



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

November 29, 2010

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Southern First Bank, National Association  
Charter Number: 23919

100 Verdae Boulevard, Suite 100  
Greenville, SC 29607-0000

Office of the Comptroller of the Currency

CAROLINAS (CHARLOTTE) Field Office  
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**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 Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

Major factors supporting the institution's rating include:

- The bank's quarterly average net loan-to-deposit ratio is more than reasonable.
- A majority of loans were made within the bank's assessment areas.
- The bank's lending to borrowers of different income levels and to businesses of different sizes exhibited reasonable penetration in their assessment areas.
- The bank's geographic distribution of loans reflected a reasonable dispersion throughout census tracts of different income levels.
- There have been no complaints with respect to the bank's CRA performance.
- The bank's community development performance demonstrated adequate responsiveness to the community development needs of its assessment areas.

## Scope of Examination

Southern First Bank, National Association (Southern First) was evaluated under the Intermediate Small Bank examination procedures, which include a Lending Test and a Community Development (CD) Test. The Lending Test evaluates the bank's record of meeting the credit needs of its assessment areas (AAs) through its lending activities. The Community Development test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and community development services.

The Lending Test for Southern First covers its performance from January 1, 2008 through June 30, 2010, as this is representative of the bank's lending strategy. The evaluation period for the Community Development Test spanned from the previous CRA examination date of December 17, 2007 through November 29, 2010.

Southern First's primary loan products are home mortgage loans and business loans. Home Mortgage Disclosure Act (HMDA) data was tested and found to be reliable, and was utilized to evaluate the bank's home mortgage lending performance. However, the bank does not report small business data for HMDA purposes. Therefore, we selected a sample of business loans originated between January 1, 2008 and June 30, 2010 to evaluate the bank's business lending performance.

## Description of Institution

Southern First is an intrastate banking institution headquartered in Greenville, South Carolina. The bank has no operating affiliates and is owned by Southern First Bancshares Inc., a one-bank holding company. As of September 30, 2010, the bank had total assets of approximately \$743 million and tier one capital of \$71 million.

Southern First (*Greenville First*) commenced operations in January 2000 with the opening of their first branch in Greenville, SC. The bank increased its presence in Greenville County in 2005 with the opening of an additional branch in Greenville and a branch in Greer. In January 2007, the bank expanded their market to Richland County with the opening of a loan production office in Columbia, which was later transformed into a full branch. The expansion to the Columbia market prompted the bank to rebrand itself as Southern First; however, the bank continues to operate and market itself as Greenville First in Greenville County to preserve brand recognition.

During our evaluation period, the bank opened three new branches and closed one branch. In July 2008, the bank added an additional branch in Greenville, which brought the bank's number of branches in Greenville County to four. Also in July 2008, Southern First expanded their market area to include Lexington County with the opening of a branch in Lexington, SC. Finally, the bank initiated a joint opening and closing in August 2009. The bank closed their original Columbia branch and replaced it with a branch located in Cayce, SC. The Cayce branch increased the bank's number of branches in Lexington County to two and eliminated the bank's presence in Richland County.

Loans represent the majority of bank assets. The bank's primary loan products are commercial and home mortgage loans. Southern First also offers a selection of consumer loans, such as automobile and personal loans. As of June 30, 2010, Southern First reported loans and leases of \$581 million, representing approximately 78 percent of total assets. The distribution of the bank's loan portfolio is as follows: commercial and commercial real estate (63%), secured by one to four family residential properties (34%), consumer (2%), multifamily (1%) and agriculture/other (less than 1%).

The bank also offers a wide range of deposit services and products that include: business savings and checking accounts, NOW accounts, commercial money market accounts, personal savings and checking accounts, certificates of deposit, and online banking featuring bill payment. In addition to the bank's six ATM locations, the bank offers no fee usage of any external ATM to its customers. Additional information about branch locations and hours, products, services and fees is available at the bank's website: <http://www.greenvillefirst.com>.

The bank is currently under a written agreement with the Office of the Comptroller of the Currency that mandates adherence to a written program to reduce elevated levels of credit risk. Program requirements include enhanced underwriting standards. There are no other financial circumstances or legal impediments, other than legal lending limits, which would adversely impact the bank's ability to meet the credit needs of its AAs. The bank received a satisfactory rating at their last CRA examination dated December 17, 2007.

## **Description of Assessment Area(s)**

Southern First has designated two assessment areas (AAs) located in South Carolina: Greenville County and Lexington County. However, the bank operated a branch located in Richland County until 2009. Due to the partial presence in Richland County during the evaluation period and the lending activity generated in the county, we determined the inclusion of the county to be meaningful and beneficial in the bank's analysis. The AAs satisfy the technical requirements of the CRA and do not arbitrarily exclude low- or moderate-income census tracts. Richland and Lexington Counties were combined into one AA, as they are contiguous counties residing within the same Metropolitan Statistical Area (MSA). Each AA is described in greater detail below:

### **Greenville County AA**

The Greenville County AA is composed of the complete county of Greenville. Located in the upstate region of the state, Greenville County is South Carolina's most populous county and a component of the Greenville-Mauldin-Easley, SC Metropolitan Statistical Area (MSA). This AA is home to four full service branches, with three residing in the city of Greenville and the remaining branch located in Greer. All of the branches in the AA are located in upper-income census tracts, respectively. Southern First's main branch and headquarters resides in Greenville. The following table highlights the demographic composition of the AA:

Demographic Information for the Greenville County Assessment Area						
		Low	Moderate	Middle	Upper	NA*
Demographic Characteristics	#	% of #	% of #	% of #	% of #	% of #
Geographies (Census Tracts/BNAs)	90	5.56	26.67	42.22	25.56	0.00
Population by Geography	379,616	2.85	19.55	46.05	31.55	0.00
Owner-Occupied Housing by Geography	101,971	1.62	16.25	47.22	34.91	0.00
Business by Geography	29,089	3.97	14.91	46.37	34.76	0.00
Farms by Geography	616	1.79	9.42	60.23	28.57	0.00
Family Distribution by Income Level	102,676	18.64	17.31	20.74	43.31	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	36,917	5.08	30.49	47.30	17.13	0.00
Median Family Income		47,387	Median Housing Value			108,078
HUD Adjusted Median Family Income for 2010		58,000	Unemployment Rate			8.9%
Households Below Poverty Level		11%				

(\*) The NA category consists of geographies that have not been assigned an income classification. Source: 2000 US Census, 2010 HUD updated MFI and Bureau of Labor Statistics as of September 2010

Competition in the Greenville County AA is strong. Competitors in the AA include community and large national/regional financial institutions, savings and loan associations, credit unions, finance companies, and mortgage banking firms. As of June 30, 2010, the Federal Deposit Insurance Corporation reported 34 deposit-taking financial institutions, with 170 offices, operating within the AA. Southern First ranked sixth in deposit market share with 4.20 percent of the AAs \$10.5 billion in deposits. The bank also claims 0.11 percent of the mortgage lending volume (number of loans) market share, which ranks the bank 72 out of 380 total lending institutions in the AA.

The primary industries within Greenville County are professional and business services, retail trade, manufacturing, government, and leisure and hospitality. The top employers in the county include the Greenville School District, the Greenville Hospital System, Michelin Tire Corporation, SFH Inc., and GE Gas Turbine Greenville, LLC.

To better understand the credit needs of the AA, we contacted one community development organization in the AA that assists small business development. The contact characterized the local economy as deteriorated, but indicated that Greenville County's economy has been relatively strong. The organization stated that lending to small businesses has decreased since the recession, and lenders are now strengthening requirements for up-front equity and evidence of primary and secondary cash flow.

### Richland/Lexington County AA

The Richland/Lexington County AA is composed of two complete counties, Richland and Lexington Counties. The two contiguous counties are located centrally in South Carolina, and are member counties of the larger Columbia, SC Metropolitan Statistical Area (MSA). This AA is home to two full service branches, which are located in the cities of Lexington and Cayce. The Lexington and Cayce branches are both located in Lexington County, residing in an upper-income and moderate-income census tract, respectively. The following table highlights the demographic composition of the AA:

Demographic Information for the Richland/Lexington County Assessment Area						
		Low	Moderate	Middle	Upper	NA*
Demographic Characteristics	#	% of #	% of #	% of #	% of #	% of #
Geographies (Census Tracts/BNAs)	121	7.44	27.27	34.71	28.93	1.65
Population by Geography	536,691	3.87	25.39	35.56	34.21	0.97
Owner-Occupied Housing by Geography	138,033	1.19	20.91	36.92	40.98	0.01
Business by Geography	37,916	4.60	20.65	32.78	37.93	4.04
Farms by Geography	937	1.60	18.78	41.52	37.46	0.64
Family Distribution by Income Level	137,049	19.36	17.15	21.85	41.64	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	50,040	6.24	36.00	37.88	19.89	0.00
Median Family Income		49,202	Median Housing Value			100,965
HUD Adjusted Median Family Income for 2010		62,400	Unemployment Rate			
Households Below Poverty Level		11%	Richland County			9.1%
			Lexington County			7.8%
(*) The NA category consists of geographies that have not been assigned an income classification. Source: 2000 US Census, 2010 HUD updated MFI and Bureau of Labor Statistics as of September 2010						

Competition in the Richland/Lexington County AA is strong. Competitors in the AA include community and large national/regional financial institutions, finance companies, and mortgage banking firms. As of June 30, 2010, the Federal Deposit Insurance Corporation reported 23 deposit-taking financial institutions, with 177 offices, operating within the AA. Southern First ranked fifteenth in deposit market share with 0.80 percent of the AAs \$12.8 billion in deposits. The bank's mortgage lending volume (number of loans) market share is limited to 0.01 percent, which ranks the bank 215 out of 387 total lending institutions in the AA.

The primary industries within the Columbia, South Carolina MSA are state and local government, military, insurance, and health care. The top private employers in the Columbia, South Carolina MSA are Fort Jackson, Palmetto Health, Blue Cross/Blue

Shield of South Carolina, University of South Carolina, and SCANA.

In conducting the assessment of the bank's performance, information gathered from two local community organizations was utilized. They characterized the economy as deteriorating, but better than the state as a whole. The contacts stated that most business lending needs are satisfied in the AA; however, there is a need for loans for start-up businesses. Although there are many community service organizations in the AA, current community development needs include multi-family affordable housing loans and community services to the many low- and moderate-income families in the local area such as low-cost day care for working parents, assistance with home heating costs, and job training programs.

## **Conclusions with Respect to Performance Tests**

The bank's overall CRA performance is Satisfactory. The Lending Test and Community Development Test are rated Satisfactory. The loan-to-deposit ratio is more than reasonable and a majority of loans were made within the two defined AAs. Lending to borrowers of different incomes and to businesses of different sizes exhibited reasonable penetration. The bank's geographic distribution of loans also reflected a reasonable dispersion throughout census tracts of different income levels. Community development activities demonstrated adequate responsiveness to AA needs.

Several contributing factors were also considered to determine the bank's cumulative CRA performance rating. First, business lending was allocated a greater weight in determining the bank's performance under the Lending Test, as the bank generated a larger volume of commercial loans during the evaluation period. Commercial loans represented approximately 63 percent of all loan originations during the evaluation period. While home mortgage lending is a significant product on the bank's balance sheet, the majority of these loans were originated or purchased prior to this examination's evaluation period. In 2009, the bank made a strategic decision to broker home mortgage loans for their customers to a third party financial institution. Given the deterioration in market rates, management determined originating home mortgage loans was no longer financially feasible and focused their efforts to ensure their existing customers enlisted the appropriate products with the brokered institution.

Next, performance in all AAs was not treated equally. Performance in the Greenville County AA was given greater emphasis, as it was the bank's primary lending market during the evaluation period. The bank is much more established in the Greenville County AA, which houses four of the bank's six branches. Approximately 81 percent of bank deposits are acquired from the AA. While the volume of lending and the level of deposit generation in the Richland/Lexington County AA was significantly less than that of the Greenville County AA, the AA still provided ample activity to yield a meaningful analysis. Therefore, the Richland/Lexington County AA was also evaluated under a full-scope review.

Finally, local economic conditions, relatively high local poverty rates, competition from

other financial institutions, and the prevailing financial capacity of this institution were also considered to determine the bank's overall CRA performance rating.

## **LENDING TEST**

Southern First's performance under the Lending Test is rated Satisfactory. The bank's quarterly average net loan-to-deposit ratio is more than reasonable, considering the bank's size, financial condition, and the credit needs of the AAs. A majority of loans were made within the bank's two AAs. Southern First's lending to borrowers of different incomes and to businesses of different sizes exhibited reasonable penetration in their AAs. The bank's geographic distribution of loans reflected reasonable dispersion throughout census tracts of different income levels.

All criteria of the Lending Test are documented below.

### **Loan-to-Deposit Ratio**

The loan-to-deposit (LTD) ratio exceeds the standard for satisfactory performance. Southern First's quarterly average LTD ratio since the last CRA examination dated December 17, 2007 is 112.44 percent. This percentage is more than reasonable considering the bank's asset size, financial condition, and lending opportunities in the AAs. During this time period, the ratio ranged from a quarterly low of 105.6 percent to a quarterly high of 117.9 percent.

The bank's LTD ratio compares favorably with other community banks of similar size located in or near the bank's AAs. Southern First ranked first among a total of ten comparable community banks with asset sizes ranging from \$530 million to \$1,060 million. The other nine banks had an average net loan-to-deposit ratio of 90.1 percent during the evaluation period. The comparable institutions exhibited an average LTD ratio that ranged from a low of 74.3 percent to a high of 109.6 percent.

### **Lending in Assessment Area**

A majority of loans were made within the bank's two AAs, which meets the standard for satisfactory performance. Performance for home mortgage and small business lending, the bank's primary products, is detailed in the following table:



<b>Assessment Area Lending (Evaluation Period January 1, 2008 to June 30, 2010)</b>										
	Number of Loans					Dollars of Loans (thousands)				
	Inside		Outside		Total	Inside		Outside		Total
Home Purchase	51	73.9%	18	26.1%	69	3,565	64.7%	1,945	35.3%	5,510
Refinance	115	92.0%	10	8.0%	125	8,284	81.5%	1,876	18.5%	10,160
Home Improvement	40	93.0%	3	7.0%	43	697	94.8%	38	5.2%	735
Small Business	40	83.3%	8	16.7%	48	11,079	84.1%	2,091	15.9%	39,649
Total	246	86.3%	39	13.7%	285	50,104	89.4%	5,950	10.6%	56,054

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

Southern First's lending to borrowers of different incomes and to businesses of different sizes exhibited reasonable penetration in their AAs. The bank's distribution of home mortgage loans to families of different income levels demonstrated poor penetration. However, home mortgage lending was deemphasized due to the bank's performance context and greater emphasis was allocated to business lending performance. Lending to businesses of different sizes exhibited reasonable penetration, in particular with regard to small business lending.

#### Greenville County AA

Southern First's distribution of loans in the AA demonstrated a reasonable penetration to borrowers of different sizes, with consideration applied to the bank's performance context. The distribution of home mortgage loans exhibited poor penetration among families of different income levels. However, the distribution of loans to businesses of different sizes reflected reasonable penetration.

#### *Home Mortgage*

The distribution of home mortgage loans to families of different income levels exhibited poor penetration. Home purchase and refinance loans were the only products incorporated into our review, as they were the only products that generated sufficient volume in the AA to merit a meaningful analysis. The bank's volume of lending to low- and moderate-income families in the AA does not meet the standard for satisfactory performance and is well below the demographic comparator.

The AA exhibited several characteristics that negatively impacted the bank's ability to lend to low- and moderate-income families, such as 1) a relatively high percentage of AA households living below the poverty level, 2) strong competition for lending opportunities from other financial institutions and 3) an economy experiencing the strain of a national recession. Furthermore, the bank's home mortgage lending performance is heavily skewed by the strategic decision in 2009 to broker mortgages to another lending institution. The bank initiated loans for AA customers, but these loans were not reported for HMDA; therefore, they were not incorporated into our analysis. Consideration was given to these contributing factors while evaluating the bank's lending performance.

The following table shows the distribution of home loan products among borrowers of different income levels as compared to the percent of families in each income category.

<b>Borrower Distribution of Home Mortgage Loans in the Greenville County AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	18.64	7.89	17.31	2.63	20.74	5.26	43.31	84.21
Home Refinance	18.64	0.00	17.31	0.00	20.74	10.34	43.31	89.66

*Source: HMDA Data, 2000 US Census*

### *Business Loans*

The distribution of loans to businesses of different sizes reflected reasonable penetration. Seventy (70) percent of the bank's sampled loans to businesses during the evaluation period were made to small businesses with gross annual revenues of one million dollars or less. This is considered satisfactory compared to demographic data that identifies approximately 76 percent of the area's businesses as small businesses. The distribution of loans by dollar amount was also reviewed to determine the bank's distribution adequacy. Fifty (50) percent of the business loans in our sample were loans under \$250 thousand, which provides additional support for a reasonable distribution of loans to small businesses.

The following tables illustrate the distribution of commercial loans among different sized businesses in the AA.

<b>Borrower Distribution of Loans to Businesses in the Greenville County AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Businesses	75.80	4.95	19.24	100
% of Bank Loans in AA by #	70.00	15.00	15.00	100
% of Bank Loans in AA by \$	64.92	24.03	11.05	100

*Source: Loan sample, 2000 US Census, Dunn and Bradstreet data.*

<b>Borrower Distribution of Loans to Businesses by Loan Size in the Greenville County AA</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans (\$000)	Percent of Dollar Volume
\$0 - \$100,000	7	35	280	3
\$100,001 - \$250,000	3	15	472	5
\$250,001 - \$500,000	3	15	956	10
\$500,001 - \$1,000,000	3	15	2,241	23
Over \$1,000,000	4	20	5,855	59
Total	20	100	9,804	100

*Source: Loan Sample*

## Richland/Lexington County AA

Southern First's distribution of loans in the AA demonstrated reasonable penetration to borrowers of different sizes, with consideration applied to the bank's performance context. The distribution of home mortgage loans exhibited reasonable penetration among families of different income levels. The distribution of loans to businesses of different sizes also reflected reasonable penetration.

### *Home Mortgage*

The distribution of home mortgage loans to families of different income levels exhibited reasonable penetration. Home purchase loans were the only product incorporated into our review, as it was the only product that generated sufficient volume in the AA to merit a meaningful analysis. The bank's volume of lending to low-income families in the AA is well below the demographic comparator. However, the bank's lending to moderate-income families exceeded the standard for satisfactory performance, as is reflected in the statistical analysis.

The AA exhibited several characteristics that negatively impacted the bank's ability to lend to low- and moderate-income families, such as 1) a relatively high percentage of AA households living below the poverty level, 2) strong competition for lending opportunities from other financial institutions and 3) an economy experiencing the strain of a national recession. Furthermore, the bank's home mortgage lending performance is heavily skewed by the strategic decision in 2009 to broker mortgages to another lending institution. The bank initiated loans for AA customers, but these loans were not reported for HMDA; therefore, they were not incorporated into our analysis. Consideration was given to these contributing factors while evaluating the bank's lending performance.

The following table shows the distribution of home loan products among borrowers of different income levels as compared to the percent of families in each income category.

<b>Borrower Distribution of Home Mortgage Loans in the Richland/Lexington County AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	19.36	0.00	17.15	20.00	21.85	20.00	41.64	60.00

*Source: HMDA Data, 2000 US Census*

### *Business Loans*

The distribution of loans to businesses of different sizes reflected reasonable penetration. Sixty (60) percent of the bank's sampled loans to businesses during the evaluation period were made to small businesses with gross annual revenues of one million dollars or less. This is considered satisfactory compared to demographic data that identifies approximately 76 percent of the area's businesses as small businesses. The distribution of loans by dollar amount was also reviewed to determine the bank's

distribution adequacy. Seventy-five (75) percent of the business loans in our sample were loans under \$250 thousand, which provides additional support for a reasonable distribution of loans to small businesses.

The following tables illustrate the distribution of commercial loans among different sized businesses in the AA.

<b>Borrower Distribution of Loans to Businesses in the Richland/Lexington County AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Businesses	75.73	4.41	19.86	100
% of Bank Loans in AA by #	60.00	20.00	20.00	100
% of Bank Loans in AA by \$	54.08	27.85	18.08	100

*Source: Loan sample, 2000 US Census, Dunn and Bradstreet data.*

<b>Borrower Distribution of Loans to Businesses by Loan Size in Richland/Lexington County AA</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans (\$000)	Percent of Dollar Volume
\$0 - \$100,000	11	55	628	17
\$100,001 - \$250,000	4	20	555	15
\$250,001 - \$500,000	3	15	1,180	32
\$500,001 - \$1,000,000	2	10	1,352	36
Over \$1,000,000	0	0	0	0
Total	20	100	3,715	100

*Source: Loan Sample*

## **Geographic Distribution of Loans**

Southern First's geographic distribution of loans reflected a reasonable dispersion throughout census tracts of different income levels. Home mortgage loans and business loans were the primary lending products evaluated to determine the bank's lending performance. Home mortgage loans in the AAs reflected a reasonable dispersion throughout census tracts of different income levels, including low- and moderate-income census tracts. Commercial lending also exhibited a reasonable dispersion throughout census tracts of different income levels, with satisfactory responsiveness to the credit needs of businesses residing in low- and moderate-income geographies. No conspicuous gaps or areas of low penetration were identified during the review.

### Greenville County AA

Southern First's geographic distribution of loans in the AA reflected a reasonable dispersion throughout census tracts of different income levels. The distribution of home mortgage and business loans exhibited reasonable dispersion throughout census tracts of different income levels.

## Home Mortgage

The bank's geographic distribution of home mortgage loans in the AA reflected a reasonable dispersion throughout census tracts of different income levels, including low- and moderate-income census tracts. Home purchase and refinance loans were the only products incorporated into our review, as they were the only products that generated sufficient volume in the AA to merit a meaningful analysis. The bank's home mortgage lending performance in low- and moderate-income census geographies met the standard for satisfactory performance. The percentage of home purchase loans originated or purchased in low- and moderate-income census tracts is comparable with the percentage of owner occupied housing units located within. The percentage of home refinance loans originated or purchased in low-income census tracts exceeded the demographic comparator, while the percentage of refinance loans in moderate-income census tracts was comparable with the demographic comparator.

The following table details the bank's performance as compared to the percentage of owner occupied housing units in each census tract income level.

<b>Geographic Distribution of Home Mortgage Loans in the Greenville County AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	1.62	1.49	16.25	14.93	47.22	37.31	34.91	46.27
Home Refinance	1.62	2.70	16.25	13.51	47.22	16.22	34.91	67.57

*Source: HMDA data; 2000 U.S. Census data*

## Business Loans

The bank's geographic distribution of business loans reflected a reasonable dispersion throughout census tracts of different income levels. Lending to businesses located in low-income census tracts exceeded the standard for satisfactory performance, as the percentage of bank loans generated in these areas exceeded the percentage of businesses residing within. The bank's lending to businesses located in moderate-income census tracts exhibited satisfactory performance, as the percentage of loans generated in these areas was comparable with the percentage of businesses residing within.

The following table details the bank's performance as compared to the percentage of businesses in each census tract income level.

<b>Geographic Distribution of Loans to Businesses in the Greenville County AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	3.97	5.00	14.91	10.00	46.37	20.00	34.76	65.00

Source: Loan sample; Dunn and Bradstreet

### Richland/Lexington County AA

Southern First's geographic distribution of loans in the AA reflected a reasonable dispersion throughout census tracts of different income levels, with consideration applied to the bank's performance context. The distribution of home mortgage and business loans exhibited a reasonable dispersion throughout census tracts of different income levels.

#### *Home Mortgage*

The bank's geographic distribution of home mortgage loans in the AA reflected a poor dispersion throughout census tracts of different income levels, including low- and moderate-income census tracts. Home purchase loans were the only product incorporated into our review, as it was the only product that generated sufficient volume in the AA to merit a meaningful analysis. The bank's home purchase lending performance in moderate-income geographies did not meet the standard for satisfactory performance.

The following table details the bank's performance as compared to the percentage of owner occupied housing units in each census tract income level.

<b>Geographic Distribution of Home Mortgage Loans in the Richland/Lexington County AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	1.19	0.00	20.91	9.52	36.92	33.33	40.98	57.14

Source: HMDA data; 2000 U.S. Census data

#### *Business Loans*

The bank's geographic distribution of business loans reflects a reasonable dispersion throughout census tracts of different income levels. Lending to businesses located in low-income census tracts was comparable with the percentage of businesses residing within. The bank's lending to businesses located in moderate-income census tracts exhibited satisfactory performance, as the percentage of loans generated in these areas was also comparable with the percentage of businesses residing within.

The following table details the bank's performance as compared to the percentage of

businesses in each census tract income level.

<b>Geographic Distribution of Loans to Businesses in the Richland/Lexington County AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	4.60	0.00	20.65	20.00	32.78	55.00	37.93	25.00

*Source: Loan sample; Dunn and Bradstreet*

### **Responses to Complaints**

The bank has not received any CRA-related consumer complaints during the evaluation period.

## COMMUNITY DEVELOPMENT TEST

The Community Development Test is rated Satisfactory. The bank has exhibited adequate responsiveness to community development (CD) needs of the assessment areas (AAs) through CD lending, investments, and services. The bank's CD activities primarily assisted in providing affordable housing and services, small business development and economic revitalization. While these activities are not innovative or complex, they do fulfill an identified need with the AAs.

### Performance in the Greenville County AA

The bank has demonstrated adequate responsiveness to the community development needs of this AA, considering its performance context and the needs and opportunities within the AA.

#### *Community Development Loans*

The level of community development lending in the Greenville County AA is satisfactory. The bank originated fifteen (15) community development loans in the AA during the evaluation period, totaling approximately \$5.4 million. Southern First adequately addressed the needs of the community through lending that provided affordable housing for low- and moderate-income (LMI) residents, that provided needed services for LMI residents and that revitalized a moderate-income area. Overall, the bank's CD lending provided thirteen (13) new units of affordable housing for low- and moderate-income residents in the AA. Community Development lending during the evaluation period was highlighted by the following:

- In 2010, the bank originated an approximately \$2.5 million loan for the purpose of expanding a retail center in a moderate-income census tract. The expansion has provided increased small business participation in the predominately LMI immigrant community.
- In 2008 and 2009, the bank originated four (4) loans totaling approximately \$1.3 million to a not-for-profit healthcare provider. The organization operates full-service healthcare facilities and clinics that provide needed services to local LMI residents.
- In 2009 and 2010, the bank originated five (5) loans totaling approximately \$853 thousand to a not-for-profit that provides free or affordable housing for local homeless or low-income families in the AA. The five loans helped provide an additional ten (10) units of affordable housing in the AA.
- In 2008, the bank originated one (1) loan totaling approximately \$97 thousand that resulted in three (3) new units of affordable housing for LMI elderly residents.
- In addition to the bank's originations during the evaluation period, Southern First has an outstanding commitment letter to assist in the creation of additional



### *Qualified Investments*

Southern First made ninety-seven (97) qualified community development donations in the AA during the evaluation period. The donations totaled approximately \$82 thousand and primarily benefited local organizations that provide needed services (housing, educational, nutritional, etc) to LMI residents, abused or neglected children and the local homeless population. Community Development investments during the evaluation period were highlighted by the following:

- In 2008 through 2010, the bank made five (5) donations totaling approximately \$12 thousand to an organization that provides food, clothing and temporary shelter to LMI or distressed families in the AA.
- In 2008 through 2010, the bank made six (6) donations totaling approximately \$8 thousand to an organization that provides shelter, food, education assistance and emotional therapy to abused or abandoned boys in the AA.
- In 2008 through 2010, the bank made seven (7) donations totaling approximately \$7 thousand to an organization that provides needed home repairs and maintenance services to LMI elderly residents in the AA.
- In 2009 and 2010, the bank made four (4) donations totaling approximately \$6 thousand to an organization that provides and delivers food to homebound, elderly LMI residents.
- In 2008 through 2010, the bank made five (5) donations totaling approximately \$6 thousand to an organization that provides shelter, food and education assistance to LMI or abused children in the AA.

### *Community Development Services*

The bank's level of community development services demonstrated adequate responsiveness to the community development needs of its AA. The bank operates four (4) branches in the AA; however, none of the branches are located in low- or moderate-income census tracts.

Fourteen (14) bank officers provided community development services to twenty-two (22) qualifying programs in the AA. The qualifying services included the following:

- Three bank officers performed community development services for the local chapter of a national organization that provides food, clothing and temporary shelter to LMI or distressed families in the AA. The bank officers served as

- One bank officer performed community development services for two qualifying organizations in the AA. The individual served as Treasurer for an organization that provides assistance to the abused and neglected children of substance abusing parents. The bank officer also served as Board member for an organization that provides assistance to LMI abused women and children.
- One bank officer performed community development services for two qualifying organizations in the AA. The individual served as Board Member for both an organization that provides school supplies for LMI children in the AA and an organization that provides shelter, educational assistance and emotional therapy to LMI and abused children in the AA.
- One bank officer served as Vice Chairman for a not-for-profit that provides free healthcare services to LMI and homeless residents in the AA.
- One bank officer served as Board member for a not-for-profit that provides food for LMI and homeless residents in the AA.

#### Performance in the Richland/Lexington County AA

The bank has demonstrated adequate responsiveness to the community development needs of this AA, considering its performance context and the needs and opportunities within the AA. The institution's limited capacity and available opportunities for providing community development services within the AA were considered in the performance evaluation.

#### *Community Development Loans*

The level of community development lending in the Richland/Lexington County AA is satisfactory. The bank originated one (1) community development loan in the AA during the evaluation period, totaling approximately \$628 thousand. Although Southern First's CD lending activity was limited in the AA, they adequately addressed a need of the community. In 2009, the bank originated a loan to purchase lots and assist in the construction of a new housing development in an underserved, agricultural region. The new housing development will provide affordable housing units for LMI residents in the AA. All of the homes in the new development will be available to LMI residents with 100 percent United States Department of Agriculture (USDA) financing.

#### *Qualified Investments*

Southern First made sixteen (16) qualified community development donations in the AA during the evaluation period. The donations totaled approximately \$10 thousand and primarily benefited local organizations that provide needed services (housing, educational, nutritional, etc) to LMI residents, abused or neglected children and the local

homeless population. While these investments are not innovative or complex, they are responsive to identified community needs. Community Development investments during the evaluation period were highlighted by the following:

- In 2008 and 2009, the bank made two (2) donations totaling \$5 thousand to an organization that donates food and supplies to the homeless population in the AA.
- In 2009, the bank made two (2) donations totaling approximately \$2 thousand to an organization that seeks to prevent the abuse and neglect of children, and provides support and educational assistance to abused children in the AA.
- In 2008, the bank made a \$1 thousand donation to a foundation that supports organizations that combat homelessness, assist the elemental needs of LMI families, and provide medical assistance to LMI children in the AA.

### *Community Development Services*

The bank's level of community development services demonstrated adequate responsiveness to the community development needs of its AA. The bank operates two (2) branches in the AA, one of which is located in a moderate-income census tract in Cayce, SC.

Three (3) bank officers provided community development services to three (3) qualifying programs in the AA. The qualifying services included the following:

- One bank officer served as Chairman for an organization that provides support for the prevention and rehabilitation of abused and neglected children in the AA.
- One bank officer served as a Board member for an organization that provides glasses and performs optical surgeries for low- or moderate-income (LMI) residents. The organization also conducts hearing and vision exams in schools located in LMI areas.
- One bank officer served as a Board member for an organization that organizes events that benefit LMI and at-risk children in the AA.

### Performance in South Carolina, Nationwide and Internationally

In addition to community development (CD) activities that directly benefited their AAs, the bank also participated in CD activities that benefited South Carolina and the nation as a whole. The following activities were also considered to determine the bank's cumulative CD performance.

### *Community Development Loans*

In 2009, the bank originated two (2) loans totaling approximately \$305 thousand to an organization dedicated to ending homelessness through programming, advocacy, and building safe and affordable housing. The two (2) loans resulted in twenty-six (26) new affordable housing units in Spartanburg, SC.

### *Community Development Investments*

- Southern First made three (3) qualified donations totaling approximately \$3 thousand to organizations that provide: 1) financial assistance to LMI families of children with cancer, 2) provide economic, health and education assistance to women and girls living in extreme poverty and 3) provide shelter to impoverished people by converting shipping containers into sustainable facilities.

### *Community Development Services*

Additional CD services provided by the bank that positively impacted the bank's performance rating include:

- During the evaluation period, the bank has provided the use of their board room to community development groups and not-for-profit organizations. In total, the bank has provided 307 hours of use of their facilities at no charge to the user. Many of the participants qualify for CD purposes.
- In 2009, the bank cooperated with a qualifying CD organization to provide transitional employment for one individual for nine months. The organization serves to provide shelter, food and job skills to adults with mental illness with the goal of providing an independent, self-sufficient future.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.