

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

First Southern Bancorp, Inc.

| | | | |
|--------------------------------|--------------------|--|------------|
| Point of Contact: | Marsha Gassan, CFO | RSSD: (For Bank Holding Companies) | 2349486 |
| UST Sequence Number: | 436 | Docket Number: (For Thrift Holding Companies) | |
| CPP/CDCI Funds Received: | 10,900,000 | FDIC Certificate Number: (For Depository Institutions) | 27044 |
| CPP/CDCI Funds Repaid to Date: | 10,900,000 | Credit Union Charter Number: (For Credit Unions) | |
| Date Funded (first funding): | January 30, 2009 | City: | Boca Raton |
| Date Repaid ¹ : | 6/16/2010 | State: | Florida |

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

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

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

Increase lending or reduce lending less than otherwise would have occurred.

To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

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Increase securities purchased (ABS, MBS, etc.).

Securities portfolio increased from \$26.0 million (Jan 2009) to \$94.3 million as of June 30, 2010.

Make other investments.

Increase reserves for non-performing assets.

Increased Allowance for Loan Losses from \$4.8 million (Jan 2009) to \$12.1 million as of June 30, 2010.

Reduce borrowings.

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Increase charge-offs.

Loan charge-offs totaled \$14.8 million June 30, 2010 year-to-date, versus \$9.3 million and \$0.5 million in full year 2009 and 2008, respectively.

Purchase another financial institution or purchase assets from another financial institution.

Held as non-leveraged increase to total capital.

Used CPP funds to increase overall regulatory capital and ensure continued compliance with capital adequacy requirements.

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

None.

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

The increased capital from CPP funds supported the franchise and our ability to serve our customers' financial service needs in a severely challenged Southeast Florida economic environment. We were able to meet our customers' needs while maintaining our regulatory capital adequacy ratios well in excess of regulatory requirements. In February 2010, and in a move designed to position First Southern Bancorp, Inc. for growth, we successfully raised approximately \$400 million in a private offering of common and preferred stock. We used some of these proceeds to redeem the CPP funds in June 2010.

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

Please refer to the previous section.