



Department of Financial Institutions

Supervising Kentucky's Financial Industry for 99 Years



2011 Annual Report

Table of Contents

Mission, Values and Vision	3
Letter from the Commissioner.....	4
Commissioners.....	5
History and Organizational Structure	6
Financial Institutions Board	7
Administrative Services Branch	8
Division of Depository Institutions	9
99th Annual Banking Report	9
Annual Consolidated Statement of Assets - State Banks and Thrifts	10
Consolidated Condition and Income Data - State Banks and Thrifts	12
Total Assets - State Banks and Thrifts	13
Trust Assets - State-Chartered Independent Trust Companies	16
Trust Assets - State-Chartered Bank Trust Departments.....	17
77th Annual Credit Union Report.....	18
Annual Consolidated Statement of Assets - State-Chartered Credit Unions	19
Selected Composite Operating Ratios– State Chartered Credit Unions	20
Report of Condition - State-Chartered Credit Unions	22
Division of Nondepository Institutions	23
3rd Annual Consumer Protection Report.....	23
13th Annual Compliance Branch Report	24
Annual Consolidated Statement of Assets - Consumer Loan Companies.....	25
Consolidated Report of Condition - Consumer Loan Companies	26
Annual Consolidated Statement of Assets - Industrial Loan Companies.....	27
Consolidated Report of Condition - Industrial Loan Companies.....	28
25th Annual Securities Report.....	29
Licensing & Registration Branch Report.....	30
2011 Broker-Dealers	30
2011 Investment Advisers.....	30
Compliance Branch Report.....	34
Enforcement Branch Report	35
Prosecution Assistance Unit Report	35

Mission, Values and Vision

Values

The Department of Financial Institutions (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.

MISSION STATEMENT

"The Department of Financial Institutions' mission is to serve Kentucky residents by maintaining a stable financial industry, continuing effective and efficient regulatory oversight, promoting consumer confidence, and encouraging economic opportunities."

Vision

The Department 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
- Be responsive to emerging industry trends and issues, and implement appropriate strategies



**PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS**



Dear Gov. Steven L. Beshear,

As commissioner of the Kentucky Department of Financial Institutions (DFI), I am pleased to present the 2011 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. The economy is beginning to recover, and the unemployment rate continues to decline. The Dodd-Frank Act that was passed by Congress in 2010 is starting to be implemented, and increased federal regulations are creating new challenges for all of the industries that we regulate. The DFI continues to work closely with the industries we regulate to interpret, understand and implement the significant changes to the rules and regulations.

The Securities Division led a multi-state investigation into the practices of a securities firm which resulted in approximately \$11 million in restitution to Kentucky investors. We also worked with local and federal prosecutors on criminal cases involving violations of the Securities Act against companies and individuals and obtained numerous guilty verdicts and orders of restitution to investors. In addition, the Securities Division is prepared to assume regulatory oversight of all investment advisors (IA) with assets under management between \$25 million and \$100 million as mandated by the Dodd-Frank Act.

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.

The DFI, in conjunction with financial institutions in Kentucky, remains committed to finding solutions to economic challenges facing the Commonwealth. While profitability measures are below historical levels, the return on average assets for banks and credit unions in Kentucky remain stable. As economic conditions improve and the unemployment rate declines, asset quality has improved. Sound risk management practices have positioned our state-chartered financial institutions to function as a catalyst for economic growth.

The DFI remains a leader in the financial regulatory process. Several of our senior managers serve in national leadership roles, and we have built valuable relationships with the industries we regulate and 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 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 of Charles A. Vice in black ink.

Charles A. Vice, Commissioner

DFI Commissioners

1912-2011

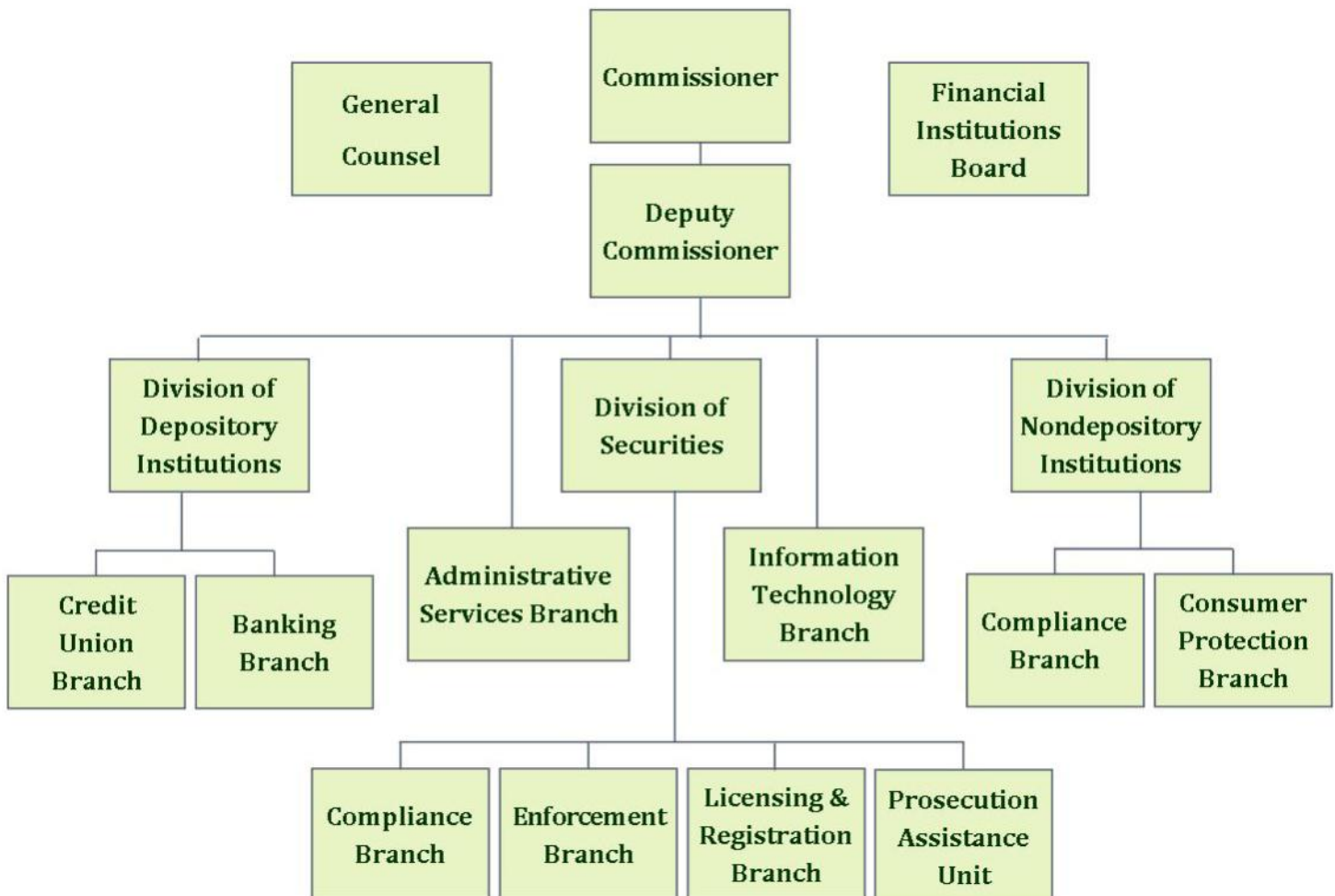
<u>Year</u>	<u>Commissioner</u>	<u>Governor</u>
1912	Thomas J. Smith	James B. McCreary
1916	George G. Speer	Augustus O. Stanley
1920	James Lewis	Edwin P. Morrow
1924	Charles E. Marvin	William J. Fields
1928	O. S. Denny	Flem D. Samson
1930	C. S. Wilson	Flem D. Samson
1931	J. R. Dorman	Ruby Laffoon
1935	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

* Title was Executive Director from 2004-2007

History of DFI

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.



2011 DFI Board, left to right: Kevin Walsh, Charles Vice, Mark Gooch, Valerie Brown, Bill Tatum, W. Fred Brashear, Jerry Pyle, Charles Beach, David Beck.

Chairman

Charles A. Vice
Commissioner
Department of Financial
Institutions

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

Public at Large

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

Banking Industry

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

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

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

William Frederick Brashear II
Hyden, KY
Appointed Jan. 9, 2009
Term Expires Oct. 10, 2012

Credit Union Representative

Valerie C. Brown
Bowling Green, KY
Appointed June 2, 2011
Term Expires Oct. 10, 2014

Branden Gross
Lexington, KY
Appointed Nov. 23, 2009
Term Expires Oct. 10, 2013

Frank Ramsey Jr.
Madisonville, KY
Appointed Jan. 9, 2009
Term Expires Oct. 10, 2012

Consumer Finance

Jerry D. Pyle
Crofton, KY
Appointed June 2, 2011
Term Expires Oct. 10, 2014

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

With the 2011 expansion, DFI hired 14 new employees. DFI is successfully training those 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. Nine examiners left or retired in fiscal year 2011.

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 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 website at <http://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

99th Annual Banking Report

The Bank Branch supervises the activities of 155 Kentucky state-chartered banks, ranging in asset size from \$22.1 million to \$3.6 billion. The majority of Kentucky state-chartered banks remain in a relatively stable financial condition compared to our contiguous states and nationally. As the economic recovery continues to stall, state-chartered banks that possess large commercial real estate concentrations have lagged behind their state-chartered peers in performance. No state-chartered bank failed in Kentucky during 2011.

Net income fell in 2011, as the statewide ratio of return on assets (ROA) declined from 0.83 percent in 2010 to 0.71 percent in 2011. The state-chartered ROA compares favorably to the national average of 0.65 percent for 2011. Although statewide ROA declined, the net interest margin improved slightly year over year, increasing from 3.93 percent to 4.02 percent. The average allowance for loan and lease losses was 1.70 percent in 2011 compared to 1.59 percent for 2010.

Capital levels have improved slightly year over year as indicated by the tier 1 leverage capital position which equaled 9.82 percent in 2011 compared with 9.51 percent in 2010. Additionally, total risk-based capital for Kentucky state-chartered banks averaged 15.67 percent compared to 15.00 percent in 2010.

Bank Changes

During 2011 there was one bank merger. The United Bank of Pendleton County merged with Bank of Kentucky located in Crestview Hills, Ky.

State-Chartered Banks

Annual Consolidated Statement of Assets

<u>Year</u>	<u>Total Assets</u>	<u>Year</u>	<u>Total Assets</u>
Sept. 4, 1912	\$110,096,102.83	June 30, 1953	1,125,336,205.82
Sept. 3, 1913	112,556,338.09	June 30, 1954	1,167,432,270.01
Sept. 12, 1914	110,516,100.67	June 30, 1955	1,211,811,536.25
Nov. 10, 1915	110,068,034.26	June 30, 1956	1,220,534,082.10
Aug. 17, 1916	120,217,111.75	June 30, 1957	1,294,391,352.88
Sept. 7, 1917	152,490,422.93	June 30, 1958	1,383,757,204.28
Sept. 5, 1918	175,361,452.29	June 30, 1959	1,402,074,237.64
Sept. 5, 1919	213,365,256.47	June 30, 1960	1,439,285,742.07
Sept. 13, 1920	227,231,768.46	June 30, 1961	1,416,812,042.56
June 30, 1921	220,117,518.15	June 30, 1962	1,539,385,203.23
June 30, 1922	222,284,937.92	June 30, 1963	1,682,807,021.85
June 30, 1923	257,447,342.36	June 30, 1964	1,798,326,242.98
June 30, 1924	260,394,024.52	June 30, 1965	1,932,620,428.05
June 30, 1925	269,730,816.68	June 30, 1966	2,157,183,512.81
June 30, 1926	278,619,057.34	June 30, 1967	2,490,156,359.19
June 30, 1927	308,521,323.67	June 30, 1968	2,703,101,033.03
June 30, 1928	341,300,174.09	June 30, 1969	3,067,136,736.70
June 30, 1929	385,559,868.28	June 30, 1970	3,259,015,862.86
June 30, 1930	364,849,233.33	June 30, 1971	3,793,329,845.00
June 30, 1931	295,881,257.76	June 30, 1972	4,277,132,990.00
June 30, 1932	248,031,078.12	June 30, 1973	4,973,878,479.44
June 30, 1933	231,577,905.49	June 30, 1974	5,696,240,528.60
June 30, 1934	239,624,124.68	June 30, 1975	6,300,190,296.19
June 30, 1935	229,781,437.48	June 30, 1976	6,550,032,000.00
June 30, 1936	250,997,016.66	June 30, 1977	7,431,081,000.00
June 30, 1937	270,699,778.60	June 30, 1978	8,371,752,000.00
June 30, 1938	252,251,968.59	June 30, 1979	9,507,372,000.00
June 30, 1939	266,594,369.49	June 30, 1980	10,700,084,000.00
June 30, 1940	273,977,674.22	June 30, 1981	11,968,250,000.00
June 30, 1941	297,360,610.22	June 30, 1982	12,878,728,000.00
June 30, 1942	340,903,872.17	June 30, 1983	13,724,157,000.00
June 30, 1943	477,658,367.10	June 30, 1984	15,171,523,000.00
June 30, 1944	578,775,786.77	June 30, 1985	16,448,822,000.00
June 30, 1945	904,485,435.10	June 30, 1986	17,869,731,000.00
June 30, 1946	941,787,755.13	June 30, 1987	19,709,513,000.00
June 30, 1947	898,858,508.44	June 30, 1988	20,984,582,000.00
June 30, 1948	932,808,480.54	Dec. 31, 1988	22,103,771,000.00
June 30, 1949	933,714,814.70	Dec. 31, 1989	23,570,033,000.00
June 30, 1950	953,843,874.72	Dec. 31, 1990	25,058,852,000.00
June 30, 1951	1,002,285,106.04	Dec. 31, 1991	24,145,642,000.00
June 30, 1952	1,081,217,820.20	Dec. 31, 1992	23,932,903,000.00

State-Chartered Banks

Annual Consolidated Statement of Assets

<u>Year</u> <u>Total Assets</u>	<u>Year</u> <u>Total Assets</u>
Dec. 31, 199324,825,281,000.00	Dec. 31, 2003 29,188,172,000.00
Dec. 31, 199426,860,360,000.00	Dec. 31, 2004 32,945,550,000.00
Dec. 31, 199526,765,509,000.00	Dec. 31, 2005 34,654,113,000.00
Dec. 31, 199628,414,146,000.00	Dec. 31, 2006..... 36,984,088,000.00
Dec. 31, 199724,975,052,000.00	Dec. 31, 2007..... 39,429,371,000.00
Dec. 31, 199825,811,929,000.00	Dec. 31, 2008..... 41,917,324,000.00
Dec. 31, 199926,800,458,000.00	Dec. 31, 2009.....44,275,101,000.00
Dec. 31, 200029,135,528,000.00	Dec. 31, 2010.....45,325,266,000.00
Dec. 31, 200131,473,451,000.00	Dec. 31, 2011..... \$45,765,535,000.00
Dec. 31, 200228,554,384,000.00	

State-Chartered Banks

Consolidated Condition and Income Data

	<u>31-Dec-2011</u>	<u>31-Dec-2010</u>
Number of institutions reporting	155	156
Total employees (full-time equivalent)	11,893	11,724
<u>Aggregate Condition and Income Data</u>	<i>(Dollar amounts in millions with the 000s omitted)</i>	
Net income (year-to-date)	326	367
Total assets	46,404	45,324
Earning assets	42,678	41,756
Total loans & leases	30,761	30,923
Other real estate owned	395	375
Total deposits	37,224	36,552
Equity capital	4,890	4,542
<u>Performance Ratios (YTD, %)</u>		
Yield on earning assets	5.09	5.36
Cost of funding earning assets	1.06	1.43
Net interest margin	4.02	3.93
Noninterest income to average earning assets	1.11	1.11
Noninterest expense to average earning assets	3.46	3.30
Net charge-offs to loans & leases	0.79	0.71
Credit-loss provision to net charge-offs	111.03	124.28
Net operating income to average assets	0.68	0.77
Retained earnings to average equity	2.23	3.91
Pre-tax return on assets	0.99	1.06
Return on assets	0.71	0.83
Return on equity	6.83	8.19
Percent of unprofitable institutions	9.03	10.90
Percent of institutions with earning gains	59.35	70.51
<u>Condition Ratios (%)</u>		
Net loans and leases to assets	65.16	67.14
Loss allowance to:		
Loans and leases	1.70	1.59
Noncurrent loans and leases	72.00	69.33
Noncurrent loans & leases to total loans & leases	2.36	2.29
Nonperforming assets to assets	2.44	2.43
Core deposits to total liabilities	71.20	69.62
Equity capital to total assets	10.54	10.02
Core capital (tier 1 leverage) ratio	9.82	9.51
Total capital to risk-weighted assets	15.67	15.00
Gross 1-4 family mortgages to gross assets	24.22	24.59
Gross real estate assets to gross assets	63.20	61.97

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 Company of Clinton County	Albany	\$31,714
Citizens Deposit Bank of Arlington, Inc.	Arlington	178,730
Town Square Bank, Inc.	Ashland	177,190
Auburn Banking Company	Auburn	64,475
Kentucky Home Bank	Bardstown	102,654
Town & Country Bank and Trust Company	Bardstown	378,231
Wilson & Muir Bank & Trust Company	Bardstown	408,832
Bedford Loan & Deposit Bank	Bedford	90,375
Community Financial Services Bank	Benton	559,171
Peoples Bank and Trust Company of Madison County	Berea	410,352
Farmers State Bank	Booneville	54,466
American Bank & Trust Company, Inc.	Bowling Green	239,814
Citizens First Bank, Inc.	Bowling Green	403,106
South Central Bank of Bowling Green, Inc.	Bowling Green	230,867
Meade County Bank	Brandenburg	148,762
Bank of Edmonson County	Brownsville	199,092
Bank of Buffalo	Buffalo	74,529
Citizens Bank of Cumberland County, Inc.	Burkesville	73,545
Bank of Cadiz and Trust Company	Cadiz	104,590
United Citizens Bank & Trust Company	Campbellsburg	90,135
Citizens Bank & Trust Company	Campbellsville	179,031
Taylor County Bank	Campbellsville	156,113
Farmers & Traders Bank of Campton	Campton	43,279
Bank of Caneyville	Caneyville	47,328
Deposit Bank of Carlisle	Carlisle	64,425
Kentucky-Farmers Bank of Catlettsburg, Ky.	Catlettsburg	170,389
The Cecilian Bank	Cecilia	481,197
First Security Bank of Kentucky	Central City	68,667
King Southern Bank	Chaplin	178,234
Bank of Clarkson	Clarkson	118,190
Clinton Bank	Clinton	54,364
First Community Bank of Western Kentucky, Inc.	Clinton	79,428
Bank of Columbia	Columbia	130,649
United Citizens Bank of Southern Kentucky	Columbia	136,970
Hometown Bank of Corbin, Inc.	Corbin	128,072
The Bank of Kentucky, Inc.	Crestview Hills	1,743,596
The Harrison Deposit Bank and Trust Company	Cynthiana	52,045
Bluegrass Community Bank	Danville	44,421
Dixon Bank	Dixon	87,854
First Citizens Bank	Elizabethtown	316,253
First Federal Savings Bank of Elizabethtown	Elizabethtown	1,228,842
Kentucky Neighborhood Bank	Elizabethtown	126,656
South Central Bank of Hardin County, Inc.	Elizabethtown	77,488
Elkton Bank & Trust Company	Elkton	124,374

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 Deposit Bank	Eminence	59,841
Heritage Bank, Inc.	Erlanger	397,136
Peoples Bank of Kentucky, Inc.	Flemingsburg	191,634
First Security Trust Bank, Inc.	Florence	116,568
Farmers Bank & Capital Trust Company	Frankfort	720,976
The Bankers' Bank of Kentucky, Inc.	Frankfort	69,927
Franklin Bank & Trust Company	Franklin	362,688
Fredonia Valley Bank	Fredonia	74,009
Edmonton State Bank	Glasgow	433,847
South Central Bank of Barren County, Inc.	Glasgow	276,250
The Commercial Bank of Grayson	Grayson	165,993
The Farmers Bank	Hardinsburg	96,256
The Bank of Harlan	Harlan	131,873
Citizens Bank	Hartford	24,463
Commonwealth Community Bank, Inc.	Hartford	157,474
Hancock Bank & Trust Company	Hawesville	350,669
1st Trust Bank, Inc.	Hazard	136,957
Peoples Bank & Trust Company of Hazard	Hazard	287,115
Ohio Valley Financial Group	Henderson	242,499
The Bank of Henderson, Inc.	Henderson	75,295
The Citizens Bank	Hickman	109,515
Bank of Hindman	Hindman	172,078
Planters Bank, Inc.	Hopkinsville	675,453
United Southern Bank	Hopkinsville	252,185
Hyden Citizens Bank	Hyden	128,270
Inez Deposit Bank	Inez	166,168
First State Bank	Irvington	157,703
Citizens Bank & Trust Company of Jackson	Jackson	127,445
Bank of Jamestown	Jamestown	165,489
The Kevil Bank	Kevil	29,985
THE BANK - Oldham County, Inc.	La Grange	142,585
Century Bank of Kentucky, Inc.	Lawrenceburg	100,594
Peoples Bank	Lebanon	46,781
Leitchfield Deposit Bank & Trust Company	Leitchfield	107,817
Lewisburg Banking Company	Lewisburg	100,476
American Founders Bank, Inc.	Lexington	385,586
Bank of Lexington, Inc.	Lexington	166,757
Bank of the Bluegrass and Trust Company	Lexington	218,403
Central Bank & Trust Co.	Lexington	1,908,559
Whitaker Bank	Lexington	1,497,133
The Casey County Bank, Inc.	Liberty	160,219
Louisa Community Bank	Louisa	29,094
Peoples Security Bank	Louisa	50,006
Central Bank of Jefferson County	Louisville	177,306

State-Chartered Banks and Thrifts

Total Assets

(Dollar amounts in thousands with the 000s omitted)

<u>Name</u>	<u>City</u>	<u>Assets</u>
Commonwealth Bank and Trust Company	Louisville	823,405
Eclipse Bank, Inc.	Louisville	135,441
Louisville Community Development Bank	Louisville	32,374
PBI Bank	Louisville	1,461,853
Republic Bank & Trust Company	Louisville	3,310,308
River City Bank, Inc.	Louisville	270,346
Stock Yards Bank & Trust Company	Louisville	2,045,694
The First Capital Bank of Kentucky	Louisville	462,726
First United Bank and Trust Company	Madisonville	209,676
Magnolia Bank, Inc.	Magnolia	133,575
Farmers Bank and Trust Company	Marion	143,295
The Peoples Bank	Marion	35,622
First Guaranty Bank	Martin	59,896
First Kentucky Bank, Inc.	Mayfield	369,867
FNB Bank, Inc.	Mayfield	371,809
Bank of Maysville	Maysville	117,781
Security Bank and Trust Company	Maysville	47,521
Jackson County Bank	McKee	147,168
Farmers Deposit Bank of Middleburg, Inc.	Middleburg	47,015
Home Federal Bank Corporation	Middlesboro	347,660
The Farmers Bank of Milton	Milton	198,029
The Monticello Banking Company	Monticello	591,665
The Citizens Bank	Morehead	117,274
United Community Bank of West Kentucky, Inc.	Morganfield	185,190
Morgantown Bank & Trust Company, Inc.	Morgantown	136,776
Traditional Bank, Inc.	Mount Sterling	1,078,796
Citizens Bank	Mount Vernon	132,571
The Peoples Bank	Mount Washington	84,571
Hart County Bank and Trust Company	Munfordville	29,097
Citizens Bank of Northern Kentucky, Inc.	Newport	255,922
The Farmers Bank	Nicholasville	101,014
First Security Bank of Owensboro, Inc.	Owensboro	368,578
Independence Bank of Kentucky	Owensboro	1,133,577
South Central Bank of Daviess County, Inc.	Owensboro	199,127
First Farmers Bank and Trust Company	Owenton	116,285
Peoples Bank & Trust Company	Owenton	70,733
Owingsville Banking Company	Owingsville	68,081
The Paducah Bank and Trust Company	Paducah	534,103
Kentucky Bank	Paris	659,728
Community Trust Bank, Inc.	Pikeville	3,573,012
First State Financial, Inc.	Pineville	402,752
The First Commonwealth Bank of Prestonsburg, Inc.	Prestonsburg	310,871
Farmers Bank and Trust Company	Princeton	116,272
West Point Bank	Radcliff	141,633

State-Chartered Banks and Thrifts

Total Assets

(Dollar amounts in thousands with the 000s omitted)

<u>Name</u>	<u>City</u>	<u>Assets</u>
Citizens Guaranty Bank	Richmond	130,502
Madison Bank	Richmond	136,265
First & Peoples Bank	Russell	195,440
The Sacramento Deposit Bank	Sacramento	68,416
The Salt Lick Deposit Bank	Salt Lick	71,797
Sebree Deposit Bank	Sebree	22,091
Citizens Union Bank of Shelbyville	Shelbyville	595,190
The Peoples Bank of Bullitt County	Shepherdsville	214,877
Cumberland Security Bank, Inc.	Somerset	157,914
Springfield State Bank	Springfield	254,820
PBK Bank, Inc.	Stanford	113,765
Peoples Exchange Bank	Stanton	352,621
The Peoples Bank	Taylorsville	110,016
South Central Bank of Monroe County	Tompkinsville	113,966
Citizens Deposit Bank & Trust	Vanceburg	212,945
First Community Bank	Vanceburg	28,389
United Bank & Trust	Versailles	582,171
Bank of the Mountains, Inc.	West Liberty	63,360
Commercial Bank	West Liberty	127,449
Bank of McCreary County	Whitley City	134,880
Grant County Deposit Bank	Williamstown	89,015
Alliance Banking Company	Winchester	60,148
Total		\$45,765,535

State-Chartered Independent Trust Companies

(Dollar amounts in thousands with the 000s omitted)

<u>Name</u>	<u>City</u>	<u>Trust Assets</u>
Community Trust and Investment Company	Lexington	\$1,683,310
First Kentucky Trust	Louisville	347,446
Hilliard Lyons Trust Company, LLC	Louisville	3,038,723
The Glenview Trust Company	Louisville	2,836,133
Total		\$7,905,612

** Includes Managed and Non-Managed Trust Accounts*

State-Chartered 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 Company	Bardstown	282,040
Wilson & Muir Bank & Trust Company	Bardstown	142
Community Financial Services Bank	Benton	842
Bank of Cadiz and Trust Company	Cadiz	8,228
Kentucky-Farmers Bank of Catlettsburg, Ky.	Catlettsburg	42,138
First Security Bank of Kentucky	Central City	866
Clinton Bank	Clinton	1,740
The Bank of Kentucky, Inc.	Crestview Hills	614,620
The Harrison Deposit Bank and Trust Company	Cynthiana	1,024
First Citizens Bank	Elizabethtown	154,020
Elkton Bank & Trust Company	Elkton	8,506
Peoples Bank of Kentucky, Inc.	Flemingsburg	5,221
Farmers Bank & Capital Trust Company	Frankfort	244,500
Franklin Bank & Trust Company	Franklin	181
Commonwealth Community Bank, Inc.	Hartford	5,835
Hancock Bank & Trust Company	Hawesville	11,573
Peoples Bank & Trust Company of Hazard	Hazard	26,547
Ohio Valley Financial Group	Henderson	315,190
The Citizens Bank	Hickman	3,941
Planters Bank, Inc.	Hopkinsville	92,469
Citizens Bank & Trust Company of Jackson	Jackson	7,228
Bank of the Bluegrass and Trust Company	Lexington	107,165
Central Bank & Trust Company	Lexington	820,790
Whittaker Bank	Lexington	396,721
Commonwealth Bank and Trust Company	Louisville	848,903
PBI Bank	Louisville	540,316
Republic Bank & Trust Company	Louisville	121,788
Stock Yards Bank & Trust Company	Louisville	1,697,389
First United Bank and Trust Company	Madisonville	13,517
Bank of Maysville	Maysville	17,589
The Monticello Banking Company	Monticello	103,475
United Community Bank of West Kentucky, Inc.	Morganfield	6,036
Morgantown Bank & Trust Company, Incorporated	Morgantown	3,746
Hart County Bank and Trust Company	Munfordville	2,909
Citizens Bank of Northern Kentucky, Inc.	Newport	27,559
Independence Bank of Kentucky	Owensboro	295,971
Peoples Bank & Trust Company	Owenton	889
The Paducah Bank and Trust Company	Paducah	266,009
Kentucky Bank	Paris	94,122
Farmers Bank and Trust Company, Princeton, Kentucky	Princeton	13,666
First & Peoples Bank and Trust Company	Russell	31,053
Citizens Union Bank of Shelbyville	Shelbyville	1,283
Cumberland Security Bank, Inc.	Somerset	14,664
Grant County Deposit Bank	Williamstown	2,489
Total Trust Assets.....		\$7,309,641

* Includes Managed and Non-Managed Trust Accounts

Division of Depository Institutions

Credit Union Branch

77th Annual Credit Union Report

Kentucky state-chartered credit unions remain safe and sound. The national economy continues its slow recovery and our nation's credit unions are weathering the prolonged recession and the impact of the assessments required to stabilize the corporate credit union system losses. However, Kentucky state-chartered credit unions performed well in 2011.

The Credit Union Branch supervises the activities of 25 Kentucky state-chartered credit unions, ranging in asset size from \$670,888 to \$897,005,001. The total assets under supervision by the Credit Union Branch are \$1,844,748,368. Total asset growth was 7.59 percent, which is up significantly from the previous year's growth of 1.07 percent. The rise can be attributed to increased savings growth.

Kentucky state-chartered credit unions remain financially strong. The net worth ratio and the return on average assets ratio also reflect favorable gains in 2011. The delinquent loans to total loans ratio and the net charge-offs to average loans ratio continue to decline year over year.

The net long-term asset ratio continues to rise and is currently at 25.85 percent as credit unions seek more favorable returns through longer term mortgage loans and investments. This scenario could potentially expose credit unions to an increase in interest rate risk.

Loan growth increased to 5.25 percent compared to 1.31 percent growth last year. Real estate loans account for 46.74 percent of total loans. Total fixed rate real estate loans held steady in 2011 at 31.35 percent.

Credit Union Changes

During 2011, one federal credit union switched to a state charter. Autotruck Federal Credit Union, located in Louisville, Ky., was officially presented with its state charter conversion on Dec. 22, 2011. It became Autotruck Financial Credit Union.

Among those present at the official charter conversion were Autotruck President and CEO Huston Reinle, second from left, and Public Protection Cabinet Secretary Bob Vance holding the charter.



State-Chartered Credit Unions

Annual Consolidated Statement of Assets

<u>Year</u>	<u>Total Assets</u>	<u>Year</u>	<u>Total Assets</u>
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
		Dec. 31, 2011.....	\$1,844,748,368

* No records are available for 1940

State-Chartered Credit Unions

Selected Composite Operating Ratios

	<u>Dec-07</u>	<u>Dec-08</u>	<u>Dec-09</u>	<u>Dec-10</u>	<u>Dec-11</u>
<u>Capital Adequacy</u>					
Net Worth / Total Assets	16.15	15.26	13.92	14.41	14.80
Net Worth / Total Assets-Including Optional Total Assets Election (if used)	16.15	15.26	13.92	14.41	14.80
Total Delinquent Loans / Net Worth	3.87	5.00	4.06	4.13	3.71
Solvency Evaluation (Estimated)	119.54	118.28	116.76	117.18	117.66
Classified Assets (Estimated) / Net Worth	3.65	3.44	4.58	3.89	3.56
<u>Asset Quality</u>					
Delinquent Loans / Total Loans	0.95	1.25	0.98	1.03	0.98
*Net Charge-Offs / Average Loans	0.58	0.79	1.06	0.82	0.62
Fair (Market) Value/Book Value					
Held to Maturity Investments	99.73	103.65	100.59	100.98	102.61
Accumulated Unrealized Gain or Loss					
on Available for Sale / Cost of Available for Sale	1.34	1.54	0.55	0.36	0.40
Delinquent Loans / Assets	0.63	0.76	0.57	0.59	0.55
<u>Earnings</u>					
*Return On Average Assets	1.08	0.76	0.35	0.63	0.88
*Return On Average Assets Before NCUSIF					
Stabilization Income/Expense	N/A	N/A	0.10	0.84	1.09
*Gross Income/Average Assets	7.92	7.49	6.40	5.81	5.70
*Yield on Average Loans	7.63	7.57	7.10	6.77	6.64
*Yield on Average Investments	4.77	4.15	2.76	1.90	1.39
*Fee and Other Operating Income / Average Assets	1.48	1.38	1.21	1.20	1.39
*Cost of Funds / Average Assets	2.74	2.47	1.76	1.13	0.76
*Net Margin / Average Assets	5.17	5.02	4.64	4.68	4.93
*Operating Expenses / Average Assets	3.70	3.79	3.62	3.64	3.71
*Provision for Loan and Lease Losses					
/ Average Assets	0.38	0.48	0.79	0.41	0.35
*Net Interest Margin/ Average Assets	3.69	3.64	3.43	3.48	3.54
Operating Expenses / Gross Income	46.78	50.58	56.54	62.63	35.19
**Fixed Assets and Foreclosed and Repossessed					
Assets / Total Assets	2.42	2.46	2.40	2.47	2.24
*Net Operating Expenses / Average Assets	2.71	2.93	2.86	2.90	2.87

*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-07</u>	<u>Dec-08</u>	<u>Dec-09</u>	<u>Dec-10</u>	<u>Dec-11</u>
<u>Asset / Liability Management</u>					
Net Long-Term Assets / Total Assets	18.53	18.78	23.02	23.55	25.84
Regular Shares / Total Shares and Borrowings	43.99	47.61	47.11	50.48	51.42
Total Loans / Total Shares	79.12	72.56	68.76	68.38	66.94
Total Loans / Total Assets	65.60	60.92	57.44	57.57	56.32
Cash + Short-Term Investments / Assets	16.77	19.31	19.99	18.81	19.66
Total Shares, Deposits and Borrowings / Earning Assets	87.02	88.09	89.53	89.11	88.49
Regular Shares + Share Drafts / Total Shares and Borrowings	53.14	53.51	52.78	56.29	58.21
Borrowings / Total Shares and Net Worth	0.00	0.01	1.86	0.66	0.24
<u>Productivity</u>					
Members / Potential Members	17.23	16.85	16.94	15.62	5.26
Borrowers / Members	63.10	64.85	61.73	63.61	58.39
Members / Full-Time Employees	397.49	377.32	383.53	370.94	396.85
Average Shares Per Member	\$5,285	\$6,140	\$6,706	\$7,083	\$7,060
Average Loan Balance	\$6,627	\$6,870	\$7,470	\$7,614	\$8,094
*Salary And Benefits / Full-Time Employees	\$52,888	\$54,371	\$57,472	\$62,176	\$64,062
<u>Other Ratios</u>					
*Net Worth Growth	6.26	4.87	0.55	4.62	10.51
*Market (Share) Growth	6.54	12.38	9.64	1.96	7.52
*Loan Growth	3.92	3.07	3.89	1.31	5.25
*Asset Growth	6.34	10.98	10.20	1.07	7.59
*Investment Growth	12.53	28.60	21.37	0.39	11.57
*Membership Growth	0.37	-3.25	0.37	-3.55	8.07

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

State-Chartered Credit Unions

Report of Condition

Charter	Name	City	Year Opened	Total Assets
60883	Beacon Community	Louisville	1947	45,554,182
61123	Louisville Gas and Electric Company	Louisville	1934	30,526,361
61204	Blue Cross Blue Shield	Louisville	1952	6,265,855
61316	Tarcania	Louisville	1936	2,797,511
61437	Commonwealth	Frankfort	1951	897,005,001
61693	Rural Cooperatives	Louisville	1964	38,271,842
61738	Paducah City Employees	Paducah	1961	2,902,637
61772	Louisville Metro Police Officers	Louisville	1942	19,865,977
61792	Ashland	Ashland	1942	171,559,560
62026	Members Choice	Ashland	1932	152,541,967
62089	Kitco Employees	Louisville	1944	2,410,689
62228	Greater Kentucky Credit Union	Lexington	1953	62,697,423
62303	Letcher County Teachers	Whitesburg	1964	1,127,938
62358	Kemba Louisville	Louisville	1934	41,549,515
62370	Lexington Postal	Lexington	1928	17,638,695
62389	Berea	Berea	1923	1,352,929
62431	Kentucky Employees	Frankfort	1938	59,215,419
62432	Whitesville Community	Whitesville	1962	18,070,511
62433	Louisville Federal	Louisville	1924	35,943,743
62482	Brown-Forman Employees	Louisville	1936	9,989,038
62484	Service One	Bowling Green	1963	107,487,523
62490	Muhlenberg Community Hospital	Greenville	1961	670,888
62587	C&O United	Edgewood	1928	15,082,482
63058	Metro Employees	Lexington	1940	18,149,661
68617	Autotruck Financial	Louisville	1965	86,071,021
TOTAL				\$1,844,748,368

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 24 examiners and investigators all of whom are highly trained and attend various 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 3rd 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 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:

<u>Nondepository License Type</u>	<u>Complaints 2011</u>	<u>Complaints 2010</u>	<u>Complaints 2009</u>
Mortgage Companies	26	24	42
Mortgage Brokers	22	43	91
HUD-Exempt Mortgage Brokers/Companies	17	24	52
Payday Lenders	14	33	37
Consumer Loan Companies	23	29	30
Industrial Loan Companies	0	0	0
Sal of Checks/ Money Transmitters	0	2	0
Total	102	155	252

<u>Depository License Type</u>	<u>Complaints 2011</u>	<u>Complaints 2010</u>	<u>Complaints 2009</u>
State-Chartered Banks	41	53	52
State-Chartered Credit Unions	5	10	7
Total	46	63	59

The branch may identify, investigate, and take action against those companies and individuals who are perpetrating financial crimes and unethical behavior against Kentucky citizens.

Division of Nondepository Institutions

Compliance Branch 13th 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, 2011, the branch supervised 1,716 entity licensees and 2,573 individual registrants. The number and type of licenses/registrations regulated by the Compliance Branch are as follows:

<u>License Type</u>	<u>Dec. 21, 2011</u>	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>
Mortgage Companies	575	432	394
Mortgage Brokers	141	184	227
Check Cashers	578	651	739
Consumer Loan Companies	338	329	325
Industrial Loan Companies	32	32	32
Money Transmitters	52	50	44
Total	1,716	1,678	1,761

<u>Registration Type</u>	<u>Dec. 31, 2011</u>	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>
Loan Originators/Processors	2,573	2,434	2,333

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. DFI also participates in multi-state mortgage examinations and investigations, which help discover and correct underwriting and servicing problems.

The branch has implemented a real-time database for check cashers, 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 2011, the Compliance Branch staff completed a total of 1,232 examinations. The branch assessed a total of \$1,027,455 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:

<u>Examination Type</u>	<u>Dec. 31, 2011</u>	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>
Mortgage Companies	205	91	65
Mortgage Brokers	92	90	87
Check Cashers	584	661	726
Consumer Loan Companies	312	288	318
Industrial Loan Companies	27	27	32
Money Transmitters	12	17	14
Total	1,232	1,174	1,242

Kentucky Consumer Loan Companies

Annual Consolidated Statement of Assets

<u>Year</u>	<u>Total Assets</u>
Dec. 31, 1970	\$215,167,905
Dec. 31, 1971	226,157,998
Dec. 31, 1972	239,477,617
Dec. 31, 1973	245,215,588
Dec. 31, 1974	229,683,167
Dec. 31, 1975	208,570,020
Dec. 31, 1976	211,463,297
Dec. 31, 1977	239,296,246
Dec. 31, 1978	268,373,094
Dec. 31, 1979	293,273,325
Dec. 31, 1980	259,294,136
Dec. 31, 1981	211,028,452
Dec. 31, 1982	232,543,585
Dec. 31, 1983	321,540,852
Dec. 31, 1984	382,601,061
Dec. 31, 1985	421,405,340
Dec. 31, 1986	493,127,698
Dec. 31, 1987	566,180,285
Dec. 31, 1988	640,725,342
Dec. 31, 1989	667,957,592
Dec. 31, 1990	696,270,222
Dec. 31, 1991	730,091,564
Dec. 31, 1992	761,442,628
Dec. 31, 1993	822,215,474
Dec. 31, 1994	852,349,610
Dec. 31, 1995	842,469,339
Dec. 31, 1996	892,877,819
Dec. 31, 1997	690,503,783
Dec. 31, 1998	675,952,908
Dec. 31, 1999	728,313,360
Dec. 31, 2000	715,191,067
Dec. 31, 2001	587,058,850
Dec. 31, 2002	641,252,164
Dec. 31, 2003	684,177,846
Dec. 31, 2004	739,568,188
Dec. 31, 2005	871,268,224
Dec. 31, 2006	994,264,130
Dec. 31, 2007	972,275,768
Dec. 31 2008	887,938,008
Dec. 31, 2009	797,658,411
Dec. 31, 2010	564,475,483
Dec. 31, 2011	\$563,280,065

Kentucky Consumer Loan Companies

Consolidated Report of Condition

	<u>Dec. 31, 2011</u>	<u>% Change</u>	<u>Dec. 31, 2010</u>
Total Consumer Loan Companies	338		329
<u>Assets</u>			
Cash and Due from Depositor Institutions	7,929,129	4.43	7,593,727
Total Loans Receivable,			
(Net of Unearned Interest and Reserves)	513,476,066	0.73	509,771,216
Premises and Fixed Assets			
(Net of Depreciation)	5,933,513	20.97	4,905,139
Deferred Charges and Prepaid Expenses	1,509,937	25.80	1,200,247
*Other Assets Used in Consumer Loan Business	34,502,193	-15.86	41,005,154
Total Assets Used in Consumer Loan Business	563,350,838	-0.20	564,475,483
<u>Liabilities and Capital or Net Worth</u>			
Total Liabilities	359,331,617	-7.30	387,616,422
Total Capital	204,019,221	15.36	176,859,061
Total Liabilities & Capital or Net Worth	563,350,838	-0.20	564,475,483
Residential Real Estate Loans > \$15,000	373,931,905	3.71	360,541,984

**Because of change from other assets to all other assets by Eagle for a \$10 million change.*

Kentucky Industrial Loan Companies

Annual Consolidated Statement of Assets

<u>Year</u>	<u>Total Assets</u>
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

<u>Year</u>	<u>Total Assets</u>
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
Dec. 31, 2011	\$2,961,838

Kentucky Industrial Loan Companies

Consolidated Report of Condition

	<u>Dec. 31, 2011</u>	<u>% Change</u>	<u>Dec. 31, 2010</u>
Total Industrial Loan Companies	31		35
<u>Assets</u>			
Cash on hand	0		0
Cash in Depository Institutions	0		0
Industrial Loans	0		0
Other Loans	3,051,847	-29.75	4,344,340
Total Loans	3,051,847	-29.75	4,344,340
Unearned Interest	1,312	-31.46	1,914
Reserve for Loan Loss	111,500	-28.01	154,880
Loans, Net of Unearned Interest and Reserves	2,939,035	-29.81	4,187,546
Premises and Fixed Assets	0		0
Other Assets	22,803	177.33	8,222
Total Assets	2,961,838	-29.41	4,195,769
<u>Liabilities</u>			
Certificates of Investment	0		0
Other Borrowed Money	0		0
Other Liabilities	3,003,613	-26.04	4,061,135
Total Liabilities	3,003,613	-26.04	4,061,135
<u>Equity Capital</u>			
Capital Stock	0		0
Surplus & Undivided Profits	0		0
Current Earnings	-41,775	-131.03	134,633
Total Equity Capital	-41,775	-131.03	134,633
Total Liabilities and Equity Capital	2,961,838	-29.41	4,195,769

Division of Securities

25th Annual Securities Report

The Dodd-Frank Consumer Protection and Wall Street Reform Act of 2010 promised to bring in a new era of financial regulation. A number of the Act's enhanced protections, such as increasing state regulatory authority over investment advisers, are in their final stages of taking root. State securities regulators successfully worked together in reviewing the applications of advisers required to register in four or more states in a coordinated manner as they switched from federal to state regulation. Our participation in coordinated reviews and the outreach to investment advisers by conducting several Town Hall meetings throughout the state during the first quarter of 2011 showed our commitment to a smooth transition for the new class of state registrants.

The lingering effects of the 2008 financial crisis have prompted additional measures to streamline the regulatory process in attempt to stimulate economic growth and job creation. There are several key issues that could significantly reshape the regulatory structure and responsibilities of state and federal securities regulators, i.e. self-regulation for investment advisers, expanding the fiduciary duty to broker-dealers when providing investment advice about securities to retail investors and enhancing the capital formation opportunities for small businesses.

On June 21, 2011, state and federal regulators entered into consent orders with Morgan Keegan Company and Morgan Asset Management in connection with seven Morgan Keegan proprietary bond funds under investigation during the period from Jan. 1, 2007, to March 31, 2008. Kentucky was one of the lead states on the task force in this multi-state and federal enforcement action which resulted in \$200 million in restitution to investors who held one or more of these Morgan Keegan funds whose risks and valuations were mischaracterized to investors during the period in question. Kentucky investors will receive approximately \$11 million in restitution as a result of the enforcement action.

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. The Securities Division supports the DFI staff in performing educational outreach to high school students and community groups about savings and investing, 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.

Division of Securities

Licensing & Registration Branch Report

Employees in the Licensing & 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.

2011 Broker-Dealers Headquartered in Kentucky

<u>Name</u>	<u>City</u>
Alexander Investments Services Company	Louisville
Churchill Financial LLC	Louisville
Cypress Alts	Louisville
Dupree & Company	Lexington
First Kentucky Securities Corporation	Frankfort
Investment Bank Services Inc.	Louisville
J.J.B. Hilliard, W.L. Lyons LLC	Louisville
Jefferson National Securities Corporation	Louisville
Lexington Investment Company Inc.	Lexington
Nancy Barron & Associates Inc.	Lexington
Private Client Services LLC	Louisville
Winebrenner Capital Partners LLC	Louisville
Roosevelt Equity Corporation	Louisville

2011 Investment Advisers Headquartered in Kentucky

<u>Name</u>	<u>City</u>
Altus Wealth management LLC	Fort Mitchell
Archer Financial Planning LLC	Louisville
ARL Advisers LLC	Louisville
Bluegrass Capital Advisors LLC	Louisville
Bluestone Advisors LLC	Lexington
Boardman Wealth Planning Inc.	Lexington
Scearce Services Inc.	Lexington
Capital Investment Management Inc.	Leitchfield
Cashel Financial Advisers LLC	Louisville
Christina Vittitow O'Bryan CFP	Owensboro
Churchill Financial LLC	Louisville

2011 Investment Advisers

Headquartered in Kentucky

<u>Name</u>	<u>City</u>
Civello Investment Advisory	Lebanon Junction
Clear Trace LLC	Peewee Valley
Coats Financial Planning Inc.	Louisville
Cochran & Associates Inc.	Crestwood
Commonwealth Financial Advisors LLC	Louisville
Conservative Asset Management Inc.	Louisville
Cox Planning Services PLLC	Paducah
Cronan Wealth Management Inc.	Lexington
Dupree & Company Inc.	Lexington
E. Thomas & Associates Inc.	Williamstown
EDC Financial Services LLC	Lexington
Encompass Wealth Management LLC	Princeton
Federal Hill Capital Management LLC	Bardstown
Financial Architects Inc.	Louisville
Focus on Success LLC	Fort Mitchell
Fortress Planning Group LLC	Villa Hills
Garrett Financial Management LLC	Lexington
Garton & Associates Financial Advisors LLC	Louisville
Geary Investment Services	Louisville
G J Kohler Investment Advisors LLC	Prospect
Godby Wealth Management Inc.	Somerset
Harvey R. Little Jr.	Berea
Headley Partners Ltd. Company	Lexington
Heritage Financial Group Inc.	Paducah
Highland Financial Management Inc.	Elizabethtown
IDP Financial Group LLC	Frankfort
Invest Inc.	Lexington
Investment Research Advisory Corporation	Louisville
Jesse Investment Advisors LLC	Louisville
Journey Financial Management LLC	Bowling Green
JS Financial LLC	Louisville
KD Fiduciary Asset Management Inc.	Louisville
Keepsake Management Inc.	Lexington
Lach Financial LLC	Louisville
Lancaster Advisors LLC	Louisville
Lawrence J. Botzman CFP	Somerset
Lexington Investment Company Inc.	Lexington
Life Advisors Financial Planning and Wealth Management LLC	Munfordville
Mackey Advisors	Fort Wright
Mackhouse LLC	Louisville
Mann Capital Management LLC	Fort Mitchell
Marshall Wealth Management LLC	Louisville
MC Financial Services Inc.	Louisville
MCW Financial Inc.	Crescent Springs
Merit National Fund Advisors LLC	Somerset

2011 Investment Advisers

Headquartered in Kentucky

<u>Name</u>	<u>City</u>
Milestone Financial Planning LLC	Mayfield
MoneyTree Capital Management LLC	Morganfield
Moneywise Inc.	Lexington
New Millennium Asset Management Inc.	Richmond
Nina M. Wyatt & Associates LLC	Owensboro
Oak River Investment Advisors LLC	Fort Mitchell
Palmer Capital Management Inc.	Florence
Pierce Financial Planning Inc.	Lexington
Principled Wealth Advisors LLC	Covington
Prosper Financial Management LLC	Lexington
Quantum Financial Consultants LLC	Louisville
Regional Investment Advisors Inc.	Louisville
Remington Wealth Management LLC	Louisville
Resource Design Inc.	Edgewood
Retirement Tax Advisory Group Inc.	Lexington
Revolutionary Wealth Management Corporation	Louisville
RiverCities Asset Management LLC	Owensboro
Robert M. Walker & Associates Inc.	Taylorsville
Sentinel Investment Advisory Services Inc.	Ashland
Sterling Financial Group Ltd.	Louisville
Swendiman Wealth Strategies Inc.	Park Hills
Teewinot Asset Management LLC	Lexington
TMFS-Lexington LLC	Lexington
The Wright Legacy Group LLC	Elizabethtown
Thomas M. Zalla CPA/PhD	Fort Mitchell
Thompson Investment Advisors Inc.	Louisville
Thurn Financial Planning LLC	Lexington
Townsend Financial Planning	Mount Sterling
Valorum Retirement Advisors LLC	Paducah
Via Wealth Management Inc.	Campbellsville
Walker Financial Services Inc.	Bowling Green
Waycross Partners LLC	Louisville
Wealth Investment Network Inc.	Edgewood
Wealth Guardian Financial Advisors LLC	Louisville
Wilson Financial Services Inc.	Williamstown
Winebrenner Capital Management LLC	Louisville
Witter & Westlake Investments Inc.	Louisville
Your Best Move Inc.	Bardstown
Your CFO LLC	Lawrenceburg

Division of Securities

Licensing & Registration Branch Report

	<u>Dec. 31, 2011</u>	<u>Change</u>	<u>Dec. 31, 2010</u>
<u>Broker-Dealer Registrations</u>			
Renewed	1,570		1,579
Approved	81		127
Terminated (Form BDW)	108		77
Total Registered (year end)	1,548	-3.32%	1,596
<u>Broker-Dealer Agent Registrations</u>			
Renewed	94,029		85,917
Total Registered (year end)	102,593	9.10%	94,029
<u>Issuer Agent Registrations</u>			
Renewed	88		67*
Approved	6		28
Terminated	20		7
Total Registered (year end)	74	-15.91%	88
<i>* Agent renewals as of July 2010 changed from a calendar year end renewal to a 12-month rolling renewal from initial date of registration.</i>			
<u>State Investment Advisers</u>			
Renewed	145		135
Total Registered (year end)	148	2.07%	145
<u>Federal Covered Investment Advisers</u>			
Renewed	943		929
Total Effective Notice Filings	951	0.85%	943
<u>Investment Adviser Representatives (IAR)</u>			
Renewed	4,061		3,871
Total State and Federal IARs (year end)	4,377	7.78%	4,061

Division of Securities

Licensing & Registration Branch Report

The Licensing & Registration Branch also includes corporation finance staff who process applications for the registration or exemption from registration of securities to be offered and sold in Kentucky. 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.

	<u>Dec. 31, 2011</u>	<u>Dec. 31, 2010</u>
<u>Registration</u>		
Private Placement Securities Offerings	37	42
<u>Notice Filings</u>		
Investment Companies - New	607	650
Investment companies - Renewals	3,633	3,868
Unit Investment Trusts	1,295	1,222
Reg. D, Rule 506 Offerings	447	437
<u>Exemptions</u>		
Claims of Exemption Requested	47	34
Total Filings	6,066	6,253

Compliance Branch Report

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.

	<u>Dec. 31, 2011</u>	<u>Dec. 31, 2010</u>
<u>Compliance Branch Examinations</u>		
Broker-Dealers Exams	62	56
Investment Adviser Exams	51	55
Issuer Agent Exams	2	1
Total Examinations	115	112
Orders/Agreements	10	9

Division of Securities

Enforcement Branch Report

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 sister states. The most serious cases are referred by the division to state and federal authorities for criminal prosecution.

	<u>Dec. 31, 2011</u>	<u>Dec. 31, 2010</u>
<u>Investigations</u>		
Referrals/Assistance to Outside Agency	2	15
Referrals from Outside Agency	6	8
Investigations Opened	27	37
Investigations Closed	28	32
Investigations Pending	61	67
<u>Enforcement Actions</u>		
Administrative Orders	26	15
Civil Orders	1	0
Criminal Referrals (indictments)	3	15
Fines \$	\$1,046,962.60*	\$1,194,241**
Restitution to client	\$11,974,950.00***	\$1,037,000***

**The 2011 fines include national settlement with Morgan Keegan relating to RMK bond funds.*

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

**** 2010 and 2011 restitution numbers include restitution ordered in criminal actions which the Department provided assistance. In some of the cases the restitution amount is still being litigated. Also included is the Morgan Keegan RMK bond fund restitution.*

Prosecution Assistance Unit Report

The primary role of the Prosecution Assistance Unit is to assist prosecutors in preparing criminal cases involving securities law violations. The unit also will provide the investigative support to successfully bring securities cases to trial. The newly created unit will eventually be comprised of an attorney supervisor, staff attorney, investigator and paralegal, and these individuals will work with local and federal prosecutors, law enforcement, FBI agents, the U.S. Postal Inspection Service and the Secret Service.

Department of Financial Institutions

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