans originated between January 1, 2010 and December 31, 2011 pulled from bank’s loan trial.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Overall, the distribution of loans, given the demographics of the AA, reflects reasonable penetration among low- and moderate-income individuals and business entities with annual revenue of less than \$1 million.

Less weight and consideration was given to the Bowling Green MSA AA due to the length of time the bank has been in this AA. Less than one percent of the deposits are derived from this AA and only two percent of the bank’s originated loans are in this AA.

Bowling Green MSA AA

The distribution of residential real estate loans reflects poor penetration among individuals of different incomes, including low- and moderate-income borrowers, in the Bowling Green MSA AA. In addition, the penetration of loans to small businesses is also poor.

FSNB’s loan distribution to low-income borrowers represented 11 percent of total loan

originations, which is below the demographic comparator of 20 percent of low-income families in the AA. Home loan originations to moderate-income borrowers were 6 percent and were also below the demographic comparator of 17 percent.

The following table shows the distribution of home loan products among borrowers of different income levels for the period January 1, 2010 through December 31, 2011 as compared to the percentage of families in each income category.

Borrower Distribution of Residential Real Estate Loans in Bowling Green MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchases	19.59	7.14	16.71	7.14	20.88	28.58	42.83	57.14
Home Improvement	19.59	0.00	16.71	0.00	20.88	33.33	42.83	66.67
Home Refinance	19.59	16.67	16.71	5.56	20.88	22.22	42.83	55.55
Total	19.59	11.43	16.71	5.71	20.88	25.71	42.83	57.15

Source of Data – % of Number of Loans as a percentage of loans with borrower income information available derived from HMDA reported loans. FSNB reported income on 14 Home Purchase loans, 3 Home Improvement loans, and 18 Home Refinance loans. Source of Data - % of AA Families derived from 2000 Census information

FSNB made 50 percent of their business loans to small business entities with annual revenues of less than \$1 million. FSNB’s lending performance is considered poor when compared to the percentage of small businesses within the AA.

Borrower Distribution of Loans to Businesses in Bowling Green MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	68.65	2.67	28.68	100%
% of Bank Loans in AA by #	50.00	50.00	0.00	100%
% of Bank Loans in AA by \$	49.36	50.54	0.00	100%

Source of Data - % of AA Businesses derived from 2000 Census information. Bank generated reports containing Business loans originated between January 1, 2010 and December 31, 2011.

Lexington MSA AA

The distribution of residential real estate loans reflects reasonable penetration among individuals of different incomes, including low- and moderate-income borrowers in the Lexington MSA AA. In addition, the penetration of loans to small businesses is also reasonable.

FSNB’s loan distribution to low-income borrowers represented 22 percent of total loan originations, which is above the demographic comparator of 21 percent of low-income families in the AA. Home loan originations to moderate-income borrowers were 11 percent and were below the demographic comparator of 17 percent.

The following table shows the distribution of home loan products among borrowers of different income levels for the period January 1, 2010 through December 31, 2011 as compared to the percentage of families in each income category.

Borrower Distribution of Residential Real Estate Loans in Lexington MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchases	20.82	20.00	17.39	15.00	21.33	35.00	40.46	30.00
Home Improvement	20.82	30.00	17.39	10.00	21.33	20.00	40.46	40.00
Home Refinance	20.82	20.59	17.39	8.82	21.33	23.53	40.46	47.06
Total	20.82	21.88	17.39	10.94	21.33	26.56	40.46	40.62

Source of Data – % of Number of Loans as a percentage of loans with borrower income information available derived from HMDA reported loans. FSNB reported income on 20 Home Purchase loans, 10 Home Improvement loans, and 34 Home Refinance loans. Source of Data - % of AA Families derived from 2000 Census information

FSNB made 53 percent of their business loans to small business entities with annual revenues of less than \$1 million. FSNB’s lending performance is considered reasonable when compared to the percentage of small businesses within the AA. Although FSNB did not compare favorably to the demographic comparator for total volume of loans, more weight was given to the fact that 76 percent of the total dollar volume was originated to businesses with revenues less than \$1 million.

Borrower Distribution of Loans to Businesses in Lexington MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	66.57	3.14	30.29	100%
% of Bank Loans in AA by #	52.94	47.06	0.00	100%
% of Bank Loans in AA by \$	75.96	24.04	0.00	100%

Source of Data - % of AA Businesses derived from 2000 Census information. Bank generated reports containing Business loans originated between January 1, 2010 and December 31, 2011.

Non-MSA Central Kentucky AA

The distribution of residential real estate loans reflects reasonable penetration among

individuals of different incomes, including low- and moderate-income borrowers in the Non-MSA Central Kentucky AA. In addition, the penetration of loans to small businesses is excellent.

FSNB's loan distribution to low-income borrowers represented 16 percent of total loan originations, which is below the demographic comparator of 20 percent of low-income families in the AA. Home loan originations to moderate-income borrowers were 15 percent and were near the demographic comparator of 16 percent.

The following table shows the distribution of home loan products among borrowers of different income levels for the period January 1, 2010 through December 31, 2011 as compared to the percentage of families in each income category.

Borrower Distribution of Residential Real Estate Loans in Non-MSA Central Kentucky AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchases	20.05	13.86	16.43	14.85	19.63	17.82	43.89	53.56
Home Improvement	20.05	21.49	16.43	18.18	19.63	24.79	43.89	35.54
Home Refinance	20.05	14.00	16.43	12.67	19.63	24.00	43.89	49.33
Total	20.05	16.40	16.43	15.05	19.63	22.58	43.89	45.97

Source of Data – % of Number of Loans as a percentage of loans with borrower income information available derived from HMDA reported loans. FSNB reported income on 101 Home Purchase loans, 121 Home Improvement loans, and 150 Home Refinance loans. Source of Data - % of AA Families derived from 2000 Census information

FSNB made 76 percent of their business loans to small business entities with annual revenues of less than \$1 million. FSNB's lending performance is considered excellent when compared to the percentage of small businesses within the AA.

Borrower Distribution of Loans to Businesses in Non-MSA Central Kentucky AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	71.37	2.15	26.48	100%
% of Bank Loans in AA by #	76.32	23.68	0.00	100%
% of Bank Loans in AA by \$	58.86	41.14	0.00	100%

Source of Data - % of AA Businesses derived from 2000 Census information. Bank generated reports containing Business loans originated between January 1, 2010 and December 31, 2011.

Non-MSA Western Kentucky AA

The distribution of residential real estate loans reflects reasonable penetration among individuals of different incomes, including low- and moderate-income borrowers in the Non-MSA Western Kentucky AA. The penetration of loans to small businesses is excellent.

FSNB’s loan distribution to low-income borrowers represented 12 percent of total loan originations, which is below the demographic comparator of 16 percent of low-income families in the AA. Home loan originations to moderate-income borrowers were 18 percent and were above the demographic comparator of 16 percent.

The following table shows the distribution of home loan products among borrowers of different income levels for the period January 1, 2010 through December 31, 2011 as compared to the percentage of families in each income category.

Borrower Distribution of Residential Real Estate Loans in Non-MSA Western Kentucky AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchases	16.33	11.01	16.17	16.51	19.19	21.10	48.31	51.38
Home Improvement	16.33	14.04	16.17	21.64	19.19	25.15	48.31	39.17
Home Refinance	16.33	10.26	16.17	14.10	19.19	27.56	48.31	48.08
Total	16.33	11.93	16.17	17.66	19.19	25.00	48.31	45.41

Source of Data – % of Number of Loans as a percentage of loans with borrower income information available derived from HMDA reported loans. FSNB reported income on 101 Home Purchase loans, 121 Home Improvement loans, and 150 Home Refinance loans. Source of Data - % of AA Families derived from 2000 Census information

FSNB made 81 percent of their business loans to small business entities with annual revenues of less than \$1 million. FSNB’s lending performance is considered excellent when compared to the percentage of small businesses within the AA.

Borrower Distribution of Loans to Businesses in Non-MSA Western Kentucky AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	73.68	1.48	24.84	100%
% of Bank Loans in AA by #	80.95	19.05	0.00	100%
% of Bank Loans in AA by \$	83.88	16.12	0.00	100%

Source of Data - % of AA Businesses derived from 2000 Census information. Bank generated reports containing Business loans originated between January 1, 2010 and December 31, 2011.

Geographic Distribution of Loans

The overall geographic distribution of loans reflects reasonable dispersion into the low- and moderate-income census tracts. Less weight and consideration was given to the Bowling Green MSA AA due to the length of time the bank has been in this AA. Less than one percent of the deposits are derived from this AA and only two percent of the bank’s originated loans are in this AA. In addition, the Non-MSA Western Kentucky AA does not have any low or moderate-income census tracts; therefore, we did not perform the geographic distribution analysis on this AA.

Bowling Green MSA AA

Lending to geographies of different income levels in the Bowling Green MSA AA reflects poor dispersion. There are no low-income census tracts and four moderate-income census tracts in the Bowling Green MSA AA. FSNB did not originate any home loans to borrowers in the moderate-income tracts. The following table details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Geographic Distribution of Residential Real Estate Loans in Bowling Green MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchases	0.00	0.00	9.66	0.00	54.60	57.14	35.74	42.86
Home Improvement	0.00	0.00	9.66	0.00	54.60	33.33	35.74	66.67
Home Refinance	0.00	0.00	9.66	0.00	54.60	24.85	35.74	75.15
Total	0.00	0.00	9.66	0.00	54.60	44.74	35.74	55.26

* Source: HMDA data for Residential loans originated between January 1, 2010 and December 31, 2011

FSNB’s distribution of business loans in the AA reflects poor dispersion into the moderate-income census tracts. FSNB did not originate any business loans to entities located in the moderate-income census tracts.

The following table details the bank’s performance as compared to the percentage of businesses in each census tract income level.

Geographic Distribution of Loans to Businesses in Bowling Green MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Business Entities	% of # FHB Loans	% of AA Business Entities	% of # FHB Loans	% of AA Business Entities	% of # FHB Loans	% of AA Business Entities	% of # FHB Loans
Total	0.00	0.00	18.17	0.00	51.36	50.00	30.47	50.00

Source of Data - % of AA Businesses derived from 2000 Census information. Bank generated reports containing Business loans originated between January 1, 2010 and December 31, 2011.

Lexington MSA AA

Lending to geographies of different income levels in the Lexington MSA AA reflects reasonable dispersion and demonstrates satisfactory performance. Within the Lexington MSA AA, there are nine low-income and eleven moderate-income census tracts out of sixty-nine total census tracts.

FSNB’s geographic distribution to low-income census tracts represented 1 percent of total loan originations, which is near the demographic comparator of 4 percent of owner-occupied housing units within in the census tract. The geographic distribution of home loans of 16 percent within the moderate-income census tracts is comparable to the 17 percent of the owner occupied housing units within the census tracts.

The following table details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Geographic Distribution of Residential Real Estate Loans in Lexington MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchases	3.87	4.76	16.68	9.52	43.59	61.90	35.86	23.82
Home Improvement	3.87	0.00	16.68	0.00	43.59	69.23	35.86	30.77
Home Refinance	3.87	0.00	16.68	24.32	43.59	59.46	35.86	16.22
Total	3.87	1.00	16.68	12.61	43.59	61.81	35.86	24.58

* Source: HMDA data for Residential loans originated between January 1, 2010 and December 31, 2011

FSNB’s distribution of business loans in the AA reflects excellent dispersion into the low- and moderate-income census tracts. FSNB originated approximately 30 percent of their business loans to entities located in a low-income tract and 18 percent to entities located in a moderate-income tract. FSNB’s lending performance in the low-income

and moderate-income tracts is reasonable when compared to the demographic comparator of 11 percent and 14 percent, respectively.

The following table details the bank’s performance as compared to the percentage of businesses in each census tract income level.

Geographic Distribution of Loans to Businesses in Lexington MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Business Entities	% of # FHB Loans	% of AA Business Entities	% of # FHB Loans	% of AA Business Entities	% of # FHB Loans	% of AA Business Entities	% of # FHB Loans
Total	11.49	29.41	14.29	17.65	35.66	29.41	38.56	23.53

Source of Data - % of AA Businesses derived from 2000 Census information. Bank generated reports containing Business loans originated between January 1, 2010 and December 31, 2011.

Non-MSA Central Kentucky AA

Lending to geographies of different income levels in the Non-MSA Central Kentucky AA reflects excellent dispersion and demonstrates strong performance. Within the Non-MSA Central Kentucky AA, there is one low-income and seven moderate-income census tracts out of thirty-nine total census tracts.

FSNB did not originate any loans within the low-income census tracts and 24 percent to borrowers within the moderate-income census tracts. This compares favorably to the demographic comparator of less than 1 percent and 10 percent, respectively. Three of the five counties in this AA have been designated as distressed or underserved, these counties include Lincoln, Pulaski, and Wayne. FSNB made a significant volume of loan originations within the moderate- and middle-income census tracts and exceeded the demographic comparator in the moderate-income tract.

Geographic Distribution of Residential Real Estate Loans in Non-MSA Central Kentucky AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchases	0.43	0.00	10.63	19.33	55.30	51.26	33.64	29.41
Home Improvement	0.43	0.00	10.63	22.48	55.30	58.91	33.64	18.61
Home Refinance	0.43	0.00	10.63	27.78	55.30	51.85	33.64	20.37
Total	0.43	0.00	10.63	23.66	55.30	53.90	33.64	22.44

* Source: HMDA data for Residential loans originated between January 1, 2010 and December 31, 2011

FSNB's distribution of business loans in the AA reflects excellent dispersion into the moderate-income census tracts. FSNB originated approximately 11 percent of their business loans to entities located in a moderate-income tract. In addition, 55 percent of the business loan originations were to entities located in a middle-income tract. FSNB's lending performance in the moderate-income and middle-income tracts is excellent when compared to the demographic comparator of 9 percent and 53 percent, respectively.

The following table details the bank's performance as compared to the percentage of businesses in each census tract income level.

Geographic Distribution of Loans to Businesses in Non-MSA Central Kentucky AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Business Entities	% of # FHB Loans						
Total	0.23	0.00	9.18	10.53	53.48	55.26	37.11	34.21

Source of Data - % of AA Businesses derived from 2000 Census information. Bank generated reports containing Business loans originated between January 1, 2010 and December 31, 2011.

Non-MSA Western Kentucky AA

There are no low- or moderate-income census tracts in the Non-MSA Western Kentucky AA. Therefore, this AA was not assessed for the purpose of analyzing the geographic distribution.

Responses to Complaints

FSNB has not received any written complaints regarding its CRA performance during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test is rated Outstanding.

First Southern National Bank's (FSNB) community development performance through its record of retail services, community development loans, and qualified investments demonstrates excellent responsiveness to community development needs in its Assessment Area (AA).

Number and Amount of Community Development Loans

FSNB's Community Development lending reflects excellent responsiveness to community development needs within the AA. FSNB originated 15 community development loans during the evaluation period totaling approximately \$10.7 million, representing 18 percent of FSNB's Tier 1 capital. These loans were distributed among various projects including economic development initiatives, revitalization and stabilization efforts towards low- or moderate-income communities, and affordable housing project financing.

FSNB also participates in Kentucky Housing Corporation's lending efforts, Small Business Association's (SBA) 7(a) and 504 Loan Programs, Patriot Express Pilot Loan Initiative, and Kentucky Small Business Credit Initiative. In addition, FSNB has individuals who help customers and noncustomers with debt counseling by providing debt counselors at several of the branches.

Lexington MSA AA

During the evaluation period, FSNB originated three community development loans totaling \$5.1 million to an organization that operates in a contiguous county and benefits the Lexington MSA AA. These loans meet the needs of the community by providing affordable housing and community services targeted to low- or moderate-income individuals and demonstrate excellent responsiveness. Proceeds were used to build housing units for developmentally disabled individuals. The organization provides developmentally disabled individuals the opportunity to be self-sufficient, earn an income, rent a home, and be part of a community.

Non-MSA Central Kentucky AA

FSNB originated 11 community development loans totaling \$2.1 million to several organizations during the evaluation period in the Non-MSA Central Kentucky AA and

demonstrated excellent responsiveness. Two of the community development loans promoted economic development in the AA. Loan proceeds were used to finance the start-up of a new business and purchase equipment. In addition, one loan was originated to continue attracting new industry and business to Garrard County.

Three of the community development loans were to finance the renovation of a historical building in Garrard County. The City of Lancaster is participating in a revitalization program to revitalize and stabilize the county.

Four of the community development loans were to organizations within counties designated as distressed. Each of these loans primary purpose was to revitalize or stabilize a distressed geography.

Finally, one loan was originated to meet the affordable housing needs of Garrard County.

Bowling Green MSA AA and Non-MSA Western Kentucky AA

FSNB originated one community development loan during the evaluation period that benefited both the Bowling Green MSA and the Non-MSA Western Kentucky AA, totaling \$3.5 million, which represents excellent responsiveness. This loan meets the needs of the community by providing affordable housing and community services targeted to low- or moderate-income individuals as proceeds were used to renovate a not-for-profit elderly living facility.

Number and Amount of Qualified Investments

FSNB's amount of qualified community development investments demonstrates excellent responsiveness to the community development needs of the AAs.

FSNB purchased \$1.3 million in revenue bonds during the evaluation period. Three of the qualifying revenue bonds were for local schools within counties in the Non-MSA Central Kentucky AA designated as distressed. The bank also purchased another school revenue bond in the Non-MSA Western Kentucky AA totaling \$90 thousand.

In addition, FSNB purchased one Small Business Loan Pool Investment totaling \$1.5 million. Investments of this nature promote economic development and are eligible for receiving positive consideration for community development investments.

FSNB also made \$219 thousand in qualifying donations to organizations within the AAs who meet the primary purpose of community development.

Extent to Which the Bank Provides Community Development Services

The bank shows an excellent responsiveness to meeting community needs through qualified community services. In evaluating FSNB's services, we considered the bank's size in relation to the size of the AAs and the needs within the communities.

FSNB offers on-line banking to provide customers with additional access to their consumer and business accounts. Through online-banking customers can check account balances, view statements, transfer funds between accounts, make loan payments, and initiate stop payments. FSNB also offers free online bill pay to all customers.

FSNB participates in the Kentucky Housing Corporation's Unemployment Bridge Loan Program (UBP), which is a new forgivable loan option for eligible homeowners to assist them in making their mortgage payments. To be eligible, the homeowner must have experienced a job loss or reduction in income due to changing economic conditions, through no fault of their own, and demonstrate a need for assistance. The maximum amount of assistance is \$25,000 or 12 months, whichever occurs first.

To further meet the housing needs of low- and moderate-income individuals within the AA, FSNB offered an array of secondary market loans. During the evaluation period, FSNB sold \$8 million to the secondary market.

Through the bank's officers and employees, FSNB is involved in a variety of community development services in each of the AAs. One officer serves as the treasurer of The Salvation Army, whose mission is to provide community services targeted to low- or moderate-income individuals. Another officer serves as a chairperson of a committee whose targeted mission is to help underprivileged middle and high school students. One officer is currently serving as treasurer for a local economic partnership in the AA.

In addition, several bank employees either serve as board members or provide financial expertise to the following organizations: Princeton Water & Wastewater Commission, Kiwanis Club, Chamber of Commerce, and Parks and Recreation.

Responsiveness to Community Development Needs

FSNB's community development activities, as a whole, demonstrate excellent responsiveness to the needs and opportunities in the AAs. Several of the bank's community development loans promote economic development and provide community services to low- and moderate-income individuals. FSNB employees provide numerous community services to organizations offering services to low- and moderate-income individuals or organizations assisting small businesses. Donations were also made to local organizations which provide community development services.

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.