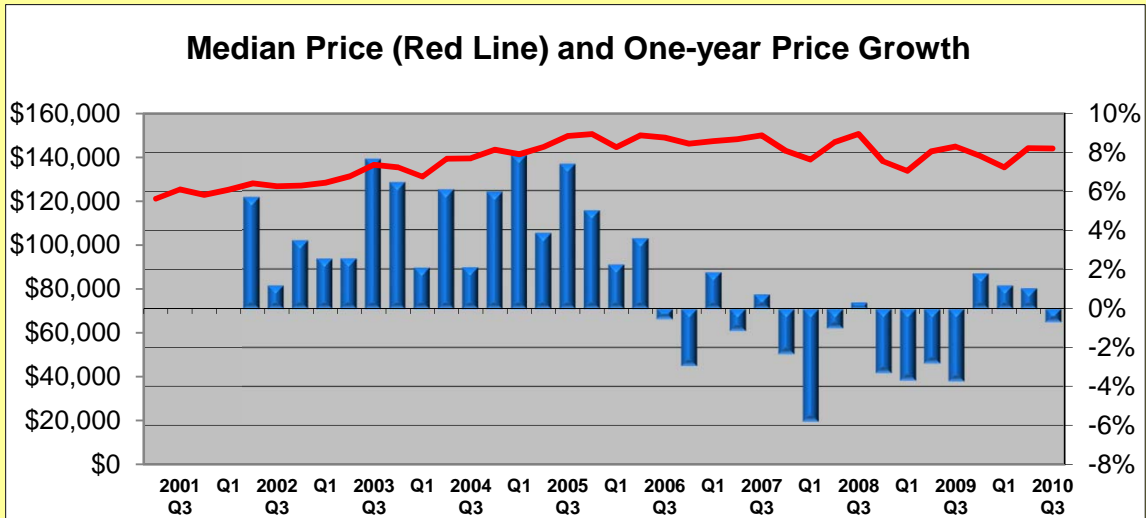


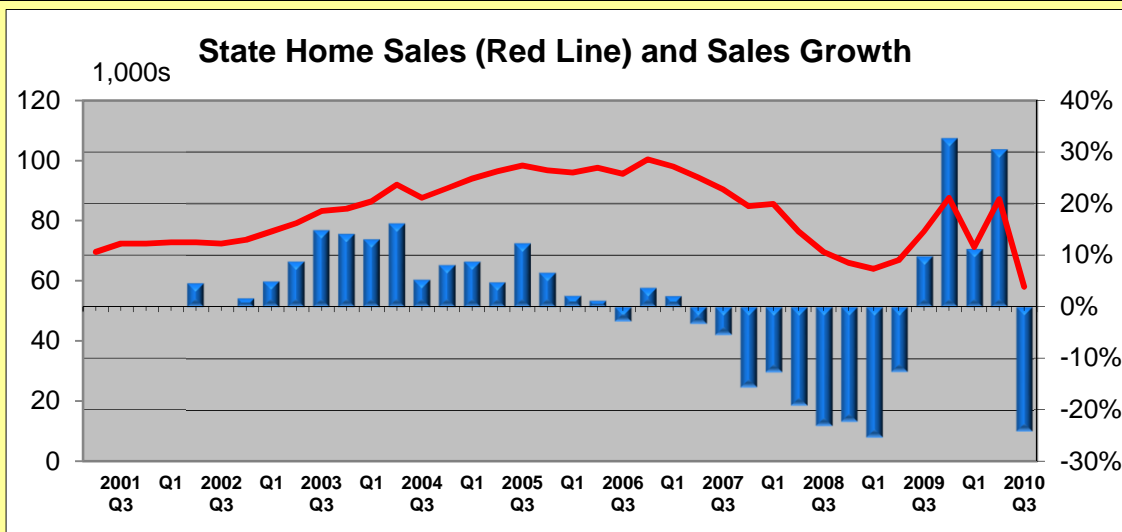
Lexington-Fayette Area Local Market Report, Third Quarter 2010



Today's Market...



	Lexington	U.S.	Local Trend
Price Activity			
Current Median Home Price (2010 Q3)	\$144,000	\$177,100	Year-over-year prices swung negative this quarter after growing last quarter
1-year (4-quarter) Appreciation (2010 Q3)	-0.7%	-0.6%	
3-year (12-quarter) Appreciation (2010 Q3)	-4.1%	-19.9%	
3-year (12-quarter) Housing Equity Gain*	-\$6,100	-\$44,000	Real estate remains a long-term investment: those who have owned for more than 3 years have seen the equity in their home grow
7-year (28 quarters) Housing Equity Gain*	\$7,400	-\$6,000	
9-year (36 quarters) Housing Equity Gain*	\$18,600	\$21,500	
*Note: Equity gain reflects price appreciation only			
Conforming Loan Limit**	\$417,000	\$729,250	Most buyers in this market have access to government-backed financing
FHA Loan Limit	\$271,050	\$417,000	
Local Median to Conforming Limit Ratio	35%	not comparable	
**Note: the 2009 loan limits for FHA and the GSEs were extended through 2010.			

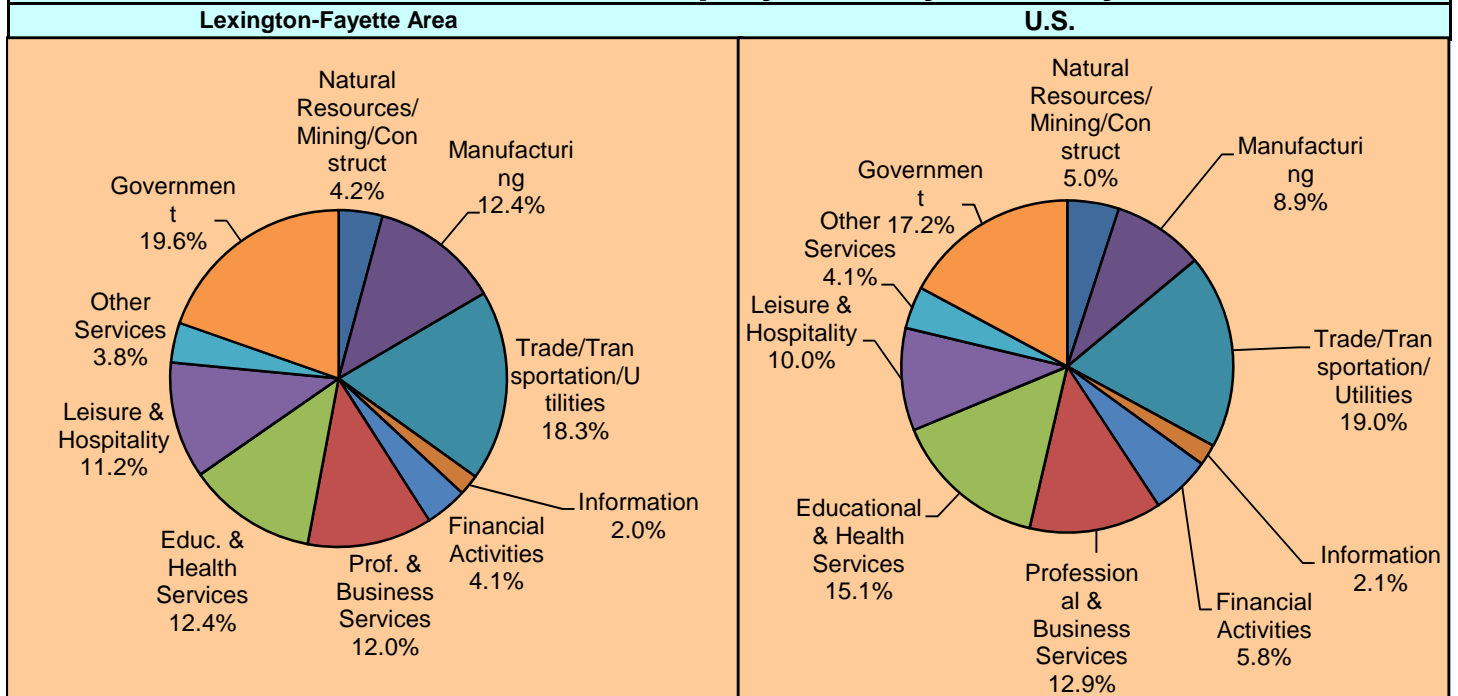


Home Sales	Kentucky	U.S.	
State Existing Home Sales (2010 Q3 vs 2009 Q3)	-24.1%	-21.2%	Sales growth slipped during the third quarter

Drivers of Local Supply and Demand...

Local Economic Outlook	Lexington	U.S.	
12-month Job Change (Sep)	-1,300	Not Comparable	Employment continues to decline and will weigh on demand in some areas
12-month Job Change (Aug)	400	Not Comparable	
36-month Job Change (Sep)	-14,200	Not Comparable	Unemployment in Lexington is better than the national average and improving
Current Unemployment Rate (Sep)	8.1%	9.6%	
Year-ago Unemployment Rate	8.3%	9.8%	Local employment growth is respectable compared to other markets
1-year (12 month) Job Growth Rate	-0.5%	-1.7%	

Share of Total Employment by Industry



12-month Employment Change by Industry in the Lexington-Fayette Area

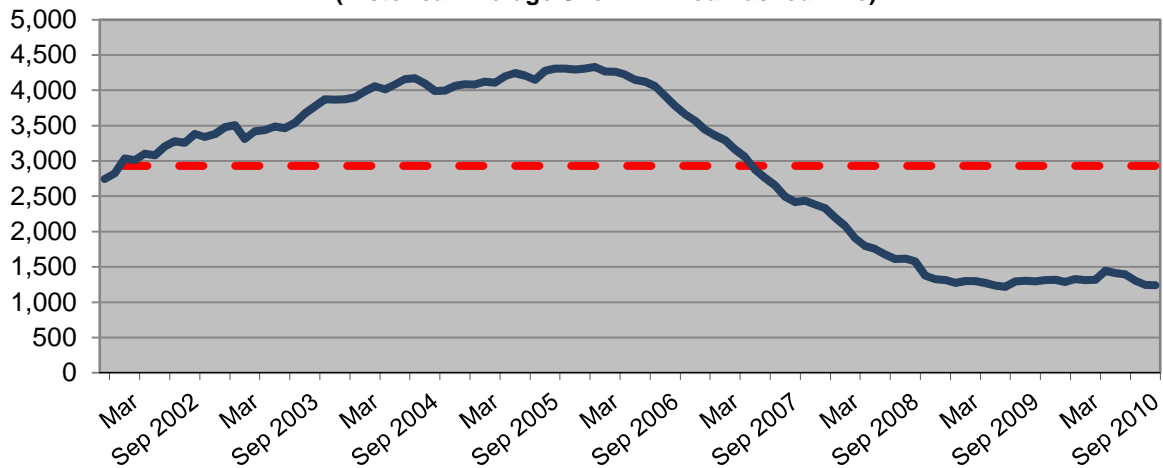
Goods Producing	NA	Information	-300
Natural Resources/Mining/Construction	-700	Financial Activities	100
Natural Resources and Mining	NA	Prof. & Business Services	500
Construction	NA	Educ. & Health Services	100
Manufacturing	-500	Leisure & Hospitality	300
Service Providing Excluding Government	NA	Other Services	-100
Trade/Transportation/Utilities	700	Government	-1,400

State Economic Activity Index	Kentucky	U.S.	
12-month change (2010 - Sep)	2.1%	1.6%	Kentucky's economy is stronger than the nation's, but slowed from last month's 2.1% change
36-month change (2010 - Sep)	-6.7%	-4.6%	

New Housing Construction

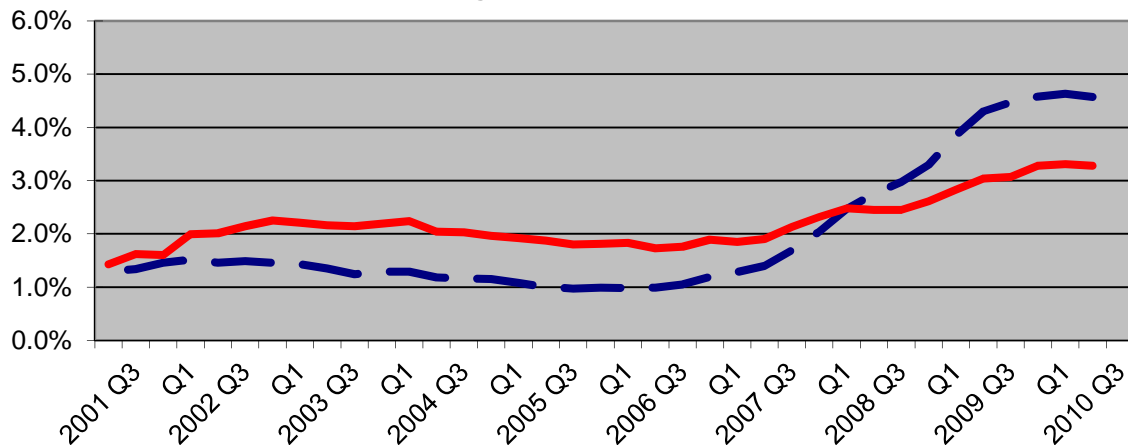
Local Fundamentals	Lexington	U.S.	
12-month Sum of 1-unit Building Permits through Sep 2010	1,238	not comparable	The current level of construction is 57.7% below the long-term average
8-year average for 12-month Sum of 1-Unit Building Permits	2,930	not comparable	Reduced construction will limit new supply to the market, allowing demand to catch up with the inventory more quickly
Single-Family Housing Permits (Sep 2010) 12-month sum vs. a year ago	-4.4%	8.8%	Construction is down from last year, but appears to have bottomed.

Construction: 12-month Sum of Local Housing Permits
(Historical Average Shown in Red Dashed Line)



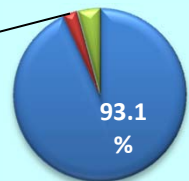
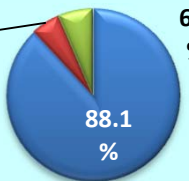
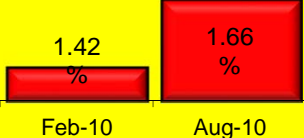
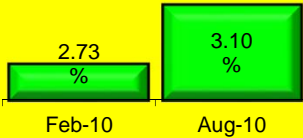
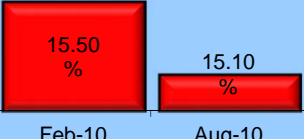
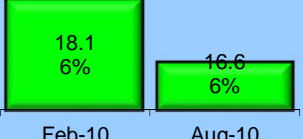
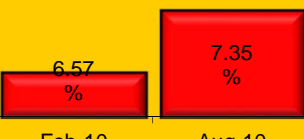
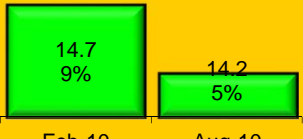
While new construction is the traditional driver of supply in real estate, foreclosures now have a strong impact on inventories, particularly at the local level. Rising inventories, through construction or foreclosure, place downward pressure on the median home prices.

State Total Foreclosure Rate vs. U.S. Average
(U.S. Average in Blue Dashed Line)



Source: Mortgage Bankers' Association

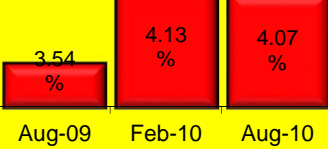
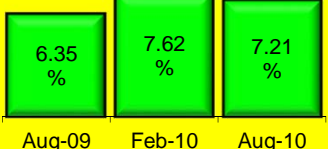
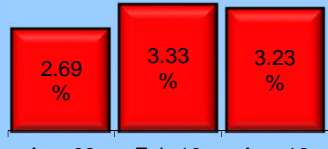
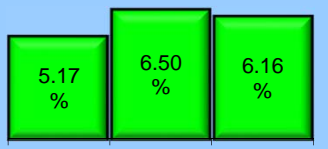
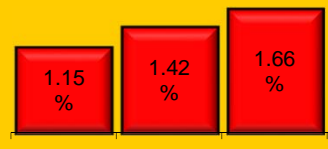
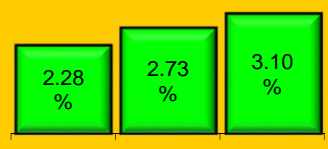
Foreclosures by Type

Monthly Market Data - August 2010	Lexington	U.S.	
Market Share: Prime (blue), Alt-A (green), and Subprime (red)			Suprime mortgages make up a larger than average share of the Lexington market, but rising prime foreclosures are also becoming a problem
PRIME: Foreclosure + REO Rate			<p>There was a substantial increase versus February of this year</p> <p>Compared to the national average, today's local prime rate is low</p>
SUBPRIME: Foreclosure + REO Rate			<p>The local subprime rate eased modestly relative to February of this year</p> <p>Locally, today's foreclosure rate is low relative to the national average</p>
ALT-A: Foreclosure + REO Rate			<p>The alt-A foreclosure rate jumped compared to February of this year</p> <p>The August rate for Lexington is low compared to the national average</p>

The "foreclosure + REO rate" is the number of mortgages, by metro area, that are either in the foreclosure process or have completed the foreclosure process and are owned by banks divided by the total number of mortgages for that area.

Source: First American CoreLogic, LoanPerformance data

Prime Foreclosures and Delinquencies in Process

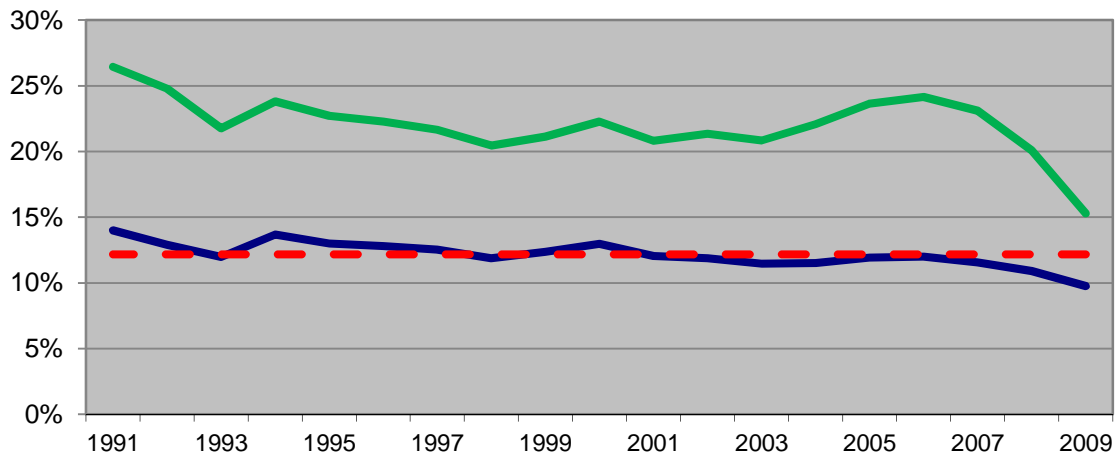
Monthly Market Data - August 2010	Lexington	U.S.	
Prime: 60-day Delinquent			The local 60-day delinquency rate fell over the 6-month period ending in August suggesting that 90-day delinquencies will decline in the near future
Prime: 90-day Delinquent			The 90-day delinquency rate in Lexington fell over the 6-month period ending in August
Prime: Foreclosure + REO Rate			The decline of both the 60 and 90-day delinquency rates over the most recent 6-month period suggests a decline in the local foreclosure rate in the near future.

Source: First American CoreLogic, LoanPerformance data

Affordability

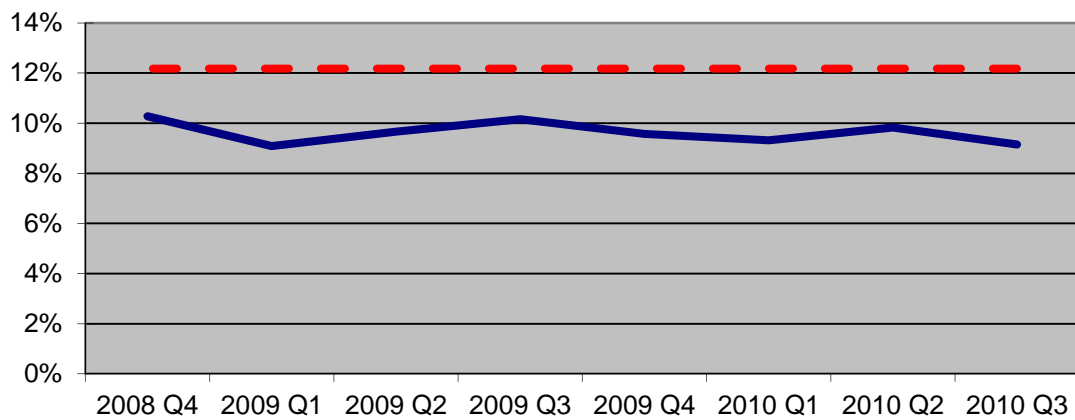


Long-Term Trend: Ratio of Local Mortgage Servicing Cost to Income
(Local Historical Average Shown in Red, U.S. Average in Green)

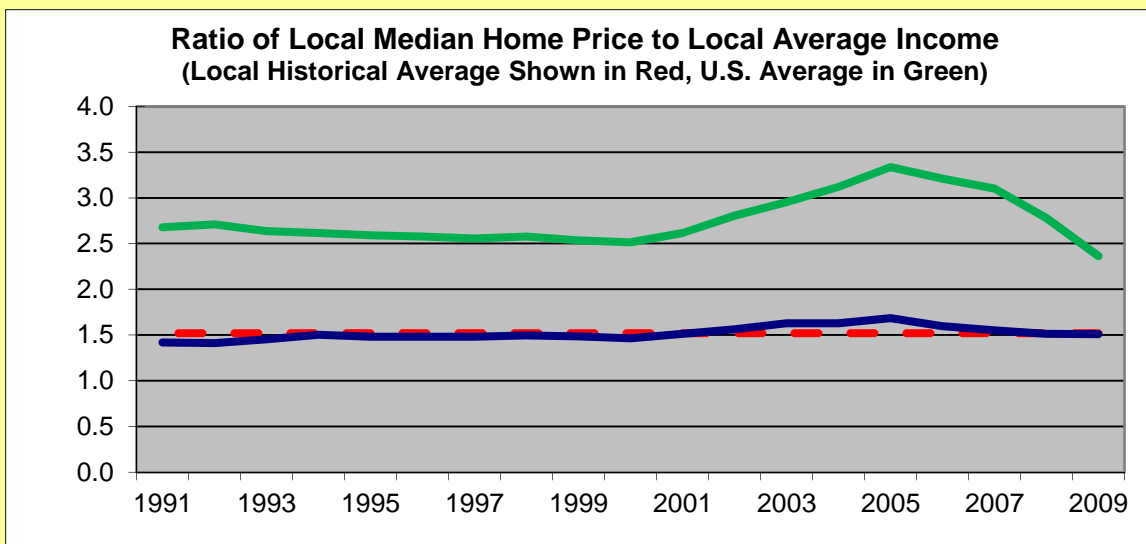


Monthly Mortgage Payment to Income	Lexington	U.S.	
Ratio for 2008	9.8%	15.3%	Historically strong and an improvement over the second quarter of 2010
Ratio for 2010 Q3	9.2%	14.3%	
Historical Average	12.2%	22.6%	More affordable than most markets

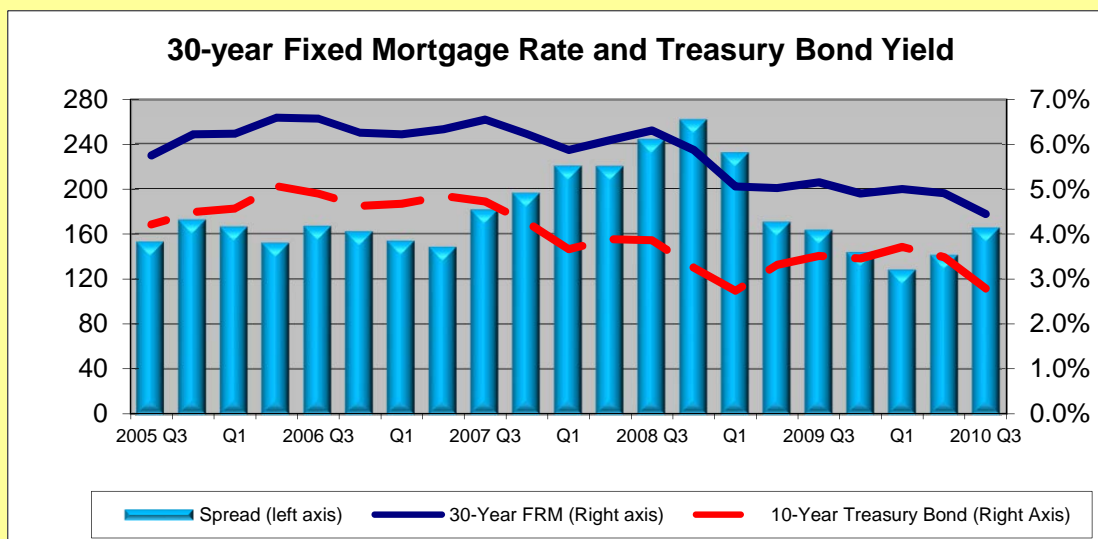
Recent Trend - Local Mortgage Servicing Cost to Income
(Historical Average Shown in Red Dashed Line)



Median Home Price to Income	Lexington	U.S.	
Ratio for 2009	1.5	2.4	The price-to-income ratio has fallen and is below the historical average
Ratio for 2010 Q3	1.5	2.4	
Historical Average	1.5	2.7	Affordable compared to most markets

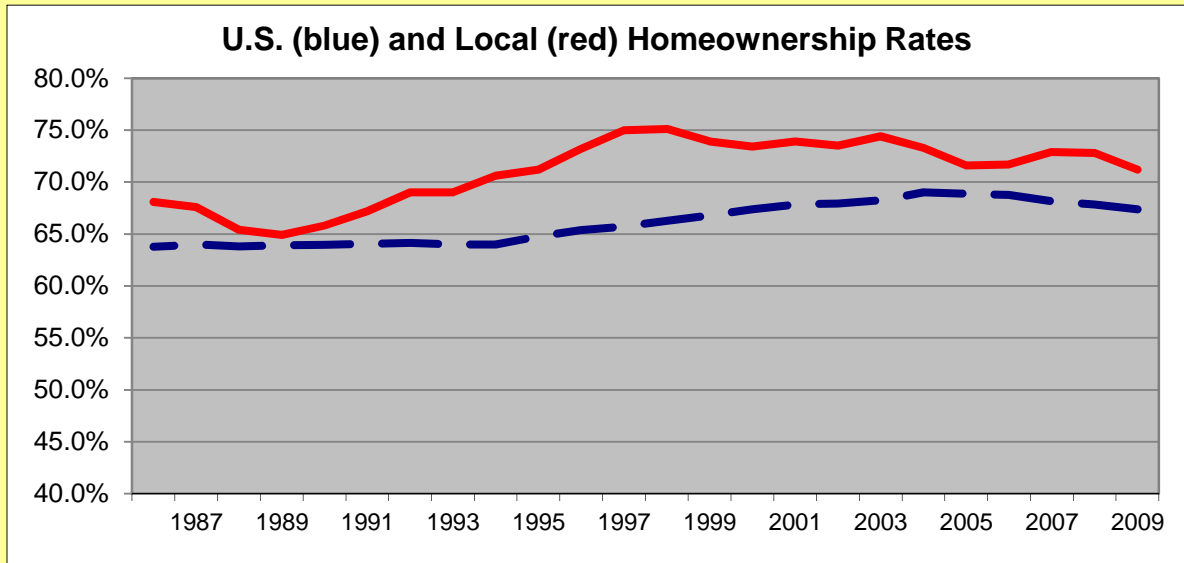


The Mortgage Market



After rising in the first half of the second quarter, the average 30-year fixed rate mortgage followed the 10-year Treasury bond downward in the third quarter. The sharp drop in home sales in July following the expiration of the Federal tax credit sent stock markets into a quandary. Soft economic indicators in July and August maintained this pattern, but by August, rates were falling for a different reason. Speculation that the Federal reserve would engage in a second round of mortgage and Treasury purchases to stimulate the economy by lowering the cost of borrowing, dubbed QE2 for the second round of such quantitative easing, sent the yield on the 10-year Treasury to record lows and the 30-year fixed rate mortgage followed suit. The average 30-year fixed rate mortgage, as measured by Freddie Mac, registered 4.32% in the first week of September, a record, and stayed under 4.4% the entire month. However, the spread between the 10-year Treasury and 30-year FRM rose 24 basis points in the third quarter to 166. The bulk of the Federal Reserve's quantitative easing was expected to be implemented through purchases of 2-year and 10-year Treasury notes. Consequently, demand for these instruments surged relative to long-term mortgage debt, which caused the spread to widen.

A Closer Look...At Homeownership



Homeownership Rate	Kentucky	U.S.	
Ratio for 2009	71.2%	67.4%	Kentucky's homeownership rate fell in recent years, but was above the national average in 2009.
Ratio for 2010 Q3	70.0%	66.9%	
Historical Average	71.0%	66.5%	

Nationally, nearly 6.5 million homes went into foreclosure from 2005 through 2009. As a result, the homeownership rate fell from a high of 69.0% in 2004 to 67.4% in 2009. The share of homes owned by investors and banks has grown and this trend will weigh on the homeownership rate for years to come. Locally, there were 62,910 foreclosures in Kentucky over this same 5-year period. The result was a decline in the statewide homeownership rate from its recent peak of 73.3% in 2004 to 71.2% in 2009.

Geographic Coverage for this Report

The Lexington area referred to in this report covers the geographic area of the Lexington-Fayette metro area as officially defined by the Office of Management and Budget of the U.S. Government. The official coverage area includes the following counties:

Bourbon County, Clark County, Fayette County, Jessamine County, Scott County, and Woodford County

More information on the OMB's geographic definitions can be found at http://www.whitehouse.gov/omb/inforeg_statpolicy/