



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

First Financial Service Corporation

Person to be contacted regarding this report:	B. Keith Johnson	RSSD: (For Bank Holding Companies)	3150997
UST Sequence Number:	342	Holding Company Docket Number: (For Thrift Holding Companies)	N/A
CPP Funds Received:	20,000,000	FDIC Certificate Number: (For Depository Institutions)	28610
CPP Funds Repaid to Date:	0	City:	Elizabethtown
Date Funded (first funding):	Jan 9, 2009	State:	Kentucky
Date Repaid ¹ :	N/A		

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	During 2009 net loans outstanding grew \$86 million or 9.6%.
<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	Loans originated to small businesses and/or for commercial real estate accounted for \$54 million (14.5% growth) representing a majority of the growth experienced during 2009. The remaining growth of \$32 million was to consumers for a variety of reasons.
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	

<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	The Company raised its loan loss reserves by \$4 million.
<input type="checkbox"/>	Reduce borrowings	
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP funds?

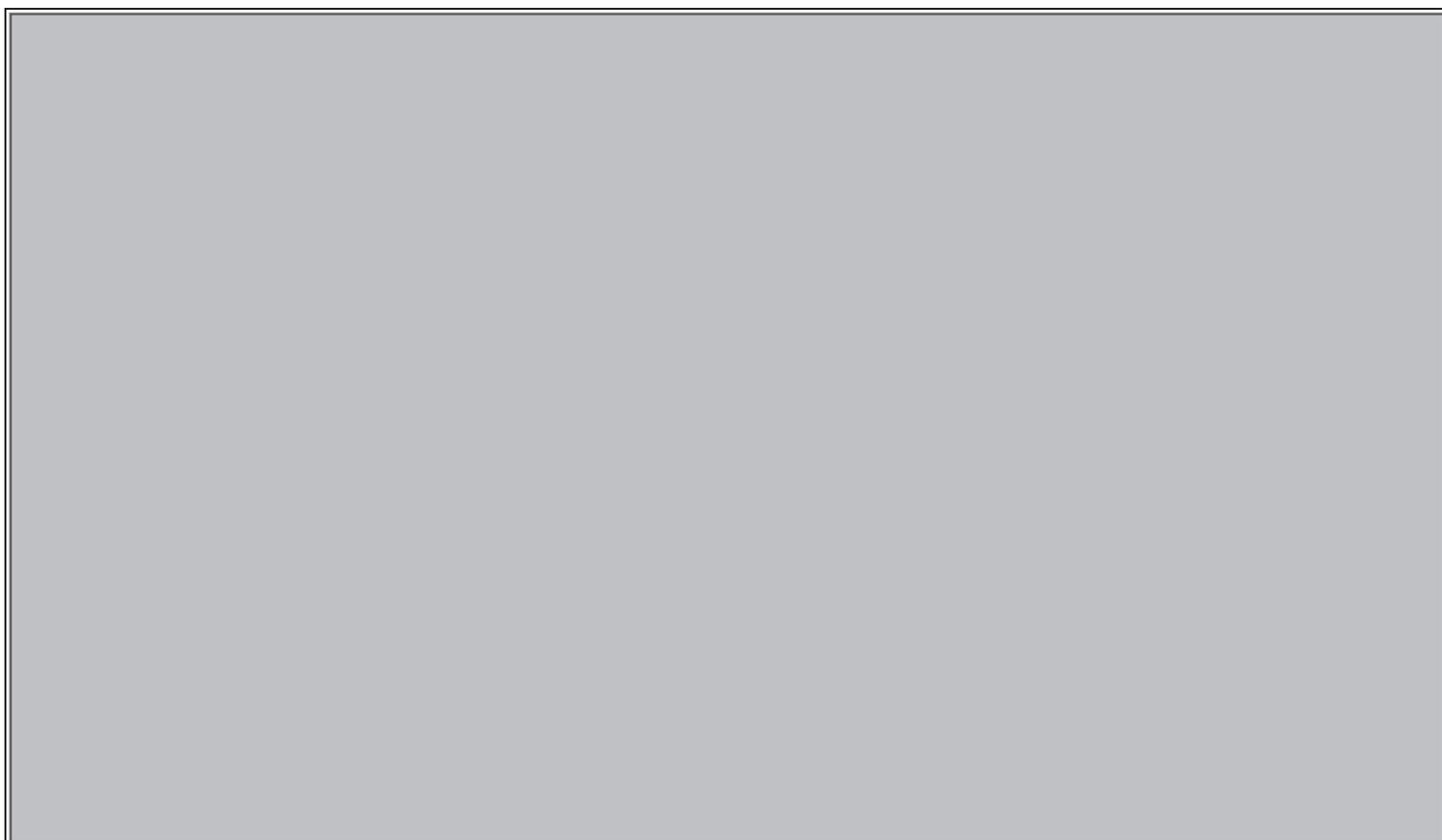
What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

The funds from the Capital Purchase Program were immediately injected into the bank in the form of capital. The increase in capital enabled the bank to pursue new lending opportunities which otherwise would have been hindered. Since many of the national and super regional financial institutions appear to have substantially curbed their consumer, small business and commercial real estate lending activities within our market area, the Bank's loan demand has been quite strong. Prior to receipt of the capital infusion, FFSB's total risk based capital was 10.1%. FSC chose to participate in the CPP to provide additional capital to meet its growing loan needs. After receiving the CPP funding FFSB's total risk based capital increased to 12.1%. It is FFSB's desire to remain a well capitalized financial institution under regulatory standards. Accordingly, absent an infusion of capital FFSB would have been unable to continue to meet the needs of its retail and commercial customer base. Opportunities to raise capital through private sources are virtually non-existent. Consequently, participating in the CPP enabled the Bank to continue to meet its customer needs.

To assist the consumers within our market area FFSB introduced a retail mortgage loan promotion during the first quarter of 2009 encouraging home owners to either purchase a new residence or to refinance an existing residential mortgage loan. Refinancing at the low rate of 3.99% (or an affordable loan closing cost of \$399) enabled the home owner to reduce monthly payments resulting in their ability to improve personal cash flow for other buying needs or help survive the recession. This loan promotion coupled with other promotions throughout the calendar year resulted in a substantial growth in the banks mortgage loan originations in the secondary market as well as its portfolio of in-house mortgage loans. The bank also experienced and met an increased loan demand from consumers for the purchase of automobiles.

The bank also purchased MBS securities, reduced its borrowings from the Federal Home Loan Bank, increased its investment activity in low income housing tax credit projects, and increased loan charge-offs.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.



According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.