

OFFICE OF FINANCIAL INSTITUTIONS

ANNUAL REPORT 2007



**SUPERVISING KENTUCKY'S
FINANCIAL INDUSTRY FOR 95 YEARS**

NOTE: On June 16, 2008, Gov. Steven L. Beshear signed an executive order abolishing the Environment and Public Protection Cabinet and creating the Public Protection Cabinet. As a part of that order, the former Office of Financial Institutions became the Department of Financial Institutions.

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**DFI'S CENTRAL OFFICE IS LOCATED
AT 1025 CAPITAL CENTER DRIVE, SUITE 200,
IN FRANKFORT.**



MISSION STATEMENT

“The mission of the Office of Financial Institutions is to serve the public through effective and efficient regulation that promotes consumer confidence and economic growth.”

PHILOSOPHY

The agency’s philosophy, drawn from its core values, its vision and its mission, represents the fundamental beliefs that shape the approach to policy and operations, as well as our commitment to those we regulate and to the citizens of Kentucky.

- **Commitment to High Standards.** OFI is committed to raising the standards of financial services regulation by providing professional, accurate, knowledgeable and courteous service to those we regulate.
- **Commitment to Employees.** The agency recognizes that its employees are its greatest asset and that they should be encouraged and empowered to use their creativity, working not only individually but as a team to fully satisfy the needs of the financial services industry. Only through teamwork, training and education can our staff ensure adequate response and delivery of unequaled service. We must continue to provide our employees with lifelong educational opportunities and the most up-to-date technology.
- **Commitment to Flexibility and Service.** Flexibility is essential in today’s rapidly changing world. Those we regulate expect greater efficiency and responsiveness from government. Government expectation of its employees is at a higher level than ever before. We must make every effort to keep abreast of emerging trends and be able to make changes within our agency that result from mapping trends and industry expectations.
- **Commitment to Assisting Taxpayers.** This agency will improve its efforts to educate and inform citizens of Kentucky.
- **Commitment to Responsiveness.** OFI will continue its efforts to be of service to the citizens. We will, in individual cases, act as an ombudsman to resolve complaints against entities we regulate. We will continue our educational outreach to our citizens in order to ensure their knowledge of their rights and responsibilities.
- **Commitment to Fair and Impartial Administration and Enforcement.** This agency is committed to administering the laws of the commonwealth fairly, equitably and impartially, without regard to status, wealth, political affiliation, race, color, creed or disability.



**PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS**

Steven L. Beshear
Governor

1025 Capital Center Drive, Suite 200
Frankfort, KY 40601
Phone: (502) 573-3390
Fax: (502) 573-8787
www.kfi.ky.gov

Robert D. Vance
Secretary

Cordell G. Lawrence
Commissioner

The Honorable Steven L. Beshear, Governor
The State Capitol
Frankfort, KY 40601

June 27, 2008



Dear Governor Beshear:

It is my honor and privilege as commissioner of the Department of Financial Institutions, formerly the Office of Financial Institutions, to submit our annual report for the year ending Dec. 31, 2007. This report includes statistical and historical information pertaining to the financial services industry regulated by our agency.

I am pleased to report that Kentucky bank and credit union assets grew, even as the number of institutions remained relatively stable. At the end of the year, Kentucky's 161 state-chartered commercial banks held aggregate assets of \$39.4 billion and the state-chartered credit unions held \$1.3 billion in assets.

In 2007 mortgage licensing activity in Kentucky increased, with OFI supervising 733 entities and 4,293 individuals who are engaged in the mortgage industry. We have taken a more aggressive stance in the area of mortgage enforcement, with two full-time mortgage investigators and dedicated legal support. The increase in foreclosure activity has intensified our attention and focus in addressing these issues by encouraging industry and consumers to cooperate in an effort to avoid foreclosures whenever possible. Also in 2007, initiatives were taken to jointly develop new mortgage legislation with the cooperation of the mortgage industry and consumer groups. It will enhance the regulatory standards by which the mortgage industry conducts business in a fair and reasonable manner and was passed and signed into law in April 2008. The legislature affirmed the need to improve the supervision of the mortgage industry, and we welcome this responsibility.

The Division of Securities has seen offering registrations increase more than 20 percent. Broker dealer agent registrations increased from 79,313 in 2006 to 85,190 in 2007. Concurrently, investigations have increased as well, as fraudulent scams aimed at seniors have increased with the growth of that demographic segment of the population.

We continue to build a cooperative working relationship with our federal regulatory counterparts and work on issues that are consistent with our mutual goals of supervising the financial services industry and promoting consumer confidence. We are ever vigilant in our regulatory capacity to ensure the safety and soundness of the financial services industry, whether that may be in the context of regulatory relief or strengthening regulations where necessary to ensure the entities we supervise adhere to standards of fair and ethical practices.

Sincerely,

A handwritten signature in black ink that reads "Cordell G. Lawrence". The signature is fluid and cursive.

Cordell G. Lawrence
Commissioner, Department of Financial Institutions

1912-2007

COMMISSIONERS

Year	Commissioner (Title was Executive Director from 2004-2007)	Governor
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. Cassidy 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

HISTORY

In 2007, the Kentucky Office of Financial Institutions was a part of the Department of Public Protection within the Environmental and Public Protection Cabinet. The department was responsible for the supervision and regulation of various industries that perform services for the citizens of Kentucky, including the regulation of the financial services industry.

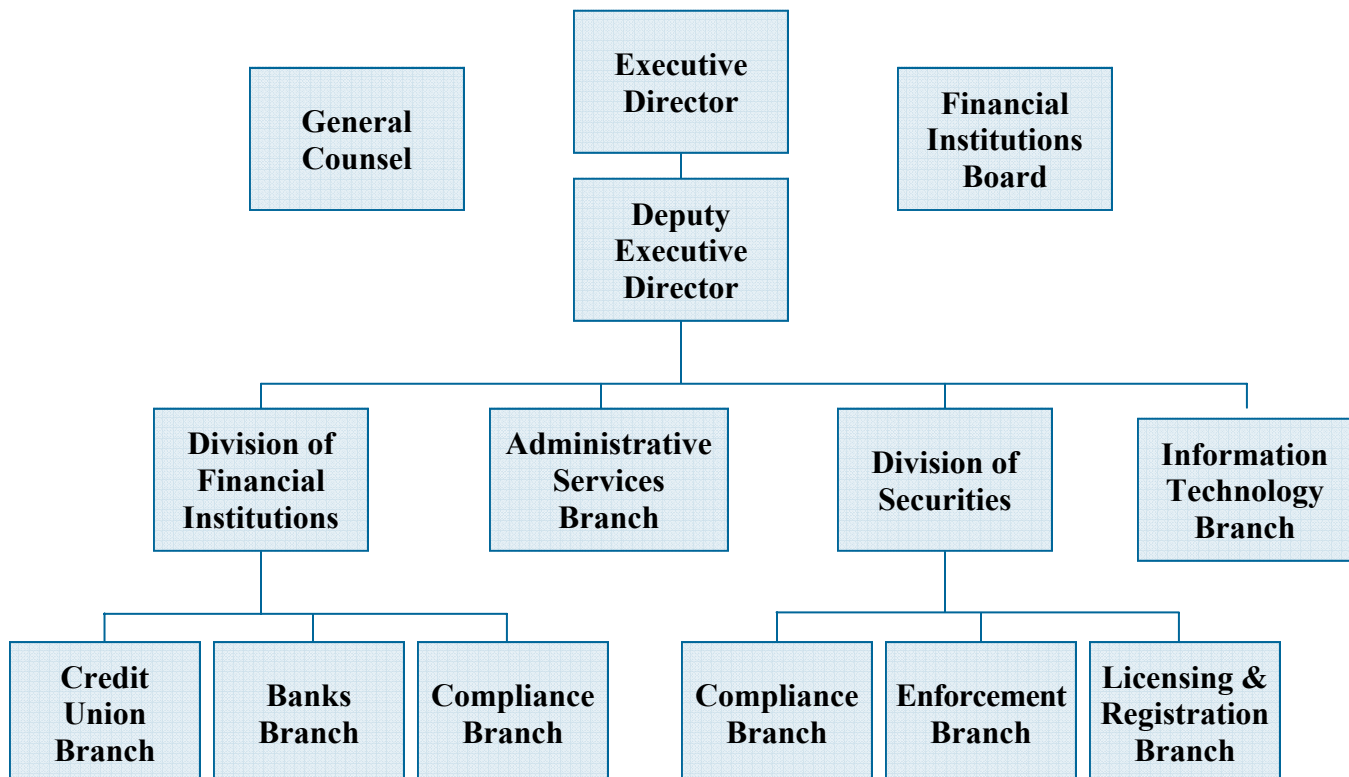
OFI traces its origin to the Banking Act of 1912, which established the agency initially as the Department of Banking. It was charged with enforcing all laws relating to banks, trust companies, savings banks and combined bank and trust companies organized and doing business under Kentucky laws. The legislature 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

OFI TRACES ITS ORIGIN TO THE BANKING ACT OF 1912.

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.

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ORGANIZATIONAL STRUCTURE



FINANCIAL INSTITUTIONS BOARD

The Financial Institutions Board is a statutory body that serves in an advisory capacity to the governor and the executive director of the Office 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 executive director. The definition of the board's duties can be found in KRS 286.1-013.

OFFICE OF FINANCIAL INSTITUTIONS

Cordell G. Lawrence
1025 Capital Center Drive, Suite 200
Frankfort, KY 40601

BANKING INDUSTRY

Charles Beach III
Box 127, Beattyville, KY 41311
Appointed Dec. 10, 2007
Term Expires Oct. 10, 2011

Whitney Taylor Greer-Stokes
96 Hart Church Road, London, KY 40744
Appointed Sept. 22, 2005
Term Expires Oct. 10, 2008

William David Michael
P.O. Box 1062, Louisa, KY 41230
Appointed Feb. 28, 2005
Term Expires Oct. 10, 2008

Katherine Reese Capps
123 Ridgewood Circle, Pineville, KY 40977
Appointed Dec. 10, 2007
Term Expires Oct. 10, 2011

Christopher Lee Wooldridge
P.O. Box 1862, 1857 State Route 94 West
Murray, KY 42071
Appointed March 14, 2006
Term Expires Oct. 10, 2008

CONSUMER FINANCE

Robert I. Stafford Jr.
200 Blossom Hill Drive, Corbin, KY 40741
Appointed Oct. 9, 2006
Term Expires Oct. 10, 2010

CREDIT UNION REPRESENTATIVE

Alla Sue Holland
609 Fincastle Lane, Fort Wright, KY 41017
Appointed Oct. 9, 2006
Term Expires Oct. 10, 2010

PUBLIC AT LARGE

Monti Rhea Collins
205 E. 21st, Benton, KY 42025
Appointed Dec. 5, 2005
Term Expires Oct. 10, 2009

Jack Martin Goins
2163 Bahama Drive, Lexington, KY 40509
Appointed Oct. 17, 2006
Term Expires Oct. 10, 2008

William Edward Hesch
117 Beechwood Road, Fort Mitchell, KY 41017
Appointed Dec. 5, 2005
Term Expires Oct. 10, 2009

SECURITIES INDUSTRY

Kevin P. Walsh
11014 Stirrup Lane, Walton, KY 41094
Appointed Dec. 10, 2007
Term Expires Oct. 10, 2011

ADMINISTRATIVE SERVICES BRANCH

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

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

A major agency concern is the anticipated retirements for fiscal year 2009. As many as 16 employees may retire, resulting in an agency cost of approximately \$500,000. The amount of knowledge and expertise this office stands to lose will be very difficult to

A MAJOR AGENCY CONCERN IS THE ANTICIPATED RETIREMENTS FOR FISCAL YEAR 2009.

replace. OFI plans to manage these retirements effectively as possible and replace retirees quickly with qualified candidates to maintain an 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 office 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, the office is hopeful its past accomplishments will carry forward into the future and enable this agency to become second to none in terms of staff development through training, continuing education and career development opportunities. Also, OFI maintains a presence at many career days and job fairs, as the administrative services staff visits high schools and colleges in Kentucky and speaks with students about job opportunities.

As it has for many years, the office 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 also is available on the office's Web site at www.kfi.ky.gov. Business hours are from 8 a.m. to 5 p.m. Eastern time at our central office located at 1025 Capital Center Drive, Suite 200, Frankfort, KY 40601.

DIVISION OF FINANCIAL INSTITUTIONS

The Division of Financial Institutions was created by executive order reorganizing the agency, effective June 12, 1997. The division is responsible for licensing, chartering and regulating the activities of state-chartered/licensed depository and non-depository financial institutions. The division's duties are strategically divided among three branches: Bank, Credit Union and Compliance.

95th ANNUAL BANK AND THRIFT REPORT

The primary duties of the Bank Branch include chartering and regulating 161 state-chartered commercial banks, five independent trust companies, and numerous trust departments, bank holding companies and electronic data processors. As of Dec. 31, 2007, the banks held an aggregate of approximately \$39.4 billion in assets.

Banks in general did relatively well in 2007 as the state and national economy slowed and the mortgage industry problems surfaced. No banks failed and the number of problem banks was negligible. Problem banks continued to be characterized by weak management, poor underwriting and lack of effective board oversight. Successful banks continue to be the institutions that maintain and improve their risk management systems. The agency's examination focus remained concentrated on fundamental banking principles relating to lending, investing, management quality, earnings and capital.

The financial condition of Kentucky state banks remained relatively stable in 2007. Through 2007, they realized a return on assets (ROA) of 1.04 percent compared to 1.18 percent in 2006. Net charge-offs to loans and leases increased slightly to 0.25 percent from 0.19 percent in 2006. Earnings gains declined slightly in 2007 with approximately 48 percent of the banks reporting increases over the previous year as compared to 2006, when 57 percent of the banks reported earnings gains. The levels of nonperforming loans increased in 2007, reflective of a slowing economy. Core capital (leverage) remained strong at 9.58 percent. There were 42 written complaints against state-chartered banks in 2007 versus 58 in 2006.

There were no de novo applications approved in 2007; however, two national banks and one federal savings bank converted to state-chartered institutions in 2007.

All Bank Branch personnel are provided with a comprehensive training program that involves at least one week of training each year. Training includes the areas of lending, operations, e-banking, trust, bank secrecy and asset/liability management. Numerous examiners have completed or are attending one of the graduate schools of banking or trust.

BANKS IN GENERAL DID RELATIVELY WELL IN 2007 AS THE ECONOMY SLOWED AND MORTGAGE INDUSTRY PROBLEMS SURFACED.



ANNUAL CONSOLIDATED STATEMENT OF ASSETS STATE BANKS AND THRIFTS

<u>Year</u>	<u>Total Assets</u>	<u>Year</u>	<u>Total Assets</u>
Sept. 4, 1912	\$110,096,102.83	June 30, 1961	1,416,812,042.56
Sept. 3, 1913	112,556,338.09	June 30, 1962	1,539,385,203.23
Sept. 12, 1914	110,516,100.67	June 30, 1963	1,682,807,021.85
Nov. 10, 1915	110,068,034.26	June 30, 1964	1,798,326,242.98
Aug. 17, 1916	120,217,111.75	June 30, 1965	1,932,620,428.05
Sept. 7, 1917	152,490,422.93	June 30, 1966	2,157,183,512.81
Sept. 5, 1918	175,361,452.29	June 30, 1967	2,490,156,359.19
Sept. 5, 1919	213,365,256.47	June 30, 1968	2,703,101,033.03
Sept. 13, 1920	227,231,768.46	June 30, 1969	3,067,136,736.70
June 30, 1921	220,117,518.15	June 30, 1970	3,259,015,862.86
June 30, 1922	222,284,937.92	June 30, 1971	3,793,329,845.00
June 30, 1923	257,447,342.36	June 30, 1972	4,277,132,990.00
June 30, 1924	260,394,024.52	June 30, 1973	4,973,878,479.44
June 30, 1925	269,730,816.68	June 30, 1974	5,696,240,528.60
June 30, 1926	278,619,057.34	June 30, 1975	6,300,190,296.19
June 30, 1927	308,521,323.67	June 30, 1976	6,550,032,000.00
June 30, 1928	341,300,174.09	June 30, 1977	7,431,081,000.00
June 30, 1929	385,559,868.28	June 30, 1978	8,371,752,000.00
June 30, 1930	364,849,233.33	June 30, 1979	9,507,372,000.00
June 30, 1931	295,881,257.76	June 30, 1980	10,700,084,000.00
June 30, 1932	248,031,078.12	June 30, 1981	11,968,250,000.00
June 30, 1933	231,577,905.49	June 30, 1982	12,878,728,000.00
June 30, 1934	239,624,124.68	June 30, 1983	13,724,157,000.00
June 30, 1935	229,781,437.48	June 30, 1984	15,171,523,000.00
June 30, 1936	250,997,016.66	June 30, 1985	16,448,822,000.00
June 30, 1937	270,699,778.60	June 30, 1986	17,869,731,000.00
June 30, 1938	252,251,968.59	June 30, 1987	19,709,513,000.00
June 30, 1939	266,594,369.49	June 30, 1988	20,984,582,000.00
June 30, 1940	273,977,674.22	Dec. 31, 1988	22,103,771,000.00
June 30, 1941	297,360,610.22	Dec. 31, 1989	23,570,033,000.00
June 30, 1942	340,903,872.17	Dec. 31, 1990	25,058,852,000.00
June 30, 1943	477,658,367.10	Dec. 31, 1991	24,145,642,000.00
June 30, 1944	578,775,786.77	Dec. 31, 1992	23,932,903,000.00
June 30, 1945	904,485,435.10	Dec. 31, 1993	24,825,281,000.00
June 30, 1946	941,787,755.13	Dec. 31, 1994	26,860,360,000.00
June 30, 1947	898,858,508.44	Dec. 31, 1995	26,765,509,000.00
June 30, 1948	932,808,480.54	Dec. 31, 1996	28,414,146,000.00
June 30, 1949	933,714,814.70	Dec. 31, 1997	24,975,052,000.00
June 30, 1950	953,843,874.72	Dec. 31, 1998	25,811,929,000.00
June 30, 1951	1,002,285,106.04	Dec. 31, 1999	26,800,458,000.00
June 30, 1952	1,081,217,820.20	Dec. 31, 2000	29,135,528,000.00
June 30, 1953	1,125,336,205.82	Dec. 31, 2001	31,473,451,000.00
June 30, 1954	1,167,432,270.01	Dec. 31, 2002	28,554,384,000.00
June 30, 1955	1,211,811,536.25	Dec. 31, 2003	29,188,172,000.00
June 30, 1956	1,220,534,082.10	Dec. 31, 2004	32,945,550,000.00
June 30, 1957	1,294,391,352.88	Dec. 31, 2005	34,654,113,000.00
June 30, 1958	1,383,757,204.28	Dec. 31, 2006	36,984,088,000.00
June 30, 1959	1,402,074,237.64	Dec. 31, 2007	\$39,429,371,000.00
June 30, 1960	1,439,285,742.07		

CONSOLIDATED CONDITION AND INCOME DATA
STATE BANKS AND THRIFTS
(DOLLAR AMOUNTS IN MILLIONS WITH 000S OMITTED)

	Dec. 31, 2007	Dec. 31, 2006
NUMBER OF INSTITUTIONS	161	162
Net income	396	417
Total assets	39,429	36,978
Earning assets	36,219	33,927
Total loans and leases	28,337	26,680
Other real estate owned	74	44
Total deposits	30,792	28,984
Equity capital	4,033	3,781
 PERFORMANCE RATIOS (%)		
Yield on earning assets	7.20	7.00
Cost of funding earning assets	3.34	2.94
Net interest margin	3.87	4.06
Noninterest income to average earning assets	1.07	1.06
Noninterest expense to average earning assets	3.20	3.22
Net charge-offs to loans and leases	0.25	0.19
Credit-loss provision to net charge-offs	124.48	113.28
Net operating income to average assets	1.04	1.18
Retained earnings to average equity	3.59	4.75
Pre tax return on assets	1.37	1.58
Return on assets	1.04	1.18
Return on equity	10.14	11.51
Percent of unprofitable institutions	6.21	4.94
Percent of institutions with earning gains	47.83	56.79
 CONDITION RATIOS (%)		
Net loans and leases to assets	71.01	71.29
Loss allowance to:		
Loans and leases	1.19	1.19
Noncurrent loans and leases	103.09	161.69
Noncurrent loans and leases to total loans and leases	1.15	0.74
Nonperforming assets to assets	1.01	0.65
Core deposits to total liabilities	68.68	70.28
Equity capital to total assets	10.23	10.22
Core capital (leverage) ratio	9.58	9.77

TOTAL ASSETS
STATE BANKS AND THRIFTS
(DOLLAR AMOUNTS IN THOUSANDS WITH 000S OMITTED)

Institution Name	City	Total Assets
First & Farmers Bank Inc.	Albany	255,485
Peoples Bank and Trust Co. of Clinton County	Albany	15,542
Citizens Deposit Bank of Arlington Inc.	Arlington	141,178
Town Square Bank Inc.	Ashland	130,912
Auburn Banking Co.	Auburn	58,986
Kentucky Home Bank	Bardstown	93,630
Town & Country Bank and Trust Co.	Bardstown	327,255
Wilson & Muir Bank & Trust Co.	Bardstown	322,036
Bedford Loan & Deposit Bank	Bedford	76,000
Community Financial Services Bank	Benton	383,311
Peoples Bank and Trust Co. of Madison County	Berea	389,183
Farmers State Bank	Booneville	46,288
American Bank & Trust Co. Inc.	Bowling Green	182,678
Citizens First Bank Inc.	Bowling Green	346,568
South Central Bank of Bowling Green Inc.	Bowling Green	193,820
Meade County Bank	Brandenburg	120,743
Bank of Edmonson County	Brownsville	190,906
Bank of Buffalo	Buffalo	56,750
Citizens Bank of Cumberland County Inc.	Burkesville	77,720
Bank of Cadiz and Trust Co.	Cadiz	97,024
United Citizens Bank & Trust Co.	Campbellsburg	78,183
Citizens Bank & Trust Co.	Campbellsville	151,458
Taylor County Bank	Campbellsville	111,993
Farmers & Traders Bank of Campton	Campton	41,001
Bank of Caneyville	Caneyville	43,119
Deposit Bank of Carlisle	Carlisle	64,545
Kentucky-Farmers Bank of Catlettsburg, Ky.	Catlettsburg	130,765
The Cecilian Bank	Cecilia	319,417
King Southern Bank	Chaplin	160,101
Bank of Clarkson	Clarkson	106,291
Clinton Bank	Clinton	43,144
First Community Bank of Western Kentucky Inc.	Clinton	65,513
Bank of Columbia	Columbia	120,511
United Citizens Bank of Southern Kentucky	Columbia	109,027
Hometown Bank of Corbin Inc.	Corbin	117,438
The Bank of Kentucky Inc.	Crestview Hills	1,230,807
The Harrison Deposit Bank and Trust Co.	Cynthiana	55,619
Dixon Bank	Dixon	59,145
Bank of Ohio County Inc.	Dundee	77,106
First Citizens Bank	Elizabethtown	256,808
First Federal Savings Bank of Elizabethtown	Elizabethtown	870,669
Kentucky Neighborhood Bank	Elizabethtown	125,351
South Central Bank of Hardin County Inc.	Elizabethtown	53,599
Elkton Bank & Trust Co.	Elkton	106,099
Farmers Deposit Bank	Eminence	72,032

TOTAL ASSETS
STATE BANKS AND THRIFTS
(DOLLAR AMOUNTS IN THOUSANDS WITH 000S OMITTED)

Institution Name	City	Total Assets
Heritage Bank Inc.	Erlanger	324,237
United Kentucky Bank of Pendleton County Inc.	Falmouth	34,766
Peoples Bank of Kentucky Inc.	Flemingsburg	187,064
First Security Trust Bank Inc.	Florence	103,485
American Founders Bank Inc.	Frankfort	582,626
Farmers Bank & Capital Trust Co.	Frankfort	561,256
The Bankers' Bank of Kentucky, Inc.	Frankfort	59,360
Franklin Bank & Trust Co.	Franklin	260,695
Fredonia Valley Bank	Fredonia	66,637
The Farmers Bank and Trust Co. of Georgetown, Ky.	Georgetown	350,040
Edmonton State Bank	Glasgow	367,714
South Central Bank of Barren County Inc.	Glasgow	296,275
The Commercial Bank of Grayson	Grayson	150,913
The Farmers Bank	Hardinsburg	87,532
The Bank of Harlan	Harlan	123,187
State Bank & Trust Co.	Harrodsburg	107,039
Citizens Bank	Hartford	21,937
Commonwealth Community Bank Inc.	Hartford	163,228
Hancock Bank & Trust Co.	Hawesville	202,808
1st Trust Bank Inc.	Hazard	76,565
Peoples Bank & Trust Co. of Hazard	Hazard	274,711
Ohio Valley Bank	Henderson	190,683
The Citizens Bank	Hickman	86,142
Bank of Hindman	Hindman	140,952
Magnolia Bank Inc.	Hodgenville	102,064
Planters Bank Inc.	Hopkinsville	366,241
United Southern Bank	Hopkinsville	195,794
Hyden Citizens Bank	Hyden	110,485
Inez Deposit Bank	Inez	108,789
First State Bank	Irvington	131,615
First Security Bank of Kentucky	Island	29,267
Citizens Bank & Trust Co. of Jackson	Jackson	110,640
Bank of Jamestown	Jamestown	155,084
The Kevil Bank	Kevil	32,672
The Bank - Oldham County Inc.	LaGrange	140,162
Century Bank of Kentucky Inc.	Lawrenceburg	131,687
Lawrenceburg Bank and Trust Co.	Lawrenceburg	211,885
Peoples Bank	Lebanon	53,723
Leitchfield Deposit Bank & Trust Co.	Leitchfield	98,624
Lewisburg Banking Co.	Lewisburg	65,927
Bank of Lexington Inc.	Lexington	89,387
Bank of the Bluegrass and Trust Co.	Lexington	256,420
Central Bank & Trust Co.	Lexington	1,475,930
Whitaker Bank	Lexington	1,271,572
The Casey County Bank Inc.	Liberty	140,695

TOTAL ASSETS
STATE BANKS AND THRIFTS
(DOLLAR AMOUNTS IN THOUSANDS WITH 000S OMITTED)

Institution Name	City	Total Assets
Louisa Community Bank	Louisa	12,812
Peoples Security Bank	Louisa	49,385
1st Independence Bank	Louisville	352,184
Central Bank of Jefferson County	Louisville	165,257
Commonwealth Bank and Trust Co.	Louisville	596,931
Eclipse Bank Inc.	Louisville	81,376
Louisville Community Development Bank	Louisville	32,217
PBI Bank	Louisville	1,446,452
Republic Bank & Trust Co.	Louisville	3,091,562
River City Bank Inc.	Louisville	227,467
Stock Yards Bank & Trust Co.	Louisville	1,475,548
The First Capital Bank of Kentucky	Louisville	318,235
First United Bank of Hopkins County Inc.	Madisonville	198,085
Farmers Bank & Trust Co. of Marion, Ky.	Marion	124,752
The Peoples Bank	Marion	21,764
First Guaranty Bank	Martin	55,777
First Kentucky Bank Inc.	Mayfield	365,806
FNB Bank Inc.	Mayfield	156,331
Bank of Maysville	Maysville	106,778
Security Bank and Trust Co.	Maysville	45,089
Jackson County Bank	McKee	123,129
Farmers Deposit Bank of Middleburg Inc.	Middleburg	43,116
Home Federal Bank Corporation	Middlesboro	317,399
The Farmers Bank of Milton	Milton	127,346
The Monticello Banking Co.	Monticello	473,071
The Citizens Bank	Morehead	117,881
United Community Bank of West Kentucky Inc.	Morganfield	110,072
Morgantown Bank & Trust Co. Inc.	Morgantown	133,882
Traditional Bank Inc.	Mount Sterling	826,626
Citizens Bank	Mount Vernon	127,136
The Peoples Bank	Mount Washington	91,173
Hart County Bank and Trust Co.	Munfordville	27,805
Citizens Bank	New Liberty	16,699
Citizens Bank of Northern Kentucky Inc.	Newport	262,092
Citizens Bank of Jessamine County	Nicholasville	218,470
The Farmers Bank	Nicholasville	95,654
First Security Bank of Owensboro Inc.	Owensboro	141,582
Independence Bank of Kentucky	Owensboro	649,972
South Central Bank of Daviess County Inc.	Owensboro	185,390
First Farmers Bank and Trust Co.	Owenton	81,251
Peoples Bank & Trust Co.	Owenton	66,103
Owingsville Banking Co.	Owingsville	66,530
The Paducah Bank and Trust Co.	Paducah	457,019
Kentucky Bank	Paris	630,847
Community Trust Bank Inc.	Pikeville	2,892,231

TOTAL ASSETS
STATE BANKS AND THRIFTS
(DOLLAR AMOUNTS IN THOUSANDS WITH 000S OMITTED)

Institution Name	City	Total Assets
First State Financial Inc.	Pineville	362,271
The First Commonwealth Bank of Prestonsburg Inc.	Prestonsburg	171,894
Farmers Bank and Trust Co., Princeton, Ky.	Princeton	91,118
West Point Bank	Radcliff	107,482
Citizens Guaranty Bank	Richmond	120,575
Madison Bank	Richmond	133,090
First & Peoples Bank	Russell	184,622
The Sacramento Deposit Bank	Sacramento	57,655
The Salt Lick Deposit Bank	Salt Lick	68,411
Sebree Deposit Bank	Sebree	19,399
Citizens Union Bank of Shelbyville	Shelbyville	764,261
The Peoples Bank of Bullitt County	Shepherdsville	183,199
Cumberland Security Bank Inc.	Somerset	156,384
Springfield State Bank	Springfield	198,432
PBK Bank Inc.	Stanford	111,259
Peoples Exchange Bank	Stanton	267,080
The Peoples Bank	Taylorsville	95,254
South Central Bank of Monroe County	Tompkinsville	110,919
Citizens Deposit Bank & Trust	Vanceburg	124,815
First Community Bank	Vanceburg	26,527
United Bank & Trust Co.	Versailles	223,635
Bank of the Mountains Inc.	West Liberty	67,934
Commercial Bank	West Liberty	123,647
Bank of McCreary County	Whitley City	127,227
Grant County Deposit Bank	Williamstown	96,233
Alliance Banking Co.	Winchester	55,493
	Total	\$39,429,371

TRUST ASSETS
STATE-CHARTERED INDEPENDENT
TRUST COMPANIES

Name	City	Total Trust Account Assets (Discretionary and Non-discretionary)
Kentucky Trust Co.	Danville	353,204,000
Community Trust and Investment Co.	Lexington	1,066,962,000
First Kentucky Trust Co.	Louisville	237,682,000
Louisville Trust Co.	Louisville	191,195,000
The Glenview Trust Co.	Louisville	2,120,046,000
	Total	\$3,969,089,000

TRUST ASSETS
STATE BANK TRUST DEPARTMENTS
(DOLLAR AMOUNTS IN THOUSANDS WITH 000S OMITTED)

Bank Name	City	Total Trust Assets
Town & Country Bank and Trust Co.	Bardstown	274,430
Wilson & Muir Bank & Trust Co.	Bardstown	7,293
Community Financial Services Bank	Benton	1,642
Bank of Cadiz and Trust Co.	Cadiz	10,005
Deposit Bank of Carlisle	Carlisle	320
Kentucky-Farmers Bank of Catlettsburg, Ky.	Catlettsburg	51,905
Clinton Bank	Clinton	2,186
The Bank of Kentucky Inc.	Crestview Hills	211,932
The Harrison Deposit Bank and Trust Co.	Cynthiana	3,599
First Citizens Bank	Elizabethtown	151,528
Elkton Bank & Trust Co.	Elkton	6,429
Peoples Bank of Kentucky Inc.	Flemingsburg	4,303
Farmers Bank & Capital Trust Co.	Frankfort	303,876
Franklin Bank & Trust Co.	Franklin	209
The Bank of Harlan	Harlan	4,776
State Bank & Trust Co.	Harrodsburg	1,386
Commonwealth Community Bank Inc.	Hartford	600
Hancock Bank & Trust Co.	Hawesville	12,117
Peoples Bank & Trust Co. of Hazard	Hazard	28,155
Ohio Valley Financial Group	Henderson	249,315
The Citizens Bank	Hickman	2,430
Planters Bank Inc.	Hopkinsville	111,262
First Security Bank of Kentucky	Island	481
Citizens Bank & Trust Co. of Jackson	Jackson	7,735
Bank of the Bluegrass and Trust Co.	Lexington	74,825
Central Bank & Trust Co.	Lexington	854,302
1st Independence Bank	Louisville	132
Commonwealth Bank and Trust Co.	Louisville	903,770
PBI Bank	Louisville	213,217
Republic Bank & Trust Co.	Louisville	471,394
Stock Yards Bank & Trust Co.	Louisville	1,534,632
First United Bank of Hopkins County Inc.	Madisonville	7,490
Farmers Bank & Trust Co. of Marion, Ky.	Marion	1,605
Bank of Maysville	Maysville	25,460
The Monticello Banking Co.	Monticello	44,650
United Community Bank of West Kentucky Inc.	Morganfield	3,345
Morgantown Bank & Trust Co. Inc.	Morgantown	5,196
Hart County Bank and Trust Co.	Munfordville	2,454
Citizens Bank of Northern Kentucky Inc.	Newport	32,705
Independence Bank of Kentucky	Owensboro	232,465
Peoples Bank & Trust Co.	Owenton	681
The Paducah Bank and Trust Co.	Paducah	112,458
Kentucky Bank	Paris	235,772
Community Trust Bank Inc.	Pikeville	74,768
Farmers Bank and Trust Co., Princeton, Ky.	Princeton	10,430

TRUST ASSETS
STATE BANK TRUST DEPARTMENTS
(DOLLAR AMOUNTS IN THOUSANDS WITH 000S OMITTED)

Bank Name	City	Total Trust Assets
First & Peoples Bank	Russell	50,801
Citizens Union Bank of Shelbyville	Shelbyville	1,244
Cumberland Security Bank Inc.	Somerset	2,093
Grant County Deposit Bank	Williamstown	2,313
	Total	\$6,346,116

NEW CHARTERS, CONVERSIONS, NAME CHANGES AND MERGERS BANK CHANGES 2007

CONVERSIONS

- 6/22/07 South Central Savings Bank FSB, Elizabethtown, Ky., converted to a state bank charter.
- 6/22/07 Lawrenceburg National Bank, Lawrenceburg, Ky., converted to a state bank charter (Lawrenceburg Bank, Lawrenceburg, Ky.).
- 6/27/07 Citizens National Bank of Jessamine County, Nicholasville, Ky., converted to a state bank charter (Citizens Bank, Nicholasville, Ky.).

NAME CHANGES

- 3/21/07 Peoples Bank Gravel Switch, Lebanon, Ky., changed its name to Peoples Bank.
- 8/10/07 Ohio Valley Bank, Henderson, Ky., changed its name to Ohio Valley Financial Group Inc.

NEW CHARTERS

None

MAIN OFFICE RELOCATIONS

- 3/29/07 The Bank of Kentucky, 116 Stephenson Mill Road, to 255 Mary Grubbs Highway, Walton, Ky.

MERGERS

- 3/8/07 First Bank of Northern Kentucky, Ft. Mitchell, merged into The Bank of Kentucky, Crestview Hills, Ky.
- 4/25/07 Ft. Knox National Bank, Radcliff, merged into Citizens Union Bank of Shelbyville, Shelbyville, Ky.
- 8/17/07 Kentucky Trust Bank, Beaver Dam, merged into PBI Bank, Louisville, Ky.
- 12/31/07 Eagle Bank, Williamstown, merged into First National Bank of Lexington, Lexington, Ky.
- 12/31/07 Deposit Bank & Trust Company, Greensburg, merged into First National Bank of Lexington, Lexington, Ky.

CREDIT UNION BRANCH

CREDIT UNION BRANCH 74th ANNUAL CREDIT UNION REPORT

The Credit Union Branch supervises the activities of 28 Kentucky state-chartered credit unions, ranging in size from \$559,138 to \$717,398,309. The total assets under supervision by the Credit Union Branch are \$1,387,214,179. Total asset growth was positive at 6.34 percent as compared to the previous year of 2.45 percent.

The number of Kentucky state-chartered credit unions continues to decline due to mergers. The Office of Financial Institutions received two merger applications in 2007. Ferry-Morse (Fulton) Credit Union, Fulton, Ky., merged into Peoples Choice Credit Union, Union City, Tenn., and Courier-Journal and Times Credit Union, Louisville, Ky., merged into LouChem Federal Credit Union, Louisville, Ky.

Kentucky state-chartered credit unions remain financially strong. The return on average assets ratio has continued to increase. However, credit unions are relying more on fee income to offset increasing operating expenses.

Loan growth for credit unions was mainly in real estate, which accounts for 40 percent of total loans. The first mortgage rate real estate loan portfolio increased by 18.88 percent, while negative loan growth was experienced in the new and used automobile lending area. While share growth is positive, the growth is stemming from money market and share certificates. Regular share growth is negative.

**KENTUCKY STATE-CHARTERED CREDIT
UNIONS REMAIN FINANCIALLY STRONG.**



ANNUAL CONSOLIDATED STATEMENT OF ASSETS STATE-CHARTERED CREDIT UNIONS

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

** No records are available for 1940*

SELECTED COMPOSITE OPERATING RATIOS STATE-CHARTERED CREDIT UNIONS

RATIO DESCRIPTION	DEC. '03	DEC. '04	DEC. '05	DEC. '06	DEC. '07
CAPITAL ADEQUACY:					
Net worth/Total assets	14.34	14.92	15.75	16.16	16.15
Total delinquent loans/Net worth	4.27	4.65	4.95	3.84	3.87
Solvency evaluation (estimated)	116.90	117.64	118.79	119.52	119.54
Classified assets (estimated)/Net worth	4.52	3.83	4.05	3.94	3.65
ASSET QUALITY:					
Delinquent loans/Total loans	0.99	1.09	1.17	0.93	0.95
Net charge-offs/Average loans	0.77	0.70	0.73	0.70	0.58
Fair (market) held to maturity investment value/Book value held to maturity investments	100.23	99.25	98.36	98.92	99.73
Accumulated unrealized gain or loss on available for sale/Cost of available for sale	0.89	-1.07	-2.05	-0.41	1.34
Delinquent loans/Assets	0.61	0.69	0.78	0.62	0.63
EARNINGS:					
Return on average assets	0.93	0.89	0.82	0.92	1.08
Gross income/Average assets	6.57	6.13	6.71	7.43	7.92
Yield on average loans	7.58	6.97	6.97	7.26	7.63
Yield on average investments	2.52	2.33	2.89	4.06	4.77
Fee and other operating income/Average assets	0.97	1.00	1.30	1.42	1.48
Cost of funds/Average assets	1.80	1.48	1.82	2.41	2.74
Net margin/Average assets	4.77	4.65	4.89	5.02	5.17
Operating expenses/Average assets	3.34	3.42	3.53	3.61	3.70
Provision for loan and lease losses/Average assets	0.50	0.37	0.55	0.49	0.38
Net interest margin/Average assets	3.81	3.65	3.59	3.60	3.69
Operating expenses/Gross income	50.82	55.73	52.52	48.59	46.78
Fixed, foreclosed and repossessed assets/Total assets*	2.56	2.47	2.37	2.35	2.42
Net operating expenses/Average assets	2.74	2.79	2.64	2.64	2.71
ASSET/LIABILITY MANAGEMENT:					
Net long-term assets/Total assets	12.41	12.36	15.03	16.14	18.54
Regular shares/Total shares and borrowings	59.94	58.16	54.36	49.32	43.99
Total loans/Total shares	72.72	75.34	79.85	81.11	79.12
Total loans/Total assets	61.86	63.55	66.68	67.13	65.60
Cash + short-term investments/Assets	8.24	5.93	5.47	16.41	16.75
Total shares, deposits and borrowings/Earning assets	89.11	88.84	87.90	87.40	87.02
Regular shares + share drafts/Total shares and borrowings	68.34	67.05	63.66	58.92	53.14
Borrowings/Total shares and net worth	0.07	0.30	0.22	0.44	0.00

* For periods before 2004, the fixed, foreclosed and repossessed assets did not include repossessed vehicles.

SELECTED COMPOSITE OPERATING RATIOS STATE-CHARTERED CREDIT UNIONS

PRODUCTIVITY:

Members/Potential members	38.53	17.58	17.36	17.15	17.26
Borrowers/Members	59.43	59.60	62.92	63.15	62.99
Members/Full-time employees	408.16	407.44	405.68	407.19	398.22
Average shares per member	\$4,949	\$4,961	\$4,922	\$4,979	\$5,275
Average loan balance	\$6,056	\$6,272	\$6,247	\$6,395	\$6,627
Salary and benefits/Full-time employees	\$41,908	\$45,317	\$47,030	\$50,119	\$52,888

OTHER RATIOS:

Net worth growth	6.67	6.26	5.54	5.13	6.26
Market (share) growth	7.86	1.32	-1.03	1.53	6.54
Loan growth	3.10	4.97	4.89	3.14	3.92
Asset growth	7.73	2.17	-0.03	2.45	6.34
Investment growth	18.26	-3.74	-9.97	0.60	12.53
Membership growth	1.25	1.06	-0.24	0.37	0.55

REPORT OF CONDITION

STATE-CHARTERED CREDIT UNIONS

Charter	Name	City	Year Opened	Total Assets
60883	Beacon Community	Louisville	1947	34,175,502
61123	Louisville Gas and Electric Company	Louisville	1934	20,543,096
61166	Fancy Farm	Fancy Farm	1957	7,621,269
61204	B.C.B.S.	Louisville	1952	5,759,068
61316	Tarcana	Louisville	1936	2,781,956
61437	Commonwealth	Frankfort	1951	717,398,309
61693	Rural Cooperatives	Louisville	1964	32,866,016
61738	Paducah City Employees	Paducah	1961	2,170,254
61772	Louisville Metro Police Officers	Louisville	1942	9,340,022
61792	Ashland	Ashland	1942	130,374,305
62026	Members Choice	Ashland	1932	107,192,552
62089	Kitco Employees	Louisville	1944	3,304,528
62228	Greater Kentucky Credit Union	Lexington	1953	55,813,636
62303	Letcher County Teachers	Whitesburg	1964	1,063,446
62358	Kemba Louisville	Louisville	1934	36,772,862
62370	Lexington Postal	Lexington	1928	15,141,174
62389	Berea	Berea	1923	1,345,409
62431	Kentucky Employees	Frankfort	1938	43,043,599
62432	Whitesville Community	Whitesville	1962	11,821,185
62433	Louisville Federal	Louisville	1924	28,995,902
62482	Brown-Forman Employees	Louisville	1936	7,151,850
62484	Service One	Bowling Green	1963	81,568,075
62485	Louisville District U.S. Engineer EMP	Louisville	1935	3,239,955
62490	Muhlenberg Community Hospital	Greenville	1961	559,138
62559	Alcan Employees	Louisville	1948	1,998,518
62587	C&O United	Edgewood	1928	11,740,507
62625	Kentucky Conference	Lexington	1963	563,679
63058	Metro Employees	Lexington	1940	12,868,367
			TOTAL	\$1,387,214,179

COMPLIANCE BRANCH

11TH ANNUAL COMPLIANCE BRANCH REPORT

The Compliance Branch licenses and regulates mortgage brokers and companies, check cashers, consumer and industrial loan companies, and money transmitters. As of Dec. 31, 2007, this branch supervised 1,995 licensees and 4,293 individual mortgage loan officers.

The number and type of licenses regulated by the office are as follows:

LICENSE TYPE	# OF LICENSEES DEC. 31, 2007	# OF LICENSEES DEC. 31, 2006
Mortgage Companies	348	214
Mortgage Brokers	385	336
Check Cashers	801	769
Consumer Loan Companies	359	362
Industrial Loan Companies	64	73
Money Transmitters	<u>38</u>	<u>34</u>
Total	1,995	1,788

There were 268 Compliance Branch written consumer complaints received by the office during 2007. The breakdown is as follows:

LICENSE TYPE	COMPLAINTS 2007	COMPLAINTS 2006
Mortgage Companies	47	72
Mortgage Brokers	92	105
Check Cashers	30	24
Consumer Loan Companies	47	41
Industrial Loan Companies	0	0
Sale of Checks/Money Transmitters	0	0
HUD Mortgage Brokers/Companies	<u>52</u>	<u>77</u>
Total	268	319

During 2007, the number of examinations conducted by the Compliance Branch is as follows:

TYPE	# OF EXAMINATIONS
Mortgage Companies	32
Mortgage Brokers	207
Check Cashers	759
Consumer Loan Companies	365
Industrial Loan Companies	72
Money Transmitters	<u>5</u>
Total	1,440

COMPLIANCE BRANCH

In 2006, a total of \$95,500 in fines was assessed against various mortgage companies and mortgage brokers.

The Compliance Branch is staffed with 10 examiners and 2 investigators. Three are assigned to consumer loan companies and industrial loan companies, two to check cashers, four to mortgage companies and mortgage brokers, and one to money transmitters. These examiners are highly trained in their respective areas. The examiners and investigators reside in Bowling Green, Irvine, Lexington, Louisville, Union, Campbellsville, Shelbyville, Hardyville, Franklin and Versailles.

Check casher, consumer loan company and industrial loan company licensees are examined annually as required by statute. Mortgage company, mortgage broker and money transmitter examination frequency is not set by statute; however, licensees are examined every 18 to 24 months. Each examiner has his/her own portfolio of licensees; every effort is made by the office to keep an examiner's portfolio in a geographic area close to their residence in order to keep travel to a minimum. Field offices located in Eddyville, Bowling Green, Louisville and Lexington are used by examiners for administrative purposes.

\$95,500 IN FINES WAS ASSESSED AGAINST VARIOUS MORTGAGE COMPANIES AND BROKERS.

During calendar year 2007, the Compliance Branch examination staff members attended several schools and conferences that provided continuing education in their

respective fields. The American Association of Residential Mortgage Regulators (AARMR) provides an examiner school annually. The topics covered vary from year to year, but most importantly this school keeps the mortgage staff current in changes to federal laws and regulations. Every two years AARMR offers a three-day mortgage fraud school in addition to the examiner school. Consumer loan company, industrial loan company and check casher examiners attend the National Association of Consumer Credit Administrators (NACCA) annual five-day examiner school that is held in various locations throughout



the United States. As with the AARMR examiner school, this school provides continuing education and updates on the changes in federal laws and regulations.

ANNUAL CONSOLIDATED STATEMENT OF ASSETS CONSUMER LOAN COMPANIES

Year	Total Assets
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

CONSOLIDATED REPORT OF CONDITION CONSUMER LOAN COMPANIES

TOTALS FOR STATE	359 COMPANIES		359 COMPANIES
	Dec. 31, 2007	Change	Dec. 31, 2006
ASSETS			
Cash and Due from Depositor Institutions	8,201,881	14.17%	7,184,023
Total Loans Receivable, Net of Unearned Interest and Reserves	919,672,367	-2.81%	946,259,382
Premises and Fixed Assets (Net of Depreciation)	6,285,163	7.87%	5,826,492
Deferred Charges and Prepaid Expenses	1,743,603	75.38%	994,160
Other Assets Used in Consumer Loan Business	36,373,754	6.98%	34,000,072
Total Assets Used in Consumer Loan Business	972,275,768	-2.21%	994,264,130

LIABILITIES and CAPITAL or NET WORTH

Total Liabilities	731,299,816	-5.89%	777,080,765
Total Capital	240,975,952	10.96%	217,183,365
Total Liabilities and Capital or Net Worth	972,275,768	-2.21%	994,264,130

LOANS MADE IN 2007 CLASSIFIED BY COLLATERAL KENTUCKY CONSUMER LOAN COMPANIES

Collateral			
Personal Items/Household Goods	397,602,723	-12.62%	455,030,309
Motor Vehicles	87,017,666	7.49%	80,950,747
Motor Vehicles and Personal Items	101,789,066	-36.40%	160,042,798
Real Estate	13,368,148	-22.06%	17,151,553
Unsecured Notes	109,135,799	-21.01%	138,163,469
Endorsed and/or Co-Maker Notes	28,291,405	60.68%	17,607,816
Other Considerations	4,010,410	29.20%	3,104,036
Total	741,215,217	-15.00%	872,050,728

ANNUAL CONSOLIDATED STATEMENT OF ASSETS INDUSTRIAL LOAN COMPANIES

<u>Year</u>	<u>Total Assets</u>	<u>Year</u>	<u>Total Assets</u>
June 29, 1946	\$432,786	June 30, 1988	3,579,048
June 30, 1947	843,587	Dec. 31, 1988	33,707,258
June 30, 1948	1,207,448	Dec. 31, 1989	66,185,013
June 30, 1949	998,520	Dec. 31, 1990	60,216,163
June 30, 1950	725,995	Dec. 31, 1991	93,265,336
June 30, 1951	1,002,486	Dec. 31, 1992	70,626,327
June 30, 1952	1,260,935	Dec. 31, 1993	36,242,155
June 30, 1953	1,197,125	Dec. 31, 1994	17,161,759
June 30, 1954	1,145,154	Dec. 31, 1995	13,559,113
June 30, 1955	1,337,078	Dec. 31, 1996	13,841,777
June 30, 1956	3,351,255	Dec. 31, 1997	13,346,139
June 29, 1957	6,674,101	Dec. 31, 1998	8,854,581
June 30, 1958	7,624,233	Dec. 31, 1999	3,184,487
June 30, 1959	12,027,595	Dec. 31, 2000	12,700,424
June 30, 1960	25,016,928	Dec. 31, 2001	12,013,001
June 30, 1961	29,533,306	Dec. 31, 2002	16,861,557
June 30, 1962	38,986,576	Dec. 31, 2003	7,106,807
June 29, 1963	47,926,026	Dec. 31, 2004	7,727,195
June 30, 1964	62,498,295	Dec. 31, 2005	22,308,961
June 30, 1965	74,443,666	Dec. 31, 2006	23,315,243
June 30, 1966	83,269,104	Dec. 31, 2007	\$20,195,678
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		
June 30, 1984	45,051,556		
June 30, 1985	61,357,110		
June 30, 1986	47,118,841		
June 30, 1987	19,930,854		

CONSOLIDATED REPORT OF CONDITION INDUSTRIAL LOAN COMPANIES

TOTALS FOR STATE	64 COMPANIES	70 COMPANIES	
	Dec. 31, 2007	Change	Dec. 31, 2006
ASSETS			
Cash on hand	0	0.00%	0
Cash in Depository Institutions	40,249	-36.24%	63,125
Investments	0	0.00%	0
Industrial Loans	7,014,455	-23.99%	9,228,039
Conditional Sales Contracts	0	0.00%	0
Other Loans	9,238,322	-4.72%	9,695,956
Total Loans	16,252,777	-14.12%	18,923,995
Less: Unearned Interest	60,966	-4.64%	63,930
Reserve for Loan Loss	571,027	-11.82%	647,606
Loans, Net of Unearned Interest and Reserves	15,620,784	-14.23%	18,212,459
Premises and Fixed Assets	0	-100.00%	13,197
Other Assets	4,534,645	-9.78%	5,026,463
Total Assets	20,195,678	-13.38%	23,315,243
LIABILITIES			
Certificates of Investment	0	0.00%	0
Other Borrowed Money	11,813,665	-16.81%	14,201,273
Other Liabilities	57,556	-69.59%	189,266
Total Liabilities	11,871,220	-17.51%	14,390,539
EQUITY CAPITAL			
Capital Stock	1,250,000	0.00%	1,250,000
Surplus and Undivided Profits	18,499,720	49.59%	12,366,931
Current Earnings	-11,425,260	143.49%	-4,692,227
Total Equity Capital	8,324,458	-6.73%	8,924,704
TOTAL LIABILITIES and EQUITY CAPITAL	20,195,678	-13.38%	23,315,243

DIVISION OF SECURITIES

22nd ANNUAL SECURITIES REPORT

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 investors, 2) educate the investing public about investment matters and making informed investment decisions, and 3) assist companies with their legitimate capital formation efforts and conducting securities transactions in Kentucky.

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 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 process 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.

- **Compliance** – Examiners in the Compliance Branch perform announced and unannounced examinations of broker-dealers, investment advisers and issuers employing issuer agents in order to determine if they are complying with the Kentucky securities laws.

- **Enforcement** – Investigators in the Enforcement Branch investigate allegations of securities fraud and related illegal conduct. In coordination with OFI's legal staff, the investigators assist with administrative and civil actions the office 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.

The Securities Division staff regularly speaks to high school students and community groups about saving 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.

THE DIVISION OF SECURITIES PROTECTS INVESTORS, EDUCATES THE INVESTING PUBLIC AND ASSISTS COMPANIES.



2007 SECURITIES REPORT SECURITIES LICENSING

	Dec. 31, 2007	Change	Dec. 31, 0006
BROKER-DEALER REGISTRATIONS			
New Applications (Form BD)	124		143
Approved	124		138
Withdrawals (Form BDW)	99		126
Total Registered (year end)	1,671	0.78%	1,658
BROKER-DEALER AGENT REGISTRATIONS			
New Applications (Form U-4)	2,753		2,582
Approved (includes new and transfers)	30,740		27,638
Terminated	25,595		22,315
Total Registered (year end)	85,190	7.41%	79,313
ISSUER AGENT REGISTRATIONS			
New Applications	387		116
Approved	329		112
Conditional	47		0
Withdrawals Without Registration	3		13
Total Registered (year end)	112	21.74%	92
STATE INVESTMENT ADVISERS			
New Applications (Form ADV)	20		26
Approved	20		26
Withdrawals (Form ADV-W)	15		20
Total Registered (year end)	126	5.00%	120
FEDERAL COVERED INVESTMENT ADVISERS			
New Notice Filings	154		122
Withdrawals (Form ADV-W)	63		52
Total Effective Notice Filings	821	7.46%	764
INVESTMENT ADVISER REPRESENTATIVES (IAR)			
New Applications (Form U-4/State)	66		99
New Applications (Form U-4/Federal)	1,133		814
Total State and Federal IARs (year end)	2,524	0.56%	2,510

2007 SECURITIES REPORT
SECURITIES CORPORATION FINANCE,
COMPLIANCE AND ENFORCEMENT

	Dec. 31, 2007	Change	Dec. 31, 2006
<u>CORPORATION FINANCE</u>			
REGISTRATIONS			
By Coordination	40		16
By Qualification	0		0
By Notification	1		0
NOTICE FILINGS			
Investment Companies - New	864		508
Investment companies - Renewals	4,153		3,445
Unit Investment Trusts	848		786
Reg. D, Rule 506 Offerings	524		583
EXEMPTIONS			
Claims of Exemption Requested	55		56
Total Filings	6,485	20.23%	5,394
<u>COMPLIANCE BRANCH (Examinations)</u>			
BROKER-DEALERS			
Main Office	5		2
Branch Office	28		38
INVESTMENT ADVISERS			
Main Office	45		54
ISSUER AGENTS			
Main Office	9		1
Total Examinations	87	-8.42%	95
<u>ENFORCEMENT BRANCH</u>			
INVESTIGATIONS			
Referrals/Assistance to Outside Agency	12		15
Referrals from Outside Agency	6		8
Investigations Opened	42		37
Investigations Closed	36		32
Investigations Pending	36		30
ENFORCEMENT ACTIONS			
Administrative Orders	8		5
Civil Injunctions	9		7
Criminal Referrals (indictments)	7		6
Fines	\$75,000	-68.12%	\$235,257



**OFFICE OF FINANCIAL INSTITUTIONS
1025 CAPITAL CENTER DRIVE
SUITE 200
FRANKFORT, KY 40601
502-573-3390
800-223-2579
FAX: 502-573-8787
WWW.KFI.KY.GOV**

