

PUBLIC DISCLOSURE

September 24, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Southern Bank
900 North Federal Highway
Boca Raton, Florida 33432**

RSSD ID Number: 279338

**FEDERAL RESERVE BANK OF ATLANTA
1000 Peachtree Street, N.E.
Atlanta, Georgia 30309-4470**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to the institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION'S CRA RATING

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The following table indicates the performance level of First Southern Bank with respect to the lending and community development tests.

PERFORMANCE LEVELS	<u>First Southern Bank</u>	
	PERFORMANCE TESTS	
	Lending Test	Community Development Test
Outstanding		
Satisfactory	X	X
Needs to Improve		
Substantial Noncompliance		

**Note: The lending test and the community development test are weighted equally when arriving at an overall rating.

Major factors supporting the institution's rating include:

- The bank has a reasonable loan-to-deposit ratio.
- A substantial majority of loans were originated inside the bank's assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of lending by business size reflects reasonable penetration among businesses of different sizes.
- Overall, the bank demonstrates adequate responsiveness to community development needs in its assessment areas.

INSTITUTION

SCOPE OF EXAMINATION

The CRA performance evaluation assesses the bank's record of meeting the credit needs of its community, including low- and moderate-income neighborhoods, within the context of information such as asset size and financial condition of the institution, competitive factors, as well as the economic and demographic characteristics of its defined assessment areas. First Southern Bank's CRA performance evaluation was based on CRA activities within its assessment areas using the Interagency Intermediate Small Institution Examination Procedures. Under these procedures, effective as of September 1, 2005, institutions meeting the threshold size are evaluated using two separately rated tests: a lending test, and a community development test that includes an evaluation of community development loans, investments, and services in light of community needs within its assessment areas and the capacity of the bank.

A full-scope review was completed for the bank's Palm Beach-Broward assessment area. The Palm Beach-Broward assessment area was selected for full-scope review because a substantial majority of the bank's loan and deposit activity is in this assessment area. The bank's Orlando, Jacksonville, and Daytona assessment areas were reviewed using limited-scope examination procedures.

The lending test included an analysis of 110 small business loan originations and renewals from January 1, 2011 through December 31, 2011. The bank does minimal residential mortgage lending subject to HMDA¹ reporting. The bank reported 3 originations and 85 purchases on its 2011 loan application register. The 85 purchased loans were gained through a bank acquisition. First Southern Bank continues to be primarily a commercial lender; HMDA loans were not reviewed for this performance evaluation. The community development test included a review of community development loans, investments, and services from October 1, 2010 through September 24, 2012.

As part of this evaluation, information from three community contacts was considered. The community contacts are individuals who are familiar with the economic and demographic characteristics, as well as community development opportunities in the bank's assessment areas. Information obtained from these contacts was used to establish a context for the communities in which the bank operates and to gather information on the bank's performance. Specific information obtained from the community contacts is included in the applicable section of the evaluation for the full-scope assessment area.

DESCRIPTION OF INSTITUTION

First Southern Bank is a full service community bank owned by First Southern Bancorp, Incorporated. Both companies are headquartered in Boca Raton, Florida. According to the June 30, 2012 Consolidated Reports of Condition and Income (Call Report), the bank's assets totaled \$978.9 million, which is a 118.4 percent increase from June 30, 2010, at \$448.2 million. This substantial growth was primarily attributed to two bank acquisitions. On September 24, 2010, the bank acquired Haven Trust Bank, Ponte Vedra, Florida, and on January 7, 2011, the bank acquired First Commercial Bank of Florida, Orlando, Florida.

Branch Offices

First Southern Bank currently operates 15 banking offices in Florida. Since the previous examination, the bank expanded from 5 banking offices to 15. Of the 11 branches acquired through 2 bank acquisitions, one was subsequently closed.

¹ Home mortgage loans are reported by institutions on the Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR). The LAR includes home purchase, refinance, home improvement, and multi-family loans originated and purchased by the institution, and declined applications.

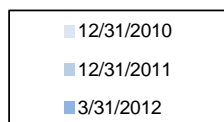
Loan Portfolio

First Southern Bank’s total loans increased 63.9 percent from \$347.7 million on December 31, 2010, to \$569.8 million as of March 31, 2012. As noted above in the Description of the Institution, this substantial growth is a result of First Southern Bank acquiring two failed institutions. While the volume of the bank’s total assets and total loans has grown significantly since the previous CRA examination, the overall proportion by loan product has remained relatively consistent, as illustrated in the following table and graph.

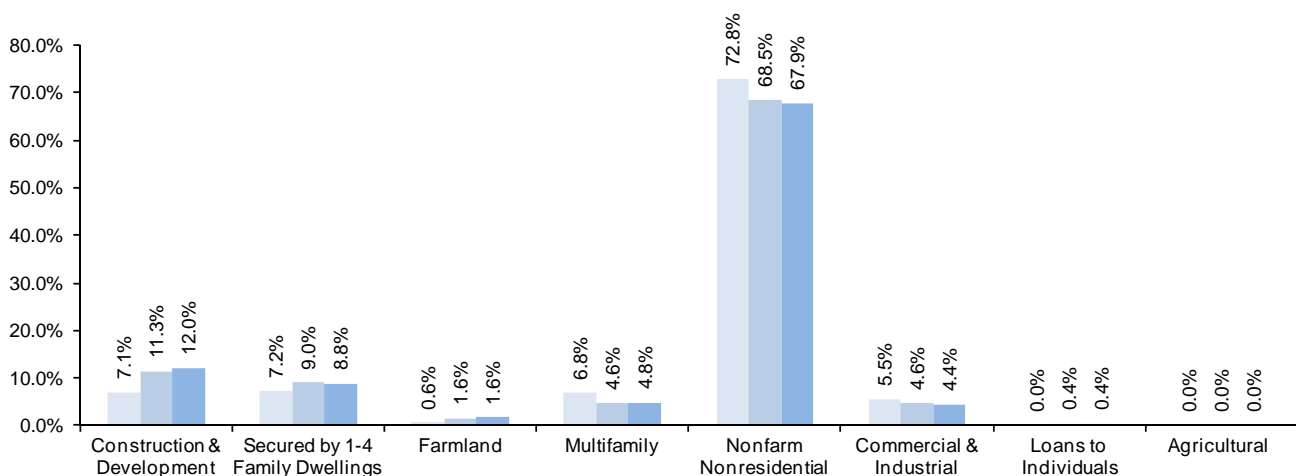
COMPOSITION OF LOAN PORTFOLIO						
Loan Type	3/31/2012		12/31/2011		12/31/2010	
	\$ (000s)	Percent	\$ (000s)	Percent	\$ (000s)	Percent
Construction and Development	68,578	12.0%	67,684	11.3%	24,548	7.1%
Secured by One- to Four- Family Dwellings	50,100	8.8%	53,492	9.0%	25,154	7.2%
Other Real Estate: Farmland	9,144	1.6%	9,422	1.6%	1,967	0.6%
Multifamily	27,522	4.8%	27,464	4.6%	23,742	6.8%
Nonfarm nonresidential	386,803	67.9%	409,329	68.5%	253,092	72.8%
Commercial and Industrial	25,104	4.4%	27,713	4.6%	19,004	5.5%
Loans to Individuals	2,507	0.4%	2,460	0.4%	168	0.0%
Agricultural Loans	0	0.0%	0	0.0%	0	0.0%
Total	\$569,758	100.00%	\$597,564	100.00%	\$347,675	100.00%

* This table does not include the entire loan portfolio. Specifically, it excludes loans to depository institutions, bankers acceptances, lease financing receivables, obligations of state and political subdivisions, and other loans that do not meet any other category. Contra assets are also not included in this table.

The portfolio mix reflects the bank’s commercial real estate focus. In December 2010, nonfarm nonresidential loans comprised 72.8 percent of the loan portfolio, and in March 2012 this loan category is still a substantial majority of the bank’s portfolio at 67.9 percent. The slight decrease in proportion of nonfarm nonresidential loans can be attributed to a slight increase in the bank’s construction and development loans, from 7.1 percent in December 2010 to 12.0 percent in March 2012. This slight shift is illustrated in the following graph.



Loan Portfolio Trend



Credit Products

First Southern Bank offers banking products to residents in its assessment areas, but primarily targets businesses and professionals. The bank offers a variety of commercial loan products, including, but not limited to, commercial real estate, equipment, business lines of credit, and letters of credit. The bank also specializes in association lending to homeowner and condominium associations.

Assessment Areas

For purposes of the CRA, First Southern Bank has defined four assessment areas as follows.

- Palm Beach-Broward assessment area, which consists of Palm Beach and Broward Counties, and is part of the Miami-Fort Lauderdale-Miami Beach, Florida MSA
- Orlando assessment area, which consists of Orange, Osceola, and Seminole Counties, and is part of the Orlando-Kissimmee-Sanford, Florida MSA
- Jacksonville assessment area, which consists of St. Johns County, a portion of Duval County, and is part of the Jacksonville, Florida MSA
- Daytona assessment area, which consists of a portion of Volusia County, and is part of the Deltona-Daytona Beach-Ormond Beach, Florida MSA

First Southern Bank complies with the requirements of the CRA. No known legal impediments exist that would restrict the bank from meeting the credit needs of its assessment areas. The bank received a “Satisfactory” rating at its previous evaluation conducted by the Federal Reserve Bank of Atlanta dated September 20, 2010, under the Intermediate Small Institution Examination Procedures.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Overview

The lending test is rated satisfactory. The bank’s loan-to-deposit ratio is reasonable, and a majority of lending occurs inside its assessment areas. The geographic distribution of small business loans is reasonable as is the distribution of loans by business revenue. Performance in the limited-scope assessment areas did not affect the rating.

Loan-to-Deposit Ratio

The bank’s net loan-to-deposit ratio (LTD) is reasonable given the bank’s size, financial condition, and assessment area credit needs. First Southern Bank’s average LTD ratio for the eight quarters ending in June 30, 2012, was 73.6 percent. The bank’s LTD ranged from a low of 65.1 percent as of June 30, 2012, to a high of 76.5 percent as of September 30, 2011. The LTD ratio was compared with the ratios of eight other financial institutions of similar asset size with branch offices in the assessment area. The average LTD ratios over the eight-quarter period for these institutions ranged from 69.0 percent to 88.6 percent.

Assessment Area Concentration

The bank originated a substantial majority of its small business loans inside the assessment area. The table below shows the number and percentage of loans reviewed that were located inside and outside of the bank’s assessment areas.

Lending Inside and Outside the Assessment Area

Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Small Business	94	85.5	\$23,033	81.4	16	14.5	\$5,271	18.6
Total Small Bus. related	94	85.5	\$23,033	81.4	16	14.5	\$5,271	18.6
TOTAL LOANS	94	85.5	\$23,033	81.4	16	14.5	\$5,271	18.6

By number of loans, 85.5 percent of the bank’s small business loans were made to businesses inside the bank’s assessment areas. Also, 81.4 percent of the dollars associated with these loans went to borrowers inside the assessment areas. This indicates the bank’s willingness to originate loans that meet the needs of its assessment areas.

Distribution of Lending by Geography and Business Size

The geographic distribution of small business loans reflects reasonable penetration throughout the assessment area, given the opportunity and competition in these markets. In addition, the distribution of small business loans by revenue size reflects reasonable penetration among businesses of different sizes. Details of the analyses of small business lending within each assessment area are presented later in this report.

COMMUNITY DEVELOPMENT TEST

The community development test rating is satisfactory. The bank used its resources during this review period to participate in a combination of community development loans, investments, and services that demonstrate adequate responsiveness to the community development needs of its assessment areas.

Bank-wide community development lending consisted of 12 loans totaling approximately \$10.4 million, which included new originations, renewals, and consortium loans. The bank was primarily involved in making loans to provide affordable housing to low- and moderate-income borrowers and in low- and moderate-income geographies. The bank maintains close relationships with local affordable housing organizations and has outstanding loan commitments to these organizations in order to participate in affordable housing consortium loans in and near its assessment areas. The bank also made two loans to finance small businesses that support permanent job retention in St. Johns County (Jacksonville assessment area). Additionally, the bank made loans for the purpose of providing funds for construction or rehabilitation of community facilities that provide community services and permanent jobs in low- and moderate-income geographies, including construction of a daycare facility in a moderate-income census tract in the Palm Beach-Broward assessment area. The following table provides the breakdown of the loans by community development purpose.

Community Development Lending		
Purpose	#	Amount
Affordable Housing	7	\$ 2,760,874
Community Services	2	\$ 1,110,000
Economic Development	2	\$ 6,300,000
Revitalize and Stabilize	1	\$ 200,000
Total	12	\$ 10,370,874

Bank-wide qualified community development investments totaled approximately \$5.7 million. The investments were responsive to needs for affordable housing. First Southern Bank, with assistance from a third party, established a relationship with the Government National Mortgage Association (GNMA) to target affordable home lending in the bank's assessment areas. The bank made a total of three investments in GNMA single-family mortgage pools targeted to affordable housing for low- and moderate-income borrowers and geographies within the bank's assessment areas. These investments predominantly benefited the Palm Beach-Broward assessment area, which is the bank's primary market. The Orlando and Jacksonville assessment areas also benefited from these investments. Additionally, the bank made a land donation to a local non-profit affordable housing organization in the Orlando assessment area valued at \$9,000.

Bank-wide qualified community development services were provided to 11 organizations and included approximately 780 hours. Bank representatives used their financial and technical expertise to benefit organizations that provide community development services to low- and moderate-income families and individuals. The majority of the services providers focused on affordable housing, economic development, and community services, including access to health care and financial education.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of prohibited discrimination or the use of other illegal credit practices was noted during the examination. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations.

METROPOLITAN AREA – FULL-SCOPE REVIEW

DESCRIPTION OF INSTITUTION’S OPERATIONS IN PALM BEACH-BROWARD ASSESSMENT AREA

Overview

The Palm Beach-Broward assessment area is located in the south Florida region, and includes all of Palm Beach County, which makes up the West Palm Beach-Boca Raton-Boynton Beach Metropolitan Division (MD), and all of Broward County, which makes up the Fort Lauderdale-Pompano Beach-Deerfield Beach MD. Both counties are part of the broader Miami-Fort Lauderdale-Miami Beach, Florida MSA.

Population and Income Characteristics

The 2000 U.S. Census indicated the total population of Broward and Palm Beach Counties was 2,754,202. Census estimates from 2009 show that the area has grown steadily since 2000; the population of the two counties combined as of July 1, 2009, was estimated at 3,046,426, a 10.6 percent increase since 2000 or an annualized growth rate of 1.2 percent. The area has continued to grow over the past two years; Census estimates put the combined population at 3,115,359 in 2011, another 2.3 percent increase over the two-year span.²

For purposes of classifying borrower income, this evaluation uses the Department of Housing and Urban Development’s (HUD) estimated median family income for the relevant area. The following tables set forth the estimated median family income for 2011 for the West Palm Beach-Boca Raton-Boynton Beach, Florida MD (Palm Beach County) and the Fort Lauderdale-Pompano Beach-Deerfield Beach, Florida MD (Broward County). They also provide a breakdown of the estimated annual family income for each income category (low, moderate, middle, and upper). The tables indicate that the HUD estimated median family income for Palm Beach County in 2011 was \$63,300, while in Broward County it was \$61,800.

**Borrower Income Levels
West Palm Beach-Boca Raton-Boynton Beach, FL MD**

HUD Estimated Median Family Income		Low 0 - 49.99%	Moderate 50% - 79.99%	Middle 80% - 119.99%	Upper 120% - & above
2011	\$63,300	0 - \$31,649	\$31,650 - \$50,639	\$50,640 - \$75,959	\$75,960 - & above

**Borrower Income Levels
Fort Lauderdale-Pompano Beach-Deerfield Beach, FL MD**

HUD Estimated Median Family Income		Low 0 - 49.99%	Moderate 50% - 79.99%	Middle 80% - 119.99%	Upper 120% - & above
2011	\$61,800	0 - \$30,899	\$30,900 - \$49,439	\$49,440 - \$74,159	\$74,160 - & above

According to the 2000 U.S. Census data, there were 719,960 families in the assessment area. Of those families, 20.5 percent were low-income, 18.4 percent were moderate-income, 20.5 percent were middle-income, and 40.7 percent were upper-income. Of the total families, 57,009 (7.9 percent) had incomes below the poverty level. The number of people in the assessment area receiving food stamps increased significantly during the recession years. In 2006, 4.1 percent of people in Palm Beach County and 5.5 percent of people in Broward County

² US Census Bureau. Quick Facts. Available at: <http://quickfacts.census.gov/qfd/index.html>. Accessed on October 1, 2012.

received food stamps, while in 2009 the percentages were 8.3 percent and 10.0 percent, respectively.³ Although the lending test analysis utilizes 2000 Census data for demographic comparisons, it is important to note that there has been a significant economic shift due to the recession in the years leading up to the review period.

Housing Characteristics

Housing market conditions in the Palm Beach-Broward assessment area are illustrative of the general economic conditions of the area during the review period. Palm Beach and Broward Counties both experienced a significant dip in housing sales during the recession years of 2007, 2008, and 2009; however, the number of residential homes sold rebounded in 2010 and continued to grow, albeit slowly, in 2011. Total residential homes sold in 2009 in the two counties totaled 71,882, while in 2010 the number grew to 108,941 (an increase of 51.6 percent).⁴ In 2011, the total number of residential homes sold in the two counties was 115,797, a 6.3 percent increase from 2010.

Residential building permits also declined significantly during the recession years; however, unlike home sales, residential building permits have not rebounded significantly in the area. Pre-recession building permit levels in 2005 for Palm Beach and Broward Counties were at 12,786 permits, which fell 86.4 percent by 2009 with just 1,735 permits.⁵ Residential building permits have only shown a slight recovery with still just 3,439 permits issued in 2011.

Another area that shows the struggle of the south Florida economy is home prices; both single-family homes and condominiums in the greater Miami area have continued to experience downward pressure on pricing. According to the National Association of Realtors, the greater Miami-Fort Lauderdale-Miami Beach MSA has seen the median single-family home sales price fall from \$211,200 in 2009 to \$201,900 and then even further in 2011 to \$181,100, a decline of 14.3 percent during that two-year timeframe.⁶ Condominium prices likewise have continued to decline. The median sales price of existing condominiums has fallen 21.8 percent to \$84,000 in 2011 from \$107,400 in 2009.⁷ Perhaps the strongest indicators of the struggling south Florida real estate market are the high foreclosure rates in the area. While foreclosure rates have leveled off somewhat in 2011, they remain at dramatically high levels. The foreclosure rate for all first lien loans in Palm Beach County is 13.0 percent, while in Broward County it is 14.7 percent, as of December 2011.⁸ Total delinquencies in both counties are over 20.0 percent for all liens.

According to 2000 U.S. Census data, the Palm Beach-Broward assessment area was primarily comprised of owner-occupied housing, with 808,649, or 62.3 percent, of the 1,297,471 total housing units being owner-occupied. Additionally, 319,971 (24.7 percent) of the total housing units were renter-occupied, while 168,851 (13.0 percent) were vacant. Low-income tracts had a significantly higher concentration of rental units than other tracts, with 61.8 percent of total housing units being rental in low-income tracts. In 2000, the median housing value in the assessment area was \$107,805, which is 25.7 percent higher than the median housing value for the state of Florida at \$93,200. The median age of housing stock in the assessment area is 23 years compared to 20 years for the state of Florida.

³US Census' Small Area Income & Poverty Estimates. Accessed through PolicyMap. Available at: www.policymap.com. Accessed on October 2, 2012.

⁴Boxwood Means. Accessed through PolicyMap. Available at: www.policymap.com. Accessed on October 2, 2012.

⁵US Census Bureau, Residential Construction Branch. Accessed through PolicyMap. Available at: www.policymap.com. Accessed on October 2, 2012.

⁶National Association of REALTORS. Pricing Data: Single Family 2nd Quarter 2012. Available at: <http://www.realtor.org/topics/metropolitan-median-area-prices-and-affordability/data>. Accessed on October 1, 2012

⁷National Association of REALTORS. Pricing Data: Condos 2nd Quarter 2012. Available at: <http://www.realtor.org/topics/metropolitan-median-area-prices-and-affordability/data>. Accessed on October 1, 2012

⁸Federal Reserve Bank of Atlanta. Mortgage Delinquency and Foreclosure Trends – Florida: 4th Quarter 2011. Available at: <http://www.frbatlanta.org/pubs/mdft/>. Accessed on October 2, 2012.

The housing affordability ratio is defined as the median household income divided by the median housing value. A higher ratio means the housing is considered more affordable while a lower ratio means the housing is considered less affordable. The housing affordability ratio for the assessment area was 40 percent compared to 42 percent for the state of Florida, meaning housing is considered slightly less affordable in the Palm Beach-Broward assessment area compared to Florida as a whole.

Employment and Economic Conditions

According to 2010 REIS Data, primary employment sectors in both Palm Beach and Broward Counties included the following: retail trade; health care and social assistance; state and local government; and administrative and waste management services.⁹ The south Florida region is a diverse economy that is primarily known for tourism and international trade. Broward County, in its 2010 Annual Report, lists tourism, Port Everglades, the Fort Lauderdale-Hollywood International Airport, and the Greater Fort Lauderdale Convention & Visitors Bureau as major economic engines for the county.¹⁰ It is estimated that the greater Fort Lauderdale area hosted 10.3 million tourists in the 2010 fiscal year, with a total economic impact estimated at \$8.2 billion. The largest employers in the greater Fort Lauderdale area include: Broward County and its school district; Memorial Healthcare System; Broward Health; Nova Southeastern University; American Express; and Kaplan Higher Education, among others.¹¹

The Palm Beach County Department of Economic Sustainability lists agriculture, construction, and tourism as the area's three major industries, but also has identified six target cluster industries that are a priority to the county: aviation, aerospace and engineering; agribusiness; business and financial services; communications and information technology; medical, pharmaceutical and health care; and tourism, recreation, and entertainment.¹² Top employers in Palm Beach County include: Palm Beach County and its school district; Tenet Healthcare Corp.; NextEra Energy; G4S (security services); Florida Atlantic University; Office Depot (headquarters); Florida Crystals (agriculture); and U.S. Sugar Corp. (agriculture).¹³

Florida was one of the hardest hit states in the country with regard to the housing market, foreclosures, and employment levels. Unemployment levels increased dramatically during the years of the recession in Florida; Broward and Palm Beach Counties struggled similarly. The pre-recession unemployment rate in Broward County in 2006 was just 3.0 percent, while in Palm Beach County it was 3.6 percent. These numbers increased significantly, and in 2010 the unemployment rate in Broward County was 9.6 percent and 11.4 percent in Palm Beach County. Unemployment levels began to stabilize and drop slightly in 2011, with the unemployment rates dropping to 9.2 percent and 10.8 percent for Broward and Palm Beach Counties, respectively. The following table shows the unemployment rates for Broward County (Ft. Lauderdale MD), Palm Beach County (West Palm Beach MD), and the State of Florida for the years 2010 and 2011.

⁹ 2010 Regional Economic Information Systems.

¹⁰ Broward County. Annual Report – Fiscal Year 2010. Available at: <http://www.co.broward.fl.us/PublicInfo/2010AnnualReport/Pages/Default.aspx>. Accessed on October 3, 2012.

¹¹ Greater Fort Lauderdale Alliance. Business Facts & Statistics. Available at: <http://www.gflalliance.org/index.php?src=gendocs&ref=BusinessFactsStatistics&category=Information%20Center>. Accessed on October 3, 2012.

¹² Palm Beach County. County Profile. Available at: <http://www.pbcgov.com/edo/profiles/county/>. Accessed on October 3, 2012.

¹³ Business Development Board. Economic Data: Top Employers. Available at: http://www.bdb.org/index.php?submenu=top_employers&src=gendocs&ref=TopEmployers&category=Facts_Figures. Accessed on October 3, 2012.

Unemployment Rates

Assessment Area: Palm Beach Broward

Area	Years - Annualized	
	2010	2011
Ft. Lauderdale MD	9.6	9.2
West Palm Beach MD	11.4	10.8
Florida	11.3	10.5

Not Seasonally Adjusted

According to bank management and community contacts, economic conditions in the assessment area continue to be sluggish. High levels of unemployment combined with downward pressure on housing prices continue to negatively impact the local economy. While tourism has historically been an economic driver for the area, reduced tourism numbers have adversely impacted businesses dependent on this industry, resulting in decreased consumer and corporate demand. The need for small business working capital loans is up, but tight loan underwriting guidelines have made small business financing difficult. As such, one apparent credit need of the assessment area is access to commercial credit for small businesses. Bank management indicated that community development opportunities in the assessment area were down due to the sluggish economy; affordable housing agencies that the bank has worked with in the past had fewer affordable housing projects during the review period. Additionally, bank management noted that more recently there has been more opportunity in neighboring Miami-Dade County through these relationships; the bank has participated when possible.

Community Contacts and Community Development Opportunities

Palm Beach and Broward Counties are home to four Community Development Financial Institutions (CDFIs), which provide alternative financing initiatives for affordable housing, small businesses and community facilities.¹⁴ The south Florida region, including Miami, is home to several more CDFIs that operate in the assessment area.

The Palm Beach-Broward assessment area received a significant allocation in the Neighborhood Stabilization Program (NSP) funds. The funds are available to help stabilize communities hard hit by the real estate and foreclosure crisis; local governments and other local organizations received large amounts of funds to assist in stabilizing the local housing market. In total, the Palm Beach County area received approximately \$122.8 million in NSP funds, while the Broward County area received approximately \$98.9 million in NSP funds.¹⁵ These funds are primarily used for things such as: acquiring and rehabilitating abandoned or foreclosed homes; establishing land banks for foreclosed homes; financing public facilities; demolishing or redeveloping vacant or abandoned properties; and new construction of affordable housing.

As part of the CRA examination, information was obtained from three local economic development and small business development organizations regarding local economic conditions and opportunities for financial institutions to address community credit needs. The contact indicated that demand for small business credit is growing, but restrictive underwriting guidelines at financial institutions make it difficult for applicants to qualify. Furthermore, the contact noted that stronger relationships between banks and small business

¹⁴ CDFI Fund. Certified CDFIs and Native CDFIs – Sortable List. Available at: http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=9. Accessed October 2, 2012.

¹⁵ US Department of Housing and Development, Neighborhood Stabilization Program, NSP Grantees. Available: <http://hudnsphelp.info/index.cfm?do=viewGranteeAreaResults>. Accessed October 2, 2012.

development organizations are needed to meet the diverse and growing credit needs of the small business community.

Competition

The bank operates in a highly competitive environment. Palm Beach and Broward Counties are saturated with a wide range of financial institutions seeking banking customers. According to the June 30, 2011 FDIC Summary of Deposits Report, 79 financial institutions operated 959 branch offices in the assessment area. First Southern Bank ranked 26th with a deposit market share of 0.52 percent (\$390.4 million in deposits), and has 5 of the 959 offices. Wells Fargo Bank, N.A. and Bank of America, N.A. ranked 1st and 2nd in the assessment area with deposit market shares of 20.2 percent and 20.0 percent, respectively, followed by SunTrust Bank, JP Morgan Chase Bank, N.A., and Citibank, N.A.

Assessment Area Demographics

The table on the following page provides demographic characteristics of the bank's assessment area based on the 2000 U.S. Census data that was used to analyze the bank's CRA performance. Certain components of the data in the table are discussed in this evaluation as they apply to specific parts of the analysis.

Assessment Area Demographics

Assessment Area: Palm Beach Broward

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	27	5.0	22,372	3.1	7,765	34.7	147,294	20.5
Moderate-income	142	26.1	184,487	25.6	25,977	14.1	132,139	18.4
Middle-income	206	37.9	285,413	39.6	16,704	5.9	147,822	20.5
Upper-income	167	30.7	227,688	31.6	6,563	2.9	292,705	40.7
Unknown-income	2	0.4	0	0.0	0	0.0	0	0.0
Total Assessment Area	544	100.0	719,960	100.0	57,009	7.9	719,960	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	38,378	10,049	1.2	26.2	23,713	61.8	4,616	12.0
Moderate-income	360,048	195,461	24.2	54.3	116,972	32.5	47,615	13.2
Middle-income	524,799	337,460	41.7	64.3	126,060	24.0	61,279	11.7
Upper-income	374,246	265,679	32.9	71.0	53,226	14.2	55,341	14.8
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	1,297,471	808,649	100.0	62.3	319,971	24.7	168,851	13.0
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	7,736	3.6	6,609	3.4	666	6.2	461	5.2
Moderate-income	45,963	21.7	40,859	21.2	3,001	28.1	2,103	23.9
Middle-income	81,183	38.3	73,926	38.4	3,911	36.6	3,346	38.0
Upper-income	76,975	36.3	71,016	36.9	3,084	28.9	2,875	32.7
Unknown-income	116	0.1	76	0.0	23	0.2	17	0.2
Total Assessment Area	211,973	100.0	192,486	100.0	10,685	100.0	8,802	100.0
Percentage of Total Businesses:				90.8		5.0		4.2

Based on 2000 Census Information.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Overview

The analysis included small business lending in the assessment area from January 1, 2011 through December 31, 2011. During the review period, the bank made 94 small business loans inside its assessment areas, 58 (61.7 percent) of which were in the Palm Beach-Broward assessment area.

Geographic Distribution of Loans

For this analysis, the geographic distribution of the bank’s small business loans was compared to available demographic information. Performance context issues were taken into consideration. Considering these factors, the bank’s geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

Small Business Lending

The following table shows the geographic distribution of small business loans within the Palm Beach-Broward assessment area and also includes a comparison of the bank’s small business lending to the business demographics within the assessment area.

Geographic Distribution of Small Business Loans

Assessment Area: Palm Beach Broward

Tract Income Levels	Bank Lending & Demographic Data Comparison				
	2011				
	Count		Bank Dollar		Small Businesses
	#	%	\$ (000s)	\$ %	%
Low	1	1.7%	\$253	1.7%	3.4%
Moderate	10	17.2%	\$2,041	14.1%	21.2%
Middle	21	36.2%	\$4,341	30.0%	38.4%
Upper	26	44.8%	\$7,835	54.1%	36.9%
Unknown	0	0.0%	\$0	0.0%	0.0%
Tr Unknown	0	0.0%	\$0	0.0%	0.0%
<i>Total</i>	<i>58</i>	<i>100.0%</i>	<i>\$14,469</i>	<i>100.0%</i>	<i>100.0%</i>

Originations & Purchases

Of the 58 small business loans in the Palm Beach-Broward assessment area, one (1.7 percent) was extended to a business in a low-income census tract; demographic data shows a minimal percentage of small businesses located in these tracts at 3.4 percent. Small business lending in moderate-income tracts at 17.2 percent was less than the percentage of small businesses located in these tracts at 21.2 percent; however, considering the competitive nature of the assessment area and other performance context factors, the geographic distribution of small business loans is reasonable.

Lending to Businesses of Different Sizes

For this analysis, the distribution of the small business lending across business revenue sizes was compared to available demographic information. Performance context issues were taken into consideration. Considering these factors, the bank’s distribution of loans by business revenue reflects reasonable penetration among businesses of different sizes.

Small Business Lending

The following table shows, by business revenue and loan size, the number and dollar volume of small business loans originated by First Southern Bank.

Small Business Loans by Business Revenue & Loan Size

Assessment Area: Palm Beach Broward

Business Revenue & Loan Size		Bank Lending & Demographic Data Comparison				
		2011				
		Count		Bank \$ (000s)		Total Businesses
		#	%	\$	%	%
BUSINESS REVENUE	\$1million or Less	41	70.7%	\$9,503	65.7%	90.8%
	Over \$1 Million	17	29.3%	\$4,966	34.3%	5.0%
	<i>Total Rev. available</i>	58	100.0%	\$14,469	100.0%	95.8%
	Rev. Not Known	0	0.0%	\$0	0.0%	4.2%
	<i>Total</i>	58	100.0%	\$14,469	100.0%	100.0%
LOAN SIZE	\$100,000 or Less	26	44.8%	\$1,617	11.2%	
	\$100,001 - \$250,000	12	20.7%	\$2,514	17.4%	
	\$250,000 - \$1 Million	20	34.5%	\$10,338	71.4%	
	Over \$1 Million	0	0.0%	\$0	0.0%	
	<i>Total</i>	58	100.0%	\$14,469	100.0%	
LOAN SIZE Rev \$1 Mill or Less	\$100,000 or Less	21	51.2%	\$1,226	12.9%	
	\$100,001 - \$250,000	7	17.1%	\$1,471	15.5%	
	\$250,000 - \$1 Million	13	31.7%	\$6,806	71.6%	
	Over \$1 Million	0	0.0%	\$0	0.0%	
	<i>Total</i>	41	100.0%	\$9,503	100.0%	

Originations & Purchases

Of the 58 small business loans included in the analysis, 41 (70.7 percent) were extended to businesses with revenues of \$1 million or less. Performance is reasonable and in proportion to the percentage of lending to larger businesses. Additionally, 65.5 percent of the bank’s loans were for amounts of \$250,000 or less, which typically represents loan amounts requested by small businesses.

COMMUNITY DEVELOPMENT TEST

The review period for the community development test was October 1, 2010 through September 24, 2012. The bank’s community development performance in the Palm Beach-Broward assessment area during this period demonstrates adequate responsiveness to the community development needs of the area through community development loan, investment, and service activities, considering the bank’s capacity and the need and availability of such opportunities in the assessment area.

Community development lending in the Palm Beach-Broward assessment area included four loans totaling approximately \$2.4 million. Two of these loans were for the purpose of providing affordable housing to low- and moderate-income individuals and families in the assessment area. One, which was previously mentioned in the institution overview, was for the construction of a daycare facility in a moderate-income census tract that will serve the nearby low- and moderate-income population. The fourth loan provided funds to a community facility in a moderate-income tract that will stabilize the area by providing permanent jobs to the nearby population.

First Southern Bank established a relationship with GNMA in order to make three qualified investments totaling approximately \$5.7 million in GNMA single-family mortgage pools targeted to affordable housing for low- and moderate-income borrowers and geographies in the bank's assessment areas. Of these qualified investments, the portion that provided affordable housing that benefited low- and moderate-income borrowers and geographies in the Palm Beach-Broward assessment area was \$2.9 million.

Community development services were provided to seven organizations and included approximately 504 hours in the Palm Beach-Broward assessment area. Bank representatives used their financial and technical expertise to benefit organizations that provide community development services to low- and moderate-income families and individuals. The majority of the services providers focused on affordable housing, economic development, and community services, including access to health care and financial education.

METROPOLITAN AREAS – LIMITED-SCOPE REVIEW

The following assessment areas were reviewed using limited-scope examination procedures. Through these procedures, conclusions regarding the institution's CRA performance are drawn from the review of available facts and data, including performance and demographic information. The limited-scope review revealed the bank's CRA performance on the lending test in these assessment areas is mostly consistent with the area that received a full-scope review, while generally below the performance in the full-scope area on the community development test. Please refer to the tables in Appendix B for additional information regarding these areas.

ORLANDO, FLORIDA ASSESSMENT AREA

Description of Operations

The Orlando assessment area consists of three of the four counties in the Orlando-Kissimmee-Sanford, Florida MSA. The three counties in the assessment area are Orange, Osceola, and Seminole Counties. Based on 2000 U.S. Census data, the assessment area includes 296 total census tracts; 8 (2.7 percent) are low-income, 67 (22.6 percent) are moderate-income, 129 (43.6 percent) are middle-income, and 92 (31.1 percent) are upper-income. The total population for the assessment area as of 2000 was 1,434,033.

First Southern Bank operates 7 branches in the Orlando assessment area, which represents 46.7 percent of the bank's total branch network of 15. The FDIC Deposit Market Share report from June 30, 2011, shows 45 financial institutions operating a total of 505 branch locations in the assessment area. The Orlando area is a highly competitive banking market, and First Southern Bank has only a small portion of the deposit market at 1.03 percent. This market is relatively new to the bank as these branches were acquired through the bank's most recent acquisition in 2011.

Conclusions with Respect to Performance Tests

First Southern Bank originated 22 small business loans in the Orlando assessment area during the lending test review period. The bank's lending test performance in the Orlando assessment area in 2011 was comparable to the bank's performance in the Palm Beach-Broward assessment area, which was reviewed using full-scope procedures. The bank's community development test performance in the assessment area was below the bank's performance in Palm Beach-Broward. While the bank did not originate any community development loans in the assessment area, the Orlando assessment area was targeted in the investment pools of single-family mortgage loans to low- and moderate-income borrowers. Of the nearly \$5.7 million invested in these mortgage pools, approximately \$2.1 million of that benefited low- and moderate income borrowers or geographies in the Orlando assessment area. The bank also made a land donation valued at \$9,000 to a local non-profit affordable housing organization in the assessment area. Bank representatives participated in approximately 108 hours of community development services in the Orlando assessment area.

JACKSONVILLE, FLORIDA ASSESSMENT AREA

Description of Operations

The Jacksonville assessment area consists of St. Johns County and a portion of adjacent Duval County. These two counties are part of the five-county Jacksonville, Florida MSA. Based on 2000 U.S. Census data, the assessment area includes 25 total census tracts; none are low-income, 5 (20.0 percent) are moderate-income, 12 (48.0 percent) are middle-income, and 8 (32.0 percent) are upper-income. The total population for the assessment area as of 2000 was 172,149.

First Southern Bank operates two branches in the Jacksonville assessment area, which represents 13.3 percent of the bank's total branch network. The FDIC Deposit Market Share report from June 30, 2011, shows 37 financial institutions operating a total of 261 branch locations in the assessment area. First Southern Bank has a limited presence in the area, and has a deposit market share of only 0.2 percent.

Conclusions with Respect to Performance Tests

First Southern Bank originated 14 small business loans in the Jacksonville assessment area during the lending test review period. The bank's lending and community development test performance in the assessment area was consistent with its performance in the Palm Beach-Broward assessment area, which was reviewed using full-scope procedures. The bank originated three community development loans totaling approximately \$6.3 million in the Jacksonville assessment area; these loans were primarily for financing small businesses that provide permanent jobs for low- and moderate-income individuals in St. Johns County. One of these loans was a multi-purpose development that also included affordable housing for low- and moderate-income individuals and families. The bank targeted the Jacksonville assessment area with its GNMA investment pools of single-family mortgage loans to low- and moderate-income borrowers. Of the nearly \$5.7 million invested in these pools, approximately \$650,000 of that went to benefit low- and moderate-income borrowers and geographies in the Jacksonville assessment area.

DAYTONA, FLORIDA ASSESSMENT AREA

Description of Operations

The Daytona assessment area consists of the western portion of Volusia County. Volusia County makes up the entirety of the Deltona-Daytona Beach-Ormond Beach, Florida MSA. Based on 2000 U.S. Census data, the assessment area includes 23 total census tracts; none are low-income, 3 (13.0 percent) are moderate-income, 19 (82.6 percent) are middle-income, and one (4.3 percent) is upper-income. The total population for the assessment area as of 2000 was 162,417, which represented 36.6 percent of the entire population of Volusia County at 443,343.

First Southern Bank operates one branch in the Daytona assessment area, which represents 6.7 percent of the bank's total branch network. The FDIC Deposit Market Share report from June 30, 2011, shows 27 financial institutions operating a total of 157 branch locations in the assessment area. The bank has a very small presence in this assessment area with only one branch and just 0.5 percent of the deposit market share.

Conclusions with Respect to Performance Tests

First Southern Bank did not originate any small business loans in the Daytona assessment area during the lending test review period. The bank's lending and community development test performance in the Daytona assessment area was below its performance in the Palm Beach-Broward assessment area, which was reviewed using full-scope procedures. The bank did not originate any community development loans nor make any qualified investments in the Daytona assessment area during the review period; bank representatives participated in approximately 120 hours of community development services in the assessment area.

The following table summarizes the conclusions regarding the bank's performance in the limited-scope assessment areas as compared to the full-scope assessment area.

Assessment Area	Lending Test	Community Development Test
Orlando Assessment Area	Consistent	Not Consistent - Below
Jacksonville Assessment Area	Consistent	Consistent
Daytona Assessment Area	Not Consistent - Below	Not Consistent - Below

APPENDIX A

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED			
Lending Test - January 1, 2011 to December 31, 2011			
Community Development Test - October 1, 2010 to September 24, 2012			
FINANCIAL INSTITUTION		PRODUCTS REVIEWED	
First Southern Bank – Boca Raton, Florida		Small Business Loans	
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED	
N/A	N/A	N/A	
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Palm Beach-Broward Assessment Area (Portion of Miami-Fort Lauderdale-Miami Beach, FL MSA) <ul style="list-style-type: none"> • Palm Beach County • Broward County 	Full-scope	Coral Springs Office	N/A
Orlando Assessment Area (Portion of Orlando-Kissimmee-Sanford, FL MSA) <ul style="list-style-type: none"> • Orange County • Osceola County • Seminole County 	Limited-scope	None	N/A
Jacksonville Assessment Area (Portion of Jacksonville, FL MSA) <ul style="list-style-type: none"> • St. Johns County • Duval County (partial) 	Limited-scope	None	N/A
Daytona Assessment Area (Portion of Deltona-Daytona Beach-Ormond Beach, FL MSA) <ul style="list-style-type: none"> • Volusia County (partial) 	Limited-scope	None	N/A

APPENDIX B – LIMITED-SCOPE DEMOGRAPHIC, GEOGRAPHIC, AND BORROWER DISTRIBUTION TABLES

Assessment Area Demographics

Assessment Area: Orlando

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	8	2.7	5,752	1.6	2,312	40.2	67,099	18.3
Moderate-income	67	22.6	75,541	20.7	11,173	14.8	66,080	18.1
Middle-income	129	43.6	163,938	44.8	11,732	7.2	81,791	22.4
Upper-income	92	31.1	120,452	32.9	3,545	2.9	150,713	41.2
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	296	100.0	365,683	100.0	28,762	7.9	365,683	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	10,103	2,590	0.8	25.6	6,578	65.1	935	9.3
Moderate-income	128,866	55,013	16.1	42.7	62,020	48.1	11,833	9.2
Middle-income	269,462	156,124	45.6	57.9	91,019	33.8	22,319	8.3
Upper-income	172,290	128,774	37.6	74.7	34,717	20.2	8,799	5.1
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	580,721	342,501	100.0	59.0	194,334	33.5	43,886	7.6
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	1,798	1.7	1,503	1.6	174	3.2	121	2.7
Moderate-income	20,278	19.3	17,786	18.7	1,366	25.2	1,126	25.4
Middle-income	44,867	42.7	40,668	42.7	2,291	42.2	1,908	43.0
Upper-income	38,120	36.3	35,244	37.0	1,596	29.4	1,280	28.9
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	105,063	100.0	95,201	100.0	5,427	100.0	4,435	100.0
Percentage of Total Businesses:				90.6		5.2		4.2

Based on 2000 Census Information.

APPENDIX B – LIMITED-SCOPE DEMOGRAPHIC, GEOGRAPHIC, AND BORROWER DISTRIBUTION TABLES (Continued)

Geographic Distribution of Small Business Loans

Assessment Area: Orlando

Tract Income Levels	Bank Lending & Demographic Data Comparison				
	2011				
	Count		Bank Dollar		Small Businesses
	#	%	\$ (000s)	\$ %	%
Low	1	4.5%	\$225	4.7%	1.6%
Moderate	3	13.6%	\$118	2.5%	18.7%
Middle	11	50.0%	\$2,740	57.3%	42.7%
Upper	7	31.8%	\$1,697	35.5%	37.0%
Unknown	0	0.0%	\$0	0.0%	0.0%
Tr Unknown	0	0.0%	\$0	0.0%	0.0%
<i>Total</i>	22	100.0%	\$4,781	100.0%	100.0%

Originations & Purchases

Small Business Loans by Business Revenue & Loan Size

Assessment Area: Orlando

Business Revenue & Loan Size		Bank Lending & Demographic Data Comparison				
		2011				
		Count		Bank \$ (000s)		Total Businesses
		#	%	\$	%	%
BUSINESS REVENUE	\$1million or Less	10	45.5%	\$1,585	33.2%	90.6%
	Over \$1 Million	7	31.8%	\$1,671	35.0%	5.2%
	<i>Total Rev. available</i>	17	77.3%	\$3,256	68.2%	95.8%
	Rev. Not Known	5	22.7%	\$1,525	31.9%	4.2%
	<i>Total</i>	22	100.0%	\$4,781	100.0%	100.0%
LOAN SIZE	\$100,000 or Less	10	45.5%	\$480	10.0%	
	\$100,001 - \$250,000	5	22.7%	\$955	20.0%	
	\$250,000 - \$1 Million	7	31.8%	\$3,346	70.0%	
	Over \$1 Million	0	0.0%	\$0	0.0%	
	<i>Total</i>	22	100.0%	\$4,781	100.0%	
LOAN SIZE Rev \$1 Mill or Less	\$100,000 or Less	5	50.0%	\$214	13.5%	
	\$100,001 - \$250,000	3	30.0%	\$550	34.7%	
	\$250,000 - \$1 Million	2	20.0%	\$821	51.8%	
	Over \$1 Million	0	0.0%	\$0	0.0%	
	<i>Total</i>	10	100.0%	\$1,585	100.0%	

Originations & Purchases

APPENDIX B – LIMITED-SCOPE DEMOGRAPHIC, GEOGRAPHIC, AND BORROWER DISTRIBUTION TABLES (Continued)

Assessment Area Demographics

Assessment Area : Jacksonville

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	6,476	13.8
Moderate-income	5	20.0	4,940	10.5	669	13.5	7,086	15.1
Middle-income	12	48.0	17,864	38.0	968	5.4	9,273	19.7
Upper-income	8	32.0	24,243	51.5	518	2.1	24,212	51.5
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	25	100.0	47,047	100.0	2,155	4.6	47,047	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	8,580	5,112	10.2	59.6	2,543	29.6	925	10.8
Middle-income	33,054	20,337	40.6	61.5	7,783	23.5	4,934	14.9
Upper-income	40,278	24,699	49.3	61.3	10,860	27.0	4,719	11.7
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	81,912	50,148	100.0	61.2	21,186	25.9	10,578	12.9
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	2,031	13.1	1,831	13.0	106	14.5	94	13.7
Middle-income	6,762	43.7	6,188	44.0	302	41.4	272	39.6
Upper-income	6,687	43.2	6,045	43.0	321	44.0	321	46.7
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	15,480	100.0	14,064	100.0	729	100.0	687	100.0
Percentage of Total Businesses:				90.9		4.7		4.4

Based on 2000 Census Information.

APPENDIX B – LIMITED-SCOPE DEMOGRAPHIC, GEOGRAPHIC, AND BORROWER DISTRIBUTION TABLES (Continued)

Geographic Distribution of Small Business Loans

Assessment Area: Jacksonville

Tract Income Levels	Bank Lending & Demographic Data Comparison				
	2011				
	Count		Bank Dollar		Small Businesses
	#	%	\$ (000s)	\$ %	%
Low	0	0.0%	\$0	0.0%	0.0%
Moderate	5	35.7%	\$390	10.3%	13.0%
Middle	4	28.6%	\$2,061	54.5%	44.0%
Upper	5	35.7%	\$1,331	35.2%	43.0%
Unknown	0	0.0%	\$0	0.0%	0.0%
Tr Unknown	0	0.0%	\$0	0.0%	0.0%
<i>Total</i>	<i>14</i>	<i>100.0%</i>	<i>\$3,782</i>	<i>100.0%</i>	<i>100.0%</i>

Originations & Purchases

Small Business Loans by Business Revenue & Loan Size

Assessment Area: Jacksonville

Business Revenue & Loan Size		Bank Lending & Demographic Data Comparison				
		2011				
		Count		Bank \$ (000s)		Total Businesses
		#	%	\$	%	%
BUSINESS REVENUE	\$1million or Less	10	71.4%	\$1,864	49.3%	90.9%
	Over \$1 Million	1	7.1%	\$245	6.5%	4.7%
	<i>Total Rev. available</i>	<i>11</i>	<i>78.5%</i>	<i>\$2,109</i>	<i>55.8%</i>	<i>95.6%</i>
	Rev. Not Known	3	21.4%	\$1,674	44.3%	4.4%
	<i>Total</i>	<i>14</i>	<i>100.0%</i>	<i>\$3,782</i>	<i>100.0%</i>	<i>100.0%</i>
LOAN SIZE	\$100,000 or Less	4	28.6%	\$140	3.7%	
	\$100,001 - \$250,000	4	28.6%	\$837	22.1%	
	\$250,000 - \$1 Million	6	42.9%	\$2,805	74.2%	
	Over \$1 Million	0	0.0%	\$0	0.0%	
	<i>Total</i>	<i>14</i>	<i>100.0%</i>	<i>\$3,782</i>	<i>100.0%</i>	
LOAN SIZE Rev \$1 Mill or Less	\$100,000 or Less	4	40.0%	\$140	7.5%	
	\$100,001 - \$250,000	3	30.0%	\$592	31.8%	
	\$250,000 - \$1 Million	3	30.0%	\$1,131	60.7%	
	Over \$1 Million	0	0.0%	\$0	0.0%	
	<i>Total</i>	<i>10</i>	<i>100.0%</i>	<i>\$1,864</i>	<i>100.0%</i>	

Originations & Purchases

APPENDIX B – LIMITED-SCOPE DEMOGRAPHIC, GEOGRAPHIC, AND BORROWER DISTRIBUTION TABLES (Continued)

Assessment Area Demographics

Assessment Area: Daytona

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	7,062	15.7
Moderate-income	3	13.0	2,801	6.2	682	24.3	8,856	19.7
Middle-income	19	82.6	39,856	88.8	2,353	5.9	11,024	24.6
Upper-income	1	4.3	2,224	5.0	150	6.7	17,939	40.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	23	100.0	44,881	100.0	3,185	7.1	44,881	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	5,493	2,338	4.6	42.6	2,537	46.2	618	11.3
Middle-income	59,185	46,065	90.3	77.8	8,752	14.8	4,368	7.4
Upper-income	3,219	2,605	5.1	80.9	452	14.0	162	5.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	67,897	51,008	100.0	75.1	11,741	17.3	5,148	7.6
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	915	9.3	827	9.0	44	14.6	44	14.5
Middle-income	8,213	83.7	7,753	84.2	232	77.1	228	75.2
Upper-income	687	7.0	631	6.9	25	8.3	31	10.2
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	9,815	100.0	9,211	100.0	301	100.0	303	100.0
Percentage of Total Businesses:				93.8		3.1		3.1

Based on 2000 Census Information.

APPENDIX B – LIMITED-SCOPE DEMOGRAPHIC, GEOGRAPHIC, AND BORROWER DISTRIBUTION TABLES (Continued)

Geographic Distribution of Small Business Loans

Assessment Area: Daytona

Tract Income Levels	Bank Lending & Demographic Data Comparison				
	2011				
	Count		Bank Dollar		Small Businesses
	#	%	\$ (000s)	\$ %	%
Low	0	0.0%	\$0	0.0%	0.0%
Moderate	0	0.0%	\$0	0.0%	9.0%
Middle	0	0.0%	\$0	0.0%	84.2%
Upper	0	0.0%	\$0	0.0%	6.9%
Unknown	0	0.0%	\$0	0.0%	0.0%
Tr Unknown	0	0.0%	\$0	0.0%	0.0%
<i>Total</i>	<i>0</i>	<i>0.0%</i>	<i>\$0</i>	<i>0.0%</i>	<i>100.0%</i>

Originations & Purchases

Small Business Loans by Business Revenue & Loan Size

Assessment Area: Daytona

Business Revenue & Loan Size		Bank Lending & Demographic Data Comparison				
		2011				
		Count		Bank \$ (000s)		Total Businesses
		#	%	\$	%	%
BUSINESS REVENUE	\$1million or Less	0	0.0%	\$0	0.0%	93.8%
	Over \$1 Million	0	0.0%	\$0	0.0%	3.1%
	<i>Total Rev. available</i>	0	0.0%	\$0	0.0%	96.9%
	Rev. Not Known	0	0.0%	\$0	0.0%	3.1%
	<i>Total</i>	<i>0</i>	<i>0.0%</i>	<i>\$0</i>	<i>0.0%</i>	<i>100.0%</i>
LOAN SIZE	\$100,000 or Less	0	0.0%	\$0	0.0%	
	\$100,001 - \$250,000	0	0.0%	\$0	0.0%	
	\$250,000 - \$1 Million	0	0.0%	\$0	0.0%	
	Over \$1 Million	0	0.0%	\$0	0.0%	
	<i>Total</i>	<i>0</i>	<i>0.0%</i>	<i>\$0</i>	<i>0.0%</i>	
LOAN SIZE Rev \$1 Mill or Less	\$100,000 or Less	0	0.0%	\$0	0.0%	
	\$100,001 - \$250,000	0	0.0%	\$0	0.0%	
	\$250,000 - \$1 Million	0	0.0%	\$0	0.0%	
	Over \$1 Million	0	0.0%	\$0	0.0%	
	<i>Total</i>	<i>0</i>	<i>0.0%</i>	<i>\$0</i>	<i>0.0%</i>	

Originations & Purchases

APPENDIX C – DEFINITIONS AND GENERAL INFORMATION

Definitions

ATM -	Automated Teller Machine
CDC -	Community Development Corporation
CDFI -	Community Development Financial Institution
CRA -	Community Reinvestment Act (Regulation BB)
FDIC -	Federal Deposit Insurance Corporation
FFIEC -	Federal Financial Institutions Examination Council
HMDA -	Home Mortgage Disclosure Act (Regulation C)
HUD -	Department of Housing and Urban Development
LMI -	Low- and Moderate-Income
LTD -	Loan-to-Deposit
LTV -	Loan-to-Value Ratio
MD -	Metropolitan Division
MSA -	Metropolitan Statistical Area
OMB -	Office of Management and Budget
REIS -	Regional Economic Information System
SBA -	Small Business Administration
USDA -	United States Department of Agriculture

Rounding Convention

Because the percentages presented in tables were rounded to the nearest tenth in most cases, some columns may not total exactly 100 percent.

APPENDIX C – DEFINITIONS AND GENERAL INFORMATION (Continued)

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of First Southern Bank prepared by the **Federal Reserve Bank of Atlanta**, the institution's supervisory agency, as of September 24, 2012. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

APPENDIX D - GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language. Affordable housing (including multi-family rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- I. Low-or moderate-income geographies;
- II. Designated disaster areas; or
- III. Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

APPENDIX D – GLOSSARY (Continued)

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

APPENDIX D – GLOSSARY (Continued)

Multi-family: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.