

2010 ANNUAL REPORT



DEPARTMENT OF
FINANCIAL INSTITUTIONS

SUPERVISING KENTUCKY'S FINANCIAL INDUSTRY FOR 98 YEARS

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MISSION STATEMENT

The DFI's mission is to serve Kentucky residents and protect their financial interests by maintaining a stable financial industry, continuing effective and efficient regulatory oversight, promoting consumer confidence and encouraging economic opportunities.

VISION

The Kentucky Department of Financial Institutions (DFI) will:

- Be a leader in developing and implementing sound public policies.
- Be an effective, proactive, credible and respected regulatory agency.
- Be a leader in educating and protecting the investing, depositing and borrowing public.
- Encourage capital formation and economic development.
- Achieve a work environment that encourages career opportunities, professional development and equitable compensation.

VALUES

The DFI and its employees have a tradition of outstanding public service. Seven core values guide our employees to fulfill the department's mission and vision:

Effective and Efficient Operation

We will wisely use the resources entrusted to us by the Commonwealth to ensure maximum output is achieved for each dollar invested.

Responsibility

We accept the serious nature of the tasks (or duties) entrusted to us, and we are willing to be held accountable for the actions we choose.

Professionalism

We will provide quality services, which will be achieved through excellence, accountability, innovation and a highly skilled workforce.

Integrity

We will act honestly, fairly and impartially.

Teamwork

We will achieve organizational goals through open, responsive communication and cooperation with co-workers, other state government agencies and federal regulatory authorities.

Respect

We will be sensitive to the viewpoints and efforts of others, and we will strive to meet the needs of all of our stakeholders.

Initiative

We will identify potential issues that may impact the financial services industry, formulate appropriate solutions and proactively respond to change.



**PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS**

Dear Gov. Stephen L. Beshear,

As commissioner of the Kentucky Department of Financial Institutions (DFI), I am both honored and pleased to present the 2010 Annual Report. The following pages contain statistical and historical information regarding the financial services industry in Kentucky.

Kentucky's financial institutions continue to successfully deal with the economic turmoil that began in 2007. While the slowdown has adversely impacted employment in the Commonwealth, the economy has shown modest signs of recovery. The regulatory environment also has been altered by extensive new federal regulations that were passed in an attempt to address the problems that led to the crises. We are working closely with the industries we regulate to interpret, understand and implement the significant changes to the rules and regulations for financial services and products.

The Securities Division has worked on high-profile fraud cases in 2010 and obtained several guilty verdicts against companies and individuals that did not comply with state or federal statutes. In addition, as part of the Dodd-Frank Act, the DFI will assume responsibility for regulating all investment advisors (IA) with assets under management between \$25 million and \$100 million (currently, we are only responsible for IAs with less than \$25 million). The Securities Division is prepared to handle this new responsibility and has been conducting various outreach and training programs with the industry.

The Nondepository Division continues its proven track record of overseeing mortgage lending operations in Kentucky. We also have participated in multi-state mortgage examinations, which helped discover and correct underwriting and servicing problems. DFI was the third state regulator in the nation to achieve Mortgage Accreditation. This signifies we have demonstrated conformance with the highest standards of mortgage supervision and regulation.

State-chartered banks and credit unions increased both total assets and total loans during 2010. Financial institution managers in Kentucky have made a commitment to deal with economic problems and to help their communities grow when possible. While profitability measures are below historical levels, the return on average assets for banks and credits unions in Kentucky improved during the past 12 months. Strong capital positions, coupled with sound risk management practices, have helped financial institutions survive in this challenging economic environment.

The DFI remains a leader in the financial regulatory process. We have built valuable relationships not only with the industries we regulate, but also with our federal regulatory counterparts. These relationships have helped the DFI seek and implement alternative strategies to deal with problems. This annual report indicates that Kentucky's financial services industry has weathered the storm and remains committed to helping our communities and residents deal with economic uncertainty. The DFI has a dedicated staff, and we will fulfill our mission of maintaining a stable financial industry, providing effective and efficient regulatory oversight, promoting consumer confidence and encouraging economic opportunities.

Sincerely,

A handwritten signature in black ink, reading "Cha A. Vice".

Charles A. Vice, Commissioner



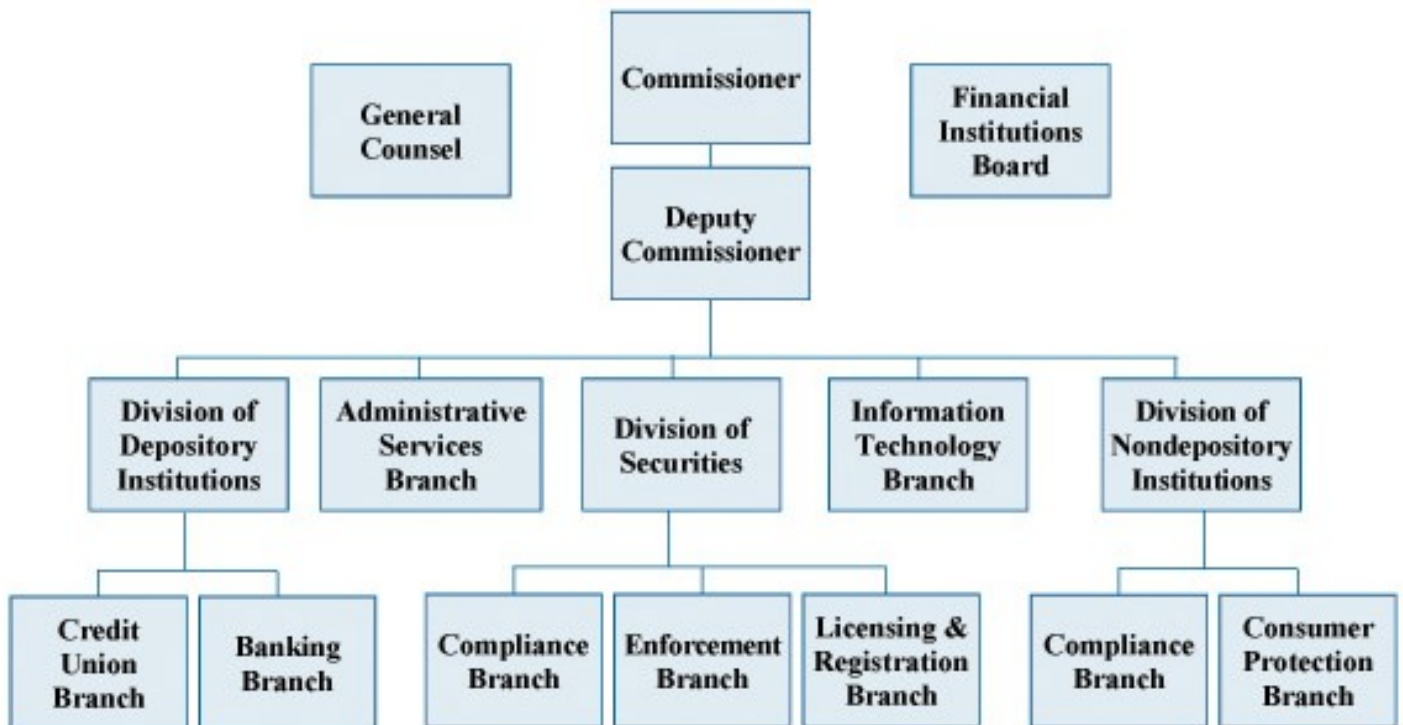
COMMISSIONERS 1912-2010

Year	Commissioner	Governor
	<i>(Title was Executive Director from 2004-2007)</i>	
1912	Thomas J. Smith	James B. McCreary
1916	George G. Speer	Augustus O. Stanley
1920	James Lewis	Edwin P. Morrow
1924	Charles E. Marvin	William J. Fields
1928	O. S. Denny	Flem D. Samson
1930	C. S. Wilson	Flem D. Samson
1931	J. R. Dorman	Ruby Laffoon
1935	Hiram Wilhoit	A. B. Chandler
1939	Hiram Wilhoit	Keene Johnson
1943	Hillard H. Smith	Simeon S. Willis
1948	Henry H. Carter	Earle C. Clements
1951	Henry H. Carter	Lawrence W. Wetherby
1955	R. E. Glenn	Lawrence W. Wetherby
1956	S. Albert Phillips	A. B. Chandler
1958	Earle B. Combs	A. B. Chandler
1960	H. A. Rogers	Bert T. Combs
1964	H. A. Rogers	Edward T. Breathitt
1965	G. D. Beach	Edward T. Breathitt
1968	E. G. Adams	Louie B. Nunn
1971	Lenvil R. Hall	Wendell H. Ford
1971	Perry R. Miller (Acting)	Wendell H. Ford
1973	Howard T. Sallee	Wendell H. Ford
1975	John Williams Jr.	Julian M. Carroll
1980	Randall L. Attkisson	John Y. Brown Jr.
1982	Foster Pettit (Acting)	John Y. Brown Jr.
1983	Morris R. Smith	John Y. Brown Jr.
1983	Tracy Farmer (Acting)	John Y. Brown Jr.
1983	Neil Welch (Acting)	John Y. Brown Jr.
1983	Leonard B. Marshall	John Y. Brown Jr.
1984	Ballard W. Cassady Jr.	Martha Layne Collins
1986	Thomas B. Miller	Martha Layne Collins
1988	Edward B. Hatchett Jr.	Wallace G. Wilkinson
1992	Edward B. Hatchett Jr.	Brereton C. Jones
1994	Edward J. Holmes (Acting)	Brereton C. Jones
1995	J. Rick Jones (Acting)	Brereton C. Jones
1996	Larry D. Lander	Paul E. Patton
1997	Ella D. Robinson (Acting)	Paul E. Patton
1998	Arthur L. Freeman	Paul E. Patton
1999	Ella D. Robinson	Paul E. Patton
2004	Tom B. Miller	Ernie Fletcher
2005	Cordell G. Lawrence	Ernie Fletcher
2007	Cordell G. Lawrence	Steven L. Beshear
2008-Present	Charles A. Vice	Steven L. Beshear

HISTORY

DFI traces its origin to the Banking Act of 1912, which established the agency initially as the Department of Banking. It was charged with enforcing all laws relating to banks, trust companies, savings banks and combined bank and trust companies organized and doing business under Kentucky laws. The legislature mandated supervision of state-chartered savings (building) and loan associations in 1918 and added state-chartered credit unions in 1922. When oversight of the state's securities industry was given to the agency in mid-1932, the agency was renamed the Department of Banking and Securities. Over the years, other regulatory responsibilities were added, including consumer and industrial loan companies in 1946, companies that sell money orders in 1966, mortgage loan companies and brokers in 1980 and check-cashing companies in 1992. As the agency's scope increased over the years to include other types of financial institutions, its organizational structure and name changed as well, from the Department of Financial Institutions in 1984 to the Office of Financial Institutions in 2004. The name changed back to Department of Financial Institutions with a cabinet reorganization in 2008.

ORGANIZATIONAL STRUCTURE



FINANCIAL INSTITUTIONS BOARD

The Financial Institutions Board is a statutory body that serves in an advisory capacity to the governor and the commissioner of the Department of Financial Institutions. The board consists of representatives of all segments of Kentucky's financial industry and the public at large and is chaired by the commissioner.

The definition of the board's duties can be found in *KRS 286.1-013*.



Left to right: Charles Beach III, Brandon Gross, Charles Vice, Mark Gooch, Katherine Reese Capps, William Tatum Jr., David Beck, Kevin Walsh, and Frank Ramsey Jr. attended the 2010 board meeting in Pineville, Ky. W. Fred Brashear II, Robert Stafford Jr. and Alla Sue Holland were unable to attend.

Chairman

Charles A. Vice
Commissioner
Kentucky Department
of Financial Institutions

Banking Industry

Charles Beach III
Beattyville, Ky.
Appointed Dec. 10, 2007
Term Expires Oct. 10, 2011

William Fredrick Brashear II
Hyden, Ky.
Appointed Jan. 9, 2009
Term Expires Oct. 10, 2012

Frank Ramsey Jr.
Madisonville, Ky.
Appointed Jan. 9, 2009
Term Expires Oct. 10, 2011

Katherine Reese Capps
Pineville, Ky.
Appointed Dec. 10, 2007
Term Expires Oct. 10, 2011

Mark A. Gooch
Pikeville, Ky.
Appointed Jan. 9, 2009
Term Expires Oct. 10, 2012

Consumer Finance

Robert I. Stafford Jr.
Corbin, Ky.
Appointed Oct. 9, 2006
Term Expires Oct. 10, 2010

Credit Union Representative

Alla Sue Holland
Fort Wright, Ky.
Appointed Oct. 9, 2006
Term Expires Oct. 10, 2010

Public at Large

William L. Tatum Jr.
Lebanon, Ky.
Appointed Nov. 23, 2009
Term Expires Oct. 10, 2013

David S. Beck
Louisville, Ky.
Appointed Jan. 9, 2009
Term Expires Oct. 10, 2012

Brandon Gross
Lexington, Ky.
Appointed Nov. 23, 2009
Term Expires Oct. 10, 2013

Securities Industry

Kevin P. Walsh
Walton, Ky.
Appointed Dec. 10, 2007
Term Expires Oct. 10, 2011

ADMINISTRATIVE SERVICES BRANCH

Employees in the Administrative Services Branch provide administrative support to the department in the following areas:

- Facilities management:
Frankfort office and field offices in Eddyville, Bowling Green, Louisville and Frankfort
- Fiscal management
- Operations and quality control
- Records management
- Staff development:
Coordinating employee training, continuing education and examiner certification programs
- Safety officer
- Budgeting
- Revenue and expenditure analysis
- Personnel

The 2009 expansion allowed DFI to hire 14 new employees. DFI successfully trained those new employees. Eight examiners left or retired in fiscal year 2010. The duties of those employees who left transferred to existing or new employees. Our emphasis continues to be on recruiting and retaining qualified employees to maintain uninterrupted delivery of services to the industry and the public.

A primary agency goal is to hire, train and maintain a highly informed and capable staff. One of the ways the department seeks to accomplish this goal is through staff development by identifying training needs, developing and delivering agency specific training, coordinating and/or sharing training and education resources with other state and federal agencies, and assuring equal access to continuing education and training opportunities for all employees.

Through continued innovation and open communication, DFI believes its past accomplishments will carry forward into the future and enable this agency to deliver the highest possible quality of training and career development opportunities and employee support services. Also, DFI maintains a presence at many career days and job fairs.

As it has for many years, the department maintains a toll-free telephone number. Consumers and industry representatives wanting to speak with a member of the agency's staff are encouraged to call 800-223-2579 with their questions and concerns. Information for consumers, regulated industries and the general public is available on the department's Web site at www.kfi.ky.gov. Business hours are from 8 a.m. to 5 p.m. Eastern time at our office located at 1025 Capital Center Drive, Suite 200, Frankfort, KY 40601.



DIVISION OF DEPOSITORY INSTITUTIONS

BANK BRANCH 98TH ANNUAL BANKING REPORT

The Bank Branch supervises the activities of 156 Kentucky state-chartered banks, ranging in asset size from \$19.9 million \$3.5 billion. Kentucky state-chartered banks remain in a relatively stable financial condition when compared to our contiguous states and nationally. State-chartered banks that have been slower to recover exhibit problem loan portfolios with high concentrations in the real estate sector. No state-chartered bank failed in Kentucky during 2010.

Net income rose in 2010, with a statewide ratio of return on assets (ROA) increasing from 0.62 percent in 2009 to 0.83 percent in 2010. This income level compares favorably to the national average of 0.65 percent. Contributing factors to this increase were slight improvements in the net interest margin, controlled overhead expenses and modest asset growth. Loan portfolio quality and corresponding provision expenses continue to be the primary impediment to overall income. The average allowance for loan and lease losses approximated 1.59 percent of the loan portfolio in 2010, compared to 1.34 percent in 2009. While this is a slight increase, the national average for the ratio of the allowance for loan and lease losses to total loans for 2010 was 3.30 percent.

As mentioned above, Kentucky state-chartered banks realized approximately 2.5 percent growth in total assets. Nationally, growth was also positive, with asset growth averaging approximately 2.10 percent.

The 2010 net interest margin averaged 3.93 percent compared to 3.82 percent for 2009. This measure of financial health approximates the national average of 3.81 percent.

Capital levels have remained relatively stable for Kentucky banks with a modest upward trend. The 2010 tier 1 leverage capital position averaged 9.51 percent, which is an increase from the 2009 levels of 9.34 percent. On a national basis, the average tier 1 leverage capital ratio was 9.60 percent in 2010, up from 9.34 percent in 2009. Total risk-based capital for Kentucky state-chartered banks averaged 15.00 percent compared to the 2010 national average of 15.01 percent.

BANK CHANGES

During 2010 there was one bank merger: Lawrenceburg Bank and Trust merged with Farmers Bank and Capital Trust Company, Frankfort, Ky.

First Security Bank of Kentucky, Island, Ky., relocated their main office to Calhoun, Ky.

Louisville Trust Company, Louisville, Ky., voluntarily surrendered their charter in 2010.

STATE-CHARTERED BANKS

ANNUAL CONSOLIDATED STATEMENT OF ASSETS

Year	Total Assets
Sept. 4, 1912	\$110,096,102.83
Sept. 3, 1913	112,556,338.09
Sept. 12, 1914	110,516,100.67
Nov. 10, 1915	110,068,034.26
Aug. 17, 1916	120,217,111.75
Sept. 7, 1917	152,490,422.93
Sept. 5, 1918	175,361,452.29
Sept. 5, 1919	213,365,256.47
Sept. 13, 1920	227,231,768.46
June 30, 1921	220,117,518.15
June 30, 1922	222,284,937.92
June 30, 1923	257,447,342.36
June 30, 1924	260,394,024.52
June 30, 1925	269,730,816.68
June 30, 1926	278,619,057.34
June 30, 1927	308,521,323.67
June 30, 1928	341,300,174.09
June 30, 1929	385,559,868.28
June 30, 1930	364,849,233.33
June 30, 1931	295,881,257.76
June 30, 1932	248,031,078.12
June 30, 1933	231,577,905.49
June 30, 1934	239,624,124.68
June 30, 1935	229,781,437.48
June 30, 1936	250,997,016.66
June 30, 1937	270,699,778.60
June 30, 1938	252,251,968.59
June 30, 1939	266,594,369.49
June 30, 1940	273,977,674.22
June 30, 1941	297,360,610.22
June 30, 1942	340,903,872.17
June 30, 1943	477,658,367.10
June 30, 1944	578,775,786.77
June 30, 1945	904,485,435.10
June 30, 1946	941,787,755.13
June 30, 1947	898,858,508.44
June 30, 1948	932,808,480.54
June 30, 1949	933,714,814.70
June 30, 1950	953,843,874.72
June 30, 1951	1,002,285,106.04
June 30, 1952	1,081,217,820.20
June 30, 1953	1,125,336,205.82
June 30, 1954	1,167,432,270.01
June 30, 1955	1,211,811,536.25
June 30, 1956	1,220,534,082.10
June 30, 1957	1,294,391,352.88
June 30, 1958	1,383,757,204.28
June 30, 1959	1,402,074,237.64
June 30, 1960	1,439,285,742.07
June 30, 1961	1,416,812,042.56

Year	Total Assets
June 30, 1962	1,539,385,203.23
June 30, 1963	1,682,807,021.85
June 30, 1964	1,798,326,242.98
June 30, 1965	1,932,620,428.05
June 30, 1966	2,157,183,512.81
June 30, 1967	2,490,156,359.19
June 30, 1968	2,703,101,033.03
June 30, 1969	3,067,136,736.70
June 30, 1970	3,259,015,862.86
June 30, 1971	3,793,329,845.00
June 30, 1972	4,277,132,990.00
June 30, 1973	4,973,878,479.44
June 30, 1974	5,696,240,528.60
June 30, 1975	6,300,190,296.19
June 30, 1976	6,550,032,000.00
June 30, 1977	7,431,081,000.00
June 30, 1978	8,371,752,000.00
June 30, 1979	9,507,372,000.00
June 30, 1980	10,700,084,000.00
June 30, 1981	11,968,250,000.00
June 30, 1982	12,878,728,000.00
June 30, 1983	13,724,157,000.00
June 30, 1984	15,171,523,000.00
June 30, 1985	16,448,822,000.00
June 30, 1986	17,869,731,000.00
June 30, 1987	19,709,513,000.00
June 30, 1988	20,984,582,000.00
Dec. 31, 1988	22,103,771,000.00
Dec. 31, 1989	23,570,033,000.00
Dec. 31, 1990	25,058,852,000.00
Dec. 31, 1991	24,145,642,000.00
Dec. 31, 1992	23,932,903,000.00
Dec. 31, 1993	24,825,281,000.00
Dec. 31, 1994	26,860,360,000.00
Dec. 31, 1995	26,765,509,000.00
Dec. 31, 1996	28,414,146,000.00
Dec. 31, 1997	24,975,052,000.00
Dec. 31, 1998	25,811,929,000.00
Dec. 31, 1999	26,800,458,000.00
Dec. 31, 2000	29,135,528,000.00
Dec. 31, 2001	31,473,451,000.00
Dec. 31, 2002	28,554,384,000.00
Dec. 31, 2003	29,188,172,000.00
Dec. 31, 2004	32,945,550,000.00
Dec. 31, 2005	34,654,113,000.00
Dec. 31, 2006	36,984,088,000.00
Dec. 31, 2007	39,429,371,000.00
Dec. 31, 2008	41,917,324,000.00
Dec. 31, 2009	44,275,101,000.00
Dec. 31, 2010	\$45,325,266,000.00

STATE-CHARTERED BANKS

CONSOLIDATED CONDITION AND INCOME DATA

	<u>31-Dec-2010</u>	<u>31-Dec-2009</u>
Number of institutions reporting	156	157
Total employees (full-time equivalent)	11,724	11,576

Aggregate Condition and Income Data

(Dollar amounts in millions with the 000s omitted)

Net income (year-to-date)	367	263
Total assets	45,325	44,275
Earning assets	41,758	40,753
Total loans and leases	30,923	30,787
Other real estate owned	375	249
Total deposits	36,552	35,269
Equity capital	4,542	4,313

Performance Ratios (YTD, %)

Yield on earning assets	5.36	5.7
Cost of funding earning assets	1.43	1.89
Net interest margin	3.93	3.82
Noninterest income to average earning assets	1.11	1.04
Noninterest expense to average earning assets	3.30	3.44
Net charge-offs to loans and leases	0.71	0.58
Credit-loss provision to net charge-offs	124.28	133.05
Net operating income to average assets	0.77	0.6
Retained earnings to average equity	3.91	1.85
Pre-tax return on assets	1.06	0.77
Return on assets	0.83	0.62
Return on equity	8.19	6.19
Percent of unprofitable institutions	10.90	13.3
Percent of institutions with earning gains	70.51	43.95

Condition Ratios (%)

Net loans and leases to assets	67.14	68.57
Loss allowance to:		
Loans and leases	1.59	1.39
Noncurrent loans and leases	69.33	60.7
Noncurrent loans and leases to total loans and leases	2.29	2.29
Nonperforming assets to assets	2.43	2.16
Core deposits to total liabilities	69.62	68.1
Equity capital to total assets	10.02	9.74
Core capital (leverage) ratio	9.51	9.34
Total capital to risk-weighted assets	15.00	14.12
Gross 1-4 family mortgages to gross assets	24.59	24.93
Gross real estate assets to gross assets	61.97	62.28

STATE-CHARTERED BANKS AND THRIFTS

TOTAL ASSETS

(Dollar amounts in thousands with the 000s omitted)

<u>Name</u>	<u>City</u>	<u>Assets</u>
Peoples Bank and Trust Co. of Clinton County	Albany	32,026
Citizens Deposit Bank of Arlington Inc.	Arlington	173,359
Town Square Bank Inc.	Ashland	168,808
Auburn Banking Co.	Auburn	64,528
Kentucky Home Bank	Bardstown	98,388
Town & Country Bank and Trust Co.	Bardstown	432,581
Wilson & Muir Bank & Trust Co.	Bardstown	403,959
Bedford Loan & Deposit Bank	Bedford	83,545
Community Financial Services Bank	Benton	527,949
Peoples Bank and Trust Co. of Madison County	Berea	421,442
Farmers State Bank	Booneville	53,739
American Bank & Trust Co. Inc.	Bowling Green	234,789
Citizens First Bank Inc.	Bowling Green	349,412
South Central Bank of Bowling Green Inc.	Bowling Green	224,915
Meade County Bank	Brandenburg	135,966
Bank of Edmonson County	Brownsville	195,962
Bank of Buffalo	Buffalo	67,003
Citizens Bank of Cumberland County Inc.	Burkesville	77,422
Bank of Cadiz and Trust Co.	Cadiz	99,362
First Security Bank & Trust	Calhoun	60,950
United Citizens Bank & Trust Co.	Campbellsburg	84,830
Citizens Bank & Trust Co.	Campbellsburg	173,787
Taylor County Bank	Campbellsburg	146,509
Farmers & Traders Bank of Campton	Campton	42,098
Bank of Caneyville	Caneyville	43,889
Deposit Bank of Carlisle	Carlisle	66,930
Kentucky-Farmers Bank of Catlettsburg, Ky.	Catlettsburg	164,067
The Cecilian Bank	Cecilia	470,804
King Southern Bank	Chaplin	174,031
Bank of Clarkson	Clarkson	118,594
Clinton Bank	Clinton	49,750
First Community Bank of Western Kentucky Inc.	Clinton	76,815
Bank of Columbia	Columbia	130,383
United Citizens Bank of Southern Kentucky	Columbia	132,665
Hometown Bank of Corbin Inc.	Corbin	131,169
The Bank of Kentucky Inc.	Crestview Hills	1,663,790
The Harrison Deposit Bank and Trust Co.	Cynthiana	53,594
Bluegrass Community Bank	Danville	36,726
Dixon Bank	Dixon	77,566
Bank of Ohio County	Dundee	93,177
First Citizens Bank	Elizabethtown	296,131
First Federal Savings Bank of Elizabethtown	Elizabethtown	1,319,293
Kentucky Neighborhood Bank	Elizabethtown	115,288
South Central Bank of Hardin County Inc.	Elizabethtown	78,113

STATE-CHARTERED BANKS AND THRIFTS

TOTAL ASSETS

(Dollar amounts in thousands with the 000s omitted)

<u>Name</u>	<u>City</u>	<u>Assets</u>
Elkton Bank & Trust Co.	Elkton	119,050
Farmers Deposit Bank	Eminence	61,434
Heritage Bank Inc.	Erlanger	392,675
United Kentucky Bank of Pendleton County Inc.	Falmouth	29,626
Peoples Bank of Kentucky Inc.	Flemingsburg	185,354
First Security Trust Bank Inc.	Florence	133,695
Farmers Bank & Capital Trust Co.	Frankfort	591,092
The Bankers' Bank of Kentucky Inc.	Frankfort	60,193
Franklin Bank & Trust Co.	Franklin	347,192
Fredonia Valley Bank	Fredonia	69,072
Edmonton State Bank	Glasgow	411,946
South Central Bank of Barren County Inc.	Glasgow	287,170
The Commercial Bank of Grayson	Grayson	163,596
The Farmers Bank	Hardinsburg	96,868
The Bank of Harlan	Harlan	129,878
Citizens Bank	Hartford	22,996
Commonwealth Community Bank Inc.	Hartford	147,595
Hancock Bank & Trust Co.	Hawesville	335,824
1st Trust Bank Inc.	Hazard	123,849
Peoples Bank & Trust Co. of Hazard	Hazard	285,258
Ohio Valley Financial Group	Henderson	247,754
The Bank of Henderson Inc.	Henderson	61,092
The Citizens Bank	Hickman	99,918
Bank of Hindman	Hindman	167,912
Planters Bank Inc.	Hopkinsville	609,294
United Southern Bank	Hopkinsville	243,876
Hyden Citizens Bank	Hyden	119,957
Inez Deposit Bank	Inez	115,377
First State Bank	Irvington	141,657
Citizens Bank & Trust Co. of Jackson	Jackson	115,506
Bank of Jamestown	Jamestown	165,626
The Kevil Bank	Kevil	28,589
The Bank - Oldham County Inc.	La Grange	145,025
Century Bank of Kentucky Inc.	Lawrenceburg	99,290
Peoples Bank	Lebanon	46,135
Leitchfield Deposit Bank & Trust Co.	Leitchfield	103,192
Lewisburg Banking Co.	Lewisburg	76,242
American Founders Bank Inc.	Lexington	417,907
Bank of Lexington Inc.	Lexington	139,817
Bank of the Bluegrass and Trust Co.	Lexington	209,858
Central Bank & Trust Co.	Lexington	1,761,005
Whitaker Bank	Lexington	1,587,678
The Casey County Bank Inc.	Liberty	161,535
Louisa Community Bank	Louisa	25,581

STATE-CHARTERED BANKS AND THRIFTS

TOTAL ASSETS

(Dollar amounts in thousands with the 000s omitted)

<u>Name</u>	<u>City</u>	<u>Assets</u>
Peoples Security Bank	Louisa	49,916
Central Bank of Jefferson County	Louisville	181,227
Commonwealth Bank and Trust Co.	Louisville	818,355
Eclipse Bank Inc.	Louisville	133,326
Louisville Community Development Bank	Louisville	35,549
PBI Bank	Louisville	1,719,502
Republic Bank & Trust Company	Louisville	3,524,028
River City Bank Inc.	Louisville	261,715
Stock Yards Bank & Trust Co.	Louisville	1,891,557
The First Capital Bank of Kentucky	Louisville	435,240
First United Bank and Trust Co.	Madisonville	208,694
Magnolia Bank Inc.	Magnolia	130,979
Farmers Bank and Trust Co.	Marion	132,201
The Peoples Bank	Marion	36,576
First Guaranty Bank	Martin	60,910
First Kentucky Bank Inc.	Mayfield	362,857
FNB Bank Inc.	Mayfield	338,550
Bank of Maysville	Maysville	137,525
Security Bank and Trust Co.	Maysville	46,346
Jackson County Bank	McKee	137,525
Farmers Deposit Bank of Middleburg Inc.	Middleburg	48,133
Home Federal Bank Corp.	Middlesboro	347,709
The Farmers Bank of Milton	Milton	173,288
The Monticello Banking Co.	Monticello	605,766
The Citizens Bank	Morehead	113,433
United Community Bank of West Kentucky Inc.	Morganfield	154,313
Morgantown Bank & Trust Company Inc.	Morgantown	131,722
Traditional Bank Inc.	Mount Sterling	1,063,725
Citizens Bank	Mount Vernon	132,095
The Peoples Bank	Mount Washington	86,281
Hart County Bank and Trust Co.	Munfordville	28,213
Citizens Bank of Northern Kentucky Inc.	Newport	249,920
The Farmers Bank	Nicholasville	91,323
First Security Bank of Owensboro Inc.	Owensboro	336,667
Independence Bank of Kentucky	Owensboro	990,285
South Central Bank of Daviess County Inc.	Owensboro	194,465
First Farmers Bank and Trust Co.	Owenton	116,579
Peoples Bank & Trust Co.	Owenton	72,870
Owingsville Banking Co.	Owingsville	66,919
The Paducah Bank and Trust Co.	Paducah	520,134
Kentucky Bank	Paris	658,623
Community Trust Bank Inc.	Pikeville	3,147,152
First State Financial Inc.	Pineville	412,580
The First Commonwealth Bank of Prestonsburg Inc.	Prestonsburg	192,393

STATE-CHARTERED BANKS AND THRIFTS

TOTAL ASSETS

(Dollar amounts in thousands with the 000s omitted)

<u>Name</u>	<u>City</u>	<u>Assets</u>
Farmers Bank and Trust Co., Princeton, Ky.	Princeton	107,657
West Point Bank	Radcliff	128,847
Citizens Guaranty Bank	Richmond	138,368
Madison Bank	Richmond	152,324
First & Peoples Bank	Russell	190,570
The Sacramento Deposit Bank	Sacramento	61,467
The Salt Lick Deposit Bank	Salt Lick	78,392
Sebree Deposit Bank	Sebree	19,940
Citizens Union Bank of Shelbyville	Shelbyville	628,498
The Peoples Bank of Bullitt County	Shepherdsville	218,911
Cumberland Security Bank Inc.	Somerset	159,597
Springfield State Bank	Springfield	240,353
PBK Bank Inc.	Stanford	113,497
Peoples Exchange Bank	Stanton	318,387
The Peoples Bank	Taylorsville	104,053
South Central Bank of Monroe County	Tompkinsville	118,379
Citizens Deposit Bank & Trust	Vanceburg	119,980
First Community Bank	Vanceburg	26,650
United Bank & Trust	Versailles	614,260
Bank of the Mountains Inc.	West Liberty	60,436
Commercial Bank	West Liberty	123,620
Bank of McCreary County	Whitley City	137,733
Grant County Deposit Bank	Williamstown	90,881
Alliance Banking Co.	Winchester	59,224
Total Assets		\$45,325,266

STATE-CHARTERED INDEPENDENT TRUST COMPANIES

(Dollar amounts in thousands with the 000s omitted)

<u>Name</u>	<u>City</u>	<u>Trust Assets</u>
Kentucky Trust Co.	Danville	425,072
Community Trust & Investment Co.	Lexington	1,408,546
1st Kentucky Trust	Louisville	339,864
Glenview Trust Co.	Louisville	2,872,480
Hilliard Lyons Trust Co.	Louisville	1,830,140
Total Assets		\$6,876,102

STATE BANK TRUST DEPARTMENTS

TRUST ASSETS

(Dollar amounts in thousands with the 000s omitted)

<u>Name</u>	<u>City</u>	<u>Trust Assets</u>
Town & Country Bank and Trust Co.	Bardstown	251,635
Wilson & Muir Bank & Trust Co.	Bardstown	123
Community Financial Services Bank	Benton	848
Bank of Cadiz and Trust Co.	Cadiz	10,085
First Security Bank of Kentucky	Calhoun	747
Deposit Bank of Carlisle	Carlisle	339
Kentucky-Farmers Bank of Catlettsburg, Ky.	Catlettsburg	42,138
Clinton Bank	Clinton	2,205
The Bank of Kentucky Inc.	Crestview Hills	613,934
The Harrison Deposit Bank and Trust Co.	Cynthiana	1,648
First Citizens Bank	Elizabethtown	167,221
Elkton Bank & Trust Co.	Elkton	8,107
Peoples Bank of Kentucky Inc.	Flemingsburg	5,161
Farmers Bank & Capital Trust Co.	Frankfort	263,617
Franklin Bank & Trust Co.	Franklin	183
Commonwealth Community Bank Inc.	Hartford	4,372
Hancock Bank & Trust Co.	Hawesville	11,075
Peoples Bank & Trust Co. of Hazard	Hazard	4,637
Ohio Valley Financial Group	Henderson	319,109
The Citizens Bank	Hickman	2,662
Planters Bank Inc.	Hopkinsville	92,251
Citizens Bank & Trust Co. of Jackson	Jackson	7,040
Bank of the Bluegrass and Trust Co.	Lexington	103,556
Central Bank & Trust Co.	Lexington	795,911
Commonwealth Bank and Trust Co.	Louisville	844,762
PBI Bank	Louisville	345,587
Republic Bank & Trust Co.	Louisville	310,604
Stock Yards Bank & Trust Co.	Louisville	1,645,071
First United Bank and Trust Co.	Madisonville	13,128
FNB Bank Inc.	Mayfield	3,041
Bank of Maysville	Maysville	18,330
The Monticello Banking Co.	Monticello	108,193
United Community Bank of West Kentucky Inc.	Morganfield	4,987
Morgantown Bank & Trust Co. Inc.	Morgantown	4,049
Hart County Bank and Trust Co.	Munfordville	2,174
Citizens Bank of Northern Kentucky Inc.	Newport	27,873
Independence Bank of Kentucky	Owensboro	277,442
Peoples Bank & Trust Co.	Owenton	715
The Paducah Bank and Trust Co.	Paducah	181,573
Kentucky Bank	Paris	91,986
Farmers Bank and Trust Co., Princeton, Ky.	Princeton	12,939
Citizens Union Bank of Shelbyville	Shelbyville	1,366
Cumberland Security Bank Inc.	Somerset	15,790
Grant County Deposit Bank	Williamstown	2,389
Total Trust Assets		\$6,663,859

DIVISION OF DEPOSITORY INSTITUTIONS

CREDIT UNION BRANCH 76TH ANNUAL CREDIT UNION REPORT

Kentucky state-chartered credit unions remain safe and sound. The national economy has been slow to recover and our nation's credit unions continue to bear the burden of the corporate credit union system losses. However, Kentucky state-chartered credit unions performed well in 2010.

The Credit Union Branch supervises the activities of 26 Kentucky state-chartered credit unions, ranging in asset size from \$625,136 to \$880,216,977. The total assets under supervision by the Credit Union Branch are \$1,714,675,332. Total asset growth was at 1.07 percent, which is down significantly from the previous year's growth of 10.20 percent. The decline can be attributed to decrease in share growth.

Kentucky state-chartered credit unions remain financially strong as reflected in the improvement of the average net worth ratio and the return on average assets ratio. The net charge-offs to average loans ratio of 0.82 percent declined after an 11-year high last year of 1.06 percent.

The net long-term asset ratio continues to rise and is currently at 23.55 percent as credit unions seek more favorable returns through longer term mortgage loans and investments. This scenario has the potential to expose credit unions to an increase in interest rate risk.

Loan growth, although positive for 2010, fell to 1.31 percent after a 3.89 percent growth in the prior year. Real estate loans account for 46.71 percent of total loans. Total fixed rate real estate loans declined only nominally in 2010 to 31.36 percent from 31.64 percent in 2009.



STATE-CHARTERED CREDIT UNIONS

ANNUAL CONSOLIDATED STATEMENT OF ASSETS

Year	Total Assets	Year	Total Assets
June 30, 1934	\$391,943	June 30, 1973	91,221,819
June 30, 1935	725,535	June 30, 1974	100,937,750
June 30, 1936	1,249,342	June 30, 1975	113,438,105
June 30, 1937	1,660,520	June 30, 1976	129,079,696
June 30, 1938	1,696,127	June 30, 1977	147,094,455
June 30, 1939	2,057,015	June 30, 1978	169,281,627
June 30, 1940	*	June 30, 1979	176,261,333
June 30, 1941	3,146,257	June 30, 1980	170,888,349
June 30, 1942	3,251,825	June 30, 1981	198,916,832
June 30, 1943	2,982,267	June 30, 1982	190,721,775
June 30, 1944	3,088,248	June 30, 1983	226,257,290
June 30, 1945	3,505,257	June 30, 1984	270,077,766
June 30, 1946	4,144,653	June 30, 1985	324,359,567
June 30, 1947	4,995,675	June 30, 1986	465,930,836
June 30, 1948	6,083,221	June 30, 1987	534,721,314
June 30, 1949	7,107,044	June 30, 1988	522,854,417
June 30, 1950	8,334,194	Dec. 31, 1988	486,976,000
June 30, 1951	8,179,622	Dec. 31, 1989	482,857,000
June 30, 1952	10,516,625	Dec. 31, 1990	509,758,691
June 30, 1953	12,623,784	Dec. 31, 1991	554,628,084
June 30, 1954	14,781,357	Dec. 31, 1992	610,893,902
June 30, 1955	16,702,656	Dec. 31, 1993	643,540,808
June 30, 1956	19,107,017	Dec. 31, 1994	670,077,079
June 30, 1957	21,437,514	Dec. 31, 1995	697,585,006
June 30, 1958	23,623,385	Dec. 31, 1996	726,727,477
June 30, 1959	26,447,334	Dec. 31, 1997	782,580,308
June 30, 1960	27,979,449	Dec. 31, 1998	855,559,615
June 30, 1961	29,357,256	Dec. 31, 1999	897,712,452
June 30, 1962	31,739,280	Dec. 31, 2000	957,541,750
June 30, 1963	34,501,791	Dec. 31, 2001	1,081,872,980
June 30, 1964	39,301,082	Dec. 31, 2002	1,157,171,468
June 30, 1965	43,391,089	Dec. 31, 2003	1,246,656,550
June 30, 1966	46,430,845	Dec. 31, 2004	1,273,660,697
June 30, 1967	50,065,518	Dec. 31, 2005	1,273,328,540
June 30, 1968	53,669,699	Dec. 31, 2006	1,304,569,417
June 30, 1969	58,409,409	Dec. 31, 2007	1,387,214,179
June 30, 1970	64,297,546	Dec. 31, 2008	1,539,537,367
June 30, 1971	71,728,169	Dec. 31, 2009	1,696,546,762
June 30, 1972	81,246,995	Dec. 31, 2010	\$1,714,675,332

* No records are available for 1940

STATE-CHARTERED CREDIT UNIONS

SELECTED COMPOSITE OPERATING RATIOS

	<u>Dec-06</u>	<u>Dec-07</u>	<u>Dec-08</u>	<u>Dec-09</u>	<u>Dec-10</u>
<u>Capital Adequacy</u>					
Net Worth/Total Assets	16.16	16.15	15.26	13.92	14.41
Net Worth/Total Assets — Including Optional Total Assets Election (if used)	16.16	16.15	15.26	13.92	14.41
Total Delinquent Loans / Net Worth	3.84	3.87	5.00	4.06	4.13
Solvency Evaluation (Estimated)	119.52	119.54	118.28	116.76	117.18
Classified Assets (Estimated) / Net Worth	3.94	3.65	3.44	4.58	3.89
<u>Asset Quality</u>					
Delinquent Loans / Total Loans	0.93	0.95	1.25	0.98	1.03
* Net Charge-Offs / Average Loans	0.70	0.58	0.79	1.06	0.82
Fair (Market) Held to Maturity Investments Value/Book Value Held to Maturity Investments	98.92	99.73	103.65	100.59	100.98
Accumulated Unrealized Gain or Loss on Available for Sale / Cost of Available for Sale	-0.41	1.34	1.54	0.55	0.36
Delinquent Loans / Assets	0.62	0.63	0.76	0.57	0.59
<u>Earnings</u>					
* Return on Average Assets	0.92	1.08	0.76	0.35	0.63
*Return on Average Assets Before NCUSIF Stabilization Income/Expense	N/A	N/A	N/A	0.10	0.84
* Gross Income/Average Assets	7.43	7.92	7.49	6.40	5.81
* Yield on Average Loans	7.26	7.63	7.57	7.10	6.77
* Yield on Average Investments	4.06	4.77	4.15	2.76	1.90
* Fee and Other Operating Income / Average Assets	1.42	1.48	1.38	1.21	1.20
* Cost of Funds / Average Assets	2.41	2.74	2.47	1.76	1.13
* Net Margin / Average Assets	5.02	5.17	5.02	4.64	4.68
* Operating Expenses / Average Assets	3.61	3.70	3.79	3.62	3.64
* Provision for Loan and Lease Losses / Average Assets	0.49	0.38	0.48	0.79	0.41
* Net Interest Margin/Average Assets	3.60	3.69	3.64	3.43	3.48
Operating Expenses /Gross Income	48.59	46.78	50.58	56.54	62.63
** Fixed Assets and Foreclosed and Repossessed Assets / Total Assets	2.35	2.42	2.46	2.40	2.47
* Net Operating Exp. /Average Assets	2.64	2.71	2.93	2.86	2.90

* Annualization factor: March = 4; June = 2; September = 4/3; December = 1 (or no annualizing)

** For periods before 2004, the Fixed Assets and Foreclosed and Repossessed Assets did not include repossessed vehicles.

STATE-CHARTERED CREDIT UNIONS

SELECTED COMPOSITE OPERATING RATIOS

	<u>Dec-06</u>	<u>Dec-07</u>	<u>Dec-08</u>	<u>Dec-09</u>	<u>Dec-10</u>
<u>Asset / Liability Management</u>					
Net Long-Term Assets / Total Assets	16.14	18.53	18.78	23.02	23.55
Regular Shares / Total Shares and Borrowings	49.32	43.99	47.61	47.11	50.48
Total Loans / Total Shares	81.11	79.12	72.56	68.76	68.38
Total Loans / Total Assets	67.13	65.60	60.92	57.44	57.57
Cash + Short-Term Investments / Assets	16.41	16.77	19.31	19.99	18.81
Total Shares, Deposits and Borrowings / Earning Assets	87.40	87.02	88.09	89.53	89.11
Regular Shares + Share Drafts / Total Shares and Borrowings	58.92	53.14	53.51	52.78	56.29
Borrowings / Total Shares and Net Worth	0.44	0.00	0.01	1.86	0.66
<u>Productivity</u>					
Members / Potential Members	17.15	17.23	16.85	16.94	15.62
Borrowers / Members	63.15	63.10	64.85	61.73	63.61
Members / Full-Time Employees	407.19	397.49	377.32	383.53	370.94
Average Shares Per Member	\$4,979	\$5,285	\$6,140	\$6,706	\$7,083
Average Loan Balance	\$6,395	\$6,627	\$6,870	\$7,470	\$7,614
* Salary And Benefits / Full-Time Employees	\$50,119	\$52,888	\$54,371	\$57,472	\$62,176
<u>Other Ratios</u>					
* Net Worth Growth	5.13	6.26	4.87	0.55	4.62
* Market (Share) Growth	1.53	6.54	12.38	9.64	1.96
* Loan Growth	3.14	3.92	3.07	3.89	1.31
* Asset Growth	2.45	6.34	10.98	10.20	1.07
* Investment Growth	0.60	12.53	28.60	21.37	0.39
* Membership Growth	0.37	0.37	-3.25	0.37	-3.55

* Annualization factor: March = 4; June = 2; September = 4/3; December = 1 (or no annualizing)



STATE-CHARTERED CREDIT UNIONS

REPORT OF CONDITION

<u>Charter</u>	<u>Name</u>	<u>City</u>	<u>Year Opened</u>	<u>Total Assets</u>
60883	Beacon Community	Louisville	1947	49,375,312
61123	Louisville Gas and Electric Co.	Louisville	1934	29,749,800
61166	Fancy Farm	Fancy Farm	1957	7,738,453
61204	Blue Cross Blue Shield	Louisville	1952	6,112,026
61316	Tarcana	Louisville	1936	3,078,693
61437	Commonwealth	Frankfort	1951	880,216,977
61693	Rural Cooperatives	Louisville	1964	37,593,968
61738	Paducah City Employees	Paducah	1961	2,623,974
61772	Louisville Metro Police Officers	Louisville	1942	16,641,194
61792	Ashland	Ashland	1942	174,228,579
62026	Members Choice	Ashland	1932	135,516,687
62089	Kitco Employees	Louisville	1944	2,592,624
62228	Greater Kentucky Credit Union	Lexington	1953	57,890,681
62303	Letcher County Teachers	Whitesburg	1964	1,098,704
62358	Kemba Louisville	Louisville	1934	40,434,796
62370	Lexington Postal	Lexington	1928	17,039,113
62389	Berea	Berea	1923	1,293,727
62431	Kentucky Employees	Frankfort	1938	57,072,959
62432	Whitesville Community	Whitesville	1962	16,740,708
62433	Louisville Federal	Louisville	1924	34,599,135
62482	Brown-Forman Employees	Louisville	1936	9,575,898
62484	Service One	Bowling Green	1963	98,901,015
62490	Muhlenberg Community Hospital	Greenville	1961	625,136
62559	Alcan Employees	Louisville	1948	1,663,431
62587	C&O United	Edgewood	1928	15,279,898
63058	Metro Employees	Lexington	1940	16,991,844
Total				\$1,714,675,332



DIVISION OF NONDEPOSITORY INSTITUTIONS

The Division of Nondepository Institutions was created by executive order reorganizing the agency, effective Nov. 6, 2009. The division is responsible for regulating consumer loan companies, industrial loan companies, mortgage loan companies, mortgage loan brokers, mortgage loan originators and processors, check cashers/deferred deposit companies/payday lenders, title pledge lenders, and money transmitters. The Division of Nondepository Institutions licenses entities, registers individuals, examines companies and investigates complaints and suspicious activity. The division also provides educational materials and outreach to protect consumers from financial fraud. The division's responsibilities are strategically divided into two branches: Compliance and Consumer Protection.

The Nondepository Division consists of a staff of 25, including examiners and investigators, all of whom are highly trained and attend conferences and continuing education related to their specialty fields. Continued learning provides timely updates to the Compliance Branch staff on the changes in laws and regulations.

CONSUMER PROTECTION BRANCH 2ND ANNUAL CONSUMER PROTECTION REPORT

While consumer protection has long been a part of the mission, vision and values of the department, 2009 marks the first year that the agency organizationally created a branch dedicated to this purpose. The mission of the Consumer Protection Branch is to enhance public protection and consumer education. The branch handles consumer complaints on depository and nondepository regulated industries and investigates complaints and concerns that arise during examination. The number and type of complaints received are as follows:

Nondepository License Type	Complaints 2010	Complaints 2009	Complaints 2008
Mortgage Companies	24	42	68
Mortgage Brokers	43	91	124
HUD-Exempt Mortgage Brokers/Companies	24	52	52
Payday Lenders	33	37	27
Consumer Loan Companies	29	30	68
Industrial Loan Companies	0	0	0
Sale of Checks/Money Transmitters	2	0	0
Total	155	252	339

Depository License Type	Complaints 2010	Complaints 2009	Complaints 2008
State-Chartered Banks	53	52	39
State-Chartered Credit Unions	10	7	11
Total	63	59	50

The branch may identify, investigate and take action against those companies and individuals who are perpetrating financial crimes and unethical behavior against Kentucky citizens. For example, on June 11, 2010, DFI issued a cease and desist order against a mortgage company called Home Ownership Possibilities for Everyone (HOPE) LLC. The order states the company operated as a mortgage loan broker, but was not licensed or exempt from licensure; charged illegal upfront fees; and made misrepresentations, concealed facts or engaged in business that has tended to work as a fraud. DFI's order prohibits the company from the mortgage industry in Kentucky.

DIVISION OF NONDEPOSITORY INSTITUTIONS

COMPLIANCE BRANCH 14TH ANNUAL COMPLIANCE REPORT

The Compliance Branch licenses and regulates mortgage companies and brokers, mortgage loan originators and processors, check cashers/deferred deposit companies/payday lenders, title pledge lenders, consumer and industrial loan companies, and money transmitters. As of Dec. 31, 2010, the branch supervised 1,678 entity licensees and 2,434 individual registrants. The number and type of licenses/registrations regulated by the Compliance Branch are as follows:

License Type	# of Licenses		
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Mortgage Companies	432	394	296
Mortgage Brokers	184	227	263
Check Cashers	651	739	781
Consumer Loan Companies	329	325	349
Industrial Loan Companies	32	32	49
Money Transmitters	50	44	39
Total	1,678	1,761	1,777

Registration Type	# of Registrations		
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Loan Originators/Processors	2,434	2,333	2,297

The Nondepository Division continues its proven track record of overseeing mortgage lending operations in Kentucky. DFI was the third state regulator in the nation to achieve Mortgage Accreditation. This signifies we have demonstrated conformance with the highest standards of mortgage supervision and regulation.



DFI was the third state regulator in the nation to achieve mortgage accreditation. Neil Milner, left, president and CEO of the Conference of State Bank Supervisors, presents the certificate to Gov. Steven Beshear, center, and DFI Commissioner Charles Vice.

DIVISION OF NONDEPOSITORY INSTITUTIONS

All mortgage entities and individuals must use the Nationwide Mortgage Licensing System (NMLS) for licensing and registration. Exempt companies do not have to use NMLS; however, the individuals working for exempt companies must use NMLS. The DFI is actively involved with the NMLS and helps oversee the testing requirements associated with NMLS registration. In 2010, DFI ensured that mortgage entities and individuals met the requirements of the SAFE Act, many of which corresponded with deadlines in 2010. DFI also participates in multi-state mortgage examinations and investigations, which help discover and correct underwriting and servicing problems.

House Bill 444 of 2009 modified the statute governing payday lenders. The branch has implemented a real-time database providing additional enforcement tools for DFI. The statewide database is designed to track every loan and to ensure the loan complies with state law. The database began operating April 30, 2010, and improves transparency, monitoring and data collection by the state.

In 2010, the Compliance Branch staff completed a total of 1,174 examinations. The branch assessed a total of \$371,232 in fines. In accordance with Kentucky statute, check cashers, consumer loan and industrial loan companies are examined annually by the Compliance Branch. Mortgage companies, mortgage brokers and money transmitters are typically examined every 18 to 24 months; however, the frequency is not mandated by statute. The number and type of examinations performed by the Compliance Branch are as follows:

Examination Type	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Mortgage Companies	91	65	47
Mortgage Brokers	90	87	125
Check Cashers	661	726	773
Consumer Loan Companies	288	318	348
Industrial Loan Companies	27	32	57
Money Transmitters	17	14	16
Total	1,174	1,242	1,366



CONSUMER LOAN COMPANIES

ANNUAL CONSOLIDATED STATEMENT OF ASSETS

Year	Total Assets	Year	Total Assets
Dec. 31, 1970	\$215,167,905	Dec. 31, 1991	730,091,564
Dec. 31, 1971	226,157,998	Dec. 31, 1992	761,442,628
Dec. 31, 1972	239,477,617	Dec. 31, 1993	822,215,474
Dec. 31, 1973	245,215,588	Dec. 31, 1994	852,349,610
Dec. 31, 1974	229,683,167	Dec. 31, 1995	842,469,339
Dec. 31, 1975	208,570,020	Dec. 31, 1996	892,877,819
Dec. 31, 1976	211,463,297	Dec. 31, 1997	690,503,783
Dec. 31, 1977	239,296,246	Dec. 31, 1998	675,952,908
Dec. 31, 1978	268,373,094	Dec. 31, 1999	728,313,360
Dec. 31, 1979	293,273,325	Dec. 31, 2000	715,191,067
Dec. 31, 1980	259,294,136	Dec. 31, 2001	587,058,850
Dec. 31, 1981	211,028,452	Dec. 31, 2002	641,252,164
Dec. 31, 1982	232,543,585	Dec. 31, 2003	684,177,846
Dec. 31, 1983	321,540,852	Dec. 31, 2004	739,568,188
Dec. 31, 1984	382,601,061	Dec. 31, 2005	871,268,224
Dec. 31, 1985	421,405,340	Dec. 31, 2006	994,264,130
Dec. 31, 1986	493,127,698	Dec. 31, 2007	972,275,768
Dec. 31, 1987	566,180,285	Dec. 31, 2008	887,938,008
Dec. 31, 1988	640,725,342	Dec. 31, 2009	797,658,411
Dec. 31, 1989	667,957,592	Dec. 31, 2010	\$564,475,483
Dec. 31, 1990	696,270,222		

CONSUMER LOAN COMPANIES

CONSOLIDATED REPORT OF CONDITION

	<u>Dec. 31, 2010</u>	<u>Change</u>	<u>Dec. 31, 2009</u>
Total Consumer Loan Companies	324		349
<u>Assets</u>			
Cash and Due from Depositor Institutions	6,145,629	15.74%	5,309,745
Total Loans Receivable, (Net of Unearned Interest and Reserves)	742,521,359	-10.50%	829,624,351
Premises and Fixed Assets (Net of Depreciation)	5,503,946	-20.21%	6,898,363
Deferred Charges and Prepaid Expenses	1,056,355	-31.39%	1,539,720
Other Assets Used in Consumer Loan Business	42,431,122	2.08%	41,565,829
Total Assets Used in Consumer Loan Business	797,658,411	-9.86%	884,938,008
<u>Liabilities and Capital or Net Worth</u>			
Total Liabilities	420,032,056	-40.33%	703,920,141
Total Capital	162,209,786	-10.39%	181,017,867
Total Liabilities and Capital or Net Worth	582,241,842	-34.21%	884,938,008
Residential Real Estate Loans > \$15,000	599,602,912	-17.21%	724,258,185

INDUSTRIAL LOAN COMPANIES

ANNUAL CONSOLIDATED STATEMENT OF ASSETS

Year Total Assets

June 29, 1946	\$432,786
June 30, 1947	843,587
June 30, 1948	1,207,448
June 30, 1949	998,520
June 30, 1950	725,995
June 30, 1951	1,002,486
June 30, 1952	1,260,935
June 30, 1953	1,197,125
June 30, 1954	1,145,154
June 30, 1955	1,337,078
June 30, 1956	3,351,255
June 29, 1957	6,674,101
June 30, 1958	7,624,233
June 30, 1959	12,027,595
June 30, 1960	25,016,928
June 30, 1961	29,533,306
June 30, 1962	38,986,576
June 29, 1963	47,926,026
June 30, 1964	62,498,295
June 30, 1965	74,443,666
June 30, 1966	83,269,104
June 30, 1967	92,253,814
June 30, 1968	106,979,831
June 30, 1969	118,607,417
June 30, 1970	128,303,693
June 30, 1971	130,666,763
June 30, 1972	144,585,041
June 30, 1973	182,173,895
June 30, 1974	212,063,191
June 30, 1975	203,572,673
June 30, 1976	208,046,246
June 30, 1977	224,959,496
June 30, 1978	238,484,239
June 30, 1979	268,877,377
June 30, 1980	254,058,175
June 30, 1981	255,953,218
June 30, 1982	165,942,225
June 30, 1983	69,058,748

Year Total Assets

June 30, 1984	45,051,556
June 30, 1985	61,357,110
June 30, 1986	47,118,841
June 30, 1987	19,930,854
June 30, 1988	3,579,048
Dec. 31, 1988	33,707,258
Dec. 31, 1989	66,185,013
Dec. 31, 1990	60,216,163
Dec. 31, 1991	93,265,336
Dec. 31, 1992	70,626,327
Dec. 31, 1993	36,242,155
Dec. 31, 1994	17,161,759
Dec. 31, 1995	13,559,113
Dec. 31, 1996	13,841,777
Dec. 31, 1997	13,346,139
Dec. 31, 1998	8,854,581
Dec. 31, 1999	3,184,487
Dec. 31, 2000	12,700,424
Dec. 31, 2001	12,013,001
Dec. 31, 2002	16,861,557
Dec. 31, 2003	7,106,807
Dec. 31, 2004	7,727,195
Dec. 31, 2005	22,308,961
Dec. 31, 2006	23,315,243
Dec. 31, 2007	20,195,678
Dec. 31, 2008	11,036,427
Dec. 31, 2009	5,588,023
Dec. 31, 2010	\$4,195,769

INDUSTRIAL LOAN COMPANIES

CONSOLIDATED REPORT OF CONDITION

	<u>Dec. 31, 2010</u>	<u>Change</u>	<u>Dec. 31, 2009</u>
Total Industrial Loan Companies	35		49
<u>Assets</u>			
Cash on Hand	0	0.00%	0
Cash in Depository Institutions	0	0.00%	0
Industrial Loans	0	0.00%	0
Other Loans	4,344,340	-25.23%	5,810,622
Total Loans	4,344,340	-25.23%	5,810,622
Less: Unearned Interest	1,914	-38.64%	3,119
Reserve for Loan Loss	154,880	-36.39%	243,469
Loans, Net of Unearned Interest and Reserves	4,187,546	-24.74%	5,564,034
Premises and Fixed Assets	0	NA	0
Other Assets	8,222	-65.72%	23,989
Total Assets	4,195,769	-24.91%	5,588,023
<u>Liabilities</u>			
Certificates of Investment	0	0.00%	0
Other Borrowed Money	0	-100.00%	5,543,546
Other Liabilities	3,607,893	NA	0
Total Liabilities	4,061,135	-26.74%	5,543,546
<u>Equity Capital</u>			
Capital Stock	0	NA	0
Surplus and Undivided Profits	0	NA	0
Current Earnings	134,633	202.70%	44,477
Total Equity Capital	134,633	202.70%	44,477
Total Liabilities and Equity Capital	4,195,769	-24.91%	5,588,023



DIVISION OF SECURITIES

24TH ANNUAL SECURITIES REPORT

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) was signed into law. The bill enhanced the role of state securities regulators in protecting investors and providing financial oversight. The Dodd-Frank bill included provisions that impacted the securities industry — state regulatory oversight of investment advisers increased, the accredited investor definition was updated, and a “bad boy” disqualifier was added to prevent securities law violators from conducting securities offerings under SEC Regulation D, Rule 506. Securities regulators have the task of ensuring that the studies, rules and implementation procedures of the Dodd-Frank legislation are effective and provide investors with the protection they deserve. DFI is prepared to handle this new responsibility and has been conducting various outreach and training programs with the industry.

The DFI-sponsored Senate Bill 130 (SB 130), which modifies the Kentucky Securities Act, KRS 292, passed during the 2010 General Assembly session. The bill protects investors from fraud, educates the public about making informed investment decisions and helps companies in their legitimate efforts to raise capital. House-keeping measures included reorganizing a lengthy section of the act into eight different sections, amending definitions to conform to federal law to be more consistent with other states, and clarifying open records and confidential information. To protect consumers, the bill clarifies that all investors must receive material information in connection with securities sold in a transaction that is exempt from Kentucky registration regardless of the financial status of the investor. It sets up a Securities Fraud Prosecution and Prevention Fund so a portion of fines assessed can be used for prosecution assistance in criminal referrals, training, equipment, investigation and investor education. The bill also sets maximum fines for violations of the securities laws and doubles the maximum fine for violations that harm those over age 60. SB 130 went into effect July 15, 2010.

The mission of the Division of Securities is to 1) protect investors through the active implementation and application of Kentucky’s securities laws in order to prevent investment fraud and related illegal conduct, and by taking remedial action, when possible, to mitigate the harm done to the investor, 2) educate the investing public about investment matters and making informed investment decisions, and 3) provide investor protection without undue burden on the capital formation process.

To fulfill its investor protection mission, the Division of Securities performs a variety of functions intended to help ensure that securities transactions are effected in compliance with the Kentucky Securities Act, and that investors have the necessary material information with which to make informed investment decisions and select securities professionals with whom to entrust their money.

- **Licensing** – Employees in the Licensing and Registration Branch process applications for the registration of broker-dealers, investment advisers and their licensed employees. The licensing staff can deny the applications of firms and individuals who do not meet the requirements of the Kentucky securities laws. The licensing staff also responds to inquiries from the public concerning investment adviser or broker licensing status and disciplinary history.

- **Corporation Finance** – The corporation finance staff in the Licensing and Registration Branch process applications for the registration or exemption from registration of securities to be offered and sold in the Commonwealth. The staff in this area also processes notice filings by issuers of federally covered securities such as mutual funds. In addition, the corporation finance staff answers questions from the general public about the requirements for selling securities in Kentucky.

DIVISION OF SECURITIES

- **Compliance** – Examiners in the Compliance Branch perform announced and unannounced examinations of broker-dealers, investment advisers and issuers and their respective agents to determine compliance with Kentucky securities laws. Examiners also assist DFI's legal staff with administrative and civil actions the department may pursue against violators of the Securities Act.
- **Enforcement** – Investigators in the Enforcement Branch investigate allegations of securities fraud and related illegal conduct. In coordination with DFI's legal staff, the investigators assist with administrative and civil actions the department may pursue against alleged violators of the Securities Act. In addition, division investigators work closely with outside law enforcement agencies and assist securities investigators from other states. The most serious cases are referred by the division to state and federal authorities for criminal prosecution.

The Securities Division supports the DFI staff in performing educational outreach to students and community groups about saving, investing and avoiding fraud; participates in financial literacy forums across the Commonwealth; and distributes informational brochures on financial matters through public libraries, county cooperative extension agencies and other public venues.

INVESTMENT ADVISERS HEADQUARTERED IN KENTUCKY

Name

Alexander Investment Services Co.
Archer Financial Planning LLC
Aristides Capital LLC
Arsenal Investment Advisors LLC
Beck Financial Management LLC
Bluegrass Capital Advisors LLC
Capital Asset Management Corp.
Capital Investment Management Inc.
Carroll D. Sponcil
Cashel Financial Advisers LLC
Christina Vittitow O'Bryan, CFP
Churchill Financial LLC
Civello Investment Advisory
Clear Trace LLC
Coats Financial Planning Inc.
Commonwealth Financial Advisors LLC
Cox Planning Services PLLC
Cypress Alts
Dupree & Co. Inc.
E. Thomas & Associates Inc.
EDC Financial Services LLC
Eitel Investment Management
Farris Capital Management
Federal Hill Capital Management LLC
Financial Architects Inc.
Financial Services Advisory

City

Louisville
Louisville
Lexington
Louisville
Florence
Louisville
Louisville
Leitchfield
Louisville
Louisville
Owensboro
Louisville
Lebanon Junction
Peewee Valley
Louisville
Louisville
Paducah
Louisville
Lexington
Williamstown
Lexington
Louisville
Lexington
Bardstown
Louisville
Louisville

INVESTMENT ADVISERS HEADQUARTERED IN KENTUCKY

<u>Name</u>	<u>City</u>
First Kentucky of Securities Corp.	Frankfort
Focus on Success LLC	Ft. Mitchell
Foster Investment Services LLC	Paris
Garton & Associates Financial Advisors LLC	Louisville
Geary Investment Services	Louisville
Godby Wealth Management Inc.	Somerset
Harvey R. Little Jr.	Berea
Heritage Financial Group Inc.	Paducah
Highland Financial Management Inc.	Elizabethtown
IDP Financial Group LLC	Frankfort
Invest Inc.	Lexington
Investment Bank Services Inc.	Louisville
Investment Research Advisory Corp.	Louisville
Jefferson National Securities Corp.	Louisville
Jesse Investment Advisors LLC	Louisville
J.J.B Hillard, W.L. Lyons LLC	Louisville
Keepsake Management Inc.	Lexington
Key Market Research LLC	Louisville
Lawrence J. Botzman, CFP	Somerset
Lexington Investment Co. Inc.	Lexington
Life Advisors Financial Planning and Wealth Management LLC	Munfordville
Mackhouse LLC	Louisville
Mann Capital Management LLC	Ft. Mitchell
Marc E. Craft, P.S.C.	Lexington
Marshall Wealth Management LLC	Louisville
MC Financial Services Inc.	Louisville
Milestone Financial Planning LLC	Mayfield
MoneyTree Capital Management LLC	Morganfield
Moneywise Inc.	Lexington
Morgan Money Management Inc.	Paducah
Nancy Barron & Associates Inc.	Lexington
NGAS Securities Inc.	Lexington
Nina M. Wyatt & Associates LLC	Owensboro
Oak River Investment Advisors LLC	Ft. Mitchell
Oldham Advisors LLC	Crestwood
P5 Investment Management Inc.	Prospect
Painter Financial LLC	Greenville
Palmer Capital Management Inc.	Florence
Pierce Financial Planning Inc.	Lexington
Prime Solutions LLC	Henderson
Principled Wealth Advisors LLC	Covington
Private Client Services LLC	Louisville
Regional Investment Advisors Inc.	Louisville
Resource Design Inc.	Edgewood
Retirement Tax Advisory Group Inc.	Lexington

INVESTMENT ADVISERS HEADQUARTERED IN KENTUCKY

<u>Name</u>	<u>City</u>
Revolutionary Wealth Management Corp.	Louisville
RiverCities Asset Management LLC	Owensboro
Robert M. Walker & Associates Inc.	Taylorsville
Scearce Services Inc.	Lexington
Sentinel Investment Advisory Services Inc.	Ashland
ShIPLEY Financial & Tax Advisors PLLC	Ft. Thomas
Tatro Capital LLC	Nicholasville
Teewinot Asset Management LLC	Lexington
Tew Enterprise LLC	Versailles
The Wealth Advisory Team LLC	Covington
The Wright Legacy Group LLC	Elizabethtown
Thomas M. Zalla, CPA/Ph.D.	Ft. Mitchell
Thompson Investment Advisors Inc.	Louisville
Thurn Financial Planning LLC	Lexington
TMFS-Lexington LLC	Lexington
Townsend Financial Planning	Mt. Sterling
Valorum Retirement Advisors LLC	Paducah
Via Wealth Management Inc.	Campbellsville
Wealth Investment Network Inc.	Edgewood
Wealth Management Inc.	Bowling Green
WealthMD Corp.	Louisville
William E. Sawyer dba Conservative Asset Management Inc.	Louisville
Wilson Financial Services Inc.	Williamstown
Witter & Westlake Investments Inc.	Louisville
Your Best Move Inc.	Bardstown
Your CFO LLC	Lawrenceburg

BROKER-DEALERS HEADQUARTERED IN KENTUCKY

Alexander Investments Services Co.	Louisville
Churchill Financial LLC	Louisville
Cypress Alts LLC	Louisville
Dupree & Co.	Lexington
First Kentucky Securities Corp.	Frankfort
Investment Bank Services Inc.	Louisville
J.J.B. Hilliard, W.L. Lyons LLC	Louisville
Jefferson National Securities Corp.	Louisville
Lexington Investment Co. Inc.	Lexington
Maxxtrade Inc.	Lexington
Nancy Barron & Associates Inc.	Lexington
NGAS Securities Inc.	Lexington
Oak River Investments Inc.	Ft. Mitchell
Private Client Services LLC	Louisville
Winebrenner Capital Partners LLC	Louisville

SECURITIES COMPLIANCE BRANCH EXAMINATIONS

	<u>Dec. 31, 2010</u>	<u>Change</u>	<u>Dec. 31, 2009</u>
<u>Examinations</u>			
Broker-Dealers Examinations	56		41
Orders/Agreements			5
Investment Adviser Examinations	55		53
Issuer Agent — Main Office Examinations	1		0
Total Examinations	112	0.84%	94

SECURITIES LICENSING

	<u>Dec. 31, 2010</u>	<u>Change</u>	<u>Dec. 31, 2009</u>
<u>Broker-Dealer Registrations</u>			
Renewed	1,579		1,717
Approved	127		92
Withdrawals (Form BDW)	77		141
Total Registered (year end)	1,596	-1.05%	1,668
<u>Broker-Dealer Agent Registrations</u>			
Renewed	85,917		85,706
Total Registered (year end)	94,029	1.01%	85,388
<u>Issuer Agent Registrations</u>			
Renewed	67*		94
Approved	28		18
Terminated	7		38
Total Registered (year end)	88	0.84%	74

** Agent renewals as of July 2010 changed from a calendar year end renewal to a 12-month rolling renewal from initial date of registration.*

<u>State Investment Advisers</u>			
Renewed	135		139
Total Registered (year end)	145	0.93%	135
<u>Federal Covered Investment Advisers</u>			
Renewed	929		916
Total Effective Notice Filings	943	0.99%	929
<u>Investment Adviser Representatives (IAR)</u>			
Renewed	3,871		3,227
Total State and Federal IARs (year end)	4,061	0.95%	3,878

SECURITIES CORPORATION FINANCE

	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>
<u>Registrations</u>		
Private Placement Securities Offerings	42	34
<u>Notice Filings</u>		
Investment Companies - New	650	498
Investment Companies - Renewals	3,868	3,773
Unit Investment Trusts	1,222	1,044
Reg. D, Rule 506 Offerings	437	397
<u>Exemptions</u>		
Claims of Exemption Requested	34	58
Total Filings	6,253	5,804

SECURITIES ENFORCEMENT

	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>
<u>Investigations</u>		
Referrals/Assistance to Outside Agency	15	4
Referrals from Outside Agency	8	5
Investigations Opened	37	41
Investigations Closed	32	18
Investigations Pending	67	62
<u>Enforcement Actions</u>		
Administrative Orders	15	19
Civil Orders	0	5
Criminal Referrals (indictments)	15	15
Fines	\$1,194,241*	1,876,195**
Restitution	\$1,037,000***	\$654,861

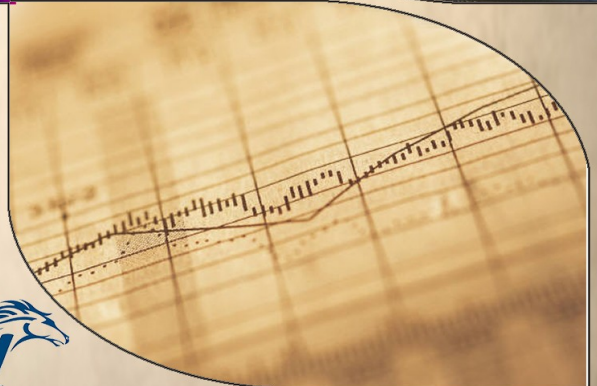
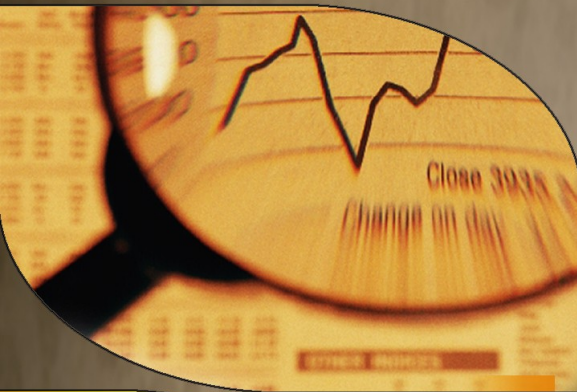
* 2010 fines include \$849,129 in national auction rate securities settlements.

** 2009 fines include \$1,135,795 in national auction rate securities settlements.

*** 2010 restitution numbers include restitution ordered in criminal actions which the Department provided assistance.

DEPARTMENT OF FINANCIAL INSTITUTIONS

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Kentucky
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