

SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 19, 2004

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**First Southern National Bank
Charter Number 24254**

**201 South Main Street
Statesboro, GA 30458**

**Comptroller of the Currency
Carolinas (Charlotte)
6100 Fairview Road Suite 1154
Charlotte, NC 28210**

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 this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory. The factors and data supporting this rating are as follows:

- First Southern National Bank's (FSNB) loan-to-deposit ratio is reasonable.
- A majority of the bank's loans have been made within the bank's Assessment Area (AA).
- FSNB's distribution of loans by borrower income level is adequate.

DESCRIPTION OF INSTITUTION

FSNB is a \$63 million bank located in Statesboro, GA. The bank operates one full service banking office in Statesboro. The main office has an ATM and a drive-through facility. FSNB is wholly owned by a single bank holding company, First Southern Bancorp (FSBC), also located in Statesboro, GA. FSBC reported total assets of \$63 million as of December 31, 2003.

FSNB offers a full range of banking products and services. As of December 31, 2003, loans totaled \$45 million and deposits totaled \$57 million. Loans represent 72% of total assets. The distribution of FSNB's loan portfolio was as follows: 1-4 family residential properties (25%); commercial and commercial real estate (66%); and consumer loans (9%). The bank did not originate a material volume of agriculture related loans during this evaluation period. As illustrated by their loan mix, FSNB is primarily a commercial lender, and to a lesser extent, a home mortgage lender. As a result, our analysis of the bank's CRA performance was limited to a sample of commercial and consumer mortgage loans, with greater emphasis placed on the commercial loan performance.

The bank has originated 1,847 credits totaling \$69 million during our evaluation period. FSNB's Tier 1 capital was \$5.5 million and their risk-based capital to risk weighted assets equals 10.56% as of December 31, 2003. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs within its AA. The bank opened for business on February 5, 2002 and this is FSNB's first CRA examination.

DESCRIPTION OF BULLOCH COUNTY

FSNB's AA is comprised of Bulloch County. The delineation meets the legal requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. The AA consists of 7 middle (70%) and 3 upper (30%) income census tracts based on 2000 census data. There are no low- or moderate-income census tracts within the AA. FSNB's main banking office is located in census tract 4.1, which is a middle-income geography.

Approximately 12,441 families reside in the AA. Of this total, 18% are classified low-income,

16% are moderate-income, 20% are middle-income, and 46% are upper-income. The 2003 updated MSA median family income for Bulloch county was \$44,300. The total population of the AA is 55,983.

The overall economic condition of the AA is good. As of December 31, 2003, the unemployment rate for the county was 3.3% which remains below the eight county area average of 4.7%. The local economy is centered in education and service related jobs. The two largest employers include Georgia Southern University (1,825 employees) and the Bulloch County Board of Education (1,350 employees). Additional major employers include Briggs & Stratton (864 employees), East Georgia Regional Medical Center (750 employees), Walmart Supercenter (610 employees), and Walmart Distribution Center (608 employees).

Competition in the AA is strong. There are 7 financial institutions in the AA operating 16 branches and include multinational and regional banks. FSNB is ranked sixth in deposit market share in this AA with 7% of the county deposit base as of June 30, 2003.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Our analysis included an evaluation of commercial and home mortgage loans, as these are the primary loan products based on the bank's current loan portfolio composition. We selected a random sample of 25 commercial loans, 28 home purchase, 25 refinance, and 22 home equity loans originated or purchased during 2003. Our evaluation period was February 5, 2002 through December 31, 2003. Although the bank opened on February 5, 2002, we were unable to evaluate the bank's performance for 2002 due to an insufficient number of originations by product type for sampling purposes. As a result, the loan samples were based on 2003 originations and were used to determine the bank's percentage of lending in their AA, as well as the bank's performance based on the distribution by borrower income level. Due to the absence of low- and moderate-income census tracts, we did not perform a geographic distribution analysis of the bank's loan products. In arriving at the overall bank rating, more weight was placed on borrower income distribution than the other three categories.

Loan-to-Deposit Ratio

FSNB's quarterly average loan-to-deposit ratio since opening is 81%. This ratio is reasonable based on the bank's capacity to lend within its AA. There are no similarly situated institutions within the bank's AA based on the size or age of the institution for comparison purposes. However, the bank's ratio is consistent with other banks of similar size throughout the state despite its status as a relatively new bank.

Lending in Assessment Area

Based on our samples, a majority of the bank's loans were made within their AA. By loan product, 80% of the number and 73% of the dollar volume of the bank's commercial loans were originated within their AA. Our sample of home mortgage loans reflected 89% by number and 84% by dollar volume were originated within their AA.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

FSNB's distribution of commercial loans is reasonable. FSNB originated 80% by number and 91% by dollar volume of their commercial loans to small businesses (businesses with revenues of \$1 million or less). This level of performance is slightly below the AA demographic information. Small businesses represent 94% of all businesses in the AA. The bank's level of performance is reasonable based on the age and operating history of the bank. In addition, the majority (70%) of FSNB's commercial loans were originated at amounts of \$100 thousand or less.

FSNB's distribution of home mortgage loans is adequate. The bank originated 8% and 12% of their home purchase mortgage loans to low- and moderate-income borrowers based on the number of loans sampled, respectively. By dollar volume of loans, they originated 4% and 11% to these borrowers, respectively. The bank originated 30% and 15% of their refinance mortgage loans to low- and moderate-income borrowers by number volume. By dollar volume of loans, they originated 22% and 12% to these borrowers, respectively. The bank originated 10% and 14% of their home equity mortgage loans to low- and moderate-income borrowers by number volume. By dollar volume of loans, they originated 5% and 13% to these borrowers, respectively.

Demographic information shows that 18% of the families in the AA are low-income and 16% are moderate-income. The bank's lending volume to low-income borrowers is below AA demographics for two of the three products (home purchase and home equities), but is mitigated by the fact that the bank is less than three years old and residential mortgage lending is not a primary product line for the institution. In addition, 12% of the families that reside in the AA live below the poverty level, which makes it difficult for them to afford and maintain a home. Lastly, 38% of the AA's housing is designated as rental property, which impacts the bank's ability to make home mortgage related loans.

Geographic Distribution of Loans

We determined a geographic distribution analysis of the bank's loans would not be meaningful as the AA has no low- or moderate-income census tracts.

Responses to Complaints

FSNB did not receive any CRA related consumer complaints during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.