First Bank

May 7, 2014

Tishaura O. Jones
City of St. Louis Treasurer's Office
1200 Market St., Room 220
St. Louis, MO 63103

Re: First Bank's 2014 City Depository Institution Application

Dear Ms. Jones,

Enclosed with this letter are the documents and data requested by your office in connection with First Bank's application to be depository institution for the City of St. Louis.

Please note that after due consideration we have declined to provide the workforce diversity information requested.

Should you have any question, please don't hesitate to contact me.

Sincerely,

Anthony S. Wade
Senior Vice President & Corporate Compliance Officer
First Bank
tony.wade@fbol.com
(314) 592-6967

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number – 001-31610

FIRST BANKS, INC.

(Exact name of registrant as specified in its charter)

MISSOURI	**43-1175538**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

135 North Meramec, Clayton, Missouri 63105
(Address of principal executive offices) (Zip code)

(314) 854-4600
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
8.15% Cumulative Trust Preferred Securities (issued by First Preferred Capital Trust IV and guaranteed by First Banks, Inc.)	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. [ ] Yes [X] No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. [X] Yes [ ] No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). [X] Yes [ ] No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the

Exchange Act:

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [X] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). [ ] Yes [X] No

None of the common stock of the Company is held by non-affiliates. All of the common stock of the Company is owned by various trusts, which were established by and for the benefit of Mr. James F. Dierberg, the Company's Chairman of the Board of Directors, and members of his immediate family.

At March 25, 2014, there were 23,661 shares of the registrant's common stock outstanding. There is no public or private market for such common stock.

FIRST BANKS, INC.

ANNUAL REPORT ON FORM 10-K

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND FACTORS THAT COULD AFFECT FUTURE RESULTS

This Annual Report on Form 10-K contains certain forward-looking statements with respect to our financial condition, results of operations and business. Generally, forward-looking statements may be identified through the use of words such as: "believe," "expect," "anticipate," "intend," "plan," "estimate," or words of similar meaning or future or conditional terms such as: "will," "would," "should," "could," "may," "likely," "probably," or "possibly." Examples of forward-looking statements include, but are not limited to, estimates or projections with respect to our future financial condition and earnings, including the ability of the Company to remain profitable, and expected or anticipated revenues with respect to our results of operations and our business. These forward-looking statements are subject to certain risks and uncertainties, not all of which can be predicted or anticipated. Factors that may cause our actual results to differ materially from those contemplated by the forward-looking statements herein include market conditions as well as conditions affecting the banking industry generally and factors having a specific impact on us, including but not limited to, the following factors whose order is not indicative of likelihood or significance of impact:

- Our ability to raise sufficient capital, absent the successful completion of all or a significant portion of our Capital Plan, as further discussed under "Item 1. Business —Recent Developments and Other Matters – Capital Plan;"
- Our ability to maintain capital at levels necessary or desirable to support our operations;
- The risks associated with implementing our business strategy, including our ability to preserve and access sufficient capital to continue to execute our strategy;
- Regulatory actions that impact First Banks, Inc. and First Bank, including the regulatory agreement entered into among First Banks, Inc., First Bank, and the Federal Reserve Bank of St. Louis, as further discussed under "Item 1. Business —Supervision and Regulation – Regulatory Agreements;"
- Our ability to comply with the terms of an agreement with our regulators pursuant to which we have agreed to take certain corrective actions to improve our financial condition and results of operations;
- The effects of and changes in trade and monetary and fiscal policies and laws, including, but not limited to, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the interest rate policies of the Federal Open Market Committee of the Federal Reserve Board of Governors;
- The risks associated with the high concentration of commercial real estate loans in our loan portfolio;
- The decline in commercial and residential real estate sales volume and the likely potential for continuing lack of liquidity in the real estate markets;
- The uncertainties in estimating the fair value of developed real estate and undeveloped land in light of reduced market demand for such assets and a general lack of liquidity in the real estate markets;
- Negative developments and disruptions in the credit and lending markets, including the impact of the adverse credit crisis on our business and on the businesses of our customers as well as other banks and lending institutions with which we have commercial relationships;
- The appropriateness of our allowance for loan losses to absorb the amount of actual losses inherent in our existing loan portfolio;
- The accuracy of assumptions underlying the establishment of our allowance for loan losses and the estimation of values of collateral or cash flow projections and the potential resulting impact on the carrying value of various financial assets and liabilities;
- Credit risks and risks from concentrations (by geographic area and by industry) within our loan portfolio including certain large individual loans;
- Possible changes in the creditworthiness of customers and the possible impairment of collectability of loans;
- Liquidity risks;
- Inaccessibility of funding sources on the same or similar terms on which we have historically relied if we are unable to maintain sufficient capital ratios;
- Implementation of the Basel III regulatory capital reforms and changes required by the Dodd-Frank Wall Street Reform and Consumer Protection Act will include significant changes to bank capital, leverage and liquidity requirements, as further discussed under "Item 1. Business —Supervision and Regulation – Regulatory Capital Standards and Basel III Regulatory Capital Reforms;"
- The ability to successfully acquire low cost deposits or alternative funding;
- The effects of increased Federal Deposit Insurance Corporation deposit insurance assessments;

- Changes in consumer spending, borrowing and savings habits;
- The ability of First Bank to pay dividends to its parent holding company;
- Our ability to pay cash dividends on our preferred stock and interest on our junior subordinated debentures;
- High unemployment and the resulting impact on our customers' savings rates and their ability to service debt obligations;
- Possible changes in interest rates may increase our funding costs and reduce earning asset yields, thus reducing our margins;

- The impact of possible future material impairment charges;
- The ability to attract and retain senior management experienced in the banking and financial services industry;
- Changes in the economic environment, competition, or other factors that may influence loan demand, deposit flows, the quality of our loan portfolio and loan and deposit pricing;
- The impact on our financial condition of unknown and/or unforeseen liabilities arising from legal or administrative proceedings;
- The threat of future terrorist activities, existing and potential wars and/or military actions related thereto, and domestic responses to terrorism or threats of terrorism;
- Possible changes in general economic and business conditions in the United States in general and particularly in the communities and market segments we serve;
- Volatility and disruption in national and international financial markets;
- Government intervention in the U.S. financial system;
- The impact of laws and regulations applicable to us and changes therein;
- The impact of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board, and other accounting standard setters;
- The impact of litigation generally and specifically arising out of our efforts to collect outstanding customer loans;
- Competitive conditions in the markets in which we conduct our operations, including competition from banking and non-banking companies with substantially greater resources than us, some of which may offer and develop products and services not offered by us;
- Our ability to control the composition of our loan portfolio without adversely affecting interest income and credit default risk;
- The geographic dispersion of our offices;
- The impact our hedging activities may have on our operating results;
- The highly regulated environment in which we operate; and
- Our ability to respond to changes in technology or an interruption or breach in security of our information systems.

Actual events or our actual future results may differ materially from any forward-looking statement due to these and other risks, uncertainties and significant factors. For a discussion of these and other risk factors that may impact these forward-looking statements, please refer to further discussion under “Item 1A. Risk Factors.” We wish to caution readers of this Annual Report on Form 10-K that the foregoing list of important factors may not be all-inclusive and we specifically decline to undertake any obligation to publicly revise any forward-looking statements that have been made to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. We do not have a duty to and do not undertake any obligation to update these forward-looking statements. Readers of this Annual Report on Form 10-K should therefore consider these risks and uncertainties in evaluating forward-looking statements and should not place undue reliance on these statements.

PART I

Item 1. Business

General. First Banks, Inc., or we, or the Company, is a registered bank holding company incorporated in Missouri in 1978 and headquartered in St. Louis, Missouri. We operate through our wholly owned subsidiary bank holding company, The San Francisco Company, or SFC, headquartered in St. Louis, Missouri, and SFC's wholly owned subsidiary bank, First Bank, also headquartered in St. Louis, Missouri. A list of First Bank's subsidiaries at December 31, 2013 is included as Exhibit 21.1 and incorporated herein by reference. First Bank's subsidiaries are wholly owned, except FB Holdings, LLC, or FB Holdings, which is 53.23% owned by First Bank and 46.77% owned by First Capital America, Inc., or FCA, a corporation owned and operated by the Company's Chairman of the Board and members of his immediate family, including Mr. Michael Dierberg, Vice Chairman of the Company, as further described in Note 20 to our consolidated financial statements. At December 31, 2013, we had assets of $5.92 billion, loans, net of net deferred loan fees, or total loans, of $2.86 billion, deposits of $4.81 billion and stockholders' equity of $488.3 million.

First Bank currently operates 130 branch offices in California, Florida, Illinois and Missouri, with 163 automated teller machines, or ATMs, across the four states. Through First Bank, we offer a broad range of financial services, including commercial and personal deposit products, commercial and consumer lending, and many other financial products and services. Commercial and personal deposit products include demand, savings, money market and time deposit accounts. In addition, we market combined basic services for various customer groups, including packaged accounts for more affluent customers, and sweep accounts, lock-box deposits and cash management products for commercial customers. Commercial lending includes commercial, financial and agricultural loans, real estate construction and development loans, commercial real estate loans and small business lending. Consumer lending includes residential real estate, home equity and installment lending. Other financial services include mortgage banking, debit cards, brokerage services, internet banking, remote deposit, mobile banking, ATMs, telephone banking, safe deposit boxes, and trust and private banking services. The revenues generated by First Bank and its subsidiaries consist primarily of interest income generated from our loan and investment security portfolios, service charges and fees generated from deposit products and services, and fees and commissions generated by our mortgage banking and trust and private banking business units. Our extensive line of products and services are offered to customers primarily within our geographic areas, which presently include eastern Missouri, southern Illinois, southern and northern California, and Florida's Bradenton, Palmetto and Longboat Key communities. Primary responsibility for managing our banking units rests with the officers and directors of each unit, but we centralize many of our overall corporate policies, procedures and administrative functions and provide centralized operational support functions for our subsidiaries. This practice allows us to achieve various operating efficiencies while allowing our banking units to focus on customer service.

Capital Structure.

Voting Stock. Various trusts, established by and administered by and for the benefit of Mr. James F. Dierberg and members of his immediate family, own all of our voting stock other than the Class C Preferred Stock and Class D Preferred Stock that have limited voting rights, as discussed below. Mr. Dierberg and his family, therefore, control our management and policies.

Trust Preferred Securities. We have formed numerous affiliated Delaware or Connecticut business or statutory trusts. These trusts operate as financing entities and were created for the sole purpose of issuing trust preferred securities. The sole assets of the trusts are our junior subordinated debentures. In conjunction with the formation of our financing entities and their issuance of the trust preferred securities, we issued junior subordinated debentures to each of our financing entities in amounts equivalent to the respective trust preferred securities plus the amount of the common securities of the individual trusts. The trust preferred securities have no voting rights except in certain limited circumstances. The trust preferred securities issued by First Preferred Capital Trust IV are publicly held and traded on the New York Stock Exchange, or NYSE. The remaining trust preferred securities were issued in private placements. The interest accrued and payable on our junior subordinated debentures is included in interest expense in our consolidated statements of operations.

On August 10, 2009, we announced the deferral of our regularly scheduled interest payments on our outstanding junior subordinated debentures relating to our $345.0 million of trust preferred securities beginning with the regularly scheduled quarterly interest payments that would otherwise have been made in September and October 2009. The terms of the junior subordinated debentures and the related trust indentures allow the Company to defer such payments of interest for up to 20

consecutive quarterly periods without triggering a payment default or penalty. We had deferred such payments for 18 quarterly periods as of December 31, 2013. These deferred payments aggregated $62.7 million at December 31, 2013. On January 31, 2014, the Company received regulatory approval from the Federal Reserve Bank of St. Louis, or FRB, subject to certain conditions, granting First Bank the authority to pay a dividend to the Company, and authority for the Company to utilize such funds, for the sole purpose of paying the accumulated deferred interest payments on the Company's outstanding junior subordinated debentures issued in connection with the Company's trust preferred securities. In February 2014, First Bank paid a dividend of $70.0 million to the Company and the Company notified the trustees of the trust preferred securities of its intention to pay all cumulative interest that had been deferred on the junior

subordinated debentures relating to our trust preferred securities, on the regularly scheduled quarterly payment dates in March and April, 2014. The aggregate amount owed on all of the junior subordinated debentures relating to our trust preferred securities at the respective March and April, 2014 payment dates is $66.4 million.

See Note 12 to our consolidated financial statements for further discussion regarding our junior subordinated debentures relating to our trust preferred securities.

Class C Fixed Rate Cumulative Perpetual Preferred Stock and Class D Fixed Rate Cumulative Perpetual Preferred Stock. On December 31, 2008, the Company entered into a Letter Agreement, including a Securities Purchase Agreement – Standard Terms, or Purchase Agreement, with the United States Department of the Treasury, or the U.S. Treasury, pursuant to the Troubled Asset Relief Program's Capital Purchase Program, or CPP. Under the terms of the Purchase Agreement, on December 31, 2008, we issued to the U.S. Treasury, 295,400 shares of senior preferred stock, or Class C Preferred Stock, and a warrant, or Warrant, to acquire up to 14,784.78478 shares of a separate series of senior preferred stock, or Class D Preferred Stock (at an exercise price of $1.00 per share), for an aggregate purchase price of $295.4 million, pursuant to the standard CPP terms and conditions for non-public companies as described and set forth in the Purchase Agreement and the Warrant. Pursuant to the terms of the Warrant, the U.S. Treasury exercised the Warrant on December 31, 2008 and paid the exercise price by having us withhold, from the shares of Class D Preferred Stock that would otherwise be delivered to the U.S. Treasury upon such exercise, shares of Class D Preferred Stock issuable upon exercise of the Warrant with an aggregate liquidation amount equal in value to the aggregate exercise price of $14,784.78. The senior preferred stock and the Warrant were issued in a private placement exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended. The Purchase Agreement contained limitations on certain actions of the Company, including, but not limited to, payment of dividends, redemptions and acquisitions of the Company's equity securities, and compensation of senior executive officers. In addition, prior to the U.S. Treasury's sale of the Class C Preferred Stock and Class D Preferred Stock (as further described below), the U.S. Treasury had certain supervisory and oversight duties and responsibilities under the CPP and, pursuant to the terms of the Purchase Agreement, the U.S. Treasury was empowered to unilaterally amend any provision of the Purchase Agreement with the Company to the extent required to comply with any changes in applicable federal statutes. Furthermore, in the event the Company did not pay dividends on the preferred stock issued to the U.S. Treasury for an aggregate of six quarters, the U.S. Treasury had the right to elect two directors to our Board. On July 13, 2011, the U.S. Treasury elected two members to our Board of Directors as a result of our deferral of dividends to the U.S. Treasury for six quarters.

In addition to the right to elect two directors to the Company's Board of Directors, the holders of the Class C Preferred Stock and Class D Preferred Stock have limited voting rights, except as required by law or to the extent such rights are waived. For as long as shares of the Class C Preferred Stock or Class D Preferred Stock are outstanding, in addition to any other vote or consent of the shareholders required by law or the Company's articles of incorporation, the vote or consent of holders of at least 66 2/3% of the shares of the Class C Preferred Stock or Class D Preferred Stock outstanding is required for any authorization or issuance of shares ranking senior to the Class C Preferred Stock or Class D Preferred Stock, respectively; any amendments to the rights of the Class C Preferred Stock or Class D Preferred Stock that adversely affect the rights, privileges or voting power of the Class C Preferred Stock or Class D Preferred Stock, respectively; or initiation and completion of any merger, share exchange or similar transaction unless the shares of Class C Preferred Stock or Class D Preferred Stock, respectively, remain outstanding, or, if the Company is not the surviving entity in such transaction, are converted into or exchanged for preferred securities of the surviving entity that have the same rights, preferences, privileges and voting power of the Class C Preferred Stock and Class D Preferred Stock.

The Class C Preferred Stock and Class D Preferred Stock qualify as Tier 1 capital. Dividends on our Class C Preferred Stock and Class D Preferred Stock, which, as of December 31, 2013, carry annual dividend rates of 5.00% and 9.00%, respectively, are payable quarterly. The dividends on our Class C Preferred Stock of 5.00% increase to 9.00% per annum on and after February 15, 2014. We suspended the payment of cash dividends on our outstanding common stock and preferred stock beginning with the regularly scheduled quarterly dividend payments on the preferred stock that would otherwise have been made in August and September 2009, as further described in Note 13 to our consolidated financial statements.

During the third quarter of 2013, the U.S. Treasury completed two auctions that resulted in the sale of our Class C Preferred Stock and Class D Preferred Stock to unaffiliated third party investors. We did not receive any proceeds from the sale and the sale did not have any effect on the terms of the outstanding Class C Preferred Stock and Class D Preferred Stock, including our

obligation to satisfy accrued and unpaid dividends prior to the payment of any dividend or other distribution to holders of junior or parity stock (including our common stock, Class A Preferred Stock and Class B Preferred Stock). We have deferred and accrued $68.4 million of regularly scheduled dividend payments on our Class C Preferred Stock and Class D Preferred Stock, and have accrued an additional $9.4 million of cumulative dividends on such deferred dividend payments at December 31, 2013. As such, the aggregate amount of these deferred and accrued dividend payments was $77.8 million at December 31, 2013.

See Note 13 to our consolidated financial statements for further discussion regarding our Class C Preferred Stock and Class D Preferred Stock.

Recent Developments and Other Matters.

Discontinued Operations. On May 13, 2013, we entered into a Purchase and Assumption Agreement that provided for the sale of certain assets and the transfer of certain liabilities, primarily deposits, of our Association Bank Services, or ABS, line of business, to Union Bank, N.A., or Union Bank, headquartered in San Francisco, California. ABS, previously headquartered in Vallejo, California, provided a full range of services to homeowners associations and community management companies. The transaction was completed on November 22, 2013. Under the terms of the agreement, Union Bank assumed $572.1 million of deposits, as well as certain other liabilities, and paid a premium on certain deposit accounts acquired in the transaction. Union Bank also purchased certain assets, including $20.8 million of loans, at par value. The transaction resulted in a gain of $28.6 million, after the write-off of goodwill of $18.0 million allocated to ABS, during the fourth quarter of 2013.

On November 21, 2012, we entered into a Branch Purchase and Assumption Agreement that provided for the sale of certain assets and the transfer of certain liabilities associated with eight of our retail branches located in Pinellas County, Florida to HomeBanc National Association, or HomeBanc, headquartered in Lake Mary, Florida. The transaction was completed on April 19, 2013. Under the terms of the agreement, HomeBanc assumed $120.3 million of deposits, purchased the premises and equipment, and assumed the leases associated with these eight retail branches. The transaction resulted in a gain of $408,000, after the write-off of goodwill of $700,000 allocated to the Northern Florida Region, during the second quarter of 2013.

Furthermore, on April 5, 2013, we closed our three remaining retail branches located in Hillsborough County and Pasco County. The closure of these three remaining retail branches in the Northern Florida Region resulted in expense of $2.3 million during the second quarter of 2013 attributable to continuing obligations under facility leasing arrangements.

The eight branches sold and three branches closed during the second quarter of 2013 are collectively defined as the Northern Florida Region.

We have applied discontinued operations accounting in accordance with Accounting Standards Codification™, or ASC, Topic 205-20, "*Presentation of Financial Statements – Discontinued Operations*," to the assets and liabilities associated with our Northern Florida Region as of December 31, 2012, and to the operations of our ABS line of business, our Northern Florida Region and our remaining three Northern Illinois retail branches, or Northern Illinois Region, for the years ended December 31, 2013, 2012, 2011, 2010 and 2009, as applicable. All financial information in this Annual Report on Form 10-K is reported on a continuing operations basis, unless otherwise noted. See Note 2 to our consolidated financial statements for further discussion regarding discontinued operations.

Capital Plan. We have been working since the beginning of 2008 to strengthen our capital ratios and improve our financial performance. Additionally, on August 10, 2009, we announced the adoption of our Capital Optimization Plan, or Capital Plan, designed to improve our capital ratios and financial performance through certain divestiture activities, asset reductions and expense reductions. We adopted our Capital Plan in order to, among other things, preserve our regulatory capital. A summary of the primary initiatives completed as of December 31, 2013 is shown in the table below. See Note 2 to our consolidated financial statements for a discussion of initiatives associated with our Capital Plan that were completed during the years ended December 31, 2013, 2012 and 2011.

	Gain (Loss) on Sale	Decrease in Intangible Assets	Decrease in Risk-Weighted Assets	Total Risk-Based Capital Benefit [1]
	(dollars expressed in thousands)			
Sale of ABS line of business	$ 28,615	18,000	20,800	48,400
Sale of Northern Florida Region	408	700	3,400	1,400
Increase in Other Risk-Weighted Assets	—	—	(26,300)	(2,300)
Total 2013 Capital Initiatives	$ 29,023	18,700	(2,100)	47,500
Reduction in Other Risk-Weighted Assets	$ —	—	287,700	25,200
Total 2012 Capital Initiatives	$ —	—	287,700	25,200
Sale of Remaining Northern Illinois Region	$ 425	1,558	33,800	4,900
Sale of Edwardsville Branch	263	500	1,400	900
Reduction in Other Risk-Weighted Assets	—	—	877,900	76,800
Total 2011 Capital Initiatives	$ 688	2,058	913,100	82,600
Partial Sale of Northern Illinois Region	$ 6,355	9,683	141,800	28,500
Sale of Texas Region	4,984	19,962	116,300	35,100
Sale of MVP	(156)	—	800	(100)
Sale of Chicago Region	8,414	26,273	342,600	64,700
Sale of Lawrenceville Branch	168	1,000	11,400	2,200
Reduction in Other Risk-Weighted Assets	—	—	2,111,400	184,700
Total 2010 Capital Initiatives	$ 19,765	56,918	2,724,300	315,100
Sale of WIUS loans	$ (13,077)	19,982	146,700	19,700
Sale of restaurant franchise loans	(1,149)	—	64,400	4,500
Sale of asset-based lending loans	(6,147)	—	119,300	4,300
Sale of Springfield Branch	309	1,000	900	1,400
Sale of ANB	120	13,013	1,300	13,200
Reduction in Other Risk-Weighted Assets	—	—	1,580,400	138,300
Total 2009 Capital Initiatives	$ (19,944)	33,995	1,913,000	181,400
Total Completed Capital Initiatives	$ 29,532	111,671	5,836,000	651,800

(1) Calculated as the sum of the gain (loss) on sale plus the reduction in intangible assets plus 8.75% of the reduction in risk-weighted assets.

In addition to the action items identified above with respect to our Capital Plan, we are also focused on the following actions which, as and/or if consummated, would further improve our regulatory capital ratios and/or result in a reduction of our risk-weighted assets and adjusted average assets:

- Reduction in the overall level of our nonperforming assets and potential problem loans; and
- Sale, merger or closure of individual branches or selected branch groupings.

Strategy. Our strategy emphasizes profitable growth within our market areas, aggressive management of asset quality and liquidity risks, and preservation and enhancement of regulatory capital. We have developed several plans around these actions, including the previously discussed Capital Plan, in addition to actions intended to improve overall profitability and asset quality.

We are in the process of implementing several action items regarding revenue enhancement and continued reduction of noninterest expenses including the following:

- Accelerating the reduction of special mention, substandard and nonaccrual loans and other real estate to reduce future provisions for loan losses, increase our net interest income and reduce noninterest expenses associated with these assets, including legal fees, other real estate write-downs and other real estate expenses related to property preservation, taxes, insurance and other items;
- Developing new loan growth strategies, primarily within our commercial and industrial, commercial real estate and residential mortgage segments;
- Expanding our wealth management sales force and related noninterest income opportunities;
- Pursuing opportunities to generate noninterest income through sales of other real estate properties, branch offices and other assets;
- Increasing the volume of loans sold in the secondary market in our mortgage division through an expanded sales force and enhanced marketing initiatives; and
- Evaluating opportunities to reduce noninterest expenses as a result of our smaller asset base and through other efficiency measures.

We are in the process of implementing several action items regarding asset quality improvement including the following:

- Eliminating or significantly reducing the potential exposure to our largest nonperforming credit relationships;
- Pursuing opportunities to generate significant recoveries on previously charged-off loans;
- Modifying one-to-four-family residential real estate loans under the Home Affordable Modification Program, or HAMP, where deemed economically advantageous to our borrowers and us;
- Assessing our commercial real estate portfolio for early risk recognition and identification of potential areas for deteriorating commercial real estate loans, with increased emphasis on non-owner occupied loans;
- Transferring certain nonperforming and potential problem credits to our special asset groups for further review, evaluation and development of appropriate strategies for exiting these relationships or significantly reducing our potential exposure; and
- Further enhancing reporting mechanisms regarding asset quality related matters to assist management in further evaluating and assessing ongoing performance measurements and trends.

We believe the successful completion of the various components of these action items would substantially improve our financial performance and regulatory capital ratios. If we are not able to successfully complete a substantial portion of the action items, our business, financial condition, including our regulatory capital ratios, and results of operations may be materially and adversely affected and our ability to withstand continued adverse economic uncertainty could be threatened.

Lending Activities. As further discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations —Loans and Allowance for Loan Losses," our business development efforts have historically been focused on the origination of the following general loan types: commercial, financial and agricultural loans; real estate construction and land development loans; commercial real estate mortgage loans and residential real estate mortgage loans. Our lending strategy emphasizes quality and diversification. Throughout our organization, we employ a common credit underwriting policy. In addition to underwriting based on estimates and projection of financial strength, collateral values and future cash flows, most loans to borrowing entities other than individuals require the guarantee of the parent company or entity sponsor, or in the case of smaller entities, the personal guarantees of the principals.

Commercial, Financial and Agricultural. Our commercial, financial and agricultural loan portfolio was $600.7 million, or 21.2% of total loans held for portfolio, at December 31, 2013, compared to $610.3 million, or 21.3% of total loans held for portfolio, at December 31, 2012. During recent years, we have attempted to further diversify our loan portfolio by increasing our commercial, financial and agricultural lending opportunities. However, certain transactions associated with our Capital Plan during the last five years, including loan sale transactions and reclassifications of loans to discontinued operations, have reduced the percentage of commercial, financial and agricultural loans as a percentage of total loans. The primary component of commercial, financial and agricultural loans is commercial loans, which are made based on the borrowers' general credit strength and ability to generate cash flows for repayment from income sources. Most of these loans are made on a secured basis, generally involving the use of company equipment, inventory and/or accounts receivable, and, from time to time, real estate, as collateral. Regardless of collateral, substantial emphasis is placed on the borrowers' ability to generate cash flow sufficient to operate the business and provide coverage of debt servicing requirements. Commercial loans are frequently renewable annually, although some terms may be as long as five years. These loans typically require the borrower to satisfy certain operating covenants appropriate for the specific business, such as profitability, debt service coverage and current asset and leverage ratios, which are generally reported and monitored on a quarterly basis and subject to more detailed annual reviews. Commercial loans are made to customers primarily located in First Bank's geographic trade areas of California, Missouri and Illinois that are engaged in manufacturing, retailing, wholesaling and service businesses. This portfolio is not concentrated in large specific industry segments that are characterized by sufficient homogeneity that would result in significant concentrations of credit exposure. Rather, it is a highly diversified portfolio that encompasses many industry segments. Within both our real estate and commercial lending portfolios, we strive for the highest degree of diversity that is practicable. We also emphasize the development of other service relationships, particularly deposit accounts, with our commercial borrowers.

Real Estate Construction and Development. Our real estate construction and land development loan portfolio was $121.7 million, or 4.3% of total loans held for portfolio, at December 31, 2013, compared to $175.0 million, or 6.1% of total loans held for portfolio, at December 31, 2012. Real estate construction and land development loans include commitments for construction of both residential and commercial properties. Commercial real estate projects often require commitments for permanent financing from other lenders upon completion of the project and, more typically, may include a short-term amortizing component of the initial financing. Commitments for construction of multi-tenant commercial and retail projects

generally require lease commitments from a substantial primary tenant or tenants prior to commencement of construction. We typically engage in multi-phase, multi-tenant projects, as opposed to large vertical projects, that allow us to complete the financing for the projects in phases and limit the number of tenant building starts based upon successful lease and/or sale of the tenant units. We finance some projects for borrowers whose home office is located within our trade area but the particular project may be outside our normal trade area. Although we generally do not engage in developing commercial and residential construction lending business outside of our trade area, certain loans acquired in acquisitions from time to time and certain other loans have been related to projects outside of our trade area. Residential real estate construction and development loans are made based on the cost of land acquisition and

development, as well as the construction of the residential units. Although we finance the cost of display units and units held for sale, in most instances a substantial portion of the loans for individual residential units have purchase commitments prior to funding. Residential condominium projects are funded as the building construction progresses, but funding of unit finishing is generally based on firm sales contracts.

Commercial Real Estate. Our commercial real estate loan portfolio was $1.05 billion, or 37.0% of total loans held for portfolio, at December 31, 2013, compared to $969.7 million, or 33.9% of total loans held for portfolio, at December 31, 2012. Commercial real estate loans include loans for which the intended source of repayment is rental and other income from the real estate. This includes commercial real estate developed for lease to third parties as well as the owner's occupancy. The underwriting of owner-occupied commercial real estate loans generally follows the procedures for commercial lending described above, except that the collateral is real estate, and the loan term may be longer. The primary emphasis in underwriting loans for which the source of repayment is the performance of the collateral is the projected cash flow from the real estate and its adequacy to cover the operating costs of the project and the debt service requirements. Secondary emphasis is placed on the appraised value of the real estate, with the requirement that the appraised liquidation value of the collateral must be adequate to repay the debt and related interest in the event the cash flow becomes insufficient to service the debt. Generally, underwriting terms require the loan principal not to exceed 80% of the appraised value of the collateral and the loan maturity not to exceed ten years. Commercial real estate loans are made for commercial office space, retail properties, industrial and warehouse facilities and recreational properties. We typically only finance commercial real estate or rental properties that have lease commitments for a majority of the rentable space.

Residential Real Estate Mortgage. Our one-to-four-family residential real estate mortgage loan portfolio was $921.5 million, or 32.5% of total loans held for portfolio, at December 31, 2013, compared to $986.8 million, or 34.4% of total loans held for portfolio, at December 31, 2012. Residential real estate mortgage loans are primarily loans secured by single-family, owner-occupied properties. These loans include both adjustable rate and fixed rate mortgage loans. We typically originate residential real estate mortgage loans for sale in the secondary mortgage market in the form of a mortgage-backed security or to various private third-party investors, although from time-to-time, we may purchase and/or retain certain originated residential mortgage loans, including home equity loans, in our loan portfolio as directed by management's business strategies. Our residential real estate mortgage loans are generated through our branch office network as well as our mortgage division and are underwritten in accordance with conforming terms that allow the loans to be sold into the secondary market. We discontinued the origination of Alt A and Sub-prime mortgage loan products in 2007 and do not presently offer these loan products. Servicing rights may either be retained or released with respect to conventional, FHA and VA conforming fixed-rate and conventional adjustable rate residential mortgage loans.

Market Areas. As of December 31, 2013, First Bank's 130 banking facilities were located in California, Florida, Illinois and Missouri. First Bank presently operates in the St. Louis metropolitan area, in eastern Missouri and throughout southern Illinois. First Bank also operates in southern California, including San Diego and the greater Los Angeles metropolitan area, including Ventura County, Riverside County and Orange County; in Santa Barbara County; in northern California, including the greater San Francisco and Sacramento metropolitan areas; and in Florida's Bradenton, Palmetto and Longboat Key communities.

The following table lists the geographic market areas in which First Bank operates, total deposits, deposits as a percentage of total deposits and the number of locations as of December 31, 2013:

Geographic Area	Total Deposits (in millions)	Deposits as a Percentage of Total Deposits	Number of Locations
Southern California	$ 1,552.6	32.2%	37
St. Louis, Missouri metropolitan area	1,239.7	25.8	34
Southern Illinois	786.2	16.3	20
Northern California	718.2	14.9	19
Missouri (excluding the St. Louis metropolitan area)	360.6	7.5	12
Florida	156.5	3.3	8
Other	0.1	—	—
Total Deposits	$ 4,813.9	100.0%	130

Competition and Branch Banking. The activities in which First Bank engages are highly competitive. Those activities and the geographic markets served primarily involve competition with other banks, some of which are affiliated with large regional or national holding companies, and other financial services companies. Financial institutions compete based upon interest rates offered on deposit accounts and other credit and service charges, the types of products and quality of services rendered, the convenience of branch facilities, interest rates charged on loans and, in the case of loans to large commercial borrowers, relative lending limits.

Our principal competitors include other commercial banks, savings banks, savings and loan associations, and finance companies, including trust companies, credit unions, mortgage companies, leasing companies, private issuers of debt obligations and suppliers

of other investment alternatives, such as securities firms and financial holding companies. Many of our non-bank competitors are not subject to the same degree of regulation as that imposed on bank holding companies, federally insured banks and national or state chartered banks. As a result, such non-bank competitors have advantages over us in providing certain services. We also compete with major multi-bank holding companies, which are significantly larger than us and have greater access to capital and other resources.

Employees. We employed approximately 1,147 full-time equivalent employees at December 31, 2013. None of the employees are subject to a collective bargaining agreement. We consider our relationships with our employees to be good.

Supervision and Regulation.

General. Along with First Bank, we are extensively regulated by federal and state laws and regulations which are designed to protect depositors of First Bank and the safety and soundness of the U.S. banking system, not our debt holders or stockholders. To the extent this discussion refers to statutory or regulatory provisions, it is not intended to summarize all such provisions and is qualified in its entirety by reference to the relevant statutory and regulatory provisions. Changes in applicable laws, regulations or regulatory policies may have a material effect on our business and prospects. We are unable to predict the nature or extent of the effects on our business and earnings that new federal and state legislation or regulation may have. The enactment of the legislation described below has significantly affected the banking industry generally and is likely to have ongoing effects on First Bank and us in the future.

As a registered bank holding company under the Bank Holding Company Act of 1956, as amended, we are subject to regulation and supervision of the Board of Governors of the Federal Reserve System, or Federal Reserve. We file annual reports with the Federal Reserve and provide to the Federal Reserve additional information as it may require. Many of our subsidiaries are also subject to the laws and regulations of both the federal government and the various states in which they conduct business. As an originator of small business loans, we are also regulated by the U.S. Small Business Administration, or SBA.

Regulatory Agreements. On March 24, 2010, the Company, SFC and First Bank entered into a Written Agreement, or Agreement, with the FRB requiring the Company and First Bank to take certain steps intended to improve their overall financial condition. Pursuant to the Agreement, the Company prepared and filed with the FRB a number of specific plans designed to strengthen and/or address the following matters: (i) board oversight over the management and operations of the Company and First Bank; (ii) credit risk management practices; (iii) lending and credit administration policies and procedures; (iv) asset improvement; (v) capital; (vi) earnings and overall financial condition; and (vii) liquidity and funds management.

The Agreement requires, among other things, that the Company and First Bank obtain prior approval from the FRB in order to pay dividends. In addition, the Company must obtain prior approval from the FRB to: (i) take any other form of payment from First Bank representing a reduction in capital of First Bank; (ii) make any distributions of interest, principal or other sums on junior subordinated debentures or trust preferred securities; (iii) incur, increase or guarantee any debt; or (iv) purchase or redeem any shares of the Company’s stock. The FRB has complete discretion to grant any such approval and therefore, it is not known whether the FRB will approve any request. On January 31, 2014, the Company received regulatory approval from the FRB, subject to certain conditions, granting First Bank the authority to pay a dividend to the Company, and authority to the Company to utilize such funds, for the sole purpose of paying the accumulated deferred interest payments on the Company's outstanding junior subordinated debentures issued in connection with the Company's trust preferred securities.

Pursuant to the terms of the Agreement, the Company and First Bank submitted a written plan to the FRB to maintain sufficient capital at the Company, on a consolidated basis, and at First Bank, on a standalone basis. In addition, the Agreement also provides that the Company and First Bank must notify the FRB if the regulatory capital ratios of either entity fall below those set forth in the capital plans that were accepted by the FRB, and specifically if First Bank falls below the criteria for being well capitalized under the regulatory framework for prompt corrective action. The Company must also notify the FRB before appointing any new directors or senior executive officers or changing the responsibilities of any senior executive officer position. The Agreement also requires the Company and First Bank to comply with certain restrictions regarding indemnification and severance payments although First Bank has been notified, as of October 16, 2013, by the FRB that such

restrictions are no longer applicable to First Bank. The Agreement is specifically enforceable by the FRB in court.

The Company and First Bank must furnish periodic progress reports to the FRB regarding compliance with the Agreement. As of the date of this filing, the Company and First Bank have provided progress reports and other reports, as required under the Agreement. The Company and First Bank have received, and may receive in the future, additional requests from the FRB regarding compliance with the Agreement, which may include, but are not limited to, updates and modifications to the Company's Asset Quality Improvement, Profit Improvement and Capital Plans. Management has responded promptly to any such requests and intends to do so in the future. The Agreement will remain in effect until stayed, modified, terminated or suspended by the FRB.

Prior to entering into the Agreement on March 24, 2010, the Company and First Bank had entered into a memorandum of understanding and an informal agreement, respectively, with the FRB and the State of Missouri Division of Finance, or the MDOF.

Each of the agreements were characterized by regulatory authorities as informal actions that were neither published nor made publicly available by the agencies and are used when circumstances warrant a milder form of action than a formal supervisory action, such as a written agreement or cease and desist order. The memorandum of understanding with the FRB was replaced and superseded by the Agreement. The informal agreement with the MDOF, dated September 18, 2008, was terminated effective September 11, 2013.

While the Company and First Bank intend to take such actions as may be necessary to comply with the requirements of the Agreement with the FRB, there can be no assurance that the Company and First Bank will be able to comply fully with the requirements of the Agreement, that compliance with the Agreement will not be more time consuming or more expensive than anticipated, that compliance with the Agreement will enable the Company and First Bank to maintain profitable operations, or that efforts to comply with the Agreement will not have adverse effects on the operations and financial condition of the Company or First Bank. If the Company or First Bank is unable to comply with the terms of the Agreement, the Company and First Bank could become subject to various requirements limiting our ability to develop new business lines, mandating additional capital, and/or requiring the sale of certain assets and liabilities. Failure of the Company or First Bank to meet these conditions could lead to further enforcement action by the regulatory agencies. The terms of any such additional regulatory actions, orders or agreements could have a materially adverse effect on our business, financial condition or results of operations.

Bank Holding Company Regulation. The activities of bank holding companies are generally limited to the business of banking, managing or controlling banks, and other activities that the Federal Reserve has determined to be so closely related to banking or managing or controlling banks as to the proper incident thereto. In addition, under the Gramm-Leach-Bliley Act, or GLB Act, which was enacted in November 1999 and is further discussed below, a bank holding company, whose control depository institutions are “well-capitalized” and “well-managed” (as defined in Federal Banking Regulations), and which obtains “satisfactory” Community Reinvestment Act (discussed briefly below) ratings, may declare itself to be a “financial holding company” and engage in a broader range of activities. As of this date, we are not a “financial holding company.”

We are also subject to capital requirements applied on a consolidated basis, which are substantially similar to those required of First Bank (briefly summarized below). The Bank Holding Company Act also requires a bank holding company to obtain approval from the Federal Reserve before:

- Acquiring, directly or indirectly, ownership or control of any voting shares of another bank or bank holding company if, after such acquisition, it would own or control more than 5% of such shares (unless it already owns or controls a majority of such shares);
- Acquiring all or substantially all of the assets of another bank or bank holding company; or
- Merging or consolidating with another bank holding company.

The Federal Reserve will not approve any acquisition, merger or consolidation that would have a substantially anticompetitive result, unless the anti-competitive effects of the proposed transaction are clearly outweighed by a greater public interest in meeting the convenience and needs of the community to be served. The Federal Reserve also considers capital adequacy and other financial and managerial factors in reviewing acquisitions and mergers.

Safety and Soundness and Similar Regulations. We are subject to various regulations and regulatory policies directed at the financial soundness of First Bank. These include, but are not limited to: the Federal Reserve’s source of strength policy, which obligates a bank holding company such as us to provide financial and managerial strength to its subsidiary banks; restrictions on the nature and size of certain affiliate transactions between a bank holding company and its subsidiary depository institutions; and restrictions on extensions of credit by its subsidiary banks to executive officers, directors, principal stockholders and the related interests of such persons. In addition, pursuant to the Dodd-Frank Act, the longstanding source of strength policy has been given the force of law and additional regulations promulgated by the Federal Reserve to further implement the intent of the statutory provision are possible. As in the past, such financial support from the Company may be required at times when, without this legal requirement, the Company may not be inclined to provide it or may not be able to do so.

Regulatory Capital Standards and Basel III Regulatory Capital Reforms. The federal bank regulatory agencies have adopted substantially similar risk-based and leverage capital guidelines for banking organizations. Regulatory capital ratios are

determined by classifying assets and specified off-balance sheet obligations and financial instruments into weighted categories, with higher levels of capital being required for categories deemed to represent greater risk. Federal Reserve policy also provides that banking organizations generally, and particularly those that are experiencing internal growth or actively making acquisitions, are expected to maintain capital positions that are substantially above the minimum supervisory levels, without significant reliance on intangible assets.

Under the risk-based capital standard, the minimum consolidated ratio of total capital to risk-adjusted assets required for bank holding companies is 8% and the minimum consolidated ratio of Tier I capital (as described below) to risk-adjusted assets required for bank holding companies is 4%. At least one-half of the total capital must be composed of common equity, retained earnings,

qualifying noncumulative perpetual preferred stock, a limited amount of qualifying cumulative perpetual preferred stock and noncontrolling interests in the equity accounts of consolidated subsidiaries, less certain items such as goodwill and certain other intangible assets, which amount is referred to as "Tier I capital." The remainder may consist of qualifying hybrid capital instruments, perpetual debt, mandatory convertible debt securities, a limited amount of subordinated debt, preferred stock that does not qualify as Tier I capital and a limited amount of loan and lease loss reserves, which amount, together with Tier I capital, is referred to as "Total Risk-Based Capital."

In addition to the risk-based standards, we are subject to minimum requirements with respect to the ratio of our Tier I capital to our average assets less goodwill and certain other intangible assets, or the Leverage Ratio. Applicable requirements provide for a minimum Leverage Ratio of 3% for bank holding companies that have the highest supervisory rating, while all other bank holding companies must maintain a minimum Leverage Ratio of at least 4% to 5%.

As further described in Note 14 to our consolidated financial statements, First Bank was categorized as well capitalized at December 31, 2013 and 2012 under the prompt corrective action provisions of the regulatory capital standards. The Company was adequately capitalized under the regulatory capital standards established for bank holding companies by the Federal Reserve at December 31, 2013. The Company did not meet the minimum regulatory capital standards established for bank holding companies by the Federal Reserve at December 31, 2012.

The federal regulatory authorities' risk-based capital guidelines are based upon the 1988 capital accord (Basel I) of the Basel Committee on Banking Supervision, or the Basel Committee. The Basel Committee is a committee of central banks and bank supervisors/regulators from the major industrialized countries that develops broad policy guidelines for use by each country's supervisors in determining the supervisory policies and regulations to which they apply. Actions of the Basel Committee have no direct effect on banks in participating countries. In 2004, the Basel Committee published a new capital accord (Basel II) to replace Basel I. Basel II provides two approaches for setting capital standards for credit risk – an internal ratings-based approach tailored to individual institutions' circumstances and a standardized approach that bases risk weightings on external credit assessments to a much greater extent than permitted in existing risk-based capital guidelines. Basel II also sets capital requirements for operational risk and refines the existing capital requirements for market risk exposures. Basel II applies only to certain large or internationally active banking organizations, or "core banks," defined as those with consolidated total assets of $250 billion or more or consolidated on-balance sheet foreign exposures of $10 billion or more and, accordingly, currently does not apply to the Company.

In July, 2013, the Federal Reserve approved revisions to the capital adequacy guidelines and prompt corrective action rules that implement the revised standards of the Basel Committee on Banking Supervision, commonly called Basel III, and address relevant provisions of the Dodd-Frank Act. "Basel III" refers to two consultative documents released by the Basel Committee on Banking Supervision in December 2009, the rules text released in December 2010, and loss absorbency rules issued in January 2011, which include significant changes to bank capital, leverage and liquidity requirements.

The final rule, *Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Capital Adequacy, Transition Provisions, Prompt Corrective Action, Standardized Approach for Risk-weighted Assets, Market Discipline and Disclosure Requirements, Advanced Approaches Risk-Based Capital Rule, and Market Risk Capital Rule,* incorporates certain revisions to the Basel capital framework, including Basel III and other elements. The final rule increases risk-based capital requirements and makes selected changes to the calculation of risk-weighted assets. The final rule:

- Includes a new minimum common equity Tier 1 capital ratio of 4.5% of risk-weighted assets and raises the minimum Tier 1 capital ratio from 4.0% to 6.0% of risk-weighted assets;
- Requires institutions to maintain a capital conservation buffer composed of common equity Tier 1 capital of 2.5% above the minimum risk-based capital requirements in order to avoid limitations on capital distributions, including dividend payments, payments on our trust preferred securities and certain discretionary bonus payments to executive officers. The capital conservation buffer is measured relative to risk-weighted assets and will be phased in over a four-year period beginning on January 1, 2016 with an initial requirement of 0.625%, that subsequently increases to 1.25%, 1.875% and 2.5% on January 1, 2017, 2018 and 2019, respectively;
- Implements new constraints on the inclusion of minority interests, mortgage servicing assets, deferred tax assets and

certain investments in the capital of unconsolidated financial institutions in Tier 1 capital;

- Increases risk-weightings for past-due loans, certain commercial real estate loans and some equity exposures;
- Requires trust preferred securities and cumulative perpetual preferred stock to be phased out of Tier 1 capital for banks with assets greater than $15.0 billion as of December 31, 2009; and
- Allows non-advanced banking organizations, such as us, a one-time option to filter certain accumulated other comprehensive income components, such as unrealized gains and losses on available-for-sale investment securities, out of regulatory capital.

The calculation of Common Equity Tier 1 Capital is different from the calculation of common equity under U.S. generally accepted accounting principles, or GAAP. Most significantly for the Company, the Company's deferred tax assets, which are included in the calculation of common equity under GAAP, will be substantially phased out over time from the required calculation of Common Equity Tier 1 Capital for regulatory purposes. The deferred tax assets are scheduled to be substantially phased out from inclusion in the calculation of Common Equity Tier 1 Capital in 2018. Absent a substantial increase in qualifying common equity, the Company is not likely to meet the common equity Tier 1 requirement as it will be calculated in 2015, or to meet the common equity Tier 1 level as it will be calculated in 2016 when the capital conservation buffer goes into effect. The inability to remain adequately capitalized under the new Basel III capital requirements could materially adversely impact our financial condition, results of operations, ability to grow, and ability to make dividend payments and interest payments on capital stock and trust preferred securities. We are in the process of more fully evaluating the impact the final Basel III capital rules may have on our regulatory capital levels and capital planning strategies.

Prompt Corrective Action. The FDIC Improvement Act, or FDICIA, requires the federal bank regulatory agencies to take prompt corrective action in respect to depository institutions that do not meet minimum capital requirements. A depository institution's status under the prompt corrective action provisions depends upon how its capital levels compare to various relevant capital measures and other factors as established by regulation.

The federal regulatory agencies have adopted regulations establishing relevant capital measures and relevant capital levels. Under the current regulations effective until revised under Basel III, as discussed above, a bank will be:

- "Well capitalized" if it has a total risk-based capital ratio of 10% or greater, a Tier I capital ratio of 6% or greater and a Leverage Ratio of 5% or greater and is not subject to any order or written directive by any such regulatory authority to meet and maintain a specific capital level for any capital measure;
- "Adequately capitalized" if it has a total risk-based capital ratio of 8% or greater, a Tier I capital ratio of 4% or greater and a Leverage Ratio of 4% or greater (3% in certain circumstances);
- "Undercapitalized" if it has a total risk-based capital ratio of less than 8%, a Tier I capital ratio of less than 4% or a Leverage Ratio of less than 4% (3% in certain circumstances);
- "Significantly undercapitalized" if it has a total risk-based capital ratio of less than 6%, a Tier I capital ratio of less than 3% or a Leverage Ratio of less than 3%; and
- "Critically undercapitalized" if its tangible equity is equal to or less than 2% of its average quarterly tangible assets.

Under certain circumstances, a depository institution's primary federal regulatory agency may use its authority to lower the institution's capital category. The banking agencies are permitted to establish individual minimum capital requirements exceeding the general requirements described above. See further discussion above under "—Regulatory Agreements." Generally, failing to maintain the status of "well capitalized" or "adequately capitalized" subjects a bank to restrictions and limitations on its business that become progressively more severe as the capital levels decrease.

A bank is prohibited from making any capital distribution (including payment of a dividend) or paying any management fee to its holding company if the bank would thereafter be "undercapitalized." Limitations exist for "undercapitalized" depository institutions regarding, among other things, asset growth, acquisitions, branching, new lines of business, acceptance of brokered deposits and borrowings from the Federal Reserve System. These institutions are also required to submit a capital restoration plan that includes a guarantee from the institution's holding company. "Significantly undercapitalized" depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become "adequately capitalized," requirements to reduce total assets and cessation of receipt of deposits from correspondent banks. The appointment of a receiver or conservator may be required for "critically undercapitalized" institutions.

Dividends. Our primary source of funds is the dividends, if any, paid by First Bank. The ability of First Bank to pay dividends is limited by federal laws, by regulations promulgated by the bank regulatory agencies and by principles of prudent bank management. The dividend limitations are further described in Note 22 to our consolidated financial statements appearing elsewhere in this report. In addition, First Bank has agreed that it will not declare or pay any dividends or make certain other payments to us without the prior consent of the FRB, as previously discussed under "—Regulatory Agreements."

Federal Deposit Insurance Reform. The FDIC maintains the Deposit Insurance Fund, or the DIF, which was created in 2006.

The deposit accounts of First Bank are insured by the DIF to the maximum amount provided by law. This insurance is backed by the full faith and credit of the United States Government. As insurer, the FDIC is authorized to conduct examinations of and to require reporting by DIF-insured institutions. It also may prohibit any DIF-insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious threat to the DIF. The FDIC also has the authority to take enforcement actions against insured institutions. Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged or is engaging in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC or written agreement entered into with the FDIC. We do not know of any practice, condition or violation that might lead to termination of our deposit insurance.

The FDIC imposes assessments for deposit insurance on an insured institution on a quarterly basis. The Dodd-Frank Act (as defined and further described below) required the FDIC to establish rules setting insurance premium assessments based on an institution's total assets minus its tangible equity instead of its deposits. These rules were finalized on February 7, 2011 and set base assessment rates for institutions in Risk Categories II, III and IV at annual rates of 14, 23 and 35 basis points, respectively. The base assessment rate for a Risk Category I institution was set at a range of five to nine basis points. These initial base assessment rates are adjusted to determine an institution's final assessment rate based on its brokered deposits and unsecured debt. Total base assessment rates after adjustments range from 2.5 to nine basis points for Risk Category I, nine to 24 basis points for Risk Category II, 18 to 33 basis points for Risk Category III, and 30 to 45 basis points for Risk Category IV.

In addition, all institutions with deposits insured by the FDIC are required to pay assessments to fund interest payments on bonds issued by the Financing Corporation, a mixed-ownership government corporation established to recapitalize a predecessor to the DIF. These assessments will continue until the Financing Corporation bonds mature in 2019.

Pursuant to the Dodd-Frank Act, the FDIC has established 2.0% as the designated reserve ratio, or DRR, that is, the ratio of the DIF to insured deposits. The FDIC has adopted a plan under which it will meet the statutory minimum DRR of 1.35% by September 30, 2020, the deadline imposed by the Dodd-Frank Act.

Customer Protection. First Bank is also subject to consumer laws and regulations intended to protect consumers in transactions with depository institutions, as well as other laws or regulations affecting customers of financial institutions generally. These laws and regulations mandate various disclosure requirements and substantively regulate the manner in which financial institutions must deal with their customers. First Bank must comply with numerous regulations in this regard and is subject to periodic examinations with respect to its compliance with the requirements.

Community Reinvestment Act. The Community Reinvestment Act of 1977, or CRA, requires that, in connection with examinations of financial institutions within their jurisdiction, the federal banking regulators evaluate the record of the financial institutions in meeting the credit needs of their local communities, including low and moderate income neighborhoods, consistent with the safe and sound operation of those financial institutions. These factors are also considered in evaluating mergers, acquisitions and other applications to expand.

The Gramm-Leach-Bliley Act. The GLB Act, enacted in 1999, amended and repealed portions of the Glass-Steagall Act and other federal laws restricting the ability of bank holding companies, securities firms and insurance companies to affiliate with each other and to enter new lines of business. The GLB Act established a comprehensive framework to permit financial companies to expand their activities, including through such affiliations, and to modify the federal regulatory structure governing some financial services activities. The GLB Act also adopted consumer privacy safeguards requiring financial services providers to disclose their policies regarding the privacy of customer information to their customers and, subject to some exceptions, allowing customers to "opt out" of policies permitting such companies to disclose confidential financial information to non-affiliated third parties.

The Sarbanes-Oxley Act. The Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley, imposes a myriad of corporate governance and accounting measures designed to increase corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies, and to protect investors by improving the accuracy and reliability of disclosures under securities laws. All public companies that file periodic reports with the SEC are affected by Sarbanes-Oxley. Sarbanes-Oxley addresses, among other matters: (i) the creation of an independent accounting oversight board to oversee the audit of public companies and auditors who perform such audits; (ii) auditor independence provisions which restrict non-audit services that independent accountants may provide to their audit clients; (iii) additional corporate governance and responsibility measures which require the chief executive officer and chief financial officer to certify financial statements, to forfeit salary and bonuses in certain situations, and protect whistleblowers and informants; (iv) expansion of the audit committee's authority and responsibility by requiring that the audit committee have direct control of the outside auditor, be able to hire and fire the auditor, and approve all non-audit services; (v) requirements that audit committee members be independent; (vi) disclosure of a code of ethics; and (vii) enhanced penalties for fraud and other violations. The provisions of Sarbanes-Oxley also require that management assess the effectiveness of internal control over financial reporting and that the independent auditor issue an attestation report on management's report on internal control over financial reporting. As we are a

non-accelerated filer, management's report on internal control over financial reporting was not subject to attestation by the Company's Independent Registered Public Accounting Firm as of December 31, 2013, as further discussed under "Item 9A — Controls and Procedures."

The USA Patriot Act. The USA Patriot Act, or Patriot Act, is intended to strengthen the ability of U.S. law enforcement agencies and the intelligence communities to work cohesively to combat terrorism on a variety of fronts. The impact of the Patriot Act on financial institutions is significant and wide ranging. The Patriot Act contains sweeping anti-money laundering and financial transparency laws and imposes various regulations, including standards for verifying client identification at account opening, and rules to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism or money laundering.

Reserve Requirements; Federal Reserve System and Federal Home Loan Bank System. First Bank is a member of the Federal Reserve System and the Federal Home Loan Bank System. As a member, First Bank is required to hold investments in those systems. First Bank was in compliance with these requirements at December 31, 2013, as further described in Note 1 to our consolidated financial statements.

The Federal Reserve requires all depository institutions to maintain reserves against their transaction accounts and non-personal time deposits. The balances maintained to meet the reserve requirements imposed by the Federal Reserve may be used to satisfy liquidity requirements.

First Bank has established a borrowing relationship with the FRB, which is primarily secured by commercial loans, and provides an additional liquidity facility that may be utilized for contingency purposes. First Bank also has established a borrowing relationship with the FHLB of Des Moines. The borrowing relationship is secured by one-to-four-family residential, multi-family residential and commercial real estate loans. First Bank requests advances and/or repays advances from the FHLB based on its current and future projected liquidity needs. See further discussion under "Management's Discussion and Analysis of Financial Condition and Results of Operations —Liquidity Management."

Monetary Policy and Economic Control. The commercial banking business is affected by legislation, regulatory policies and general economic conditions as well as the monetary policies of the Federal Reserve. The instruments of monetary policy available to the Federal Reserve include the following: (i) changes in the discount rate on member bank borrowings and the targeted federal funds rate; (ii) the availability of credit at the discount window; (iii) open market operations; (iv) the imposition of and changes in reserve requirements against deposits of domestic banks; (v) the imposition of and changes in reserve requirements against deposits and assets of foreign branches; and (vi) the imposition of and changes in reserve requirements against certain borrowings by banks and their affiliates.

These monetary policies are used in varying combinations to influence overall growth and distributions of bank loans, investments and deposits, and this use may affect interest rates charged on loans or paid on liabilities. The monetary policies of the Federal Reserve have had a significant effect on the operating results of commercial banks and are expected to do so in the future. Such policies are influenced by various factors, including inflation, unemployment, and short-term and long-term changes in the international trade balance and in the fiscal policies of the U.S. Government. We cannot predict the effect that changes in monetary policy or in the discount rate on member bank borrowings will have on our future business and earnings or those of First Bank.

United States Securities and Exchange Commission. We are also under the jurisdiction of the SEC and certain state securities commissions for matters relating to the offering and sale of our securities. We are subject to disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, as administered by the SEC. The securities issued by one of our affiliated trusts are registered under the Securities Exchange Act of 1934 and are listed on the NYSE under the trading symbol "FBSPrA," and therefore, we are subject to certain rules and regulations of the NYSE.

United States Department of the Treasury. As further described above under "Item 1 —Business – Capital Structure," on December 31, 2008, we completed the sale to the U.S. Treasury of $295.4 million of newly-issued non-voting preferred stock as part of the CPP. The U.S. Treasury had certain supervisory and oversight duties and responsibilities under the CPP. Although the U.S. Treasury completed two auctions in the third quarter of 2013 that resulted in the sale of our Class C Preferred Stock and Class D Preferred Stock to unaffiliated third party investors, the Company remains subject to certain reporting requirements prescribed by the U.S. Treasury applicable to the period of 2013 prior to such sale.

SIGTARP. The Special Inspector General for the Troubled Asset Relief Program, or SIGTARP, was established pursuant to Section 121 of the Emergency Economic Stabilization Act of 2008, or EESA, and has the duty, among other things, to conduct, supervise, and coordinate audits and investigations of the purchase, management and sale of assets by the U.S. Treasury under the CPP.

Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") made extensive changes in the regulation of financial institutions and their

holding companies. The Dodd-Frank Act created a Consumer Financial Protection Bureau as an independent bureau of the Federal Reserve Board. The Consumer Financial Protection Bureau assumed responsibility for the implementation of the federal financial consumer protection and fair lending laws and regulations, a function currently assigned to primary regulators, and has authority to impose new requirements. However, institutions of less than $10 billion in assets, such as First Bank, will continue to be examined for compliance with consumer protection and fair lending laws and regulations by, and be subject to the enforcement authority of, their primary regulator. Many aspects of the Dodd-Frank Act are subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall impact on the operations and financial condition of the Company.

On December 10, 2013, the federal regulators adopted final regulations to implement the proprietary trading and private fund prohibitions of the Volcker Rule under the Dodd-Frank Act. Under the final regulations, which will become effective on April 1, 2014, banking entities are generally prohibited, subject to significant exceptions from: (i) short-term proprietary trading as principal in securities and other financial instruments, and (ii) sponsoring or acquiring or retaining an ownership interest in private equity

and hedge funds. The Federal Reserve has granted an extension for compliance with the Volcker Rule until July 21, 2015. The Company does not believe it will be significantly affected by the Volcker Rule provisions, and does not believe it has any investments, at December 31, 2013, that are subject to the divestiture provisions of the Volcker Rule.

CPP Related Compensation and Corporate Governance Requirements. The EESA was signed into law in October 2008 and authorized the U.S. Treasury to provide funds to be used to restore liquidity and stability to the U.S. financial system pursuant to the CPP. Under the authority of EESA, the U.S. Treasury instituted the TARP Capital Purchase Program to encourage U.S. financial institutions to build capital to increase the flow of financing to U.S. businesses and consumers and to support the U.S. economy. As noted above, on December 31, 2008, we participated in this program by issuing 295,400 shares of the Company's Class C Preferred Stock to the U.S. Treasury for a purchase price of $295.4 million in cash and a Warrant to acquire up to 14,784.78478 shares of Class D Preferred Stock at an exercise price of $1.00 per share.

In addition to the restrictions on the Company's ability to pay dividends on and repurchase its stock, participation in the CPP also included certain requirements and restrictions regarding compensation that were expanded significantly by the American Recovery and Reinvestment Act of 2009, or ARRA, as implemented by U.S. Treasury's Interim Final Rule on TARP Standards for Compensation and Corporate Governance. These requirements and restrictions included, among others, the following: (i) a prohibition on paying or accruing bonuses, retention awards and incentive compensation, other than qualifying long-term restricted stock or pursuant to certain preexisting employment contracts, to the Company's five most highly-compensated employees; (ii) a general prohibition on providing severance benefits, or other benefits due to a change in control of the Company, to the Company's senior executive officers ("SEOs") and next five most highly compensated employees; (iii) a requirement to make subject to clawback any bonus, retention award, or incentive compensation paid to any of the SEOs and any of the next 20 most highly compensated employees if such compensation was based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria; (iv) a requirement to establish a policy on luxury or excessive expenditures; (v) a requirement to annually provide shareholders with a non-binding advisory "say on pay" vote on executive compensation; (vi) a prohibition on deducting more than $500,000 in annual compensation, including performance-based compensation, to the executives covered under Internal Revenue Code Section 162(m); (vii) a requirement that the compensation committee of the board of directors evaluate and review on a semi-annual basis the risks involved in employee compensation plans; and (viii) a prohibition on providing tax "gross-ups" to the Company's SEOs and the next 20 most highly compensated employees. These requirements and restrictions ceased upon the completion of the U.S. Treasury's auctions that resulted in the sale of our Class C Preferred Stock and Class D Preferred Stock to unaffiliated third party investors.

Incentive Compensation. In October 2009, the Federal Reserve issued a comprehensive proposal on incentive compensation policies, or the Incentive Compensation Proposal, intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The Incentive Compensation Proposal, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk management, and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors.

The scope and content of the U.S. banking regulators' policies on executive compensation are continuing to develop and are likely to continue evolving in the near future. It cannot be determined at this time whether compliance with such policies will adversely affect our ability to hire, retain and motivate our key employees. See further discussion under Item 11 — Executive Compensation.

Other Future Legislation and Changes in Regulations. In addition to the specific proposals described above, from time to time, various legislative and regulatory initiatives are introduced in Congress and state legislatures, as well as by regulatory agencies. Such initiatives may include proposals to expand or contract the powers of bank holding companies and depository institutions or proposals to substantially change the financial institution regulatory system. Such legislation could change banking statutes and the operating environment of the Company in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. The Company cannot predict whether any such legislation will be enacted, and, if enacted, the effect that it, or any implementing regulations, would have on

the financial condition or results of operations of the Company. A change in statutes, regulations or regulatory policies applicable to us or any of our subsidiaries could have a material effect on the Company's business, financial condition or results of operations.

Item 1A. Risk Factors

Readers of our Annual Report on Form 10-K should consider the risk factors described below in conjunction with the other information included in this Annual Report on Form 10-K, including Management's Discussion and Analysis of Financial Condition and Results of Operations, our Selected Financial Data, our consolidated financial statements and the related notes thereto, and the financial and other data contained elsewhere in this report. See also "Special Note Regarding Forward-Looking Statements and Factors that Could Affect Future Results" appearing at the beginning of this report. The order of the risk factors described below is not indicative of likelihood or significance.

Our results of operations, financial condition and business may be materially, adversely affected if we fail to successfully implement our Capital Plan. Our Capital Plan contemplates a number of different strategies intended to reduce our costs, increase our regulatory capital ratios and enable us to withstand and better respond to continuing adverse market conditions. There can be no assurance, however, that we will be able to successfully implement each or every component of our Capital Plan in a timely manner or at all, and a number of events and conditions must occur in order for the plan to achieve its intended effect. If we are not able to successfully complete our Capital Plan, we could be materially adversely impacted and our ability to withstand adverse economic conditions could be materially threatened.

We could be compelled to seek additional capital in the future, but capital may not be available when it is needed or on acceptable terms. Our holding company, First Banks, was adequately capitalized at December 31, 2013. Failure to continue to meet minimum capital requirements can initiate certain actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Our ability to raise additional capital in the future, if deemed necessary, will depend on conditions in the capital markets, economic conditions and a number of other factors, many of which are outside of our control, and on our financial performance. Accordingly, we cannot be assured of our ability to raise additional capital or on terms acceptable to us. If we determine it is necessary to raise additional capital and are unable to do so, on terms satisfactory to us, our financial condition, results of operations, business prospects and our regulatory capital ratios and those of First Bank may be materially and adversely affected. We may also be subjected to increased regulatory supervision, which could result in the imposition of additional regulatory restrictions on our operations and/or regulatory enforcement actions and could also potentially limit our future growth opportunities. These restrictions could negatively impact our ability to manage or expand our operations in a manner that we may deem beneficial to our stockholders and could result in significant increases in our operating expenses or decreases in our revenues.

The final Basel III capital rules may materially adversely affect our capital adequacy and the costs of conducting business. The Federal Reserve adopted a final rule in July, 2013 that will substantially amend the regulatory risk-based capital rules applicable to the Company and First Bank, including significant changes to holding company and bank capital requirements, as further described in "Item 1 —Business – Supervision and Regulation – Regulatory Capital Standards and Basel III Regulatory Capital Reforms." The final rule includes new risk-based capital and leverage ratios, which are to be phased in from 2015 to 2019, and introduces a new common equity Tier 1 ratio.

The Company's common equity calculated under U.S. generally accepted accounting principles is likely to diverge from the Company's Common Equity Tier 1 Capital as calculated for regulatory purposes. As further described under "Item 1. Business —Supervision and Regulation – Regulatory Capital Standards and Basel III Regulatory Capital Reforms," the Federal Reserve, in July, 2013, promulgated regulations that will impose a new common equity Tier 1 requirement that will apply to the Company beginning on January 1, 2015. The inability to remain adequately capitalized under the new Basel III capital requirements could materially adversely impact our financial condition, results of operations, ability to grow, and ability to make dividend payments and interest payments on capital stock and trust preferred securities.

The Company, SFC and First Bank entered into an Agreement with the Federal Reserve Bank of St. Louis. As further described under "Item 1. Business —Supervision and Regulation – Regulatory Agreements," the Company, SFC and First Bank entered into an Agreement with the FRB on March 24, 2010. Although we cannot predict the ramifications that would result from the failure to comply with each of the provisions of the Agreement, the failure to comply could have a material adverse effect on our business, financial condition, results of operations and cash flows. Furthermore, under the Agreement, the Company, SFC and First Bank must receive approval from the FRB prior to paying any dividends on capital stock or making any interest payments on the Company's outstanding junior subordinated debentures, which represent the source of distributions to holders of trust preferred securities. The Company is unable to predict whether or when the FRB will grant

approval to the Company to make any future dividend or interest payments.

We are subject to extensive government regulation and supervision. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking system as a whole, not security holders. These regulations affect our lending practices, capital structure, investment practices, dividend policy and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. The Dodd-Frank Act instituted major changes to the banking and financial institutions regulatory regimes in light of the ongoing performance of and government intervention in the financial services sector. Other changes to statutes, regulations or regulatory policies, including changes in

interpretation or implementation of statutes, regulations or policies, could affect us in substantial and unpredictable ways. Such changes could subject us to additional costs, limit the types of financial services and products we may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things. Failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies, civil money penalties and/or reputation damage, which could have a material adverse effect on our business, financial condition and results of operations. For a further discussion of these matters, see "Item 1. Business —Supervision and Regulation."

It is possible that the Company may have to establish a valuation allowance against its net deferred tax assets, which could negatively affect the Company's ability to utilize its deferred tax assets in the future. As further discussed in Note 17 to the consolidated financial statements, in the fourth quarter of 2013, the Company reversed substantially all of its existing valuation allowance against its net deferred tax assets. Deferred tax assets represent the tax effect of the difference between the book and tax basis of the Company's assets and liabilities and are assessed periodically by management to determine if they are realizable. Factors in management's determination of whether the deferred tax assets are realizable include the Company's performance, including the ability to generate taxable net income. If, based on available information, it is more likely than not that the deferred tax assets will not be realized in any subsequent period, then a valuation allowance must be established with a corresponding charge to income tax expense. Consequently, although the Company reversed substantially all of its valuation allowance against its net deferred tax assets in the fourth quarter of 2013, future facts and circumstances may require the Company to establish a valuation allowance. Charges to establish a valuation allowance with respect to the Company's deferred tax assets could have a material adverse effect on its financial condition and results of operations.

The Company and its subsidiaries may not be able to realize the benefit of the remaining deferred tax assets. The Company records deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled. The deferred tax assets can be recognized in future periods dependent upon a number of factors, including the ability to realize the asset through carrybacks or carryforwards to taxable income in prior or future years, the future reversal of existing taxable temporary differences, future taxable income, and the possible application of future tax planning strategies. While substantially all of the Company's previously recorded valuation allowance against its net deferred tax assets was recovered in 2013, the remaining deferred tax assets may not be recoverable which could result in an adverse impact on the Company's financial condition and results of operations.

Changes in economic conditions could negatively and materially impact our business. Our business is directly affected by factors such as economic, political and market conditions, broad trends in industry and finance, legislative and regulatory changes, changes in government monetary and fiscal policies and inflation, all of which are beyond our control. A continued deterioration in economic conditions or lack of improvement in economic conditions may result in adverse consequences such as the following, any of which could negatively and materially impact or continue to negatively and materially impact our business:

- Loan delinquencies may increase or remain at elevated levels;
- Problem assets and foreclosures may increase or remain at elevated levels;
- High unemployment may continue;
- Demand for our products and services may decline;
- Low cost or noninterest bearing deposits may decrease; and
- Collateral pledged to us by our customers for loans made by us, especially residential and commercial real estate property, may decline or continue to decline in value, in turn reducing our customers' borrowing power, and thereby reducing the value of the underlying assets and collateral associated with our existing loans.

Our emphasis on commercial real estate lending and real estate construction and development lending has increased our credit risk. A substantial portion of our loans are secured by commercial real estate. Commercial real estate and real estate construction and development loans were $1.05 billion and $121.7 million, respectively, at December 31, 2013, representing 37.0% and 4.3%, respectively, of our total loans held for portfolio. As discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations —Loans and Allowance for Loan Losses," we have experienced high levels of nonperforming loans within our real estate construction and development portfolio and commercial real estate portfolio, reflective of declining market conditions surrounding land acquisition and development loans as a result of increased

developer inventories, slower lot and home sales, and declining market values. Adverse developments affecting real estate in one or more of our markets could further increase the credit risk associated with our loan portfolio.

Weakness in the real estate market has adversely affected us and may continue to do so. As discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations —Loans and Allowance for Loan Losses," we have experienced deterioration within our residential real estate mortgage loan portfolio beginning in early 2007, primarily in our Alt A and sub-prime loan portfolios. Our one-to-four-family residential real estate mortgage loans were $921.5 million at December

31, 2013, representing 32.5% of our total loans held for portfolio. The effects of ongoing mortgage market challenges could result in price reductions in single family home values, adversely affecting the value of collateral securing mortgage loans held, mortgage loan originations and gains recognized on the sale of mortgage loans. In the event our allowance for loan losses is insufficient to cover such losses, our financial condition and results of operations may be adversely affected.

Our allowance for loan losses may not be sufficient to cover our actual loan losses, which could adversely affect our results of operations or financial condition. As a lender, we are exposed to the risk that our loan customers may not repay their loans according to their contractual terms and that the collateral securing the payment of these loans may be insufficient to assure repayment in full. We have experienced, and may continue to experience, significant loan losses, which could continue to have a material adverse effect on our results of operations. Management makes various assumptions and judgments about the collectability of our loan portfolio, which are based in part on:

- Current economic conditions and their estimated effects on specific borrowers;
- An evaluation of the existing relationships among loans, potential loan losses and the present level of the allowance for loan losses;
- Management's internal review of the loan portfolio, including existing compliance with established policies and procedures; and
- Results of examinations of our loan portfolio by regulatory agencies.

We maintain an allowance for loan losses, which is a reserve established through a provision for loan losses charged to expense, that represents management's best estimate of probable incurred loan losses inherent in our loan portfolio. Additional loan losses will likely continue to occur in the future and may occur at a rate greater than we have experienced historically. In determining the amount of the allowance for loan losses, we rely on an analysis of our loan portfolio, experience, and evaluation of general economic, political and regulatory conditions, industry and geographic concentrations, and certain other factors. The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and judgment and requires us to make significant estimates of current credit risk and future trends, all of which may undergo material changes. If our assumptions and analysis prove to be incorrect, our current allowance for loan losses may not be sufficient. In addition, adjustments may be necessary to allow for unexpected volatility or deterioration in the local or national economy or other factors such as changes in interest rates that may be beyond our control. In addition, federal and state regulators periodically review our allowance for loan losses and may require us to increase our provision for loan losses or recognize further loan charge-offs, based on judgments different than those of management. Any increase in our allowance for loan losses or loan charge-offs could have a material adverse effect on our results of operations.

Our nonperforming loans also impact the sufficiency of our allowance for loan losses. Nonperforming loans totaled $53.0 million as of December 31, 2013. In addition to those loans currently identified and classified as nonperforming loans, management is aware that other possible credit problems may exist with certain borrowers. These include loans that are migrating from grades with lower risks of loss probabilities into grades with higher risks of loss probabilities as performance and potential repayment issues surface. We monitor these loans and adjust the loss rates in our allowance for loan losses accordingly. The most severe of these loans are credits that are classified as substandard loans due to either less than satisfactory performance history, lack of borrower's paying capacity, or potentially inadequate collateral. Substandard, or potential problem loans, totaled $105.0 million at December 31, 2013. We also make concessions to modify the contractual terms of certain loans when the borrower is experiencing financial difficulty. These modifications are generally made to either prevent a loan from being placed on nonaccrual status or to return a nonaccrual loan to performing status based on the expectations that the borrower can adequately perform in accordance with the modified terms. These loans are classified as performing troubled debt restructurings and totaled $110.6 million at December 31, 2013.

We are subject to credit quality risks and our credit policies may not be sufficient to avoid losses. We are subject to the risk of losses resulting from the failure of borrowers, guarantors and related parties to pay interest and principal amounts on their loans. Our credit policies and credit underwriting and monitoring and collection procedures may not prevent losses, particularly during periods in which the local, regional or national economy suffers a general decline. If borrowers fail to repay their loans according to the contractual terms of the loans, our financial condition and results of operations will be adversely affected.

The overall level of our nonperforming assets and potential problem loans has elevated our noninterest expense levels. Our

nonperforming assets were $119.7 million and $201.9 million at December 31, 2013 and 2012, respectively. We have incurred, and expect to incur for the foreseeable future, higher-than-historical expenses associated with collection and foreclosure related matters on loans and taxes, insurance, property preservation and other collection matters on other real estate properties. In addition, we recorded write-downs on other real estate properties of $2.4 million, $14.5 million and $16.9 million for the years ended December 31, 2013, 2012 and 2011, respectively. If the overall level of our nonperforming assets does not decrease or increases in the future, these expense levels will continue to have a material adverse affect on our financial condition and results of operations.

Mortgage loan repurchase obligations or claims from third parties could result in material losses. We have sold significant amounts of residential mortgage loans directly to government-sponsored enterprises, Fannie Mae (FNMA) and Freddie Mac (FHLMC) (collectively, the GSEs), and to investors other than GSEs as whole loans. In connection with these sales, we make or have made various representations and warranties, breaches of which may result in a requirement that we repurchase the mortgage loans, or otherwise make whole or provide other remedies to the counterparties. We have recorded an estimated liability related to possible mortgage repurchase losses of $2.5 million as of December 31, 2013. Our estimated liability for possible loss is based on then-currently available information and is dependent on various factors, including our historical claims and settlement experience, projections of future defaults, and significant judgment and assumptions that are subject to change. As such, the future possible loss related to our representations and warranties may materially change in the future based on factors beyond our control or if actual experiences are different from our assumptions, including, without limitation, estimated repurchase rates, economic conditions, estimated home prices, consumer and counterparty behavior, and a variety of other judgmental factors. Adverse developments with respect to one or more of the assumptions underlying the estimated liability and the corresponding estimated range of possible loss could result in significant increases to future provisions and/or the estimated range of possible loss. If future representations and warranties losses occur in excess of our recorded liability and estimated range of possible loss, such losses could have a material adverse effect on our cash flows, financial condition and results of operations.

Liquidity risk could impair our ability to fund operations and jeopardize our financial condition. Liquidity is essential to our business. An inability to raise funds through traditional deposits, brokered deposits, borrowings, the sale of securities or loans and other sources could have a substantial negative effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities and on terms which are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy in general. Factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity as a result of a downturn in the markets in which our loans are concentrated or adverse regulatory action against us. Our ability to borrow could also be impaired by factors that are not specific to us, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial services industry in light of the recent and ongoing turmoil faced by banking organizations and the continued deterioration and instability in credit markets.

We rely on commercial and retail deposits, advances from the FHLB of Des Moines and other borrowings to fund our operations. Although we have historically been able to replace maturing deposits and advances as necessary, we might not be able to replace such funds in the future if, among other things, our results of operations or financial condition or the results of operations or financial condition of the FHLB of Des Moines or overall market conditions were to change.

There can be no assurance these sources of funds will be adequate for our liquidity needs and we may be compelled to seek additional sources of financing in the future. Likewise, we may seek additional debt in the future to achieve our business objectives. There can be no assurance additional borrowings, if sought, would be available to us or, if available, would be on terms acceptable to us. The ability of banks and holding companies to raise capital or borrow in the debt markets has been negatively affected by recent and ongoing adverse economic trends. If additional financing sources are unavailable or not available on reasonable terms, our financial condition, results of operations and future prospects could be materially adversely affected.

We actively monitor the depository institutions that hold our cash operating account balances. It is possible that access to our cash equivalents will be impacted by adverse conditions in the financial markets. Our emphasis is primarily on safety of principal and we seek to diversify our cash balances among counterparties to minimize exposure to any one of these entities. The financial statements and other relevant data of the counterparties are routinely reviewed as part of our asset/liability management process. Balances in our accounts with financial institutions in the U.S. may exceed the FDIC insurance limits. While we monitor and adjust the balances in our accounts as appropriate, these balances could be impacted if the financial institutions fail and could be subject to other adverse conditions in the financial markets. At December 31, 2013, our cash and cash equivalents totaled $190.4 million, of which $62.5 million was maintained in our cash operating account at the FRB.

We rely on dividends from our subsidiaries for most of our revenue. The Company is a separate and distinct legal entity from its subsidiaries. We receive substantially all of our revenue from dividends from our subsidiaries. These dividends are the principal source of funds to pay dividends on our preferred stock and interest and principal on our debt. Various federal and/or

state laws and regulations limit the amount of dividends that First Bank and certain nonbank subsidiaries may pay to the Company. In the event First Bank is unable to pay future dividends, we may not be able to service our debt (including our junior subordinated debentures issued in connection with the issuance of our outstanding trust preferred securities), pay obligations or pay dividends on our preferred stock. The inability to receive dividends from First Bank could have a material adverse effect on our business, financial condition and results of operations. As further described under "Item 1. Business — Supervision and Regulation," First Bank has agreed not to declare or pay any dividends without the prior consent of the FRB. We are unable to predict whether or when the FRB will grant such consent in the future.

Our ability to pay interest or meet dividend obligations on our junior subordinated debentures and our Class C Preferred Stock and Class D Preferred Stock, and our ability to redeem such securities, could be hindered by the completed initiatives associated with our Capital Plan. As further described under "Item 1. Recent Developments and Other Matters —Capital Plan," we have

completed a number of initiatives associated with our Capital Plan, including sales of branch offices, sales of certain loans, sales of nonbank subsidiaries and reductions in our risk-weighted assets. While these transactions were considered necessary by the Company to improve our regulatory capital ratios and preserve our regulatory capital in the short-term, these transactions have also decreased our sources of revenue and could hinder the probability and timing of future repayment of these obligations.

The Company may be adversely affected by the soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks, and other institutional clients. Many of these transactions expose us to credit risk in the event of a default by a counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due to us. Any such losses could have a material adverse affect on our financial condition and results of operations.

Markets have experienced, and may continue to experience, periods of high volatility accompanied by reduced liquidity. Financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. Under these extreme conditions, hedging and other risk management strategies may not be as effective at mitigating losses as they would be under more normal market conditions. Moreover, under these conditions, market participants are particularly exposed to trading strategies employed by many market participants simultaneously and on a large scale, such as crowded trades. Our risk management and monitoring processes seek to quantify and mitigate risk to more extreme market moves. Severe market events have historically been difficult to predict, however, and we could realize significant losses if unprecedented extreme market events were to occur, such as the recent conditions experienced in the global financial markets and global economy.

Negative perception could adversely affect our business, impacting our financial condition, results of operations and cash flows. Risk of negative perception or publicity is inherent in any business. Although the Company takes steps to minimize reputation risk in dealing with customers and other constituencies, the Company is inherently exposed to the risk of negative perception by the public and our customers as a result of, but not limited to, our prior participation in the CPP under the EESA and as a result of actions imposed by our regulators. The risk of negative perception by the public and our customers may adversely affect the Company's ability to maintain and attract customers and employees.

Our controls and procedures may fail or be circumvented. Our management regularly reviews and updates the Company's internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurance that the objectives of the system are met. Any failure or circumvention of the controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our business, financial condition and results of operations.

The Company's deposit insurance premiums could be substantially higher in the future, which could have a material adverse effect on our future earnings. The Dodd-Frank Act established 1.35% as the minimum designated reserve ratio, or DRR (the ratio of the DIF to insured deposits). It is possible that our insurance premiums will increase in the future as a result of the required minimum DRR and/or an increase in our risk assessment rating.

Significant legal actions could subject us to substantial liabilities. We are from time to time subject to claims related to our operations. These claims and legal actions, including supervisory actions by our regulators, could involve monetary claims and significant defense costs. As a result, we may be exposed to substantial liabilities, which could adversely affect our results of operations and financial condition.

The value of securities in the Company's investment securities portfolio may be negatively affected by continued disruptions in securities markets. The market for some of the investment securities held in our investment portfolio has become extremely volatile over the past five years. Volatile market conditions may detrimentally affect the value of these securities, such as through reduced valuations due to the perception of heightened credit and liquidity risks. There can be no assurance that the

declines in market value associated with these disruptions will not result in other-than-temporary impairment of these assets, which could lead to write-downs of the carrying value of these assets that could have a material adverse effect on our net income and capital levels.

Geographic distance between our operations increases operating costs and makes efforts to standardize operations more difficult. We operate banking offices in California, Florida, Illinois and Missouri. The noncontiguous nature of many of our geographic markets increases operating costs and makes it more difficult for us to standardize our business practices and procedures. As a result of our geographic dispersion, we face the following challenges, among others: (a) familiarizing personnel with our business environment, banking practices and customer requirements at geographically dispersed locations; (b) providing administrative support, including accounting, human resources, credit administration, loan servicing, internal audit and credit review at significant distances; and (c) establishing and monitoring compliance with our corporate policies and procedures in different areas.

Decreases in interest rates could have a negative impact on our profitability. Our earnings are principally dependent on our ability to generate net interest income. Net interest income is affected by many factors that are partly or completely beyond our control, including competition, general economic conditions and the policies of regulatory authorities, including the monetary policies of the Federal Reserve. Under our current interest rate risk profile, our net interest income has been and could be negatively affected by a further decline in interest rates, as further discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations —Interest Rate Risk Management."

Our interest rate risk hedging activities may not effectively reduce volatility in earnings. To offset the risks associated with the effects of changes in market interest rates, we periodically enter into transactions designed to hedge our interest rate risk. The accounting for such hedging activities under GAAP requires our hedging instruments to be recorded at fair value. The effect of certain of our hedging strategies may result in volatility in our quarterly and annual earnings as interest rates change or as the volatility in the underlying derivatives markets increases or decreases. The volatility in earnings is primarily a result of marking to market certain of our hedging instruments and/or modifying our overall hedge position, as further discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations —Interest Rate Risk Management."

The financial services business is highly competitive, and we face competitive disadvantages because of our size and the nature of banking regulation. We encounter strong direct competition for deposits, loans and other financial services in all of our market areas. Our larger competitors, which have significantly greater resources, may have advantages over us in providing certain services. Our principal competitors include other commercial banks, savings banks, savings and loan associations, mutual funds, finance companies, trust companies, insurance companies, leasing companies, credit unions, mortgage companies, private issuers of debt obligations and suppliers of other investment alternatives, such as securities firms and financial holding companies. Many of our non-bank competitors are not subject to the same degree of regulation as that imposed on bank holding companies, federally insured banks and national or state chartered banks. As a result, such non-bank competitors may have advantages over us in providing certain services and may make it more difficult for us to achieve our objectives, such as increasing the size of our loan portfolio, attracting customers and implementing our profit and capital improvement plan initiatives.

Non-compliance with the USA Patriot Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions. The USA Patriot and Bank Secrecy Acts require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U.S. Treasury's Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Failure to comply with these regulations could result in fines or sanctions. Although we have developed policies and procedures designed to assist in compliance with these laws and regulations, no assurance can be given that these policies and procedures will be effective in preventing violations of these laws and regulations.

We provide treasury management services to money services businesses, which include: check cashers, issuers/sellers of traveler's checks, money orders and stored value cards, and money transmitters. Money services businesses pose a higher level of risk of compliance with regulatory guidance. We provide treasury management services to the check cashing industry, offering check clearing, monetary instrument, depository, and credit services. We also provide treasury management services to money transmitters. Financial institutions that open and maintain accounts for money services businesses are expected to apply the requirements of the USA Patriot Act and Bank Secrecy Act, as they do with all accountholders, on a risk-assessed basis. As with any category of accountholder, there will be money services businesses that pose little risk of money laundering or lack of compliance with other laws and regulations and those that pose a significant risk. Providing treasury management services to money services businesses represents a significant compliance and regulatory risk, and failure to comply with all statutory and regulatory requirements could result in fines or sanctions.

We may not be able to implement technological change as effectively as our competitors. The financial services industry has undergone in the past and continues to undergo rapid technological change related to delivery and availability of new technology-driven products and services and operating efficiencies that enable financial institutions to better serve customers and to reduce costs. In many instances technological improvements require significant capital expenditures, and many of our larger competitors have significantly greater resources to absorb such capital expenditures than we may have available. As

such, we may be at a competitive disadvantage in our ability to retain existing customers and compete for new customers in the marketplace.

We are subject to operational and financial risks associated with our reliance on employees, systems, and counterparties and certain failures. Our business operates in many diverse markets and relies on the ability of our employees and systems to process a high number of transactions. Operational risk is the risk of loss resulting from our operations, including, but not limited to, the risk of fraud by employees or persons outside of our Company, unauthorized access to our computer systems, the execution of unauthorized transactions by our employees, errors relating to transaction processing and technology, breaches in internal controls and data security, compliance requirements, and business continuation and disaster recovery. This risk of loss also includes the potential legal actions that could arise as a result of an operational deficiency or as a result of noncompliance with applicable regulatory standards, adverse business decisions or their implementation, and customer attrition due to potential negative publicity.

Third parties with whom we do business could also be sources of operational risk to us, including risks relating to breakdowns or failures of such parties' own systems or employees. We could suffer significant regulatory action or consequences, damage to our reputation and financial loss in the event of a breakdown in the internal control system, improper operation of systems, improper employee actions, or if personal, confidential or proprietary customer or client information in our possession were to be mishandled or misused, including situations in which the information is erroneously provided to parties who are not permitted to have the information, either by fault of our systems, employees, or counterparties, or where the information is intercepted or otherwise inappropriately taken by third parties.

A breach in the security of our systems, or those of our third party vendors, could disrupt our business, result in the disclosure of confidential information, damage our reputation and create significant financial and legal exposure. Information security risks for financial institutions have generally increased in recent years, in part because of the proliferation of new technologies, the use of the internet and telecommunications technologies to conduct financial transactions and the increased sophistication and activities of organized crime, hackers, terrorists, activists and other external parties. Although we devote significant resources to maintain and regularly upgrade our systems and processes that are designed to protect the security of our computer systems, software, networks and other technology assets, and the confidentiality, integrity and availability of information belonging to the Company and our customers, there is no assurance that our security measures will provide absolute security. In fact, many other financial services institutions and companies engaged in data processing have reported breaches in the security of their websites or other systems, some of which have involved sophisticated and targeted attacks intended to obtain unauthorized access to confidential information, destroy data, disable or degrade service, or sabotage systems, often through the introduction of computer viruses or malware, cyberattacks and other means. Several financial institutions have experienced attacks from technically sophisticated and well-resourced third parties that were intended to disrupt normal business activities by making internet banking systems inaccessible to customers for extended time periods. These "denial-of-service" attacks have not breached our data security systems, but require substantial resources to defend, and may affect customer satisfaction and behavior.

Despite efforts to ensure the integrity of our systems, it is possible that we may not be able to anticipate or to implement effective preventive measures against all security breaches of these types, especially because the techniques used change frequently or are not recognized until launched, and because security attacks can originate from a wide variety of sources, including persons who are involved with organized crime or associated with external service providers or who may be linked to terrorist organizations or hostile foreign governments. Those parties may also attempt to fraudulently induce employees, customers or other users of our systems to disclose sensitive information in order to gain access to our data or that of our customers or clients. These risks may increase in the future as we continue to increase our mobile payments and other internet-based product offerings and expand our internal usage of web-based products and applications.

If our security systems were penetrated or circumvented, it could cause serious negative consequences, including significant disruption of our operations, misappropriation of our confidential information or that of our customers, or damage to our computers or systems and those of our customers and counterparties, and could result in violations of applicable privacy and other laws, financial loss to us or to our customers, loss of confidence in our security measures, customer dissatisfaction, significant litigation exposure, and harm to our reputation, all of which could have a material adverse effect on our business, financial condition and results of operations.

Cybersecurity and the continued development and enhancement of our internal controls, processes and practices designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a key focus for us. While our policies and procedures are designed to prevent or limit the impact of any such failure, interruption or security breach, there can be no assurance that any such failure, interruption or security breach will not occur. While we closely monitor and evaluate the financial and operational risks associated with reliance on technology and information systems on an ongoing basis and maintain insurance coverage for such risks, any such failure, interruption or security breach could materially adversely affect our business, financial condition and results of operations, including a resulting loss in customer business, damage to our reputation, misappropriation of sensitive information, corruption of data, disruption of internet banking activities or other operations, and possible exposure to regulatory scrutiny and litigation.

Severe weather, natural disasters, acts of war or terrorism, and other external events could significantly impact our business. Severe weather, natural disasters, acts of war or terrorism, and other adverse external events could have a significant impact on

our ability to conduct business. Such events could affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue, and/or cause us to incur additional expenses. Changing climate conditions may increase the frequency of natural disasters such as hurricanes, windstorms and other severe weather conditions. Although we have established policies and procedures addressing these types of events, the occurrence of any such event could have a material adverse effect on our business, financial condition and results of operations.

The Company is subject to claims and litigation pertaining to fiduciary responsibility. From time to time, customers make claims and take legal action pertaining to the performance of our fiduciary responsibilities. Whether customer claims and legal action

related to the performance of our fiduciary responsibilities are founded or unfounded, if such claims and legal actions are not resolved in a manner favorable to us, they may result in significant financial liability and/or adversely affect the market perception of us and our products and services as well as impact customer demand for our products and services. Any financial liability or reputation damage could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition, results of operations and cash flows.

The Company is exposed to risk of environmental liabilities with respect to properties to which we take title. In the course of our business, we may own or foreclose and take title to real estate, and could be subject to environmental liabilities with respect to these properties. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or we may be required to investigate or clean up hazardous or toxic substances, or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, as the owner or former owner of a contaminated site, we may be subject to common law or contractual claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. If we ever become subject to significant environmental liabilities, our business, financial condition, cash flows, liquidity and results of operations could be materially and adversely affected.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We own our office building, which houses our principal place of business, located at 135 North Meramec, Clayton, Missouri 63105. The property is in good condition and consists of approximately 60,353 square feet, of which approximately 10,923 square feet is currently leased to others. Of our other 129 offices and two operations and administrative facilities at December 31, 2013, 72 are located in buildings that we own and 59 are located in buildings that we lease.

We consider the properties at which we do business to be in good condition generally and suitable for our business conducted at each location. To the extent our properties or those acquired in connection with our acquisition of other entities provide space in excess of that effectively utilized in the operations of First Bank, we seek to lease or sublease any excess space to third parties. Additional information regarding the premises and equipment utilized by First Bank appears in Note 5 to our consolidated financial statements appearing elsewhere in this report.

Item 3. Legal Proceedings

The information required by this item is set forth in Part II, Item 8 – Financial Statements and Supplementary Data, under Note 24, Contingent Liabilities, to our consolidated financial statements appearing elsewhere in this report and is incorporated herein by reference.

In the ordinary course of business, we and our subsidiaries become involved in legal proceedings, including litigation arising out of our efforts to collect outstanding loans. It is not uncommon for collection efforts to lead to so-called “lender liability” suits in which borrowers may assert various claims against us. From time to time, we are party to other legal matters arising in the normal course of business. While some matters pending against us specify damages claimed by plaintiffs, others do not seek a specified amount of damages or are at very early stages of the legal process. We record a loss accrual for all legal matters for which we deem a loss is probable and we believe can be reasonably estimated. We are not presently party to any legal proceedings the resolution of which we believe is reasonably likely to have a material adverse effect on our business, financial condition or results of operations.

The Company and First Bank entered into agreements with the FRB and MDOF, as further described under “Item 1. Business —Supervision and Regulation – Regulatory Agreements” and in Note 14 to our consolidated financial statements. The informal agreement with the MDOF was terminated effective September 11, 2013.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information. There is no established public trading market for our common stock. Various trusts, which were established by and are administered by and for the benefit of Mr. James F. Dierberg, our Chairman of the Board, and members of his immediate family, including Mr. Michael Dierberg, our Vice Chairman, own all of our voting stock.

Dividends. We have not paid any dividends on our Common Stock.

On August 10, 2009, we announced the suspension of the payment of cash dividends on our outstanding Class A Convertible Adjustable Rate Preferred Stock and our Class B Non-Convertible Adjustable Rate Preferred Stock beginning with the scheduled dividend payments that would have otherwise been made in September 2009. Prior to this time, we paid minimal dividends on our Class A Convertible Adjustable Rate Preferred Stock and our Class B Non-Convertible Adjustable Rate Preferred Stock.

On August 10, 2009, we also announced the deferral of dividend payments on our Class C Preferred Stock and Class D Preferred Stock beginning with the regularly scheduled quarterly dividend payments that would otherwise have been made in August 2009, however, we continued to declare and accrue such dividends and the related additional cumulative dividends on our deferred dividend payments in our consolidated financial statements until the fourth quarter of 2013, when we ceased declaring dividends on our Class C Preferred Stock and Class D Preferred Stock, as further discussed in Note 13 to the Company's consolidated financial statements. We have deferred such payments for 18 quarterly periods as of December 31, 2013. In February 2009 and May 2009, we paid the regularly scheduled quarterly dividends on our Class C Preferred Stock and Class D Preferred Stock, which were pre-approved and authorized for payment by the FRB.

Our ability to pay dividends is limited by regulatory requirements and by the receipt of dividend payments from First Bank, which is also subject to regulatory requirements. First Bank has agreed not to declare or pay any dividends or make certain other payments to us without the prior consent of the FRB, as previously discussed under "Item 1. Business —Supervision and Regulation – Regulatory Agreements." The dividend limitations are further described in Note 13 and Note 22 to our consolidated financial statements appearing elsewhere in this report.

Item 6. Selected Financial Data. The selected consolidated financial data set forth below are derived from our consolidated financial statements. This information is qualified by reference to our consolidated financial statements appearing elsewhere in this report. This information should be read in conjunction with such consolidated financial statements, the related notes thereto, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors."

	As of or For the Year Ended December 31, [1]				
	2013	2012	2011	2010	2009
	(dollars expressed in thousands, except share and per share data)				
Income Statement Data:					
Interest income	$ 172,810	200,803	231,059	309,688	397,197
Interest expense	24,104	29,611	43,638	74,832	112,891
Net interest income	148,706	171,192	187,421	234,856	284,306
Provision for loan losses	(5,000)	2,000	69,000	214,000	390,000
Net interest income (loss) after provision for loan losses	153,706	169,192	118,421	20,856	(105,694)
Noninterest income	65,120	65,978	61,924	78,241	70,425
Noninterest expense	286,627	200,507	225,705	294,494	346,184
(Loss) income from continuing operations before (benefit) provision for income taxes	(67,801)	34,663	(45,360)	(195,397)	(381,453)
(Benefit) provision for income taxes	(288,501)	(139)	(10,654)	4,114	2,393
Income (loss) from continuing operations, net of tax	220,700	34,802	(34,706)	(199,511)	(383,846)
Income (loss) from discontinued operations, net of tax	21,223	(8,821)	(9,394)	1,260	(65,090)
Net income (loss)	241,923	25,981	(44,100)	(198,251)	(448,936)
Net loss attributable to noncontrolling interest in subsidiary	179	(297)	(2,950)	(6,514)	(21,315)
Net income (loss) attributable to First Banks, Inc.	$ 241,744	26,278	(41,150)	(191,737)	(427,621)
Dividends Declared:					
Preferred stock	$ 15,869	18,886	17,908	16,980	16,536
Common stock	—	—	—	—	—
Ratio of total dividends declared to net income (loss)	6.56%	71.87%	(43.52)%	(8.86)%	(3.87)%
Earnings (Loss) Per Share and Other Share Data:					
Basic and diluted earnings (loss) per common share from continuing operations	$ 8,495.35	535.03	(2,245.44)	(9,017.32)	(16,160.16)
Basic and diluted earnings (loss) per common share from discontinued operations	$ 896.96	(372.81)	(397.02)	53.25	(2,750.94)
Weighted average shares of common stock outstanding	23,661	23,661	23,661	23,661	23,661
Balance Sheet Data:					
Investment securities	$ 2,351,931	2,675,280	2,470,704	1,483,659	530,879
Total loans	2,857,095	2,930,747	3,284,279	4,492,284	6,608,293
Assets of discontinued operations	—	6,706	6,913	43,532	518,056
Total assets	5,918,983	6,509,126	6,608,913	7,378,128	10,581,996
Total deposits	4,813,895	5,492,847	5,623,055	6,458,415	7,063,973
Other borrowings	43,143	26,025	51,170	31,761	767,494
Subordinated debentures	354,210	354,133	354,057	353,981	353,905
Liabilities of discontinued operations	—	155,711	174,737	94,184	1,730,264
Total stockholders' equity	488,256	299,959	263,671	307,295	522,380
Earnings Ratios:					
Return on average assets	3.87%	0.40%	(0.59)%	(2.20)%	(4.04)%

Return on average stockholders' equity	84.66	9.22	(13.71)	(42.36)	(51.82)
Net interest margin [2]	2.56	2.80	2.88	2.96	3.18
Noninterest expense to average assets	4.58	3.04	3.23	3.38	3.27
Tangible noninterest expense to average assets [3]	2.87	3.04	3.18	3.35	2.52
Efficiency ratio [4]	134.05	84.54	90.52	94.06	97.59
Tangible efficiency ratio [4]	83.88	84.54	89.31	93.01	75.22
Asset Quality Ratios:					
Allowance for loan losses to loans	2.84%	3.13%	4.19 %	4.48 %	4.03 %
Nonaccrual loans to loans	1.85	3.75	6.71	8.88	10.46
Allowance for loan losses to nonaccrual loans	153.02	83.37	62.52	50.40	38.55
Nonperforming assets to loans, other real estate and repossessed assets [5]	4.09	6.68	10.26	11.65	12.15
Net loan charge-offs to average loans	0.20	1.57	3.50	5.09	4.65

Selected Financial Data (continued):

	As of or For the Year Ended December 31, [1]				
	2013	2012	2011	2010	2009
	(dollars expressed in thousands, except share and per share data)				
First Banks, Inc. Capital Ratios: [6]					
Average stockholders' equity to average assets	4.57%	4.33%	4.29%	5.20%	7.79%
Total risk-based capital ratio	11.13	2.57	1.88	6.29	9.78
Tier 1 risk-based capital ratio	6.58	1.28	0.94	3.15	4.89
Leverage ratio	4.12	0.73	0.56	1.99	3.52
First Bank Capital Ratios:					
Total risk-based capital ratio	20.12%	17.18%	14.98%	12.95%	10.39%
Tier 1 risk-based capital ratio	18.86	15.92	13.70	11.66	9.11
Leverage ratio	11.77	9.13	8.19	7.40	6.56

(1) The selected data is presented on a continuing basis.
(2) Net interest margin is the ratio of net interest income (expressed on a tax-equivalent basis) to average interest-earning assets.
(3) Tangible noninterest expense to average assets is the ratio of noninterest expense (excluding goodwill impairment and amortization of intangible assets) to average assets.
(4) Efficiency ratio is the ratio of noninterest expense to the sum of net interest income and noninterest income. Tangible efficiency ratio is the ratio of noninterest expense (excluding goodwill impairment and amortization of intangible assets) to the sum of net interest income and noninterest income.
(5) Nonperforming assets consist of nonaccrual loans, other real estate and repossessed assets.
(6) The capital ratios at December 31, 2013, 2012 and 2011 reflect the implementation of new Federal Reserve rules that became effective on March 31, 2011.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following presents management's discussion and analysis of our financial condition and results of operations as of the dates and for the periods indicated. This discussion should be read in conjunction with our "Selected Financial Data," our consolidated financial statements and the related notes thereto, and the other financial data appearing elsewhere in this report. This discussion set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements with respect to our financial condition, results of operations and business. These forward-looking statements are subject to certain risks and uncertainties, not all of which can be predicted or anticipated. Various factors may cause our actual results to differ materially from those contemplated by the forward-looking statements herein. We do not have a duty to and do not undertake any obligation to update these forward-looking statements. Readers of our Annual Report on Form 10-K should therefore consider these risks and uncertainties in evaluating forward-looking statements and should not place undue reliance on forward-looking statements. See "Special Note Regarding Forward-Looking Statements and Factors that Could Affect Future Results" appearing at the beginning of this report and "Item 1A – Risk Factors," appearing elsewhere in this report.

Results of Operations

Overview

All financial information in this Annual Report on Form 10-K is reported on a continuing operations basis, unless otherwise noted. See Note 2 to our consolidated financial statements appearing elsewhere in this report for further discussion regarding our discontinued operations.

We recorded net income, including discontinued operations, of $241.7 million for the year ended December 31, 2013, compared to net income of $26.3 million for the year ended December 31, 2012 and a net loss of $41.2 million for the year ended December 31, 2011. Our results of operations reflect the following:

- Net interest income of $148.7 million for the year ended December 31, 2013, compared to $171.2 million in 2012 and $187.4 million in 2011, which contributed to a decline in our net interest margin to 2.56% for the year ended December 31, 2013, compared to 2.80% in 2012 and 2.88% in 2011;
- A negative provision for loan losses of $5.0 million for the year ended December 31, 2013, compared to provisions for loan losses of $2.0 million in 2012 and $69.0 million in 2011;
- Noninterest income of $65.1 million for the year ended December 31, 2013, compared to $66.0 million in 2012 and $61.9 million in 2011;
- Noninterest expense of $286.6 million for the year ended December 31, 2013, compared to $200.5 million in 2012 and $225.7 million in 2011, reflecting goodwill impairment of $107.3 million in 2013;
- A benefit for income taxes of $288.5 million for the year ended December 31, 2013, compared to a benefit for income taxes of $139,000 in 2012 and $10.7 million in 2011, reflecting the reversal of substantially all of our valuation allowance against our net deferred tax assets in 2013;
- Net income from discontinued operations, net of tax, of $21.2 million for the year ended December 31, 2013, compared to net losses from discontinued operations, net of tax, of $8.8 million in 2012 and $9.4 million in 2011; and
- Net income attributable to noncontrolling interest in subsidiary of $179,000 for the year ended December 31, 2013, compared to net losses attributable to noncontrolling interest in subsidiary of $297,000 in 2012 and $3.0 million in 2011.

Net Interest Income and Average Balance Sheets

The primary source of our income is net interest income. Net interest income is the difference between the interest earned on our interest-earning assets, such as loans and investment securities, and the interest paid on our interest-bearing liabilities, such as deposits and borrowings. Net interest income is affected by the level and composition of assets, liabilities and stockholders' equity, as well as the general level of interest rates and changes in interest rates. Interest income on a tax-equivalent basis includes the additional amount of interest income that would have been earned if our investment in certain tax-exempt interest-earning assets had been made in assets subject to federal, state and local income taxes yielding the same after-tax income. Net interest margin is determined by dividing net interest income on a tax-equivalent basis by average interest-earning assets. The interest rate spread is the difference between the average equivalent yield earned on interest-earning assets and the average rate paid on interest-bearing liabilities.

The following table sets forth, on a tax-equivalent basis, certain information on a continuing basis relating to our average balance sheets, and reflects the average yield earned on our interest-earning assets, the average cost of our interest-bearing liabilities and the resulting net interest income for the years ended December 31, 2013, 2012 and 2011:

	Years Ended December 31,								
	2013			2012			2011		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
	(dollars expressed in thousands)								
ASSETS									
Interest-earning assets:									
Loans: [1] [2]									
Taxable	$ 2,816,474	117,922	4.19 %	$ 3,052,072	141,896	4.65 %	$ 3,777,058	182,240	4.82%
Tax-exempt [3]	2,531	143	5.65	2,821	165	5.85	4,024	178	4.42
Investment securities:									
Taxable	2,515,344	52,199	2.08	2,708,865	56,547	2.09	2,043,048	45,172	2.21
Tax-exempt [3]	7,679	378	4.92	9,805	442	4.51	12,143	740	6.09
FRB and FHLB stock	27,422	1,216	4.43	26,603	1,146	4.31	27,648	1,416	5.12
Short-term investments	441,211	1,134	0.26	325,341	820	0.25	652,195	1,634	0.25
Total interest-earning assets	5,810,661	172,992	2.98	6,125,507	201,016	3.28	6,516,116	231,380	3.55
Nonearning assets	403,147			411,758			405,858		
Assets of discontinued operations	39,407			49,492			70,478		
Total assets	$ 6,253,215			$ 6,586,757			$ 6,992,452		
LIABILITIES AND STOCKHOLDERS' EQUITY									
Interest-bearing liabilities:									
Interest-bearing deposits:									
Interest-bearing demand	$ 660,845	368	0.06 %	$ 623,066	437	0.07 %	$ 577,341	604	0.10%
Savings and money market	1,856,347	2,679	0.14	1,918,242	3,518	0.18	2,046,059	8,562	0.42
Time deposits of $100 or more	395,390	2,274	0.58	481,584	4,010	0.83	624,701	7,884	1.26
Other time deposits	714,863	3,738	0.52	865,870	6,817	0.79	1,080,307	12,950	1.20
Total interest-bearing deposits	3,627,445	9,059	0.25	3,888,762	14,782	0.38	4,328,408	30,000	0.69
Other borrowings	34,763	(9)	(0.03)	33,007	(18)	(0.05)	46,991	15	0.03
Subordinated debentures	354,172	15,054	4.25	354,096	14,847	4.19	354,019	13,623	3.85
Total interest-bearing liabilities	4,016,380	24,104	0.60	4,275,865	29,611	0.69	4,729,418	43,638	0.92
Noninterest-bearing liabilities:									
Demand deposits	1,216,125			1,168,464			1,129,985		
Other liabilities	191,161			161,131			129,679		
Liabilities of discontinued operations	543,988			696,170			703,236		
Total liabilities	5,967,654			6,301,630			6,692,318		
Stockholders' equity	285,561			285,127			300,134		
Total liabilities and stockholders' equity	$ 6,253,215			$ 6,586,757			$ 6,992,452		
Net interest income		148,888			171,405			187,742	
Interest rate spread			2.38			2.59			2.63
Net interest margin [4]			2.56 %			2.80 %			2.88%

(1) For purposes of these computations, nonaccrual loans are included in the average loan amounts.
(2) Interest income on loans includes loan fees.

(3) Information is presented on a tax-equivalent basis assuming a tax rate of 35%. The tax-equivalent adjustments were $182,000, $213,000 and $321,000 for the years ended December 31, 2013, 2012 and 2011, respectively.

(4) Net interest margin is the ratio of net interest income (expressed on a tax-equivalent basis) to average interest-earning assets.

Our balance sheet is presently asset sensitive, and as such, our net interest margin has been negatively impacted by the low interest rate environment as our loan portfolio re-prices on an immediate basis; whereas we are unable to immediately re-price our deposit portfolio to current market interest rates, thereby resulting in a compression of our net interest margin. Our asset-sensitive position, coupled with the level of our nonperforming assets, the level of average lower-yielding short-term investments and investment securities, the lower level of average loans and the additional interest expense accrued on our regularly scheduled deferred interest payments on our junior subordinated debentures has negatively impacted our net interest income and is expected to continue to impact the level of our net interest income in the future. We continue our efforts to further reduce nonperforming and potential problem loans and re-define our overall strategy and business plans with respect to our loan portfolio in light of ongoing changes in market conditions in our markets, focusing on loan growth initiatives to offset the impact of the decrease in nonaccrual loans, problem loans and other loan relationships.

Comparison of 2013 and 2012. Net interest income, expressed on a tax-equivalent basis, decreased $22.5 million to $148.9 million for the year ended December 31, 2013, compared to $171.4 million in 2012. Our net interest margin decreased 24 basis points to 2.56% for the year ended December 31, 2013, from 2.80% in 2012. We attribute the decrease in our net interest margin and net interest income to a lower average balance of interest-earning assets, a change in the mix of our interest-earning assets, which shifted from loans and investment securities to low-yielding cash and cash equivalents in anticipation of the completion of certain of our capital initiatives during 2013, and a decrease in the average yield on loans due to the low interest rate environment during these periods. The decrease was partially offset by a decrease in interest-bearing liabilities and the average rate paid on our interest-bearing liabilities resulting from the continued change in the mix of our average deposits and the continued re-pricing of certificates to current market interest rates upon maturity. The average yield earned on our interest-earning assets decreased 30 basis points to 2.98% for the year ended December 31, 2013, compared to 3.28% in 2012, while the average rate paid on our interest-bearing liabilities decreased nine basis points to 0.60% for the year ended December 31, 2013, compared to 0.69% in 2012. Average interest-earning assets decreased $314.8 million to $5.81 billion for the year ended December 31, 2013, compared to $6.13 billion in 2012. Average interest-bearing liabilities decreased $259.5 million to $4.02 billion for the year ended December 31, 2013, compared to $4.28 billion in 2012. Our net interest margin is expected to continue to remain at lower levels until loan balances stabilize and consistent loan origination returns within our core markets.

Interest income on our loan portfolio, expressed on a tax-equivalent basis, decreased $24.0 million for the year ended December 31, 2013, as compared to 2012. Average loans decreased $235.9 million to $2.82 billion for the year ended December 31, 2013, from $3.05 billion in 2012. The decrease in average loans primarily reflects a substantial level of loan payoffs and principal payments and the exit of certain of our problem credit relationships. The yield on our loan portfolio decreased 46 basis points to 4.19% for the year ended December 31, 2013, compared to 4.65% in 2012. The yield on our loan portfolio continues to be adversely impacted by the lower levels of prime and LIBOR interest rates, as a significant portion of our loan portfolio is priced to these indices. We experienced a significant increase in new loan production volumes during 2013, as compared to 2012, and we continue to focus on loan growth initiatives to offset the impact of the decrease in nonaccrual loans, problem loans and other loan relationships in future periods.

Interest income on our investment securities, expressed on a tax-equivalent basis, decreased $4.4 million for the year ended December 31, 2013, as compared to 2012. Average investment securities decreased $195.6 million for the year ended December 31, 2013, as compared to 2012. The decrease in average investment securities primarily reflects the reinvestment of proceeds from sales and maturities of certain investment securities into cash and cash equivalents to build liquidity in anticipation of the sale of our ABS line of business, which was completed during the fourth quarter of 2013. The yield earned on our investment securities portfolio decreased two basis points to 2.08% for the year ended December 31, 2013, compared to 2.10% in 2012. We continue to maintain a high level of investment securities in an effort to support future loan growth opportunities.

Interest income on our short-term investments increased $314,000 for the year ended December 31, 2013, as compared to 2012. Average short-term investments increased $115.9 million for the year ended December 31, 2013, as compared to 2012. The increase in our average short-term investments reflects the utilization of funds available from the decline in our loan portfolio and sales and maturities of investment securities to increase our liquidity position in anticipation of the sale of our ABS line of business, which was completed during the fourth quarter of 2013, partially offset by a decline in average deposit balances. The yield on our short-term investments was 0.26% for the year ended December 31, 2013, compared to 0.25% in 2012, reflecting the investment of the majority of funds in our short-term investments in our correspondent bank account with the FRB, which currently earns 0.25%. Since 2009, we have built a significant amount of available balance sheet liquidity in anticipation of the expected completion of certain transactions associated with our Capital Plan. This high level of short-term investments, while necessary to complete certain transactions associated with our Capital Plan and to maintain significant balance sheet liquidity in light of uncertain economic conditions during these periods, has negatively impacted our net interest margin and will continue to negatively impact our net interest margin in future periods until we have the opportunity to further reduce our short-term investments through deployment of such funds into other higher-yielding assets.

Interest expense on our interest-bearing deposits decreased $5.7 million for the year ended December 31, 2013, as compared to 2012. Average total deposits decreased $213.7 million to $4.84 billion for the year ended December 31, 2013, from $5.06 billion in 2012. Average interest-bearing deposits decreased $261.3 million for the year ended December 31, 2013, as compared to 2012. The decrease in average interest-bearing deposits primarily reflects anticipated reductions of higher rate

certificates of deposit and promotional money market deposits, partially offset by organic growth through deposit development programs, including marketing campaigns and enhanced product and service offerings. The mix in our deposit portfolio volumes for 2013, as compared to 2012, primarily reflects a shift from time deposits and savings and money market deposits to interest-bearing and noninterest-bearing demand deposits. Decreases in our average time deposits and savings and money market deposits of $237.2 million and $61.9 million, respectively, for 2013 as compared to 2012, were partially offset by increases in average interest-bearing and noninterest-bearing demand deposits of $37.8 million and $47.7 million, respectively, for 2013 as compared to 2012. The aggregate weighted average rate paid on our interest-bearing deposit portfolio decreased 13 basis points to 0.25% for the year ended December 31, 2013, as compared to 0.38% in 2012, reflecting the re-pricing of certificate of deposit accounts to current market

interest rates upon maturity and our efforts to reduce deposit costs across our deposit portfolio. The weighted average rate paid on our time deposit portfolio declined 26 basis points to 0.54% in 2013, from 0.80% in 2012; the weighted average rate paid on our savings and money market deposit portfolio declined four basis points to 0.14% in 2013, from 0.18% in 2012; and the weighted average rate paid on our interest-bearing demand deposits declined to 0.06% in 2013, from 0.07% in 2012.

Interest expense on our junior subordinated debentures increased $207,000 for the year ended December 31, 2013, as compared to 2012. Average junior subordinated debentures were $354.2 million and $354.1 million for the years ended December 31, 2013 and 2012, respectively. The aggregate weighted average rate paid on our junior subordinated debentures increased to 4.25% for the year ended December 31, 2013, compared to 4.19% in 2012. The aggregate weighted average rates also reflect additional interest expense accrued on the regularly scheduled deferred interest payments on our junior subordinated debentures of $2.8 million and $2.0 million for the years ended December 31, 2013 and 2012, respectively, as further discussed in Note 12 to our consolidated financial statements. The additional interest expense accrued on the regularly scheduled deferred interest payments increased the weighted average rate paid on our junior subordinated debentures by approximately 79 and 58 basis points in 2013 and 2012, respectively. The increase in additional interest expense accrued on the regularly scheduled deferred interest payments was partially offset by a decline in LIBOR rates during the periods, as approximately 79.4% of our junior subordinated debentures are variable rate.

Comparison of 2012 and 2011. Net interest income, expressed on a tax-equivalent basis, decreased $16.3 million to $171.4 million for the year ended December 31, 2012, compared to $187.7 million in 2011. Our net interest margin decreased 8 basis points to 2.80% for the year ended December 31, 2012, from 2.88% in 2011. We attribute the decrease in our net interest margin and net interest income to a lower average balance of interest-earning assets in addition to a significant change in the mix of our interest-earning assets, which shifted from loans to investment securities, partially offset by a decrease in interest-bearing liabilities and a decrease in deposit and other borrowing costs. The average yield earned on our interest-earning assets decreased 27 basis points to 3.28% for the year ended December 31, 2012, compared to 3.55% in 2011, while the average rate paid on our interest-bearing liabilities decreased 23 basis points to 0.69% for the year ended December 31, 2012, compared to 0.92% in 2011. Average interest-earning assets decreased $390.6 million to $6.13 billion for the year ended December 31, 2012, compared to $6.52 billion in 2011. Average interest-bearing liabilities decreased $453.6 million to $4.28 billion for the year ended December 31, 2012, compared to $4.73 billion in 2011.

Interest income on our loan portfolio, expressed on a tax-equivalent basis, decreased $40.4 million for the year ended December 31, 2012, as compared to 2011. Average loans decreased $726.2 million to $3.05 billion for the year ended December 31, 2012, from $3.78 billion in 2011. The decrease in average loans primarily reflects a substantial level of loan payoffs and principal payments, reduced loan demand within our markets, loan charge-offs, transfers of loans to other real estate and repossessed assets, and the exit of certain of our problem credit relationships, including the sale of certain special mention, potential problem and nonaccrual loans during the fourth quarter of 2012. The yield on our loan portfolio decreased 17 basis points to 4.65% for the year ended December 31, 2012, compared to 4.82% in 2011. The yield on our loan portfolio continued to be adversely impacted by the higher levels of average nonaccrual loans, which decreased our average yield on loans by approximately 23 and 48 basis points in 2012 and 2011, respectively.

Interest income on our investment securities, expressed on a tax-equivalent basis, increased $11.1 million for the year ended December 31, 2012, as compared to 2011. Average investment securities increased $663.5 million for the year ended December 31, 2012, as compared to 2011. The increase in average investment securities reflects the continued utilization of a portion of our cash and short-term investments to fund gradual and planned increases in our investment securities portfolio in an effort maximize our net interest income and net interest margin while maintaining appropriate liquidity levels and diversification within our investment securities portfolio. The yield earned on our investment securities portfolio decreased 13 basis points to 2.10% for the year ended December 31, 2012, compared to 2.23% in 2011, reflecting significant purchases of investment securities at lower market rates.

Interest income on our short-term investments decreased $814,000 for the year ended December 31, 2012, as compared to 2011. Average short-term investments decreased $326.9 million for the year ended December 31, 2012, as compared to 2011. The yield on our short-term investments was 0.25% for the years ended December 31, 2012 and 2011, reflecting the investment of the majority of funds in our short-term investments in our correspondent bank account with the FRB, which earned 0.25%. The decrease in our average short-term investments reflects the utilization of such funds, coupled with funds

available from the decline in our loan portfolio, to fund increases in our investment securities portfolio and decreases in our average total deposits. The high level of short-term investments, while necessary to complete certain transactions associated with our Capital Plan and to maintain significant balance sheet liquidity in light of uncertain economic conditions during these periods, has negatively impacted our net interest margin.

Interest expense on our interest-bearing deposits decreased $15.2 million for the year ended December 31, 2012, as compared to 2011. Average total deposits decreased $401.2 million to $5.06 billion for the year ended December 31, 2012, from $5.46 billion in 2011. Average interest-bearing deposits decreased $439.6 million for the year ended December 31, 2012, as compared to 2011. The decrease in average interest-bearing deposits primarily reflects anticipated reductions of higher rate certificates of deposit

and promotional money market deposits, partially offset by organic growth through deposit development programs. The mix in our deposit portfolio volumes for 2012, as compared to 2011, primarily reflects a shift from time deposits and savings and money market deposits to interest-bearing and noninterest-bearing demand deposits. Decreases in our average time deposits and savings and money market deposits of $357.6 million and $127.8 million, respectively, for 2012 as compared to 2011, were partially offset by increases in average interest-bearing and noninterest-bearing demand deposits of $45.7 million and $38.5 million, respectively. The aggregate weighted average rate paid on our interest-bearing deposit portfolio decreased 31 basis points to 0.38% for the year ended December 31, 2012, as compared to 0.69% in 2011, reflecting the re-pricing of certificate of deposit accounts to current market interest rates upon maturity and our efforts to reduce deposit costs across our deposit portfolio, in particular promotional money market deposits. The weighted average rate paid on our time deposit portfolio declined 42 basis points to 0.80% in 2012 from 1.22% in 2011; the weighted average rate paid on our savings and money market deposit portfolio declined 24 basis points to 0.18% in 2012 from 0.42% in 2011; and the weighted average rate paid on our interest-bearing demand deposits declined to 0.07% in 2012 from 0.10% in 2011.

Interest expense on our junior subordinated debentures increased $1.2 million for the year ended December 31, 2012, as compared to 2011. Average junior subordinated debentures were $354.1 million and $354.0 million for the years ended December 31, 2012 and 2011, respectively. The aggregate weighted average rate paid on our junior subordinated debentures increased to 4.19% for the year ended December 31, 2012, compared to 3.85% in 2011. The aggregate weighted average rates paid and the resulting level of interest expense reflect the LIBOR rates and the impact to the related spreads to LIBOR during the periods, as approximately 79.4% of our junior subordinated debentures are variable rate. The aggregate weighted average rates also reflect additional interest expense accrued on the regularly scheduled deferred interest payments on our junior subordinated debentures of $2.0 million and $1.3 million for the years ended December 31, 2012 and 2011, respectively. The additional interest expense accrued on the regularly scheduled deferred interest payments increased the weighted average rate paid on our junior subordinated debentures by approximately 58 and 36 basis points in 2012 and 2011, respectively.

Rate / Volume

The following table indicates, on a tax-equivalent basis, the changes in interest income and interest expense on a continuing basis that are attributable to changes in average volume and changes in average rates, in comparison with the preceding year. The change in interest due to the combined rate/volume variance has been allocated to rate and volume changes in proportion to the dollar amounts of the change in each.

	Increase (Decrease) Attributable to Change in:					
	2013 Compared to 2012			2012 Compared to 2011		
	Volume	Rate	Net Change	Volume	Rate	Net Change
	(dollars expressed in thousands)					
Interest earned on:						
Loans: [1] [2]						
Taxable	$ (10,508)	(13,466)	(23,974)	(34,082)	(6,262)	(40,344)
Tax-exempt [3]	(17)	(5)	(22)	(62)	49	(13)
Investment securities:						
Taxable	(4,075)	(273)	(4,348)	13,953	(2,578)	11,375
Tax-exempt [3]	(102)	38	(64)	(127)	(171)	(298)
FRB and FHLB stock	37	33	70	(52)	(218)	(270)
Short-term investments	282	32	314	(814)	—	(814)
Total interest income	(14,383)	(13,641)	(28,024)	(21,184)	(9,180)	(30,364)
Interest paid on:						
Interest-bearing demand deposits	17	(86)	(69)	37	(204)	(167)
Savings and money market deposits	(106)	(733)	(839)	(497)	(4,547)	(5,044)
Time deposits	(1,692)	(3,123)	(4,815)	(3,788)	(6,219)	(10,007)
Other borrowings	—	9	9	(3)	(30)	(33)
Subordinated debentures	3	204	207	3	1,221	1,224

Total interest expense	(1,778)	(3,729)	(5,507)	(4,248)	(9,779)	(14,027)
Net interest income	$ (12,605)	(9,912)	(22,517)	(16,936)	599	(16,337)

(1) For purposes of these computations, nonaccrual loans are included in the average loan amounts.
(2) Interest income on loans includes loan fees.
(3) Information is presented on a tax-equivalent basis assuming a tax rate rate of 35%.

Net interest income, expressed on a tax-equivalent basis, decreased $22.5 million for year ended December 31, 2013, as compared to 2012, and reflects a decrease due to volume of $12.6 million and a decrease due to rate of $9.9 million. Net interest income, expressed on a tax-equivalent basis, decreased $16.3 million for the year ended December 31, 2012, as compared to 2011, and reflects a decrease due to volume of $16.9 million, partially offset by an increase due to rate of $599,000. The decrease in net

interest income, expressed on a tax-equivalent basis, due to volume for 2013 as compared to 2012, was primarily driven by a decrease in the volume of loans and investment securities, partially offset by a decrease in the volume of interest-bearing deposits. The decrease in net interest income, expressed on a tax-equivalent basis, due to rate for 2013 as compared to 2012, was primarily driven by a decrease in our loan and investment securities yields, reflective of overall market conditions and competition during these periods, partially offset by a decline in the cost of our interest-bearing deposits. The decrease in net interest income, expressed on a tax-equivalent basis, due to volume for 2012 as compared to 2011, was primarily driven by a decrease in the volume of loans, partially offset by an increase in the volume of investment securities and a decrease in the volume of interest-bearing deposits. We have been utilizing cash proceeds resulting from loan payoffs to build liquidity for capital initiatives and to fund gradual and planned increases in our investment securities portfolio in an effort to maximize our net interest income and net interest margin while maintaining appropriate liquidity levels and diversification within our investment securities portfolio and closely monitoring key risk metrics within the investment securities portfolio. Because loans generally have a higher yield than investment securities, the change in our interest-earning asset mix has had a negative impact on our net interest income. The increase in net interest income, expressed on a tax-equivalent basis, due to rate for 2012 as compared to 2011, was primarily driven by a decline in the cost of our interest-bearing deposits, partially offset by a decrease in our loan and investment securities yields, reflective of overall market conditions and competition during these periods.

Provision for Loan Losses

Comparison of 2013 and 2012. We recorded a negative provision for loan losses of $5.0 million for the year ended December 31, 2013. We recorded a provision for loan losses of $2.0 million for the year ended December 31, 2012. We attribute the negative provision for loan losses of $5.0 million during the year ended December 31, 2013 to significant improvement in asset quality metrics such as the decline in nonaccrual loans of $56.9 million, of which $27.2 million was in the real estate construction and development portfolio, which incurred substantial net charge-offs from 2008 through 2011. The decline in nonaccrual loans was achieved despite net loan charge-offs being only $5.6 million during 2013.

Our nonaccrual loans were $53.0 million at December 31, 2013, compared to $109.9 million at December 31, 2012, reflecting a decrease in nonaccrual loans of $56.9 million, or 51.8%. The decrease in the overall level of nonaccrual loans during 2013 was primarily driven by resolution of certain nonaccrual loans, gross loan charge-offs, and transfers to other real estate and repossessed assets exceeding net additions to nonaccrual loans, as further discussed under "—Loans and Allowance for Loan Losses," and reflects our continued progress with respect to the implementation of our asset quality improvement initiatives, designed to reduce the overall balance of nonaccrual and other potential problem loans and assets.

Our net loan charge-offs decreased to $5.6 million for the year ended December 31, 2013, compared to $48.1 million in 2012. Our net loan charge-offs were 0.20% of average loans in 2013, compared to 1.57% of average loans in 2012. Loan charge-offs were $25.8 million for 2013, compared to $78.1 million in 2012, and loan recoveries were $20.3 million for 2013, compared to $30.0 million in 2012.

Tables summarizing nonperforming assets, past due loans and charge-off and recovery experience are presented under "—Loans and Allowance for Loan Losses."

Comparison of 2012 and 2011. We recorded a provision for loan losses of $2.0 million for the year ended December 31, 2012, compared to $69.0 million in 2011. The decrease in the provision for loan losses for the year ended December 31, 2012, as compared to 2011, was primarily driven by the decrease in our overall level of nonaccrual loans and potential problem loans, a decrease in net loan charge-offs and less severe asset migration to classified asset categories during 2012 than the migration levels experienced during 2011.

Our nonaccrual loans were $109.9 million at December 31, 2012, compared to $220.3 million at December 31, 2011, representing a decrease in nonaccrual loans of $110.4 million, or 50.1%. The decrease in the overall level of nonaccrual loans during 2012 was primarily driven by resolution of certain nonaccrual loans, including the sale of certain nonaccrual loans, gross loan charge-offs, and transfers to other real estate and repossessed assets exceeding net additions to nonaccrual loans.

Our net loan charge-offs decreased to $48.1 million for the year ended December 31, 2012, compared to $132.3 million in

2011. Our net loan charge-offs were 1.57% of average loans in 2012, compared to 3.50% of average loans in 2011. Loan charge-offs were $78.1 million for 2011, compared to $154.6 million in 2011, and loan recoveries were $30.0 million for 2012, compared to $22.3 million in 2011.

Noninterest Income

Comparison of 2013 and 2012. Noninterest income decreased $858,000 to $65.1 million for the year ended December 31, 2013, from $66.0 million in 2012. The decrease in our noninterest income was primarily attributable to lower service charges on deposit accounts and customer service fees, reduced gains on loans sold and held for sale and decreased net gains on investment securities, partially offset by increased gains on sales of other real estate and repossessed assets and reduced declines in the fair value of servicing rights. The following table summarizes noninterest income for the years ended December 31, 2013 and 2012:

	December 31,		Increase (Decrease)	
	2013	2012	Amount	%
	(dollars expressed in thousands)			
Noninterest income:				
Service charges on deposit accounts and customer service fees	$ 34,320	36,078	(1,758)	(4.9)%
Gain on loans sold and held for sale	5,041	12,931	(7,890)	(61.0)
Net gain on investment securities	36	1,306	(1,270)	(97.2)
Net gain on sales of other real estate and repossessed assets	6,005	2,626	3,379	128.7
Increase (decrease) in fair value of servicing rights	439	(5,475)	5,914	108.0
Loan servicing fees	6,948	7,403	(455)	(6.1)
Other	12,331	11,109	1,222	11.0
Total noninterest income	$ 65,120	65,978	(858)	(1.3)

Service charges on deposit accounts and customer service fees decreased $1.8 million for the year ended December 31, 2013, as compared to 2012, primarily reflecting reduced non-sufficient funds and returned check fee income on retail and commercial accounts coupled with changes in our deposit mix during the periods.

Gains on loans sold and held for sale decreased $7.9 million for the year ended December 31, 2013, as compared to 2012. The decrease was primarily attributable to a decline in loan production volume in our mortgage banking division as new interest rate lock commitments decreased to $316.6 million for the year ended December 31, 2013, as compared to $608.7 for 2012. The decline in loan production volume was associated with a decrease in refinancing activity in our mortgage banking division.

Net gains on investment securities decreased $1.3 million for the year ended December 31, 2013, as compared to 2012. The net gain on investment securities for 2013 reflects the sale of certain investment securities in anticipation of the sale of our ABS line of business, which was completed during the fourth quarter of 2013, partially offset by other-than-temporary impairment of $407,000 recorded during the first quarter of 2013 on a single municipal investment security classified as held-to-maturity. Proceeds from sales of available-for-sale investment securities were $143.7 million for the year ended December 31, 2013, as compared to $315.2 million for 2012.

Net gains on sales of other real estate and repossessed assets increased $3.4 million for the year ended December 31, 2013, as compared to 2012. We sold other real estate properties and repossessed assets with an aggregate carrying value of $27.9 million at a net gain of $6.0 million in 2013, including a gain of $2.7 million on the sale of a single property in the second quarter of 2013. We sold other real estate properties and repossessed assets with an aggregate carrying value of $45.9 million at a net gain of $2.6 million in 2012.

Net gains (losses) associated with changes in the fair value of mortgage and SBA servicing rights increased to $439,000 for the year ended December 31, 2013, from $(5.5) million for 2012. The changes in the fair value of mortgage and SBA servicing rights during the periods reflect changes in mortgage interest rates and the related changes in estimated prepayment speeds, as well as changes in cash flow assumptions underlying SBA loans serviced for others.

Loan servicing fees decreased $455,000 for the year ended December 31, 2013, as compared to 2012. Loan servicing fees are primarily comprised of fee income generated from the servicing of real estate mortgage loans owned by investors and

originated by our mortgage banking division, as well as SBA loans originated to small business concerns, in addition to unused commitment fees received from lending customers. The level of such fees is primarily impacted by the balance of loans serviced and interest shortfall on serviced residential mortgage loans. Interest shortfall represents the difference between the interest collected from a loan servicing customer upon prepayment of the loan and the full month of interest that is required to be remitted to the security owner. The decrease in the level of loan servicing fees was primarily associated with declining volumes of SBA loans serviced for others in addition to unused commitment fees associated with declining loan and unused commitment amounts.

Other income increased $1.2 million for the year ended December 31, 2013, as compared to 2012. The increase in other income primarily reflects the following:

- Income of $1.2 million recognized on the call of an SBA loan securitization in the first quarter of 2013; and
- A loss on the sale of certain bank-owned properties of $1.1 million during 2012; partially offset by

- The receipt of a litigation settlement of $561,000 in the first quarter of 2012; and
- A gain on the sale of a Community Reinvestment Act, or CRA, investment of $402,000 during the first quarter of 2012.

Comparison of 2012 and 2011. Noninterest income increased $4.1 million to $66.0 million for the year ended December 31, 2012, from $61.9 million in 2011. The increase in our noninterest income was primarily attributable to increased gains on loans sold and held for sale, increased gains on sales of other real estate and repossessed assets, and reduced declines in the fair value of servicing rights, partially offset by lower service charges on deposit accounts and customer service fees, decreased net gains on investment securities and lower loan servicing fees and other income. The following table summarizes noninterest income for the years ended December 31, 2012 and 2011:

	December 31,		Increase (Decrease)	
	2012	2011	Amount	%
	(dollars expressed in thousands)			
Noninterest income:				
Service charges on deposit accounts and customer service fees	$ 36,078	38,946	(2,868)	(7.4)%
Gain on loans sold and held for sale	12,931	5,176	7,755	149.8
Net gain on investment securities	1,306	5,335	(4,029)	(75.5)
Net gain (loss) on sale of other real estate and repossessed assets	2,626	(1,346)	3,972	295.1
Decrease in fair value of servicing rights	(5,475)	(7,652)	2,177	28.5
Loan servicing fees	7,403	8,271	(868)	(10.5)
Other	11,109	13,194	(2,085)	(15.8)
Total noninterest income	$ 65,978	61,924	4,054	6.5

Service charges on deposit accounts and customer service fees decreased $2.9 million for the year ended December 31, 2012, as compared to 2011, primarily reflecting reduced non-sufficient funds and returned check fee income on retail and commercial accounts coupled with changes in our deposit mix and certain product modifications designed to enhance overall product offerings to our customer base during these periods.

Gains on loans sold and held for sale increased $7.8 million for the year ended December 31, 2012, as compared to 2011. The increase was primarily attributable to an increase in loan production volume in our mortgage banking division as new interest rate lock commitments increased to $608.7 million for the year ended December 31, 2012, as compared to $392.8 million for 2011. The increase in loan production volume was associated with an increase in refinancing activity in our mortgage banking division in addition to higher margins on the loans originated for sale in the secondary market. Gains on loans sold and held for sale for 2011 also include a loss on the sale of SBA loans of $100,000.

Net gains on investment securities decreased $4.0 million for the year ended December 31, 2012, as compared to 2011. Proceeds from sales of available-for-sale investment securities were $315.2 million for the year ended December 31, 2012, as compared to $283.7 million for 2011. The net gains on investment securities reflect sales of certain investment securities to partially fund the purchase of $141.0 million of seasoned, performing one-to-four-family residential real estate loans in 2012 and to reposition the investment securities portfolio based on our ongoing evaluation of liquidity requirements and overall market and economic conditions during the respective periods.

Net gains on sales of other real estate and repossessed assets increased $4.0 million for the year ended December 31, 2012, as compared to 2011. We sold other real estate properties and repossessed assets with an aggregate carrying value of $45.9 million at a net gain of $2.6 million in 2012. We sold other real estate properties and repossessed assets with an aggregate carrying value of $66.6 million at a net loss of $1.3 million in 2011.

Net losses associated with changes in the fair value of mortgage and SBA servicing rights decreased $2.2 million for the year ended December 31, 2012, as compared to 2011. The changes in the fair value of mortgage and SBA servicing rights during the periods reflect changes in mortgage interest rates and the related changes in estimated prepayment speeds, as well as changes in cash flow assumptions underlying SBA loans serviced for others.

Loan servicing fees decreased $868,000 for the year ended December 31, 2012, as compared to 2011. Loan servicing fees are

primarily comprised of fee income generated from the servicing of real estate mortgage loans owned by investors and originated by our mortgage banking division, as well as SBA loans originated to small business concerns, in addition to unused commitment fees received from lending customers. The level of such fees is primarily impacted by the balance of loans serviced and interest shortfall on serviced residential mortgage loans. The level of fees was also impacted by a decrease in loan servicing fees associated with declining volumes of SBA loans serviced for others and unused commitment fees associated with declining loan and unused commitment amounts.

Other income decreased $2.1 million for the year ended December 31, 2012, as compared to 2011. The decrease in other income primarily reflects a loss on the sale of certain bank-owned properties of $1.1 million during 2012 and the recovery of $1.8 million received during 2011 from a suspected fraud loss recognized in 2010.

Noninterest Expense

Comparison of 2013 and 2012. Noninterest expense increased $86.1 million to $286.6 million for the year ended December 31, 2013, from $200.5 million in 2012. The increase in our noninterest expense during 2013, as compared to 2012, was primarily attributable to goodwill impairment of $107.3 million and an increase in salaries and employee benefits expense, partially offset by a lower level of expenses associated with our nonperforming assets and potential problem loans, decreased FDIC insurance expense and the implementation of certain measures intended to improve efficiency through the reduction of operating expenses. The following table summarizes noninterest expense for the years ended December 31, 2013 and 2012:

	December 31,		Increase (Decrease)	
	2013	2012	Amount	%
	(dollars expressed in thousands)			
Noninterest expense:				
Salaries and employee benefits	$ 78,141	75,205	2,936	3.9 %
Occupancy, net of rental income, and furniture and equipment	34,253	33,308	945	2.8
Postage, printing and supplies	2,470	2,586	(116)	(4.5)
Information technology fees	21,379	22,446	(1,067)	(4.8)
Legal, examination and professional fees	7,177	8,828	(1,651)	(18.7)
Goodwill impairment	107,267	—	107,267	100.0
Advertising and business development	2,542	1,994	548	27.5
FDIC insurance	6,609	11,313	(4,704)	(41.6)
Write-downs and expenses on other real estate and repossessed assets	5,676	18,672	(12,996)	(69.6)
Other	21,113	26,155	(5,042)	(19.3)
Total noninterest expense	$ 286,627	200,507	86,120	43.0

Salaries and employee benefits expense increased $2.9 million for the year ended December 31, 2013, as compared to 2012. The overall increase in salaries and employee benefits expense reflects normal compensation increases, increases in staffing levels in certain key revenue-generating functions, an increase in incentive compensation as a result of our improved financial performance and an increase in severance expense associated with the sale of our ABS line of business, partially offset by a decrease in benefits expenses, including medical claims and prescription expenses.

Occupancy, net of rental income, and furniture and equipment expense increased $945,000 for the year ended December 31, 2013, as compared to 2012. The increase primarily resulted from a $787,000 decrease in rent expense during the first quarter of 2012 associated with the transfer of a lease obligation to an unaffiliated third party and the related reversal of the corresponding straight-line rent liability.

Information technology fees decreased $1.1 million for the year ended December 31, 2013, as compared to 2012. The decrease in information technology fees is primarily due to the implementation of certain profit improvement initiatives and related fee reductions with First Services, L.P. As more fully described in Note 20 to our consolidated financial statements, First Services, L.P., a limited partnership indirectly owned by our Chairman and members of his immediate family, including Mr. Michael Dierberg, Vice Chairman of the Company, provides information technology and various operational support services to our subsidiaries and us. Information technology fees also include fees paid to outside servicers associated with our mortgage lending, trust and small business lending divisions as well as our payroll processing department.

Legal, examination and professional fees decreased $1.7 million for the year ended December 31, 2013, as compared to 2012. The decrease in legal, examination and professional fees reflects a decline in legal expenses associated with loan collection activities, divestiture activities and litigation matters in comparison to the level of such expenses during 2012.

We recorded a goodwill impairment charge of $107.3 million in the fourth quarter of 2013, as further described in Note 6 to our consolidated financial statements.

Advertising and business development expense increased $548,000 for the year ended December 31, 2013, as compared to 2012, reflecting increased advertising during 2013 as compared to 2012. We expect these expenses to increase over time as we further market our products and services throughout our geographic market areas.

FDIC insurance expense decreased $4.7 million for the year ended December 31, 2013, as compared to 2012. The decrease in FDIC insurance expense is reflective of a reduction in our assessment rate, effective October 2, 2012, in addition to reduced asset levels during 2013, as compared to 2012.

Write-downs and expenses on other real estate and repossessed assets decreased $13.0 million for the year ended December 31, 2013, as compared to 2012. Write-downs related to the revaluation of certain other real estate properties and repossessed assets decreased $12.1 million to $2.4 million in 2013, from $14.5 million in 2012. Other real estate and repossessed asset expenses, exclusive of write-downs, such as taxes, insurance, and repairs and maintenance, were $3.3 million in 2013 as compared to $4.2 million in 2012. The balance of our other real estate and repossessed assets declined to $66.7 million at December 31, 2013, from $92.0 million at December 31, 2012.

Other expense decreased $5.0 million for the year ended December 31, 2013, as compared to 2012. Other expense encompasses numerous general and administrative expenses including communications, insurance, freight and courier services, correspondent bank charges, loan expenses, miscellaneous losses and recoveries, memberships and subscriptions, transfer agent fees, sales taxes, travel, meals and entertainment, overdraft losses and other nonrecurring expenses. The decrease in the overall level of other expense during 2013, as compared to 2012, is reflective of the following:

- Accruals and cash payments associated with certain litigation and other matters of $700,000 during 2013, as compared to $1.1 million in 2012;
- Loan expenses related to collection and other matters of $2.8 million during 2013, as compared to $3.6 million in 2012;
- Amortization expense and losses associated with CRA investments of $654,000 during 2013, as compared to $1.2 million in 2012;
- Provision for estimated mortgage repurchase losses of $1.2 million during 2013, as compared to $2.3 million in 2012, as further described in Note 24 to our consolidated financial statements. Adverse developments with respect to one or more of the assumptions underlying the estimated liability for mortgage loan repurchase losses and the corresponding estimated range of possible loss could result in significant increases to future provisions and/or the estimated range of possible loss. If future losses occur in excess of our recorded liability and estimated range of possible loss, such losses could have a material adverse effect on our cash flows, financial condition and results of operations; and
- An expense of $2.3 million associated with a fair value adjustment on bank-owned facilities of eight of our Florida branches previously reported as discontinued operations that were reclassified to continuing operations during the fourth quarter of 2012.

Comparison of 2012 and 2011. Noninterest expense decreased $25.2 million to $200.5 million for the year ended December 31, 2012, from $225.7 million in 2011. The decrease in our noninterest expense during 2012, as compared to 2011, was primarily attributable to reductions in nearly all expense categories attributable to our profit improvement initiatives and the reduction in our overall asset levels. The following table summarizes noninterest expense for the years ended December 31, 2012 and 2011:

	December 31,		Increase (Decrease)	
	2012	2011	Amount	%
	(dollars expressed in thousands)			
Noninterest expense:				
Salaries and employee benefits	$ 75,205	76,999	(1,794)	(2.3)%
Occupancy, net of rental income, and furniture and equipment	33,308	35,544	(2,236)	(6.3)
Postage, printing and supplies	2,586	2,649	(63)	(2.4)
Information technology fees	22,446	25,804	(3,358)	(13.0)
Legal, examination and professional fees	8,828	12,185	(3,357)	(27.6)
Amortization of intangible assets	—	3,024	(3,024)	(100.0)
Advertising and business development	1,994	1,755	239	13.6
FDIC insurance	11,313	14,876	(3,563)	(24.0)
Write-downs and expenses on other real estate and repossessed assets	18,672	22,983	(4,311)	(18.8)
Other	26,155	29,886	(3,731)	(12.5)
Total noninterest expense	$ 200,507	225,705	(25,198)	(11.2)

Salaries and employee benefits expense decreased $1.8 million for the year ended December 31, 2012, as compared to 2011. The overall decrease in salaries and employee benefits expense reflects lower salary expense associated with a decline in the overall level of our FTEs, excluding discontinued operations, which decreased 2.7% to 1,140 at December 31, 2012 from

1,172 at December 31, 2011. The decrease in salary expense was partially offset by an increase in benefits expenses, including medical claims and prescription expenses, and expense associated with our nonqualified deferred compensation plan resulting from market value increases in the underlying employee investment accounts in this plan.

Occupancy, net of rental income, and furniture and equipment expense decreased $2.2 million for the year ended December 31, 2012, as compared to 2011. The decrease reflects reduced furniture, fixture and technology equipment expenditures associated with prior expansion and branch renovation activities and certain branch closures completed in conjunction with profit improvement initiatives. In addition, occupancy expense, net of rental income, includes a $787,000 decrease in rent expense during the first quarter of 2012 associated with the transfer of a lease obligation to an unaffiliated third party and the related reversal of the corresponding straight-line rent liability, as previously discussed.

Information technology fees decreased $3.4 million for the year ended December 31, 2012, as compared to 2011. The decrease in information technology fees is primarily due to the implementation of certain profit improvement initiatives and related fee reductions with First Services, L.P., as previously discussed. Information technology fees also include fees paid to outside servicers associated with our mortgage lending, trust and small business lending divisions as well as our payroll processing department.

Legal, examination and professional fees decreased $3.4 million for the year ended December 31, 2012, as compared to 2011. The decrease in legal, examination and professional fees reflects a decrease in legal expenses associated with loan collection activities, divestiture activities and litigation matters in comparison to the level of such expenses during 2011.

Amortization of intangible assets was $3.0 million for the year ended December 31, 2011, and reflects the amortization of core deposit intangibles associated with prior acquisitions. Our core deposit intangibles became fully amortized during 2011.

FDIC insurance expense decreased $3.6 million for the year ended December 31, 2012, as compared to 2011. Prior to April 1, 2011, the FDIC's assessment base for the calculation of insurance premium assessments was an institution's average deposits. The Dodd-Frank Act required the FDIC to establish rules setting insurance premium assessments based on an institution's average consolidated assets minus its average tangible equity instead of its deposits. The change in the assessment base had the impact of reducing the level of our FDIC insurance expense beginning with the second quarter of 2011. The decrease in FDIC insurance expense is also reflective of our reduced level of deposits and total assets during 2012, as compared to 2011, and a reduction in our assessment rate effective October 2, 2012.

Write-downs and expenses on other real estate and repossessed assets decreased $4.3 million for the year ended December 31, 2012, as compared to 2011. Write-downs related to the revaluation of certain other real estate properties and repossessed assets were $14.5 million in 2012, as compared to $16.9 million in 2011. Other real estate and repossessed asset expenses (exclusive of write-downs) such as taxes, insurance, and repairs and maintenance, were $4.2 million in 2012 as compared to $6.1 million in 2011, reflecting a decrease in the balance of other real estate and repossessed assets and the sale of certain properties that required higher operating expenditures. The balance of our other real estate and repossessed assets decreased to $92.0 million at December 31, 2012, from $129.9 million at December 31, 2011.

Other expense decreased $3.7 million for the year ended December 31, 2012, as compared to 2011. The decrease in the overall level of other expense during 2012, as compared to 2011, is reflective of the following:

- Amortization expense and losses associated with CRA investments of $1.2 million during 2012, as compared to $2.3 million in 2011;
- Loan expenses related to collection and other matters of $3.6 million during 2012, as compared to $5.3 million in 2011;
- A reduction in overdraft losses, net of recoveries, to $678,000 in 2012, as compared to $1.2 million in 2011;
- Write-downs of bank-owned facilities to estimated fair value less costs to sell of $150,000 during 2012, as compared to $2.6 million in 2011, associated with space consolidation initiatives; and
- Profit improvement initiatives and management's efforts to reduce overall expense levels; partially offset by
- An expense of $2.3 million associated with a fair value adjustment on bank-owned facilities of eight of our Florida branches previously reported as discontinued operations that were reclassified to continuing operations during the fourth quarter of 2012; and
- Provision for estimated mortgage repurchase losses of $2.3 million during 2012, as compared to $1.3 million in 2011.

Benefit for Income Taxes.

Comparison of 2013 and 2012. We recorded a benefit for income taxes of $288.5 million for the year ended December 31, 2013, compared to a benefit for income taxes of $139,000 for the year ended December 31, 2012. The benefit for income taxes during 2013 reflects the reversal of substantially all of our valuation allowance against our net deferred tax assets, as further discussed below.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expenses. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and results of recent operations. In projecting future taxable income, we begin with historical results adjusted for the results of discontinued operations and changes in accounting policies and incorporate assumptions including the amount of future state and federal pre-tax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts and future taxable income and are consistent with the plans and estimates we are using to manage the underlying business.

After analysis of all available positive and negative evidence, we reversed substantially all of our valuation allowance against our net deferred tax assets. We concluded that, as of December 31, 2013, it was more likely than not that substantially all of our net

deferred tax assets would be realized in future years. This conclusion was primarily based on eight consecutive quarters of profitability, in addition to the significant improvement in our asset quality metrics and regulatory capital ratios over the last few years and certain other relevant factors.

Comparison of 2012 and 2011. We recorded a benefit for income taxes of $139,000 for the year ended December 31, 2012, compared to a benefit for income taxes of $10.7 million for the year ended December 31, 2011. The benefit for income taxes during 2012 and 2011 reflects the establishment of a full deferred tax asset valuation allowance during 2008 and the resulting inability to record tax benefits on our net loss in 2011 due to existing federal and state net operating loss carryforwards on which the realization of the related tax benefits was not more likely than not at the time, as further described in Note 17 to our consolidated financial statements. The deferred tax asset valuation allowance was primarily established as a result of our three-year cumulative operating loss for the years ended December 31, 2008, 2007 and 2006, after considering all available objective evidence and potential tax planning strategies related to the amount of the deferred tax assets that are more likely than not to be realized.

The benefit for income taxes during 2011 also reflects the recognition of an intra-period tax allocation between other comprehensive income and loss from continuing operations, resulting in a benefit for income taxes of $11.6 million during the third quarter of 2011 and a provision for income taxes of $1.1 million during the fourth quarter of 2011. This intra-period tax allocation was primarily driven by market appreciation in our investment securities portfolio during the third quarter of 2011 and a subsequent decline in the fair value of our investment securities portfolio during the fourth quarter of 2011.

The level of our benefit for income taxes and the deferred tax asset valuation allowance are more fully described in Note 17 to our consolidated financial statements.

Income (Loss) from Discontinued Operations, Net of Tax

We recorded income from discontinued operations, net of tax, of $21.2 million for the year ended December 31, 2013, compared to losses from discontinued operations, net of tax, of $8.8 million and $9.4 million in 2012 and 2011, respectively. The income (loss) from discontinued operations, net of tax, for 2013, 2012 and 2011 is reflective of the following:

- A gain of $28.6 million associated with the sale of our ABS line of business on November 22, 2013, after the write-off of goodwill allocated to the transaction of $18.0 million;
- A gain of $408,000 associated with the sale of eight of our retail branches in our Northern Florida Region on April 19, 2013, after the write-off of goodwill allocated to the Northern Florida Region of $700,000;
- A gain of $425,000 during the second quarter of 2011 associated with the sale of our remaining Northern Illinois Region on May 13, 2011 after the write-off of goodwill and intangible assets allocated to the Northern Illinois Region of $1.6 million; and
- Other income (loss) from all discontinued operations during the respective periods.

See Note 2 to our consolidated financial statements for further discussion of discontinued operations.

Net Income (Loss) Attributable to Noncontrolling Interest in Subsidiary

Net income (loss) attributable to noncontrolling interest in subsidiary is comprised of the noncontrolling interest in the net income (losses) of FB Holdings. Net income (loss) attributable to noncontrolling interest in subsidiary was $179,000 for the year ended December 31, 2013, compared to $(297,000) in 2012. The net income attributable to noncontrolling interest in subsidiary for 2013, as compared to the net loss for 2012, is reflective of reduced expenses and write-downs on other real estate properties associated with the reduction of loans and other real estate balances in FB Holdings, partially offset by lower gains on the sale of other real estate properties.

Net losses attributable to noncontrolling interest in subsidiary were $297,000 for the year ended December 31, 2012, compared to $3.0 million in 2011. The decrease in the net loss attributable to noncontrolling interest in subsidiary for 2012, as compared to 2011, is primarily reflective of increased gains on the sale of other real estate properties and reduced expenses and write-downs on other real estate properties associated with the reduction of loan and other real estate balances in FB Holdings during

2012, as compared to 2011.

Noncontrolling interest in our subsidiaries is more fully described in Note 1 and Note 20 to our consolidated financial statements.

FINANCIAL CONDITION

Total assets decreased $590.1 million to $5.92 billion at December 31, 2013, from $6.51 billion at December 31, 2012. The decrease in our total assets was attributable to decreases in our cash and short-term investments, our investment securities portfolio, our loans, goodwill and our other real estate and repossessed assets, partially offset by an increase in our deferred income taxes.

Cash and cash equivalents, which are comprised of cash and short-term investments, decreased $328.4 million to $190.4 million at December 31, 2013, from $518.8 million at December 31, 2012. The majority of funds in our short-term investments were maintained in our correspondent bank account with the FRB, as further discussed under "—Liquidity Management." The decrease in our cash and cash equivalents was primarily attributable to the following:

- The sale of our ABS line of business on November 22, 2013, which resulted in a cash outflow of $487.7 million; and
- A decrease in our deposit balances of $106.9 million, exclusive of the sale of $572.1 million of deposits associated with our ABS line of business; partially offset by
- A net decrease in our investment securities portfolio of $251.8 million, excluding the fair value adjustment on our available-for-sale investment securities;
- A decrease in loans of $17.6 million, exclusive of loan charge-offs, transfers of loans to other real estate and repossessed assets and the sale of $20.8 million of loans associated with our ABS line of business;
- Recoveries of loans previously charged off of $20.3 million;
- Sales of other real estate and repossessed assets resulting in the receipt of cash proceeds from these sales of approximately $33.9 million;
- A net increase in our other borrowings of $17.1 million, consisting of changes in our daily repurchase agreements utilized by customers as an alternative deposit product; and
- Cash generated by operating earnings.

Investment securities decreased $323.3 million to $2.35 billion at December 31, 2013, from $2.68 billion at December 31, 2012. The net decrease in our investment securities during 2013 reflects the reinvestment of proceeds from sales and maturities of investment securities into cash and cash equivalents in anticipation of the sale of our ABS line of business, which was completed on November 22, 2013 and resulted in a cash outlay of $487.7 million. Funds available from reductions in our loan portfolio, in addition to the partial reinvestment of funds available from maturities and/or calls of investment securities of $500.3 million and sales of available-for-sale investment securities of $143.7 million, were utilized to purchase investment securities of $392.1 million during 2013. The decrease also reflects a decrease in the fair value adjustment of approximately $42.9 million on our available-for-sale investment securities resulting from an increase in market interest rates during 2013. During the first quarter of 2013, we also reclassified certain of our available-for-sale investment securities to held-to-maturity investment securities at their respective fair values, which totaled $242.5 million in aggregate, as further described in Note 3 to our consolidated financial statements and under "—Liquidity Management." We continue to maintain a high level of investment securities in an effort to support future loan growth opportunities, maximize our net interest income and net interest margin, and maintain appropriate liquidity levels and appropriate diversification within our investment securities portfolio. Additional information regarding our investment securities portfolio is more fully described in Note 3 to our consolidated financial statements.

Total loans decreased $73.7 million to $2.86 billion at December 31, 2013, from $2.93 billion at December 31, 2012. The decrease reflects the sale of $20.8 million of loans associated with our ABS line of business, as further discussed in Note 2 to our consolidated financial statements, gross loan charge-offs of $25.8 million, transfers of loans to other real estate and repossessed assets of $9.5 million, and other net loan activity of $17.6 million, including principal repayments and/or payoffs on nonperforming, potential problem and other loans in addition to loan runoff in problem loans and loans in markets we previously exited, as further discussed under "—Loans and Allowance for Loan Losses." These decreases were partially offset by new loan production, particularly in our commercial real estate and commercial and industrial production volumes, as a result of successful efforts to expand existing loan relationships and develop new loan relationships.

Goodwill decreased $125.3 million to zero at December 31, 2013, from $125.3 million at December 31, 2012. We recorded goodwill impairment of $107.3 million during the fourth quarter of 2013, as previously discussed, and as further described in Note 6 to our consolidated financial statements. The decrease also reflects the allocation of $18.0 million of goodwill associated with our ABS line of business, which we sold during the fourth quarter of 2013.

Deferred income tax assets increased $286.8 million to $315.9 million at December 31, 2013, from $29.0 million at December 31, 2012. The increase reflects the reversal of substantially all of our valuation allowance against our net deferred tax assets during the fourth quarter of 2013, as more fully described above under "—Benefit for Income Taxes" and in Note 17 to our consolidated financial statements.

Other real estate and repossessed assets decreased $25.3 million to $66.7 million at December 31, 2013, from $92.0 million at

December 31, 2012. The decrease in other real estate and repossessed assets was primarily attributable to the sale of other real estate properties and repossessed assets with a carrying value of $27.9 million at a net gain of $6.0 million, and write-downs of other real estate properties and repossessed assets of $2.4 million primarily attributable to declining real estate values on certain properties. These decreases were partially offset by foreclosures and additions to other real estate and repossessed assets of $9.5 million, as further discussed under "—Loans and Allowance for Loan Losses."

Assets and liabilities of discontinued operations were $6.7 million and $155.7 million, respectively, at December 31, 2012, and represent the assets and liabilities of our three Northern Florida Region branches closed on April 5, 2013 and our eight Northern Florida Region branches sold on April 19, 2013. See Note 2 to our consolidated financial statements for further discussion of discontinued operations.

Deposits decreased $679.0 million to $4.81 billion at December 31, 2013, from $5.49 billion at December 31, 2012. The decrease reflects the sale of $572.1 million of deposits associated with our ABS line of business on November 22, 2013, as further discussed in Note 2 to our consolidated financial statements. Exclusive of this transaction, total deposits decreased $106.9 million, which was primarily attributable to reductions of higher rate certificates of deposit and a decrease in savings and money market deposits, partially offset by an increase in demand deposits. Time deposits and savings and money market deposits decreased $178.1 million and $20.4 million, respectively, and demand deposits increased $91.6 million.

Other borrowings, which are comprised of daily securities sold under agreements to repurchase (in connection with cash management activities of our commercial deposit customers), increased $17.1 million to $43.1 million at December 31, 2013, from $26.0 million at December 31, 2012, reflecting changes in customer balances associated with this product segment.

Deferred income tax liabilities decreased $7.8 million to $28.4 million at December 31, 2013, from $36.2 million at December 31, 2012. The decrease primarily resulted from a decrease in deferred tax liabilities associated with the corresponding decrease in the fair value adjustment of our available-for-sale investment securities as a result of an increase in market interest rates during 2013.

Accrued expenses and other liabilities increased $46.8 million to $191.1 million at December 31, 2013, from $144.3 million at December 31, 2012. The increase was primarily attributable to an increase of $15.9 million in dividends payable on our Class C Preferred Stock and our Class D Preferred Stock to $77.8 million at December 31, 2013, and an increase of $15.0 million in accrued interest payable on our junior subordinated debentures to $62.9 million at December 31, 2013, as further discussed in Notes 12 and 13 to our consolidated financial statements. Accrued expenses and other liabilities at December 31, 2013 also includes $15.5 million associated with the final settlement due on the sale of our ABS line of business in November, 2013. This liability was paid on January 31, 2014.

Stockholders' equity, including noncontrolling interest in subsidiary, increased $188.3 million to $488.3 million at December 31, 2013, from $300.0 million at December 31, 2012. The increase primarily reflects net income, including discontinued operations, of $241.7 million, partially offset by a net decrease in accumulated other comprehensive income of $37.8 million associated with a decrease in unrealized gains on available-for-sale investment securities, resulting from the increase in market interest rates experienced during 2013, and dividends declared of $15.9 million on our Class C Preferred Stock and our Class D Preferred Stock.

Loans and Allowance for Loan Losses

Loan Portfolio Composition. Total loans represented 48.3% of our assets as of December 31, 2013, compared to 45.0% of our assets at December 31, 2012. Total loans decreased $73.7 million to $2.86 billion at December 31, 2013 from $2.93 billion at December 31, 2012. The following table summarizes the composition of our loan portfolio by portfolio segment and the percent of each portfolio segment to the total portfolio as of the dates presented:

	December 31,									
	2013		2012		2011		2010		2009	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(dollars expressed in thousands)									
Commercial, financial and agricultural	$ 600,704	21.2 %	$ 610,301	21.3 %	$ 725,195	22.3 %	$1,045,832	23.5 %	$1,692,922	25.8 %
Real estate construction and development	121,662	4.3	174,979	6.1	249,987	7.7	490,766	11.1	1,052,922	16.0
Real estate mortgage:										
One-to-four-family residential	921,488	32.5	986,767	34.4	902,438	27.7	1,050,895	23.7	1,279,166	19.5
Multi-family residential	121,304	4.3	103,684	3.6	127,356	3.9	178,289	4.0	223,044	3.4
Commercial real estate	1,048,234	37.0	969,680	33.9	1,225,538	37.7	1,642,920	37.0	2,269,372	34.6

Consumer and installment	18,681	0.7	19,262	0.7	23,596	0.7	33,623	0.8	56,029	0.8
Net deferred loan fees	(526)	—	(59)	—	(942)	—	(4,511)	(0.1)	(7,846)	(0.1)
Total loans, excluding loans held for sale	2,831,547	100.0 %	2,864,614	100.0 %	3,253,168	100.0 %	4,437,814	100.0 %	6,565,609	100.0 %
Loans held for sale	25,548		66,133		31,111		54,470		42,684	
Total loans	$2,857,095		$2,930,747		$3,284,279		$4,492,284		$6,608,293	

The following table summarizes the composition of our loan portfolio by geographic region and/or business segment at December 31, 2013 and 2012:

	December 31,	
	2013	2012
	(dollars expressed in thousands)	
Mortgage Division	$ 513,225	582,021
Florida	58,525	65,582
Northern California	361,895	383,519
Southern California	968,241	922,191
Chicago	91,048	122,508
Missouri	565,043	528,168
Texas	23,705	41,951
Northern and Southern Illinois	224,664	212,177
Other	50,749	72,630
Total	$ 2,857,095	2,930,747

We attribute the net decrease in our loan portfolio in 2013 primarily to:

- A decrease of $9.6 million, or 1.6%, in our commercial, financial and agricultural portfolio, primarily reflecting the sale of $20.8 million of such loans at par value associated with our ABS line of business during the fourth quarter of 2013, partially offset by new loan production;

- A decrease of $53.3 million, or 30.5%, in our real estate construction and development portfolio, primarily attributable to our continued efforts to reduce the overall level of our special mention, potential problem and nonaccrual loans within this portfolio segment. We received a payoff of $29.6 million during the third quarter of 2013 on a single credit relationship in our Northern California region, of which $19.6 million of the loan relationship was on nonaccrual status and $10.0 million was considered a performing troubled debt restructuring, or performing TDR. The payoff of this loan relationship also resulted in a recovery to the allowance for loan losses of $2.2 million. The following table summarizes the composition of our real estate construction and development portfolio by region as of December 31, 2013 and 2012:

	December 31,	
	2013	2012
	(dollars expressed in thousands)	
Northern California	$ 81	30,388
Southern California	91,608	88,893
Chicago	8,041	21,024
Missouri	4,142	9,791
Texas	4,392	9,927
Florida	845	378
Northern and Southern Illinois	6,412	8,260
Other	6,141	6,318
Total	$ 121,662	174,979

We have reduced our exposure to our real estate construction and development portfolio over the past several years due primarily to weak economic conditions and declines in real estate values in certain of our market areas which resulted in higher levels of charge-offs and foreclosures during these periods. As a result of our efforts to reduce our exposure to this portfolio segment, we decreased the portfolio balance by $2.02 billion, or 94.3%, from $2.14 billion at December 31, 2007 to $121.7 million at December 31, 2013. Of the remaining portfolio balance of $121.7 million, $4.9 million, or 4.0%, of these loans were on nonaccrual status as of December 31, 2013 and $73.4 million, or 60.3%, of these loans

were considered potential problem loans, including a $60.3 million loan relationship in our Southern California region, as further discussed below;

- A decrease of $65.3 million, or 6.6%, in our one-to-four-family residential real estate loan portfolio primarily attributable to gross loan charge-offs of $12.7 million, transfers to other real estate of $6.2 million and principal payments; partially offset by new loan production. The following table summarizes the composition of our one-to-four-family residential real estate loan portfolio as of December 31, 2013 and 2012:

	December 31,	
	2013	2012
	(dollars expressed in thousands)	
One-to-four-family residential real estate:		
Bank portfolio	$ 90,153	122,338
Mortgage Division portfolio, excluding Florida	409,854	427,759
Florida Mortgage Division portfolio	72,157	82,212
Home equity portfolio	349,324	354,458
Total	$ 921,488	986,767

Our Bank portfolio consists of mortgage loans originated to customers from our retail branch banking network. The decrease in this portfolio of $32.2 million, or 26.3%, during 2013 is primarily attributable to principal payments resulting from loan refinancings in the ongoing volatile mortgage interest rate environment. As of December 31, 2013, approximately $5.8 million, or 6.5%, of this portfolio is considered impaired, consisting of nonaccrual loans of $5.1 million and performing TDRs of $703,000.

Our Mortgage Division portfolio, excluding Florida, consists of both prime mortgage loans and Alt A and sub-prime mortgage loans that were originated prior to our discontinuation of Alt A and sub-prime loan products in 2007. The decrease in this portfolio of $17.9 million, or 4.2%, during 2013 is primarily attributable to principal payments, gross loan charge-offs of $6.7 million and transfers to other real estate; partially offset by the addition of approximately $66.5 million of new loan production into this portfolio, consisting of jumbo adjustable rate and 10 and 15-year fixed rate mortgages. As of December 31, 2013, approximately $80.4 million, or 19.6%, of this portfolio is considered impaired, consisting of nonaccrual loans of $11.6 million and performing TDRs of $68.8 million, including loans modified in the Home Affordable Modification Program, or HAMP, of $63.3 million.

Our Florida Mortgage Division portfolio, the majority of which was acquired in November 2007 through our acquisition of Coast Bank, consists primarily of prime mortgage loans and Alt A mortgage loans. The decrease in this portfolio of $10.1 million, or 12.2%, is primarily attributable to principal payments, gross loan charge-offs of $2.1 million and transfers to other real estate. As of December 31, 2013, approximately $12.0 million, or 16.6%, of this portfolio is considered impaired, consisting of performing TDRs of $8.7 million, including loans modified in HAMP of $6.7 million, and nonaccrual loans of $3.3 million. Our Mortgage Division portfolio, excluding Florida, and our Florida Mortgage Division portfolio are collectively defined as our Mortgage Division portfolio unless otherwise noted.

Our home equity portfolio consists of loans originated to customers from our retail branch banking network. The decrease in this portfolio of $5.1 million, or 1.4%, during 2013 is primarily attributable to principal payments, gross loan charge-offs of $2.7 million, and ordinary and seasonal fluctuations experienced within this loan product type. As of December 31, 2013, approximately $7.4 million, or 2.1%, of this portfolio is on nonaccrual status;

- An increase of $17.6 million, or 17.0%, in our multi-family residential real estate portfolio primarily attributable to new loan production within this portfolio segment. As of December 31, 2013, approximately $29.7 million, or 24.5%, of this portfolio is considered impaired, consisting of nonaccrual loans of $1.7 million and performing TDRs of $28.0 million, consisting solely of one loan relationship in our Chicago region restructured during the fourth quarter of 2012, as further described below under "Performing Troubled Debt Restructurings."

- An increase of $78.6 million, or 8.1%, in our commercial real estate portfolio primarily attributable to new loan production within this portfolio segment, in particular our non-owner occupied commercial real estate portfolio, partially offset by our efforts to reduce the overall level of our special mention, potential problem and nonaccrual loans within this portfolio segment, including the payoff of a $13.7 million credit relationship in the fourth quarter of 2013 that was classified as a potential problem loan at December 31, 2012 and the payoff of a $5.2 million performing TDR in the second quarter of 2013. The following table summarizes the composition of our commercial real estate portfolio by loan type as of December 31, 2013 and 2012:

	December 31,	
	2013	2012

Farmland	$	18,626	17,784
Owner occupied		568,035	552,983
Non-owner occupied		461,573	398,913
Total	$	1,048,234	969,680

Our non-owner occupied portfolio constitutes approximately 44.0% of our commercial real estate portfolio at December 31, 2013. As of December 31, 2013, $4.8 million, or 1.0%, of our non-owner occupied segment is considered

impaired, consisting of nonaccrual loans of $4.2 million and performing TDRs of $600,000. The following table summarizes the composition of our non-owner occupied loan portfolio by region as of December 31, 2013 and 2012:

	December 31,	
	2013	2012
	(dollars expressed in thousands)	
Northern California	$ 149,844	120,247
Southern California	191,111	174,494
Chicago	2,128	4,149
Missouri	79,510	60,981
Texas	9,286	14,203
Florida	6,626	7,122
Northern and Southern Illinois	21,657	15,921
Other	1,411	1,796
Total	$ 461,573	398,913

- A decrease of $581,000, or 3.0%, in our consumer and installment portfolio, reflecting portfolio runoff; and

- A decrease of $40.6 million, or 61.4%, in our loans held for sale portfolio primarily resulting from a decline in origination volumes and the timing of subsequent sales into the secondary mortgage market.

We attribute the net decrease in our loan portfolio in 2012 primarily to:

- A decrease of $114.9 million, or 15.8%, in our commercial, financial and agricultural portfolio, reflecting gross loan charge-offs of $17.4 million, low loan demand within our markets and our efforts to reduce the overall level of our special mention, potential problem and nonaccrual loans within this portfolio segment, including the sale of $19.4 million of potential problem and nonaccrual loans during 2012;

- A decrease of $75.0 million, or 30.0%, in our real estate construction and development portfolio, primarily attributable to gross loan charge-offs of $12.2 million, transfers to other real estate and repossessed assets of $10.0 million, the sale of $5.3 million of potential problem and nonaccrual loans, and other loan activity reflective of our efforts to reduce the overall level of our special mention, potential problem and nonaccrual loans within this portfolio segment. The following table summarizes the composition of our real estate construction and development portfolio by region as of December 31, 2012 and 2011:

	December 31,	
	2012	2011
	(dollars expressed in thousands)	
Northern California	$ 30,388	51,968
Southern California	88,893	99,517
Chicago	21,024	30,105
Missouri	9,791	18,096
Texas	9,927	24,850
Florida	378	1,398
Northern and Southern Illinois	8,260	17,210
Other	6,318	6,843
Total	$ 174,979	249,987

Of the remaining portfolio balance of $175.0 million, $32.2 million, or 18.4%, of these loans were on nonaccrual status

as of December 31, 2012, including an $18.6 million loan in our Northern California region, and $81.4 million, or 46.5%, of these loans were considered potential problem loans, including a $68.4 million loan relationship in our Southern California region, as further discussed below;

- An increase of $84.3 million, or 9.3%, in our one-to-four-family residential real estate loan portfolio primarily attributable to the purchase of $141.0 million of seasoned, performing one-to-four-family residential real estate loans from another financial institution on September 28, 2012 and new loan production, partially offset by gross loan charge-offs of $21.8 million, transfers to other real estate of $7.4 million and principal payments. The following table summarizes the composition of our one-to-four-family residential real estate loan portfolio as of December 31, 2012 and 2011:

	December 31,	
	2012	2011
	(dollars expressed in thousands)	
One-to-four-family residential real estate:		
Bank portfolio	$ 122,338	165,578
Mortgage Division portfolio, excluding Florida	427,759	269,097
Florida Mortgage Division portfolio	82,212	97,818
Home equity portfolio	354,458	369,945
Total	$ 986,767	902,438

The decrease in our Bank portfolio of $43.2 million, or 26.1%, during 2012 is primarily attributable to principal payments resulting from an increasing volume of loan refinancings and the low mortgage interest rate environment. As of December 31, 2012, approximately $8.5 million, or 7.0%, of this portfolio is considered impaired, consisting of nonaccrual loans of $6.9 million and performing TDRs of $1.6 million.

The increase in our Mortgage Division portfolio of $158.7 million, or 59.0%, during 2012 is primarily attributable to the purchase of $141.0 million of seasoned, performing one-to-four-family residential real estate loans from another financial institution on September 28, 2012 and the addition of approximately $67.6 million of new loan production into this portfolio, consisting of jumbo adjustable rate and 10 and 15-year fixed rate mortgages; partially offset by principal payments, gross loan charge-offs of $10.0 million and transfers to other real estate. As of December 31, 2012, approximately $88.2 million, or 20.6%, of this portfolio is considered impaired, consisting of nonaccrual loans of $17.2 million and performing TDRs of $71.0 million, including loans modified in HAMP of $64.2 million.

The decrease in our Florida Mortgage Division portfolio of $15.6 million, or 16.0%, is primarily attributable to principal payments, gross loan charge-offs of $3.1 million and transfers to other real estate. As of December 31, 2012, approximately $9.9 million, or 12.0%, of this portfolio is considered impaired, consisting of performing TDRs of $7.3 million, including loans modified in HAMP of $5.5 million, and nonaccrual loans of $2.6 million.

The decrease in our home equity portfolio of $15.5 million, or 4.2%, during 2012 is primarily attributable to gross loan charge-offs of $5.0 million, in addition to principal payments and ordinary and seasonal fluctuations experienced within this loan product type. As of December 31, 2012, approximately $8.7 million, or 2.4%, of this portfolio is on nonaccrual status;

- A decrease of $23.7 million, or 18.6%, in our multi-family residential real estate portfolio primarily attributable to reduced loan demand within our markets as well as our efforts to reduce the overall level of our special mention, potential problem and nonaccrual loans within this portfolio segment, including the payoff of a $15.4 million special mention credit in our Southern Illinois region in the third quarter of 2012, and gross loan charge-offs of $2.4 million. As of December 31, 2012, approximately $35.0 million, or 33.8%, of this portfolio is considered impaired, consisting of nonaccrual loans of $6.8 million and performing TDRs of $28.2 million, consisting solely of one loan relationship in our Chicago region restructured during the fourth quarter of 2012;

- A decrease of $255.9 million, or 20.9%, in our commercial real estate portfolio primarily attributable to gross loan charge-offs of $23.9 million, transfers to other real estate of $6.7 million, reduced loan demand within our markets and our efforts to reduce the overall level of our special mention, potential problem and nonaccrual loans within this portfolio segment, including the sale of $43.9 million of special mention, potential problem and nonaccrual loans and the payoff of a $17.0 million non-owner occupied performing TDR in our Northern California region in the second quarter of 2012. The following table summarizes the composition of our commercial real estate portfolio by loan type as of December 31, 2012 and 2011:

	December 31,	
	2012	2011
	(dollars expressed in thousands)	

Farmland	$	17,784	19,322
Owner occupied		552,983	686,081
Non-owner occupied		398,913	520,135
Total	$	969,680	1,225,538

Our non-owner occupied portfolio constitutes approximately 41.1% of our commercial real estate portfolio at December 31, 2012. As of December 31, 2012, $13.7 million, or 3.4%, of our non-owner occupied segment is considered impaired, consisting of nonaccrual loans of $7.9 million and performing TDRs of $5.8 million. The following table summarizes the composition of our non-owner occupied loan portfolio by region as of December 31, 2012 and 2011:

	December 31,	
	2012	2011
	(dollars expressed in thousands)	
Northern California	$ 120,247	146,808
Southern California	174,494	213,394
Chicago	4,149	19,918
Missouri	60,981	77,449
Texas	14,203	27,639
Florida	7,122	10,233
Northern and Southern Illinois	15,921	22,803
Other	1,796	1,891
Total	$ 398,913	520,135

- A decrease of $4.3 million, or 18.4%, in our consumer and installment portfolio, reflecting portfolio runoff and reduced loan demand within our markets; and

- An increase of $35.0 million, or 112.6%, in our loans held for sale portfolio primarily resulting from an increase in origination volumes and the timing of subsequent sales into the secondary mortgage market.

Loans at December 31, 2013 mature as follows:

		Over One Year Through Five Years		Over Five Years		
	One Year or Less	Fixed Rate	Floating Rate	Fixed Rate	Floating Rate	Total
	(dollars expressed in thousands)					
Commercial, financial and agricultural	$ 270,605	128,573	125,156	21,705	54,665	600,704
Real estate construction and development	100,167	12,629	2,776	189	5,901	121,662
Real estate mortgage:						
One-to-four-family residential	30,121	33,143	14,837	262,807	580,580	921,488
Multi-family residential	15,785	55,178	4,095	35,144	11,102	121,304
Commercial real estate	131,551	339,818	191,795	285,635	99,435	1,048,234
Consumer and installment and net deferred loan fees	5,735	10,113	1,672	578	57	18,155
Loans held for sale	25,548	—	—	—	—	25,548
Total loans	$ 579,512	579,454	340,331	606,058	751,740	2,857,095

The following table summarizes the components of changes in our total loan portfolio for the five years ended December 31, 2013:

	Increase (Decrease) For the Year Ended December 31,				
	2013	2012	2011	2010	2009
	(dollars expressed in thousands)				
Internal loan volume decrease	$ (8,571)	(337,206)	(868,141)	(1,339,445)	(749,712)
Loans purchased	—	141,048	—	—	—

Loans and leases sold	(29,763)	(55,081)	(115,296)	(245,420)	(308,034)
Loans transferred to assets held for sale	—	—	—	(794)	(14,382)
Loans transferred to discontinued operations	—	—	—	(40,265)	(416,245)
Loans charged-off	(25,835)	(78,070)	(154,627)	(331,196)	(352,723)
Loans transferred to other real estate and repossessed assets	(9,483)	(24,223)	(69,941)	(158,889)	(143,586)
Total decrease in loan portfolio	$ (73,652)	(353,532)	(1,208,005)	(2,116,009)	(1,984,682)

Nonperforming Assets. Nonperforming assets include nonaccrual loans, other real estate and repossessed assets. The following table presents the categories of nonperforming assets and certain ratios as of the dates presented:

	December 31,				
	2013	2012	2011	2010	2009
	(dollars expressed in thousands)				
Nonperforming Assets: [1]					
Nonaccrual loans:					
Commercial, financial and agricultural	$ 10,523	19,050	55,340	67,365	41,408
Real estate construction and development	4,914	32,152	71,244	134,244	407,077
One-to-four-family residential real estate:					
Bank portfolio	5,146	6,910	14,690	14,479	13,500
Mortgage Division portfolio	14,917	19,780	16,778	33,386	94,433
Home equity portfolio	7,361	8,671	6,940	7,122	4,303
Multi-family residential	1,793	6,761	7,975	12,960	14,734
Commercial real estate	8,283	16,520	47,262	129,187	115,312
Consumer and installment	19	28	22	165	337
Total nonaccrual loans	52,956	109,872	220,251	398,908	691,104
Other real estate and repossessed assets	66,702	91,995	129,896	140,665	126,911
Total nonperforming assets	$ 119,658	201,867	350,147	539,573	818,015
Total loans	$ 2,857,095	2,930,747	3,284,279	4,492,284	6,608,293
Performing troubled debt restructurings	$ 110,627	128,917	126,442	112,903	54,336
Loans past due 90 days or more and still accruing	$ 424	1,090	2,744	5,523	3,807
Ratio of:					
Allowance for loan losses to loans	2.84%	3.13%	4.19%	4.48%	4.03%
Nonaccrual loans to loans	1.85	3.75	6.71	8.88	10.46
Allowance for loan losses to nonaccrual loans	153.02	83.37	62.52	50.40	38.55
Nonperforming assets to loans, other real estate and repossessed assets	4.09	6.68	10.26	11.65	12.15

(1) During the first quarter of 2010, the Company modified its definition of nonperforming assets to exclude performing TDRs because these loans were performing in accordance with the current or modified terms. Prior periods have been adjusted for this reclassification.

Our nonperforming assets, consisting of nonaccrual loans, other real estate and repossessed assets, were $119.7 million, $201.9 million and $350.1 million at December 31, 2013, 2012 and 2011, respectively.

We attribute the $56.9 million, or 51.8%, net decrease in our nonaccrual loans during the year ended December 31, 2013 to the following:

- A decrease in nonaccrual loans of $8.5 million, or 44.8%, in our commercial, financial and agricultural portfolio, primarily driven by gross loan charge-offs of $5.6 million and payments received, partially offset by additions to nonaccrual loans during the year;

- A decrease in nonaccrual loans of $27.2 million, or 84.7%, in our real estate construction and development loan

portfolio, reflecting our continued efforts to reduce the overall level of our special mention, potential problem and nonaccrual loans within this portfolio segment, including the payoff of $19.6 million of nonaccrual loans associated with a single credit relationship in our Northern California region during the third quarter of 2013, as previously discussed, a $6.5 million paydown on a large loan relationship in our Southern California region during the third quarter of 2013 and slowing in the level of deterioration in this portfolio due in part to the decline in the total portfolio balance;

- A decrease in nonaccrual loans of $7.9 million, or 22.4%, in our one-to-four-family residential real estate loan portfolio driven by gross loan charge-offs of $12.7 million, transfers to other real estate of $6.2 million and payments received, partially offset by additions to nonaccrual loans during the year. We continue to modify loans under HAMP where deemed economically advantageous to our borrowers and us;

- A decrease in nonaccrual loans of $5.0 million, or 73.5%, in our multi-family residential loan portfolio primarily driven by payoffs and payments received, including a $2.5 million payoff on a nonperforming TDR during the second quarter of 2013, partially offset by additions to nonaccrual loans during the year; and

- A decrease in nonaccrual loans of $8.2 million, or 49.9%, in our commercial real estate portfolio primarily driven by gross loan charge-offs of $6.7 million, transfers to other real estate of $2.7 million and payments received, partially offset by additions to nonaccrual loans during the year.

The decrease in other real estate and repossessed assets of $25.3 million, or 27.5%, during 2013 was primarily driven by the sale of other real estate properties with an aggregate carrying value of $27.9 million at a net gain of $6.0 million and write-downs of other real estate and repossessed assets of $2.4 million attributable to declining real estate values on certain properties, partially offset by foreclosures and other additions to other real estate. Of the $66.7 million of other real estate and repossessed assets at December 31, 2013, $25.7 million and $40.9 million consisted of collateral with the most recent appraisal date being in 2013 and 2012, respectively. The remaining $108,000 of other real estate and repossessed assets at December 31, 2013 consisted of collateral with the most recent appraisal date being in 2011 and 2010.

The following table summarizes the composition of our nonperforming assets by region / business segment at December 31, 2013 and 2012:

	December 31,	
	2013	2012
	(dollars expressed in thousands)	
Mortgage Division	$ 16,964	22,507
Florida	1,911	2,308
Northern California	3,027	25,661
Southern California	48,571	62,130
Chicago	2,693	18,126
Missouri	25,757	36,411
Texas	5,541	9,194
Northern and Southern Illinois	8,993	13,362
Other	6,201	12,168
Total nonperforming assets	$ 119,658	201,867

During 2013, we experienced a decline in nonperforming assets in all of our regions as a result of payment and sales activity on loans, sales of other real estate properties, charge-offs of loans and write-downs of other real estate properties. We have been successful in reducing our overall level of nonperforming assets as a result of the completion of several asset quality improvement initiatives.

We attribute the $110.4 million, or 50.1%, net decrease in our nonaccrual loans during the year ended December 31, 2012 to the following:

- A decrease in nonaccrual loans of $36.3 million, or 65.6%, in our commercial, financial and agricultural portfolio, primarily driven by gross loan charge-offs of $17.4 million, the sale of $15.0 million of nonaccrual loans, including a $10.2 million nonaccrual loan in our First Bank Business Capital, Inc. subsidiary resulting in a charge-off of $601,000 during the first quarter of 2012, and payments received, partially offset by additions to nonaccrual loans during the year;

- A decrease in nonaccrual loans of $39.1 million, or 54.9%, in our real estate construction and development loan portfolio driven by gross loan charge-offs of $12.2 million, transfers to other real estate of $10.0 million, the sale of $3.5 million of nonaccrual loans, and payments received, partially offset by additions to nonaccrual loans during the year. Nonaccrual real estate construction and development loans at December 31, 2012 included a single loan in our Northern California region with a then recorded investment of $18.6 million, which was subsequently paid off in the third quarter of 2013, as previously discussed;

- A decrease in nonaccrual loans of $3.0 million, or 7.9%, in our one-to-four-family residential real estate loan portfolio driven by gross loan charge-offs of $21.8 million, transfers to other real estate of $7.4 million and payments received, partially offset by additions to nonaccrual loans during the year;

- A decrease in nonaccrual loans of $1.2 million, or 15.2%, in our multi-family residential loan portfolio primarily driven by gross loan charge-offs of $2.4 million and payments received, partially offset by additions to nonaccrual loans during

the year; and

- A decrease in nonaccrual loans of $30.7 million, or 65.0%, in our commercial real estate portfolio primarily driven by gross loan charge-offs of $23.9 million, transfers to other real estate of $6.7 million, the sale of $11.1 million of nonaccrual loans, and payments received, partially offset by additions to nonaccrual loans during the year.

The decrease in other real estate and repossessed assets of $37.9 million, or 29.2%, during 2012 was primarily driven by the sale of other real estate properties with an aggregate carrying value of $45.9 million at a net gain of $2.6 million and write-downs of other real estate and repossessed assets of $14.5 million attributable to declining real estate values on certain properties, partially offset by foreclosures and other additions to other real estate aggregating $24.2 million.

The following table summarizes the composition of our nonperforming assets by region / business segment at December 31, 2012 and 2011:

	December 31,	
	2012	2011
	(dollars expressed in thousands)	
Mortgage Division	$ 22,507	22,137
Florida	2,308	5,819
Northern California	25,661	42,370
Southern California	62,130	85,233
Chicago	18,126	37,760
Missouri	36,411	60,578
Texas	9,194	40,025
First Bank Business Capital, Inc.	—	11,411
Northern and Southern Illinois	13,362	28,931
Other	12,168	15,883
Total nonperforming assets	$ 201,867	350,147

During 2012, we experienced a decline in nonperforming assets in all of our regions, with the exception of our Mortgage Division, as a result of payment and sales activity on loans, sales of other real estate properties, charge-offs of loans and write-downs on other real estate properties.

As of December 31, 2013, 2012 and 2011, loans identified by management as TDRs aggregating $10.6 million, $40.0 million and $40.8 million, respectively, were on nonaccrual status and were classified as nonperforming loans.

While we continue our efforts to reduce nonperforming and potential problem loans, we expect market conditions in certain of our geographic sectors to remain uncertain, which may continue to impact the overall level of our nonperforming and potential problem loans, loan charge-offs, provision for loan losses and other real estate and repossessed assets balances.

Performing Troubled Debt Restructurings. The following table presents the categories of performing TDRs as of December 31, 2013 and 2012:

	December 31,	
	2013	2012
	(dollars expressed in thousands)	
Real estate construction and development	$ —	10,031
Real estate mortgage:		
One-to-four-family residential	78,153	79,905
Multi-family residential	27,955	28,240
Commercial real estate	4,519	10,741
Total performing troubled debt restructurings	$ 110,627	128,917

The decrease in performing TDRs of $18.3 million, or 14.2%, during 2013 was primarily attributable to the payoff of $10.0 million of real estate construction and development performing TDRs associated with a single credit relationship in our Northern California region during the third quarter of 2013, as previously discussed, and the payoff of a $5.2 million commercial real estate loan in our Southern California region during the second quarter of 2013. Our multi-family residential performing TDRs consist of a single $28.0 million loan relationship in our Chicago region that was restructured during the fourth quarter of 2012. We are closely monitoring this loan relationship, and while the facts and circumstances are subject to change in the future, the borrower continued to service this obligation in accordance with the existing terms and conditions of the restructured credit agreement as of December 31, 2013.

Potential Problem Loans. As of December 31, 2013 and 2012, loans aggregating $105.0 million and $116.1 million, respectively, which were not classified as nonperforming assets or performing TDRs, were identified by management as having potential credit problems, or potential problem loans. These loans are generally defined as loans having an internally assigned grade of substandard and loans in the Mortgage Division which are 30-89 days past due. The following table presents the categories of our potential problem loans as of December 31, 2013 and 2012:

	December 31,	
	2013	2012
	(dollars expressed in thousands)	
Commercial, financial and agricultural	$ 14,727	8,423
Real estate construction and development	73,390	81,364
Real estate mortgage:		
One-to-four-family residential	4,286	11,664
Multi-family residential	555	773
Commercial real estate	11,999	13,868
Total potential problem loans	$ 104,957	116,092

Potential problem loans decreased $11.1 million, or 9.6%, during 2013. The decrease in potential problem loans reflects transfers of certain potential problem loans to special mention status, transfers to nonaccrual status and payment activity. Potential problem loans at December 31, 2013 include a $60.3 million real estate construction and development credit relationship in our Southern California region. We received a payment of $6.5 million during the third quarter of 2013 on this credit relationship and we continue to closely monitor this loan relationship. Based on recent valuations of the underlying collateral securing this loan relationship, we have determined that it is currently adequately secured. While facts and circumstances are subject to change in the future, the borrower continued to service this obligation in accordance with the existing terms and conditions of the credit agreement as of December 31, 2013.

The following table summarizes the composition of our potential problem loans by region / business segment at December 31, 2013 and 2012:

	December 31,	
	2013	2012
	(dollars expressed in thousands)	
Mortgage Division	$ 2,491	6,627
Florida	2,305	4,443
Northern California	1,853	860
Southern California	77,064	88,690
Chicago	5,420	1,835
Missouri	4,185	7,391
Texas	489	842
Northern and Southern Illinois	8,252	4,775
Other	2,898	629
Total potential problem loans	$ 104,957	116,092

We have generally been successful in reducing the overall level of our potential problem loans as a result of the completion of several asset quality improvement initiatives.

Our credit risk management policies and procedures, as further described under "—Allowance for Loan Losses," focus on identifying potential problem loans. Potential problem loans may be identified by the assigned lender, the credit administration department or the internal credit review department. Specifically, the originating loan officers have primary responsibility for monitoring and overseeing their respective credit relationships, including, but not limited to: (a) periodic reviews of financial statements; (b) periodic site visits to inspect and evaluate loan collateral; (c) ongoing communication with primary borrower representatives; and (d) appropriately monitoring and adjusting the risk rating of the respective credit relationships should

ongoing conditions or circumstances associated with the relationship warrant such adjustments. In addition, in the current weakened economic environment, our credit administration department and our internal credit review department are reviewing all loans with credit exposure over certain thresholds in loan portfolio segments in which we, or other financial institutions, have experienced significant loan charge-offs, such as real estate construction and development and one-to-four-family residential real estate loans, and on loan portfolio segments that appear to be most likely to generate additional loan charge-offs in the future, such as commercial real estate. We include adversely rated credits, including potential problem loans, on our monthly loan watch list. Loans on our watch list require regular detailed loan status reports prepared by the responsible officer which are discussed in formal meetings with internal credit review and credit administration staff members that are generally conducted on a quarterly basis. The primary purpose of these meetings is to closely monitor these loan relationships and further develop, modify and oversee appropriate action plans with respect to the ultimate and timely resolution of the individual loan relationships.

Each loan is assigned an FDIC collateral code at the time of origination which provides management with information regarding the nature and type of the underlying collateral supporting all individual loans, including potential problem loans. Upon identification of a potential problem loan, management makes a determination of the value of the underlying collateral via a third party appraisal and/or an assessment of value from our internal appraisal review department. The estimated value of the underlying collateral is a significant factor in the risk rating and allowance for loan losses allocation assigned to potential problem loans.

Potential problem loans are regularly evaluated for impaired loan status by lenders, the credit administration department and the internal credit review department. When management makes the determination that a loan should be considered impaired, an initial specific reserve is allocated to the impaired loan, if necessary, until the loan is charged down to the appraised value of the underlying collateral, typically within 30 to 90 days of becoming impaired. Management typically utilizes appraisals performed no earlier than 180 days prior to the charge-off, and in most cases, appraisals utilized are dated within 60 days of the charge-off. As such, management typically addresses collateral shortfalls through charge-offs as opposed to recording specific reserves on individual loans. Once a loan is charged down to the appraised value of the underlying collateral, management regularly monitors the carrying value of the loan for any additional deterioration and records additional reserves or charge-offs as necessary. As a general guideline, management orders new appraisals on any impaired loan or other real estate property in which the most recent appraisal is more than 18 months old; however, management also orders new appraisals on impaired loans or other real estate properties if management determines new appraisals are prudent based on many different factors, such as a rapid change in market conditions in a particular region.

We continue our efforts to reduce nonperforming and potential problem loans and re-define our overall strategy and business plans with respect to our loan portfolio as deemed necessary in light of ongoing changes in market conditions in the markets in which we operate.

Allowance for Loan Losses. Our allowance for loan losses decreased to $81.0 million at December 31, 2013, compared to $91.6 million and $137.7 million at December 31, 2012 and 2011, respectively. The decrease in our allowance for loan losses of $10.6 million during 2013 was primarily attributable to net loan charge-offs of $5.6 million and a negative provision for loan losses of $5.0 million. The decrease in the allowance for loan losses is also attributable to the decrease in nonaccrual loans of $56.9 million and the $73.7 million decrease in the overall level of our loan portfolio.

We attribute the negative provision for loan losses of $5.0 million during the year ended December 31, 2013 to significant improvement in asset quality metrics such as the decline in nonaccrual loans of $56.9 million, of which $27.2 million was in the real estate construction and development portfolio, which incurred substantial net charge-offs from 2008 through 2011.

Our allowance for loan losses as a percentage of total loans was 2.84%, 3.13% and 4.19% at December 31, 2013, 2012 and 2011, respectively. The decrease in the allowance for loan losses as a percentage of total loans during 2013 was primarily attributable to the decrease in our nonaccrual loans, which generally require a higher allowance for loan losses relative to the amount of the loans than the remainder of the loan portfolio, in addition to a decrease in our historical net loan charge-off experience as a result of declining charge-off levels for the years ended December 31, 2013 and 2012, as compared to the years ended December 31, 2011, 2010 and 2009.

Our allowance for loan losses as a percentage of nonaccrual loans was 153.02%, 83.37% and 62.52% at December 31, 2013, 2012 and 2011, respectively. The increase in the allowance for loan losses as a percentage of nonaccrual loans during 2013 was primarily attributable to the decrease in nonaccrual loans, a portion of which did not carry a specific allowance for loan losses as these loans had been charged down to the estimated fair value of the related collateral less estimated costs to sell.

The following table is a summary of the changes in the allowance for loan losses for the five years ended December 31, 2013:

	As of or For the Years Ended December 31,				
	2013	2012	2011	2010	2009
	(dollars expressed in thousands)				
Allowance for loan losses, beginning of year	$ 91,602	137,710	201,033	266,448	220,214
Allowance for loan losses allocated to loans sold	—	—	—	(321)	(4,725)
Total	91,602	137,710	201,033	266,127	215,489
Loans charged-off:					
Commercial, financial and agricultural	(5,578)	(17,410)	(46,256)	(52,072)	(104,648)
Real estate construction and development	(448)	(12,244)	(35,459)	(143,394)	(122,303)
Real estate mortgage:					
One-to-four-family residential:					
Bank portfolio	(1,262)	(3,699)	(4,561)	(5,274)	(5,820)
Mortgage Division portfolio	(8,791)	(13,095)	(19,086)	(47,525)	(71,528)
Home equity portfolio	(2,694)	(5,020)	(7,708)	(9,409)	(6,298)
Multi-family residential	(162)	(2,435)	(3,126)	(9,266)	(508)
Commercial real estate	(6,720)	(23,856)	(37,974)	(63,259)	(40,255)
Consumer and installment	(180)	(311)	(457)	(997)	(1,363)
Total	(25,835)	(78,070)	(154,627)	(331,196)	(352,723)
Recoveries of loans previously charged-off:					
Commercial, financial and agricultural	5,302	12,886	6,962	37,776	1,983
Real estate construction and development	7,165	5,659	6,694	5,256	2,065
Real estate mortgage:					
One-to-four-family residential:					
Bank portfolio	634	1,090	570	331	539
Mortgage Division portfolio	3,268	3,544	2,903	4,634	2,930
Home equity portfolio	553	554	512	264	62
Multi-family residential	145	44	562	14	5
Commercial real estate	3,067	5,982	3,787	3,370	5,843
Consumer and installment	132	203	314	457	255
Total	20,266	29,962	22,304	52,102	13,682
Net loans charged-off	(5,569)	(48,108)	(132,323)	(279,094)	(339,041)
Provision (benefit) for loan losses	(5,000)	2,000	69,000	214,000	390,000
Allowance for loan losses, end of year	$ 81,033	91,602	137,710	201,033	266,448
Total loans outstanding:					
Average	$ 2,819,005	3,054,893	3,781,082	5,483,898	7,297,827
End of year	2,857,095	2,930,747	3,284,279	4,492,284	6,608,293
End of year, excluding loans held for sale	2,831,547	2,864,614	3,253,168	4,437,814	6,565,609
Ratio of allowance for loan losses to loans outstanding:					
Average	2.87%	3.00%	3.64%	3.67%	3.65%
End of year	2.84	3.13	4.19	4.48	4.03
End of year, excluding loans held for sale	2.86	3.20	4.23	4.53	4.06
Ratio of net charge-offs to average loans outstanding	0.20	1.57	3.50	5.09	4.65
Ratio of current year recoveries to preceding year's charge-offs	25.96	19.38	6.73	14.77	4.13

Our net loan charge-offs were $5.6 million, $48.1 million and $132.3 million for the years ended December 31, 2013, 2012 and 2011, respectively. Our net loan charge-offs as a percentage of average loans were 0.20%, 1.57% and 3.50% for the years

ended December 31, 2013, 2012 and 2011, respectively.

The decrease in our net loan charge-off levels in 2013, as compared to 2012, is primarily attributable to the following:

- A decrease in net loan charge-offs associated with our commercial, financial and agricultural portfolio of $4.2 million. Net loan charge-offs associated with this portfolio were $276,000 in 2013, compared to $4.5 million in 2012. Net loan charge-offs for 2012 included aggregate charge-offs of $2.5 million associated with the sale of $19.4 million of loans;

- A decrease in net loan charge-offs associated with our real estate construction and development portfolio of $13.3 million. Net loan recoveries associated with this portfolio were $6.7 million in 2013, compared to net loan charge-offs of $6.6 million in 2012. Net loan recoveries for 2013 included a $2.2 million recovery associated with the payoff of a $29.6 million credit relationship in our Northern California region;

- A decrease in net loan charge-offs associated with our one-to-four-family residential loan portfolio of $8.3 million in 2013. Net loan charge-offs associated with this portfolio were $8.3 million in 2013, compared to $16.6 million in 2012,

and included net loan charge-offs in our Mortgage Division portfolio of $5.5 million in 2013 and $9.6 million in 2012, reflecting continued reductions in the portfolio balance of our Alt A and subprime loans;

- A decrease in net loan charge-offs associated with our multi-family residential portfolio of $2.4 million. Net loan charge-offs associated with this portfolio were $17,000 in 2013, compared to $2.4 million in 2012; and

- A decrease in net loan charge-offs associated with our commercial real estate portfolio of $14.2 million. Net loan charge-offs associated with this portfolio were $3.7 million in 2013, compared to $17.9 million in 2012. Net loan charge-offs for 2012 included aggregate charge-offs of $11.2 million associated with the sale of $43.9 million of loans.

The decrease in our net loan charge-off levels in 2012, as compared to 2011, is primarily attributable to the following:

- A decrease in net loan charge-offs associated with our commercial, financial and agricultural portfolio of $34.8 million to $4.5 million in 2012, compared to $39.3 million in 2011. Net loan charge-offs for 2012 included aggregate charge-offs of $2.5 million associated with the sale of $19.4 million of loans. Net loan charge-offs for 2011 included charge-offs of $7.3 million on a First Bank Business Capital, Inc. loan, $4.1 million on a loan in our Missouri region, $3.9 million on a loan in our Texas region and $3.4 million on a loan in our Northern California region;

- A decrease in net loan charge-offs associated with our real estate construction and development portfolio of $22.2 million to $6.6 million in 2012, compared to $28.8 million in 2011. Net loan charge-offs for 2011 included charge-offs of $5.7 million and $3.6 million, or $9.3 million in aggregate, on two loans in our Missouri region. Although the overall level of charge-offs has declined with the significant decrease in the balance of loans in our real estate construction and development portfolio, we continued to experience significant distress and unstable market conditions throughout certain of our market areas, resulting in continued high levels of developer inventories, slower lot and home sales and declining real estate values;

- A decrease in net loan charge-offs associated with our one-to-four-family residential loan portfolio of $10.7 million in 2012 to $16.6 million in 2012, compared to $27.4 million in 2011. Net loan charge-offs in our Mortgage Division portfolio decreased $6.6 million to $9.6 million in 2012, compared to $16.2 million in 2011, reflective of the continued decline in our portfolio balance of Alt A and subprime loans; and

- A decrease in net loan charge-offs associated with our commercial real estate portfolio of $16.3 million to $17.9 million in 2012, compared to $34.2 million in 2011, primarily attributable to the declining portfolio balance, in particular our non-owner occupied commercial real estate portfolio, and decreases in nonaccrual and potential problem loans. Net loan charge-offs for 2012 included aggregate charge-offs of $11.2 million associated with the sale of $43.9 million of loans. During 2011, we recorded loan charge-offs of $4.6 million and $4.0 million, or $8.6 million in aggregate, on two loans in our Northern California region and $5.3 million on a loan in our Southern California region.

The following table summarizes the composition of our net loan charge-offs by region / business segment for the years ended December 31, 2013 and 2012:

	December 31,	
	2013	2012
	(dollars expressed in thousands)	
Mortgage Division	$ 5,523	9,551
Florida	1,505	2,863
Northern California	(619)	6,099
Southern California	751	8,729
Chicago	422	5,666
Missouri	(2,290)	6,083
Texas	(333)	1,794

First Bank Business Capital, Inc.	(507)	1,180
Northern and Southern Illinois	1,318	4,163
Other	(201)	1,980
Total net loan charge-offs	$ 5,569	48,108

We experienced improvement in net loan charge-offs in all of our regions and business segments as a result of the successful completion of asset quality improvement initiatives.

We continue to closely monitor our loan portfolio and address the ongoing challenges posed by the severely weakened economic environment that has directly impacted and continues to impact many of our market segments. Specifically, we continue to focus on loan portfolio segments in which we have experienced significant loan charge-offs, such as real estate construction and development and one-to-four-family residential, and on loan portfolio segments that could generate additional loan charge-offs

in the future, such as commercial real estate and commercial and industrial. We consider these factors in our overall assessment of the adequacy of our allowance for loan losses.

Each month, the credit administration department provides management with detailed lists of loans on the watch list and summaries of the entire loan portfolio by risk rating. These are coupled with analyses of changes in the risk profile of the portfolio, changes in past-due and nonperforming loans and changes in watch list and classified loans over time. In this manner, we continually monitor the overall increases or decreases in the level of risk in our loan portfolio. Factors are applied to the loan portfolio for each category of loan risk to determine acceptable levels of allowance for loan losses. Furthermore, management has implemented additional procedures to analyze concentrations in our real estate portfolio in light of economic and market conditions. These procedures include enhanced reporting to track land, lot, construction and finished inventory levels within our real estate construction and development portfolio. In addition, a quarterly evaluation of each lending unit is performed based on certain factors, such as lending personnel experience, recent credit reviews, loan concentrations and other factors. Based on this evaluation, changes to the allowance for loan losses may be required due to the perceived risk of particular portfolios. In addition, management exercises a certain degree of judgment in its analysis of the overall adequacy of the allowance for loan losses. In its analysis, management considers the changes in the portfolio, including growth, composition, the ratio of net loans to total assets, and the economic conditions of the regions in which we operate. Based on this quantitative and qualitative analysis, adjustments are made to the allowance for loan losses. Such adjustments are reflected in our consolidated statements of operations.

We record charge-offs on nonperforming loans typically within 30 to 90 days of the credit relationship reaching nonperforming loan status. We measure impairment and the resulting charge-off amount based primarily on third party appraisals. As such, rather than carrying specific reserves on nonperforming loans, we generally recognize a loan loss through a charge to the allowance for loan losses once the credit relationship reaches nonperforming loan status.

The allocation of the allowance for loan losses by loan category is a result of the application of our risk rating system augmented by historical loss data by loan type and other qualitative analysis. Consequently, the distribution of the allowance for loan losses will change from period to period due to the following factors:

- Changes in the aggregate loan balances by loan category;
- Changes in the identified risk in individual loans in our loan portfolio over time, excluding those homogeneous categories of loans such as consumer and installment loans and residential real estate mortgage loans for which risk ratings are changed based on payment performance;
- Changes in historical loss data as a result of recent charge-off experience by loan type; and
- Changes in qualitative factors such as changes in economic conditions, the volume of nonaccrual and potential problem loans by loan category and geographical location, and changes in the value of the underlying collateral for collateral-dependent loans.

The following table is a summary of the allocation of the allowance for loan losses for the five years ended December 31, 2013:

	2013		2012		2011		2010		2009	
	Amount	Percent of Category of Loans to Total Loans	Amount	Percent of Category of Loans to Total Loans	Amount	Percent of Category of Loans to Total Loans	Amount	Percent of Category of Loans to Total Loans	Amount	Percent of Category of Loans to Total Loans
	(dollars expressed in thousands)									
Commercial, financial and agricultural	$ 13,401	21.0%	$ 13,572	20.8%	$ 27,243	22.1%	$ 28,000	23.3%	$ 42,533	25.6%
Real estate construction and development	7,407	4.3	14,434	6.0	24,868	7.6	58,439	10.9	90,006	15.9
Real estate mortgage:										
One-to-four-family residential	32,619	32.3	38,897	33.7	50,864	27.5	60,762	23.4	78,593	19.4
Multi-family residential	5,249	4.2	4,252	3.5	4,851	3.9	5,158	4.0	5,108	3.4
Commercial real estate	22,052	36.7	20,048	33.1	29,448	37.3	47,880	36.6	49,189	34.4

Consumer and installment	305	0.6	399	0.6	436	0.7	794	0.6	1,019	0.7
Loans held for sale	—	0.9	—	2.3	—	0.9	—	1.2	—	0.6
Total	$ 81,033	100.0%	$ 91,602	100.0%	$ 137,710	100.0%	$ 201,033	100.0%	$ 266,448	100.0%

The following table is a summary of the ratio of the allocated allowance for loan losses to loans by category as of December 31, 2013 and 2012 is as follows:

	December 31,	
	2013	2012
Commercial, financial and agricultural	2.23%	2.22%
Real estate construction and development	6.09	8.25
Real estate mortgage:		
One-to-four-family residential	3.54	3.94
Multi-family residential	4.33	4.10
Commercial real estate	2.10	2.07
Consumer and installment	1.68	2.08
Total	2.84	3.13

The changes in the percentage of the allocated allowance for loan losses to loans in these portfolio segments are reflective of changes in the overall level of special mention loans, potential problem loans, performing TDRs and nonaccrual loans within each of these portfolio segments, in addition to other qualitative and quantitative factors, including loan growth in certain portfolio segments.

Deposits

Deposits are the primary source of funds for First Bank. Our deposits consist principally of core deposits from our local market areas, including individual and corporate customers. The following table sets forth the distribution of our average deposit accounts for the years ended December 31, 2013, 2012 and 2011, and the weighted average interest rates paid on each category of deposits:

	Years Ended December 31,								
	2013			2012			2011		
	Amount	Percent of Deposits	Rate	Amount	Percent of Deposits	Rate	Amount	Percent of Deposits	Rate
	(dollars expressed in thousands)								
Noninterest-bearing demand	$1,216,125	25.1%	—%	$1,168,464	23.1%	—%	$1,129,985	20.7%	—%
Interest-bearing demand	660,845	13.7	0.06	623,066	12.3	0.07	577,341	10.6	0.10
Savings and money market	1,856,347	38.3	0.14	1,918,242	37.9	0.18	2,046,059	37.5	0.42
Time deposits	1,110,253	22.9	0.54	1,347,454	26.7	0.80	1,705,008	31.2	1.22
Total average deposits	$4,843,570	100.0%		$5,057,226	100.0%		$5,458,393	100.0%	

Capital and Dividends

The redemption of any of our preferred stock requires the prior approval of the Federal Reserve. As previously discussed under “Item 1 —Business – Supervision and Regulation – Regulatory Agreements,” under the terms of the Agreement with the FRB, we have agreed, among other things, not to declare and pay any dividends on our common or preferred stock or to make any distributions of interest, or other sums, on our trust preferred securities without the prior approval of the FRB.

In August 2009, we announced the deferral of our regularly scheduled interest payments on our outstanding junior subordinated debentures relating to our $345.0 million of trust preferred securities beginning with the regularly scheduled quarterly interest payments that would otherwise have been made in September and October 2009. The terms of the junior subordinated debentures and the related trust indentures allow us to defer such payments of interest for up to 20 consecutive quarterly periods without triggering a payment default or penalty. The Company had deferred such payments for 18 quarterly periods as of December 31, 2013. These deferred payments aggregated $62.7 million at December 31, 2013.

On January 31, 2014, the Company received regulatory approval from the FRB, subject to certain conditions, granting First Bank the authority to pay a dividend to the Company, and authority to the Company to utilize such funds, for the sole purpose of paying the accumulated deferred interest payments on the Company's outstanding junior subordinated debentures issued in connection with the Company's trust preferred securities. In February 2014, First Bank paid a dividend of $70.0 million to the Company and the Company notified the trustees of the trust preferred securities of its intention to pay all cumulative interest that had been deferred on the junior subordinated debentures relating to our trust preferred securities, on the regularly scheduled quarterly payment dates in March and April, 2014. The aggregate amount owed on all of the junior subordinated debentures relating to our trust preferred securities at the respective March and April, 2014 payment dates was $66.4 million.

On December 31, 2008, the Company issued: (a) 295,400 shares of Class C Fixed Rate Cumulative Perpetual Preferred Stock, par value $1.00 per share, and liquidation preference of $1,000.00 per share; and (b) 14,770 shares of Class D Fixed Rate Cumulative Perpetual Preferred Stock, par value $1.00 per share, and liquidation preference of $1,000.00 per share, to the U.S. Treasury pursuant to the Company's participation in the CPP program, as further described in "Item 1 —Business – Capital Structure" and in Note 13 to our consolidated financial statements. The Class C Preferred Stock and Class D Preferred Stock qualify as Tier 1 capital. Dividends on our Class C Preferred Stock and Class D Preferred Stock, which, as of December 31, 2013, carry annual dividend rates of 5.00% and 9.00%, respectively, are payable quarterly. The dividends on our Class C Preferred Stock of 5.00% increase to 9.00% per annum on and after February 15, 2014.

We suspended the payment of cash dividends on our outstanding common stock and preferred stock beginning with the regularly scheduled quarterly dividend payments on the preferred stock that would otherwise have been made in August and September 2009, as further described in Note 13 to our consolidated financial statements. We have deferred and accrued $68.4 million of regularly scheduled dividend payments on our Class C Preferred Stock and Class D Preferred Stock, and have accrued an additional $9.4 million of cumulative dividends on such deferred dividend payments at December 31, 2013. As such, the aggregate amount of these deferred and accrued dividend payments was $77.8 million at December 31, 2013.

During the third quarter of 2013, the U.S. Treasury completed two auctions that resulted in the sale of our Class C Preferred Stock and Class D Preferred Stock to unaffiliated third party investors. We did not receive any proceeds from the sale and the sale did not have any effect on the terms of the outstanding Class C Preferred Stock and Class D Preferred Stock, including our obligation to satisfy accrued and unpaid dividends prior to the payment of any dividend or other distribution to holders of junior or parity stock (including our common stock, Class A Preferred Stock and Class B Preferred Stock), and an increase in the dividend rate on the Class C Preferred Stock from 5.00% to 9.00%, commencing with the dividend payment date of February 15, 2014.

Effective August 10, 2009, we also suspended the declaration of dividends on our Class A Convertible, Adjustable Rate Preferred Stock and our Class B Adjustable Rate Preferred Stock. Prior to that time, we declared and paid relatively small dividends on our Class A and Class B preferred stock.

The Company's and First Bank's capital ratios at December 31, 2013 and 2012 were as follows:

	December 31,	
	2013	2012
First Bank:		
Total Capital Ratio	20.12%	17.18%
Tier 1 Ratio	18.86	15.92
Leverage Ratio	11.77	9.13
First Banks, Inc.:		
Total Capital Ratio	11.13	2.57
Tier 1 Ratio	6.58	1.28
Leverage Ratio	4.12	0.73

First Bank was categorized as well capitalized at December 31, 2013 and 2012 under the prompt corrective action provisions of the regulatory capital standards. The Company was categorized as adequately capitalized under the minimum regulatory capital standards established for bank holding companies by the Federal Reserve at December 31, 2013. The Company did not meet the minimum regulatory capital standards at December 31, 2012. First Bank's and the Company's actual and required capital ratios are further described in Note 14 to our consolidated financial statements.

As of December 31, 2013, we had 13 affiliated Delaware or Connecticut statutory and business trusts that were created for the sole purpose of issuing trust preferred securities. As further described in Note 12 to our consolidated financial statements, the sole assets of the statutory and business trusts are our junior subordinated debentures. A summary of the outstanding trust preferred securities issued by our affiliated statutory and business trusts, and our related junior subordinated debentures issued to the respective trusts in conjunction with the trust preferred securities offerings as of December 31, 2013, is as follows:

Name of Trust	Date of Trust Formation	Type of Offering	Interest Rate	Preferred Securities	Subordinated Debentures
First Preferred Capital Trust IV	January 2003	Publicly Underwritten	8.15%	$ 46,000,000	$ 47,422,700
First Bank Statutory Trust	March 2003	Private Placement	8.10%	25,000,000	25,774,000
First Bank Statutory Trust II	September 2004	Private Placement	Variable	20,000,000	20,619,000
Royal Oaks Capital Trust I	October 2004	Private Placement	Variable	4,000,000	4,124,000
First Bank Statutory Trust III	November 2004	Private Placement	Variable	40,000,000	41,238,000
First Bank Statutory Trust IV	February 2006	Private Placement	Variable	40,000,000	41,238,000
First Bank Statutory Trust V	April 2006	Private Placement	Variable	20,000,000	20,619,000
First Bank Statutory Trust VI	June 2006	Private Placement	Variable	25,000,000	25,774,000
First Bank Statutory Trust VII	December 2006	Private Placement	Variable	50,000,000	51,547,000
First Bank Statutory Trust VIII	February 2007	Private Placement	Variable	25,000,000	25,774,000
First Bank Statutory Trust X	August 2007	Private Placement	Variable	15,000,000	15,464,000
First Bank Statutory Trust IX	September 2007	Private Placement	Variable	25,000,000	25,774,000
First Bank Statutory Trust XI	September 2007	Private Placement	Variable	10,000,000	10,310,000

For regulatory reporting purposes, the trust preferred securities are currently eligible for inclusion, subject to certain limitations, in our Tier 1 and Tier 2 capital. Because of these limitations, as of December 31, 2013, $216.0 million of trust preferred securities were not eligible for inclusion in our Tier 1 capital. Of the $216.0 million not eligible for inclusion in our Tier 1 capital, $119.9 million was eligible for inclusion in our Tier 2 capital and $96.1 million was not eligible for inclusion in our Tier 2 capital.

On July 3, 2013, the Federal Reserve adopted a final rule, *Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Capital Adequacy, Transition Provisions, Prompt Corrective Action, Standardized Approach for Risk-weighted Assets, Market Discipline and Disclosure Requirements, Advanced Approaches Risk-Based Capital Rule, and Market Risk Capital Rule."* The final rule implements Basel III and changes required by the Dodd-Frank Act, which include significant changes to bank capital, leverage and liquidity requirements applicable to the Company and First Bank, including increases to risk-based capital requirements and selected changes to the calculation of risk-weighted assets, as further described in "Item 1 —Business – Supervision and Regulation – Regulatory Capital Standards and Basel III Regulatory Capital Reforms." The final rule:

- Includes a new minimum common equity Tier 1 capital ratio of 4.5% of risk-weighted assets and raises the minimum Tier 1 capital ratio from 4.0% to 6.0% of risk-weighted assets;
- Requires institutions to maintain a capital conservation buffer composed of common equity Tier 1 capital of 2.5% above the minimum risk-based capital requirements in order to avoid limitations on capital distributions, including dividend payments, payments on our trust preferred securities and certain discretionary bonus payments to executive officers. The capital conservation buffer is measured relative to risk-weighted assets and will be phased in over a four-year period beginning on January 1, 2016 with an initial requirement of 0.625%, that subsequently increases to 1.25%, 1.875% and 2.5% on January 1, 2017, 2018 and 2019, respectively;
- Implements new constraints on the inclusion of minority interests, mortgage servicing assets, deferred tax assets and certain investments in the capital of unconsolidated financial institutions in Tier 1 capital;
- Increases risk-weightings for past-due loans, certain commercial real estate loans and some equity exposures;
- Requires trust preferred securities and cumulative perpetual preferred stock to be phased out of Tier 1 capital for banks with assets greater than $15.0 billion as of December 31, 2009; and

- Allows non-advanced banking organizations, such as us, a one-time option to filter certain accumulated other comprehensive income components, such as unrealized gains and losses on available-for-sale investment securities, out of regulatory capital.

We are in the process of more fully evaluating the impact the final Basel III capital rules may have on our regulatory capital levels and capital planning strategies.

INTEREST RATE RISK MANAGEMENT

The maintenance of a satisfactory level of net interest income is a primary factor in our ability to achieve acceptable income levels. However, the maturity and repricing characteristics of our loan and investment portfolios may differ significantly from those within our deposit structure. The nature of the loan and deposit markets within which we operate, and our objectives for business development within those markets at any point in time, influence these characteristics. In addition, the ability of borrowers to repay loans and the possibility of depositors withdrawing funds prior to stated maturity dates introduces divergent option characteristics that fluctuate as interest rates change. These factors cause various elements of our balance sheet to react in different manners and at different times relative to changes in interest rates, potentially leading to increases or decreases in net interest income over time. Depending upon the direction and magnitude of interest rate movements and their effect on the specific components of our balance sheet, the effects on net interest income can be substantial. Consequently, it is critical that we establish effective control over our exposure to changes in interest rates. We strive to manage our interest rate risk by:

- Maintaining an Asset Liability Committee, or ALCO, responsible to our Board of Directors and Executive Management, to review the overall interest rate risk management activity and approve actions taken to reduce risk;
- Employing a financial simulation model to determine our exposure to changes in interest rates;
- Coordinating the lending, investing and deposit-generating functions to control the assumption of interest rate risk; and
- Utilizing various financial instruments, including derivatives, to offset inherent interest rate risk should it become excessive.

The objective of these procedures is to limit the adverse impact that changes in interest rates may have on our net interest income.

The ALCO has overall responsibility for the effective management of interest rate risk and the approval of policy guidelines. The ALCO includes our President and Chief Executive Officer, Chief Financial Officer, Controller, Chief Investment Officer, the Acting Chief Credit Officer, Chief Banking Officer, Director of Risk Management and Audit, and certain other senior officers. The Asset Liability Management Group, which monitors interest rate risk, supports the ALCO, prepares analyses for review by the ALCO and implements actions that are either specifically directed by the ALCO or established by policy guidelines.

In managing sensitivity, we strive to reduce the adverse impact on earnings by managing interest rate risk within internal policy constraints. Our policy is to manage exposure to potential risks associated with changing interest rates by maintaining a balance sheet posture in which annual net interest income is not significantly impacted by reasonably possible near-term changes in interest rates. To measure the effect of interest rate changes, we project our net income over a two-year horizon on a pro forma basis. The analysis assumes various scenarios for increases and decreases in interest rates including both instantaneous and gradual, and parallel and non-parallel, shifts in the yield curve, in varying amounts. For purposes of arriving at reasonably possible near-term changes in interest rates, we include scenarios based on actual changes in interest rates, which have occurred over a two-year period, simulating both a declining and rising interest rate scenario.

We are “asset-sensitive,” indicating that our assets would generally re-price with changes in interest rates more rapidly than our liabilities, and our simulation model indicates a loss of projected net interest income should interest rates decline. While a decline in interest rates of less than 50 basis points was projected to have a relatively minimal impact on our net interest income, an instantaneous parallel decline in the interest yield curve of 50 basis points indicates a pre-tax projected loss of approximately 5.9% of net interest income, based on assets and liabilities at December 31, 2013. At December 31, 2013, we remain in an asset-sensitive position and thus, remain subject to a higher level of risk in a declining interest rate environment. Although we do not anticipate that instantaneous shifts in the yield curve, as projected in our simulation model, are likely, these are indications of the effects that changes in interest rates would have over time. Our asset-sensitive position, coupled with the effect of significant declines in interest rates that began in late 2007 and continued throughout 2008 and 2009 to historically low levels that remain prevalent in the current marketplace, and the overall level of our nonperforming assets, has negatively impacted our net interest income and is expected to continue to impact the level of our net interest income throughout the near future.

We also prepare and review a more traditional interest rate sensitivity position in conjunction with the results of our simulation model. The following table presents the projected maturities and periods to repricing of our rate sensitive assets and liabilities as of December 31, 2013, adjusted to account for anticipated prepayments:

	Three Months or Less	Over Three through Six Months	Over Six through Twelve Months	Over One through Five Years	Over Five Years	Total
	(dollars expressed in thousands)					
Interest-earning assets:						
Loans [1]	$ 1,334,715	178,197	262,128	895,957	186,098	2,857,095
Investment securities	82,830	82,680	160,016	1,233,434	792,971	2,351,931
FRB and FHLB stock	27,357	—	—	—	—	27,357
Short-term investments	98,066	—	—	—	—	98,066
Total interest-earning assets	$ 1,542,968	260,877	422,144	2,129,391	979,069	5,334,449
Interest-bearing liabilities:						
Interest-bearing demand deposits	$ 251,425	156,291	101,929	74,748	95,134	679,527
Money market deposits	1,560,010	—	—	—	—	1,560,010
Savings deposits	48,399	39,858	34,164	48,399	113,880	284,700
Time deposits	269,410	214,350	286,680	275,660	13	1,046,113
Other borrowings	43,143	—	—	—	—	43,143
Subordinated debentures	282,481	—	—	—	71,729	354,210
Total interest-bearing liabilities	$ 2,454,868	410,499	422,773	398,807	280,756	3,967,703
Interest-sensitivity gap:						
Periodic	$ (911,900)	(149,622)	(629)	1,730,584	698,313	1,366,746
Cumulative	(911,900)	(1,061,522)	(1,062,151)	668,433	1,366,746	
Ratio of interest-sensitive assets to interest-sensitive liabilities:						
Periodic	0.63	0.64	1.00	5.34	3.49	1.34
Cumulative	0.63	0.63	0.68	1.18	1.34	

(1) Loans are presented net of net deferred loan fees.

Management made certain assumptions in preparing the foregoing table. These assumptions included:

- Loans will repay at projected repayment rates;
- Mortgage-backed securities, included in investment securities, will repay at projected repayment rates;
- Interest-bearing demand accounts and savings deposits will behave in a projected manner with regard to their interest rate sensitivity; and
- Fixed maturity deposits will not be withdrawn prior to maturity.

A significant variance in actual results from one or more of these assumptions could materially affect the results reflected in the foregoing table.

We were in an overall asset-sensitive position of $1.37 billion, or 23.1% of our total assets at December 31, 2013. We were in an overall liability-sensitive position on a cumulative basis through the twelve-month time horizon of $1.06 billion, or 17.9% of our total assets at December 31, 2013.

The interest-sensitivity position is one of several measurements of the impact of interest rate changes on net interest income. Its usefulness in assessing the effect of potential changes in net interest income varies with the constant change in the composition of our assets and liabilities and changes in interest rates. For this reason, we place greater emphasis on our simulation model for monitoring our interest rate risk exposure.

As previously discussed, we utilize derivative instruments to assist in our management of interest rate sensitivity by modifying

the repricing, maturity and option characteristics of certain assets and liabilities. We may also sell interest rate swap agreement contracts to certain customers who wish to modify their interest rate sensitivity. We offset the interest rate risk of these swap agreements by simultaneously purchasing matching interest rate swap agreement contracts with offsetting pay/receive rates from other financial institutions. Because of the matching terms of the offsetting contracts, the net effect of the changes in the fair value of the paired swaps is minimal.

The derivative instruments we held as of December 31, 2013 and 2012 are summarized as follows:

	December 31,			
	2013		2012	
	Notional Amount	Credit Exposure	Notional Amount	Credit Exposure
	(dollars expressed in thousands)			
Customer interest rate swap agreements	$ —	—	12,149	115
Interest rate lock commitments	14,237	217	59,932	1,837
Forward commitments to sell mortgage-backed securities	29,100	296	107,700	—

The notional amounts of our derivative instruments do not represent amounts exchanged by the parties and, therefore, are not a measure of our credit exposure through our use of these instruments. The credit exposure represents the loss we would incur in the event the counterparties failed completely to perform according to the terms of the derivative instruments and the collateral held to support the credit exposure was of no value.

Our derivative instruments are more fully described in Note 8 to our consolidated financial statements.

LIQUIDITY MANAGEMENT

First Bank. Our liquidity is the ability to maintain a cash flow that is adequate to fund operations, service debt obligations and meet obligations and other commitments on a timely basis. First Bank receives funds for liquidity from customer deposits, loan payments, maturities of loans and investments, sales of investments and earnings before provision for loan losses. In addition, we may avail ourselves of other sources of funds by issuing certificates of deposit in denominations of $100,000 or more (including certificates issued through the Certificate of Deposit Account Registry Service, or CDARS program), selling securities under agreements to repurchase, and utilizing borrowings from the FHLB, the FRB and other borrowings.

As a financial intermediary, we are subject to liquidity risk. We closely monitor our liquidity position through our Liquidity Management Committee and we continue to implement actions deemed necessary to maintain an appropriate level of liquidity in light of ongoing market conditions, changes in loan funding needs, operating and debt service requirements, current deposit trends and events that may occur in conjunction with our Capital Plan. We continue to seek opportunities to improve our overall liquidity position, and we maintain an efficient collateral management process that allows us to maximize our overall collateral position related to our alternative borrowing sources. In conjunction with our liquidity management process, we analyze and manage short-term and long-term liquidity through an ongoing review of internal funding sources, projected cash flows from loans, securities and customer deposits, internal and competitor deposit pricing structures and maturity profiles of current borrowing sources. We utilize planning, management reporting and adverse stress scenarios to monitor sources and uses of funds on a daily basis to assess cash levels to ensure adequate funds are available to meet normal business operating requirements and to supplement liquidity needs to meet unusual demands for funds that may result from an unexpected change in customer deposit levels or potential planned or unexpected liquidity events that may arise from time to time.

First Bank has built a significant amount of available balance sheet liquidity since 2009 in anticipation of the expected completion of certain transactions associated with our Capital Plan, as further described under “Item 1 —Business – Recent Developments and Other Matters – Capital Plan.” First Bank continues to maintain a significant amount of available balance sheet liquidity to provide funds for future loan growth initiatives. Our cash and cash equivalents were $190.4 million and $518.8 million at December 31, 2013 and 2012, respectively. The majority of these funds were maintained in our correspondent bank account with the FRB. The decrease in our cash and cash equivalents of $328.4 million is further discussed under “—Financial Condition.”

Our unpledged investment securities decreased $404.2 million to $2.02 billion at December 31, 2013, compared to $2.42 billion at December 31, 2012, and are mostly comprised of highly liquid and readily marketable available-for-sale investment securities. The combined level of cash and cash equivalents and unpledged investment securities provided us with total available liquidity of $2.21 billion and $2.94 billion at December 31, 2013 and 2012, respectively. Our available liquidity of $2.21 billion represents 37.3% of total assets, at December 31, 2013, in comparison to $2.94 billion, or 45.2% of total assets, at December 31, 2012. Our loan-to-deposit ratio increased to 59.4% at December 31, 2013 from 53.4% at December 31, 2012,

primarily as a result of the sale of $572.1 million of deposits associated with our ABS line of business in the fourth quarter of 2013.

During the first quarter of 2013, we reclassified certain of our available-for-sale investment securities to held-to-maturity investment securities at their respective fair values, which totaled $242.5 million in aggregate, as further described in Note 3 to our consolidated financial statements. The net gross unrealized gain on these available-for-sale investment securities at the time of transfer was $5.0 million, in aggregate, and was recorded as additional premium on the investment securities and is being amortized over the remaining lives of the respective securities. The unrealized gain included as a component of accumulated other comprehensive income at the time of transfer was $2.8 million, in aggregate, net of tax of $2.2 million, in aggregate. The amortization of the unrealized gain reported in stockholders' equity is being amortized as an adjustment to interest income on investment securities

over the remaining lives of the respective securities. Consequently, the combined amortization of the additional premium and the unrealized gain has no impact on interest income on investment securities. The determination of the reclassification was made by management based on our current and expected future liquidity levels and the resulting intent to hold those investment securities to maturity.

During 2013, we reduced our aggregate funds acquired from other sources of funds by $54.6 million to $432.2 million at December 31, 2013, from $486.8 million at December 31, 2012. These other sources of funds include certificates of deposit of $100,000 or more and other borrowings, which are comprised of daily securities sold under agreements to repurchase. The decrease was attributable to a reduction in certificates of deposit of $100,000 or more of $71.7 million, partially offset by an increase in our daily repurchase agreements of $17.1 million. The reduction in certificates of deposit of $100,000 or more was primarily attributable to a planned reduction of higher rate, single-service certificate of deposit relationships. The following table presents the maturity structure of these other sources of funds at December 31, 2013:

	Certificates of Deposit of $100,000 or More	Other Borrowings	Total
	(dollars expressed in thousands)		
Three months or less	$ 102,138	43,143	145,281
Over three months through six months	68,582	—	68,582
Over six months through twelve months	105,903	—	105,903
Over twelve months	112,433	—	112,433
Total	$ 389,056	43,143	432,199

In addition to these sources of funds, First Bank has established a borrowing relationship with the FRB. First Bank's borrowing capacity through its relationship with the FRB was approximately $283.9 million and $344.0 million at December 31, 2013 and 2012, respectively. This borrowing relationship, which is secured primarily by commercial loans, provides an additional liquidity facility that may be utilized for contingency liquidity purposes. First Bank did not have any FRB borrowings outstanding at December 31, 2013 or 2012.

First Bank also has a borrowing relationship with the FHLB. First Bank's borrowing capacity through its relationship with the FHLB was approximately $379.1 million and $363.2 million at December 31, 2013 and 2012, respectively. The borrowing relationship is secured by one-to-four-family residential, multi-family residential and commercial real estate loans. First Bank requests advances and/or repays advances from the FHLB based on its current and future projected liquidity needs. First Bank did not have any FHLB advances outstanding at December 31, 2013 or 2012.

As a means of further contingency funding, First Bank may use broker dealers to acquire deposits to fund both short-term and long-term funding needs, including brokered money market accounts, and has available funding, subject to certain limits, through the CDARS program. Exclusive of the CDARS program, First Bank does not generally utilize broker dealers to acquire deposits.

We believe First Bank has sufficient liquidity to meet its current and future near-term liquidity needs; however, no assurance can be made that First Bank's liquidity position will not be materially, adversely affected in the future.

First Banks, Inc. First Banks, Inc. is a separate and distinct legal entity from its subsidiaries. The Company's liquidity position is affected by dividends received from its subsidiaries and the amount of cash and other liquid assets on hand, payment of interest on trust preferred securities and other debt instruments issued by the Company, dividends paid on common and preferred stock (all of which are presently suspended or deferred), capital contributions the Company makes into its subsidiaries, any redemption of debt for cash issued by the Company, and proceeds the Company raises through the issuance of debt and/or equity instruments, if any. The Company’s unrestricted cash totaled $1.9 million and $2.7 million at December 31, 2013 and 2012, respectively.

We cannot pay any dividends on our common or preferred stock or make any distributions of interest or other sums on our trust preferred securities without the prior approval of the FRB, as previously discussed under “Item 1 —Business – Supervision and Regulation – Regulatory Agreements."

In August 2009, we announced the deferral of our regularly scheduled interest payments on our outstanding junior

subordinated debentures relating to our $345.0 million of trust preferred securities beginning with the regularly scheduled quarterly interest payments that would otherwise have been made in September and October 2009. The terms of the junior subordinated debentures and the related trust indentures allow us to defer such payments of interest for up to 20 consecutive quarterly periods without triggering a payment default or penalty. The Company had deferred such payments for 18 quarterly periods as of December 31, 2013. These deferred payments aggregated $62.7 million at December 31, 2013.

On January 31, 2014, the Company received regulatory approval from the FRB, subject to certain conditions, granting First Bank the authority to pay a dividend to the Company, and authority to the Company to utilize such funds, for the sole purpose of paying the accumulated deferred interest payments on the Company's outstanding junior subordinated debentures issued in connection

with the Company's trust preferred securities. In February 2014, First Bank paid a dividend of $70.0 million to the Company and the Company notified the trustees of the trust preferred securities of its intention to pay all cumulative interest that had been deferred on the junior subordinated debentures relating to our trust preferred securities, on the regularly scheduled quarterly payment dates in March and April, 2014. The aggregate amount owed on all of the junior subordinated debentures relating to our trust preferred securities at the respective March and April, 2014 payment dates was $66.4 million. On March 14, 2014, the Company paid interest on the junior subordinated debentures of $66.4 million to the respective trustees, for further distribution to the trust preferred securities holders on the respective interest payment dates in March and April, 2014, as further described in Note 25 to our consolidated financial statements. Subsequent to this payment, the Company has the ability to enter into future deferral periods of up to 20 consecutive quarterly periods without triggering a payment default or penalty.

The Company and First Bank must receive approval from the FRB prior to making any future interest payments on the Company's outstanding junior subordinated debentures. The Company is unable to predict whether or when the FRB will grant approval to the Company to make any such future interest payments. Without the payment of dividends from First Bank, the Company currently lacks the source of income and the liquidity to make future interest payments on the subordinated debentures associated with its trust preferred securities. Given restrictions placed upon First Bank, including regulatory restrictions, it may not be able to provide the Company with dividends in an amount sufficient to pay the interest on the trust preferred securities. In such case, the Company would have to pursue alternative funding sources, but there can be no assurance that the Company will be able to identify and obtain alternative funding due to the uncertainty of our ability to access future liquidity through debt markets. As further described under “Item 1A – Risk Factors,” the Company's ability to access debt markets on terms satisfactory to us will depend on our financial performance and conditions in the capital markets, economic conditions and a number of other factors, many of which are outside of our control.

During the period of deferral of interest on our regularly scheduled interest payments on our outstanding junior subordinated debentures relating to our $345.0 million of trust preferred securities, we were not allowed to, among other things and with limited exceptions, pay cash dividends on or repurchase our common stock or preferred stock nor make any payment on outstanding debt obligations that rank equally with or junior to our junior subordinated debentures. Accordingly, we also suspended the payment of cash dividends on our outstanding common stock and preferred stock beginning with the regularly scheduled quarterly dividend payments on our preferred stock that would otherwise have been made in August and September 2009, as further described under “—Capital and Dividends,” and in Note 13 to our consolidated financial statements. We have deferred and accrued $68.4 million of regularly scheduled dividend payments on our Class C Preferred Stock and Class D Preferred Stock, and have accrued an additional $9.4 million of cumulative dividends on such deferred dividend payments at December 31, 2013. As such, the aggregate amount of these deferred and accrued dividend payments was $77.8 million at December 31, 2013.

On March 20, 2013, the Company entered into a Revolving Credit Note and a Stock Pledge Agreement with Investors of America Limited Partnership, or Investors of America, LP, as further described in Note 11 and Note 20 to our consolidated financial statements. The agreement provides for a $5.0 million secured revolving line of credit to be utilized for general working capital needs and replaced a previous credit agreement that matured on December 31, 2012. This borrowing arrangement, which has a maturity date of March 31, 2014 and an interest rate of LIBOR plus 300 basis points, is intended to supplement, on a contingent basis, the parent company's overall level of unrestricted cash to cover the parent company's projected operating expenses should the parent company's existing cash resources become insufficient in the future. There have been no balances outstanding under this borrowing arrangement since its inception.

The Company's financial position will be adversely affected if it experiences increased liquidity needs and any of the following events occur:

- First Bank is unable or prohibited by its regulators to pay future dividends to the Company sufficient to satisfy the Company's operating cash flow needs. The Company's ability to receive future dividends from First Bank to assist the Company in meeting its operating requirements, both on a short-term and long-term basis, is currently subject to regulatory approval, as further described above and under “Item 1 —Business – Supervision and Regulation – Regulatory Agreements;”
- We deem it advisable, or are required by regulatory authorities, to use cash maintained by the Company to support the capital position of First Bank;

- First Bank fails to remain “well-capitalized” and, accordingly, First Bank is required to pledge additional collateral against its borrowings and is unable to do so. As discussed above, First Bank has no outstanding borrowings at December 31, 2013, with the exception of $43.1 million of daily repurchase agreements utilized by customers as an alternative deposit product, and has substantial borrowing capacity through its relationships with the FHLB and the FRB, as previously discussed; or
- The Company has difficulty raising cash through the future issuance of debt or equity instruments or by accessing additional sources of credit, as further described above.

The Company's financial flexibility will be severely constrained if we are unable to maintain our access to funding or if adequate financing on terms acceptable to us is not available in the marketplace. If we are required to rely more heavily on more expensive

funding sources to support our business, our revenues may not increase proportionately to cover our costs. In this case, our operating margins would be materially adversely affected. A lack of liquidity and/or cost-effective funding alternatives could lead to the Company's inability to meet its financial commitments and related contractual obligations associated with its junior subordinated debentures, which would have a material adverse effect on our business, financial condition and results of operations.

Other Commitments and Contractual Obligations. We have entered into long-term leasing arrangements and other commitments and contractual obligations in conjunction with our ongoing operating activities. The required payments under such leasing arrangements, other commitments and contractual obligations at December 31, 2013 were as follows:

	Less Than 1 Year	1-3 Years	3-5 Years	Over 5 Years	Total [1]
	(dollars expressed in thousands)				
Operating leases	$ 9,098	13,277	6,610	11,087	40,072
Certificates of deposit [2]	769,729	235,741	40,630	13	1,046,113
Other borrowings	43,143	—	—	—	43,143
Subordinated debentures [3]	—	—	—	354,210	354,210
Class C Preferred Stock and Class D Preferred Stock [3] [4]	—	—	—	312,743	312,743
Other contractual obligations [5]	15,931	5	—	—	15,936
Total	$ 837,901	249,023	47,240	678,053	1,812,217

(1) Amounts exclude ASC Topic 740 unrecognized tax liabilities of $881,000 and related accrued interest expense of $144,000 for which the timing of payment of such liabilities cannot be reasonably estimated as of December 31, 2013.

(2) Amounts exclude the related accrued interest expense on certificates of deposit of $377,000 as of December 31, 2013.

(3) Amounts exclude the accrued interest expense on junior subordinated debentures of $62.9 million as of December 31, 2013, accrued dividends declared on preferred stock of $77.8 million and undeclared dividends of $4.1 million as of December 31, 2013. As further described under "Item 1 —Business – Supervision and Regulation – Regulatory Agreements," we currently may not make any distributions of interest or other sums on our junior subordinated debentures and related underlying trust preferred securities without the prior approval of the FRB.

(4) Represents amounts payable upon redemption of the Class C Preferred Stock and the Class D Preferred Stock of $295.4 million and $17.3 million, respectively.

(5) Amounts include $15.5 million paid on January 31, 2014 associated with a final settlement amount payable to Union Bank in conjunction with the sale of our ABS line of business in November 2013.

CRITICAL ACCOUNTING POLICIES

Our financial condition and results of operations presented in our consolidated financial statements, notes to our consolidated financial statements, selected consolidated and other financial data appearing elsewhere in this report, and management's discussion and analysis of financial condition and results of operations are, to a large degree, dependent upon our accounting policies. The selection and application of our accounting policies involve judgments, estimates and uncertainties that are susceptible to change.

We have identified the following accounting policies that we believe are the most critical to the understanding of our financial condition and results of operations. These critical accounting policies require management's most difficult, subjective and complex judgments about matters that are inherently uncertain. In the event that different assumptions or conditions were to prevail, and depending upon the severity of such changes, the possibility of a materially different financial condition and/or results of operations could be a reasonable likelihood. The impact and any associated risks related to our critical accounting policies on our business operations is discussed throughout "—Management's Discussion and Analysis of Financial Condition and Results of Operations," where such policies affect our reported and expected financial results. A detailed discussion of the application of these and other accounting policies is summarized in Note 1 to our consolidated financial statements appearing elsewhere in this report.

Allowance for Loan Losses. We maintain an allowance for loan losses at a level we consider appropriate to provide for probable losses in our loan portfolio. The determination of our allowance for loan losses requires management to make significant judgments and estimates based upon a periodic analysis of our loans held for portfolio and held for sale

considering, among other factors, current economic conditions, loan portfolio composition, past loan loss experience, independent appraisals, the fair value of underlying loan collateral, our customers' ability to repay their loans and selected key financial ratios. If actual events prove the estimates and assumptions we used in determining our allowance for loan losses were incorrect, we may need to make additional provisions for loan losses. Any increases in our allowance for loan losses will result in a decrease in net income and capital, and may have a material adverse effect on our financial condition and results of operations. For further discussion, refer to "—Loans and Allowance for Loan Losses," "Item 1A – Risk Factors" and Note 4 to our consolidated financial statements appearing elsewhere in this report.

Deferred Tax Assets. We recognize deferred tax assets for the estimated future tax effects of temporary differences, net operating loss carryforwards and tax credits. We recognize deferred tax assets subject to management's judgment based upon available evidence that realization is more likely than not. Our deferred tax assets are reduced, if necessary, by a deferred tax asset valuation allowance. In the event that we determine we would not be able to realize all or part of our deferred tax assets in the future, we would need to adjust the recorded value of our deferred tax assets, which would result in a direct charge to our provision for income

taxes in the period in which such determination is made. For further discussion, refer to "—(Benefit) Provision for Income Taxes," and Note 1 and Note 17 to our consolidated financial statements appearing elsewhere in this report.

Goodwill and Other Intangible Assets / Business Combinations. The determination of the fair value of the assets and liabilities acquired, as well as the returns on investment that may be achieved, requires management to make significant judgments and estimates based upon detailed analyses of the existing and future economic value of such assets and liabilities and/or the related income streams, including the resulting intangible assets. If actual events prove the estimates and assumptions we used in determining the fair values of the acquired assets and liabilities or the projected income streams were incorrect, we may need to make additional adjustments to the recorded values of such assets and liabilities, which could result in increased volatility in our reported earnings. In addition, we may need to make additional adjustments to the recorded value of our intangible assets, which may impact our reported earnings and directly impacts our regulatory capital levels. For further discussion, refer to Note 2, Note 6 and Note 14 to our consolidated financial statements appearing elsewhere in this report.

Our annual impairment testing date for goodwill and other intangible assets is December 31. In addition, a goodwill impairment assessment is performed if an event occurs or circumstances change that would make it more likely than not that the fair value of our single reporting unit is below its carrying value. We have the option first to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that our indefinite-lived intangible assets are impaired. If, after assessing the totality of events and circumstances, we conclude that it is not more likely than not that the indefinite-lived intangible assets are impaired, then we are not required to take further action. However, if we conclude otherwise, then we are required to determine the fair value of the indefinite-lived intangible assets and perform the quantitative impairment test by comparing the fair value with the carrying amount. We also have the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the quantitative impairment test but will be able to resume performing the qualitative assessment in any subsequent period. The goodwill impairment test is a two-step process which requires us to make assumptions regarding fair value. Our policy allows management to make the determination of fair value using internal cash flow models or by engaging independent third parties. The first step consists of estimating the fair value of the reporting unit using a number of factors, including projected future operating results and business plans, economic projections, anticipated future cash flows, discount rates, and comparable marketplace fair value data from within a comparable industry grouping. We compare the estimated fair value of our reporting unit to the carrying value, which includes allocated goodwill. If the estimated fair value is less than the carrying value, the second step is completed to compute the impairment amount by determining the "implied fair value" of goodwill. This determination requires the allocation of the estimated fair value of the reporting unit to the assets and liabilities of the reporting unit. Any remaining unallocated fair value represents the "implied fair value" of goodwill, which is compared to the corresponding carrying value to compute the goodwill impairment amount, if any. Although we believe our estimates of fair value are reasonable, many of the factors used in assessing fair value and the allocation of estimated fair value to the assets and liabilities of our reporting unit are outside the control of management, and it is reasonably likely that assumptions and estimates may change in future periods. These changes may result in future impairment that may materially affect the carrying value of our assets and our results of operations.

Taking into account the goodwill impairment analysis performed for the year ended December 31, 2013, First Bank recorded goodwill impairment of $107.3 million, which is reflected in the consolidated statements of operations. As of December 31, 2013, we do not have any goodwill remaining in our consolidated balance sheet.

For further discussion, refer to "—Noninterest Expense," and Note 1, Note 6 and Note 17 to our consolidated financial statements appearing elsewhere in this report.

EFFECTS OF NEW ACCOUNTING STANDARDS

In February 2013, the FASB issued **ASU 2013-02 -** ***Comprehensive Income (ASC Topic 220) - Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income***. This ASU requires an entity to provide, either on the face of the statement where net income is presented or in the notes to financial statements, information about the amounts reclassified out of accumulated other comprehensive income by component. An entity is required to include significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. Amounts not

required under GAAP to be reclassified in their entirety to net income are required to be cross-referenced to other disclosures required under GAAP that provide additional detail on those amounts. The amendments of this ASU are effective for interim and annual periods beginning after December 15, 2012, and are required to be applied prospectively. We adopted the requirements of this ASU on January 1, 2013, which did not have a material impact on our consolidated financial statements or results of operations or the disclosures presented in our consolidated financial statements.

In July 2012, the FASB issued ***ASU 2012-02 - Intangibles - Goodwill and Other (Topic 350) -Testing Indefinite-Lived Intangible Assets for Impairment***. The provisions of this ASU permit an entity to first assess qualitative factors to determine whether it is

more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform a quantitative impairment test in accordance with Subtopic 350-30, *Intangibles - Goodwill and Other - General Intangibles Other Than Goodwill*. This ASU is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. We adopted the requirements of this ASU on January 1, 2013, which did not have a material impact on our consolidated financial statements or results of operations or the disclosures presented in our consolidated financial statements.

In February 2013, the FASB issued **ASU 2013-02 - *Comprehensive Income (ASC Topic 220) - Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income***. This ASU requires an entity to provide, either on the face of the statement where net income is presented or in the notes to financial statements, information about the amounts reclassified out of accumulated other comprehensive income by component. An entity is required to include significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. Amounts not required under GAAP to be reclassified in their entirety to net income are required to be cross-referenced to other disclosures required under GAAP that provide additional detail on those amounts. The amendments of this ASU are effective for interim and annual periods beginning after December 15, 2012, and are required to be applied prospectively. We adopted the requirements of this ASU on January 1, 2013, which did not have a material impact on our consolidated financial statements or results of operations or the disclosures presented in our consolidated financial statements.

In July 2013, the FASB issued ***ASU 2013-11 - Income Taxes (Topic 740) - Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists***. This ASU clarifies guidance to eliminate diversity in practice on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. An unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exists at the reporting date and should be made presuming disallowance of the tax position at the reporting date. The amendments in this ASU do not require new recurring financial disclosures. This ASU is effective for interim and annual periods beginning after December 15, 2013. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on our consolidated financial statements, results of operations and the disclosures presented in our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The quantitative and qualitative disclosures about market risk are included under "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Interest Rate Risk Management" appearing on pages 55 through 57 of this report.

Effects of Inflation. Inflation affects financial institutions less than other types of companies. Financial institutions make relatively few significant asset acquisitions that are directly affected by changing prices. Instead, the assets and liabilities are primarily monetary in nature. Consequently, interest rates are more significant to the performance of financial institutions than the effect of general inflation levels. While a relationship exists between the inflation rate and interest rates, we believe this is generally manageable through our asset-liability management program.

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data appear on pages 76 through 134 of this report and are incorporated by reference herein.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

The Company's management, including our President and Chief Executive Officer and our Chief Financial Officer, have evaluated the effectiveness of our "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this report. Based on such evaluation, our President and Chief Executive Officer and our Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective as of December 31, 2013 to provide reasonable assurance that the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its President and Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the President and Chief Executive Officer and the Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, transactions and dispositions of our assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that receipts and expenditures are being made only in accordance with authorizations of management and our directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in circumstances or that the degree of compliance with the policies and procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013, based on the framework set forth by the 1992 Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework*. Based on that assessment, management concluded that, as of December 31, 2013, the Company's internal control over financial reporting is effective based on the criteria established in COSO's *Internal Control – Integrated Framework*.

This annual report does not include an attestation report of the Company's Independent Registered Public Accounting Firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's Independent Registered Public Accounting Firm.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Board of Directors and Committees of the Board

Our Board of Directors consists of eight members. The Board determined that Messrs. Blake, Cooper, Poelker, Rounsaville and Yaeger are independent. Each of our directors identified in the following table was elected to serve a one-year term and until his successor has been duly qualified for office.

Name	Age	Director Since	Principal Occupation(s) During Last Five Years and Directorships of Public Companies
James F. Dierberg	76	1979	Chairman of the Board of Directors of First Banks, Inc. since 1988; Chief Executive Officer of First Banks, Inc. from 1988 to April 2003; President of First Banks, Inc. from 1979 to 1992 and from 1994 to October 1999.
Terrance M. McCarthy	59	2003	President and Chief Executive Officer of First Banks, Inc. since April 2007; Senior Executive Vice President and Chief Operating Officer of First Banks, Inc. from August 2002 to March 2007; Chairman of the Board of Directors of First Bank since January 2003; President and Chief Executive Officer of First Bank from August 2002 to June 2007 and from April 2009 to April 2013; Executive Vice President of First Bank from June 2007 to April 2009. The Board and voting shareholders considered these qualifications, in addition to his prior service as Chief Operating Officer of the Company and President of First Bank, and his current position and experience with the Company and the banking industry, in making a determination that Mr. McCarthy should be a nominee for director of the Company.
Allen H. Blake [(1)]	71	2008	Director of First Banks, Inc. since December 2008 and from 1988 to March 2007; Director of First Bank since December 2008; Prior to Mr. Blake's announcement of his retirement and resignation of his positions at First Banks, Inc., effective March 2007, Mr. Blake served in the following positions: President of First Banks, Inc. from October 1999 to March 2007; Chief Executive Officer of First Banks, Inc. from April 2003 to March 2007; and Chief Financial Officer of First Banks, Inc. from 1984 to September 1999 and from May 2001 to August 2005. The Board and voting shareholders considered these qualifications, in addition to his significant financial and accounting expertise, prior service as Chief Executive Officer and Chief Financial Officer of the Company and experience with the Company and the banking industry, in making a determination that Mr. Blake should be a nominee for director of the Company.
James A. Cooper [(1)(2)]	58	2008	Senior Managing Partner of Thompson Street Capital Partners, a private equity firm with investments in middle-market manufacturing, service and distribution businesses, in St. Louis, Missouri, since 2000; Director of Thermon Group Holdings, Inc. and Thermon Holding Corporation from April 2010 to May 2012. The Board and voting shareholders considered these qualifications, in addition to his investment management expertise, financial expertise and stature in the local community, in making a determination that Mr. Cooper should be a nominee for director of the Company.
Michael J. Dierberg [(3)]	43	2011	Vice Chairman of First Banks, Inc. since January 2012; Director of First Banks, Inc. from May 2011 to January 2012 and from July 2001 to July 2004; General Counsel of First Banks, Inc. from June 2002 to July 2004; Prior to rejoining First Banks, Inc. as a Director, Mr. Dierberg served as an attorney for the United States Department of Justice in Washington, D.C. from July 2004 to June 2010. The Board and voting shareholders considered these qualifications, in addition to his experience with the Company and the banking industry, in making a determination that Mr. Dierberg should be a nominee for director of the Company.
John S. Poelker [(1)(4)]	71	2011	President of The Poelker Consultancy, Inc., a corporation that provides strategic and financial management advisory and consulting services to the banking industry and other financial services companies, since 2005; Executive Vice President and Chief Financial Officer of State Bank Financial Corporation, a bank holding company in Atlanta, Georgia, from March 2011 to October 2011; Chief Executive Officer of Beach First National Bank in Myrtle Beach, South Carolina, from February 2010 to April 2010; President and Chief Executive Officer of State Bank of Georgia in Fayetteville, Georgia, from December 2009 to February 2010; President and Chief Executive Officer of Georgian Bancorporation and Georgian Bank in Atlanta, Georgia, from July 2009 to September 2009; Executive Vice President and Chief Financial Officer of Old National Bancorp in Evansville, Indiana, from 1998 to 2005; Director of Capmark Financial Group, Inc. since September 2011; Director of Hampton Roads Bancshares, Inc. since June 2013.
Guy Rounsaville, Jr. [(2)(4)]	70	2011	Former Director of Diversity at Allen Matkins Leck Gamble Mallory & Natsis LLP, a law firm based in California, from September 2009 to May 2012; General Counsel of the Doctors Company from August 2008 to November 2008; Deputy General Counsel of Bank of America from October 2007 to March 2008;

General Counsel and Corporate Secretary of LaSalle Bank Corporation and ABN AMRO's North American Region from November 2006 to October 2007; Executive Vice President and General Counsel of VISA International from 2001 to October 2006; Partner at Allen Matkins Leck Gamble Mallory & Natsis LLP from 1999 to 2001; General Counsel of Wells Fargo Bank, N.A. and Wells Fargo & Company from 1969 to 1998; Director of Tri-Valley Bank; Director of United American Bank.

(continued)

Name	Age	Director Since	Principal Occupation(s) During Last Five Years and Directorships of Public Companies
Douglas H. Yaeger [1]	65	2000	Prior to Mr. Yaeger's retirement in February 2012, Mr. Yaeger served in the following positions: Chairman of the Board of Directors, President and Chief Executive Officer of The Laclede Group, Inc., an exempt public utility holding company in St. Louis, Missouri, since its inception in October 2000; Chairman of the Board of Directors, President and Chief Executive Officer of Laclede Gas Company since 1999. The Board and voting shareholders considered these qualifications, in addition to his financial expertise, public company managerial experience and stature in the local community, in making a determination that Mr. Yaeger should be a nominee for director of the Company. Mr. Yaeger has served as a director of ONE Gas, Inc., since February, 2014.

(1) Member of the Audit Committee. Mr. John S. Poelker serves as Chairman of the Audit Committee and the Audit Committee Financial Expert.
(2) Member of the Compensation Committee. Mr. James A. Cooper serves as Chairman of the Compensation Committee.
(3) Mr. Michael J. Dierberg is the son of Mr. James F. Dierberg and was appointed an executive officer of the Company effective January 25, 2013. See Item 12. Security Ownership of Certain Beneficial Owners and Management.
(4) Elected to the Board of Directors by the U.S. Treasury as the former sole holder of the Company's Class C Preferred Stock and Class D Preferred Stock.

Committees of the Board of Directors

Audit Committee. Four members of our Board of Directors currently serve on the Audit Committee, all of whom the Board of Directors determined to be independent. The Audit Committee assists the Board of Directors in fulfilling the Board's oversight responsibilities with respect to the quality and integrity of the consolidated financial statements, financial reporting process and systems of internal controls. The Audit Committee also assists the Board of Directors in monitoring the independence and performance of the independent auditors, the internal audit department and the operation of ethics programs. The Audit Committee operates under a written charter adopted by the Board of Directors. The members of the Audit Committee as of March 25, 2014 were Messrs. Blake, Cooper, Poelker and Yaeger. Mr. Poelker serves as Chairman of the Audit Committee and was determined by the Board of Directors to be an audit committee financial expert.

Compensation Committee. The Board of Directors maintains a Compensation Committee comprised solely of directors determined to be independent. The members of the Compensation Committee as of March 25, 2014 were Messrs. Cooper and Rounsaville. Mr. Cooper serves as Chairman of the Compensation Committee. The Compensation Committee, governed by a written charter adopted by the Board of Directors, oversees the compensation of the executive officers of the Company and reviews compensation and benefit packages and programs for the Company's employees generally and previously reviewed the Company's compliance with the requirements of the EESA and regulations thereunder.

Audit Committee Report

The Audit Committee is responsible for oversight of our financial reporting process on behalf of the Board of Directors. Management has primary responsibility for our financial statements and financial reporting, including internal controls, subject to the oversight of the Audit Committee and the Board of Directors. In fulfilling its responsibilities, the Audit Committee reviewed the audited consolidated financial statements with management and discussed the acceptability of the accounting principles used, the reasonableness of significant judgments made and the clarity of the disclosures.

The Audit Committee reviewed with the Independent Registered Public Accounting Firm, which is responsible for planning and carrying out a proper audit and expressing an opinion on the conformity of our audited consolidated financial statements with U.S. generally accepted accounting principles, their judgments as to the acceptability of the accounting principles we use, and such other matters as are required to be discussed with the Audit Committee by Statement on Auditing Standards No. 114, *The Auditor's Communication With Those Charged With Governance*. In addition, the Audit Committee discussed with the Independent Registered Public Accounting Firm its independence from management and the Company, including the matters required by Public Company Accounting Oversight Board, or PCAOB, Auditing Standard No. 16, *Communications with Audit Committees*, and the Audit Committee considered the compatibility of non-audit services provided by the Independent Registered Public Accounting Firm with the firm's independence. KPMG LLP has provided the Audit Committee with the

written disclosures and letter required by Standard No. 1 of the Independence Standards Board.

The Audit Committee discussed with our Internal Audit Department and Independent Registered Public Accounting Firm the overall scope and plans for their respective audits. The Audit Committee met with the Internal Audit Department and Independent Registered Public Accounting Firm with and without management present to discuss the results of their examinations, their evaluations of our internal controls and the overall quality of our financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Annual Report on Form 10-K as of and for the year ended December 31, 2013 for filing with the SEC.

Audit Committee
John S. Poelker, Chairman of the Audit Committee
Allen H. Blake
James A. Cooper
Douglas H. Yaeger

Code of Ethics for Principal Executive Officer and Financial Professionals

The Board of Directors has approved a Code of Ethics for Principal Executive Officer and Financial Professionals that covers the Chief Executive Officer, the Chief Financial Officer, the Chief Credit Officer, the Chief Banking Officer, the Chief Investment Officer, the Controller, the Director of Tax, and all professionals serving in a Corporate Finance, Accounting, Treasury, Tax or Investor Relations role. These individuals are also subject to the policies and procedures adopted by the Company that govern the conduct of all of its employees. The Code of Ethics for Principal Executive Officer and Financial Professionals is included as an exhibit to this Annual Report on Form 10-K. The Company intends to post on its website at www.firstbanks.com any amendment to or waiver from any provision in the Code of Ethics for Principal Executive Officer and Financial Professionals that applies to the Chief Executive Officer, Chief Financial Officer, Controller or other person performing similar functions and that relate to any element of the standards enumerated in the SEC rules.

Code of Conduct for Employees, Officers and Directors

The Board of Directors has approved a Code of Conduct applicable to all employees, officers and directors of the Company that addresses conflicts of interest, honesty and fair dealing, accounting and auditing matters, political activities and application and enforcement of the Code of Conduct. The Code of Conduct is available on the Company's website, www.firstbanks.com, under "About us."

Executive Officers

Our executive officers, each of whom was elected to the office(s) indicated by the Board of Directors, as of March 25, 2014, were as follows:

Name	Age	Current First Banks, Inc. Office(s) Held	Principal Occupation(s) During Last Five Years
James F. Dierberg	76	Chairman of the Board of Directors.	See "Item 10 – Directors, Executive Officers and Corporate Governance – Board of Directors."
Terrance M. McCarthy	59	President, Chief Executive Officer and Director; Chairman of the Board of Directors of First Bank.	See "Item 10 – Directors, Executive Officers and Corporate Governance – Board of Directors."
Michael J. Dierberg [1]	43	Vice Chairman of the Board of Directors.	See "Item 10 – Directors, Executive Officers and Corporate Governance – Board of Directors."
Timothy J. Lathe	58	Executive Vice President and Chief Banking Officer; President and Chief Executive Officer and Director of First Bank.	Executive Vice President and Chief Banking Officer of First Banks, Inc., President and Chief Executive Officer of First Bank, and Director of First Bank since April 2013; Executive Vice President, National Sales Executive of KeyCorp in Cleveland, Ohio, from January 2011 to August 2012; Executive Vice President and Wealth Management Business Line Head of KeyCorp from February 2009 to January 2011; Executive Vice President and Head of The Private Client Group of National City Corporation in Cleveland, Ohio, from 2004 to February 2009.
Lisa K. Vansickle	46	Executive Vice President and Chief	Executive Vice President and Chief Financial Officer of First Banks, Inc.

	Financial Officer; Executive Vice President, Chief Financial Officer, Secretary and Director of First Bank.	since April 2010; Senior Vice President and Chief Financial Officer of First Banks, Inc. from April 2007 to April 2010; Senior Vice President and Controller of First Banks, Inc. from January 2001 to April 2007; Executive Vice President, Chief Financial Officer, Secretary and Director of First Bank since May 2010. Senior Vice President, Secretary and Director of First Bank from July 2001 to May 2010.

(1) Mr. Michael J. Dierberg was appointed an executive officer of the Company effective January 25, 2013. See Item 12. Security Ownership of Certain Beneficial Owners and Management.

Item 11. Executive Compensation

Compensation Discussion and Analysis. The compensation program of the Company and its affiliates (collectively referred to only in this Item 11 as the "Company") is reflective of its ownership structure and its participation in the CPP under the EESA. As outlined in the stock ownership table included in "Item 12 – Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," all of our common stock is owned by various trusts, established by and administered by and for the benefit of Mr. James F. Dierberg, our Chairman of the Board, and members of his immediate family, including Mr. Michael J. Dierberg, our Vice Chairman. Therefore, we do not use equity awards in our compensation program. As a participant in the CPP until September 25, 2013, we were subject to certain corporate governance and executive compensation standards applicable to all CPP participants as required by the ARRA and rules adopted thereunder, as further described below.

Capital Purchase Program – Executive Compensation and Governance Requirements. As a result of our participation in the CPP, we became subject to certain restrictions on executive compensation set forth in Section 111 of the EESA and the Purchase Agreement entered into by the Company and the U.S. Treasury. Subsequently, the ARRA was signed into law and included a provision that amended Section 111 of the EESA and directed the U.S. Treasury to establish specified standards on executive compensation and corporate governance. The U.S. Treasury published its Interim Final Rule on TARP Standards for Compensation and Corporate Governance (sometimes referred to as the Interim Final Rule). As a result of the U.S. Treasury's sale of the Company's Class C Preferred Stock and Class D Preferred Stock, the executive compensation restrictions discussed herein terminated as of September 25, 2013. Until such time, the Company was subject to the following standards as a result of its participation in the CPP ("CPP Rules"):

- A prohibition on paying bonuses, retention awards and incentive compensation, other than pursuant to certain preexisting employment contracts, to our named executive officers identified in the Summary Compensation Table, below (the "Senior Executive Officers" or "SEOs"), and the ten next most highly-compensated employees;
- A prohibition on the payment of "golden parachute payments" to our SEOs and the five next most highly compensated employees upon their termination of employment or a change in control of the Company;
- A requirement to "clawback" any bonus, retention award or incentive compensation paid to an SEO and/or any of the twenty (20) next most highly compensated employees if such bonus, retention award, or incentive compensation was based on statements of earnings, revenues, gains or other criteria later found to be materially inaccurate;
- A requirement to establish a policy on luxury or excessive expenditures;
- A prohibition on deducting more than $500,000 in annual compensation paid to each of the SEOs;
- A prohibition on tax gross-ups to the SEOs and the twenty (20) next most highly compensated employees;
- A requirement to disclose to the U.S. Treasury any perquisite with a total value for the year in excess of $25,000 paid or provided to an SEO or any of the twenty (20) next most highly compensated employees;
- A requirement to disclose to the U.S. Treasury whether the Company, Board or Compensation Committee has retained a compensation consultant and the types of services provided by the consultant and its affiliates, whether or not such services were compensation-related;
- A requirement that the Compensation Committee evaluate and review with our senior risk officers at least every six (6) months the SEO compensation plans to limit any features in such plans that would encourage SEOs to take "unnecessary and excessive risks" that could threaten the value of the Company;
- A requirement that the Compensation Committee review at least every six (6) months the Company's employee compensation plans to identify and eliminate any provisions in such plans that encourage the manipulation of reported earnings to enhance the compensation of any employee;
- A requirement that the Compensation Committee evaluate and review with our senior risk officers at least every six (6) months the risks involved in the Company's employee compensation plans and how to limit the risks posed to the Company by such plans;
- A requirement that the Compensation Committee provide a certification that it has conducted the foregoing reviews; and
- A requirement that the Chief Executive Officer and the Chief Financial Officer provide written certifications of compliance with all of the foregoing requirements.

The SEOs for 2013 were the named executive officers identified in the Company's Form 10-K for the fiscal year ended

December 31, 2012, and were Messrs. James F. Dierberg, Terrance M. McCarthy, F. Christopher McLaughlin and Gary S. Pratte, and Ms. Lisa K. Vansickle. Mr. Pratte retired from the Company on July 31, 2013.

Compensation Objective. The objective of our executive compensation policies and practices is to attract and retain talented key executives that will contribute to the achievement of strategic goals and the growth and success of the Company in order to enhance the long-term value of the Company. Compensation is based upon the achievement of corporate goals and objectives, as established by key corporate executives and reported to the Board of Directors. Rewards for performance are designed to motivate the continued strong performance of key executives on a long-term basis.

Our executive compensation program is designed to reward the achievement of financial results in accordance with our corporate goals and objectives within the limits of our ownership structure and the CPP Rules while applicable. The current elements of our executive compensation program include a base salary and a benefits program including health insurance, 401 (k) plan, time away benefits and life insurance which are offered to all of our employees. Our executive compensation programs are cash-based and do not include any other forms of non-cash compensation. We do not provide the named executive officers with employment contracts or severance agreements, and consequently, we are under no obligation to make additional payments to any of the named executive officers in the event of severance, change in control, retirement or resignation.

The Compensation Committee and management intend to monitor the Company's overall compensation program to determine what actions may be necessary to continue to fulfill its compensation objectives. Historically, the Company, as a family owned company, has compensated its executive officers conservatively while maintaining key talent without using extravagant compensation packages or perquisites to reward executive officers. The Compensation Committee intends to continue to apply these long-held philosophies in setting future compensation.

Salary. The base salaries of the executive officers are generally established in March of each year and are dependent upon the evaluation of certain factors and, in part, on subjective considerations. The level of base salaries of executive officers is designed to reward the officer's performance based upon an evaluation of the following factors: (i) the performance of the Company and the achievement of corporate goals and objectives, considering general business and industry conditions, among other factors, and the contributions of specific executives towards the overall performance; (ii) each executive officer's areas of responsibility and the Company's performance in those areas; and (iii) the level of compensation paid to comparable executives by other financial institutions of comparable size in the market areas in which we operate to ensure we maintain a competitive compensation package. Our corporate goals and objectives provide particular measurements to which the Compensation Committee and executive management assign significance, such as net income, organic and external growth in target market areas, expense control, net interest margin, credit quality, and regulatory examination results. In 2013, the Compensation Committee considered these factors and suggestions of the Chairman of the Board and the Chief Executive Officer, without assigning a specific weight to any particular factor, and evaluated the appropriate base salary and related annual salary increases of the SEOs. Base salaries of executive officers are reviewed on an ongoing basis and are generally adjusted on an annual basis, and may be further adjusted periodically as a result of significant changes in responsibility, employment market conditions, and other factors.

Mr. Dierberg receives a fee of $144,000 for serving as Chairman of the Board of Directors. The base salary of Mr. McCarthy, which was increased in 2011 by 15.0% due to the significance of his responsibilities, was increased by 5.2% in 2012 and 4.1% in 2013. The base salaries of Ms. Vansickle and Mr. McLaughlin were increased in 2013 by 3.9% and 2.6%, respectively.

Bonuses. The CPP Rules prohibit paying bonuses to the SEOs and the next ten (10) most highly compensated employees, and in compliance with this prohibition, the compensation structure for the SEOs and the next ten (10) most highly compensated employees did not contemplate payment of bonuses. The SEOs have not received a bonus since 2007, except Mr. Pratte who received awards in 2008 and 2009 under incentive plans that Mr. Pratte participated in prior to the time he became a named executive officer. Mr. Pratte's participation in those incentive plans terminated at the time he became a named executive officer.

Deferred Compensation. We offer the opportunity to defer a portion of compensation under a Nonqualified Deferred Compensation Plan, or NQDC Plan, to the executive officers and other key employees to promote retention by providing a long-term savings opportunity on a tax-deferred basis. We elected to suspend the availability of deferrals under the NQDC Plan in 2010 and 2011 but reinstated the availability of such deferrals beginning in January 2012. Although the NQDC Plan allows the Company to credit the accounts of any participant with discretionary contributions, no such discretionary contributions have been made since the NQDC Plan's inception. The Company did not make any discretionary contributions to the accounts of the SEOs and the next ten (10) most highly compensated employees during the period the Company was subject to the CPP Rules because such contributions are considered "bonus payments" and therefore were prohibited.

Executive Compensation. The following table sets forth certain information regarding compensation earned by the named executive officers for the years ended December 31, 2013, 2012 and 2011:

SUMMARY COMPENSATION TABLE

Name and Principal Position(s)	Year	Salary [1]	Bonus [1]	All Other Compensation [2]	Total [1]
James F. Dierberg	2013	$ —	—	149,800 [3]	149,800
Chairman of the Board of Directors	2012	—	—	149,800 [3]	149,800
	2011	—	—	149,800 [3]	149,800
Terrance M. McCarthy	2013	623,700	—	10,200	633,900
President and Chief Executive Officer	2012	593,700	—	10,000	603,700
	2011	556,200	—	9,800	566,000
Lisa K. Vansickle	2013	262,500	—	10,200	272,700
Executive Vice President and Chief Financial Officer	2012	250,600	—	9,700	260,300
	2011	237,500	—	9,500	247,000
Michael J. Dierberg [4]	2013	250,000	—	10,000	260,000
Vice Chairman of the Board of Directors					
Timothy J. Lathe [5]	2013	309,800	—	32,500 [6]	342,300
Executive Vice President and Chief Banking Officer					
F. Christopher McLaughlin [7]	2013	225,400	—	51,600 [8]	277,000
(Former Executive Vice President, Director of Retail	2012	267,100	—	10,000	277,100
Banking, and Director of Sales, Marketing and Products)	2011	257,500	—	9,800	267,300

(1) Salary and bonus reported for Messrs. McCarthy and Lathe for 2013 include amounts deferred in our NQDC Plan of $124,800 and $9,100, respectively, as further described below and in Note 21 to our consolidated financial statements. Salary and bonus reported for Ms. Vansickle and Messrs. J. Dierberg, M. Dierberg and McLaughlin did not include any amounts deferred in our NQDC Plan. Earnings by the named executive officers on their NQDC Plan balances did not include any above-market or preferential earnings.

(2) All other compensation reported reflects 401(k) employer match contributions, as further described in Note 21 to our consolidated financial statements, with the exception of the amounts reported for Messrs. J. Dierberg, Lathe and McLaughlin, as further described below.

(3) All other compensation reported for Mr. J. Dierberg for 2013, 2012 and 2011 reflects director compensation of $144,000 and 401(k) employer match contributions of $5,800 for 2013, 2012 and 2011.

(4) Mr. M. Dierberg was appointed an executive officer of First Banks, Inc. on January 25, 2013.

(5) Mr. Lathe joined the Company as Executive Vice President and Chief Banking Officer on April 26, 2013.

(6) All other compensation reported for Mr. Lathe for 2013 reflects $32,500 associated with a corporate relocation package.

(7) Mr. McLaughlin resigned from the Company on October 22, 2013.

(8) All other compensation reported for Mr. McLaughlin for 2013 reflects a contribution to our 401(k) Plan of $9,000 and a payment made in conjunction with Mr. McLaughlin's resignation in the amount of $42,600 in accordance with the Company's discretionary severance practice.

Nonqualified Deferred Compensation. Officers that meet certain position and base salary criteria and non-employee directors are eligible to participate in our NQDC Plan. Participants are allowed to defer, on an annual basis, up to 25% of their salary and up to 100% of their bonus payments, and hypothetically invest in various investment options available in the NQDC Plan that are selected by the participant and may be changed by the participant at any time. These investment options mirror the investment options that we offer through our 401(k) plan and include various investment funds such as equity funds, international stock funds, capital appreciation funds, money market funds, bond funds, mid-cap value funds and growth funds. The rate of return on such investment options in 2013 ranged from (8.28%) to 34.07%. However, as previously discussed, we suspended the availability of deferrals to the NQDC Plan in 2010 and 2011 but reinstated the availability of such deferrals beginning in January 2012.

The NQDC Plan allows for us to credit the deferred compensation accounts of any participant with discretionary contributions; however, we have not made any such discretionary contributions under the NQDC Plan since its inception. Any such contributions, if made, would vest over a five-year period. Earnings or losses on participant account balances resulting from the participant's investment choices are credited or charged to the participant accounts on a monthly basis. We recognize these earnings or losses in our consolidated statements of operations on a monthly basis. In the event of retirement, payment of the vested portion of the participant's deferred compensation account balance is either made through a single lump sum payment or annual payments over five or ten years, subject to election by the participant. Payment of the vested portion of the participant's deferred compensation account balance is made through a single lump sum payment in the event the participant terminates his or her employment for reasons other than retirement.

The following table sets forth certain information regarding nonqualified deferred compensation earned by the named executive officers for the year ended December 31, 2013:

NONQUALIFIED DEFERRED COMPENSATION TABLE

Name and Principal Position(s)	Executive Contributions in Last Fiscal Year [1]	Aggregate Earnings in Last Fiscal Year [2]	Aggregate Withdrawals / Distributions in Last Fiscal Year	Aggregate Balance at December 31, 2013 [3]
James F. Dierberg Chairman of the Board of Directors	$ —	125,700	—	658,400
Terrance M. McCarthy President and Chief Executive Officer	124,800	188,200	—	1,291,400
Lisa K. Vansickle Executive Vice President and Chief Financial Officer	—	10,100	—	58,700
Timothy J. Lathe Executive Vice President and Chief Banking Officer	9,100	300	—	9,400

(1) All executive contributions represent the deferral of base salary and/or bonus payments reflected in the "Summary Compensation Table." We did not make any discretionary contributions under the NQDC Plan as of and for the year ended December 31, 2013. In addition, Messrs. M. Dierberg and McLaughlin elected not to participate in the NQDC Plan.

(2) Earnings by the named executive officers on their NQDC Plan balances did not include any above-market or preferential earnings.

(3) Represents deferrals of cash consideration from prior years, as previously reported as compensation in the Company's previously filed Annual Reports on Form 10-K, and the cumulative earnings on the original deferred amounts and the participant's 2013 activity.

Potential Payments upon Termination. Upon termination of employment, the executive officers will receive payments of the vested portion of the executive's deferred compensation account balance under our NQDC Plan as previously described above. Executive officers may also receive severance in an amount equal to two weeks of base salary per completed year of service.

Compensation of Directors. The following table sets forth compensation earned by the named directors for the year ended December 31, 2013:

DIRECTOR COMPENSATION TABLE

Name	Total Fees Earned or Paid in Cash
James F. Dierberg [1]	$ 144,000
Allen H. Blake [2]	56,500
James A. Cooper [3]	42,000
John S. Poelker [4][6]	44,000
Guy Rounsaville, Jr. [6]	35,000
David L. Steward [5]	8,500
Douglas H. Yaeger	36,000

(1) Director compensation for Mr. Dierberg is also included in the "Summary Compensation Table."
(2) Mr. Blake received fees of $39,000 for the Company's board and committee meetings attended and fees of $17,500 for First Bank board and committee meetings attended.
(3) Mr. Cooper serves as Chairman of the Compensation Committee.
(4) Mr. Poelker serves as the Chairman of the Audit Committee and the Audit Committee Financial Expert.
(5) Mr. Steward resigned his positions as a member of the Board of Directors and the Compensation Committee effective June 30, 2013.
(6) Excludes reimbursement of travel expenses.

Mr. James F. Dierberg received an annual fee of $144,000, paid semi-monthly, for his service as Chairman of the Board of Directors during 2013. Messrs. Michael Dierberg and McCarthy do not receive remuneration other than salary for serving on our Board of Directors. Mr. Michael Dierberg was appointed as an executive officer of the Company, effective January 25, 2013. Directors who are neither our employees nor employees of any of our subsidiaries receive cash remuneration for their services as directors. Non-employee directors received a fee of $3,000 for each Board meeting attended, a fee of $3,750 per calendar quarter as a retainer for their service as members of the Board of Directors and a fee of $1,000 for each Audit Committee and Compensation Committee meeting attended. In addition, the Chairmen of the Audit Committee and Compensation Committee received a fee of $5,000 for their service as Chairmen. Mr. Blake, as a non-employee Director of First Bank, also received a fee of $1,000 for each monthly First Bank Board meeting attended and a fee of $500 for each monthly meeting attended of the Company's Enterprise Risk Management Committee. The Enterprise Risk Management Committee is a committee of the Company's management in which Mr. Blake and Mr. Michael Dierberg participate.

Prior to 2010 and beginning in January 2012, our non-employee directors were also eligible to defer payment of all or a portion of their compensation through contributions to our NQDC Plan. Earnings by the directors on their NQDC Plan balances did not include any above-market or preferential earnings. Our directors do not receive any other compensation, and there are no arrangements for amounts to be paid to directors upon resignation or any other termination of such director or a change in control of the Company. The Audit Committee, the Compensation Committee and the Compliance Committee are currently the only committees of our Board of Directors.

Compensation Committee Interlocks and Insider Participation. The Compensation Committee is comprised solely of independent directors and no members of the Compensation Committee are current or former officers or employees of the Company. See further information regarding transactions with related parties in Note 20 to our consolidated financial statements appearing on pages 128 through 129 of this report.

Compensation Committee Report.

The Compensation Committee has reviewed the Compensation Discussion and Analysis and discussed such with management. Based on such review and discussions, the Compensation Committee recommended the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K as of and for the year ended December 31, 2013 for filing with the SEC.

In addition, the Compensation Committee certifies that through September 25, 2013 (i) it has reviewed with the Company's senior risk officers the SEO compensation arrangements and has made all reasonable efforts to ensure that such arrangements do not encourage SEOs to take unnecessary and excessive risks that threaten the value of the Company; (ii) it has reviewed with senior risk officers the employee compensation plans and has made all reasonable efforts to limit any unnecessary risks these plans pose to the Company; and (iii) it has reviewed the employee compensation plans to eliminate any features of these plans that would encourage the manipulation of reported earnings of the Company.

Review of Risk Associated with Compensation Plans. Our senior risk officers conducted one assessment of our compensation plans in 2013 and reviewed and discussed the assessment and the compensation plans with the Compensation Committee. The senior risk officers recommended, and the Compensation Committee approved such recommendation, that the review of all compensation plans maintained by the Company focus on incentive based compensation plans. The senior risk officers, with the approval of the Compensation Committee, reviewed the Company's non-incentive based compensation plans, such as the Company's NQDC Plan, and broad-based welfare and benefit plans that do not discriminate in scope and terms of operation and determined that such plans do not present opportunities for employees to take excessive and unnecessary risks.

SEO Compensation Plans. The components of our executive compensation program are base salary, the NQDC Plan, and qualified benefit plans available to other employees of the Company. Based on the assessment of the compensation plans and the lack of any incentive compensation, the Compensation Committee determined that our executive compensation program did not encourage the SEOs to take unnecessary and excessive risks that threaten the value of the Company.

Employee Compensation Plans. The Company maintains and administers multiple compensation and bonus plans for employees of the Company. The bonus plans reward employees for measurable performance throughout the Company. The SEOs and the next ten (10) most highly compensated employees are ineligible to receive any bonus paid prior to, or based on performance prior to, September 25, 2013. These bonus plans are reviewed on a regular basis and have terms and conditions that enable us to adjust potential payments based on management's discretion and consideration of certain factors, including, but not limited to, credit quality. Although the "clawback" requirement under the CPP Rules, discussed above, affected only the SEOs and the twenty (20) next most highly compensated employees, we have ensured that all compensation plans provide the Company a clawback right in the event incentive compensation is paid based upon incorrect or fraudulent information. In addition, we continue to provide for such clawback potential in our compensation plans adopted since September 25, 2013. We also require that any new compensation plans are risk assessed and approved by our Enterprise Risk Management Committee comprised of certain directors and executive officers. In addition, to address the risk of potentially encouraging employees to focus on short-term results rather than long-term value creation, we continue to evaluate, and where practical, implement an extended payment schedule for our compensation plans.

Further, in light of the level of oversight and controls surrounding the Company's compensation plans and incentive compensation plans, and the lack of any equity-based compensation plans, the Compensation Committee has determined that the compensation plans for all employees do not contain any features that would encourage the manipulation of reported earnings to enhance the compensation of any employee.

Compensation Committee
James A. Cooper, Chairman of the Compensation Committee
Guy Rounsaville, Jr.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, as of March 25, 2014, certain information with respect to the beneficial ownership of all classes of our capital stock by each person known to us to be the beneficial owner of more than five percent of the outstanding shares of the respective classes of our stock:

Title of Class and Name of Owner	Number of Shares Owned	Percent of Class	Percent of Total Voting Power
Common Stock ($250.00 par value):			
James F. Dierberg II Family Trust [1]	7,714.677 [2]	32.605%	*
Ellen C. Dierberg Family Trust [1]	7,714.676 [2]	32.605	*
Michael J. Dierberg Family Trust [1]	4,255.319 [2]	17.985	*
Michael J. Dierberg Irrevocable Trust [1]	3,459.358 [2]	14.621	*
First Trust (Mary W. Dierberg and First Bank, Trustees) [1]	516.830 [3]	2.184	*
Class A Convertible Adjustable Rate Preferred Stock ($20.00 par value):			
James F. Dierberg, Trustee of the James F. Dierberg Living Trust [1]	641,082 [4][5]	100%	77.7%
Class B Non-Convertible Adjustable Rate Preferred Stock ($1.50 par value):			
James F. Dierberg, Trustee of the James F. Dierberg Living Trust [1]	160,505 [5]	100%	19.4%
Class C Fixed Rate Cumulative Perpetual Preferred Stock ($1.00 par value):			
EJF TARP Holdings LLC	92,347	31.26%	[6]
Hildene Opportunities Fund II LP	46,300	15.67%	[6]
Investure Global Equity (JAM), LLC	45,552	15.42%	[6]
Consector Partners LP	37,446	12.68%	[6]
Trishield Special Situations Fund LLC	22,000	7.45%	[6]
Class D Fixed Rate Cumulative Perpetual Preferred Stock ($1.00 par value):			
Consector Partners LP	4,299	29.11%	[6]
Investure Global Equity (JAM), LLC	2,657	17.99%	[6]
JAM Partners, L.P.	2,657	17.99%	[6]
JAM Special Opportunities Fund III, L.P.	2,657	17.99%	[6]
Hildene Opportunities Fund II LP	1,000	6.77%	[6]
All executive officers and directors other than Mr. James F. Dierberg and members of his immediate family	0	0%	0.0%

* Represents less than 1.0%.

1. Each of the above-named trustees and beneficial owners are United States citizens, and the business address for each such individual is 135 North Meramec, Clayton, Missouri 63105. Mr. James F. Dierberg, our Chairman of the Board, and Mrs. Mary W. Dierberg, are husband and wife, and Messrs. James F. Dierberg II and Michael J. Dierberg, our Vice Chairman, and Ms. Ellen D. Milne, are their adult children.
2. Due to the relationship between Mr. James F. Dierberg, his wife and their children, Mr. Dierberg is deemed to share voting and investment power over these shares.
3. Due to the relationship between Mr. James F. Dierberg, his wife and First Bank, Mr. Dierberg is deemed to share voting and investment power over these shares.
4. Convertible into common stock, based on the appraised value of the common stock at the date of conversion.
5. Sole voting and investment power.

6. Shares were previously issued to the U.S. Treasury pursuant to the CPP. The Class C Preferred Stock and the Class D Preferred Stock were sold to unaffiliated third party investors during the third quarter of 2013. The holders of the Class C Preferred Stock and the Class D Preferred Stock have no voting rights except in certain limited circumstances as previously described under "—Business - Capital Structure."

The following table sets forth, as of March 25, 2014, certain information with respect to the beneficial ownership of all classes of the capital securities of our subsidiary, FB Holdings, by each of our directors and named executive officers:

Title of Class and Name of Owner	Percent of Membership Interests Owned
Membership Interests	
First Bank [1]	53.23%
First Capital America, Inc. [1]	46.77%

(1) See further discussion of the membership interests of FB Holdings in Note 20 to our consolidated financial statements.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Review and Approval of Related Person Transactions. We review all relationships and transactions in which we and our directors and executive officers and their immediate family members and entities in which such persons have a significant interest are participants to determine whether such persons have a direct or indirect material interest. Our management collects information from the executive officers and the directors regarding the related person transactions and determines whether we or a related person has a direct or indirect material interest in the transaction. If we determine that a transaction is directly or indirectly material to us or a related person, then the transaction is disclosed in accordance with applicable requirements. In addition, the Audit Committee of our Board of Directors reviews and approves or ratifies any related person transaction that is required to be so disclosed. In the event that a member of the Audit Committee is a related person to such a transaction, such member may not participate in the discussion or vote regarding approval or ratification of the transaction.

Related Person Transactions. Outside of normal customer relationships, no directors, executive officers or shareholders holding over 5% of our voting securities, and no corporations or firms with which such persons or entities are associated, currently maintain or have maintained since the beginning of the last full fiscal year, any significant business or personal relationship with our subsidiaries or us, other than that which arises by virtue of such position or ownership interest in our subsidiaries or us, except as set forth in "Item 11 – Executive Compensation – Compensation of Directors," or as described in the following paragraphs.

First Bank has had in the past, and may have in the future, loan transactions and related banking services in the ordinary course of business with our directors and/or their affiliates. These loan transactions have been made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unaffiliated persons and did not involve more than the normal risk of collectability or present other unfavorable features. First Bank does not extend credit to our officers or to officers of First Bank, except extensions of credit secured by mortgages on personal residences, loans to purchase automobiles and personal credit card accounts.

Certain of our shareholders, directors and officers and their respective affiliates have deposit accounts and related banking services with First Bank. It is First Bank's policy not to permit any of its officers or directors or their affiliates to overdraw their respective deposit accounts. Deposit account overdraft protection may be approved for persons or entities under a plan whereby a credit limit has been established in accordance with First Bank's standard credit criteria.

Transactions with related parties, including transactions with affiliated persons and entities, are described in Note 20 to our consolidated financial statements on pages 128 through 129 of this report, which descriptions are incorporated by reference herein, and in Note 11 to our consolidated financial statements.

Director Independence. Our Board of Directors has determined that Messrs. Allen H. Blake, James A. Cooper, John S. Poelker, Guy Rounsaville, Jr. and Douglas H. Yaeger have no material relationship with us and each is independent. Our Audit Committee of the Board of Directors and our Compensation Committee are comprised solely of independent directors. In order to be considered independent, our Board of Directors must determine that a director does not have any direct or indirect material relationship with us as provided under the rules of the NYSE. In making such a determination, the Board of Directors considers all relationships between us, or any of our subsidiaries, and the director, or any of his immediate family members, or

any entity with which the director or any of his immediate family members is affiliated by reason of being a partner, officer or significant shareholder thereof. In assessing the independence of our directors, the Board of Directors considered all relationships between us and our directors based primarily upon responses of the directors to questions posed through a directors' and officers' questionnaire. The Board of Directors considered each of the related person transactions discussed above in making its independence determination.

The Company has preferred securities of only one of its capital trusts listed on the NYSE and, pursuant to the General Application section of NYSE Rule 303A, is not subject to NYSE Rule 303A.01 requiring a majority of independent directors. Messrs. James F. Dierberg, Michael J. Dierberg and Terrance M. McCarthy are not independent because they are each current executive officers of the Company.

Item 14. Principal Accounting Fees and Services

Fees of Independent Registered Public Accounting Firm

During 2013 and 2012, KPMG LLP served as our Independent Registered Public Accounting Firm and provided services to our affiliates and us. The following table sets forth fees for professional audit services rendered by KPMG LLP for the audit of our consolidated financial statements and other audit services in 2013 and 2012:

	2013	2012
Audit fees [1]	$ 697,500	594,800
Audit related fees		
Tax fees [2]	27,637	62,532
All other fees		
Total	$ 725,137	657,332

(1) For 2013 and 2012, audit fees include the audit of the consolidated financial statements of the Company, as well as services provided for reporting requirements under FDICIA and mortgage banking activities, which are included in the audit fees of the Company, as these services are closely related to the audit of the Company's consolidated financial statements. Audit fees also include other accounting and reporting consultations.

(2) For 2013 and 2012, tax fees consist of tax filing, compliance and other advisory services.

Policy Regarding the Approval of Independent Auditor Provision of Audit and Non-Audit Services

Consistent with the SEC requirements regarding auditor independence, the Audit Committee recognizes the importance of maintaining the independence, in fact and appearance, of our independent auditors. As such, the Audit Committee has adopted a policy for pre-approval of all audit and permissible non-audit services provided by our independent auditors. Under the policy, the Audit Committee, or its designated member, must pre-approve services prior to commencement of the specified service. The requests for pre-approval are submitted to the Audit Committee or its designated member by the Director of Risk Management and Audit with a statement as to whether in his/her view the request is consistent with the SEC's rules on auditor independence. The Audit Committee reviews the pre-approval requests and the fees paid for such services at their regularly scheduled quarterly meetings or at special meetings.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) 1. Financial Statements and Supplementary Data – The financial statements and supplementary data filed as part of this Report are included in Item 8.

2. Financial Statement Schedules – These schedules are omitted for the reason they are not required or are not applicable.

3. Exhibits – The exhibits are listed in the index of exhibits required by Item 601 of Regulation S-K at Item (b) below and are incorporated herein by reference.

(b) The index of required exhibits is included beginning on page 138 of this Report.

(c) Not Applicable.

FIRST BANKS, INC.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
First Banks, Inc.:

We have audited the accompanying consolidated balance sheets of First Banks, Inc. and subsidiaries (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Banks, Inc. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

St. Louis, Missouri
March 25, 2014

FIRST BANKS, INC.
CONSOLIDATED BALANCE SHEETS

(dollars expressed in thousands, except share and per share data)

	December 31, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	$ 92,369	114,841
Short-term investments	98,066	404,005
Total cash and cash equivalents	190,435	518,846
Investment securities:		
Available for sale	1,611,745	2,043,727
Held to maturity (fair value of $719,183 and $637,024, respectively)	740,186	631,553
Total investment securities	2,351,931	2,675,280
Loans:		
Commercial, financial and agricultural	600,704	610,301
Real estate construction and development	121,662	174,979
Real estate mortgage	2,091,026	2,060,131
Consumer and installment	18,681	19,262
Loans held for sale	25,548	66,133
Net deferred loan fees	(526)	(59)
Total loans	2,857,095	2,930,747
Allowance for loan losses	(81,033)	(91,602)
Net loans	2,776,062	2,839,145
Federal Reserve Bank and Federal Home Loan Bank stock	27,357	27,329
Bank premises and equipment, net	124,328	127,520
Goodwill	—	125,267
Deferred income taxes	315,881	29,042
Other real estate and repossessed assets	66,702	91,995
Other assets	66,287	67,996
Assets of discontinued operations	—	6,706
Total assets	$ 5,918,983	6,509,126
LIABILITIES		
Deposits:		
Noninterest-bearing demand	$ 1,243,545	1,327,183
Interest-bearing demand	679,527	1,000,666
Savings and money market	1,844,710	1,880,271
Time deposits of $100 or more	389,056	460,791
Other time deposits	657,057	823,936
Total deposits	4,813,895	5,492,847
Other borrowings	43,143	26,025
Subordinated debentures	354,210	354,133
Deferred income taxes	28,397	36,182
Accrued expenses and other liabilities	191,082	144,269
Liabilities of discontinued operations	—	155,711
Total liabilities	5,430,727	6,209,167
STOCKHOLDERS' EQUITY		

First Banks, Inc. stockholders' equity:		
Preferred stock:		
Class A convertible, adjustable rate, $20.00 par value, 750,000 shares authorized, 641,082 shares issued and outstanding	12,822	12,822
Class B adjustable rate, $1.50 par value, 200,000 shares authorized, 160,505 shares issued and outstanding	241	241
Class C fixed rate, cumulative, perpetual, $1.00 par value, 295,400 shares authorized, issued and outstanding	295,400	291,757
Class D fixed rate, cumulative, perpetual, $1.00 par value, 14,770 shares authorized, issued and outstanding	17,343	17,343
Common stock, $250.00 par value, 25,000 shares authorized, 23,661 shares issued and outstanding	5,915	5,915
Additional paid-in capital	12,480	12,480
Retained earnings (deficit)	42,719	(179,513)
Accumulated other comprehensive income	7,502	45,259
Total First Banks, Inc. stockholders' equity	394,422	206,304
Noncontrolling interest in subsidiary	93,834	93,655
Total stockholders' equity	488,256	299,959
Total liabilities and stockholders' equity	$ 5,918,983	6,509,126

The accompanying notes are an integral part of the consolidated financial statements.

FIRST BANKS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars expressed in thousands, except share and per share data)

	Years Ended December 31,		
	2013	2012	2011
Interest income:			
Interest and fees on loans	$ 118,015	142,003	182,356
Investment securities:			
Taxable	52,199	56,547	45,172
Nontaxable	246	287	481
Federal Reserve Bank and Federal Home Loan Bank stock	1,216	1,146	1,416
Short-term investments	1,134	820	1,634
Total interest income	172,810	200,803	231,059
Interest expense:			
Deposits:			
Interest-bearing demand	368	437	604
Savings and money market	2,679	3,518	8,562
Time deposits of $100 or more	2,274	4,010	7,884
Other time deposits	3,738	6,817	12,950
Other borrowings	(9)	(18)	15
Subordinated debentures	15,054	14,847	13,623
Total interest expense	24,104	29,611	43,638
Net interest income	148,706	171,192	187,421
Provision (benefit) for loan losses	(5,000)	2,000	69,000
Net interest income after provision for loan losses	153,706	169,192	118,421
Noninterest income:			
Service charges on deposit accounts and customer service fees	34,320	36,078	38,946
Gain on loans sold and held for sale	5,041	12,931	5,176
Net gain on investment securities	36	1,306	5,335
Net gain (loss) on sale of other real estate and repossessed assets	6,005	2,626	(1,346)
Increase (decrease) in fair value of servicing rights	439	(5,475)	(7,652)
Loan servicing fees	6,948	7,403	8,271
Other	12,331	11,109	13,194
Total noninterest income	65,120	65,978	61,924
Noninterest expense:			
Salaries and employee benefits	78,141	75,205	76,999
Occupancy, net of rental income	23,302	21,899	23,877
Furniture and equipment	10,951	11,409	11,667
Postage, printing and supplies	2,470	2,586	2,649
Information technology fees	21,379	22,446	25,804
Legal, examination and professional fees	7,177	8,828	12,185
Goodwill impairment	107,267	—	—
Amortization of intangible assets	—	—	3,024
Advertising and business development	2,542	1,994	1,755
FDIC insurance	6,609	11,313	14,876
Write-downs and expenses on other real estate and repossessed assets	5,676	18,672	22,983

Other	21,113	26,155	29,886
Total noninterest expense	286,627	200,507	225,705
(Loss) income from continuing operations, before benefit for income taxes	(67,801)	34,663	(45,360)
Benefit for income taxes	(288,501)	(139)	(10,654)
Net income (loss) from continuing operations, net of tax	220,700	34,802	(34,706)
Income (loss) from discontinued operations, net of tax	21,223	(8,821)	(9,394)
Net income (loss)	241,923	25,981	(44,100)
Less: net income (loss) attributable to noncontrolling interest in subsidiary	179	(297)	(2,950)
Net income (loss) attributable to First Banks, Inc.	$ 241,744	26,278	(41,150)
Preferred stock dividends declared	15,869	18,886	17,908
Accretion of discount on preferred stock	3,643	3,554	3,466
Net income (loss) available to common stockholders	$ 222,232	3,838	(62,524)
Basic and diluted earnings (loss) per common share from continuing operations	$ 8,495.35	535.03	(2,245.44)
Basic and diluted earnings (loss) per common share from discontinued operations	896.96	(372.81)	(397.02)
Basic and diluted earnings (loss) per common share	$ 9,392.31	162.22	(2,642.46)
Weighted average shares of common stock outstanding	23,661	23,661	23,661

The accompanying notes are an integral part of the consolidated financial statements.

FIRST BANKS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(dollars expressed in thousands)

	Years Ended December 31,		
	2013	2012	2011
Net income (loss)	$ 241,923	25,981	(44,100)
Other comprehensive income (loss):			
Unrealized (losses) gains on available-for-sale investment securities, net of tax	(23,486)	17,420	22,676
Reclassification adjustment for available-for-sale investment securities gains included in net income (loss), net of tax	(246)	(758)	(3,461)
Amortization of net unrealized gain associated with reclassification of available-for-sale investment securities to held-to-maturity investment securities, net of tax	(1,303)	(913)	—
Reclassification adjustment for deferred tax asset valuation allowance on investment securities	(15,033)	15,014	(119)
Amortization of net loss related to pension liability, net of tax	895	(911)	(413)
Reclassification adjustment for deferred tax asset valuation allowance on pension liability	1,416	(659)	(299)
Other comprehensive (loss) income	(37,757)	29,193	18,384
Comprehensive income (loss)	204,166	55,174	(25,716)
Comprehensive income (loss) attributable to noncontrolling interest in subsidiary	179	(297)	(2,950)
Comprehensive income (loss) attributable to First Banks, Inc.	$ 203,987	55,471	(22,766)

The accompanying notes are an integral part of the consolidated financial statements.

FIRST BANKS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
THREE YEARS ENDED DECEMBER 31, 2013

(dollars expressed in thousands)

	First Banks, Inc. Stockholders' Equity						
	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Stockholders' Equity
Balance, January 1, 2011	$ 315,143	5,915	12,480	(120,827)	(2,318)	96,902	307,295
Net loss	—	—	—	(41,150)	—	(2,950)	(44,100)
Other comprehensive income	—	—	—	—	18,384	—	18,384
Accretion of discount on preferred stock	3,466	—	—	(3,466)	—	—	—
Preferred stock dividends declared	—	—	—	(17,908)	—	—	(17,908)
Balance, December 31, 2011	318,609	5,915	12,480	(183,351)	16,066	93,952	263,671
Net income	—	—	—	26,278	—	(297)	25,981
Other comprehensive income	—	—	—	—	29,193	—	29,193
Accretion of discount on preferred stock	3,554	—	—	(3,554)	—	—	—
Preferred stock dividends declared	—	—	—	(18,886)	—	—	(18,886)
Balance, December 31, 2012	322,163	5,915	12,480	(179,513)	45,259	93,655	299,959
Net income	—	—	—	241,744	—	179	241,923
Other comprehensive loss	—	—	—	—	(37,757)	—	(37,757)
Accretion of discount on preferred stock	3,643	—	—	(3,643)	—	—	—
Preferred stock dividends declared	—	—	—	(15,869)	—	—	(15,869)
Balance, December 31, 2013	$ 325,806	5,915	12,480	42,719	7,502	93,834	488,256

The accompanying notes are an integral part of the consolidated financial statements.

FIRST BANKS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars expressed in thousands)

	Years Ended December 31,		
	2013	2012	2011
Cash flows from operating activities:			
Net income (loss) attributable to First Banks, Inc.	$ 241,744	26,278	(41,150)
Net income (loss) attributable to noncontrolling interest in subsidiary	179	(297)	(2,950)
Less: net income (loss) from discontinued operations, net of tax	21,223	(8,821)	(9,394)
Net income (loss) from continuing operations, net of tax	220,700	34,802	(34,706)
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by operating activities:			
Depreciation and amortization of bank premises and equipment	11,814	12,030	13,378
Goodwill impairment	107,267	—	—
Amortization of intangible assets	—	—	3,024
Amortization and accretion of investment securities	25,595	17,412	11,934
Originations of loans held for sale	(278,668)	(470,119)	(274,254)
Proceeds from sales of loans held for sale	319,175	442,476	301,343
Provision (benefit) for loan losses	(5,000)	2,000	69,000
(Benefit) provision for current income taxes	(241)	(32)	181
Provision (benefit) for deferred income taxes	42,793	8,019	(22,291)
(Decrease) increase in deferred tax asset valuation allowance	(331,053)	(8,126)	11,456
Decrease in accrued interest receivable	673	3,982	3,864
Increase in accrued interest payable	14,564	12,118	7,915
Gain on loans sold and held for sale	(5,041)	(12,931)	(5,176)
Net gain on investment securities	(36)	(1,306)	(5,335)
(Increase) decrease in fair value of servicing rights	(439)	5,475	7,652
Write-downs on other real estate and repossessed assets	2,402	14,510	16,922
Other operating activities, net	4,763	4,356	20,945
Net cash provided by operating activities – continuing operations	129,268	64,666	125,852
Net cash used in operating activities – discontinued operations	(6,303)	(8,484)	(9,499)
Net cash provided by operating activities	122,965	56,182	116,353
Cash flows from investing activities:			
Net cash paid for sale of assets and liabilities of discontinued operations, net of cash and cash equivalents sold	(602,792)	—	(51,339)
Cash paid for sale of branches, net of cash and cash equivalents sold	—	—	(16,256)
Proceeds from sales of investment securities available for sale	143,675	315,238	283,713
Maturities and calls of investment securities available for sale	362,385	684,639	341,179
Maturities and calls of investment securities held to maturity	137,888	107,061	1,660
Purchases of investment securities available for sale	(369,585)	(1,296,857)	(1,587,313)
Purchases of investment securities held to maturity	(22,561)	—	(3,450)
Net (purchases) redemptions of Federal Reserve Bank and Federal Home Loan Bank stock	(28)	(251)	3,043
Proceeds from sales of commercial loans	9,406	55,081	65,867
Cash paid for purchase of one-to-four-family residential real estate loans	—	(141,048)	—
Net (increase) decrease in loans	(38,761)	361,980	877,336
Recoveries of loans previously charged-off	20,266	29,962	22,304
Purchases of bank premises and equipment	(7,533)	(5,896)	(5,170)

Net proceeds from sales of other real estate and repossessed assets	33,927	48,531	65,398
Other investing activities, net	5,640	295	2,109
Net cash (used in) provided by investing activities – continuing operations	(328,073)	158,735	(919)
Net cash provided by investing activities – discontinued operations	1,817	5,151	9,704
Net cash (used in) provided by investing activities	(326,256)	163,886	8,785

FIRST BANKS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Years Ended December 31,		
	2013	2012	2011
Cash flows from financing activities:			
Increase (decrease) in demand, savings and money market deposits	34,770	69,504	(125,679)
Decrease in time deposits	(171,698)	(253,363)	(531,514)
Increase (decrease) in other borrowings	17,118	(25,145)	19,416
Net cash used in financing activities – continuing operations	(119,810)	(209,004)	(637,777)
Net cash (used in) provided by financing activities – discontinued operations	(5,310)	34,642	(9,979)
Net cash used in financing activities	(125,120)	(174,362)	(647,756)
Net (decrease) increase in cash and cash equivalents	(328,411)	45,706	(522,618)
Cash and cash equivalents, beginning of year	518,846	473,140	995,758
Cash and cash equivalents, end of year	$ 190,435	518,846	473,140
Supplemental disclosures of cash flow information:			
Cash paid for interest on liabilities	$ 9,540	17,493	35,723
Cash received for income taxes	213	661	239
Noncash investing and financing activities:			
Reclassification of investment securities from available for sale to held to maturity	$ 242,540	729,142	—
Loans transferred to other real estate and repossessed assets	9,483	24,223	69,941
Bank premises and equipment transferred to other real estate and repossessed assets	—	—	6,537

The accompanying notes are an integral part of the consolidated financial statements.

FIRST BANKS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation. The accompanying consolidated financial statements of First Banks, Inc. and subsidiaries (the Company) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and conform to predominant practices within the banking industry. Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare the consolidated financial statements in conformity with GAAP. Actual results could differ from those estimates.

Principles of Consolidation. The consolidated financial statements include the accounts of the parent company and its subsidiaries, giving effect to the noncontrolling interest in subsidiaries, as more fully described below and in Note 20 to the consolidated financial statements. All significant intercompany accounts and transactions have been eliminated.

All financial information is reported on a continuing operations basis, unless otherwise noted. See Note 2 to the consolidated financial statements for a discussion regarding discontinued operations.

The Company operates through its wholly owned subsidiary bank holding company, The San Francisco Company (SFC), headquartered in St. Louis, Missouri, and SFC's wholly owned subsidiary bank, First Bank, also headquartered in St. Louis, Missouri. First Bank operates through its branch banking offices and subsidiaries: First Bank Business Capital, Inc.; FB Holdings, LLC (FB Holdings); Small Business Loan Source LLC; SBRHC, Inc.; FBSA Missouri, Inc.; FBSA California, Inc.; NT Resolution Corporation; and LC Resolution Corporation. All of the subsidiaries are wholly owned as of December 31, 2013, except FB Holdings, which is 53.23% owned by First Bank and 46.77% owned by First Capital America, Inc. (FCA), a corporation owned and operated by the Company's Chairman of the Board and members of his immediate family, including Mr. Michael Dierberg, Vice Chairman of the Company, as further described in Note 20 to the consolidated financial statements. FB Holdings is included in the consolidated financial statements with the noncontrolling ownership interest reported as a component of stockholders' equity in the consolidated balance sheets as "noncontrolling interest in subsidiary" and the earnings or loss, net of tax, attributable to the noncontrolling ownership interest, reported as "net income (loss) attributable to noncontrolling interest in subsidiary" in the consolidated statements of operations.

Significant Accounting Policies:

Cash and Cash Equivalents. Cash, due from banks and short-term investments, which include federal funds sold and interest-bearing deposits, are considered to be cash and cash equivalents for purposes of the consolidated statements of cash flows. Interest-bearing deposits were $98.1 million and $404.0 million at December 31, 2013 and 2012, respectively. The Company did not have any federal funds sold outstanding at December 31, 2013 and 2012. First Bank is required to maintain certain daily reserve balances on hand in accordance with regulatory requirements. The reserve balances required to be maintained in accordance with such requirements were $11.5 million and $14.6 million at December 31, 2013 and 2012, respectively.

Federal Reserve Bank and Federal Home Loan Bank Stock. First Bank is a member of the Federal Reserve Bank of St. Louis (FRB) system and the Federal Home Loan Bank (FHLB) system and maintains investments in FRB and FHLB stock. These investments are recorded at cost, which represents redemption value. The investment in FRB stock is maintained at a minimum of 6% of First Bank's capital stock and capital surplus. The investment in FHLB of Des Moines stock is maintained at an amount equal to 0.12% of First Bank's total assets as of December 31 of the preceding year, up to a maximum of $10.0 million, plus 4.45% of advances. Investments in FRB and FHLB of Des Moines stock were $19.6 million and $7.8 million, respectively, at December 31, 2013, and $19.4 million and $7.9 million, respectively, at December 31, 2012.

Investment Securities. The classification of investment securities as available for sale or held to maturity is determined at the date of purchase. Investment securities designated as available for sale, which represent any security that the Company has no immediate plan to sell but which may be sold in the future under different circumstances, are stated at fair value. Realized

gains and losses are included in noninterest income, based on the amortized cost of the individual security sold. Unrealized gains and losses, net of related income tax effects, are recorded in accumulated other comprehensive income (loss). All previous fair value adjustments included in the separate component of accumulated other comprehensive income (loss) are reversed upon sale. Premiums and discounts incurred relative to the par value of securities purchased are amortized or accreted, respectively, on the level-yield method taking into consideration the level of current and anticipated prepayments. Investment securities designated as held to maturity, which represent any security that the Company has the positive intent and ability to hold to maturity, are stated at cost, net of amortization of premiums and accretion of discounts computed on the level-yield method taking into consideration the level of current and anticipated prepayments. Any reclassification of available-for-sale investment securities to held-to-maturity investment securities are recorded at fair value, and the gross unrealized gain or loss on available-for-sale investment securities at the time of transfer is recorded as additional premium or discount on the securities and amortized over the remaining lives of the respective securities. A decline in the fair value of any available-for-sale or held-to-maturity investment security below its carrying value

that is deemed to be other than temporary results in a reduction in the cost basis of the carrying value to fair value. The other-than-temporary impairment, which is not expected to be reversed, is charged to noninterest income and a new cost basis is established. When determining other-than-temporary impairment, consideration is given as to whether the Company has the ability and intent to hold the investment security until a market price recovery and whether evidence indicating the carrying value of the investment security is recoverable outweighs evidence to the contrary.

Loans Held for Portfolio. Loans held for portfolio are carried at cost, adjusted for amortization of premiums and accretion of discounts using the interest method. Interest and fees on loans are recognized as income using the interest method. Loan origination fees and costs are deferred and accreted to interest income over the estimated life of the loans using the interest method. Loans held for portfolio are stated at cost as the Company has the ability and it is management's intention to hold them to maturity.

The accrual of interest on loans is discontinued when it appears that interest or principal may not be paid in a timely manner in the normal course of business or once principal or interest payments become 90 days past due under the contractual terms of the loan agreement. Generally, payments received on nonaccrual and impaired loans are recorded as principal reductions. Interest income is recognized after all delinquent principal has been repaid or an improvement in the condition of the loan has occurred that warrants resumption of interest accruals.

A loan is considered impaired when it is probable that the Company will be unable to collect all amounts due, both principal and interest, according to the contractual terms of the loan agreement. Loans on nonaccrual status and restructured loans are considered to be impaired loans. When measuring impairment, the expected future cash flows of an impaired loan are discounted at the loan's effective interest rate. Alternatively, impairment is measured by reference to an observable market price, if one exists, or the fair value of the collateral for a collateral-dependent loan. Regardless of the historical measurement method used, the Company measures impairment based on the fair value of the collateral when foreclosure is probable.

A loan is classified as a troubled debt restructuring when all of the following conditions are present: (i) the borrower is experiencing financial difficulty, (ii) the Company makes a concession to the original contractual loan terms, and (iii) the Company would not consider the concessions but for economic or legal reasons related to the borrower's financial difficulty. These concessions may include, but are not limited to, rate reductions, principal forgiveness, extension of maturity date and other actions intended to minimize potential losses. A loan that is modified at a market rate of interest may no longer be classified as a troubled debt restructuring in the calendar year subsequent to the restructuring if it is in compliance with the modified terms. Performance prior to the restructuring is considered when assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual at the time of the restructuring or after a shorter performance period.

Acquired impaired loans are classified as nonaccrual loans and are initially measured at fair value with no allocated allowance for loan losses. An allowance for loan losses is recorded to the extent there is further credit deterioration subsequent to the acquisition date.

Loans Held for Sale. Loans held for sale are comprised of residential mortgage loans held for sale in the secondary mortgage market, frequently in the form of a mortgage-backed security, U.S. Small Business Administration (SBA) loans awaiting sale of the guaranteed portion to the SBA, and commercial real estate loans which may be identified for sale to specific buyers to achieve credit or loan concentration objectives. One-to-four-family residential mortgage loans held for sale are carried at fair value on a recurring basis. The determination of fair value is based on quoted market prices of comparable instruments obtained from independent pricing vendors based on recent trading activity and other relevant information. Other loans held for sale, primarily SBA loans, are carried at the lower of cost or market value, which is determined on an individual loan basis. The amount by which cost exceeds market value is recorded in a valuation allowance as a reduction of loans held for sale. Changes in the valuation allowance are reflected as part of the gain on loans sold and held for sale in the consolidated statements of operations in the periods in which the changes occur. Gains or losses on the sale of loans held for sale are determined on a specific identification basis and reflect the difference between the value received upon sale and the carrying

value of the loans held for sale, including any recourse reserve established for potential repurchase obligations. Loans held for sale transferred to loans held for portfolio or available-for-sale investment securities are transferred at fair value.

Loan Servicing Income. Loan servicing income is included in noninterest income and represents fees earned for servicing real estate mortgage loans owned by investors and originated by First Bank's mortgage banking operation, as well as SBA loans to small business concerns. These fees are net of federal agency guarantee fees and interest shortfall. Such fees are generally calculated on the outstanding principal balance of the loans serviced and are recorded as income when earned.

Allowance for Loan Losses. The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The Company's allowance for loan loss methodology follows the accounting guidance set forth in GAAP and the

Interagency Policy Statement on the Allowance for Loan and Lease Losses, which was jointly issued by the Company's regulatory agencies. Accordingly, the methodology is based on historical loss experience by type of credit and internal risk grade, specific homogeneous risk pools and specific loss allocations, with adjustments for current events and conditions. The Company's process for determining the appropriate level of the allowance for loan losses is designed to account for credit deterioration as it occurs. The provision for loan losses reflects loan quality trends, including the levels of and trends related to nonaccrual loans, past due loans, substandard loans, special mention loans and net charge-offs or recoveries, among other factors. The provision for loan losses also reflects the totality of actions taken on all loans for a particular period. In other words, the amount of the provision reflects not only the necessary increases in the allowance for loan losses related to newly identified problem loans, but it also reflects actions taken related to other loans including, among other things, any necessary increases or decreases in required allowances for specific loans or loan pools.

The level of the allowance for loan losses reflects management's continuing evaluation of industry concentrations, specific credit risks, loan loss and recovery experience, current loan portfolio quality, present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged off. While management utilizes its best judgment and information available, the ultimate determination of the appropriate level of the allowance is dependent upon a variety of factors beyond the Company's control, including, among other things, the performance of the Company's loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications. The Company monitors whether or not the allowance for loan loss allocation model, as a whole, calculates an appropriate level of allowance for loan losses that moves in direct correlation to the general macroeconomic and loan portfolio conditions the Company experiences over time.

The Company's allowance for loan losses consists of three elements: (i) specific valuation allowances based on probable losses on impaired loans; (ii) historical valuation allowances determined based on historical loan loss experience for similar loans with similar characteristics and trends, adjusted, as necessary, to reflect the impact of current conditions; and (iii) general valuation allowances based on general economic conditions and other risk factors both internal and external to the Company.

The specific valuation allowances established for probable losses on impaired loans are based on management's estimate of the borrower's ability to repay the loan given the availability of collateral, other sources of cash flows, as well as evaluation of legal options available to the Company. The amount of impairment is measured based upon the present value of expected future cash flows discounted at the loan's effective interest rate, the fair value of the underlying collateral less applicable selling costs, or the observable market price of the loan. If foreclosure is probable or the loan is collateral dependent, impairment is measured using the fair value of the loan's collateral, less estimated costs to sell. Large groups of homogeneous loans, such as residential mortgage, home equity and consumer and installment loans, are aggregated and collectively evaluated for impairment.

Historical valuation allowances are calculated based on the historical loss experience of specific types of loans. The Company calculates historical loss ratios for pools of similar loans with similar characteristics based on the proportion of actual charge-offs experienced to the total population of loans in the pool. The historical loss ratios are updated on a quarterly basis based on actual charge-off experience. A historical valuation allowance is established for each pool of similar loans based upon the product of the historical loss ratio and the total dollar amount of the loans in the pool.

The components of the general valuation allowances include (i) additional reserves allocated to specific loan portfolio segments as a result of applying a qualitative adjustment factor to the base historical loss allocation; (ii) additional reserves allocated to specific geographical regions where negative trends are being experienced; and (iii) additional reserves established based on consideration of trends in past due loans, potential problem loans, performing troubled debt restructurings and nonaccrual loans and other qualitative and quantitative factors both internal and external to the Company which could affect potential credit losses.

Management believes that the level of the Company's allowance for loan losses is appropriate. While management uses available information to recognize losses on loans, future additions to the allowance for loan losses may be necessary based on changes in economic conditions.

In addition, various regulatory agencies, as an integral part of their examination process, periodically review the allowance for loan losses. Such agencies may require the Company to modify its allowance for loan losses based on their judgment about information available to them at the time of their examination.

Derivative Instruments and Hedging Activities. The Company utilizes derivative instruments and hedging strategies to assist in the management of interest rate sensitivity and to modify the repricing, maturity and option characteristics of certain assets and liabilities. The Company uses such derivative instruments solely to reduce its interest rate risk exposure. First Bank also offers interest rate swap agreement contracts to certain customers who wish to modify their interest rate sensitivity positions. First Bank offsets the interest rate risk of these swap agreements by simultaneously purchasing matching interest rate swap agreement contracts with offsetting pay/receive rates from other financial institutions.

Derivative instruments are recorded in the consolidated balance sheets and measured at fair value. At inception of a non-customer derivative transaction, the Company designates the derivative instrument as either a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedges) or a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedges). For all hedging relationships, the Company documents the hedging relationship and its risk-management objectives and strategy for entering into the hedging relationship including the hedging instrument, the hedged item(s), the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed and a description of the method the Company will utilize to measure hedge ineffectiveness. This process also includes linking all derivative instruments that are designated as fair value hedges or cash flow hedges to the underlying assets and liabilities or to specific firm commitments or forecasted transactions. The Company also assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged item(s). The Company discontinues hedge accounting prospectively when it is determined that the derivative instrument is no longer effective in offsetting changes in the fair value or cash flows of the hedged item(s), the derivative instrument expires or is sold, terminated, or exercised, the derivative instrument is de-designated as a hedging instrument because it is unlikely that a forecasted transaction will occur, a hedged firm commitment no longer meets the definition of a firm commitment, or management determines that designation of the derivative instrument as a hedging transaction is no longer appropriate.

A summary of the Company's accounting policies for its derivative instruments and hedging activities is as follows:

- ***Interest Rate Swap Agreements – Cash Flow Hedges.*** Interest rate swap agreements designated as cash flow hedges are accounted for at fair value. The effective portion of the change in the cash flow hedge's gain or loss is initially reported as a component of other comprehensive income (loss) and subsequently reclassified into interest income or interest expense when the underlying transaction affects earnings. The ineffective portion of the change in the cash flow hedge's gain or loss is recorded in noninterest income on each monthly measurement date. The net interest differential is recognized as an adjustment to interest income or interest expense of the related asset or liability being hedged. In the event of early termination or ineffectiveness, the gain or loss on the cash flow hedge would continue to be reported as a component of other comprehensive income (loss) until the underlying transaction affects earnings.
- ***Interest Rate Swap Agreements – Fair Value Hedges.*** Interest rate swap agreements designated as fair value hedges are accounted for at fair value. Changes in the fair value of the swap agreements are recognized currently in noninterest income. The change in the fair value of the underlying hedged item is recognized as an adjustment to the carrying amount of the underlying hedged item and is also reflected currently in noninterest income. All changes in fair value are measured on a monthly basis. The net interest differential is recognized as an adjustment to interest income or interest expense of the related asset or liability being hedged. In the event of early termination or ineffectiveness, the net proceeds received or paid on the interest rate swap agreements are recognized immediately in noninterest income and the future net interest differential, if any, is recognized prospectively in noninterest income. The cumulative change in the fair value of the underlying hedged item is deferred and amortized or accreted to interest income or interest expense over the weighted average life of the related asset or liability. If, however, the underlying hedged item is repaid, the cumulative change in the fair value of the underlying hedged item is recognized immediately in noninterest income.
- ***Customer Interest Rate Swap Agreement Contracts.*** Derivative instruments are offered to customers to assist in hedging their risks of adverse changes in interest rates. First Bank serves as an intermediary between its customers and the financial markets. Each contract between First Bank and its customers is offset by a contract between First Bank and various counterparties. These contracts do not qualify for hedge accounting. Customer interest rate swap agreement contracts are carried at fair value. Changes in the fair value are recognized in noninterest income on a monthly basis. Each customer contract is paired with an offsetting contract, and as such, there is no significant impact to net income (loss).
- ***Interest Rate Lock Commitments.*** Commitments to originate loans for subsequent sale in the secondary market (interest rate lock commitments), which primarily consist of commitments to originate fixed rate residential mortgage

loans, are recorded at fair value. Fair values are based upon quoted market prices. The value of loan servicing rights is also incorporated into fair value measurements for mortgage loan commitments. Changes in the fair value of interest rate lock commitments are recognized in noninterest income on a monthly basis.

- ***Forward Commitments to Sell Mortgage-Backed Securities.*** Forward commitments to sell mortgage-backed securities are recorded at fair value. Changes in the fair value of forward commitments to sell mortgage-backed securities are recognized in noninterest income on a monthly basis.

Bank Premises and Equipment, Net. Bank premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Amortization of leasehold improvements is calculated using the straight-line method over the shorter of the useful life of the related asset or the term of the lease. Bank premises and improvements are depreciated over five to 40 years and equipment is depreciated over three to seven years.

Goodwill and Other Intangible Assets. Goodwill and intangible assets with indefinite useful lives are not amortized, but instead tested at least annually for impairment. Intangible assets with definite useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment. The Company amortized its core deposit intangibles on a straight-line basis over the estimated periods to be benefited, which had been estimated at five to seven years.

The Company has the option to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible assets are impaired as a basis for determining whether it is necessary to perform a quantitative impairment test. If, after assessing the totality of events and circumstances, the Company concludes that it is not more likely than not that the indefinite-lived intangible assets are impaired, then the Company is not required to take further action. However, if the Company concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount. The Company also has the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the quantitative impairment test. The Company will be able to resume performing the qualitative assessment in any subsequent period.

The goodwill impairment test is a two-step process which requires the Company to make assumptions regarding fair value. The Company's policy allows management to make the determination of fair value using internal cash flow models or by engaging independent third parties. The first step consists of estimating the fair value of the reporting unit using a number of factors, including projected future operating results and business plans, economic projections, anticipated future cash flows, discount rates, and comparable marketplace fair value data from within a comparable industry grouping. The Company compares the estimated fair value of its reporting unit to the carrying value, which includes allocated goodwill. If the estimated fair value is less than the carrying value, the second step is completed to compute the impairment amount by determining the "implied fair value" of goodwill. This determination requires the allocation of the estimated fair value of the reporting unit to the assets and liabilities of the reporting unit. Any remaining unallocated fair value represents the "implied fair value" of goodwill, which is compared to the corresponding carrying value to compute the goodwill impairment amount, if any.

Goodwill allocated to the sale or disposal of a business is based on the relative fair values of the business to be sold or disposed of and the portion of the reporting unit that will be retained.

See Note 6 to the consolidated financial statements for further discussion.

Servicing Rights. The Company has mortgage servicing rights and SBA servicing rights, which are measured at fair value as permitted by ASC Topic 860 – *Accounting for Servicing of Financial Assets*. Changes in the fair value of mortgage and SBA servicing rights are recognized in earnings in the period in which the change occurs and such changes are reflected in other noninterest income in the consolidated statements of operations. Servicing rights are valued based on valuation models that utilize assumptions based on the predominant risk characteristics of the underlying loans, including size, interest rate, weighted average life, cost to service and estimated prepayment speeds. The valuation models estimate the present value of estimated future net servicing income.

Mortgage and SBA servicing rights are capitalized upon the sale of the underlying loan at estimated fair value. The fair value of mortgage and SBA servicing rights fluctuates based on changes in interest rates and certain other assumptions utilized to value the mortgage and SBA servicing rights. The value is adversely affected when interest rates decline which normally causes loan prepayments to increase. The determination of the fair value of the mortgage and SBA servicing rights is performed monthly based upon an independent third party valuation. The valuation analysis is prepared using stratifications of the mortgage and SBA servicing rights based on the predominant risk characteristics of the underlying loans, including size, interest rate, weighted average original term, weighted average remaining term and estimated prepayment speeds.

Other Real Estate and Repossessed Assets. Other real estate and repossessed assets, consisting of real estate and other assets

acquired through foreclosure or deed in lieu of foreclosure, are stated at the lower of cost or fair value less applicable selling costs. The excess of cost over fair value of the property at the date of acquisition is charged to the allowance for loan losses. Subsequent reductions in carrying value, to reflect current fair value or costs incurred in maintaining the other real estate and repossessed assets, are charged to noninterest expense as incurred.

Income Taxes. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in the tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. Valuation allowances are then recorded to reduce deferred tax assets to the amounts management concludes are more-likely-than-not to be realized. The Company and its eligible subsidiaries file a consolidated federal income tax return and unitary or consolidated state income tax returns in all applicable states.

The Company's policy is to separately disclose any interest or penalties arising from the application of federal or state income taxes. Interest related to unrecognized tax benefits is included in interest expense and penalties related to unrecognized tax benefits are included in noninterest expense.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various states. Management of the Company believes the accrual for tax liabilities is adequate for all open audit years based on its assessment of many factors, including past experience and interpretations of tax law applied to the facts of each matter. This assessment relies on estimates and assumptions.

Noncontributory Defined Benefit Pension Plan. The Company has a noncontributory defined benefit pension plan covering certain former employees of a bank holding company acquired by the Company in 1994 (the Plan) and subsequently merged with and into the Company on December 31, 2002. The Company discontinued the accumulation of benefits under the Plan in 1994, and as such, there is no longer any service cost being accrued by Plan participants. The Company records annual amounts relating to the Plan based on calculations that incorporate various actuarial and other assumptions including discount rates, mortality rates, and assumed rates of return. The Company reviews these assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when deemed appropriate. The funded status of the Plan is recognized as a net asset or liability and changes in the Plan's funded status are recognized through other comprehensive income to the extent those changes are not included in the net periodic cost.

Financial Instruments With Off-Balance Sheet Risk. A financial instrument is defined as cash, evidence of an ownership interest in an entity, or a contract that conveys or imposes on an entity the contractual right or obligation to either receive or deliver cash or another financial instrument. The Company utilizes financial instruments to reduce the interest rate risk arising from its financial assets and liabilities. These instruments involve, in varying degrees, elements of interest rate risk and credit risk in excess of the amount recognized in the consolidated balance sheets. "Interest rate risk" is defined as the possibility that interest rates may move unfavorably from the perspective of the Company due to maturity and/or interest rate adjustment timing differences between interest-earning assets and interest-bearing liabilities. The risk that a counterparty to an agreement entered into by the Company may default is defined as "credit risk."

The Company is a party to commitments to extend credit and commercial and standby letters of credit in the normal course of business to meet the financing needs of its customers. These commitments involve, in varying degrees, elements of interest rate risk and credit risk in excess of the amount reflected in the consolidated balance sheets.

Earnings (Loss) Per Common Share. Basic earnings (loss) per common share (EPS) are computed by dividing the income (loss) available to common stockholders (the numerator) by the weighted average number of shares of common stock outstanding (the denominator) during the year. The computation of dilutive EPS is similar except the denominator is increased to include the number of additional shares of common stock that would have been outstanding if the dilutive potential shares had been issued. In addition, in computing the dilutive effect of convertible securities, the numerator is adjusted to add back any convertible preferred dividends.

NOTE 2 - DISCONTINUED OPERATIONS

Discontinued Operations. The assets and liabilities associated with the transactions described (and defined) below were previously reported in the First Bank segment and were sold as part of the Company's Capital Optimization Plan (Capital Plan). The Company applied discontinued operations accounting in accordance with ASC Topic 205-20, *"Presentation of Financial Statements – Discontinued Operations,"* to the assets and liabilities associated with the Northern Florida Region as of December 31, 2012, and to the operations of First Bank's Association Bank Services line of business and First Bank's Northern Florida and Northern Illinois Regions for the years ended December 31, 2013, 2012 and 2011, as applicable. The Company did not allocate any consolidated interest that is not directly attributable to or related to discontinued operations. All financial information in the consolidated financial statements and notes to the consolidated financial statements is reported on

a continuing operations basis, unless otherwise noted.

Association Bank Services. On May 13, 2013, First Bank entered into a Purchase and Assumption Agreement that provided for the sale of certain assets and the transfer of certain liabilities, primarily deposits, of First Bank's Association Bank Services (ABS) line of business, to Union Bank, N.A. (Union Bank), headquartered in San Francisco, California. ABS, previously headquartered in Vallejo, California, provided a full range of services to homeowners associations and community management companies. The transaction was completed on November 22, 2013. Under the terms of the agreement, Union Bank assumed $572.1 million of deposits, as well as certain other liabilities, and paid a premium on certain deposit accounts acquired in the transaction. Union Bank also purchased certain assets, including $20.8 million of loans, at par value. The transaction resulted in a gain of $28.6 million, after the write-off of goodwill of $18.0 million allocated to the transaction in the fourth quarter of 2013.

Northern Florida Region. On November 21, 2012, First Bank entered into a Branch Purchase and Assumption Agreement that provided for the sale of certain assets and the transfer of certain liabilities associated with eight of First Bank's retail branches located in Pinellas County, Florida to HomeBanc National Association (HomeBanc), headquartered in Lake Mary, Florida. The transaction was completed on April 19, 2013. Under the terms of the agreement, HomeBanc assumed $120.3 million of deposits, purchased the premises and equipment, and assumed the leases associated with these eight retail branches. The transaction resulted in a gain of $408,000, after the write-off of goodwill of $700,000 allocated to the Northern Florida Region during the second quarter of 2013.

On April 5, 2013, First Bank closed its three remaining retail branches located in Hillsborough County and in Pasco County. The closure of these three remaining retail branches in the Northern Florida Region resulted in expense of $2.3 million during the second quarter of 2013 attributable to continuing obligations under facility leasing arrangements.

The eight branches sold and three branches closed during the second quarter of 2013 are collectively defined as the Northern Florida Region. The assets and liabilities associated with the Northern Florida Region are reflected in assets and liabilities of discontinued operations in the consolidated balance sheets as of December 31, 2012.

First Bank presently continues to operate its remaining eight retail branches in Manatee County's communities of Bradenton, Palmetto and Longboat Key, Florida. These eight branches were previously reported as discontinued operations but were reclassified to continuing operations during the fourth quarter of 2012. The related assets and liabilities associated with these eight retail branches were reclassified from assets and liabilities of discontinued operations to continuing operations in the consolidated balance sheets as of December 31, 2012. Upon reclassification of the assets of these branches from assets of discontinued operations to continuing operations, the assets were recorded at the lower of their carrying amount and their fair value at the time of the Company's change in its intent to continue to operate the branches. As a result of the Company's change in its intent to operate these branches, the Company recorded a write-down of $2.3 million during the fourth quarter of 2012 associated with a fair value adjustment on the premises and equipment of these branches, which is included in other noninterest expense in the consolidated statements of operations.

Northern Illinois Region. During 2010, First Bank entered into three Branch Purchase and Assumption Agreements that provided for the sale of certain assets and the transfer of certain liabilities associated with 14 of First Bank's branch banking offices in Northern Illinois. Two transactions were completed in 2010, resulting in the sale of 11 branch banking offices, and one transaction was completed in 2011, resulting in the sale of three branch banking offices. The 14 branches in the three separate transactions are collectively defined as the Northern Illinois Region (Northern Illinois Region). The transactions completed in 2010, in the aggregate, resulted in a gain of $6.4 million, after the write-off of goodwill and intangible assets of $9.7 million allocated to these branches. The transaction completed in 2011 resulted in a gain of $425,000, after the write-off of goodwill and intangible assets of $1.6 million allocated to these branches.

Assets and liabilities of discontinued operations at December 31, 2012 were as follows:

	December 31, 2012	
	Northern Florida	
	(dollars expressed in thousands)	
Cash and due from banks	$	1,139
Total loans		—
Bank premises and equipment, net		4,837
Goodwill		700
Other assets		30
Assets of discontinued operations	$	6,706
Deposits:		
Noninterest-bearing demand	$	12,488

Interest-bearing demand	10,480
Savings and money market	67,686
Time deposits of $100 or more	27,034
Other time deposits	37,964
Total deposits	155,652
Accrued expenses and other liabilities	59
Liabilities of discontinued operations	$ 155,711

Income from discontinued operations, net of tax, for the year ended December 31, 2013 was as follows:

	Association Bank Services	Northern Florida	Total
	(dollars expressed in thousands)		
Year ended December 31, 2013:			
Interest income:			
Interest and fees on loans	$ 1,221	—	1,221
Interest expense:			
Interest on deposits	292	233	525
Net interest income (loss)	929	(233)	696
Provision for loan losses	—	—	—
Net interest income (loss) after provision for loan losses	929	(233)	696
Noninterest income:			
Service charges and customer service fees	85	134	219
Other	105	4	109
Total noninterest income	190	138	328
Noninterest expense:			
Salaries and employee benefits	3,045	885	3,930
Occupancy, net of rental income	6	579	585
Furniture and equipment	41	40	81
Legal, examination and professional fees	68	—	68
FDIC insurance	671	53	724
Other	743	2,452	3,195
Total noninterest expense	4,574	4,009	8,583
Loss from operations of discontinued operations	(3,455)	(4,104)	(7,559)
Net gain on sale of discontinued operations	28,615	408	29,023
Provision for income taxes	241	—	241
Net income (loss) from discontinued operations, net of tax	$ 24,919	(3,696)	21,223

Loss from discontinued operations, net of tax, for the year ended December 31, 2012 was as follows:

	Association Bank Services	Northern Florida	Total
	(dollars expressed in thousands)		
Year ended December 31, 2012:			
Interest income:			
Interest and fees on loans	$ 1,762	—	1,762
Interest expense:			
Interest on deposits	477	972	1,449
Net interest income (loss)	1,285	(972)	313
Provision for loan losses	—	—	—
Net interest income (loss) after provision for loan losses	1,285	(972)	313
Noninterest income:			
Service charges and customer service fees	119	467	586
Other	109	13	122

Total noninterest income	228	480	708
Noninterest expense:			
Salaries and employee benefits	2,583	2,279	4,862
Occupancy, net of rental income	12	1,760	1,772
Furniture and equipment	89	278	367
Legal, examination and professional fees	62	5	67
FDIC insurance	1,123	358	1,481
Other	942	351	1,293
Total noninterest expense	4,811	5,031	9,842
Loss from operations of discontinued operations	(3,298)	(5,523)	(8,821)
Benefit for income taxes	—	—	—
Net loss from discontinued operations, net of tax	$ (3,298)	(5,523)	(8,821)

Loss from discontinued operations, net of tax, for the year ended December 31, 2011 was as follows:

	Association Bank Services	Northern Florida	Northern Illinois	Total
	(dollars expressed in thousands)			
Year ended December 31, 2011:				
Interest income:				
Interest and fees on loans	$ 2,237	—	895	3,132
Interest expense:				
Interest on deposits	901	2,160	261	3,322
Net interest income (loss)	1,336	(2,160)	634	(190)
Provision for loan losses	—	—	—	—
Net interest income (loss) after provision for loan losses	1,336	(2,160)	634	(190)
Noninterest income:				
Service charges and customer service fees	155	411	259	825
Other	115	8	5	128
Total noninterest income	270	419	264	953
Noninterest expense:				
Salaries and employee benefits	2,519	2,325	357	5,201
Occupancy, net of rental income	10	1,746	68	1,824
Furniture and equipment	114	431	29	574
Legal, examination and professional fees	30	1	6	37
Amortization of intangible assets	—	63	—	63
FDIC insurance	1,227	469	100	1,796
Other	641	379	67	1,087
Total noninterest expense	4,541	5,414	627	10,582
(Loss) income from operations of discontinued operations	(2,935)	(7,155)	271	(9,819)
Net gain on sale of discontinued operations	—	—	425	425
Benefit for income taxes	—	—	—	—
Net (loss) income from discontinued operations, net of tax	$ (2,935)	$ (7,155)	696	(9,394)

NOTE 3 - INVESTMENTS IN DEBT AND EQUITY SECURITIES

Securities Available for Sale. The amortized cost, contractual maturity, gross unrealized gains and losses and fair value of investment securities available for sale at December 31, 2013 and 2012 were as follows:

	Maturity				Total Amortized Cost	Gross Unrealized		Fair Value	Weighted Average Yield
	1 Year or Less	1-5 Years	5-10 Years	After 10 Years		Gains	Losses		
	(dollars expressed in thousands)								
December 31, 2013:									
Carrying value:									
U.S. Government sponsored agencies	$ 8,450	40,243	88,666	135,679	273,038	3,525	(664)	275,899	1.34%
Residential mortgage-backed	—	43,943	115,731	951,454	1,111,128	12,873	(18,214)	1,105,787	2.32
Commercial mortgage-backed	—	—	793	—	793	63	—	856	4.94
State and political subdivisions	1,369	2,035	200	28,432	32,036	81	(560)	31,557	1.26
Corporate notes	4,980	140,575	45,132	—	190,687	5,777	(261)	196,203	2.69
Equity investments	—	—	—	1,500	1,500	—	(57)	1,443	2.17
Total	$ 14,799	226,796	250,522	1,117,065	1,609,182	22,319	(19,756)	1,611,745	2.18
Fair value:									
Debt securities	$ 14,927	233,338	250,860	1,111,177					
Equity securities	—	—	—	1,443					
Total	$ 14,927	233,338	250,860	1,112,620					
Weighted average yield	2.17%	2.23%	1.81%	2.24%					
December 31, 2012:									
Carrying value:									
U.S. Government sponsored agencies	$ 10,051	80,328	—	213,892	304,271	6,304	(146)	310,429	1.42%
Residential mortgage-backed	364	24,014	219,286	1,251,917	1,495,581	38,983	(497)	1,534,067	2.32
Commercial mortgage-backed	—	—	806	—	806	109	—	915	4.86
State and political subdivisions	985	3,579	201	—	4,765	164	—	4,929	4.05
Corporate Notes	—	137,090	49,704	—	186,794	6,192	(621)	192,365	3.13
Equity investments	—	—	—	1,000	1,000	22	—	1,022	2.54
Total	$ 11,400	245,011	269,997	1,466,809	1,993,217	51,774	(1,264)	2,043,727	2.26
Fair value:									
Debt securities	$ 11,476	251,558	275,251	1,504,420					
Equity securities	—	—	—	1,022					
Total	$ 11,476	251,558	275,251	1,505,442					
Weighted average yield	2.01%	2.17%	2.65%	2.21%					

Securities Held to Maturity. The amortized cost, contractual maturity, gross unrealized gains and losses and fair value of investment securities held to maturity at December 31, 2013 and 2012 were as follows:

	Maturity				Total	Gross Unrealized			
	1 Year or Less	1-5 Years	5-10 Years	After 10 Years	Amortized Cost	Gains	Losses	Fair Value	Weighted Average Yield
	(dollars expressed in thousands)								
December 31, 2013:									
Carrying value:									
U.S. Government sponsored agencies	$ —	—	16,119	—	16,119	—	(153)	15,966	1.14%
Residential mortgage-backed	—	16,327	182,933	522,504	721,764	441	(21,206)	700,999	1.88
State and political subdivisions	640	575	55	1,033	2,303	2	(87)	2,218	1.93
Total	$ 640	16,902	199,107	523,537	740,186	443	(21,446)	719,183	1.86
Fair value:									
Debt securities	$ 642	16,926	195,647	505,968					
Weighted average yield	3.32%	2.20%	1.53%	1.97%					
December 31, 2012:									
Carrying value:									
U.S. Government sponsored agencies	$ —	—	52,582	—	52,582	269	—	52,851	1.63%
Residential mortgage-backed	—	—	108,420	466,863	575,283	6,142	(614)	580,811	1.82
State and political subdivisions	826	1,099	252	1,511	3,688	51	(377)	3,362	1.89
Total	$ 826	1,099	161,254	468,374	631,553	6,462	(991)	637,024	1.80
Fair value:									
Debt securities	$ 836	1,129	164,433	470,626					
Weighted average yield	2.56%	3.40%	1.77%	1.81%					

Proceeds from sales of available-for-sale investment securities were $143.7 million, $315.2 million and $283.7 million for the years ended December 31, 2013, 2012 and 2011, respectively. Proceeds from calls of investment securities were $51.2 million, $277.2 million and $56.0 million for the years ended December 31, 2013, 2012 and 2011, respectively. Gross realized gains and gross realized losses on investment securities for the years ended December 31, 2013, 2012 and 2011 were as follows:

	2013	2012	2011
	(dollars expressed in thousands)		
Gross realized gains on sales of available-for-sale securities	$ 802	1,675	5,286
Gross realized losses on sales of available-for-sale securities	(354)	(374)	(1)
Other-than-temporary impairment	(412)	(2)	(3)
Gross realized gains on calls of investment securities	—	7	53
Net realized gain on investment securities	$ 36	1,306	5,335

Other-than-temporary impairment for the year ended December 31, 2013 includes impairment of $407,000 recorded during the first quarter of 2013 on a municipal investment security classified as held-to-maturity. Investment securities with a carrying value of approximately $283.7 million and $257.6 million at December 31, 2013 and 2012, respectively, were pledged in connection with deposits of public and trust funds, securities sold under agreements to repurchase and for other purposes as required by law.

During the first quarter of 2013, the Company reclassified certain of its available-for-sale investment securities to held-to-

maturity investment securities at their respective fair values, which totaled $242.5 million, in aggregate. The net gross unrealized gain on these available-for-sale investment securities at the time of transfer was $5.0 million, in aggregate. On June 30, 2012, the Company reclassified certain of its available-for-sale investment securities to held-to-maturity investment securities at their respective fair values, which totaled $729.1 million, in aggregate. The net gross unrealized gain on these available-for-sale investment securities at the time of transfer was $11.7 million, in aggregate. The determination of the reclassifications were made by management based on the Company's current and expected future liquidity levels and the resulting intent to hold such investment securities to maturity. The net gross unrealized gain on these available-for-sale investment securities at the time of transfer was recorded as additional premium on the securities and is being amortized over the remaining lives of the respective securities, as further described in Note 13 to the consolidated financial statements.

Gross unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2013 and 2012, were as follows:

	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(dollars expressed in thousands)					
December 31, 2013:						
Available for sale:						
U.S. Government sponsored agencies	$ 16,005	(664)	—	—	16,005	(664)
Residential mortgage-backed	511,617	(18,119)	5,473	(95)	517,090	(18,214)
State and political subdivisions	27,872	(560)	—	—	27,872	(560)
Corporate notes	9,959	(41)	4,780	(220)	14,739	(261)
Equity investments	1,443	(57)	—	—	1,443	(57)
Total	$ 566,896	(19,441)	10,253	(315)	577,149	(19,756)
Held to maturity:						
U.S. Government sponsored agencies	$ 15,966	(153)	—	—	15,966	(153)
Residential mortgage-backed	644,700	(20,759)	10,527	(447)	655,227	(21,206)
State and political subdivisions	946	(87)	—	—	946	(87)
Total:	$ 661,612	(20,999)	10,527	(447)	672,139	(21,446)
December 31, 2012:						
Available for sale:						
U.S. Government sponsored agencies	$ 20,018	(146)	—	—	20,018	(146)
Residential mortgage-backed	125,449	(441)	270	(56)	125,719	(497)
Corporate notes	—	—	17,675	(621)	17,675	(621)
Total	$ 145,467	(587)	17,945	(677)	163,412	(1,264)
Held to maturity:						
Residential mortgage-backed	$ 66,011	(614)	—	—	66,011	(614)
State and political subdivisions	1,133	(377)	—	—	1,133	(377)
Total:	$ 67,144	(991)	—	—	67,144	(991)

The Company does not believe that the investment securities that were in an unrealized loss position at December 31, 2013 and 2012 are other-than-temporarily impaired. The unrealized losses on the investment securities were primarily attributable to fluctuations in interest rates. It is expected that the securities would not be settled at a price less than the amortized cost. Because the decline in fair value is attributable to changes in interest rates and not credit loss, and because the Company does not intend to sell these investments and it is more likely than not that the Company will not be required to sell these securities before the anticipated recovery of the remaining amortized cost basis or maturity, these investments are not considered other-than-temporarily impaired. The unrealized losses for residential mortgage-backed securities for 12 months or more at December 31, 2013 and 2012 included 11 and nine securities, respectively. The unrealized losses for corporate notes for 12 months or more at December 31, 2013 and 2012 included one and six securities, respectively.

NOTE 4 - LOANS AND ALLOWANCE FOR LOAN LOSSES

The following table summarizes the composition of the loan portfolio at December 31, 2013 and 2012:

	2013	2012
	(dollars expressed in thousands)	
Commercial, financial and agricultural	$ 600,704	610,301
Real estate construction and development	121,662	174,979
Real estate mortgage:		
One-to-four-family residential	921,488	986,767
Multi-family residential	121,304	103,684
Commercial real estate	1,048,234	969,680
Consumer and installment	18,681	19,262
Loans held for sale	25,548	66,133
Net deferred loan fees	(526)	(59)
Total loans	$ 2,857,095	2,930,747

The Company's loan portfolio is primarily comprised of residential and commercial real estate loans, and commercial, financial and agricultural loans. The Company primarily lends to borrowers within its primary market areas of California, Florida, southern Illinois and eastern Missouri. The Company maintains a diversified portfolio with limited industry concentrations of credit risk. Real estate lending constitutes the only significant concentration of credit risk. Real estate loans comprised approximately 78% and 79% of the loan portfolio at December 31, 2013 and 2012, respectively, of which 42% and 46%, respectively, were made to consumers in the form of residential real estate mortgages and home equity lines of credit. First Bank also offers residential real estate mortgage loans with terms that require interest only payments. At December 31, 2013, the balance of such loans, all of which were held for portfolio, was approximately $16.0 million, of which approximately 5.1% were delinquent. At December 31, 2012, the balance of such loans, all of which were held for portfolio, was approximately $25.3 million, of which approximately 5.1% were delinquent. In general, the Company is a secured lender. At December 31, 2013 and 2012, 99.0% of the loan portfolio was collateralized. Collateral is required in accordance with the normal credit evaluation process based upon the creditworthiness of the customer and the credit risk associated with the particular transaction. First Bank also originates certain one-to-four-family residential mortgage loans for sale in the secondary market. First Bank has a repurchase obligation on these loans in the event of fraud or, on certain loans, early payment default. The early payment default provisions generally range from four months to one year after sale of the loan in the secondary market. First Bank has not sold any one-to-four-family residential mortgage loans into the secondary market with early payment default provisions since 2007, as further described in Note 24 to the consolidated financial statements.

Loans to directors, their affiliates and executive officers of the Company were approximately $12.0 million and $9.1 million at December 31, 2013 and 2012, respectively, as further described in Note 20 to the consolidated financial statements.

Loans with a carrying value of approximately $1.03 billion and $1.17 billion at December 31, 2013 and 2012, respectively, were pledged as collateral under borrowing arrangements with the FRB and the FHLB. At December 31, 2013 and 2012 and for the years then ended, First Bank had no advances outstanding under these borrowing arrangements.

Aging of Loans. The following table presents the aging of loans by loan classification at December 31, 2013 and 2012:

	30-59 Days	60-89 Days	Recorded Investment > 90 Days Accruing	Nonaccrual	Total Past Due	Current	Total Loans
	(dollars expressed in thousands)						
December 31, 2013:							
Commercial, financial and agricultural	$ 447	394	80	10,523	11,444	589,260	600,704
Real estate construction and development	—	—	—	4,914	4,914	116,748	121,662
One-to-four-family residential:							
Bank portfolio	1,898	757	162	5,146	7,963	82,190	90,153
Mortgage Division portfolio	2,364	1,880	—	14,917	19,161	462,850	482,011
Home equity	2,256	963	182	7,361	10,762	338,562	349,324
Multi-family residential	—	—	—	1,793	1,793	119,511	121,304
Commercial real estate	1,423	391	—	8,283	10,097	1,038,137	1,048,234
Consumer and installment	87	39	—	19	145	18,010	18,155
Loans held for sale	—	—	—	—	—	25,548	25,548
Total	$ 8,475	4,424	424	52,956	66,279	2,790,816	2,857,095
December 31, 2012:							
Commercial, financial and agricultural	$ 1,180	322	—	19,050	20,552	589,749	610,301
Real estate construction and development	93	—	—	32,152	32,245	142,734	174,979
One-to-four-family residential:							
Bank portfolio	1,871	1,121	874	6,910	10,776	111,562	122,338
Mortgage Division portfolio	6,264	4,375	—	19,780	30,419	479,552	509,971
Home equity	2,494	1,221	216	8,671	12,602	341,856	354,458
Multi-family residential	—	629	—	6,761	7,390	96,294	103,684
Commercial real estate	66	693	—	16,520	17,279	952,401	969,680
Consumer and installment	174	43	—	28	245	18,958	19,203
Loans held for sale	—	—	—	—	—	66,133	66,133
Total	$ 12,142	8,404	1,090	109,872	131,508	2,799,239	2,930,747

Under the Company's loan policy, loans are placed on nonaccrual status once principal or interest payments become 90 days past due. However, individual loan officers may submit written requests for approval to continue the accrual of interest on loans that become 90 days past due. These requests may be submitted for approval consistent with the authority levels provided in the Company's credit approval policies, and they are only granted if an expected near term future event, such as a pending renewal or expected payoff, exists at the time the loan becomes 90 days past due. If the expected near term future event does not occur as anticipated, the loan is then placed on nonaccrual status.

Credit Quality Indicators. The Company's credit management policies and procedures focus on identifying, measuring and controlling credit exposure. These procedures employ a lender-initiated system of rating credits, which is ratified in the loan approval process and subsequently tested in internal credit reviews, external audits and regulatory bank examinations. The system requires the rating of all loans at the time they are originated or acquired, except for homogeneous categories of loans, such as residential real estate mortgage loans and consumer loans. These homogeneous loans are assigned an initial rating based on the Company's experience with each type of loan. The Company adjusts the ratings of the homogeneous loans based on payment experience subsequent to their origination.

The Company includes adversely rated credits, including loans requiring close monitoring that would not normally be

considered classified credits by the Company's regulators, on its monthly loan watch list. Loans may be added to the Company's watch list for reasons that are temporary and correctable, such as the absence of current financial statements of the borrower or a deficiency in loan documentation. Loans may also be added to the Company's watch list whenever any adverse circumstance is detected which might affect the borrower's ability to comply with the contractual terms of the loan. The delinquency of a scheduled loan payment, deterioration in the borrower's financial condition identified in a review of periodic financial statements, a decrease in the value of the collateral securing the loan, or a change in the economic environment within which the borrower operates could initiate the addition of a loan to the Company's watch list. Loans on the Company's watch list require periodic detailed loan status reports prepared by the responsible officer which are discussed in formal meetings with credit review and credit administration staff members. Upgrades and downgrades of loan risk ratings may be initiated by the responsible loan officer. However, upgrades of risk ratings associated with significant credit relationships and/or problem credit relationships may only be made with the concurrence of appropriate regional credit officers.

Under the Company's risk rating system, special mention loans are those loans that do not currently expose the Company to sufficient risk to warrant classification as substandard, troubled debt restructuring (TDR) or nonaccrual, but possess weaknesses that deserve management's close attention. Substandard loans include those loans characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. A loan is classified as a TDR when a borrower is experiencing financial difficulties that lead to the restructuring of a loan, and the Company grants concessions to the borrower in the restructuring that it would not otherwise consider. Loans classified as TDRs which are accruing interest are classified as performing TDRs. Loans classified as TDRs which are not accruing interest are classified as nonperforming TDRs and are included with all other nonaccrual loans for presentation purposes. Loans classified as nonaccrual have all the weaknesses inherent in those loans classified as substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of the currently existing facts, conditions and values, highly questionable and improbable. Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass-rated loans.

The following tables present the credit exposure of the loan portfolio by internally assigned credit grade and payment activity as of December 31, 2013 and 2012:

Commercial Loan Portfolio Credit Exposure by Internally Assigned Credit Grade	Commercial and Industrial	Real Estate Construction and Development	Multi-family	Commercial Real Estate	Total
		(dollars expressed in thousands)			
December 31, 2013:					
Pass	$ 559,243	42,429	91,001	1,001,719	1,694,392
Special mention	16,211	929	—	21,714	38,854
Substandard	14,727	73,390	555	11,999	100,671
Performing troubled debt restructuring	—	—	27,955	4,519	32,474
Nonaccrual	10,523	4,914	1,793	8,283	25,513
Total	$ 600,704	121,662	121,304	1,048,234	1,891,904
December 31, 2012:					
Pass	$ 572,248	45,356	67,690	858,101	1,543,395
Special mention	10,580	6,076	220	70,450	87,326
Substandard	8,423	81,364	773	13,868	104,428
Performing troubled debt restructuring	—	10,031	28,240	10,741	49,012
Nonaccrual	19,050	32,152	6,761	16,520	74,483
Total	$ 610,301	174,979	103,684	969,680	1,858,644

One-to-Four-Family Residential Mortgage Bank and Home Equity Loan Portfolio Credit Exposure by Internally Assigned Credit Grade	Bank Portfolio	Home Equity	Total
		(dollars expressed in thousands)	
December 31, 2013:			
Pass	$ 78,069	340,031	418,100
Special mention	6,190	182	6,372
Substandard	45	1,750	1,795
Performing troubled debt restructuring	703	—	703
Nonaccrual	5,146	7,361	12,507
Total	$ 90,153	349,324	439,477

December 31, 2012:			
Pass	$ 107,625	342,321	449,946
Special mention	4,405	216	4,621
Substandard	1,787	3,250	5,037
Performing troubled debt restructuring	1,611	—	1,611
Nonaccrual	6,910	8,671	15,581
Total	$ 122,338	354,458	476,796

One-to-Four-Family Residential Mortgage Division and Consumer and Installment Loan Portfolio Credit Exposure by Payment Activity		Mortgage Division Portfolio	Consumer and Installment	Total
		(dollars expressed in thousands)		
December 31, 2013:				
Pass	$	387,153	18,136	405,289
Substandard		2,491	—	2,491
Performing troubled debt restructuring		77,450	—	77,450
Nonaccrual		14,917	19	14,936
Total	$	482,011	18,155	500,166
December 31, 2012:				
Pass	$	405,270	19,175	424,445
Substandard		6,627	—	6,627
Performing troubled debt restructuring		78,294	—	78,294
Nonaccrual		19,780	28	19,808
Total	$	509,971	19,203	529,174

Impaired Loans. Loans deemed to be impaired include performing TDRs and nonaccrual loans. Impaired loans with outstanding balances equal to or greater than $500,000 are evaluated individually for impairment. For these loans, the Company measures the level of impairment based on the present value of the estimated projected cash flows or the estimated value of the collateral, less applicable selling costs. If the current valuation is lower than the current book balance of the loan, the amount of the difference is evaluated for possible charge-off. In instances where management determines that a charge-off is not appropriate, a specific reserve is established for the individual loan in question. This specific reserve is included as a part of the overall allowance for loan losses.

The following tables present the recorded investment, unpaid principal balance, related allowance for loan losses, average recorded investment and interest income recognized while on impaired status for impaired loans without a related allowance for loan losses and for impaired loans with a related allowance for loan losses by loan classification at December 31, 2013 and 2012:

	Recorded Investment	Unpaid Principal Balance	Related Allowance for Loan Losses	Average Recorded Investment	Interest Income Recognized
	(dollars expressed in thousands)				
December 31, 2013:					
With No Related Allowance Recorded:					
Commercial, financial and agricultural	$ 3,119	4,342	—	4,270	1
Real estate construction and development	3,172	12,931	—	17,152	418
Real estate mortgage:					
Bank portfolio	—	—	—	—	41
Mortgage Division portfolio	—	—	—	—	—
Home equity portfolio	596	632	—	564	—
Multi-family residential	443	709	—	474	—
Commercial real estate	6,884	9,221	—	11,636	273
Consumer and installment	—	—	—	—	—
	14,214	27,835	—	34,096	733
With A Related Allowance Recorded:					
Commercial, financial and agricultural	7,404	21,565	497	10,136	—
Real estate construction and development	1,742	4,326	294	9,419	—
Real estate mortgage:					
Bank portfolio	5,849	7,427	317	7,161	—
Mortgage Division portfolio	92,367	110,878	9,423	95,614	2,002
Home equity portfolio	6,765	7,637	1,472	6,406	—
Multi-family residential	29,305	29,322	2,438	31,377	1,226
Commercial real estate	5,918	9,468	990	10,003	26
Consumer and installment	19	19	—	22	—
	149,369	190,642	15,431	170,138	3,254
Total:					
Commercial, financial and agricultural	10,523	25,907	497	14,406	1
Real estate construction and development	4,914	17,257	294	26,571	418
Real estate mortgage:					
Bank portfolio	5,849	7,427	317	7,161	41
Mortgage Division portfolio	92,367	110,878	9,423	95,614	2,002
Home equity portfolio	7,361	8,269	1,472	6,970	—
Multi-family residential	29,748	30,031	2,438	31,851	1,226
Commercial real estate	12,802	18,689	990	21,639	299
Consumer and installment	19	19	—	22	—
	$ 163,583	218,477	15,431	204,234	3,987

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Recorded Investment	Unpaid Principal Balance	Related Allowance for Loan Losses	Average Recorded Investment	Interest Income Recognized
	(dollars expressed in thousands)				
December 31, 2012:					
With No Related Allowance Recorded:					
Commercial, financial and agricultural	$ 6,451	24,287	—	12,369	215
Real estate construction and development	39,706	74,044	—	59,094	561
Real estate mortgage:					
Bank portfolio	1,611	1,690	—	2,166	32
Mortgage Division portfolio	10,255	22,102	—	10,308	—
Home equity portfolio	1,382	1,507	—	1,232	—
Multi-family residential	33,709	37,206	—	13,682	280
Commercial real estate	18,808	24,279	—	35,959	1,160
Consumer and installment	—	—	—	—	—
	111,922	185,115	—	134,810	2,248
With A Related Allowance Recorded:					
Commercial, financial and agricultural	12,599	19,255	676	24,157	—
Real estate construction and development	2,477	10,221	1,452	3,687	114
Real estate mortgage:					
Bank portfolio	6,910	8,655	284	9,288	—
Mortgage Division portfolio	87,819	96,931	11,574	88,277	2,050
Home equity portfolio	7,289	8,188	1,784	6,500	—
Multi-family residential	1,292	1,403	1,138	524	—
Commercial real estate	8,453	12,909	1,043	16,161	11
Consumer and installment	28	28	1	51	—
	126,867	157,590	17,952	148,645	2,175
Total:					
Commercial, financial and agricultural	19,050	43,542	676	36,526	215
Real estate construction and development	42,183	84,265	1,452	62,781	675
Real estate mortgage:					
Bank portfolio	8,521	10,345	284	11,454	32
Mortgage Division portfolio	98,074	119,033	11,574	98,585	2,050
Home equity portfolio	8,671	9,695	1,784	7,732	—
Multi-family residential	35,001	38,609	1,138	14,206	280
Commercial real estate	27,261	37,188	1,043	52,120	1,171
Consumer and installment	28	28	1	51	—
	$ 238,789	342,705	17,952	283,455	4,423

Recorded investment represents the Company's investment in its impaired loans reduced by cumulative charge-offs recorded against the allowance for loan losses on these same loans. At December 31, 2013 and 2012, the Company had recorded charge-offs of $54.9 million and $103.9 million, respectively, on its impaired loans, representing the difference between the unpaid principal balance and the recorded investment reflected in the tables above. The unpaid principal balance represents the principal amount contractually owed to the Company by the borrowers on the impaired loans.

Interest on impaired loans that would have been recorded under the original terms of the loans was $13.4 million, $21.7

million and $34.2 million for the years ended December 31, 2013, 2012 and 2011, respectively. Of these amounts, $4.3 million, $6.0 million and $8.0 million was recorded as interest income on such loans in 2013, 2012 and 2011, respectively.

Troubled Debt Restructurings. In the ordinary course of business, the Company modifies loan terms across loan types, including both consumer and commercial loans, for a variety of reasons. Modifications to consumer loans may include, but are not limited to, changes in interest rate, maturity, amortization and financial covenants. In the original underwriting, loan terms are established that represent the then current and projected financial condition of the borrower. Over any period of time, modifications to these loan terms may be required due to changes in the original underwriting assumptions. These changes may include the financial covenants of the borrower as well as underwriting standards.

Loan modifications are generally performed at the request of the borrower, whether commercial or consumer, and may include reductions in interest rates, changes in payments and maturity date extensions. Although the Company does not have formal, standardized loan modification programs for its commercial or consumer loan portfolios, it addresses loan modifications on a case-by-case basis and also participates in the U.S. Treasury's Home Affordable Modification Program (HAMP). HAMP gives qualifying homeowners an opportunity to refinance into more affordable monthly payments, with the U.S. Treasury compensating the Company

for a portion of the reduction in monthly amounts due from borrowers participating in this program. At December 31, 2013 and 2012, the Company had $75.3 million and $75.7 million, respectively, of modified loans in the HAMP program.

For a loan modification to be classified as a TDR, all of the following conditions must be present: (1) the borrower is experiencing financial difficulty, (2) the Company makes a concession to the original contractual loan terms and (3) the Company would not consider the concessions but for economic or legal reasons related to the borrower's financial difficulty. Modifications of loan terms to borrowers experiencing financial difficulty are made in an attempt to protect as much of the investment in the loan as possible. These modifications are generally made to either prevent a loan from becoming nonaccrual or to return a nonaccrual loan to performing status based on the expectations that the borrower can adequately perform in accordance with the modified terms.

The determination of whether a modification should be classified as a TDR requires significant judgment after taking into consideration all facts and circumstances surrounding the transaction. No single characteristic or factor, taken alone, is determinative of whether a modification should be classified as a TDR. The fact that a single characteristic is present is not considered sufficient to overcome the preponderance of contrary evidence. Assuming all of the TDR criteria are met, the Company considers one or more of the following concessions to the loan terms to represent a TDR: (1) a reduction of the stated interest rate, (2) an extension of the maturity date or dates at a stated interest rate lower than the current market rate for a new loan with similar terms or (3) forgiveness of principal or accrued interest.

Loans renegotiated at a rate equal to or greater than that of a new loan with comparable risk at the time the contract is modified are excluded from TDR classification in the calendar years subsequent to the renegotiation if the loan is in compliance with the modified terms for at least six months.

The Company does not accrue interest on any TDRs unless it believes collection of all principal and interest under the modified terms is reasonably assured. Generally, six months of consecutive payment performance by the borrower under the restructured terms is required before a TDR is returned to accrual status. However, the period could vary depending upon the individual facts and circumstances of the loan. TDRs accruing interest are classified as performing TDRs. The following table presents the categories of performing TDRs as of December 31, 2013 and 2012:

	2013	2012
	(dollars expressed in thousands)	
Performing Troubled Debt Restructurings:		
Real estate construction and development	$ —	10,031
Real estate mortgage:		
One-to-four-family residential	78,153	79,905
Multi-family residential	27,955	28,240
Commercial real estate	4,519	10,741
Total	$ 110,627	128,917

The Company does not accrue interest on TDRs which have been modified for a period less than six months or are not in compliance with the modified terms. These loans are considered nonperforming TDRs and are included with other nonaccrual loans for classification purposes. The following table presents the categories of loans considered nonperforming TDRs as of December 31, 2013 and 2012:

	2013	2012
	(dollars expressed in thousands)	
Nonperforming Troubled Debt Restructurings:		
Commercial, financial and agricultural	$ 711	1,004
Real estate construction and development	3,605	26,557
Real estate mortgage:		
One-to-four-family residential	6,266	7,105

Multi-family residential	—	2,482
Commercial real estate	—	2,862
Total	$ 10,582	40,010

Both performing and nonperforming TDRs are considered to be impaired loans. When an individual loan is determined to be a TDR, the amount of impairment is based upon the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the underlying collateral less applicable selling costs. The impairment amount is either charged off as a reduction to the allowance for loan losses or provided for as a specific reserve within the allowance for loan losses. The allowance for loan losses allocated to TDRs was $9.1 million and $9.5 million at December 31, 2013 and 2012, respectively.

The following tables present loans classified as TDRs that were modified during the years ended December 31, 2013 and 2012:

	2013			2012		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
	(dollars expressed in thousands)					
Loan Modifications as Troubled Debt Restructurings:						
Commercial, financial and agricultural	2	$ 246	$ 201	2	$ 1,108	$ 873
Real estate construction and development	—	—	—	4	6,263	5,670
Real estate mortgage:						
One-to-four-family residential	53	11,838	10,897	50	9,049	8,992
Multi-family residential	—	—	—	2	28,280	28,280
Commercial real estate	—	—	—	3	9,965	9,965

The following tables present TDRs that defaulted within 12 months of modification during the years ended December 31, 2013 and 2012:

	2013		2012	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
	(dollars expressed in thousands)			
Troubled Debt Restructurings That Subsequently Defaulted:				
Commercial, financial and agricultural	3	$ 401	—	$ —
Real estate construction and development	—	—	3	1,364
Real estate mortgage:				
One-to-four-family residential	6	1,101	9	1,588

Upon default of a TDR, which is considered to be 90 days or more past due under the modified terms, impairment is measured based on the fair value of the underlying collateral less applicable selling costs. The impairment amount is either charged off as a reduction to the allowance for loan losses or provided for as a specific reserve within the allowance for loan losses.

Allowance for Loan Losses. Changes in the allowance for loan losses for the years ended December 31, 2013, 2012 and 2011 were as follows:

	2013	2012	2011
	(dollars expressed in thousands)		
Balance, beginning of year	$ 91,602	137,710	201,033
Loans charged-off	(25,835)	(78,070)	(154,627)
Recoveries of loans previously charged-off	20,266	29,962	22,304
Net loans charged-off	(5,569)	(48,108)	(132,323)
Provision (benefit) for loan losses	(5,000)	2,000	69,000
Balance, end of year	$ 81,033	91,602	137,710

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table represents a summary of changes in the allowance for loan losses by portfolio segment for the years ended December 31, 2013 and 2012:

	Commercial and Industrial	Real Estate Construction and Development	One-to-Four-Family Residential	Multi-Family Residential	Commercial Real Estate	Consumer and Installment	Total
	(dollars expressed in thousands)						
Year Ended December 31, 2013:							
Allowance for loan losses:							
Beginning balance	$ 13,572	14,434	38,897	4,252	20,048	399	91,602
Charge-offs	(5,578)	(448)	(12,747)	(162)	(6,720)	(180)	(25,835)
Recoveries	5,302	7,165	4,455	145	3,067	132	20,266
Provision (benefit) for loan losses	105	(13,744)	2,014	1,014	5,657	(46)	(5,000)
Ending balance	$ 13,401	7,407	32,619	5,249	22,052	305	81,033
Year Ended December 31, 2012:							
Allowance for loan losses:							
Beginning balance	$ 27,243	24,868	50,864	4,851	29,448	436	137,710
Charge-offs	(17,410)	(12,244)	(21,814)	(2,435)	(23,856)	(311)	(78,070)
Recoveries	12,886	5,659	5,188	44	5,982	203	29,962
Provision (benefit) for loan losses	(9,147)	(3,849)	4,659	1,792	8,474	71	2,000
Ending balance	$ 13,572	14,434	38,897	4,252	20,048	399	91,602

The following table represents a summary of the impairment method used by loan category at December 31, 2013 and 2012:

	Commercial and Industrial	Real Estate Construction and Development	One-to-Four-Family Residential	Multi-Family Residential	Commercial Real Estate	Consumer and Installment	Total
	(dollars expressed in thousands)						
Ending Balance at December 31, 2013:							
Allowance for loan losses:							
Impaired loans individually evaluated for impairment	$ —	62	2,275	1,034	385	—	3,756
Impaired loans collectively evaluated for impairment	497	232	8,937	1,404	605	—	11,675
All other loans collectively evaluated for impairment	12,904	7,113	21,407	2,811	21,062	305	65,602
Total	$ 13,401	7,407	32,619	5,249	22,052	305	81,033
Financing receivables:							
Impaired loans individually evaluated for impairment	$ 3,480	3,440	12,276	28,641	9,168	—	57,005
Impaired loans collectively evaluated for impairment	7,043	1,474	93,301	1,107	3,634	19	106,578
All other loans collectively evaluated for impairment	590,181	116,748	815,911	91,556	1,035,432	18,136	2,667,964
Total	$ 600,704	121,662	921,488	121,304	1,048,234	18,155	2,831,547
Ending Balance at December 31, 2012:							
Allowance for loan losses:							
Impaired loans individually evaluated for impairment	$ 75	121	3,187	33	182	—	3,598
Impaired loans collectively evaluated for impairment	601	1,331	10,455	1,105	861	1	14,354
All other loans collectively evaluated for impairment	12,896	12,982	25,255	3,114	19,005	398	73,650

Total	$ 13,572	14,434	38,897	4,252	20,048	399	91,602
Financing receivables:							
Impaired loans individually evaluated for impairment	$ 7,884	39,155	16,843	34,636	20,965	—	119,483
Impaired loans collectively evaluated for impairment	11,166	3,028	98,423	365	6,296	28	119,306
All other loans collectively evaluated for impairment	591,251	132,796	871,501	68,683	942,419	19,175	2,625,825
Total	$ 610,301	174,979	986,767	103,684	969,680	19,203	2,864,614

NOTE 5 – BANK PREMISES AND EQUIPMENT, NET

Bank premises and equipment, net of accumulated depreciation and amortization, were comprised of the following at December 31, 2013 and 2012:

	2013	2012
	(dollars expressed in thousands)	
Land	$ 32,631	33,324
Buildings and improvements	134,862	134,428
Furniture, fixtures and equipment	100,688	99,116
Leasehold improvements	11,855	12,014
Construction in progress	2,720	1,878
Total	282,756	280,760
Accumulated depreciation and amortization	(158,428)	(153,240)
Bank premises and equipment, net	$ 124,328	127,520

The Company capitalized interest cost of $71,000, $31,000 and $23,000 during the years ended December 31, 2013, 2012 and 2011, respectively.

Depreciation and amortization expense for the years ended December 31, 2013, 2012 and 2011 was $11.8 million, $12.0 million and $13.4 million, respectively.

The Company leases land, office properties and equipment under operating leases. Certain of the leases contain renewal options and escalation clauses. Total rent expense was $10.6 million, $11.5 million and $13.0 million for the years ended December 31, 2013, 2012 and 2011, respectively. Future minimum lease payments under non-cancellable operating leases extend through 2028 as follows:

	(dollars expressed in thousands)
Year ending December 31:	
2014	$ 9,098
2015	7,067
2016	6,210
2017	4,044
2018	2,566
Thereafter	11,087
Total future minimum lease payments	$ 40,072

The Company also leases to unrelated parties a portion of its banking facilities. Rental income associated with these leases was $4.3 million, $4.1 million and $4.4 million for the years ended December 31, 2013, 2012 and 2011, respectively.

NOTE 6 – GOODWILL

Goodwill was zero and $125.3 million at December 31, 2013 and 2012, respectively. First Bank recorded goodwill impairment of $107.3 million for the year ended December 31, 2013, as further discussed below. First Bank did not record goodwill impairment for the years ended December 31, 2012 and 2011. Amortization of intangible assets was $3.0 million for the year ended December 31, 2011. Core deposit intangibles became fully amortized in 2011. Changes in the carrying amount of goodwill for the years ended December 31, 2013 and 2012 were as follows:

	2013	2012

	(dollars expressed in thousands)	
Balance, beginning of year	$ 125,267	125,267
Goodwill impairment	(107,267)	—
Goodwill allocated to sale transaction [1]	(18,000)	—
Balance, end of year	$ —	125,267

(1) Goodwill allocated to sale transaction during 2013 pertains to the sale of First Bank's ABS line of business in November 2013, as further discussed in Note 2 to the consolidated financial statements.

The Company allocated goodwill of $18.0 million to the sale of the ABS line of business, as discussed in Note 2 to the consolidated financial statements, based on the relative fair value of the ABS line of business and the portion of the First Bank segment that will be retained.

The Company's annual measurement date for its goodwill impairment test is December 31. The Company operates as a single reporting unit. The Company engaged an independent valuation firm to assist management in computing the fair value estimate for the impairment assessment by utilizing two separate valuation methodologies and applying a weighted average to each methodology in order to determine the fair value of the reporting unit. The two separate valuation methodologies utilized in the valuation of the Company's implied goodwill were the "Income Approach" and the "Market Approach."

Income Approach – The Income Approach indicates the fair market value of the common stock of a business based on the present value of the cash flows that the business can be expected to generate in the future. This approach is generally considered to be the most theoretically correct method of valuation since it explicitly considers the future benefits associated with owning the business. The Income Approach is typically applied using the Discounted Cash Flow Method. The Discounted Cash Flow Method is comprised of four steps:

1. Project future cash flows for a certain discrete projection period;
2. Discount these cash flows to present value at a rate of return that considers the relative risk of achieving the cash flows and the time value of money;
3. Estimate the residual value of cash flows subsequent to the discrete projection period; and
4. Combine the present value of the residual cash flows with the discrete projection period cash flows to indicate the fair market value of invested capital on a marketable basis.

Any interest-bearing debt (or non-operating assets) is then subtracted (or added) to arrive at the fair market value of equity of the business.

Market Approach – The Market Approach uses the price at which shares of similar companies are traded or exchanged to estimate the fair market value of the company's equity. The advantage of the Market Approach is that it is believed to reflect the effect of most of the principal valuation factors identified in the Discounted Cash Flow Method discussed above. Market prices of publicly traded companies and actual merger and acquisition transactions are believed to incorporate the effects on value of earnings, cash generation, and stockholders' equity while also recognizing general economic conditions, the position of the industry in the economy, and the position of the company in its industry. Within the Market Approach, two valuation methods are commonly used: the Publicly Traded Guideline Company Method and the Recent Transactions Method. The Publicly Traded Guideline Company Method consists of identifying similar public companies and developing multiples of the total capitalization of each similar public company to certain income statement and/or balance sheet items. These multiples are then weighted and applied to similar income statement and balance sheet items of the Company. The Recent Transactions Method is based on actual prices paid in mergers and acquisitions for similar public and private companies. Ratios of the total purchase price paid to certain income statement and/or balance sheet items are generally developed for each comparable transaction if the data is available. These ratios are then applied to similar income statement and balance sheet items of the Company.

For purposes of completing the Company's annual goodwill impairment test, the specific valuation methodologies utilized were the following:

- The Income Approach utilizing the Discounted Cash Flow Method; and
- The Market Approach utilizing (i) the Publicly Traded Guideline Company Method, focusing on a comparison of publicly-traded financial institutions as guideline companies based on size, geography and performance metrics, including the average price to tangible book value of comparable businesses, and (ii) the Recent Transactions Method, focusing on recent transactions and key transaction metrics, including price to the last-twelve-months earnings multiples.

As of December 31, 2013, the Income Approach utilizing the Discounted Cash Flow Method and applying a discount rate of 16.0% to the projected cash flows was weighted at 60.0% and each of the two Market Approaches was weighted at 20.0%. The Market Approach was given a relatively lower weighting primarily as a result of a price to the last-twelve-months earnings multiples to being applied to longer-term projected future earnings.

Taking into account the independent third party valuation performed as of December 31, 2013, as well as the reversal of substantially all of the Company's deferred tax asset valuation allowance during the fourth quarter of 2013, as further described in Note 17 to the consolidated financial statements, the Company concluded that the carrying value of its reporting unit exceeded its estimated fair value by approximately $119.5 million at December 31, 2013. Consequently, the results of Step 1 of the two-step goodwill impairment test required the Company to proceed to Step 2 of the goodwill impairment test. The Company engaged the same independent valuation firm to assist management in computing the fair value of the reporting unit’s assets and liabilities in order

to determine the implied fair value of the reporting unit's goodwill at December 31, 2013, as required by Step 2 of the two-step goodwill impairment test.

Step 2 of the goodwill impairment test compared the implied fair value of goodwill with the carrying value of goodwill. The implied fair value of goodwill is determined in the same manner as the determination of the amount of goodwill recognized in a business combination. The fair value of a reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit. The fair value allocated to all of the assets and liabilities of the reporting unit requires significant judgment, especially for those assets and liabilities that are not measured on a recurring basis such as certain types of loans. The excess of the estimated fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill.

The material assumptions utilized in the annual goodwill impairment testing for purposes of calculating the implied fair value of the reporting unit's goodwill at December 31, 2013 were as follows:

- Determination of the estimated fair value of loans – The estimated fair value assigned to loans significantly affected the determination of the implied fair value of the reporting unit's goodwill at December 31, 2013. The implied fair value of a reporting unit's goodwill will generally increase if the estimated fair value of the reporting unit's loans is less than the carrying value of the reporting unit's loans. The estimated fair value of the reporting unit's loans was derived from discounted cash flow analyses. Loans were grouped into loan pools based on similar characteristics such as maturity, payment type and payment frequency, and rate type and underlying index. These cash flow calculations include assumptions for prepayment estimates over the loan's remaining life, considerations for the current interest rate environment compared to the weighted average rate of the loan portfolio, a credit risk component based on the historical and expected performance of each loan portfolio stratum and a liquidity adjustment related to the current market environment. The estimated fair value of loans held for portfolio was $188.4 million less than the carrying value at December 31, 2013.
- Determination of the estimated fair value of deposits, including the core deposit intangible – The estimated fair value assigned to the core deposit intangible, or the reporting unit's deposit base, also significantly affected the determination of the implied fair value of the reporting unit's goodwill at December 31, 2013. The implied fair value of a reporting unit's goodwill will generally decrease by the estimated fair value assigned to the reporting unit's core deposit intangible. The estimated fair value of the core deposit intangible was derived from discounted cash flow analyses with considerations for estimated deposit runoff, cost of the deposit base, interest costs, net maintenance costs and the cost of alternative funds. The resulting estimate of the fair value of the core deposit intangible represents the present value of the difference in cash flows between maintaining the existing deposits and obtaining alternative funds over the life of the deposit base.

Taking into account the results of the goodwill impairment analyses performed for the year ended December 31, 2013, the Company recorded goodwill impairment of $107.3 million for the year ended December 31, 2013, primarily reflecting the increase in carrying value of the Company as a result of the reversal of substantially all of the Company's valuation allowance against its deferred tax assets during the fourth quarter of 2013, as further described in Note 17 to the consolidated financial statements.

As of December 31, 2012, the Income Approach utilizing the Discounted Cash Flow Method and applying a discount rate of 15.0% to the projected cash flows was weighted at 60.0% and each of the two Market Approaches was weighted at 20.0%.

Taking into account the independent third party valuation performed as of December 31, 2012, the Company concluded that the estimated fair value of its reporting unit exceeded its carrying value by approximately $42.9 million at December 31, 2012. As such, the results of Step 1 of the two-step goodwill impairment test, as further described in Note 1 to the consolidated financial statements, did not require the Company to proceed to Step 2 of the goodwill impairment test, and accordingly, the Company did not record goodwill impairment for the year ended December 31, 2012.

NOTE 7 – SERVICING RIGHTS

Mortgage Banking Activities. At December 31, 2013 and 2012, the Company serviced mortgage loans for others totaling $1.33 billion and $1.27 billion, respectively. Borrowers' escrow balances held by the Company on such loans were $7.9 million at December 31, 2013 and 2012. Changes in mortgage servicing rights for the years ended December 31, 2013 and 2012 were as follows:

	2013	2012
	(dollars expressed in thousands)	
Balance, beginning of year	$ 9,152	9,077
Originated mortgage servicing rights	3,623	4,887
Change in fair value resulting from changes in valuation inputs or assumptions used in valuation model [1]	3,671	(2,089)
Other changes in fair value [2]	(2,235)	(2,723)
Balance, end of year	$ 14,211	9,152

(1) The change in fair value resulting from changes in valuation inputs or assumptions used in valuation model primarily reflects the change in discount rates and prepayment speed assumptions, primarily due to changes in interest rates.
(2) Other changes in fair value reflect changes due to the collection/realization of expected cash flows over time.

Other Servicing Activities. At December 31, 2013 and 2012, the Company serviced SBA loans for others totaling $139.1 million and $159.6 million, respectively. Changes in SBA servicing rights for the years ended December 31, 2013 and 2012 were as follows:

	2013	2012
	(dollars expressed in thousands)	
Balance, beginning of year	$ 5,640	6,303
Originated SBA servicing rights	—	—
Change in fair value resulting from changes in valuation inputs or assumptions used in valuation model [1]	(244)	434
Other changes in fair value [2]	(753)	(1,097)
Balance, end of year	$ 4,643	5,640

(1) The change in fair value resulting from changes in valuation inputs or assumptions used in valuation model primarily reflects the change in discount rates and prepayment speed assumptions, primarily due to changes in interest rates.
(2) Other changes in fair value reflect changes due to the collection/realization of expected cash flows over time.

NOTE 8 – DERIVATIVE INSTRUMENTS

The Company utilizes derivative instruments to assist in the management of interest rate sensitivity by modifying the repricing, maturity and option characteristics of certain assets and liabilities. The following table summarizes derivative instruments held by the Company, their notional amount, estimated fair values and their location in the consolidated balance sheets at December 31, 2013 and 2012:

			Derivatives in Other Assets		Derivatives in Other Liabilities	
	Notional Amount		Fair Value Gain (Loss)		Fair Value Loss	
	2013	2012	2013	2012	2013	2012
			(dollars expressed in thousands)			
Derivative Instruments Not Designated as Hedging Instruments:						

Customer interest rate swap agreements	$ —	12,149	—	87	—	(87)
Interest rate lock commitments	14,237	59,932	217	1,837	—	—
Forward commitments to sell mortgage-backed securities	29,100	107,700	296	(305)	—	—
Total	$ 43,337	179,781	513	1,619	—	(87)

The notional amounts of derivative instruments do not represent amounts exchanged by the parties and, therefore, are not a measure of the Company's credit exposure through its use of these instruments. Credit exposure on interest rate swaps, which represents the loss the Company would incur in the event the counterparties failed completely to perform according to the terms of the derivative instruments and the collateral held to support the credit exposure was of no value, is limited to the net fair value and related accrued interest receivable reduced by the amount of collateral pledged by the counterparty. The Company had not pledged any assets as collateral in connection with its interest rate swap agreements at December 31, 2012.

The Company also recorded net losses on derivative instruments, which are included in noninterest income in the statements of operations, of $40,000 and $193,000 for the years ended December 31, 2012 and 2011, respectively. The net losses were attributable to changes in the fair value and the net interest differential on interest rate swap agreements previously designated as cash flow hedges on junior subordinated debentures.

Customer Interest Rate Swap Agreements. First Bank offers interest rate swap agreements to certain customers to assist in hedging their risks of adverse changes in interest rates. First Bank serves as an intermediary between its customers and the financial markets. Each interest rate swap agreement between First Bank and its customers is offset by an interest rate swap agreement between First Bank and various counterparties. These interest rate swap agreements do not qualify for hedge accounting treatment. Changes in the fair value of customer interest rate swap agreements are recognized in noninterest income on a monthly basis. Each customer contract is paired with an offsetting contract, and as such, there is no significant impact to net income (loss). The notional amount of customer interest rate swap agreements at December 31, 2012 was $12.1 million. There were no remaining customer interest rate swap agreements at December 31, 2013.

Interest Rate Lock Commitments / Forward Commitments to Sell Mortgage-Backed Securities. Derivative instruments issued by the Company consist of interest rate lock commitments to originate fixed-rate loans to be sold. Commitments to originate fixed-rate loans consist primarily of residential real estate loans. These net loan commitments and loans held for sale are hedged with forward contracts to sell mortgage-backed securities, which expire in March 2014. The fair value of the interest rate lock commitments, which is included in other assets in the consolidated balance sheets, was an unrealized gain of $217,000 and $1.8 million at December 31, 2013 and 2012, respectively. The fair value of the forward contracts to sell mortgage-backed securities, which is included in other assets in the consolidated balance sheets, was an unrealized gain of $296,000 and an unrealized loss of $305,000 at December 31, 2013 and 2012, respectively. Changes in the fair value of interest rate lock commitments and forward commitments to sell mortgage-backed securities are recognized in noninterest income on a monthly basis.

The following table summarizes amounts included in the consolidated statements of operations for the years December 31, 2013, 2012 and 2011 related to non-hedging derivative instruments:

Derivative Instruments Not Designated as Hedging Instruments:	Location of Gain (Loss) Recognized in Operations on Derivatives	Amount of Gain (Loss) Recognized in Operations on Derivatives		
		2013	2012	2011
		(dollars expressed in thousands)		
Interest rate swap agreements	Other noninterest income	$ —	(43)	(194)
Customer interest rate swap agreements	Other noninterest income	—	3	1
Interest rate lock commitments	Gain on loans sold and held for sale	(1,620)	456	1,105
Forward commitments to sell mortgage-backed securities	Gain on loans sold and held for sale	601	424	(2,267)

NOTE 9 – MATURITIES OF TIME DEPOSITS

A summary of maturities of time deposits of $100,000 or more and other time deposits as of December 31, 2013 is as follows:

	Time Deposits of $100,000 or More	Other Time Deposits	Total
	(dollars expressed in thousands)		
Year ending December 31:			
2014	$ 276,623	493,106	769,729
2015	85,327	120,330	205,657
2016	10,445	19,639	30,084
2017	6,541	11,733	18,274

2018	10,120	12,236	22,356
Thereafter	—	13	13
Total	$ 389,056	657,057	1,046,113

NOTE 10 – OTHER BORROWINGS

Other borrowings were comprised solely of daily securities sold under agreement to repurchase of $43.1 million and $26.0 million at December 31, 2013 and 2012, respectively. First Bank had no outstanding FHLB advances as of and for the years ended December 31, 2013 and 2012.

The average balance of other borrowings was $34.8 million and $33.0 million, and the maximum month-end balance of other borrowings was $44.4 million and $57.7 million for the years ended December 31, 2013 and 2012, respectively.

The average rates paid on other borrowings during the years ended December 31, 2013, 2012 and 2011 were (0.03)%, (0.05)% and 0.03%, respectively. The negative average rates paid on other borrowings during the years ended December 31, 2013 and 2012 resulted from the reversal of accrued interest related to unrecognized tax benefits associated with FASB Interpretation No. 48 (codified under ASC 740-10), as more fully discussed in Note 17 to the consolidated financial statements. Interest expense on securities sold under agreements to repurchase was $34,000, $33,000 and $82,000 for the years ended December 31, 2013, 2012 and 2011, respectively.

NOTE 11 – NOTES PAYABLE

On March 20, 2013, the Company entered into a Revolving Credit Note and a Stock Pledge Agreement (the Credit Agreement) with Investors of America Limited Partnership (Investors of America LP), as further described in Note 20 to the consolidated financial statements. The agreement provides for a $5.0 million secured revolving line of credit to be utilized for general working capital needs. This borrowing arrangement, which has a maturity date of March 31, 2014 and an interest rate of LIBOR plus 300 basis points, is intended to supplement, on a contingent basis, the parent company's overall level of unrestricted cash to cover the parent company's projected operating expenses should the parent company's existing cash resources become insufficient in the future. There have been no balances outstanding under the Credit Agreement since its inception.

NOTE 12 – SUBORDINATED DEBENTURES

As of December 31, 2013, the Company had 13 affiliated Delaware or Connecticut statutory and business trusts (collectively, the Trusts) that were created for the sole purpose of issuing trust preferred securities. The trust preferred securities were issued in private placements, with the exception of First Preferred Capital Trust IV, which was issued in a publicly underwritten offering. The Company owns all of the common securities of the Trusts. The sole assets of the statutory and business trusts are the Company's junior subordinated debentures. The gross proceeds of the offerings were used by the Trusts to purchase variable rate or fixed rate junior subordinated debentures from the Company. In connection with the issuance of the trust preferred securities, the Company made certain guarantees and commitments that, in the aggregate, constitute a full and unconditional guarantee by the Company of the obligations of the Trusts under the trust preferred securities. The following is a summary of the junior subordinated debentures issued to the Trusts in conjunction with the trust preferred securities offerings at December 31, 2013 and 2012:

Name of Trust	Issuance Date	Maturity Date	Call Date [1]	Interest Rate [2]	Trust Preferred Securities	Subordinated Debentures
					(dollars expressed in thousands)	
Variable Rate						
First Bank Statutory Trust II	September 2004	September 20, 2034	September 20, 2009	+205.0 bp	$ 20,000	$ 20,619
Royal Oaks Capital Trust I	October 2004	January 7, 2035	January 7, 2010	+240.0 bp	4,000	4,124
First Bank Statutory Trust III	November 2004	December 15, 2034	December 15, 2009	+218.0 bp	40,000	41,238
First Bank Statutory Trust IV	March 2006	March 15, 2036	March 15, 2011	+142.0 bp	40,000	41,238
First Bank Statutory Trust V	April 2006	June 15, 2036	June 15, 2011	+145.0 bp	20,000	20,619
First Bank Statutory Trust VI	June 2006	July 7, 2036	July 7, 2011	+165.0 bp	25,000	25,774
First Bank Statutory Trust VII	December 2006	December 15, 2036	December 15, 2011	+185.0 bp	50,000	51,547
First Bank Statutory Trust VIII	February 2007	March 30, 2037	March 30, 2012	+161.0 bp	25,000	25,774
First Bank Statutory Trust X	August 2007	September 15, 2037	September 15, 2012	+230.0 bp	15,000	15,464
First Bank Statutory Trust IX	September 2007	December 15, 2037	December 15, 2012	+225.0 bp	25,000	25,774
First Bank Statutory Trust XI	September 2007	December 15, 2037	December 15, 2012	+285.0 bp	10,000	10,310

Fixed Rate						
First Bank Statutory Trust	March 2003	March 20, 2033	March 20, 2008	8.10%	25,000	25,774
First Preferred Capital Trust IV	April 2003	June 30, 2033	June 30, 2008	8.15%	46,000	47,423

(1) The junior subordinated debentures are callable at the option of the Company on the call date shown at 100% of the principal amount plus accrued and unpaid interest.

(2) The interest rates paid on the trust preferred securities are based on either a variable rate or a fixed rate. The variable rate is based on the three-month LIBOR plus the basis point spread shown.

The Company's distributions accrued on the junior subordinated debentures were $15.0 million, $14.8 million and $13.5 million for the years ended December 31, 2013, 2012 and 2011, respectively, and are included in interest expense in the consolidated statements of operations. Deferred issuance costs associated with the Company's junior subordinated debentures are included as

a reduction of junior subordinated debentures in the consolidated balance sheets and are amortized using a method which approximates the level-yield method to the maturity date of the respective junior subordinated debentures. The structure of the trust preferred securities currently satisfies the regulatory requirements for inclusion, subject to certain limitations, in the Company's capital base, as further discussed in Note 14 to the consolidated financial statements.

In August 2009, the Company announced the deferral of its regularly scheduled interest payments on its outstanding junior subordinated debentures relating to its $345.0 million of trust preferred securities beginning with the regularly scheduled quarterly interest payments that would otherwise have been made in September and October 2009. The terms of the junior subordinated debentures and the related trust indentures allow the Company to defer such payments of interest for up to 20 consecutive quarterly periods without triggering a payment default or penalty. The Company had deferred such payments for 18 quarterly periods as of December 31, 2013. The Company had deferred $56.0 million and $43.8 million of its regularly scheduled interest payments as of December 31, 2013 and 2012, respectively. In addition, the Company had accrued additional interest expense of $6.7 million and $3.9 million as of December 31, 2013 and 2012, respectively, on the regularly scheduled deferred interest payments based on the interest rate in effect for each junior subordinated note issuance in accordance with the respective terms of the underlying agreements. During the deferral period, the respective trusts suspend the declaration and payment of dividends on the trust preferred securities. During the deferral period, the Company may not, among other things and with limited exceptions, pay cash dividends on or repurchase its common stock or preferred stock nor make any payment on outstanding debt obligations that rank equally with or junior to the junior subordinated debentures. Accordingly, the Company also suspended the payment of cash dividends on its outstanding common stock and preferred stock beginning with the regularly scheduled quarterly dividend payments on the preferred stock that would otherwise have been made in August and September 2009, as further described in Note 13 to the consolidated financial statements.

Under its agreement with the FRB, the Company agreed, among other things, to provide certain information to the FRB, including, but not limited to, prior notice regarding the issuance of additional trust preferred securities. The Company also agreed not to make any distributions of interest or other sums on its outstanding trust preferred securities without the prior approval of the FRB, as further described in Note 14 to the consolidated financial statements.

On January 31, 2014, the Company received regulatory approval from the FRB, subject to certain conditions, granting First Bank the authority to pay a dividend to the Company, and authority to the Company to utilize such funds, for the sole purpose of paying the accumulated deferred interest payments on the Company's outstanding junior subordinated debentures issued in connection with the Company's trust preferred securities. In February 2014, First Bank paid a dividend of $70.0 million to the Company and the Company notified the trustees of the trust preferred securities of its intention to pay all cumulative interest that had been deferred on the junior subordinated debentures relating to the trust preferred securities, on the regularly scheduled quarterly payment dates in March and April, 2014. The aggregate amount owed on all of the junior subordinated debentures relating to the trust preferred securities at the respective March and April, 2014 payments totals $66.4 million. On March 14, 2014, the Company paid interest on the junior subordinated debentures of $66.4 million to the respective trustees, for further distribution to the trust preferred securities holders on the respective interest payment dates in March and April, 2014, as further described in Note 25 to the consolidated financial statements.

The Company and First Bank must receive approval from the FRB prior to making any future interest payments on the Company's outstanding junior subordinated debentures. The Company is unable to predict whether or when the FRB will grant approval to the Company to make any such future interest payments. Without the payment of dividends from First Bank, the Company currently lacks the source of income and the liquidity to make future interest payments on the junior subordinated debentures associated with its trust preferred securities. Given restrictions placed upon First Bank, including regulatory restrictions, it may not be able to provide the Company with dividends in an amount sufficient to pay the future interest on the trust preferred securities. In such case, the Company would have to pursue alternative funding sources, but there can be no assurance that the Company will be able to identify and obtain alternative funding due to the uncertainty that such alternative funding sources would be available to the Company on terms and conditions that are acceptable to the Company. Subsequent to the payment made on March 14, 2014, the Company has the ability to enter into future deferral periods of up to 20

consecutive quarterly periods without triggering a payment default or penalty.

NOTE 13 – STOCKHOLDERS' EQUITY

Common Stock. There is no established public trading market for the Company's common stock. Various trusts, which were established by and are administered by and for the benefit of the Company's Chairman of the Board and members of his immediate family (including Mr. Michael Dierberg, Vice Chairman of the Company), own all of the voting stock of the Company other than the Class C Preferred Stock and Class D Preferred Stock that have limited voting rights, as described below.

Preferred Stock. The Company has four classes of preferred stock outstanding. The Class A Convertible Adjustable Rate Preferred Stock, or Class A Preferred Stock, is convertible into shares of common stock at a rate based on the ratio of the par value of the preferred stock to the current market value of the common stock at the date of conversion, to be determined by independent appraisal at the time of conversion. Shares of Class A Preferred Stock may be redeemed by the Company at any time at 105.0% of par value. The Class B Non-Convertible Adjustable Rate preferred Stock, or Class B Preferred Stock, may not be redeemed or converted. The holders of the Class A and Class B Preferred Stock have full voting rights. Dividends on the Class A and Class B Preferred Stock are adjustable quarterly based on the highest of the Treasury Bill Rate or the Ten Year Constant Maturity Rate for the two-week period immediately preceding the beginning of the quarter. This rate shall not be less than 6.0% nor more than 12.0% on the Class A Preferred Stock, or less than 7.0% nor more than 15.0% on the Class B Preferred Stock. Effective August 10, 2009, the Company suspended the declaration of dividends on its Class A and Class B Preferred Stock.

On December 31, 2008, the Company issued 295,400 shares of Class C Fixed Rate Cumulative Perpetual Preferred Stock (Class C Preferred Stock) and 14,770 shares of Class D Fixed Rate Cumulative Perpetual Preferred Stock (Class D Preferred Stock) to the United States Department of the Treasury (U.S. Treasury) in conjunction with the U.S. Treasury's Troubled Asset Relief Program's Capital Purchase Program (CPP). The Class C Preferred Stock has a par value of $1.00 per share and a liquidation preference of $1,000 per share. The holders of the Class C Preferred Stock have no voting rights except in certain limited circumstances. The Class C Preferred Stock carries an annual dividend rate equal to 5% for the first five years and the annual dividend rate increases to 9% per annum on and after February 15, 2014, payable quarterly in arrears beginning February 15, 2009. The Class D Preferred Stock has a par value of $1.00 per share and a liquidation preference of $1,000 per share. The holders of the Class D Preferred Stock have no voting rights except in certain limited circumstances. The Class D Preferred Stock carries an annual dividend rate equal to 9%, payable quarterly in arrears beginning February 15, 2009. The Class C Preferred Stock and the Class D Preferred Stock qualify as Tier 1 capital. Effective February 17, 2009, the Class C Preferred Stock and the Class D Preferred Stock may be redeemed at any time without penalty and without the need to raise new capital, subject to consultation with the Company's primary regulatory agency. The Class D Preferred Stock may not be redeemed until all of the outstanding shares of the Class C Preferred Stock have been redeemed. In addition, prior to the U.S. Treasury's sale of the Class C Preferred Stock and Class D Preferred Stock (as further described below), the U.S. Treasury had certain supervisory and oversight duties and responsibilities under the CPP and, pursuant to the terms of the agreement governing the issuance of the Class C Preferred Stock and the Class D Preferred Stock to the U.S. Treasury (Purchase Agreement), the U.S. Treasury was empowered to unilaterally amend any provision of the Purchase Agreement with the Company to the extent required to comply with any changes in applicable federal statutes. As a result of the Company's deferral of dividends to the U.S. Treasury for an aggregate of six quarters, the U.S. Treasury had the right to elect two directors to the Company's Board. On July 13, 2011, the U.S. Treasury elected two members to the Company's Board of Directors. In addition to the right to elect two directors to the Company's Board of Directors, the holders of the Class C Preferred Stock and Class D Preferred Stock have limited voting rights, except as required by law or to the extent such rights are waived. For as long as shares of the Class C Preferred Stock or Class D Preferred Stock are outstanding, in addition to any other vote or consent of the shareholders required by law or the Company's articles of incorporation, the vote or consent of holders of at least 66 2/3% of the shares of the Class C Preferred Stock or Class D Preferred Stock outstanding is required for any authorization or issuance of shares ranking senior to the Class C Preferred Stock or Class D Preferred Stock, respectively; any amendments to the rights of the Class C Preferred Stock or Class D Preferred Stock that adversely affect the rights, privileges or voting power of the Class C Preferred Stock or Class D Preferred Stock, respectively; or initiation and completion of any merger, share exchange or similar transaction unless the shares of Class C Preferred Stock or Class D Preferred Stock, respectively, remain outstanding, or, if the Company is not the surviving entity in such transaction, are converted into or

exchanged for preferred securities of the surviving entity that have the same rights, preferences, privileges and voting power of the Class C Preferred Stock and Class D Preferred Stock.

The Company allocated the total proceeds received under the CPP of $295.4 million to the Class C Preferred Stock and the Class D Preferred Stock based on the relative fair values of the respective classes of preferred stock at the time of issuance. The discount on the Class C Preferred Stock of $17.3 million was accreted to retained earnings on a level-yield basis over five years (through the fourth quarter of 2013). Accretion of the discount on the Class C Preferred Stock was $3.6 million, $3.6 million and $3.5 million for the years ended December 31, 2013, 2012 and 2011, respectively.

During the third quarter of 2013, the U.S. Treasury completed two auctions that resulted in the sale of the Company's Class C Preferred Stock and Class D Preferred Stock to unaffiliated third party investors. The Company did not receive any proceeds from

the sale and the sale did not have any effect on the terms of the outstanding Class C Preferred Stock and Class D Preferred Stock, including the Company's obligation to satisfy accrued and unpaid dividends prior to the payment of any dividend or other distribution to holders of junior or parity stock (including the Company's common stock, Class A Preferred Stock and Class B Preferred Stock), and an increase in the dividend rate on the Class C Preferred Stock from 5% to 9%, commencing with the dividend payment date of February 15, 2014. Furthermore, the sale of the Class C Preferred Stock and Class D Preferred Stock did not have any effect on the Company's regulatory capital, financial condition or results of operations.

The redemption of any issue of preferred stock requires the prior approval of the Federal Reserve. The Purchase Agreement that the Company entered into with the U.S. Treasury contained limitations on certain actions of the Company, including, but not limited to, payment of dividends and redemptions and acquisitions of the Company's equity securities. In addition, the Company, under its agreement with the FRB, has agreed, among other things, to provide certain information to the FRB including, but not limited to, notice of plans to materially change its fundamental business and notice to raise additional equity capital. Furthermore, the Company agreed not to pay any dividends on its common or preferred stock without the prior approval of the FRB, as further described in Note 14 to the consolidated financial statements.

The Company suspended the payment of cash dividends on its outstanding common stock and preferred stock beginning with the regularly scheduled quarterly dividend payments on the preferred stock that would otherwise have been made in August and September 2009.

The Company has declared and accrued $68.4 million and $56.3 million of its regularly scheduled dividend payments on its Class C Preferred Stock and Class D Preferred Stock at December 31, 2013 and 2012, respectively, and has accrued an additional $9.4 million and $5.6 million of cumulative dividends on such deferred dividend payments at December 31, 2013 and 2012, respectively. As such, the aggregate amount of these deferred and accrued dividend payments was $77.8 million at December 31, 2013.

During the fourth quarter of 2013, the Company ceased declaring dividends on its Class C Preferred Stock and Class D Preferred Stock. Previously, the Company had declared and accrued dividends on its Class C Preferred Stock and Class D Preferred Stock quarterly throughout the deferral period. If the Company had declared and accrued dividends on its Class C Preferred Stock and Class D Preferred Stock during the fourth quarter of 2013, the Company would have accrued an additional $4.1 million of dividend payments and the Company's aggregate deferred and accrued dividend payments would have been $81.9 million at December 31, 2013. The Company will continue to evaluate whether declaring dividends on its Class C Preferred Stock and Class D Preferred Stock is appropriate in future periods. The Company's cessation of declaring and accruing dividends on its Class C Preferred Stock and Class D Preferred Stock did not have any effect on the terms of the outstanding Class C Preferred Stock and Class D Preferred Stock, including the Company's obligations thereunder, as previously described.

As further described in Note 3 to the consolidated financial statements, during the first quarter of 2013, the Company reclassified certain of its available-for-sale investment securities to held-to-maturity investment securities at their respective fair values, which totaled $242.5 million, in aggregate, during the first quarter of 2013. The gross unrealized gain on these available-for-sale investment securities at the time of transfer was $5.0 million. The unrealized gain included as a component of accumulated other comprehensive income was $2.8 million at the time of transfer, net of tax of $2.2 million. In addition, on June 30, 2012, the Company reclassified certain of its available-for-sale investment securities to held-to-maturity investment securities at their respective fair values, which totaled $729.1 million, in aggregate. The gross unrealized gain on these available-for-sale investment securities at the time of transfer was $11.7 million. The unrealized gain included as a component of accumulated other comprehensive income was $6.8 million at June 30, 2012, net of tax of $4.9 million. The fair value adjustments at the time of transfer were recorded as additional premium on the investment securities, and are being amortized as an adjustment to interest income on investment securities over the remaining lives of the respective securities. The amortization of the unrealized gain reported in stockholders' equity is also being amortized as an adjustment to interest income on investment securities over the remaining lives of the respective securities. Consequently, the combined amortization of the additional premium and the unrealized gain have no net impact on interest income on investment securities.

Other comprehensive (loss) income of $(37.8) million, $29.2 million and $18.4 million, as presented in the consolidated statements of changes in stockholders' equity, is reflected net of income tax (benefit) expense of $(6.5) million, $(6.4) million and $10.5 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Accumulated Other Comprehensive Income (Loss). The following table summarizes changes in accumulated other comprehensive income (loss), net of tax, by component, for the years ended December 31, 2013, 2012 and 2011:

	Investment Securities	Defined Benefit Pension Plan	Deferred Tax Asset Valuation Allowance	Total
		(dollars expressed in thousands)		
Year Ended December 31, 2013:				
Balance, beginning of period	$ 35,186	(3,544)	13,617	45,259
Other comprehensive income (loss) before reclassifications	(24,789)	895	(13,617)	(37,511)
Amounts reclassified from accumulated other comprehensive income (loss)	(246)	—	—	(246)
Net current period other comprehensive income (loss)	(25,035)	895	(13,617)	(37,757)
Balance, end of period	$ 10,151	(2,649)	—	7,502
Year Ended December 31, 2012:				
Balance, beginning of period	$ 19,437	(2,633)	(738)	16,066
Other comprehensive income (loss) before reclassifications	16,507	(911)	14,355	29,951
Amounts reclassified from accumulated other comprehensive income (loss)	(758)	—	—	(758)
Net current period other comprehensive income (loss)	15,749	(911)	14,355	29,193
Balance, end of period	$ 35,186	(3,544)	13,617	45,259
Year Ended December 31, 2011:				
Balance, beginning of period	$ 222	(2,220)	(320)	(2,318)
Other comprehensive income (loss) before reclassifications	22,676	(413)	(418)	21,845
Amounts reclassified from accumulated other comprehensive income (loss)	(3,461)	—	—	(3,461)
Net current period other comprehensive income (loss)	19,215	(413)	(418)	18,384
Balance, end of period	$ 19,437	(2,633)	(738)	16,066

NOTE 14 – REGULATORY CAPITAL AND OTHER REGULATORY MATTERS

Regulatory Capital. The Company and First Bank are subject to various regulatory capital requirements administered by the federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain actions by regulators that, if undertaken, could have a direct material effect on the operations and financial condition of the Company and First Bank. Under these capital requirements, the Company and First Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and First Bank to maintain minimum amounts and ratios of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets, and of Tier 1 capital to average assets.

The Company must maintain minimum total regulatory, Tier 1 regulatory and Tier 1 leverage ratios as set forth in the table below in order to meet the minimum capital adequacy standards. The Company was categorized as adequately capitalized under minimum regulatory capital standards established for bank holding companies by the Federal Reserve at December 31, 2013. The Company did not meet the minimum regulatory capital standards established for bank holding companies by the Federal Reserve at December 31, 2012.

First Bank was categorized as well capitalized at December 31, 2013 and 2012 under the prompt corrective action provisions of the regulatory capital standards. First Bank must maintain minimum total regulatory, Tier 1 regulatory and Tier 1 leverage ratios as set forth in the table below in order to be categorized as well capitalized.

FIRST BANKS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At December 31, 2013 and 2012, the Company's and First Bank's required and actual capital ratios were as follows:

	Actual					
	2013		2012		For Capital Adequacy Purposes	To be Well Capitalized Under Prompt Corrective Action Provisions
	Amount	Ratio	Amount	Ratio		
	(dollars expressed in thousands)					
Total capital (to risk-weighted assets):						
First Banks, Inc.	$ 405,856	11.13%	$ 93,542	2.57%	8.0%	N/A
First Bank	734,535	20.12	626,177	17.18	8.0	10.0%
Tier 1 capital (to risk-weighted assets):						
First Banks, Inc.	239,868	6.58	46,771	1.28	4.0	N/A
First Bank	688,427	18.86	580,026	15.92	4.0	6.0
Tier 1 capital (to average assets):						
First Banks, Inc.	239,868	4.12	46,771	0.73	4.0	N/A
First Bank	688,427	11.77	580,026	9.13	4.0	5.0

Regulatory Agreements. On March 24, 2010, the Company, SFC and First Bank entered into a Written Agreement (Agreement) with the FRB requiring the Company and First Bank to take certain steps intended to improve their overall financial condition. Pursuant to the Agreement, the Company prepared and filed with the FRB a number of specific plans designed to strengthen and/or address the following matters: (i) board oversight over the management and operations of the Company and First Bank; (ii) credit risk management practices; (iii) lending and credit administration policies and procedures; (iv) asset improvement; (v) capital; (vi) earnings and overall financial condition; and (vii) liquidity and funds management.

The Agreement requires, among other things, that the Company and First Bank obtain prior approval from the FRB in order to pay dividends. In addition, the Company must obtain prior approval from the FRB to: (i) take any other form of payment from First Bank representing a reduction in capital of First Bank; (ii) make any distributions of interest, principal or other sums on junior subordinated debentures or trust preferred securities; (iii) incur, increase or guarantee any debt; or (iv) purchase or redeem any shares of the Company’s stock. The FRB has complete discretion to grant any such approval and therefore, it is not known whether the FRB will approve any request. On January 31, 2014, the Company received regulatory approval from the FRB, granting First Bank the authority to pay a dividend to the Company, and authority to the Company to utilize such funds, for the sole purpose of paying the accumulated deferred interest payments on the Company's outstanding junior subordinated debentures issued in connection with the Company's trust preferred securities. In February 2014, First Bank paid a dividend of $70.0 million to the Company and the Company notified the trustees of the trust preferred securities of its intention to pay all cumulative interest that had been deferred on the junior subordinated debentures relating to its trust preferred securities, on the regularly scheduled quarterly payment dates in March and April, 2014.

Pursuant to the terms of the Agreement, the Company and First Bank submitted a written plan to the FRB to maintain sufficient capital at the Company, on a consolidated basis, and at First Bank, on a standalone basis. In addition, the Agreement also provides that the Company and First Bank must notify the FRB if the regulatory capital ratios of either entity fall below those set forth in the capital plans that were accepted by the FRB, and specifically if First Bank falls below the criteria for being well capitalized under the regulatory framework for prompt corrective action. The Company must also notify the FRB before appointing any new directors or senior executive officers or changing the responsibilities of any senior executive officer position. The Agreement also requires the Company and First Bank to comply with certain restrictions regarding indemnification and severance payments although First Bank has been notified, as of October 16, 2013, by the FRB that such restriction is no longer applicable to First Bank. The Agreement is specifically enforceable by the FRB in court.

The description of the Agreement above represents a summary and is qualified in its entirety by the full text of the Agreement

which is incorporated herein by reference to Exhibit 10.19 of the Company's Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the United States Securities and Exchange Commission on March 25, 2010.

Prior to entering into the Agreement on March 24, 2010, the Company and First Bank had entered into a memorandum of understanding and an informal agreement, respectively, with the FRB and the Missouri Division of Finance (MDOF). Each of the agreements were characterized by regulatory authorities as informal actions that were neither published nor made publicly available by the agencies and are used when circumstances warrant a milder form of action than a formal supervisory action, such as a written agreement or cease and desist order. The memorandum of understanding with the FRB was replaced and superseded by the Agreement. The informal agreement with the MDOF, dated September 18, 2008, was terminated effective September 11, 2013.

While the Company and First Bank intend to take such actions as may be necessary to comply with the requirements of the Agreement with the FRB, there can be no assurance that the Company and First Bank will be able to comply fully with the requirements of the Agreement, that compliance with the Agreement will not be more time consuming or more expensive than anticipated, that compliance with the Agreement will enable the Company and First Bank to maintain profitable operations, or that efforts to comply with the Agreement will not have adverse effects on the operations and financial condition of the Company or First Bank. If the Company or First Bank is unable to comply with the terms of the Agreement, the Company and First Bank could become subject to various requirements limiting the ability to develop new business lines, mandating additional capital, and/or requiring the sale of certain assets and liabilities. Failure of the Company or First Bank to meet these conditions could lead to further enforcement action by the regulatory agencies. The terms of any such additional regulatory actions, orders or agreements could have a materially adverse effect on the Company's business, financial condition or results of operations.

Basel III Regulatory Capital Reforms. In July, 2013, the Federal Reserve approved revisions to the capital adequacy guidelines and prompt corrective action rules that implement the revised standards of the Basel Committee on Banking Supervision, commonly called Basel III, and address relevant provisions of the Dodd-Frank Act. "Basel III" refers to two consultative documents released by the Basel Committee on Banking Supervision in December 2009, the rules text released in December 2010, and loss absorbency rules issued in January 2011, which include significant changes to bank capital, leverage and liquidity requirements. The final rule, *Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Capital Adequacy, Transition Provisions, Prompt Corrective Action, Standardized Approach for Risk-weighted Assets, Market Discipline and Disclosure Requirements, Advanced Approaches Risk-Based Capital Rule, and Market Risk Capital Rule,* incorporates certain revisions to the Basel capital framework, including Basel III and other elements. The final rule increases risk-based capital requirements and makes selected changes to the calculation of risk-weighted assets. The final rule:

- Includes a new minimum common equity Tier 1 capital ratio of 4.5% of risk-weighted assets and raises the minimum Tier 1 capital ratio from 4.0% to 6.0% of risk-weighted assets;
- Requires institutions to maintain a capital conservation buffer composed of common equity Tier 1 capital of 2.5% above the minimum risk-based capital requirements in order to avoid limitations on capital distributions, including dividend payments, payments on our trust preferred securities and certain discretionary bonus payments to executive officers. The capital conservation buffer is measured relative to risk-weighted assets and will be phased in over a four-year period beginning on January 1, 2016 with an initial requirement of 0.625%, that subsequently increases to 1.25%, 1.875% and 2.5% on January 1, 2017, 2018 and 2019, respectively;
- Implements new constraints on the inclusion of minority interests, mortgage servicing assets, deferred tax assets and certain investments in the capital of unconsolidated financial institutions in Tier 1 capital;
- Increases risk-weightings for past-due loans, certain commercial real estate loans and some equity exposures;
- Requires trust preferred securities and cumulative perpetual preferred stock to be phased out of Tier 1 capital for banks with assets greater than $15.0 billion as of December 31, 2009; and
- Allows non-advanced banking organizations, such as us, a one-time option to filter certain accumulated other comprehensive income components, such as unrealized gains and losses on available-for-sale investment securities, out of regulatory capital.

The Company's common equity calculated under GAAP is likely to diverge from the Company's Common Equity Tier 1 Capital as calculated for regulatory purposes. The calculation of Common Equity Tier 1 Capital is different from the calculation of common equity under GAAP. Most significantly for the Company, the Company's deferred tax assets, which are included in the calculation of common equity under GAAP, will be substantially phased out over time from the required calculation of Common Equity Tier 1 Capital for regulatory purposes. The deferred tax assets are scheduled to be substantially phased out from inclusion in the calculation of Common Equity Tier 1 Capital in 2018. Absent a substantial increase in qualifying common equity, the Company is not likely to meet the common equity Tier 1 requirement as it will be calculated in 2015, or to meet the common equity Tier 1 level as it will be calculated in 2016 when the capital conservation buffer goes into

effect. The inability to remain adequately capitalized under the new Basel III capital requirements could materially adversely impact the Company's financial condition, results of operations, ability to grow, and ability to make dividend payments and interest payments on capital stock and trust preferred securities. The Company is in the process of more fully evaluating the impact the final Basel III capital rules may have on its regulatory capital levels and capital planning strategies.

NOTE 15 – FAIR VALUE DISCLOSURES

In accordance with ASC Topic 820, *"Fair Value Measurements and Disclosures,"* financial assets and financial liabilities that are measured at fair value subsequent to initial recognition are grouped into three levels of inputs or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the reliability of assumptions used to determine fair value. The three input levels of the valuation hierarchy are as follows:

Level 1 Inputs – Valuation is based on quoted prices in active markets for identical instruments in active markets.

Level 2 Inputs – Valuation is based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Inputs – Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The following describes valuation methodologies used to measure financial assets and financial liabilities at fair value, as well as the general classification of such financial instruments pursuant to the valuation hierarchy:

Available-for-sale investment securities. Available-for-sale investment securities are recorded at fair value on a recurring basis. Available-for-sale investment securities included in Level 1 are valued using quoted market prices. Where quoted market prices are unavailable, the fair value included in Level 2 is based on quoted market prices of comparable instruments obtained from independent pricing vendors based on recent trading activity and other relevant information.

Loans held for sale. Mortgage loans held for sale are carried at fair value on a recurring basis. The determination of fair value is based on quoted market prices of comparable instruments obtained from independent pricing vendors based on recent trading activity and other relevant information. Other loans held for sale are carried at the lower of cost or market value, which is determined on an individual loan basis. The fair value is based on the prices secondary markets are offering for portfolios with similar characteristics. The Company classifies mortgage loans held for sale subjected to recurring fair value adjustments as recurring Level 2. The Company classifies other loans held for sale subjected to nonrecurring fair value adjustments as nonrecurring Level 2.

Impaired loans. The Company does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses is established. Loans are considered impaired when, in the judgment of management based on current information and events, it is probable that payment of all amounts due under the contractual terms of the loan agreement will not be collected. Acquired impaired loans are classified as nonaccrual loans and are initially measured at fair value with no allocated allowance for loan losses. An allowance for loan losses is recorded to the extent there is further credit deterioration subsequent to the acquisition date. In accordance with ASC Topic 820, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. Once a loan is identified as impaired, management measures the impairment in accordance with ASC Topic 310-10-35, *"Receivables."* Impairment is measured by reference to an observable market price, if one exists, the expected future cash flows of an impaired loan discounted at the loan's effective interest rate, or the fair value of the collateral for a collateral-dependent loan. In most cases, the Company measures fair value based on the value of the collateral securing the loan. Collateral may be in the form of real estate or personal property, including equipment and inventory. The vast majority of the collateral is real estate. The value of the collateral is determined based on third party appraisals as well as internal estimates. These measurements are classified as nonrecurring Level 3.

Other real estate and repossessed assets. Certain other real estate and repossessed assets, upon initial recognition, are re-measured and reported at fair value through a charge-off to the allowance for loan losses based upon the estimated fair value of

the other real estate. The fair value of other real estate, upon initial recognition, is estimated using Level 3 inputs based on third party appraisals, and where applicable, discounted based on management's judgment taking into account current market conditions, distressed or forced sale price comparisons and other factors in effect at the time of valuation. The Company classifies other real estate and repossessed assets subjected to nonrecurring fair value adjustments as Level 3.

Derivative instruments. Substantially all derivative instruments utilized by the Company are traded in over-the-counter markets where quoted market prices are not readily available. Derivative instruments utilized by the Company include interest rate swap agreements, interest rate lock commitments and forward commitments to sell mortgage-backed securities. For these derivative instruments, fair value is based on market observable inputs utilizing pricing systems and valuation models, and where applicable, the values are compared to the market values calculated independently by the respective counterparties. The Company classifies its derivative instruments as Level 2.

Servicing rights. The valuation of mortgage and SBA servicing rights is performed by an independent third party. The valuation models estimate the present value of estimated future net servicing income, using market-based discount rate assumptions, and utilize assumptions based on the predominant risk characteristics of the underlying loans, including principal balance, interest rate, weighted average life, and certain unobservable inputs, including cost to service, estimated prepayment speed rates and default rates. Changes in the fair value of servicing rights occur primarily due to the realization of expected cash flows, as well as changes in valuation inputs and assumptions. Significant increases (decreases) in any of the unobservable inputs would result in a significantly lower (higher) fair value of the servicing rights. The Company classifies its servicing rights as Level 3.

Nonqualified Deferred Compensation Plan. The Company's nonqualified deferred compensation plan is recorded at fair value on a recurring basis. The unfunded plan allows participants to hypothetically invest in various specified investment options such as equity funds, international stock funds, capital appreciation funds, money market funds, bond funds, mid-cap value funds and growth funds. The nonqualified deferred compensation plan liability is valued based on quoted market prices of the underlying investments. The Company classifies its nonqualified deferred compensation plan liability as Level 1.

Items Measured on a Recurring Basis. Assets and liabilities measured at fair value on a recurring basis as of December 31, 2013 and 2012 are reflected in the following table:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Fair Value
	(dollars expressed in thousands)			
December 31, 2013:				
Assets:				
Available-for-sale investment securities:				
U.S. Government sponsored agencies	$ —	275,899	—	275,899
Residential mortgage-backed	—	1,105,787	—	1,105,787
Commercial mortgage-backed	—	856	—	856
State and political subdivisions	—	31,557	—	31,557
Corporate notes	—	196,203	—	196,203
Equity investments	1,443	—	—	1,443
Mortgage loans held for sale	—	25,548	—	25,548
Derivative instruments:				
Interest rate lock commitments	—	217	—	217
Forward commitments to sell mortgage-backed securities	—	296	—	296
Servicing rights	—	—	18,854	18,854
Total	$ 1,443	1,636,363	18,854	1,656,660
Liabilities:				
Nonqualified deferred compensation plan	$ 6,641	—	—	6,641
Total	$ 6,641	—	—	6,641
December 31, 2012:				
Assets:				
Available-for-sale investment securities:				
U.S. Government sponsored agencies	$ —	310,429	—	310,429
Residential mortgage-backed	—	1,534,067	—	1,534,067
Commercial mortgage-backed	—	915	—	915
State and political subdivisions	—	4,929	—	4,929

Corporate notes	—	192,365	—	192,365
Equity investments	1,022	—	—	1,022
Mortgage loans held for sale	—	66,133	—	66,133
Derivative instruments:				
Customer interest rate swap agreements	—	87	—	87
Interest rate lock commitments	—	1,837	—	1,837
Forward commitments to sell mortgage-backed securities	—	(305)	—	(305)
Servicing rights	—	—	14,792	14,792
Total	$ 1,022	2,110,457	14,792	2,126,271
Liabilities:				
Derivative instruments:				
Customer interest rate swap agreements	$ —	87	—	87
Nonqualified deferred compensation plan	6,443	—	—	6,443
Total	$ 6,443	87	—	6,530

There were no transfers between Levels 1 and 2 of the fair value hierarchy for the years ended December 31, 2013 and 2012.

The following table presents the changes in Level 3 assets measured on a recurring basis for the years ended December 31, 2013 and 2012:

	Servicing Rights	
	2013	2012
	(dollars expressed in thousands)	
Balance, beginning of year	$ 14,792	15,380
Total gains or losses (realized/unrealized):		
Included in earnings [1]	439	(5,475)
Included in other comprehensive income (loss)	—	—
Issuances	3,623	4,887
Transfers in and/or out of level 3	—	—
Balance, end of year	$ 18,854	14,792

(1) Gains or losses (realized/unrealized) are included in noninterest income in the consolidated statements of operations.

Items Measured on a Nonrecurring Basis. From time to time, the Company measures certain assets at fair value on a nonrecurring basis. These include assets that are measured at the lower of cost or market value that were recognized at fair value below cost at the end of the period. Assets measured at fair value on a nonrecurring basis as of December 31, 2013 and 2012 are reflected in the following table:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Fair Value
	(dollars expressed in thousands)			
December 31, 2013:				
Assets:				
Impaired loans:				
Commercial, financial and agricultural	$ —	—	10,026	10,026
Real estate construction and development	—	—	4,620	4,620
Real estate mortgage:				
Bank portfolio	—	—	5,532	5,532
Mortgage Division portfolio	—	—	82,944	82,944
Home equity portfolio	—	—	5,889	5,889
Multi-family residential	—	—	27,310	27,310
Commercial real estate	—	—	11,812	11,812
Consumer and installment	—	—	19	19
Other real estate and repossessed assets	—	—	66,702	66,702
Total	$ —	—	214,854	214,854
December 31, 2012:				
Assets:				
Impaired loans:				
Commercial, financial and agricultural	$ —	—	18,374	18,374
Real estate construction and development	—	—	40,731	40,731
Real estate mortgage:				
Bank portfolio	—	—	8,237	8,237

Mortgage Division portfolio	—	—	86,500	86,500
Home equity portfolio	—	—	6,887	6,887
Multi-family residential	—	—	33,863	33,863
Commercial real estate	—	—	26,218	26,218
Consumer and installment	—	—	27	27
Other real estate and repossessed assets	—	—	91,995	91,995
Total	$ —	—	312,832	312,832

Non-Financial Assets and Non-Financial Liabilities. Certain non-financial assets measured at fair value on a nonrecurring basis include other real estate (upon initial recognition or subsequent impairment), non-financial assets and non-financial liabilities measured at fair value in the second step of a goodwill impairment test, and intangible assets and other non-financial long-lived assets measured at fair value for impairment assessment.

Other real estate and repossessed assets measured at fair value upon initial recognition totaled $9.5 million, $24.2 million and $69.9 million for the years ended December 31, 2013, 2012 and 2011, respectively. In addition to other real estate and repossessed assets measured at fair value upon initial recognition, the Company recorded write-downs to the balance of other real estate and repossessed assets of $2.4 million, $14.5 million and $16.9 million to noninterest expense for the years ended December 31, 2013,

2012 and 2011, respectively. Other real estate and repossessed assets were $66.7 million at December 31, 2013 compared to $92.0 million at December 31, 2012.

Fair Value of Financial Instruments. The fair value of financial instruments is management's estimate of the values at which the instruments could be exchanged in a transaction between willing parties. These estimates are subjective and may vary significantly from amounts that would be realized in actual transactions. In addition, other significant assets are not considered financial assets including deferred income tax assets, bank premises and equipment and goodwill. Furthermore, the income taxes that would be incurred if the Company were to realize any of the unrealized gains or unrealized losses indicated between the estimated fair values and corresponding carrying values could have a significant effect on the fair value estimates and have not been considered in any of the estimates.

The following summarizes the methods and assumptions used in estimating the fair value of all other financial instruments:

Cash and cash equivalents and accrued interest receivable. The carrying values reported in the consolidated balance sheets approximate fair value.

Held-to-maturity investment securities. The fair value of held-to-maturity investment securities is based on quoted market prices where available. If quoted market prices are not available, the fair value is based on quoted market prices of comparable instruments. The Company classifies its held-to-maturity investment securities as Level 2.

Loans. The fair value of loans held for portfolio uses an exit price concept and reflects discounts the Company believes are consistent with liquidity discounts in the market place. Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as commercial and industrial, real estate construction and development, commercial real estate, one-to-four-family residential real estate, home equity and consumer and installment. The fair value of loans is estimated by discounting the future cash flows, utilizing assumptions for prepayment estimates over the loans' remaining life and considerations for the current interest rate environment compared to the weighted average rate of the loan portfolio. The fair value analysis also includes other assumptions to estimate fair value, intended to approximate those factors a market participant would use in an orderly transaction, with adjustments for discount rates, interest rates, liquidity, and credit spreads, as appropriate. The Company classifies its loans held for portfolio as Level 3.

FRB and FHLB stock. The carrying values reported in the consolidated balance sheets for FRB and FHLB stock, which are carried at cost, represent redemption value and approximate fair value.

Assets of discontinued operations. The carrying values reported in the consolidated balance sheets for assets of discontinued operations approximate fair value. The Company classifies its assets of discontinued operations as Level 2.

Deposits. The fair value of deposits payable on demand with no stated maturity (i.e., noninterest-bearing and interest-bearing demand, and savings and money market accounts) is considered equal to their respective carrying amounts as reported in the consolidated balance sheets. The fair value of demand deposits does not include the benefit that results from the low-cost funding provided by deposit liabilities compared to the cost of borrowing funds in the market. The fair value disclosed for time deposits is estimated utilizing a discounted cash flow calculation that applies interest rates currently being offered on similar deposits to a schedule of aggregated monthly maturities of time deposits. If the estimated fair value is lower than the carrying value, the carrying value is reported as the fair value of time deposits. The Company classifies its time deposits as Level 3.

Other borrowings and accrued interest payable. The carrying values reported in the consolidated balance sheets for variable rate borrowings approximate fair value. The fair value of fixed rate borrowings is based on quoted market prices where available. If quoted market prices are not available, the fair value is based on discounting contractual maturities using an estimate of current market rates for similar instruments. The Company classifies its other borrowings, comprised of securities sold under agreement to repurchase, as Level 1. The carrying values reported in the consolidated balance sheets for accrued

interest payable approximate fair value.

Subordinated debentures. The fair value of subordinated debentures is based on quoted market prices of comparable instruments. The Company classifies its subordinated debentures as Level 3.

Liabilities of discontinued operations. The fair value of liabilities of discontinued operations reflects the negotiated purchase price at which the liabilities could be exchanged in a transaction between willing parties, as further described in Note 2 to the consolidated financial statements. The Company classifies its liabilities of discontinued operations as Level 2.

Off-Balance Sheet Financial Instruments. The fair value of commitments to extend credit, standby letters of credit and financial guarantees is based on estimated probable credit losses. The Company classifies its off-balance sheet financial instruments as Level 3.

FIRST BANKS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The estimated fair value of the Company's financial instruments at December 31, 2013 and 2012 were as follows:

	December 31, 2013				
	Carrying Value	Estimated Fair Value			
		Level 1	Level 2	Level 3	Total
	(dollars expressed in thousands)				
Financial Assets:					
Cash and cash equivalents	$ 190,435	190,435	—	—	190,435
Investment securities:					
Available for sale	1,611,745	1,443	1,610,302	—	1,611,745
Held to maturity	740,186	—	719,183	—	719,183
Loans held for portfolio	2,750,514	—	—	2,562,160	2,562,160
Loans held for sale	25,548	—	25,548	—	25,548
FRB and FHLB stock	27,357	27,357	—	—	27,357
Derivative instruments	513	—	513	—	513
Accrued interest receivable	17,798	17,798	—	—	17,798
Financial Liabilities:					
Deposits:					
Noninterest-bearing demand	$ 1,243,545	1,243,545	—	—	1,243,545
Interest-bearing demand	679,527	679,527	—	—	679,527
Savings and money market	1,844,710	1,844,710	—	—	1,844,710
Time deposits	1,046,113	—	—	1,046,485	1,046,485
Other borrowings	43,143	43,143	—	—	43,143
Accrued interest payable	63,341	63,341	—	—	63,341
Subordinated debentures	354,210	—	—	242,678	242,678
Off-Balance Sheet Financial Instruments:					
Commitments to extend credit, standby letters of credit and financial guarantees	$ (2,715)	—	—	(2,715)	(2,715)

	December 31, 2012				
	Carrying Value	Estimated Fair Value			
		Level 1	Level 2	Level 3	Total
	(dollars expressed in thousands)				
Financial Assets:					
Cash and cash equivalents	$ 518,846	518,846	—	—	518,846
Investment securities:					
Available for sale	2,043,727	1,022	2,042,705	—	2,043,727
Held to maturity	631,553	—	637,024	—	637,024
Loans held for portfolio	2,773,012	—	—	2,572,256	2,572,256
Loans held for sale	66,133	—	66,133	—	66,133
FRB and FHLB stock	27,329	27,329	—	—	27,329
Derivative instruments	1,619	—	1,619	—	1,619
Accrued interest receivable	18,284	18,284	—	—	18,284
Assets of discontinued operations	6,796		6,796		6,796

Financial Liabilities:					
Deposits:					
Noninterest-bearing demand	$ 1,327,183	1,327,183	—	—	1,327,183
Interest-bearing demand	1,000,666	1,000,666	—	—	1,000,666
Savings and money market	1,880,271	1,880,271	—	—	1,880,271
Time deposits	1,284,727	—	—	1,286,730	1,286,730
Other borrowings	26,025	26,025	—	—	26,025
Derivative instruments	87	—	87	—	87
Accrued interest payable	48,541	48,541	—	—	48,541
Subordinated debentures	354,133	—	—	254,984	254,984
Liabilities of discontinued operations	155,711	—	155,711	—	155,711
Off-Balance Sheet Financial Instruments:					
Commitments to extend credit, standby letters of credit and financial guarantees	$ (2,779)	—	—	(2,779)	(2,779)

NOTE 16 – CREDIT COMMITMENTS

The Company is a party to commitments to extend credit and commercial and standby letters of credit in the normal course of business to meet the financing needs of its customers. These instruments involve, in varying degrees, elements of credit risk and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The interest rate risk associated with these credit commitments relates primarily to the commitments to originate fixed-rate loans. As more fully described in Note 8 to the consolidated financial statements, the interest rate risk of the commitments to originate fixed-rate loans has been hedged with forward commitments to sell mortgage-backed securities. The credit risk amounts are equal to the contractual amounts, assuming the amounts are fully advanced and the collateral or other security is of no value. The Company uses the same credit policies in granting commitments and conditional obligations as it does for on-balance sheet items.

Commitments to extend fixed and variable rate credit, and commercial and standby letters of credit, at December 31, 2013 and 2012 were as follows:

	December 31,	
	2013	2012
	(dollars expressed in thousands)	
Commitments to extend credit	$ 766,442	667,215
Commercial and standby letters of credit	46,680	59,075
Total	$ 813,122	726,290

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant, equipment, income-producing commercial properties or single-family residential properties. In the event of nonperformance, the Company may obtain and liquidate the collateral to recover amounts paid under its guarantees on these financial instruments.

Commercial and standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. The letters of credit are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. Most letters of credit extend for less than one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Upon issuance of the commitments, the Company typically holds marketable securities, certificates of deposit, inventory, real property or other assets as collateral supporting those commitments for which collateral is deemed necessary. The standby letters of credit at December 31, 2013 expire, at various dates, within five years.

Standby letters of credit issued by the FHLB on First Bank's behalf were $25.9 million and $25.0 million at December 31, 2013 and 2012, respectively.

The reserve for letters of credit and unfunded loan commitments was $2.7 million and $2.8 million at December 31, 2013 and 2012.

NOTE 17 – INCOME TAXES

The (benefit) provision for income taxes from continuing operations for the years ended December 31, 2013, 2012 and 2011 consists of the following:

	2013	2012	2011
	(dollars expressed in thousands)		
Current (benefit) provision for income taxes:			
Federal	$ 3	—	902
State	(244)	(32)	(721)
	(241)	(32)	181
Deferred benefit for income taxes:			
Federal	44,068	6,766	(15,104)
State	(1,275)	1,253	(7,187)
	42,793	8,019	(22,291)
(Decrease) increase in deferred tax asset valuation allowance	(331,053)	(8,126)	11,456
Total	$ (288,501)	(139)	(10,654)

The effective rates of federal income taxes for the years ended December 31, 2013, 2012 and 2011 differ from the federal statutory rates of taxation as follows:

	Years Ended December 31,					
	2013		2012		2011	
	Amount	Percent	Amount	Percent	Amount	Percent
	(dollars expressed in thousands)					
Income (loss) from continuing operations before benefit for income taxes and net income (loss) attributable to noncontrolling interest in subsidiary	$ (67,801)		$ 34,663		$ (45,360)	
Provision (benefit) for income taxes calculated at federal statutory income tax rates	$ (23,730)	35.0 %	$ 12,132	35.0 %	$ (15,876)	35.0 %
Effects of differences in tax reporting:						
Tax-exempt interest income, net of tax preference adjustment	(117)	0.2	(135)	(0.4)	(203)	0.4
State income taxes	(1,098)	1.6	795	2.3	(4,667)	10.3
Bank owned life insurance, net of premium	516	(0.8)	11	—	10	—
Noncontrolling investment in flow-through entity	(63)	0.1	104	0.3	1,033	(2.3)
Goodwill impairment and amortization of intangibles	37,544	(55.4)	—	—	175	(0.3)
(Decrease) increase in deferred tax asset valuation allowance, net of federal benefit	(311,537)	459.5	(13,112)	(37.9)	19,456	(42.9)
Reclassification of deferred tax asset valuation allowance from accumulated other comprehensive income to provision for income taxes	10,547	(15.6)	—	—	(10,466)	23.1
Expiration of net operating loss carryforwards	3	—	643	1.9	34	—
Other, net	(566)	0.9	(577)	(1.6)	(150)	0.2
Benefit for income taxes	$(288,501)	425.5 %	$ (139)	(0.4)%	$ (10,654)	23.5 %

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2013 and 2012 were as follows:

	December 31,	
	2013	2012
	(dollars expressed in thousands)	
Deferred tax assets:		
Federal net operating loss carryforwards	$ 200,139	209,190
State net operating loss carryforwards	66,578	65,882
Allowance for loan losses	35,354	37,825
Loans held for sale	2,341	2,032
Alternative minimum and general business tax credits	20,830	19,146
Interest on nonaccrual loans	9,078	12,551
Deferred compensation	4,070	3,573
Core deposit intangibles	2,493	2,706
Partnership and corporate investments	5,945	7,908
Deferred loan charge-offs and other fraud losses	1,426	4,341
Other real estate and repossessed assets	15,893	22,666
Accrued contingent liabilities	1,908	2,870
Depreciation on bank premises and equipment	—	1,202
State taxes	(19,325)	682
Other	12,531	12,692
Gross deferred tax assets	359,261	405,266
Valuation allowance	(43,380)	(376,224)
Deferred tax assets, net of valuation allowance	315,881	29,042
Deferred tax liabilities:		
Servicing rights	4,655	2,632
Net fair value adjustment for available-for-sale investment securities	1,055	21,214
Deferred gain on reclassification of investment securities from available for sale to held to maturity	4,988	4,265
Equity investments	5,683	5,364
Thrift base year tax bad debt reserve	10,605	—
Net deferred loan fees	1,870	1,903
Depreciation on bank premises and equipment	(1,561)	—
Other	1,102	804
Deferred tax liabilities	28,397	36,182
Net deferred tax assets (liabilities)	$ 287,484	(7,140)

The realization of the Company's net deferred tax assets is based on the expectation of future taxable income and the utilization of tax planning strategies. The Company had a full valuation allowance against its net deferred tax assets at December 31, 2012. The deferred tax asset valuation allowance was recorded in accordance with ASC Topic 740, "*Income Taxes*." Under ASC Topic 740, the Company is required to assess whether it is more likely than not that some portion or all of its deferred tax assets will not be realized. Pursuant to ASC Topic 740, concluding that a deferred tax asset valuation allowance is not required is difficult when there is significant evidence which is objective and verifiable, such as the lack of recoverable taxes, excess of reversing deductible differences over reversing taxable differences and cumulative losses in recent years.

In evaluating the ability to recover deferred tax assets within the jurisdiction from which they arise, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and results of recent operations. In projecting future taxable income, the Company begins with historical results adjusted for the results of discontinued operations and changes in accounting policies and incorporates assumptions including the amount of future state and federal pre-tax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts and future taxable income and are consistent with the plans and estimates management uses to manage the underlying business.

After analysis of all available positive and negative evidence, the Company reversed substantially all of its valuation allowance against its net deferred tax assets, which was reflected as a benefit for income taxes in the consolidated statements of operations and as an adjustment to accumulated other comprehensive income of $319.1 million and $6.1 million, respectively, for the year ended December 31, 2013. The Company concluded that, as of December 31, 2013, it was more likely than not that substantially all of its net deferred tax assets would be realized in future years. This conclusion was primarily based on projected future taxable income, in addition to cumulative earnings resulting from eight consecutive quarters of profitability (excluding the goodwill impairment charge recognized during the fourth quarter of 2013), significant improvement in asset quality metrics and certain

other relevant factors. If the Company's estimate of realizability of its net deferred tax assets changes in the future, an adjustment to the valuation allowance would be recorded, which would either increase or decrease income tax expense in such period.

The valuation allowance reserves for certain state net operating loss carryovers, federal and state tax credits and capital loss carryovers which are projected to expire prior to their utilization, based upon projected taxable income at December 31, 2013. The Company has reserved for this benefit in its valuation allowance but will continue to evaluate the potential future utilization of these items and will record an adjustment to the valuation allowance in the period a change is warranted.

Changes in the deferred tax asset valuation allowance for the years ended December 31, 2013, 2012 and 2011 were as follows:

	2013	2012	2011
	(dollars expressed in thousands)		
Balance, beginning of year	$ 376,224	391,629	370,125
Reversal of deferred tax asset valuation allowance to provision for income taxes	(319,142)	(643)	(115)
(Decrease) increase in deferred tax asset valuation allowance to provision for income taxes	(27,319)	(468)	31,621
Increase (decrease) in deferred tax asset valuation allowance to accumulated other comprehensive income	13,617	(14,294)	(10,002)
Balance, end of year	$ 43,380	376,224	391,629

At December 31, 2013 and 2012, the Company's unrecognized tax benefits for uncertain tax positions, excluding interest and penalties, were $881,000 and $1.1 million, respectively. A reconciliation of the beginning and ending balance of these unrecognized tax benefits for the years ended December 31, 2013 and 2012 is as follows:

	2013	2012
	(dollars expressed in thousands)	
Balance, beginning of year	$ 1,126	1,194
Additions:		
Tax positions taken during the current year	90	217
Tax positions taken during the prior year	—	—
Reductions:		
Tax positions taken during the prior year	(335)	(14)
Lapse of statute of limitations	—	(271)
Balance, end of year	$ 881	1,126

At December 31, 2013 and 2012, the total amount of unrecognized tax benefits that would affect the provision for income taxes, prior to the consideration of the deferred tax asset valuation allowance, was $580,000 and $740,000, respectively. It is the Company's policy to separately disclose any interest or penalties arising from the application of federal or state income taxes. Interest related to unrecognized tax benefits is included in interest expense and penalties related to unrecognized tax benefits are included in noninterest expense. At December 31, 2013 and 2012, interest accrued for uncertain tax positions was $144,000 and $116,000, respectively. The Company recorded interest expense of $28,000 for the year ended December 31, 2013, compared to a reduction to interest expense of $20,000 and $44,000 related to unrecognized tax benefits for the years ended December 31, 2012 and 2011, respectively. There were no penalties for uncertain tax positions accrued at December 31, 2013 and 2012, nor did the Company recognize any expense for such penalties in 2013, 2012 and 2011.

The Company continually evaluates the unrecognized tax benefits associated with its uncertain tax positions. It is reasonably possible that the total unrecognized tax benefits as of December 31, 2013 could decrease by approximately $376,000 by December 31, 2014 as a result of the lapse of statutes of limitations or potential settlements with the federal and state taxing authorities, of which the impact to the provision for income taxes, prior to the consideration of the deferred tax asset valuation allowance, is estimated to be approximately $252,000.

The Company files consolidated and separate income tax returns in the U.S. federal jurisdiction and in various state jurisdictions. Management of the Company believes the accrual for tax liabilities is adequate for all open audit years based on its assessment of many factors, including past experience and interpretations of tax law applied to the facts of each matter. This assessment relies on estimates and assumptions. The Company's federal income tax returns through 2008 have been examined by the IRS. Years subsequent to 2008 could contain matters that could be subject to differing interpretations of applicable tax laws and regulations as they relate to the amount, timing or inclusion of revenue and expenses. The Company has recorded a tax benefit only for those positions that meet the "more likely than not" standard. The Company's current estimate of the resolution of various state examinations, none of which are in process, is reflected in accrued income taxes; however, final settlement of the examinations or changes in the Company's estimate may result in future income tax expense or benefit.

The Company is no longer subject to U.S. federal and Illinois income tax examination for the years prior to 2009 and is no longer subject to California, Florida, Missouri and various other state income tax examination by the tax authorities for the years prior to 2008. The Company had a federal tax examination for tax years through 2008, which was closed during 2010, and a California

tax examination for the 2004 and 2005 tax years, which was closed during 2008. An Illinois tax examination of the 2007 and 2008 tax years was completed during 2011 with no changes to the returns as originally filed. A California tax examination for the 2005 and 2006 tax years was completed during 2012 with no changes to the amended returns as filed. A Texas tax examination for the 2007 and 2008 tax years was completed during 2013, which resulted in minor changes to the returns as originally filed. While the statute of limitations for the 2008 and 2009 tax years has expired for the majority of the states in which the Company is subject to income tax, the Company generated net operating loss carryforwards in 2008 and 2009 which, if realized, are subject to examination in order to validate the net operating loss carryforward. Thus, while closed, the 2008 and 2009 tax years for these states are still subject to examination. The statute of limitations will expire for 2008 and 2009 when the statute of limitations expires for the year the net operating loss carryforward is realized.

The Company recorded a benefit for income taxes of $10.5 million during the year ended December 31, 2011 related to an intraperiod tax allocation between other comprehensive income and loss from continuing operations, primarily driven by market appreciation in the Company's investment securities portfolio.

At December 31, 2013 and 2012, the accumulation of prior years' earnings representing tax bad debt deductions was $29.8 million. If these tax bad debt reserves were charged for losses other than bad debt losses, the Company would be required to recognize taxable income in the amount of the charge. Effective December 31, 2013, the Company recorded a deferred tax liability in the amount of $10.6 million as it is projected that First Bank will make a nondividend distribution to the Company in the near future. Nondividend distributions include distributions in excess of First Bank's current and accumulated earnings and profits, as calculated for federal income tax purposes, distributions in redemption of stock and distributions in partial or complete liquidation. The non-dividend distribution will be considered to have been made from First Bank's unrecaptured tax bad debt reserve. To the extent the distribution is made from these reserves, the nondividend distribution will be included in First Bank's taxable income in the year of the distribution.

At December 31, 2013 and 2012, for federal income tax purposes, the Company had net operating loss carryforwards of approximately $571.8 million and $597.7 million, respectively. At December 31, 2013, the Company's federal net operating loss carryforwards expire as follows:

	(dollars expressed in thousands)
Year ending December 31:	
2021	$ 2,919
2022	2,386
2023 – 2026	17,814
2027 – 2032	548,707
Total	$ 571,826

At December 31, 2013 and 2012, for state income tax purposes, the Company had net operating loss carryforwards of approximately $785.4 million and $786.4 million, respectively, and a related deferred tax asset of $66.6 million and $65.9 million, respectively. The state net operating loss carryforwards are primarily from the states of California, Florida, Illinois and Missouri ("Footprint States"). At December 31, 2013, the Company's state net operating loss carryforwards expire as follows:

	State Net Operating Losses (Footprint States)	State Net Operating Losses (Other States)	State Net Operating Losses
	(dollars expressed in thousands)		
Year ending December 31:			
2014	$ —	154	154
2015	16,822	291	17,113
2016	13,028	252	13,280
2017	1,372	272	1,644
2018	549	261	810

2019 – 2026	175,144	3,320	178,464
2027 – 2032	570,594	3,301	573,895
Total	$ 777,509	7,851	785,360

NOTE 18 – EARNINGS (LOSS) PER COMMON SHARE

The following is a reconciliation of basic and diluted earnings (loss) per share for the years ended December 31, 2013, 2012 and 2011:

	Years Ended December 31,		
	2013	2012	2011
	(dollars in thousands, except share and per share data)		
Basic:			
Net income (loss) from continuing operations attributable to First Banks, Inc.	$ 220,521	35,099	(31,756)
Preferred stock dividends declared	(15,869)	(18,886)	(17,908)
Accretion of discount on preferred stock	(3,643)	(3,554)	(3,466)
Net income (loss) from continuing operations attributable to common stockholders	201,009	12,659	(53,130)
Net income (loss) from discontinued operations attributable to common stockholders	21,223	(8,821)	(9,394)
Net income (loss) available to First Banks, Inc. common stockholders	$ 222,232	3,838	(62,524)
Weighted average shares of common stock outstanding	23,661	23,661	23,661
Basic earnings (loss) per common share – continuing operations	$ 8,495.35	535.03	(2,245.44)
Basic earnings (loss) per common share – discontinued operations	$ 896.96	(372.81)	(397.02)
Basic earnings (loss) per common share	$ 9,392.31	162.22	(2,642.46)
Diluted:			
Net income (loss) from continuing operations attributable to common stockholders	$ 201,009	12,659	(53,130)
Net income (loss) from discontinued operations attributable to common stockholders	21,223	(8,821)	(9,394)
Net income (loss) available to First Banks, Inc. common stockholders	222,232	3,838	(62,524)
Effect of dilutive securities – Class A convertible preferred stock	—	—	—
Diluted income (loss) available to First Banks, Inc. common stockholders	$ 222,232	3,838	(62,524)
Weighted average shares of common stock outstanding	23,661	23,661	23,661
Effect of dilutive securities – Class A convertible preferred stock	—	—	—
Weighted average diluted shares of common stock outstanding	23,661	23,661	23,661
Diluted earnings (loss) per common share – continuing operations	$ 8,495.35	535.03	(2,245.44)
Diluted earnings (loss) per common share – discontinued operations	$ 896.96	(372.81)	(397.02)
Diluted earnings (loss) per common share	$ 9,392.31	162.22	(2,642.46)

NOTE 19 – BUSINESS SEGMENT RESULTS

The Company's business segment is First Bank. The reportable business segment is consistent with the management structure of the Company, First Bank and the internal reporting system that monitors performance. First Bank provides similar products and services in its defined geographic areas through its branch network. The products and services offered include a broad range of commercial and personal deposit products, including demand, savings, money market and time deposit accounts. In addition, First Bank markets combined basic services for various customer groups, including packaged accounts for more affluent customers, and sweep accounts, lock-box deposits and cash management products for commercial customers. First

Bank also offers consumer and commercial loans. Consumer lending includes residential real estate, home equity and installment lending. Commercial lending includes commercial, financial and agricultural loans, real estate construction and development loans, commercial real estate loans and small business lending. Other financial services include mortgage banking, debit cards, brokerage services, internet banking, remote deposit, mobile banking, ATMs, telephone banking, safe deposit boxes, and trust and private banking services. The revenues generated by First Bank and its subsidiaries consist primarily of interest income generated from the loan and investment security portfolios, service charges and fees generated from deposit products and services, and fees generated by the Company's mortgage banking and trust and private banking business units. The Company's products and services are offered to customers primarily within its geographic areas, which include eastern Missouri, southern Illinois, southern and northern California, and Florida's Bradenton, Palmetto and Longboat Key communities. Certain loan products are available nationwide.

FIRST BANKS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The business segment results are consistent with the Company's internal reporting system and, in all material respects, with GAAP and practices predominant in the banking industry. Such principles and practices are summarized in Note 1 to the consolidated financial statements. The business segment results are summarized as follows:

	First Bank			Corporate, Other and Intercompany Reclassifications			Consolidated Totals		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
	(dollars expressed in thousands)								
Balance sheet information:									
Investment securities	$ 2,351,931	2,675,280	2,470,704	—	—	—	2,351,931	2,675,280	2,470,704
Total loans	2,857,095	2,930,747	3,284,279	—	—	—	2,857,095	2,930,747	3,284,279
FRB and FHLB stock	27,357	27,329	27,078	—	—	—	27,357	27,329	27,078
Goodwill	—	125,267	125,267	—	—	—	—	125,267	125,267
Assets of discontinued operations	—	6,706	6,913	—	—	—	—	6,706	6,913
Total assets	5,865,160	6,495,226	6,593,515	53,823	13,900	15,398	5,918,983	6,509,126	6,608,913
Deposits	4,815,792	5,495,624	5,625,889	(1,897)	(2,777)	(2,834)	4,813,895	5,492,847	5,623,055
Other borrowings	43,143	26,025	51,170	—	—	—	43,143	26,025	51,170
Subordinated debentures	—	—	—	354,210	354,133	354,057	354,210	354,133	354,057
Liabilities of discontinued operations	—	155,711	174,737	—	—	—	—	155,711	174,737
Stockholders' equity	931,561	751,252	680,625	(443,305)	(451,293)	(416,954)	488,256	299,959	263,671

	First Bank			Corporate, Other and Intercompany Reclassifications			Consolidated Totals		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
	(dollars expressed in thousands)								
Income statement information:									
Interest income	$ 172,810	200,682	230,974	—	121	85	172,810	200,803	231,059
Interest expense	9,054	14,773	30,026	15,050	14,838	13,612	24,104	29,611	43,638
Net interest income (loss)	163,756	185,909	200,948	(15,050)	(14,717)	(13,527)	148,706	171,192	187,421
Provision (benefit) for loan losses	(5,000)	2,000	69,000	—	—	—	(5,000)	2,000	69,000
Net interest income (loss) after provision (benefit) for loan losses	168,756	183,909	131,948	(15,050)	(14,717)	(13,527)	153,706	169,192	118,421
Noninterest income	64,666	65,573	61,705	454	405	219	65,120	65,978	61,924
Goodwill impairment	107,267	—	—	—	—	—	107,267	—	—
Amortization of intangible assets	—	—	3,024	—	—	—	—	—	3,024
Other noninterest expense	178,450	198,997	223,059	910	1,510	(378)	179,360	200,507	222,681
(Loss) income from continuing operations before (benefit) provision for income taxes	(52,295)	50,485	(32,430)	(15,506)	(15,822)	(12,930)	(67,801)	34,663	(45,360)
(Benefit) provision for income taxes	(249,137)	230	(10,608)	(39,364)	(369)	(46)	(288,501)	(139)	(10,654)
Net income (loss) from continuing operations, net of tax	196,842	50,255	(21,822)	23,858	(15,453)	(12,884)	220,700	34,802	(34,706)
Income (loss) from discontinued operations, net of tax	21,223	(8,821)	(9,394)	—	—	—	21,223	(8,821)	(9,394)
Net income (loss)	218,065	41,434	(31,216)	23,858	(15,453)	(12,884)	241,923	25,981	(44,100)
Net income (loss) attributable to noncontrolling interest in subsidiary	179	(297)	(2,950)	—	—	—	179	(297)	(2,950)
Net income (loss) attributable to First Banks, Inc.	$ 217,886	41,731	(28,266)	23,858	(15,453)	(12,884)	241,744	26,278	(41,150)

NOTE 20 – TRANSACTIONS WITH RELATED PARTIES

Outside of normal customer relationships, no directors or officers of the Company, no shareholders holding over 5% of the Company's voting securities and no corporations or firms with which such persons or entities are associated currently maintain or have maintained, since the beginning of the last full fiscal year, any significant business or personal relationships with the Company or its subsidiaries, other than that which arises by virtue of such position or ownership interest in the Company or its subsidiaries, except as described in the following paragraphs.

First Services, L.P. First Services, L.P. (First Services), a limited partnership indirectly owned by the Company's Chairman and members of his immediate family, including Mr. Michael Dierberg, Vice Chairman of the Company, provides information technology, item processing and various related services to the Company and First Bank. Fees paid under agreements with First Services were $20.1 million, $21.1 million and $24.5 million for the years ended December 31, 2013, 2012 and 2011, respectively. First Services leases information technology and other equipment from First Bank. First Services paid First Bank rental fees for the use of such equipment of $1.1 million, $1.3 million and $1.9 million during the years ended December 31, 2013, 2012 and 2011, respectively. In addition, First Services paid $1.7 million, $1.8 million and $1.8 million for the years ended December 31, 2013, 2012 and 2011, respectively, in rental payments to First Bank for occupancy of certain First Bank premises from which business is conducted.

First Services has an Affiliate Services Agreement with the Company and First Bank that relates to various services provided to First Services, including certain human resources, payroll, employee benefit and training services, accounting services, insurance services, vendor payment processing services and advisory services. Fees accrued under the Affiliate Services Agreement by First Services were $284,000, $183,000 and $177,000 for the years ended December 31, 2013, 2012 and 2011, respectively.

First Brokerage America, L.L.C. First Brokerage America, L.L.C. (First Brokerage), a limited liability company indirectly owned by the Company's Chairman and members of his immediate family, including Mr. Michael Dierberg, Vice Chairman of the Company, received approximately $4.5 million, $4.3 million and $5.3 million for the years ended December 31, 2013, 2012 and 2011, respectively, in gross commissions paid by unaffiliated third-party companies. The commissions received primarily resulted from sales of annuities, securities and other insurance products to customers of First Bank. First Brokerage paid approximately $438,000, $401,000 and $491,000 for the years ended December 31, 2013, 2012 and 2011, respectively, to First Bank in rental payments for occupancy of certain First Bank premises from which brokerage business is conducted.

Dierberg Vineyards / Wineries. The Company periodically purchases various products from Hermannhof, Inc. and Dierberg Star Lane Vineyards, entities that are owned and operated by the Company's Chairman and members of his immediate family, including Mr. Michael Dierberg, Vice Chairman of the Company. The Company utilizes these products primarily for customer and employee events and promotions, and business development functions. During the year ended December 31, 2013, the Company purchased products aggregating approximately $129,000 from these entities.

Dierbergs Markets, Inc. First Bank leases certain of its in-store branch offices and automated teller machine (ATM) sites from Dierbergs Markets, Inc., a grocery store chain headquartered in St. Louis, Missouri that is owned and operated by the brother of the Company's Chairman and members of his immediate family. Total rent expense incurred by First Bank under the lease obligation contracts was $491,000, $498,000 and $474,000 for the years ended December 31, 2013, 2012 and 2011, respectively.

First Capital America, Inc. / FB Holdings, LLC. The Company formed FB Holdings, a limited liability company organized in the state of Missouri, in May 2008. FB Holdings operates as a majority-owned subsidiary of First Bank and was formed for the primary purpose of holding and managing certain nonperforming loans and assets to allow the liquidation of such assets at a time that is more economically advantageous to First Bank and to permit an efficient vehicle for the investment of additional capital by the Company's sole owner of its Class A and Class B preferred stock. First Bank contributed cash of $9.0 million and nonperforming loans and assets with a fair value of approximately $133.3 million and FCA, a corporation owned by the

Company's Chairman and members of his immediate family, contributed cash of $125.0 million to FB Holdings during 2008. As a result, First Bank owned 53.23% and FCA owned the remaining 46.77% of FB Holdings as of December 31, 2013. The contribution of cash by FCA is reflected as a component of stockholders' equity in the consolidated balance sheets and, consequently, increased the Company's and First Bank's regulatory capital ratios under then-existing regulatory guidelines, subject to certain limitations.

FB Holdings receives various services provided by First Bank, including loan servicing and special assets services as well as various other financial, legal, human resources and property management services. Fees paid under the agreement by FB Holdings to First Bank were $22,000, $124,000 and $194,000 for the years ended December 31, 2013, 2012 and 2011, respectively.

Investors of America Limited Partnership. On March 20, 2013, the Company entered into a $5.0 million Credit Agreement with Investors of America, LP, as further described in Note 11 to the consolidated financial statements. Investors of America, LP is a Nevada limited partnership that was created by and for the benefit of the Company's Chairman and members of his immediate

family, including Mr. Michael Dierberg, Vice Chairman of the Company. The borrowing arrangement has a maturity date of March 31, 2014. There have been no balances outstanding under the Credit Agreement since its inception.

Loans to Directors and/or their Affiliates. First Bank has had in the past, and may have in the future, loan transactions in the ordinary course of business with its directors and/or their affiliates. These loan transactions have been made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unaffiliated persons and did not involve more than the normal risk of collectability or present other unfavorable features. Loans to directors, their affiliates and executive officers of the Company were $12.0 million and $9.1 million at December 31, 2013 and 2012, respectively. First Bank does not extend credit to its officers or to officers of the Company, except extensions of credit secured by mortgages on personal residences, loans to purchase automobiles, personal credit card accounts and deposit account overdraft protection under a plan whereby a credit limit has been established in accordance with First Bank's standard credit criteria.

Depositary Accounts of Directors and/or their Affiliates. Certain directors and/or their affiliates maintain funds on deposit with First Bank in the ordinary course of business. These deposit transactions include demand, savings and time accounts, and have been established on the same terms, including interest rates, as those prevailing at the time for comparable transactions with unaffiliated persons.

NOTE 21 – EMPLOYEE BENEFITS

401(k) Plan. The Company's 401(k) plan is a self-administered savings and incentive plan covering substantially all employees. Employer match contributions are determined annually under the plan by the Company's Board of Directors. Employee contributions were limited to $17,500 of gross compensation for 2013. Employer contributions under the plan were $2.3 million for the years ended December 31, 2013, 2012 and 2011. The plan assets are held and managed under a trust agreement with First Bank's trust department.

Nonqualified Deferred Compensation Plan. The Company's nonqualified deferred compensation plan (the NQDC Plan), which covers a select group of employees, is administered by an independent third party. The NQDC Plan is exempt from the participation, vesting, funding and fiduciary requirements of the Employee Retirement Income Security Act of 1974. Although the NQDC Plan allows the Company to credit the accounts of any participant with discretionary contributions, no such discretionary contributions have been made since the NQDC Plan's inception. Participants may contribute from 1% to 25% of their salary and up to 100% of their bonuses on a pre-tax basis. The Company elected to suspend the availability of deferrals under the NQDC Plan for the year ended December 31, 2011 but reinstated the availability of such deferrals beginning in January, 2012.

Balances outstanding under the NQDC Plan, which are reflected in accrued and other liabilities in the consolidated balance sheets, were $6.6 million and $6.4 million at December 31, 2013 and 2012, respectively. The Company recognized salaries and employee benefits expense related to the NQDC Plan of $962,000 and $614,000 for the years ended December 31, 2013 and 2012, respectively, resulting from net earnings incurred by participants on the underlying investments in the plan. The Company recognized a decrease in salaries and employee benefits expense related to the NQDC Plan of $64,000 for the year ended December 31, 2011 resulting from net losses incurred by participants on the underlying investments in the plan.

Noncontributory Defined Benefit Pension Plan. The Company has a noncontributory defined benefit pension plan covering certain former employees of a bank holding company acquired by the Company in 1994 and subsequently merged with and into the Company on December 31, 2002. The Company discontinued the accumulation of benefits under the Plan in 1994, and as such, there is no longer any service cost being accrued by Plan participants.

A summary of the Plan's change in the projected benefit obligation and change in the fair value of Plan assets for the years ended December 31, 2013 and 2012 and amounts recognized in the Company's consolidated balance sheets as of December 31, 2013 and 2012 is as follows:

	2013	2012
	(dollars expressed in thousands)	
Change in Projected Benefit Obligation:		
Projected benefit obligation at beginning of year	$ 13,987	12,467
Interest cost	449	516
Actuarial loss	(1,100)	1,765
Benefit payments	(843)	(761)
Projected benefit obligation at end of year	$ 12,493	13,987
Change in Fair Value of Plan Assets:		
Fair value at beginning of year	$ 9,419	8,848
Actual return on plan assets	1,014	666
Employer contributions	256	666
Benefit payments	(843)	(761)
Fair value at end of year	$ 9,846	9,419
Amount Recognized in Consolidated Balance Sheets:		
Accrued pension liability	$ 2,647	4,568
Amounts Recognized in Accumulated Other Comprehensive Income:		
Loss	$ (4,162)	(5,940)
Deferred tax liability	1,513	2,396
Loss, net of tax	$ (2,649)	(3,544)

The Company's accrued pension liability of $2.6 million and $4.6 million at December 31, 2013 and 2012, respectively, represents the difference between the fair value of the Plan assets and the projected benefit obligation of the Plan, and is reflected in accrued expenses and other liabilities in the consolidated balance sheets.

The following table reflects the weighted average assumptions used to determine the net periodic benefit cost for the years ended December 31, 2013 and 2012:

	2013	2012
Discount rate	3.31%	4.28%
Expected long-term rate of return on Plan assets	6.00	7.00

The discount rate used to determine benefit obligations was 4.24% and 3.31% for the years ended December 31, 2013 and 2012, respectively.

A summary of the components of net periodic benefit cost for the years ended December 31, 2013 and 2012 is as follows:

	2013	2012
	(dollars expressed in thousands)	
Interest cost	$ 449	516
Expected return on Plan assets	(551)	(617)
Amortization of net actuarial loss	216	145
Net periodic benefit cost	$ 114	44

Amounts recognized in accumulated other comprehensive income consist of:

	2013	2012
	(dollars expressed in thousands)	
Net (gain) loss	$ (1,562)	1,715
Amortization of net actuarial loss	(216)	(145)
Total recognized in accumulated other comprehensive income	$ (1,778)	1,570

The Plan's investment strategy is focused on maximizing asset returns. The target allocations for Plan assets are 52% fixed income, 40% equity securities and 8% cash. Asset allocations can fluctuate between acceptable ranges commensurate with market volatility. Debt securities include U.S. Treasuries, investment-grade corporate bonds of companies from diversified industries and mortgage-backed securities. Equity securities primarily include investments in large capitalization companies located in the United States.

The fair value of Plan assets at December 31, 2013 and 2012 was comprised of the following:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Fair Value
	(dollars expressed in thousands)			
Plan Assets - December 31, 2013:				
Cash and cash equivalents	$ 240	—	—	240
Equity securities	—	4,451	—	4,451
Debt securities	—	4,688	—	4,688
Other	—	467	—	467
Total	$ 240	9,606	—	9,846
Plan Assets - December 31, 2012:				
Cash and cash equivalents	$ 361	—	—	361
Equity securities	—	3,959	—	3,959
Debt securities	—	4,603	—	4,603
Other	—	496	—	496
Total	$ 361	9,058	—	9,419

Equity and debt securities included in Level 1 are valued using quoted market prices. Where quoted market prices are unavailable, the fair value of equity and debt securities included in Level 2 is based on quoted market prices of comparable instruments obtained from independent pricing vendors based on recent trading activity and other relevant information.

The Company expects to contribute $600,000 to the Plan in 2014. Pension benefit payments are expected to be paid to Plan participants by the Plan as follows:

	(dollars expressed in thousands)
Year ending December 31:	
2014	$ 843
2015	859
2016	860
2017	856
2018	865
2019 – 2023	4,335

NOTE 22 – DISTRIBUTION OF EARNINGS OF FIRST BANK

First Bank is restricted by various state and federal regulations as to the amount of dividends that are available for payment to the Company. Under the most restrictive of these requirements, the payment of dividends is limited in any calendar year to the net profit of the current year combined with the retained net profits of the preceding two years. Permission must be obtained for dividends exceeding these amounts. Under its agreement with the FRB, First Bank has agreed, among other things, not to declare or pay any dividends or make certain other payments without the prior consent of the FRB, as further described in Note 14 to the consolidated financial statements.

On January 31, 2014, the Company received regulatory approval from the FRB, which granted First Bank the authority to pay a dividend to the Company and authority to the Company to utilize such funds, for the sole purpose of paying the accumulated deferred interest payments on the Company's outstanding junior subordinated debentures issued in connection with the Company's trust preferred securities. In February 2014, First Bank paid a dividend of $70.0 million to the Company, as further

described in Note 25 to the consolidated financial statements.

NOTE 23 – PARENT COMPANY ONLY FINANCIAL INFORMATION

Condensed balance sheets of First Banks, Inc. as of December 31, 2013 and 2012 and condensed statements of operations and cash flows for the years ended December 31, 2013, 2012 and 2011 are shown below:

CONDENSED BALANCE SHEETS

	December 31,	
	2013	2012
	(dollars expressed in thousands)	
Assets		
Cash deposited in First Bank (unrestricted cash)	$ 1,864	2,744
Investment in common securities - TRuPS	10,678	10,678
Investment in subsidiaries	838,489	657,838
Other assets	42,982	3,583
Total assets	$ 894,013	674,843
Liabilities and Stockholders' Equity		
Subordinated debentures	$ 354,210	354,133
Accrued interest payable - TRuPS	62,855	47,878
Dividends payable	77,800	61,931
Accrued expenses and other liabilities	4,726	4,597
Total liabilities	499,591	468,539
First Banks, Inc. stockholders' equity	394,422	206,304
Total liabilities and stockholders' equity	$ 894,013	674,843

CONDENSED STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	2013	2012	2011
	(dollars expressed in thousands)		
Income:			
Management fees from subsidiaries	$ 23	3	28
Net loss on derivative instruments	—	(43)	(194)
Other	458	578	509
Total income	481	538	343
Expense:			
Interest	15,054	14,847	13,623
Other	933	1,506	(374)
Total expense	15,987	16,353	13,249
Loss before benefit for income taxes and equity in undistributed earnings (losses) of subsidiaries	(15,506)	(15,815)	(12,906)
Benefit for income taxes	(38,841)	(348)	(46)

Income (loss) before equity in undistributed earnings (losses) of subsidiaries	23,335	(15,467)	(12,860)
Equity in undistributed earnings (losses) of subsidiaries	218,409	41,745	(28,290)
Net income (loss) attributable to First Banks, Inc.	$ 241,744	26,278	(41,150)

CONDENSED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2013	2012	2011
	(dollars expressed in thousands)		
Cash flows from operating activities:			
Net income (loss) attributable to First Banks, Inc.	$ 241,744	26,278	(41,150)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Net (income) loss of subsidiaries	(218,409)	(41,745)	28,290
Other, net	(24,215)	15,410	12,042
Net cash used in operating activities	(880)	(57)	(818)
Cash flows from financing activities:			
Payment of preferred stock dividends	—	—	—
Net cash used in financing activities	—	—	—
Net decrease in unrestricted cash	(880)	(57)	(818)
Unrestricted cash, beginning of year	2,744	2,801	3,619
Unrestricted cash, end of year	$ 1,864	2,744	2,801
Noncash investing activities:			
Cash paid for interest	$ —	—	—

The parent company's unrestricted cash was $1.9 million and $2.7 million at December 31, 2013 and 2012, respectively. On March 20, 2013, the Company entered into a Credit Agreement that provides for a $5.0 million secured revolving line of credit to be utilized for general working capital needs, as further described in Note 11 and Note 20 to the consolidated financial statements. This borrowing arrangement is intended to supplement, on a contingent basis, the parent company's overall level of unrestricted cash to cover the parent company's projected operating expenses should the parent company's existing cash resources become insufficient in the future. There have been no balances outstanding under the Credit Agreement since its inception.

The Company's obligations related to interest payments on its outstanding junior subordinated debentures relating to its $345.0 million of trust preferred securities and dividends on Class C Preferred Stock and Class D Preferred Stock have been deferred, as further described in Note 12 and Note 25 to the consolidated financial statements. The Company had until September 2014 to pay the cumulative deferred interest payments on its outstanding junior subordinated debentures without triggering a payment default or penalty. Such payment default or penalty would likely have a material adverse effect on the Company's business, financial condition and/or results of operations.

On January 31, 2014, the Company received regulatory approval from the FRB, which grants First Bank the authority to pay a dividend to the Company, and the authority to the Company to utilize such funds, for the sole purpose of paying the accumulated deferred interest payments on the Company's outstanding junior subordinated debentures issued in connection with the Company's trust preferred securities. In February 2014, First Bank paid a dividend of $70.0 million to the Company and the Company notified the trustees of the trust preferred securities of its intention to pay all cumulative interest that has been deferred on the junior subordinated debentures relating to its trust preferred securities, on the regularly scheduled quarterly payment dates in March and April, 2014. The aggregate amount owed at the respective March and April, 2014 payment dates on all of the junior subordinated debentures relating to the trust preferred securities totals $66.4 million.

NOTE 24 – CONTINGENT LIABILITIES

Litigation Matters. In the ordinary course of business, the Company and its subsidiaries become involved in legal proceedings,

including litigation arising out of the Company's efforts to collect outstanding loans. It is not uncommon for collection efforts to lead to so-called "lender liability" suits in which borrowers may assert various claims against the Company. From time to time, the Company is party to other legal matters arising in the normal course of business. While some matters pending against the Company specify damages claimed by plaintiffs, others do not seek a specified amount of damages or are at very early stages of the legal process. The Company records a loss accrual for all legal matters for which it deems a loss is probable and can be reasonably estimated. Management, after consultation with legal counsel, believes the ultimate resolution of these existing proceedings is not reasonably likely to have a material adverse effect on the business, financial condition or results of operations of the Company and/or its subsidiaries and the range of possible additional loss in excess of amounts accrued is not material.

Regulatory Matters. The Company and First Bank have entered into agreements with the FRB and MDOF, as further described in Note 14 to the consolidated financial statements. The informal agreement with the MDOF, dated as of September 18, 2008, was terminated effective September 11, 2013.

Reserve for Mortgage Repurchase Losses. The Company's mortgage banking division, in the normal course of business, sells residential mortgage loans directly to government-sponsored enterprises (GSEs), and to a lessor extent, to investors other than GSEs, as whole loans. In connection with these sales, the Company makes customary representations and warranties that the loans meet certain requirements. In the event of breaches of its representations and warranties, such as documentation or underwriting deficiencies, the Company may be required to either repurchase the mortgage loans with the identified defects, or in most cases, otherwise indemnify or "make whole" the investors for their losses on the loans. First Bank also, on certain loans, has a repurchase obligation on these loans in the event of early payment default. The early payment default provisions generally range from four months to one year after sale of the loan in the secondary market. First Bank has not sold any one-to-four-family residential mortgage loans into the secondary market with early payment default provisions since 2007.

The Company has unresolved claims with GSEs and other financial institutions associated with loan principal balances of $13.5 million and $12.8 million as of December 31, 2013 and 2012, respectively. The Company has recorded a mortgage repurchase reserve for its potential repurchase or make whole liability associated with representation and warranty claims and early payment default provisions of $2.5 million and $2.0 million as of December 31, 2013 and 2012, respectively. The estimated liability for mortgage repurchase losses represents the Company's best estimate of losses for representation and warranty obligations and early payment default provisions. The mortgage repurchase reserve is based on then-currently available information and is dependent on various factors, including historical claims and settlement experience, projections of future defaults, and significant judgment and assumptions that are subject to change. The estimated loss may materially change in the future based on factors beyond the Company's control or if actual experiences are different from the Company's assumptions, including, without limitation, estimated repurchase rates, economic conditions, estimated home prices, consumer and counterparty behavior, and a variety of other judgmental factors. Adverse developments with respect to one or more of the assumptions underlying the estimated liability and the corresponding estimated range of possible loss could result in significant increases to future provisions and/or the estimated range of possible loss. Because the Company typically sold loans with early payment default provisions as servicing released, the Company is unable to track the outstanding balances or delinquency status of the majority of the loans that may be subject to repurchase under early payment default provisions.

NOTE 25 – SUBSEQUENT EVENTS

On January 31, 2014, the Company received regulatory approval from the FRB, which grants First Bank the authority to pay a dividend to the Company, and the authority to the Company to utilize such funds, for the sole purpose of paying the accumulated deferred interest payments on the Company's outstanding junior subordinated debentures issued in connection with the Company's trust preferred securities. In February 2014, First Bank paid a dividend of $70.0 million to the Company and the Company notified the trustees of the trust preferred securities of its intention to pay all cumulative interest that has been deferred on the junior subordinated debentures relating to its trust preferred securities, on the regularly scheduled quarterly payment dates in March and April, 2014. The aggregate amount owed at the respective March and April, 2014 payment dates on all of the junior subordinated debentures relating to the trust preferred securities totals $66.4 million. On March 14, 2014, the Company paid interest on the junior subordinated debentures of $66.4 million to the respective trustees, for further distribution to the trust preferred securities holders on the respective interest payment dates in March and April, 2014.

FIRST BANKS, INC.

QUARTERLY CONDENSED FINANCIAL DATA — UNAUDITED

	2013 Quarter Ended			
	March 31	June 30	September 30	December 31
	(dollars expressed in thousands, except per share data)			
Interest income	$ 43,986	43,732	42,366	42,726
Interest expense	6,149	5,975	5,952	6,028
Net interest income	37,837	37,757	36,414	36,698
Provision (benefit) for loan losses	—	—	—	(5,000)
Net interest income after provision (benefit) for loan losses	37,837	37,757	36,414	41,698
Noninterest income	15,395	18,943	15,529	15,253
Noninterest expense	44,047	44,143	45,305	153,132
Income (loss) from continuing operations before provision (benefit) for income taxes	9,185	12,557	6,638	(96,181)
Provision (benefit) for income taxes	365	(345)	(65)	(288,456)
Net income from continuing operations, net of tax	8,820	12,902	6,703	192,275
(Loss) income from discontinued operations before provision for income taxes	(2,064)	(3,334)	(881)	27,743
Provision for income taxes	—	—	—	241
(Loss) income from discontinued operations, net of tax	(2,064)	(3,334)	(881)	27,502
Net income	6,756	9,568	5,822	219,777
Less: net income (loss) attributable to noncontrolling interest in subsidiary	46	105	(38)	66
Net income attributable to First Banks, Inc.	$ 6,710	9,463	5,860	219,711
Basic and diluted earnings (loss) per common share:				
Earnings per common share from continuing operations	$ 126.59	293.39	34.19	8,041.18
(Loss) earnings per common share from discontinued operations	$ (87.24)	(140.90)	(37.23)	1,162.33
Earnings (loss) per common share	$ 39.35	152.49	(3.04)	9,203.51

	2012 Quarter Ended			
	March 31	June 30	September 30	December 31
	(dollars expressed in thousands, except per share data)			
Interest income	$ 51,865	51,142	50,118	47,678
Interest expense	8,154	7,615	7,193	6,649
Net interest income	43,711	43,527	42,925	41,029
Provision for loan losses	2,000	—	—	—
Net interest income after provision for loan losses	41,711	43,527	42,925	41,029
Noninterest income	17,024	15,855	16,647	16,452
Noninterest expense	49,494	49,865	48,839	52,309
Income from continuing operations before provision (benefit) for income taxes	9,241	9,517	10,733	5,172
Provision (benefit) for income taxes	95	121	(138)	(217)
Net income from continuing operations, net of tax	9,146	9,396	10,871	5,389
Loss from discontinued operations before benefit for income taxes	(2,308)	(2,273)	(2,182)	(2,058)
Benefit for income taxes	—	—	—	—
Loss from discontinued operations, net of tax	(2,308)	(2,273)	(2,182)	(2,058)

Net income	6,838	7,123	8,689	3,331
Less: net (loss) income attributable to noncontrolling interest in subsidiary	(60)	(385)	216	(68)
Net income attributable to First Banks, Inc.	$ 6,898	7,508	8,473	3,399
Basic and diluted earnings (loss) per common share:				
Earnings (loss) per common share from continuing operations	$ 156.18	177.84	211.70	(10.69)
Loss per common share from discontinued operations	$ (97.55)	(96.06)	(92.22)	(86.98)
Earnings (loss) per common share	$ 58.63	81.78	119.48	(97.67)

FIRST BANKS, INC.
INVESTOR INFORMATION

FIRST BANKS, INC. TRUST PREFERRED SECURITIES

The preferred securities of First Preferred Capital Trust IV are traded on the New York Stock Exchange with the ticker symbol "FBSPrA." The preferred securities of First Preferred Capital Trust IV are represented by a global security that has been deposited with and registered in the name of The Depository Trust Company, New York, New York (DTC). The beneficial ownership interests of these preferred securities are recorded through the DTC book-entry system. The high and low preferred securities prices and the dividends declared for 2013 and 2012 are summarized as follows:

First Preferred Capital Trust IV (Issue Date – April 2003) – FBSPrA

	2013		Distributions Declared [1]	2012		Distributions Declared [1]
	High	Low		High	Low	
First quarter	$ 25.93	23.00	$ 0.509375	$ 18.18	9.90	$ 0.509375
Second quarter	28.64	25.30	0.509375	21.40	16.75	0.509375
Third quarter	30.55	28.00	0.509375	23.65	18.81	0.509375
Fourth quarter	30.29	29.00	0.509375	24.48	22.70	0.509375
			$ 2.037500			$ 2.037500

(1) Amounts exclude the additional accrued interest on any cumulative unpaid dividends following the announcement of the deferral of such dividend payments in August 2009. The aggregate amount of the accumulated deferred dividends is $21.5 million, or $11.68 per share, and is comprised of accumulated deferred dividends of $17.8 million, or $9.68 per share, plus accrued dividends thereon of $3.7 million, or $2.00 per share.

FOR INFORMATION CONCERNING FIRST BANKS, INC., PLEASE CONTACT:

Terrance M. McCarthy
President and Chief Executive Officer
135 North Meramec
Mail Code – M1-821-014
Clayton, Missouri 63105
Telephone – (314) 854-4600
www.firstbanks.com

Lisa K. Vansickle
Executive Vice President and Chief Financial Officer
135 North Meramec
Mail Code – M1-821-014
Clayton, Missouri 63105
Telephone – (314) 854-4600
www.firstbanks.com

TRANSFER AGENT:

Computershare Investor Services, LLC
2 North LaSalle Street
Chicago, Illinois 60602
Telephone – (312) 588-4990
www.computershare.com

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST BANKS, INC.

By: /s/ Terrance M. McCarthy
Terrance M. McCarthy
President and Chief Executive Officer
(Principal Executive Officer)

Date: March 25, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signatures	Title	Date
/s/ James F. Dierberg James F. Dierberg	Chairman of the Board of Directors	March 25, 2014
/s/ Michael J. Dierberg Michael J. Dierberg	Vice Chairman of the Board of Directors	March 25, 2014
/s/ Terrance M. McCarthy Terrance M. McCarthy	Director and President and Chief Executive Officer (Principal Executive Officer)	March 25, 2014
/s/ Allen H. Blake Allen H. Blake	Director	March 25, 2014
/s/ James A. Cooper James A. Cooper	Director	March 25, 2014
/s/ John S. Poelker John S. Poelker	Director	March 25, 2014
/s/ Guy Rounsaville, Jr. Guy Rounsaville, Jr.	Director	March 25, 2014
/s/ Douglas H. Yaeger Douglas H. Yaeger	Director	March 25, 2014
/s/ Lisa K. Vansickle Lisa K. Vansickle	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 25, 2014

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Restated Articles of Incorporation of the Company, as amended (incorporated herein by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012).
3.2	Certificate of Designation of First Banks, Inc. with respect to Class C Fixed Rate Cumulative Perpetual Preferred Stock dated as of December 24, 2008 (incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated December 31, 2008).
3.3	Certificate of Designation of First Banks, Inc. with respect to Class D Fixed Rate Cumulative Perpetual Preferred Stock dated as of December 24, 2008 (incorporated herein by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K dated December 31, 2008).
3.4	By-Laws of the Company (incorporated herein by reference to Exhibit 3.2 to Amendment No. 2 to the Company's Registration Statement on Form S-1, File No. 33-50576, dated September 15, 1992).
4.1	Instruments defining the rights of security holders, including indentures. The registrant hereby agrees to furnish to the Commission upon request copies of instruments defining the rights of holders of long-term debt of the registrant and its consolidated subsidiaries; no issuance of debt exceeds 10% of the assets of the registrant and its subsidiaries on a consolidated basis.
10.1	Shareholders' Agreement by and among James F. Dierberg II and Mary W. Dierberg, Trustees under the Living Trust of James F. Dierberg II, dated July 24, 1989, Michael James Dierberg and Mary W. Dierberg, Trustees under the Living Trust of Michael James Dierberg, dated July 24, 1989; Ellen C. Dierberg and Mary W. Dierberg, Trustees under the Living Trust of Ellen C. Dierberg dated July 17, 1992, and First Banks, Inc. (incorporated herein by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1, File No 33-50576, dated August 6, 1992).
10.2	Comprehensive Banking System License and Service Agreement dated as of July 24, 1991, by and between the Company and FiServ CIR, Inc. (incorporated herein by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1, File No. 33-50576, dated August 6, 1992).
10.3	AFS Customer Agreement by and between First Banks, Inc. and Advanced Financial Solutions, Inc., dated January 29, 2004 (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004).
10.4	Management Services Agreement by and between First Banks, Inc. and First Bank, dated February 28, 2004 (incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004).
10.5	Service Agreement by and between First Services, L.P. and First Banks, Inc., dated May 1, 2004 (incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004).
10.6	Service Agreement by and between First Services, L.P. and First Bank, dated May 1, 2004 (incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004).
10.7	Service Agreement by and between First Banks, Inc. and First Services, L.P., dated May 1, 2004 (incorporated herein by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004).

10.8*	First Banks, Inc. Nonqualified Deferred Compensation Plan, as amended (incorporated herein by reference to Exhibit 5.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008).
10.9	Letter Agreement including the Securities Purchase Agreement – Standard Terms incorporated therein, between First Banks, Inc. and the United States Department of the Treasury, dated as of December 31, 2008 (as amended by the Side Letter Agreement between First Banks, Inc. and the United States Department of the Treasury, dated as of December 31, 2008, and included herein as Exhibit 10.10) (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 31, 2008).
10.10	Side Letter Agreement between First Banks, Inc. and the United States Department of the Treasury, dated as of December 31, 2008 (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated December 31, 2008).
10.11	Written Agreement by and among First Banks, Inc., The San Francisco Company, First Bank and the Federal Reserve Bank of St. Louis, dated as of March 24, 2010 (incorporated herein by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 2009).

10.12	Revolving Credit Note, dated as of March 24, 2011, by and between First Banks, Inc. and Investors of America Limited Partnership (incorporated herein by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010).
10.13	Stock Pledge Agreement, dated as of March 24, 2011, by and between First Banks, Inc. and Investors of America Limited Partnership (incorporated herein by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010).
10.14*	First Bank Salary Phantom Stock Plan and Form of Phantom Unit Award Agreement (incorporated herein by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2011).
10.15	Revolving Credit Note, dated as of March 20, 2013, by and between First Banks, Inc. and Investors of America Limited Partnership (incorporated herein by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012).
10.16	Stock Pledge Agreement, dated as of March 20, 2013, by and between First Banks, Inc. and Investors of America Limited Partnership (incorporated herein by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012).
10.17*	Form of TARP Restricted Employee Agreement executed annually by each executive officer named in the Company's Annual Report on Form 10-K (incorporated herein by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012).
14.1	Code of Ethics for Principal Executive Officer and Financial Professionals, as amended (incorporated herein by reference to Exhibit 14.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008).
21.1	Subsidiaries of the Company – filed herewith.
31.1	Rule 13a-14(a) / 15d-14(a) Certifications of Chief Executive Officer – filed herewith.
31.2	Rule 13a-14(a) / 15d-14(a) Certifications of Chief Financial Officer – filed herewith.
32.1	Section 1350 Certifications of Chief Executive Officer – furnished herewith.
32.2	Section 1350 Certifications of Chief Financial Officer – furnished herewith.
99.1	EESA Section 111(b)(4) Certification of Chief Executive Officer – furnished herewith.
99.2	EESA Section 111(b)(4) Certification of Chief Financial Officer – furnished herewith.
101	Financial information from the Company's Annual Report on Form 10-K for the year ended December 31, 2013, formatted in XBRL interactive data files pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Changes in Stockholders' Equity (iv) Consolidated Statements of Comprehensive Income (Loss); (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements – furnished herewith.
+	Pursuant to Item 601(b)(2), the registrant undertakes to furnish supplementally a copy of any omitted schedule to the Securities and Exchange Commission upon request.

* Exhibits designated by an asterisk in the Index to Exhibits relate to management contracts and/or compensatory plans or arrangements.

PUBLIC DISCLOSURE

September 10, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Bank
RSSD# 169653

11901 Olive Boulevard
Creve Coeur, Missouri 63141

Federal Reserve Bank of St. Louis

P.O. Box 442
St. Louis, Missouri 63166-0442

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 the 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.**

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INSTITUTION'S CRA RATING

INSTITUTION'S CRA RATING: SATISFACTORY

The following table indicates the performance level of First Bank with respect to the lending, investment, and service tests.

Performance Levels	First Bank PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

*Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors supporting the institution's rating include the following:

- The bank's lending levels reflect adequate responsiveness to assessment areas credit needs.
- A high percentage of the bank's lending activity is made inside the bank's assessment areas.
- The overall geographic distribution of loans reflects adequate penetration throughout the bank's assessment areas.
- The distribution of loans by borrower's income/revenue profile reflects good penetration among customers of different income levels and businesses/farms of different sizes.
- Overall, the bank makes a relatively high level of community development loans.
- The bank makes an adequate level of qualified community development investments and grants.
- Service delivery systems are reasonably accessible to all portions of the bank's assessment areas, and changes in branch locations have generally not adversely affected the accessibility of delivery systems, particularly to low- and moderate-income (LMI) geographies and/or LMI individuals.
- The bank is a leader in providing community development services.

INSTITUTION

DESCRIPTION OF INSTITUTION

First Bank is a large, interstate retail bank with operations in California, Florida, Illinois, and Missouri. First Bank, headquartered in Creve Coeur, Missouri, is a wholly owned subsidiary of The San Francisco Company, a one-bank holding company located in Clayton, Missouri. The San Francisco Company is a wholly owned subsidiary of First Banks, Inc., Hazelwood, Missouri, a one-bank holding company. First Bank operates 146 branches and 153 remote/stand-alone automated teller machines (ATMs). The majority of branches are full-service facilities with drive-up availability and full-service ATMs. In addition, the bank operates seven loan production offices (LPOs).[1] Since the bank's previous Community Reinvestment Act (CRA) evaluation as of August 16, 2010, the bank has closed or sold 18 branches, relocated one branch, and converted one branch to an LPO. At the bank's previous CRA evaluation, performance was reviewed in 22 assessment areas covering five states. In light of structure changes since the previous CRA evaluation, the number of assessment areas is reduced to 12, covering four states. See Appendix A for a list of all First Bank assessment areas, including branch distribution details.

For this review period, no legal impediments or financial constraints were identified that would have significantly hindered the bank from serving the credits needs of its customers, and the bank appeared capable of meeting assessment area credit needs based on its available resources and financial products. As of June 30, 2012, the bank reported total assets of $6.5 billion. As of the same date, loans and leases outstanding were $3.0 billion (46.4 percent of total assets), and deposits totaled $5.7 billion. The bank's loan portfolio composition by credit category is displayed in the table on the following page.

[1] Three of these LPOs are located outside of the bank's designated CRA assessment areas: one each in Chicago, Illinois; Cincinnati, Ohio; and Houston, Texas.

Distribution of Gross Loans as of June 30, 2012		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$ 216,894	7.2%
Commercial Real Estate	$ 1,087,229	35.9%
Multifamily Residential	$ 121,879	4.0%
1-4 Family Residential	$ 933,299	30.8%
Secured by First Liens	$ 544,755	18.0%
Secured by Junior Liens	$ 26,153	0.9%
Home Equity Loans	$ 362,391	12.0%
Farmland	$ 19,005	0.6%
Farm Loans	$ 9,348	0.3%
Commercial and Industrial	$ 594,621	19.6%
Loans to Individuals	$ 17,110	0.6%
Credit Cards	$ 0	0.0%
Related Plans	$ 4,949	0.2%
Automobile Loans	$ 4,633	0.2%
Other Loans to Individuals	$ 7,528	0.2%
Total Other Loans	$ 32,695	1.1%
TOTAL	**$ 3,032,080**	**100%**

As indicated by the table above, a significant portion of the bank's lending resources are dedicated to commercial real estate loans (35.9 percent). By percentage of loan dollars, the second largest category is 1-4 family residential real estate loans (30.8 percent). In addition, the bank also originates and subsequently sells a significant volume of loans related to residential real estate; as these loans are typically sold on the secondary market shortly after origination, this activity would not be reflected in the table above. In 2011, the bank sold 1,519 residential real estate loans on the secondary market, totaling $242.3 million.

First Bank received a satisfactory rating at the previous CRA evaluation conducted by this Reserve Bank on August 16, 2010.

SCOPE OF EXAMINATION

The bank's CRA performance was reviewed using the Federal Financial Institutions Examination Council's (FFIEC) *Interagency CRA Procedures for Large Institutions*. The large bank performance standards entail three performance tests, including the lending, investment, and services tests. Bank performance under these tests is rated at the institution level, as well as by state and multistate metropolitan statistical areas (MSAs). As previously noted, First Bank has 12 assessment areas covering portions of four states and including one multistate MSA. The following table details branch and deposit dollars distribution at the state/multistate MSA level and the scope of review procedures performed by assessment area. Deposit information in the following table, as well as deposit information throughout this evaluation, is taken from the Federal Deposit Insurance Corporation's (FDIC) Deposit Market Share Report data as of June 30, 2011. See Appendix A for additional detail regarding First Bank's operations in the 12 individual assessment areas.

Rated Area	Branches		Deposits		Assessment Area Reviews	
	#	%	$000s	%	Full Scope	Limited Scope
St. Louis, MO-IL MSA	54	37.0%	$1,978,005	32.5%	1	0
California	59	40.4%	$3,128,837	51.5%	3	2
Florida	19	13.0%	$ 394,472	6.5%	1	1
Illinois	7	4.8%	$ 290,910	4.8%	2	0
Missouri	7	4.8%	$ 286,093	4.7%	2	0
TOTAL	**146**	**100%**	**$6,078,317**	**100%**	**9**	**3**

The bank's institution ratings are a blend of the multistate MSA ratings and state ratings, which are weighted when making overall rating decisions. In light of branch structure, loan and deposit activity, and the bank's CRA evaluation history, CRA performances in the St. Louis multistate MSA and the state of California were given primary consideration, followed by Florida, Illinois, and Missouri (listed in order of priority).

Lending Test

The bank's lending test performance was largely based upon 2010 and 2011 lending activity, including home mortgage loans reported under the Home Mortgage Disclosure Act (HMDA), small business and small farm loans reported under the CRA, and consumer purpose loans the bank reported at its option (home equity lines-of-credit, motor vehicle, other secured and unsecured loans). These loan categories capture the bank's core business lines, in light of bank management's strategy and based upon lending volume by credit category. Therefore, the loan activity reviewed as part of this evaluation is deemed indicative of the bank's overall lending performance. However, as the bank has a particular emphasis on home mortgage and business lending, performance based on the HMDA and small business loan categories carried the most significance towards the bank's overall performance conclusions.

While the lending test analyses encompass lending activity from both 2010 and 2011, the body of this evaluation primarily details bank performance based upon 2011 lending activity, noting significant divergences in performance between the two years, as applicable. Appendix D provides detailed performance figures based on 2010 lending activity. In addition, the review period for community development lending activity covers the period from the last evaluation to this evaluation date.

Under the Lending Test, the bank's performance is evaluated under the following criteria, as applicable.

- Level of lending activity.
- Assessment areas concentration.
- Geographic distribution of loans.
- Distribution of loans by borrower's income/revenue profile.
- Community development lending activity.
- Product innovation.[2]

Under the lending test criteria noted above, analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based upon HMDA and CRA aggregate lending data. Generally speaking, when analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is placed on the aggregate lending data because it is expected to describe many factors impacting lenders within an assessment area. Aggregate lending datasets are also updated annually and are therefore expected to reflect more relevant comparisons.

Notwithstanding the aggregate data discussion above, it should be noted that CRA aggregate data (small business and small farm loan data) is oftentimes materially influenced by the extensive credit card activity of only a few lenders. These effects may significantly dilute CRA aggregate data, artificially lowering aggregate lending percentages to small businesses/farms.

[2] Unlike other large bank CRA performance criteria, a lack of innovative and/or flexible lending practices does not necessarily impact the bank's performance negatively, as these activities are largely used to augment consideration given to an institution's performance under the quantitative criteria, potentially resulting in a higher level of performance rating.

Consequently, these potential dilution effects are considered accordingly during the lending analysis, including the use of a "modified" CRA aggregate dataset,[3] where doing so provides the most relevant comparison data.

Investment Test

The review of community development investments and grants includes qualified activity from the date of the previous CRA evaluation to this review date. In addition, investments made prior to the date of the previous CRA evaluation but still outstanding as of this review date were also considered. Community development investments can include various debt and equity investment instruments, including municipal bonds, individual equities, mutual fund shares, and collateralized mortgage obligations. Monetary donations and grants with a community development purpose will also receive credit under the investment test. Qualified investments and grants were evaluated to determine the bank's overall level of activity, use of innovative and/or complex investments,[4] as well as responsiveness to assessment area credit and community development needs.

Service Test

The review period for retail and community development services includes activity from the date of the previous CRA evaluation to the date of the current evaluation. The service test considers the distribution and accessibility of bank branches and alternative delivery systems, changes in branch locations, the reasonableness of business hours and retail services, and the participation of bank personnel in community development services.

Other

The following details are generally applicable to information sources referenced throughout this evaluation, unless otherwise noted.

- Assessment area demographics are based upon 2000 U.S. census data (certain business and farm geodemographics are based upon 2010 Dun & Bradstreet data).
- Median family incomes are based upon the U.S. Department of Housing and Urban Development (HUD) annual estimates.
- Deposit dollar statistics are taken from FDIC Market Share Report data as of June 30, 2011.
- Industry demographics are sourced from 2010 U.S. Census Bureau Business Patterns data, according to the North American Industry Classification System.
- Unemployment data are sourced via the U.S. Department of Labor, Bureau of Labor Statistics. The data is not seasonally adjusted.

[3] The modified aggregate, market peer list excludes lenders meeting following criteria: (1) reported at least 25,000 loans in the applicable year, (2) 95.0 percent of reported loans were in amounts under $100,000, and (3) of reported loans in amounts less than $100,000, the average loan size was under $15,000.

[4] Unlike other large bank CRA performance criteria, a lack of innovative and/or complex investments does not necessarily impact the bank's performance negatively, as these activities are largely used to augment consideration given to an institution's performance under the quantitative criteria, resulting in a higher level of performance rating.

To augment this evaluation, ten interviews (community contacts) were conducted with knowledgeable individuals residing or conducting business within the bank's assessment areas subject to a full-scope review. In addition, 35 community contacts previously completed within the bank's assessment areas were also referenced. These community contacts were utilized in order to ascertain specific credit needs, opportunities, and local market conditions within the bank's assessment areas. Information from these interviews also assisted in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from these community contact interviews are included in the *Description of Institution's Operations* sections, as applicable to the assessment areas in which the community contacts were made.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The bank's performance under the lending test is rated high satisfactory. Overall lending levels reflect adequate responsiveness to the credit needs of the bank's combined assessment areas. An analysis of the bank's lending activity indicated that a high percentage of loans are originated inside the bank's assessment areas. The overall geographic distribution of loans analysis reflects adequate penetration throughout the assessment areas. An analysis of the loan distribution by borrower's income/revenue profile reflects good penetration among customers of different income levels and businesses/farms of different revenue sizes. In addition, the bank makes a relatively high level of community development loans. Finally, the bank makes use of innovative and/or flexible lending practices in serving the credit needs of its assessment areas. The following table reflects the bank's lending test ratings by state performance.

Rated Area	Lending Test Rating
St. Louis, MO-IL MSA	High Satisfactory
California	High Satisfactory
Florida	High Satisfactory
Illinois	Low Satisfactory
Missouri	High Satisfactory
OVERALL	**High Satisfactory**

Lending Activity

Overall, the bank's lending levels are adequate given the bank's capacity and constraints, the competitive nature of the combined assessment areas, and relatively weak credit demand as a result of ongoing economic difficulties. The following table displays the distribution of 2010 and 2011 lending activity used in this analysis by loan type. This table reflects loans made inside the bank's combined assessment areas.

Summary of Lending Activity				
Loan Type	**#**	**%**	**$(000s)**	**%**
Home Purchase	963	9.7%	$142,015	12.0%
Refinancing	2,636	26.6%	$427,997	36.0%
Home Improvement	267	2.7%	$28,312	2.4%
Multi-Family Housing	2	0.0%	$15,652	1.3%
Total HMDA Loans	**3,868**	**39.0%**	**$613,976**	**51.7%**
Small Business	**2,586**	**26.1%**	**$445,547**	**37.5%**
Small Farm	**441**	**4.4%**	**$40,457**	**3.4%**
Consumer	**3,023**	**30.5%**	**$88,414**	**7.4%**
TOTAL	**9,918**	**100%**	**$1,188,394**	**100%**

Assessment Areas Concentration

For the loan activity reviewed as part of this evaluation (2010 and 2011 lending activity), the following table displays the number and dollar volume of loans inside and outside the bank's combined assessment areas.

Lending Inside and Outside of Assessment Area			
Loan Type	**Inside Assessment Area**	**Outside Assessment Area**	**TOTAL**
HMDA	3,868 84.1%	730 15.9%	**4,598** **100%**
	$ 613,976 86.0%	$ 99,870 14.0%	**$ 713,846** **100%**
Small Business	2,586 81.6%	585 18.4%	**3,171** **100%**
	$ 445,547 79.4%	$ 115,590 20.6%	**$ 561,137** **100%**
Small Farm	441 71.6%	175 28.4%	**616** **100%**
	$ 40,457 70.7%	$ 16,738 29.3%	**$ 57,195** **100%**
Consumer	3,023 87.6%	428 12.4%	**3,451** **100%**
	$ 88,414 86.0%	$ 14,363 14.0%	**$ 102,777** **100%**
TOTAL	**9,918** **83.8%**	**1,918** **16.2%**	**11,836** **100%**
	$ 1,188,394 **82.8%**	**$ 246,561** **17.2%**	**$ 1,434,955** **100%**

By number of total loans reviewed, 83.8 percent were made to borrowers within the bank's assessment areas. Furthermore, data in the previous table demonstrate that a high percentage of loans (by both number and dollar amount of loans) were extended to borrowers residing/operating inside the bank's assessment areas for three of the four loan categories reviewed.

Geographic and Borrower Distribution

As displayed in the following table, the bank's overall geographic distribution of loans reflects adequate penetration, based upon performance in the five rated areas subject to review.

Rated Area	Geographic Distribution of Loans
St. Louis, MO-IL MSA	Adequate
California	Adequate
Florida	Excellent
Illinois	Adequate
Missouri	Good
OVERALL	**Adequate**

Overall, performance by borrower's income/revenue profile is good, based upon the lending analyses conducted within the rated areas detailed below.

Rated Area	Loan Distribution by Borrower's Profile
St. Louis, MO-IL MSA	Good
California	Adequate
Florida	Good
Illinois	Good
Missouri	Excellent
OVERALL	**Good**

Community Development Lending Activities

Overall, the bank makes a relatively high level of community development loans, considering performance in all rated areas as noted in the following table.

Rated Area	Community Development Lending
St. Louis, MO-IL MSA	Leader
California	Leader
Florida	Adequate Level
Illinois	Low Level
Missouri	Few If Any
OVERALL	**Relatively High Level**

Although the bank's level of community development lending varies significantly between rated areas as displayed in the table above, the bank is a leader in making community development loans within its primary rated areas. Ultimately, bank-wide community development lending performance is relatively high. The bank originated or renewed 112 community development loans within the combined assessment areas, totaling $412.5 million. These figures include seven loans totaling $7.6 million made outside of the bank's assessment areas—one in California for $5.8 million and six in Florida totaling $1.7 million.

Product Innovation

First Bank makes use of flexible and innovative lending products, which are detailed below.

Consumer Real Estate

- Home Affordable Modification Program (HAMP) – This provides eligible homeowners the opportunity to modify their mortgages to avoid foreclosure. As of September 30, 2012, the bank was servicing 357 HAMP modified loans, totaling $71.9 million.

- Home Affordable Refinance Program (HARP) – The HARP program allows eligible home loan borrowers the ability to refinance at more affordable terms and relaxed loan-to-value requirements. From January 1, 2011 through September 30, 2012, the bank refinanced 107 loans through the HARP program, totaling $22.0 million.

- Federal Housing Administration and Veterans Affairs Insured Loan Programs – These government-insured loan programs offer flexible, long-term financing to eligible borrowers with low or no down payments. From January 1, 2011 through September 30, 2012, the bank originated 613 loans through these programs, totaling $97.0 million.

- Rural Housing Program – This loan program is designed to assist LMI individuals to purchase affordable homes in rural areas. There are no down payment or mortgage insurance requirements; however, borrowers must meet income requirements for these loans and have good credit histories. From January 1, 2011 through September 30, 2012, the bank originated 90 loans through this program, totaling $8.8 million.

- Missouri Housing Development Commission (MHDC) – Through this program, the bank is able to provide home loans to first-time homebuyers not otherwise eligible for credit. The program provides the borrower with down payment and closing cost assistance, as well as below-market interest rates. From January 1, 2011 through September 30, 2012, the bank originated 29 loans through this program, totaling $3.6 million.

- Illinois Housing Development Authority (IHDA) – The bank works with the IHDA to provide affordable housing and home loans to LMI borrowers. Through this program, borrowers have multiple options to receive below-market interest rates, down-payment assistance, or funds to be applied toward closing costs. From January 1, 2011 through September 30, 2012, the bank originated four loans through this program, totaling $227,792.

- TIF 50/50 City-Wide Rehab Program in the City of East St. Louis, Missouri – The bank has agreed to make mortgage loans for 84 months or less at 8.0 percent interest, up to $7,500 unsecured. During this review period, the bank made five loans through this special program.

Small Business

- Business Preferred Credit – This program includes a $5,000 business overdraft product with a streamlined, no-documentation application process. From January 1, 2011 through

September 30, 2012, the bank originated 242 loans through this program, totaling $1.2 million.

- Simple Business Solutions – This loan product is marketed towards small businesses with borrowing needs from $10,000 to $250,000. Special features include a simplified loan origination process and longer loan terms. From January 1, 2011 through September 30, 2012, the bank originated 41 loans through this program, totaling $1.5 million.

- SBA 7A and SBA 504 – The bank offers these products that provide small businesses access to capital with more flexible terms than conventional commercial financing. From January 1, 2011 through September 30, 2012, the bank originated 19 loans through these programs, totaling $12.8 million.

Consumer Lending

- Redevelopment Opportunities for Women (ROW) – This program provides motor vehicle loans to women who have been abused, most of whom are LMI and are trying to reestablish credit and become economically independent. Applicants also receive financial counseling in order to qualify, as well as save for a down payment in an individual development account (IDA) program.

INVESTMENT TEST

The bank's performance is rated low satisfactory under the investment test. Overall, the bank made an adequate level of qualified community development investments and grants given the opportunity for such investments and grants within the assessment areas. These activities demonstrated occasional use of innovative and/or complex investments to support community development initiatives. Furthermore, these investments and grants exhibit adequate responsiveness to credit and community development needs throughout the combined assessment areas.

Rated Area	Investment Test Rating
St. Louis, MO-IL Multistate MSA	Outstanding
California	High Satisfactory
Florida	Low Satisfactory
Illinois	Substantial Noncompliance
Missouri	Substantial Noncompliance
OVERALL	**Low Satisfactory**

While the bank made an excellent level of investments in the St. Louis MSA and a significant level of community development investments in California, the bank's primary rated areas, institution performance was lowered somewhat by a lack of investments within Illinois and Missouri. Overall, the bank made or participated in 19 new qualified community development investments during this review period, totaling $3.3 million. When combined with investments made previous to this review period but still outstanding, the total rises to $35.0 million in

investments benefiting the bank's combined assessment areas. Furthermore, the bank made a combined total of $670,644 in community development grants during this review period.

SERVICE TEST

The bank's performance is rated high satisfactory under the service test. The bank's delivery systems are reasonably accessible to geographies and individuals of different income levels throughout the combined assessment areas. In addition, the bank's record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals. Services do not vary in a way that inconveniences certain segments within the combined assessment areas, particularly as related to LMI geographies and/or LMI individuals. Lastly, the bank is a leader in providing community development services within the combined assessment areas. The following table reflects the bank's service test ratings by rated area.

Rated Area	Service Test Rating
St. Louis, MO-IL MSA	Low Satisfactory
California	High Satisfactory
Florida	Outstanding
Illinois	High Satisfactory
Missouri	High Satisfactory
OVERALL	**High satisfactory**

In addition to standard retail banking services and community development services, the following special retail services, offered bank-wide, were also considered as part of the bank's overall evaluation under the service test.

- Quick Cash – This service entails providing two ATM cards to the primary account holder who may give one of the cards to friends or family members out of the area. This product was designed for those customers who regularly send money to family members and friends who live a significant distance away from the primary account holder.

- First Card – This product was developed for teenagers and works like a standard debit card, with added benefits such as financial education to help these first-time card users to be more prepared when they are on their own.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Based upon findings from the Consumer Affairs examination (including a fair lending analysis performed under Regulation B – Equal Credit Opportunity and the Fair Housing Act requirements) conducted concurrently with this CRA evaluation, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

ST. LOUIS MISSOURI-ILLINOIS MULTISTATE MSA[5]

CRA RATING FOR ST. LOUIS MO-IL MSA: SATISFACTORY
The Lending Test is rated: High Satisfactory
The Investment Test is rated: Outstanding
The Service Test is rated: Low Satisfactory

Major factors supporting the institution's St. Louis MSA rating include the following:

- First Bank's lending levels reflect excellent responsiveness to assessment area credit needs in the St. Louis MSA.
- The bank's overall geographic distribution of loans reflects adequate penetration throughout the St. Louis MSA.
- The distribution of loans by borrower's income/revenue profile reflects good penetration among customers of different income levels and businesses/farms of different sizes.
- The bank is a leader in making community development loans within the St. Louis MSA.
- The bank makes an excellent level of qualified community development investments and grants within the St. Louis MSA.
- Service delivery systems are unreasonably inaccessible to areas and individuals of different income levels in the St. Louis MSA; however, changes in branch locations did not adversely affect the accessibility of delivery systems, particularly to LMI geographies and/or LMI individuals.
- First Bank is a leader in providing community development services in the St. Louis MSA.

[5] This rating reflects performance within the multistate MSA. The Missouri and Illinois statewide evaluations are adjusted and do not reflect performance in the parts of those states contained within the multistate MSA.

SCOPE OF EXAMINATION

Examination scope considerations applicable to the review of the St. Louis MSA assessment area are consistent with the overall CRA examination scope as presented in the *Institution, Scope of Examination* section. The bank has one assessment area in the St. Louis MSA, which includes the entire multistate MSA. The bank's CRA performance in this assessment area was reviewed using full-scope FFIEC *Interagency CRA Procedures for Large Institutions*. Scoping considerations applicable to the review of this assessment are consistent with the overall CRA examination scope as presented in the *Institution, Scope of Examination* section.

In order to help shape the performance context in which to evaluate bank performance within the St. Louis MSA, three community contact interviews were completed as part of this evaluation. In addition, five community contacts previously completed within the assessment area were also referenced. Information from all of these community contacts was utilized to ascertain specific credit needs and local market conditions within the bank's assessment area. In addition, this information aided in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from these community contacts are included in the *Description of Institution's Operations* section.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ST. LOUIS, MISSOURI-ILLINOIS MSA

Bank Structure

First Bank operates 54 branches (53 with full-service ATMs on site), representing 37.0 percent of total branches, and two stand-alone full-service ATMs within this assessment area. The bank has two branches located in low-income census tracts, three located in moderate-income census tracts, 29 located in middle-income census tracts, and 20 located in upper-income census tracts. During this review period, the bank did not open any branches in this assessment area and closed one branch. Based on this branch network and other service delivery systems, the bank is well positioned to deliver financial services to substantially all of the St. Louis MSA assessment area.

General Demographics

First Bank has designated the entire St. Louis MSA as an assessment area. The St. Louis MSA is located at the convergence of the Mississippi, Missouri, and Illinois rivers and is the nineteenth largest MSA in the United States. The multi-state MSA is comprised of 15 counties in Missouri and Illinois and the city of St. Louis, which is a separate municipality. Specifically, the Missouri region includes the counties of Franklin, Jefferson, Lincoln, St. Charles, St. Louis, Warren, and Washington, and the Illinois region includes the counties of Bond, Calhoun, Clinton, Jersey, Macoupin, Madison, Monroe, and St. Clair. This assessment area is a highly competitive banking market with 145 total financial institutions operating within the MSA. First Bank has a 2.8 percent deposit market share in the St. Louis MSA, and ranked seventh among the 145 financial institutions operating within this assessment area.

Based on 2000 U.S. census data, the assessment area had a total population of 2,698,687.

Although a significant portion of the population is concentrated in St. Louis County (1,016,315), several other Missouri counties have sizeable populations. St. Louis City has a population of 348,189; followed by St. Charles County at 283,883; Jefferson County at 198,099; and Franklin County at 93,807. The remaining three Missouri counties in the assessment area report populations ranging from 23,344 to 38,944. In the Illinois state region of the MSA, Madison and St. Clair Counties have the highest populations at 258,941 and 256,082, respectively. The remaining six Illinois counties have populations ranging from 5,084 to 49,019. As the demographics of this assessment area cover a wide, metropolitan area and the population is diverse, credit needs in the area are also varied, including a blend of consumer and business/farm credit products. Other particular credit needs in the assessment area, as noted primarily during community contact interviews, include financial education, credit counseling, and first-time home buyer assistance programs. Furthermore, as the St. Louis MSA is an environment with significant need, coupled with a strong source of community development intermediaries (such as nonprofit agencies and government assistance entities), there is a high level of community development opportunities available for financial institution participation.

The population of the St. Louis MSA is growing according to the most recent decennial census. According to U.S. Census Bureau 2010 decennial census, the St. Louis MSA population totaled 2,812,896 residents. This marks a total MSA population increase of 4.4 percent since the 2000 census. The Missouri counties within the St. Louis MSA account for approximately 75.1 percent of the assessment area's total population.

Income and Wealth Demographics

The following table summarizes the distribution of geographies by income level and the family population of those census tracts within the assessment area.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	56 10.2%	134 24.3%	243 44.1%	114 20.7%	4 0.7%	**551** **100%**
Family Population	34,796 4.9%	138,035 19.4%	358,322 50.3%	181,484 25.5%	0 0.0%	**712,637** **100%**

As shown above, the assessment area consists of 551 census tracts, including 56 low-, 134 moderate-, 243 middle-, 114 upper-income, and 4 unclassified census tracts. Of the total families in the combined assessment areas, 24.3 percent live in LMI census tracts, 50.3 percent live in middle-income census tracts, and 25.5 percent reside in upper-income census tracts.

Based upon 2000 U.S. Census data, the median family income for the assessment area was $53,435. At the same time, the median family incomes for Missouri and Illinois were $46,044 and $55,545, respectively. More recently, HUD estimates the 2011 St. Louis MSA median family income to be $69,500. The following table displays population percentages of assessment area families by income level, compared to the Missouri and Illinois family populations.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	137,988 19.4%	131,220 18.4%	161,155 22.6%	282,274 39.6%	**712,637** **100%**
State of Illinois	622,063 19.9%	566,641 18.1%	714,060 22.9%	1,222,554 39.1%	**3,125,318** **100%**
State of Missouri	282,730 19.0%	278,477 18.7%	345,089 23.2%	580,250 39.0%	**1,486,546** **100%**

As shown in the table above, 37.8 percent of families within the St. Louis MSA were considered LMI, which is similar to LMI family percentages of 38.0 percent in Illinois and 37.7 percent in Missouri. The percentage of families living below the poverty threshold in the assessment area equaled 7.5 percent and falls below the 7.8 percent level in the state of Illinois and the 8.6 percent level in the state of Missouri.

Housing Demographics

As displayed in the following table, home ownership in the assessment area is only slightly more affordable than the state of Missouri (due to higher relative income levels in the assessment area) and significantly more affordable than the state of Illinois (due to a lower cost of housing in the assessment area).

Housing Demographics			
Dataset	**Median Housing Value**	**Affordability Ratio**	**Median Gross Rent (monthly)**
Assessment Area	$ 94,896	46.0%	$ 522
State of Illinois	$ 127,800	36.0%	$ 605
State of Missouri	$ 86,900	44.0%	$ 484

Industry and Employment Demographics

The St. Louis MSA assessment area supports a large and diverse business community including a strong small business sector. As indicated in the table below, the three largest job categories in the assessment area are associated with healthcare and social assistance (15.1 percent), followed by retail trade (12.1 percent), and accommodation and food services (9.9 percent).

Business Patterns			
Industry	**Paid Employees**	**% of Paid Employees**	**Establishments**
Healthcare and Social Assistance	176,609	15.1%	7,764
Retail Trade	141,926	12.1%	9,425
Accommodation and Food Services	115,499	9.9%	5,846
All Other Industries	735,607	62.9%	47,326
TOTAL	**1,169,641**	**100%**	**70,361**

The MSA is the headquarters of 21 Fortune 1000 companies, 9 of which are also on the Fortune 500 list. The major employers of the area (10,000 or more employees) specialize in health care, defense systems, and higher education. The unemployment rates for the MSA (9.8 percent for 2010 and 8.9 percent in 2011) are similar to the national unemployment rates (9.6 in 2010 and 9.0 in 2011). As of June 2012, the unemployment rate for the MSA was 7.5 percent, which was slightly lower than the national unemployment rate of 8.0 percent.

According to 2010 Dun & Bradstreet data, there were 115,630 businesses and 3,376 farms operating within this assessment area. Of the total number of businesses, 5,026 were operating in low-income census tracts, 19,821 were in moderate-income census tracts, 55,615 were in middle-income census tracts, 34,832 were in upper-income census tracts, and 336 were in unclassified census tracts. Of the total number of farms, 25 were operating in low-income census tracts, 322 were in moderate-income census tracts, 2,644 were in middle-income census tracts, 385 were in upper-income census tracts, and none were in an unclassified census tract.

Community Contact Information

For the St. Louis MSA assessment area, three community contacts were completed as part of this evaluation. One contact was with a provider of consumer aid to LMI individuals and another was with a community action group, both of which are located in the city of St. Louis, Missouri. The third community contact was with a small business lender operating out of Columbia, Missouri; this contact's organization also serves the St. Louis MSA. In addition to these interviews, five previously completed contacts were also referenced.

According to community contacts, there is a strong need for financial education programs in the assessment area that target the needs of the unbanked population. According to the contacts,

many residents in high minority, low-income areas are unbanked due to the lack of traditional bank branches and ATMs in LMI geographies. Programs that would significantly benefit LMI individuals and communities include general financial literacy programs regarding the benefits of traditional deposit and savings accounts. This is of great need due to the growing requirement for direct deposit by many social security and assistance programs. The contacts also indicated that credit counseling services to establish or reestablish credit and first time home-buyer programs to educate perspective buyers on the costs associated with home ownership would be beneficial. Such a first time home buyer program would help individuals obtain a home and financially plan to keep up with ongoing costs of their investment. While the contacted organizations largely gear their programs towards the needs of LMI clients, there is a substantial need to have local banks provide volunteers with financial expertise to meet the growing demands for credit education and counseling, especially to younger audiences. Other services and products mentioned during discussions with contacts included the need for down payment assistance programs, IDAs, and small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ST. LOUIS, MISSOURI-ILLINOIS MSA

LENDING TEST

First Bank's lending test rating in the St. Louis MSA is high satisfactory. Overall, lending levels reflect excellent responsiveness to assessment area credit needs. The geographic distribution of loans reflects adequate penetration throughout the assessment area. The distribution of loans reflects good penetration among customers of different income levels and businesses/farms of different sizes. Finally, First Bank is a leader in making community development loans in this assessment area.

Lending Activity

The bank's lending levels within the St. Louis MSA assessment area reflect excellent responsiveness to assessment area credit needs, based upon the lending activity analyzed under the lending test. When evaluating the bank's activity in the assessment area, greater consideration was given to HMDA and commercial lending since these two products represent the bank's lending focus and the least consideration was given to small farm lending since this product is not in strong demand in the assessment area. The bank's lending activity is displayed by loan type in the following table. This table reflects loans made inside the bank's St. Louis MSA assessment area.

Summary of Lending Activity				
Loan Type	**#**	**%**	**$(000s)**	**%**
Home Purchase	303	13.3%	$43,605	15.3%
Refinancing	652	28.6%	$94,711	33.2%
Home Improvement	64	2.8%	$6,953	2.4%
Multi-Family Housing	1	0.0%	$15,601	5.5%
Total HMDA Loans	**1,020**	**44.8%**	**$160,870**	**56.4%**
Small Business	**531**	**23.3%**	**$98,457**	**34.5%**
Small Farm	**98**	**4.3%**	**$9,451**	**3.3%**
Consumer	**628**	**27.6%**	**$16,544**	**5.8%**
TOTAL	**2,277**	**100%**	**$285,323**	**100%**

Geographic Distribution of Loans

As noted in the *Description of Institution's Operations in St. Louis MSA* section, the St. Louis MSA assessment area includes 56 low-income and 134 moderate-income census tracts, representing 34.5 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects adequate penetration throughout these LMI census tracts, despite poor performance in the HMDA and consumer loan categories (which account for the majority of loan activity in this assessment area). The following table displays the geographic distribution of HMDA loans in comparison to owner-occupied housing demographics for the assessment area.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	3 1.0%	19 6.3%	173 57.1%	108 35.6%	0 0.0%	**303** **100%**
Refinance	3 0.5%	35 5.4%	366 56.1%	248 38.0%	0 0.0%	**652** **100%**
Home Improvement	0 0.0%	1 1.6%	40 62.5%	23 35.9%	0 0.0%	**64** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	1 100.0%	0 0.0%	**1** **100%**
TOTAL LOANS	**6** **0.6%**	**55** **5.4%**	**579** **56.8%**	**380** **37.3%**	**0** **0.0%**	**1,020** **100%**
Owner-Occupied Housing	3.0%	17.8%	52.3%	26.9%	0.0%	**100%**

The analysis of the bank's 2011 HMDA lending activity revealed that lending in LMI census tracts is poor. Lending in low-income geographies of 0.6 percent is considered adequate when compared to the percentage of owner-occupied housing of 3.0 percent and aggregate lending of 0.8 percent in low-income census tracts. However, lending in moderate-income census tracts (5.4 percent) is considered poor when compared to the 17.8 percent of owner-occupied housing and aggregate lending of 8.3 percent in moderate-income tracts.

Second, the bank's geographic distribution of small business loans was reviewed. The geographic distribution of small business loans is displayed in the following table in comparison to the location of businesses throughout the bank's assessment area.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Business Loans	19 3.6%	91 17.1%	288 54.2%	132 24.9%	1 0.2%	**531** **100%**
Business Institutions	4.3%	17.1%	48.1%	30.1%	0.3%	**100%**

The analysis of small business loans reflects good penetration throughout the assessment area, including LMI geographies. As shown in the table above, 3.6 percent of First Bank's small business loans were to businesses located in low-income census tracts. The bank's performance, while under the 4.3 percent of businesses located in low-income tracts, is in line with aggregate lending reflecting that 3.9 percent of small business loans originated by other lenders were to businesses in low-income census tracts. The bank's lending performance in moderate-income tracts (17.1 percent) is consistent with the percentage of business institutions in the moderate-income census tracts (17.1 percent) and is above the aggregate lending performance (16.0 percent).

The geographic distribution of small farm loans is displayed in the following table in comparison to the distribution of farms by income level of geography.

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Farm Loans	0 0.0%	11 11.2%	81 82.7%	6 6.1%	0 0.0%	**98** **100%**
Agricultural Institutions	0.7%	9.5%	78.3%	11.4%	0.0%	**100%**

The bank's geographic distribution of small farm loans is considered excellent. Based on the table above, the bank originated no loans to farms in low-income census tracts and 11.2 percent of small farm loans in moderate-income census tracts. According to Dun & Bradstreet estimates, less than one percent of farms in the assessment area reported being located in low-income census tracts, and 9.5 percent reported being located in moderate-income tracts. The bank's lending also appears favorable when compared to 2011 CRA aggregate data, which indicate that other lenders originated 0.1 percent of small farm loans in low-income census tracts and 8.2 percent of small farm loans in moderate-income tracts.

Next, the geographic distribution of consumer loans was analyzed. The following table displays the geographic distribution of the bank's consumer lending in comparison to household population demographics.

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	3 0.5%	39 6.2%	395 62.9%	191 30.4%	0 0.0%	**628** **100%**
Household Population	5.4%	21.0%	50.3%	23.3%	0.0%	**100%**

The analysis of the bank's consumer lending activity revealed that lending in LMI census tracts is poor. Lending in low-income geographies of 0.5 percent is considered poor when compared to the percentage of households living in low-income tracts, 5.4 percent. Similarly, consumer lending in moderate-income census tracts of 6.2 percent is also considered poor when compared to the percentage of the households living in moderate-income census tracts, 21.0 percent.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is good, based on performance from all four loan categories reviewed. The following table shows the distribution of HMDA-reported loans by the income level of the borrower in comparison to family population demographics.

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	57 18.8%	94 31.0%	61 20.1%	77 25.4%	14 4.6%	**303** **100%**
Refinance	54 8.3%	141 21.6%	165 25.3%	246 37.7%	46 7.1%	**652** **100%**
Home Improvement	5 7.8%	12 18.8%	16 25.0%	26 40.6%	5 7.8%	**64** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	1 100%	**1** **100%**
TOTAL LOANS	**116** **11.4%**	**247** **24.2%**	**242** **23.7%**	**349** **34.2%**	**66** **6.5%**	**1,020** **100%**
Family Population	19.4%	18.4%	22.6%	39.6%	0.0%	**100%**

The bank's level of lending to LMI borrowers within the assessment area is excellent. Based on the above table, the bank's level of lending to low-income borrowers (11.4 percent) is lower than the low-income family population (19.4 percent). However, the bank's level of lending is significantly higher than the aggregate lending level to low-income borrowers (7.6 percent). Furthermore, the bank's HMDA lending to moderate-income borrowers (24.2 percent) is significantly higher than both the percentage of moderate-income families within the assessment area (18.4 percent) and 2011 HMDA aggregate lending to moderate-income borrowers (16.4 percent).

Next, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of small business loans by loan amount and business revenue size.

Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	213 40.1%	38 7.2%	25 4.7%	**276** **52.0%**
Greater Than $1 Million/Unknown	93 17.5%	63 11.9%	99 18.6%	**255** **48.0%**
TOTAL	**306** **57.6%**	**101** **19.0%**	**124** **23.4%**	**531** **100%**

First bank's level of lending to small businesses is adequate. The bank originated the majority of its business loans (52.0 percent) to businesses with revenues of $1 million or less. Of the total loans, 40.1 percent (213) were in amounts of $100,000 or less, which further demonstrates the bank's willingness to make credit available to small businesses in the assessment area. According to Dun & Bradstreet estimates, 87.6 percent of businesses reporting for 2010 had revenues of $1 million or less. In addition, the bank's level of lending to small businesses surpasses the 2011 CRA aggregate lending level of 43.2 percent.

Similar to small business loans, small farm loans were reviewed to determine the bank's lending levels to farms of various sizes. The following table shows the distribution of small farm loans by loan amount and farm revenue size.

Lending Distribution by Farm Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$500**	
$1 Million or Less	64 65.3%	18 18.4%	2 2.0%	**84** **85.7%**
Greater Than $1 Million/Unknown	2 2.0%	7 7.1%	5 5.1%	**14** **14.3%**
TOTAL	**66** **67.3%**	**25** **25.5%**	**7** **7.1%**	**98** **100%**

First Bank's lending to small farms is considered good. Of the 98 small farm loans reviewed, 87.7 percent were originated to farms with revenues of $1 million or less. Of the total loans, 65.3 percent (64) were in amounts of $100,000 or less, which further demonstrates the bank's willingness to make credit available to small farms in the assessment area. According to Dun & Bradstreet estimates, 98.8 percent of farms in the assessment area reported revenues of $1 million or less. The bank's small farm lending is above 2011 CRA aggregate data, indicating that 83.2 percent of small farm loans originated by other lenders were to small farms.

Lastly, the bank's consumer lending was also reviewed. The following table shows the distribution of consumer loans by borrower income level in comparison to household population demographics.

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	98 15.6%	142 22.6%	135 21.5%	157 25.0%	96 15.3%	**628** **100%**
Household Population	22.6%	16.9%	19.3%	41.2%	0.0%	**100%**

The bank's level of consumer lending to LMI borrowers is excellent. As shown above, 15.6 percent of consumer loans were originated to low-income borrowers, and 22.6 percent were originated to moderate-income borrowers. While the bank's level of consumer lending (15.6 percent) to low income borrowers is lower than the demographic (22.6 percent), its performance of lending to moderate-income borrowers, (22.6 percent) surpasses the demographic of 16.9 percent.

Community Development Lending Activities

First Bank is a leader in making community development loans in the assessment area. During the review period, the bank originated 43 qualified community development loans totaling $233.0 million, which is more than double the level of community development lending noted at the bank's previous CRA evaluation. In addition, the bank entered into three letters-of-credit for a community development purpose totaling $10.4 million. Of this community development lending activity, 48.8 percent was initiated for purposes of revitalization and stabilization in designated St. Louis metropolitan empowerment zones. Larger dollar amount loans originated that met this purpose were to smaller businesses located in the empowerment and HUB-zones. These companies will provide permanent jobs to the area's LMI residents. Additionally, 20.9 percent were for affordable housing in the assessment area that included financing of senior housing facilities where the majority of occupants are low-income and 14.0 percent were for economic development to companies in LMI areas. Lastly, 11.6 percent of community development lending was to organizations providing community services to LMI individuals and/or benefiting LMI geographies, while 4.7 percent qualified for neighborhood stabilization projects.

INVESTMENT TEST

First Bank's investment test rating in the St. Louis MSA is outstanding. First Bank continues to maintain an excellent level of qualified community development investments and grants within the St. Louis MSA. In addition, the bank's overall approach to community development investing exhibits excellent responsiveness to credit and community development needs in the assessment area.

Over the course of the evaluation period, the bank disbursed $1.2 million toward eight new or previously outstanding qualified investment commitments. Of the $1.2 million, 59.6 percent was disbursed towards an organization promoting the development of affordable LMI housing units and the revitalization and stabilization of area neighborhoods. The remaining 40.4 percent of new disbursements was to a broad-based community investment fund providing housing for LMI individuals in the St. Louis MSA. In addition to new disbursements, the bank has $17.2 million in existing qualified investments that continue to benefit the assessment area.

Additionally, First Bank made an excellent level of community development grants within the St. Louis MSA. The bank made 215 qualified grants, totaling $380,111, to 81 different organizations throughout the assessment area. Most of the agencies benefiting from these grants provide community development services, targeting LMI families in the St. Louis area, such as those supporting individuals with disabilities, underprivileged youth, and the homeless.

SERVICE TEST

First Bank's service test rating in the St. Louis MSA is low satisfactory. Delivery systems in this assessment area are unreasonably inaccessible to portions of the assessment area and individuals of different income levels. Although the bank closed one branch during this review period, it did not adversely affect the accessibility of delivery systems to LMI geographies and/or LMI

individuals. Additionally, reasonableness of business hours and services do not vary in a way that inconveniences LMI geographies and/or LMI individuals.

Accessibility of Delivery Systems

First Bank operates 54 branches, including the main office, and 56 full-service ATMs within the St. Louis MSA. Each branch has a full-service ATM on-site, and the bank maintains two stand-alone full-service ATMs. The following table illustrates the distribution of branch facilities by income level of the geography.

Branch Distribution by Geography Income Level						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Branches	2 3.7%	3 5.6%	29 53.7%	20 37.0%	0 0.0%	**54** **100%**
Census Tracts	10.2%	24.3%	44.1%	20.7%	0.7%	**100%**
Household Population	5.4%	21.0%	50.3%	23.3%	0.0%	**100%**

As illustrated in the above table, service accessibility, based upon the distribution of branches and on-site ATMs, is not in line with assessment area demographics, particularly in relation to moderate-income areas. First Bank's branches and ATMs in LMI census tracts represent 9.3 percent of all facilities in the assessment area. This dispersion of service delivery systems in LMI census tracts is significantly below both the percentage of LMI census tracts (34.5 percent) and the percentage of households within LMI census tracts (26.4 percent). The bank's use of alternative service delivery systems to augment the branch/ATM network does not materially increase accessibility for customers in LMI areas. Therefore, the bank's overall delivery systems are unreasonably inaccessible to areas and individuals of different income levels in the St. Louis MSA assessment area.

Changes in Branch Locations

Based on the changes in branch locations during the review period, service accessibility to LMI customers and LMI areas has not changed. The bank closed one branch since the examination, but it was located in an upper-income census tract in the city of Edwardsville, Illinois.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Branch facility services do not vary in a way that inconveniences certain segments of this assessment area, particularly LMI geographies and/or LMI individuals. Most branches have Saturday operating hours and offer extended hours of operation in their lobby and drive-up facilities at some point during the week. The exception to these general statements relates to a branch within a low-income census tract, which only offers limited business hours Monday through Friday (10:00 a.m. until 2:00 p.m.); however, drive-up and Saturday hours are generally

consistent with other office locations. Management primarily attributes the decision to limit lobby hours at this location to substantiated crime statistics. Management also stated that branch profitability also played a role in the decision to reduce the hours of lobby accessibility. Despite the reduced hours of lobby operation, management has sought alternative ways to provide adequate services to these branch customers, stating that bank personnel willingly meet with customers at an alternative time outside of standard lobby hours whenever they are unable to conduct banking business during the established lobby hours.

In addition to traditional branches and full service ATMs, the bank also provides 139 nondepository ATM machines through agreements with local area merchants. Many of these nondepository ATM machines are located inside local retail food markets and pharmacies for additional convenience. Furthermore, a substantial majority of the bank's remote/stand-alone, cash-dispensing only ATMs are dedicated to this assessment area.

Community Development Services

First Bank is a leader in providing community development services in the St. Louis MSA. A significant number of bank employees provide financial expertise to numerous community development organizations. These organizations focus on providing financial education, affordable housing, promoting economic development, and providing social services such as child care, health care, job training, and shelter to LMI individuals. During this review period, the bank provided 681 qualifying services to approximately 122 different organizations. This equates to 4,671 qualifying service hours for the evaluation period. Bank staff is especially active in presenting financial education training to LMI public school students, adults, and to small business entities within the assessment area. Community contacts indicated that many of these types of services, especially financial literacy-related services, are needed within the community. It was noted that although a significant volume of services was provided throughout the entire assessment area, the bank placed emphasis on outreach efforts to the city of St. Louis.

CALIFORNIA

CRA RATING FOR CALIFORNIA: SATISFACTORY
The Lending Test is rated: High Satisfactory
The Investment Test is rated: High Satisfactory
The Service Test is rated: High Satisfactory

Major factors supporting the institution's California rating include the following:

- The bank's lending levels reflect adequate responsiveness to assessment area credit needs in the state of California.
- The bank's overall geographic distribution of loans reflects adequate penetration throughout the California assessment areas.
- The distribution of loans by borrower's income/revenue profile reflects adequate penetration among customers of different income levels and businesses of different sizes.
- The bank is a leader in making community development loans within the California assessment areas.
- First Bank makes a significant level of qualified community development investments and grants throughout the California assessment areas.
- Service delivery systems are accessible to areas and individuals of different income levels in the California assessment areas; furthermore, changes in branch locations have generally not adversely affected the accessibility of delivery systems, particularly to LMI geographies and/or LMI individuals.
- The bank is a leader in providing community development services in the California assessment areas.

SCOPE OF EXAMINATION

Examination scope considerations applicable to the review of the California assessment areas are consistent with the overall CRA examination scope as presented in the *Institution Scope of Examination* section. However, as the bank's small farm loan activity is *de minimis* in California, this lending category did not play a material role in the evaluation of California lending performance. Consequently, small farm lending activity did not warrant inclusion within the California lending test discussions.

The bank operates in five California assessment areas, and the bank's state ratings reflect a composite of performance within these California assessment areas. As detailed in the next section, three of these assessment areas were evaluated using full-scope review procedures; consequently, performance in these three assessment areas primarily shaped the bank's state ratings. In light of branch structure, loan/deposit activity, and the bank's CRA evaluation history, CRA performance in the Los Angeles Combined Statistical Area (CSA) assessment area received primary consideration when making statewide performance conclusions, followed by the San Francisco CSA assessment area, and the Sacramento MSA assessment area.

In order to help shape the performance context in which to evaluate bank performance within the full-scope review assessment areas, three community contact interviews were completed as a part of this evaluation. In addition, 22 community contacts previously completed within the California assessment areas were also referenced. Information from all of these community contacts was utilized to ascertain specific credit needs and local market conditions within the bank's assessment areas. In addition, this information aided in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from these community contacts are included in the *Description of Institution's Operations* sections, as applicable to the assessment areas in which the community contacts were made.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN CALIFORNIA

The bank operates 59 branches throughout the five CRA assessment areas in the state of California. The following table gives additional detail regarding the bank's California operations.

Assessment Area	Branches #	Branches %	Deposits $000s	Deposits %	CRA Review Procedures
Los Angeles-Long Beach-Riverside CSA	33	55.9%	$ 1,666,300	53.3%	Full Scope
San Diego-Carlsbad-San Marcos MSA	4	6.8%	$ 128,316	4.1%	Limited Scope
Santa Barbara-Santa Maria-Goleta MSA	3	5.1%	$ 144,619	4.6%	Limited Scope
San Jose-San Francisco-Oakland CSA	13	22.0%	$ 956,608	30.6%	Full Scope
Sacramento-Arden-Arcade-Roseville MSA	6	10.2%	$ 232,994	7.4%	Full Scope
OVERALL	**59**	**100%**	**$ 3,128,837**	**100%**	**3 Full Scope**

During this review period, the bank closed a total of three branches, including one full-service branch converted to an LPO, relocated one branch office, and closed an LPO. In addition to the 59 branches detailed in the table above, the bank operates a total of four LPOs in California.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN CALIFORNIA

LENDING TEST

The bank's lending test rating for the state of California is high satisfactory. Overall lending levels reflect adequate responsiveness to California assessment area credit needs. The bank's geographic distribution of loans reflects adequate penetration throughout the California assessment areas. Furthermore, the overall distribution of loans by borrower's income/revenue profile reflects adequate penetration among customers of different income levels and businesses of different sizes. Finally, First Bank is a leader in making community development loans within the California assessment areas.

Lending Activity

The bank's California lending levels reflect adequate responsiveness to assessment area credit needs based upon loan activity analyzed under the lending test. This lending activity (2010 and 2011) is displayed by loan type in the following table. This table reflects loans made inside the bank's California assessment areas.

Summary of Lending Activity				
Loan Type	**#**	**%**	**$(000s)**	**%**
Home Purchase	116	4.9%	$27,765	6.9%
Refinancing	475	20.1%	$117,669	29.3%
Home Improvement	50	2.1%	$10,419	2.6%
Multi-Family Housing	0	0.0%	$0	0.0%
Total HMDA Loans	**641**	**27.1%**	**$155,853**	**38.9%**
Small Business	**1,087**	**45.9%**	**$212,369**	**52.9%**
Small Farm	**3**	**0.1%**	**$760**	**0.2%**
Consumer	**636**	**26.9%**	**$32,114**	**8.0%**
TOTAL	**2,367**	**100%**	**$401,096**	**100%**

Geographic and Borrower Distribution

As displayed in the following tables, the bank's overall geographic distribution of loans reflects adequate penetration throughout the California assessment areas.

Full-Scope Review Areas	Geographic Distribution of Loans
Los Angeles CSA	Adequate
San Francisco CSA	Good
Sacramento MSA	Adequate
OVERALL	**Adequate**

Limited-Scope Review Areas	Geographic Distribution of Loans
San Diego MSA	Consistent
Santa Barbara MSA	Consistent

Overall, the bank's performance by borrower's income/revenue profile is adequate in California, as is displayed in the following tables.

Full-Scope Review Areas	Loan Distribution by Borrower's Profile
Los Angeles CSA	Adequate
San Francisco CSA	Good
Sacramento MSA	Adequate
OVERALL	**Adequate**

Limited-Scope Review Areas	Loan Distribution by Borrower's Profile
San Diego MSA	Consistent
Santa Barbara MSA	Consistent

Community Development Lending Activities

Overall, the bank is a leader in making community development loans throughout California, as displayed in the following tables.

Full-Scope Review Areas	Community Development Lending
Los Angeles CSA	Leader
San Francisco CSA	Relatively High Level
Sacramento MSA	Leader
OVERALL	**Leader**

Limited-Scope Review Areas	Community Development Lending
San Diego MSA	Below
Santa Barbara MSA	Below

As reflected above, the bank is a leader in providing community development loans in two of the three full-scope review assessment areas. Overall, the bank made 53 community development loans in the California assessment areas, totaling $170.6 million. In addition, the bank made one community development loan in California for $5.8 million, which was outside of its assessment areas.

INVESTMENT TEST

Overall, the bank's investment test performance in California is rated high satisfactory. The following tables display performance conclusions by assessment area, based upon the bank's levels of qualified community development investment and grant activity.

Full-Scope Review Areas	Investment and Grant Activity
Los Angeles CSA	Excellent
San Francisco CSA	Significant
Sacramento MSA	Adequate
OVERALL	**Significant**

Limited-Scope Review Areas	Investment and Grant Activity
San Diego MSA	Consistent
Santa Barbara MSA	Below

The bank's level of community development investment and grant activity varies by assessment area; nevertheless, the bank is a leader in making qualified investments and grants in its primary California assessment area, and overall investment/grant activity levels are significant. During the review period, the bank made 11 qualified investments, totaling $2.1 million. In addition, the bank had $14.5 million in qualified investments made prior to this review period but still outstanding. The bank also made grants totaling $253,290 to community development organizations servicing California assessment areas.

SERVICE TEST

The bank's service test rating in California is high satisfactory. The bank's service delivery systems are accessible to areas and individuals of different income levels in the California assessment areas. In addition, the bank's record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals. Business hours and services in California do not vary in a way that inconveniences certain segments of assessment areas, particularly LMI geographies and/or LMI individuals. Lastly, First Bank is a leader in providing community development services within the California assessment areas.

Accessibility of Delivery Systems

As displayed in the following tables, the bank's service delivery systems are accessible to geographies and individuals of different income levels in California.

Full-Scope Review Areas	Accessibility of Delivery Systems
Los Angeles CSA	Reasonably Accessible
San Francisco CSA	Readily Accessible
Sacramento MSA	Reasonably Accessible
OVERALL	**Accessible**

Limited-Scope Review Areas	Accessibility of Delivery Systems
San Diego MSA	Exceeds
Santa Barbara MSA	Consistent

Changes in Branch Locations

Overall, the bank's record of opening and closing branches in the California assessment areas has generally not adversely affected accessibility of service delivery systems. The bank's performance under this service test criterion is displayed by the California assessment area in the following tables.

Full-Scope Review Areas	Changes in Branch Locations
Los Angeles CSA	Not Adversely Affected
San Francisco CSA	Generally Not Adversely Affected
Sacramento MSA	Adversely Affected
OVERALL	**Generally Not Adversely Affected**

Limited-Scope Review Areas	Changes in Branch Locations
San Diego MSA	Consistent
Santa Barbara MSA	Consistent

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Overall, banking services and business hours throughout California do not vary in a way that inconveniences certain portions of assessment areas, particularly LMI geographies and/or LMI individuals. The bank's performance under this service test criterion is displayed by the California assessment area in the following tables.

Full-Scope Review Areas	Reasonableness of Business Hours and Services
Los Angeles CSA	Do Not Vary in a Way That Inconveniences
San Francisco CSA	Do Not Vary in a Way That Inconveniences
Sacramento MSA	Do Not Vary in a Way That Inconveniences
OVERALL	**Do Not Vary in a Way That Inconveniences**

Limited-Scope Review Areas	Reasonableness of Business Hours and Services
San Diego MSA	Consistent
Santa Barbara MSA	Consistent

Community Development Services

Overall, throughout the California assessment areas, the bank is a leader in providing community development services. The bank's performance under this service test criterion is displayed by the California assessment area in the following tables.

Full-Scope Review Areas	Community Development Services
Los Angeles CSA	Leader
San Francisco CSA	Leader
Sacramento MSA	Leader
OVERALL	**Leader**

Limited-Scope Review Areas	Community Development Services
San Diego MSA	Consistent
Santa Barbara MSA	Consistent

LOS ANGELES-LONG BEACH-RIVERSIDE, CALIFORNIA CSA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN LOS ANGELES-LONG BEACH-RIVERSIDE, CALIFORNIA CSA

Bank Structure

The bank operates 33 branch offices and two LPOs within this assessment area. During the review period, the bank relocated one branch from a middle-income census tract to a moderate-income census tract. Based on this branch network and other service delivery systems, the bank is suited to serving the more populous, western side of the assessment area, particularly the Los Angeles region.

General Demographics

The bank's Los Angeles CSA assessment area is comprised of the entire CSA, which includes three MSAs: the Los Angeles-Long Beach-Santa Ana MSA (Los Angeles MSA),[6] the Oxnard-Thousand Oaks-Ventura MSA (Oxnard MSA), and the Riverside-San Bernardino-Ontario MSA (Riverside MSA). Within these southern California MSAs are five counties: Los Angeles, Orange, San Bernardino, Riverside, and Ventura. As of the 2000 census, the CSA had a population of 16,373,645. As of the 2010 census, the population totaled 17,877,006. Of the 182 FDIC insured depository institutions with a branch presence in the CSA, the bank ranked twenty-third in terms of deposit market share, encompassing 0.4 percent of total deposit dollars.

As the demographics of this assessment area cover a very wide metropolitan area and the population is diverse, credit needs in the area are also varied, including a blend of consumer and business credit products. Other particular credit needs in the assessment area, as noted primarily during community contact interviews, include affordable housing solutions, working capital loans tailored to the needs of small businesses, and financial education. Furthermore, as the Los Angles CSA contains numerous metropolitan areas having an environment with significant need, coupled with a strong source of community development intermediaries (such as nonprofit agencies and government assistance entities), there is a high level of community development opportunity available for financial institution participation.

[6] The Los Angeles MSA is further divided into two metropolitan divisions (MDs), the Los Angeles-Long Beach-Glendale MD (Los Angeles MD) and the Santa Ana-Anaheim-Irvine MD (Santa Ana MD).

Income and Wealth Demographics

There are 3,373 census tracts in the Los Angeles CSA. The following table reflects the number and family population of these census tracts by geography income level.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	234 6.9%	941 27.9%	1,078 32.0%	1,099 32.6%	21 0.6%	**3,373** **100%**
Family Population	206,341 5.4%	1,015,941 26.8%	1,278,952 33.7%	1,293,779 34.1%	0 0.0%	**3,795,013** **100%**

Based on 2000 census data, the median family income for the assessment area was $50,684. In comparison, the state of California median family income was $53,025. More recently, HUD estimates the 2011 median family incomes for the metropolitan areas within the Los Angeles CSA as follows: Los Angeles MD, $64,000; Santa Ana MD, $84,200; Oxnard MSA, $88,100, and Riverside MSA, $62,500. The following table displays the distribution of assessment area families by income level, compared to all California families.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	858,547 22.6%	646,244 17.0%	713,270 18.8%	1,576,952 41.6%	**3,795,013** **100%**
California	1,733,172 21.7%	1,389,573 17.4%	1,579,244 19.8%	3,283,500 41.1%	**7,985,489** **100%**

As shown in the table above, 39.6 percent of families within the Los Angeles CSA were considered LMI, which is similar to the LMI family population in the state of California (39.1 percent).

Housing Demographics

Consistent with the state of California, housing in the Los Angeles CSA assessment area is expensive, and owning a home is difficult to achieve as evidenced by the low housing affordability ratios displayed below.

Housing Demographics			
Dataset	**Median Housing Value**	**Affordability Ratio**	**Median Gross Rent (monthly)**
Los Angeles CSA Assessment Area	$ 193,357	23.8%	$ 733
Los Angeles MSA	$ 217,472	21.2%	$ 742
Oxnard MSA	$ 238,775	25.0%	$ 891
Riverside MSA	$ 129,670	32.9%	$ 653
California	$ 198,900	23.9%	$ 747

Industry and Employment Demographics

Covering a vast section of southern California, the assessment area economy is broad based and led by healthcare and retail trade industries, followed by manufacturing.

Business Patterns			
Industry	**Paid Employees**	**% of Paid Employees**	**Establishments**
Healthcare and Social Assistance	788,917	13.1%	49,730
Retail Trade	693,478	11.5%	49,674
Manufacturing	628,118	10.4%	21,738
All Other Industries	3,934,693	65.1%	294,457
TOTAL	**6,045,206**	**100%**	**415,599**

Furthermore, business demographic estimates indicate there are 805,561 businesses in the assessment area (88.8 percent with gross annual revenues of $1 million or less) and 3,654 farms (90.7 percent with gross annual revenues of $1 million or less).

The following table displays unemployment data for the Los Angeles CSA assessment area along with individual MSA and state figures. Based on this information, unemployment rates in all datasets have been decreasing since 2010 but remain at elevated levels.

Unemployment Data			
Dataset	**2010 Annual Average**	**2011 Annual Average**	**June 2012**
Los Angeles CSA Assessment Area	12.3%	11.8%	10.7%
Los Angeles MSA	11.8%	11.4%	10.3%
Oxnard MSA	10.8%	10.1%	9.2%
Riverside MSA	14.3%	13.4%	12.6%
California	12.4%	11.7%	10.7%

Community Contact Information

As noted in the *California, Scope of Examination* section, numerous community contacts were utilized during this evaluation, in order to obtain additional performance context information. As specifically related to the Los Angeles CSA assessment area, one community contact was completed as a part of this evaluation. This interview was with the program director of a nonprofit, community development organization located in Torrance, California. In addition to this interview, ten previously completed contacts were also referenced.

Several contacts noted that there are signs of an economic recovery in the region, and that the outlook is significantly better than in 2009, which one contact noted as the worst year since the recession began. Also frequently highlighted was the fact that tough economic times have exacerbated the already very difficult goal of homeownership. High levels of unemployment and bankruptcies were cited as the most pronounced effects of the recession, along with an exceptionally high mortality rate for start-up businesses.

A common observation amongst the contacts was the decline in participation by financial institutions in community development lending and investing. Because of the downturn in the economy and heightened regulatory scrutiny, many banks have tightened underwriting standards and reduced community development lending and investing in an effort to shield their institution's financial condition. Additionally, the pool of investors has shrunk due to bank mergers or failures by area financial institutions. Another negative factor mentioned by one contact is personnel turnover. Due to employment instability, coupled with increased merger/acquisition activity in the banking industry, previously established community development networks have been significantly disrupted, which in turn has slowed down communication and hampered project flow. The decrease in local bank participation has led to an overall reduction in the availability of affordable housing programs, economic development programs attracting new businesses and jobs, and community service programs such as financial education.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LOS ANGELES-LONG BEACH-RIVERSIDE, CALIFORNIA CSA

LENDING TEST

Lending levels reflect adequate responsiveness to Los Angeles CSA assessment area credit needs. The bank's overall geographic distribution of loans reflects adequate penetration throughout the Los Angeles CSA assessment area. Furthermore, the overall distribution of loans by borrower's income/revenue profile reflects adequate penetration among customers of different income levels and businesses of different sizes. Finally, First Bank is a leader in making community development loans within the Los Angeles CSA assessment area.

Lending Activity

The bank's lending levels within the Los Angeles CSA assessment area reflect adequate responsiveness to assessment area credit needs, based upon the activity analyzed under the lending test. This lending activity is displayed by loan type in the following table. This table reflects loans made inside the bank's Los Angeles CSA assessment area.

Summary of Lending Activity				
Loan Type	**#**	**%**	**$(000s)**	**%**
Home Purchase	34	5.3%	$9,170	8.2%
Refinancing	131	20.5%	$34,383	30.9%
Home Improvement	15	2.3%	$3,196	2.9%
Multi-Family Housing	0	0.0%	$0	0.0%
Total HMDA Loans	**180**	**28.1%**	**$46,749**	**42.0%**
Small Business	**289**	**45.2%**	**$51,952**	**46.7%**
Small Farm	**1**	**0.2%**	**$300**	**0.3%**
Consumer	**170**	**26.6%**	**$12,273**	**11.0%**
TOTAL	**640**	**100%**	**$111,274**	**100%**

Geographic Distribution of Loans

As noted in the *Description of Institution's Operations in Los Angeles-Long Beach-Riverside, California CSA* section, this assessment area includes 234 low-income and 941 moderate-income census tracts, representing 34.8 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects adequate penetration throughout these LMI census tracts, led by excellent performance in the small business loan category. Geographic distribution performance in the HMDA loan and consumer loan categories is poor. The following table displays the geographic distribution of the bank's 2011 HMDA lending activity, in comparison to owner-occupied housing demographics.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	1 2.9%	4 11.8%	13 38.2%	16 47.1%	0 0.0%	**34** **100%**
Refinance	1 0.8%	9 6.9%	46 35.1%	75 57.3%	0 0.0%	**131** **100%**
Home Improvement	0 0.0%	0 0.0%	4 26.7%	11 73.3%	0 0.0%	**15** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0.0%**
TOTAL LOANS	2 1.1%	13 7.2%	63 35.0%	102 56.7%	0 0.0%	**180** **100%**
Owner-Occupied Housing	1.6%	17.7%	35.4%	45.2%	0.0%	**100%**

While the bank only made two HMDA loans to borrowers in low-income census tracts, this level of lending (1.1 percent) is in line with the percentage of owner-occupied housing units in low-income census tracts (1.6 percent) and the 2011 HMDA aggregate lending level in low-income areas (1.3 percent). Conversely, the bank's lending level in moderate-income census tracts (7.2 percent) is well below the percentage of owner-occupied housing units (17.7 percent) and aggregate lending (13.4 percent) in low-income census tracts. Therefore, the bank's geographic distribution of HMDA loans is poor.

Secondly, the bank's geographic distribution of small business loans was reviewed. The following table displays 2011 small business loan activity by geography income level, in comparison to the location of businesses throughout the bank's assessment area.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Business Loans	15 5.2%	75 26.0%	94 32.5%	100 34.6%	5 1.7%	**289** **100%**
Business Institutions	5.7%	23.1%	32.2%	38.4%	0.6%	**100%**

The analysis of small business loans reflects excellent penetration throughout LMI geographies. As shown in the table above, the bank originated 5.2 percent of loans to businesses located in low-income census tracts. This is slightly below the percentage of businesses located in low-income tracts (5.7 percent). However, the bank's performance is good when compared to 2011 aggregate lending performance in low-income census tracts (4.0 percent). The bank's performance in moderate-income tracts (26.0 percent) is excellent when compared to both the percentage of businesses located in moderate-income tracts (23.1 percent) and 2011 aggregate lending performance (19.5 percent).

Lastly, the bank's geographic distribution of consumer loans was reviewed. The following table displays 2011 consumer loan activity by geography income level, in comparison to household population demographics.

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	4 2.4%	19 11.2%	61 35.9%	86 50.6%	0 0.0%	**170** **100%**
Household Population	5.4%	26.1%	33.8%	34.7%	0.0%	**100%**

The bank's geographic distribution of consumer loans is poor. Lending in low-income geographies (2.4 percent) is considered poor when compared to the household population living in low-income census tracts (5.4 percent). Similarly, the level of consumer lending in moderate-income census tracts (11.2 percent) is well below the percentage of households in moderate-income census tracts (26.1 percent), reflecting poor performance.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is adequate, despite poor performance in the small business loan category. The following table shows the distribution of 2011 HMDA loans by borrower income level, in comparison to family population demographics.

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	1 2.9%	1 2.9%	8 23.5%	22 64.7%	2 5.9%	**34** **100%**
Refinance	8 6.1%	17 13.0%	31 23.7%	72 55.0%	3 2.3%	**131** **100%**
Home Improvement	2 13.3%	0 0.0%	4 26.7%	7 46.7%	2 13.3%	**15** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0.0%**
TOTAL LOANS	**11** **6.1%**	**18** **10.0%**	**43** **23.9%**	**101** **56.1%**	**7** **3.9%**	**180** **100%**
Family Population	22.6%	17.0%	18.8%	41.6%	0.0%	**100%**

While the preceding table displays HMDA lending levels to LMI borrowers that are below family population percentages, the bank's performance is good compared to 2011 HMDA aggregate data. The bank made 6.1 percent of HMDA loans to low-income borrowers, which is below the low-income family population percentage (22.6 percent) but significantly above the aggregate lending level to low-income borrowers (4.2 percent), reflecting excellent performance. The bank made 10.0 percent of HMDA loans to moderate-income borrowers, which is below the moderate-income family percentage (17.0 percent), but within close range of the aggregate level of lending to moderate-income borrowers (11.9 percent), reflecting adequate performance.

Secondly, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2011 small business loans by loan amount and business revenue size.

Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	91 31.5%	11 3.8%	9 3.1%	**111** **38.4%**
Greater Than $1 Million/Unknown	69 23.9%	53 18.3%	56 19.4%	**178** **61.6%**
TOTAL	**160** **55.4%**	**64** **22.1%**	**65** **22.5%**	**289** **100%**

The bank's level of lending to small businesses is poor. Only 38.4 percent of 2011 small business loans were to businesses with revenues of $1 million or less. This performance is below the estimate of small businesses in the assessment area (88.8 percent) and the 2011 aggregate lending level to small businesses (59.1 percent).

Lastly, the bank's distribution of consumer loans by borrower's profile was reviewed. The following table displays 2011 consumer loan activity by borrower income level in comparison to household demographics.

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	15 8.8%	34 20.0%	29 17.1%	64 37.6%	28 16.5%	**170** **100%**
Household Population	23.9%	16.3%	18.0%	41.8%	0.0%	**100%**

The bank's level of consumer lending to LMI borrowers is adequate. The percentage of consumer loans made to low-income borrowers (8.8 percent) is well below the percentage of low-income households (23.9 percent), reflecting poor performance. However, the percentage of consumer loans made to moderate-income borrowers (20.0 percent) is excellent, compared to the moderate-income household percentage (16.3 percent).

Community Development Lending Activities

First Bank is a leader in providing community development loans in the Los Angeles CSA assessment area. During the review period, the bank originated or renewed 34 community development loans totaling $75.2 million. In this total are multiple very large loans helping redevelop specific areas targeted by state and federal agencies for revitalization/stabilization. Other key community development loans include those made to a community development financial corporation specializing in affordable housing programs and nontraditional financial services. In addition, the bank made numerous loans to organizations providing community services such as job training, counseling services, and youth programs benefiting LMI residents.

INVESTMENT TEST

First Bank makes an excellent level of qualified community development investments and grants within the Los Angeles CSA assessment area, exhibiting excellent responsiveness to credit and community development needs in the assessment area. During the review period, the bank disbursed $1.4 million toward new or previously outstanding investment commitments. In addition, the bank had $11.3 million still outstanding from community development investments made previous to this review period. A significant portion of these investments are in community development financial institutions providing funds for affordable housing, community development projects, and other qualified activities. Other investments include funds targeting affordable multifamily housing developments in the Los Angeles area.

Additionally, the bank made grants totaling $101,456 to entities providing community services to LMI individuals in the assessment area. Among the qualifying donations are contributions to organizations that targeted community service initiatives in LMI areas or to LMI individuals for affordable housing, financial literacy, health services, youth services, employment counseling, elder protection, homeless shelters, and food pantries.

SERVICE TEST

The bank's service delivery systems are reasonably accessible in the Los Angeles CSA assessment area, and the bank's record of opening and closing branch offices has not adversely affected accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals. Business hours and services do not vary in a way that inconveniences certain segments of this assessment area, particularly LMI geographies and/or LMI individuals. Finally, First Bank is a leader in providing community development services within this assessment area.

Accessibility of Delivery Systems

The bank operates 33 branches and two LPOs within the Los Angeles CSA assessment area. The following table illustrates the distribution of these facilities by geography income level, in comparison to the distribution of census tracts and households.

Branch Distribution by Geography Income Level						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Branches	2 6.1%	4 12.1%	10 30.3%	17 51.5%	0 0.0%	**33** **100%**
Census Tracts	6.9%	27.9%	32.0%	32.6%	0.6%	**100%**
Household Population	5.4%	26.1%	33.8%	34.7%	0.0%	**100%**

Overall, the bank's distribution of branches in this assessment area is reasonably accessible to geographies and individuals of different income levels. As displayed in the preceding table, the bank's service accessibility in low-income geographies by percentage of offices (6.1 percent) is in line with the percentage of households in low-income areas. However, branch accessibility in moderate-income geographies (12.1 percent) is below the percentage of households residing in moderate-income census tracts (26.1 percent).

Changes in Branch Locations

The bank's record of opening and closing branches in this assessment area has not adversely affected the accessibility of its delivery systems. During the review period, the bank relocated one branch from a middle-income census tract to a moderate-income census tract.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Business hours and services do not vary in a way that inconveniences certain segments of this assessment area, particularly LMI geographies and/or LMI individuals, as hours of operation and services are uniformly offered across all branches in this assessment area.

Community Development Services

First Bank is a leader in providing community development services in the Los Angeles CSA assessment area. During the review period, bank personnel provided community development services totaling 2,523 hours. Bank personnel are especially active in education, providing financial training to students from LMI families, the elderly, and small businesses. In addition, a significant number of bank employees provide financial expertise on an ongoing basis to qualifying community development organizations. These organizations promote financial education, affordable housing, economic development, or social services such as childcare, health care, job training, and homeless shelters.

SAN JOSE-SAN FRANCISCO-OAKLAND, CALIFORNIA CSA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN SAN JOSE-SAN FRANCISCO-OAKLAND, CALIFORNIA CSA

Bank Structure

The bank operates 13 branch offices and one LPO within this assessment area. During the review period, the bank closed one branch in a moderate-income census tract and opened an LPO in a low-income census tract. Based on this branch network and other service delivery systems, the bank is adequately positioned to deliver financial services to substantially all of this assessment area, with a primary emphasis in the more populous San Francisco Bay Area.

General Demographics

The bank's San Francisco CSA assessment area is comprised of four MSAs (there are seven MSAs within the entire CSA): the Napa MSA, the San Francisco-Oakland-Fremont MSA (San Francisco MSA),[7] the San Jose-Sunnyvale-Santa Clara MSA (San Jose MSA), and the Vallejo-Fairfield MSA. The bank's assessment area includes eight counties: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, and Solano, all of which are within Northern California. As of the 2000 census, the CSA population was 6,325,146. As of the 2010 census, the population totaled 6,666,861. Of the 101 FDIC insured depository institutions with a branch presence in the CSA, the bank ranked twenty-eighth in terms of deposit market share, encompassing 0.2 percent of total deposit dollars.

As the demographics of this assessment area cover a very wide metropolitan area and the population is diverse, credit needs in the area are also varied, including a blend of consumer and business credit products. Other particular credit needs in the assessment area, as noted primarily during community contact interviews, include programs targeted toward affordable housing solutions (particularly as related to affordable rental options), flexible small business loan programs targeted to operating lines-of-credit, and financial education. Further, as the San Francisco CSA assessment area contains numerous metropolitan areas having an environment with significant need, coupled with a strong source of community development intermediaries (such as nonprofit agencies and government assistance entities), there is a high level of community development opportunity available for financial institution participation.

[7] The San Francisco MSA is further divided into two MDs, the San Francisco-San Mateo-Redwood City MD (San Francisco MD) and Oakland-Fremont-Hayward MD (Oakland MD).

Income and Wealth Demographics

There are 1,319 census tracts in the San Francisco CSA assessment area. The following table reflects the number and family population of these census tracts by geography income level.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	96 7.3%	287 21.8%	550 41.7%	382 29.0%	4 0.3%	**1,319** **100%**
Family Population	77,493 5.2%	280,834 18.8%	666,867 44.6%	470,701 31.5%	0 0.0%	**1,495,895** **100%**

Based on 2000 census data, the median family income for the assessment area was $72,425. In comparison, the state of California median family income was $53,025. More recently, HUD estimates the 2011 median family incomes for the metropolitan areas within the San Francisco CSA assessment area as follows: Napa MSA, $85,000; Oakland MD, $92,300; San Francisco MD, $101,600; San Jose MSA, $103,600; and Vallejo, $81,500. The following table displays the distribution of assessment area families by income level, compared to all California families.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	306,113 20.5%	263,265 17.6%	315,302 21.1%	611,215 40.9%	**1,495,895** **100%**
California	1,733,172 21.7%	1,389,573 17.4%	1,579,244 19.8%	3,283,500 41.1%	**7,985,489** **100%**

Housing Demographics

Consistent with the state of California, housing in the San Francisco CSA assessment area is expensive, and owning a home is very difficult to achieve as evidenced by the low housing affordability ratios displayed below.

Housing Demographics			
Dataset	**Median Housing Value**	**Affordability Ratio**	**Median Gross Rent (monthly)**
San Francisco CSA Assessment Area	$ 348,333	18.2%	$ 978
Napa MSA	$ 242,158	21.4%	$ 817
San Francisco MSA	$ 342,268	17.9%	$ 935
San Jose MSA	$ 417,143	17.7%	$ 1,176
Vallejo MSA	$ 174,947	30.9%	$ 796
California	$ 198,900	23.9%	$ 747

Industry and Employment Demographics

Covering a large section of northern California, the assessment area economy is broad and led by healthcare and professional, scientific, and technology services, followed by retail trade.

Business Patterns			
Industry	**Paid Employees**	**% of Paid Employees**	**Establishments**
Healthcare and Social Assistance	352,526	12.7%	20,094
Professional, Scientific, and Technology Services	351,914	12.7%	28,156
Retail Trade	287,892	10.4%	19,913
All Other Industries	1,775,472	64.1%	104,369
TOTAL	**2,767,804**	**100%**	**172,532**

Furthermore, business demographic estimates indicate there are 331,035 businesses in the assessment area (88.7 percent with gross annual revenues of $1 million or less) and 2,172 farms (92.1 percent with gross annual revenues of $1 million or less).

The following table displays unemployment data for the assessment area along with individual MSA and state figures. Based on this information, unemployment rates in all datasets have been decreasing since 2010 and assessment area unemployment rates have consistently been below state figures.

Unemployment Data			
Dataset	**2010 Annual Average**	**2011 Annual Average**	**June 2012**
San Francisco CSA Assessment Area	10.7%	9.8%	8.8%
Napa MSA	9.7%	9.0%	7.8%
San Francisco MSA	10.3%	9.4%	8.5%
San Jose MSA	11.2%	9.9%	8.8%
Vallejo MSA	12.0%	11.4%	10.5%
California	12.4%	11.7%	10.7%

Community Contact Information

As noted in the *California, Scope of Examination* section, numerous community contacts were utilized during this evaluation in order to obtain additional performance context information. As specifically related to the San Francisco CSA assessment area, one community contact was completed as a part of this evaluation. This interview was with an executive officer of a nonprofit community development organization in San Jose, California. In addition to this interview, ten previously completed contacts were also referenced.

One community contact explained that while there has been a small technology bubble in San Francisco recently, the economy overall is poorer than the national average. Specifically, the area is experiencing heightened levels of unemployment. Other sentiments made known by community contacts indicated that economic conditions in the last three years have shown very slow improvement. Multiple contacts stated that the greatest credit need is affordable housing, followed closely by loans to small businesses. In particular, there is a need for affordable rental housing, as many individuals do not qualify under traditional underwriting mechanisms, so renting is the only option for a large segment of the population. Also mentioned was the importance of multi-lingual banking services, as this area is very culturally diverse.

Some contacts commented that larger, nationwide banks appear to be better positioned resource-wise to fund community development projects (related to small businesses in particular). However, smaller community banks offer more flexible underwriting options and are more willing to take the extra time assisting small businesses to qualify for government loan programs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SAN JOSE-SAN FRANCISCO-OAKLAND, CALIFORNIA CSA

LENDING TEST

Lending levels reflect poor responsiveness to San Francisco CSA assessment area credit needs. However, the bank's overall geographic distribution of loans reflects good penetration throughout the assessment area. Furthermore, the overall distribution of loans by borrower's income/revenue profile reflects good penetration among customers of different income levels and businesses of different sizes. Finally, the bank makes a relatively high level of community development loans in this assessment area.

Lending Activity

The bank's lending levels within the San Francisco CSA assessment area reflect poor responsiveness to assessment area credit needs, based upon the activity analyzed under the lending test. This lending activity is displayed by loan type in the following table. This table reflects loans made inside the bank's San Francisco CSA assessment area.

Summary of Lending Activity				
Loan Type	**#**	**%**	**$(000s)**	**%**
Home Purchase	47	17.3%	$10,630	25.3%
Refinancing	41	15.1%	$10,672	25.4%
Home Improvement	3	1.1%	$272	0.6%
Multi-Family Housing	0	0.0%	$0	0.0%
Total HMDA Loans	**91**	**33.6%**	**$21,574**	**51.4%**
Small Business	**98**	**36.2%**	**$17,289**	**41.2%**
Small Farm	**0**	**0.0%**	**$0**	**0.0%**
Consumer	**82**	**30.3%**	**$3,104**	**7.4%**
TOTAL	**271**	**100%**	**$41,968**	**100%**

Geographic Distribution of Loans

As noted in the *Description of Institution's Operations in San Jose-San Francisco-Oakland, California CSA* section, this assessment area includes 96 low-income and 287 moderate-income census tracts, representing 29.1 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects good penetration throughout these LMI census tracts, led by excellent performance in the small business loan category. The following table displays the geographic distribution of the bank's 2011 HMDA lending activity, in comparison to owner-occupied housing demographics.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	0 0.0%	5 10.6%	30 63.8%	12 25.5%	0 0.0%	**47** **100%**
Refinance	0 0.0%	5 12.2%	20 48.8%	16 39.0%	0 0.0%	**41** **100%**
Home Improvement	0 0.0%	2 66.7%	0 0.0%	1 33.3%	0 0.0%	**3** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0.0%**
TOTAL LOANS	0 0.0%	12 13.2%	50 54.9%	29 31.9%	0 0.0%	**91** **100%**
Owner-Occupied Housing	2.1%	13.6%	46.0%	38.2%	0.0%	**100%**

Considering lending activity from both 2010 and 2011, the bank's overall geographic distribution of HMDA loans is adequate, driven by performance in the moderate-income category. While the bank's HMDA loan activity from both years reflected zero loans in low-income geographies, this is not considered poor performance based on the low-level of lending opportunity within these areas, as reflected by the minimal percentage of owner-occupied housing units within low-income census tracts. Similarly, 2010 and 2011 HMDA aggregate lending levels in low-income census tracts are also very low (1.7 and 1.8 percent, respectively).

The bank's lending penetration among moderate-income geographies varied by year. In 2010, the bank's lending level in moderate-income census tracts was poor, as only 5.6 percent of HMDA loans were to borrowers in moderate-income census tracts, compared to the owner-occupied housing unit percentage (13.6 percent) and the 2010 HMDA aggregate lending level in moderate-income census tracts (10.4 percent). Conversely, 2011 lending activity in moderate-income geographies (13.2 percent) reflects excellent performance compared to the percentage of owner-occupied housing units in moderate-income areas (13.6 percent) and the 2011 HMDA

aggregate level (10.6 percent). Consequently, the bank's overall geographic distribution of HMDA loans in moderate-income geographies is adequate, considering poor performance in 2010 but excellent performance in 2011.

Secondly, the bank's geographic distribution of small business loans was reviewed. The following table displays 2011 small business loan activity by geography income level, in comparison to the location of businesses throughout the bank's assessment area.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Business Loans	17 17.3%	21 21.4%	39 39.8%	21 21.4%	0 0.0%	**98** **100%**
Business Institutions	8.9%	18.3%	40.5%	32.3%	0.0%	**100%**

The analysis of small business loans reflects excellent penetration throughout the assessment area. As shown in the table above, the bank's penetration among LMI geographies (17.3 and 21.4 percent, respectively) is above the LMI business demographics (8.9 and 18.3 percent, respectively). In addition, the bank's performance is also well above 2011 aggregate lending levels in LMI areas (7.8 and 16.0 percent, respectively).

Lastly, the bank's geographic distribution of consumer loans was reviewed. The following table displays 2011 consumer loan activity by geography income level, in comparison to household demographics.

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	0 0.0%	6 7.3%	51 62.2%	25 30.5%	0 0.0%	**82** **100%**
Household Population	6.3%	19.5%	44.7%	29.5%	0.0%	**100%**

Considering lending activity in both 2010 and 2011, the bank's geographic distribution of consumer loans is adequate. The bank did not make any loans to borrowers residing in low-income geographies in either data year, reflecting poor performance. However, the geographic distribution in moderate-income geographies is good overall, based upon 2010 (21.3 percent) and 2011 (7.3 percent) lending levels.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is good, despite poor performance in the small business loan category. The following table shows the distribution of 2011 HMDA loans by borrower income level, in comparison to family population demographics.

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	6 12.8%	11 23.4%	10 21.3%	18 38.3%	2 4.3%	**47** **100%**
Refinance	6 14.6%	11 26.8%	9 22.0%	11 26.8%	4 9.8%	**41** **100%**
Home Improvement	0 0.0%	1 33.3%	0 0.0%	2 66.7%	0 0.0%	**3** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0.0%**
TOTAL LOANS	**12** 13.2%	**23** 25.3%	**19** 20.9%	**31** 34.1%	**6** 6.6%	**91** **100%**
Family Population	20.5%	17.6%	21.1%	40.9%	0.0%	**100%**

The bank's distribution of HMDA loans by borrower's profile is excellent. While the percentage of HMDA loans made to low-income borrowers (13.2 percent) is below the low-income family population percentage (20.5 percent), this lending level is well above the 2011 HMDA aggregate lending level to low-income borrowers (5.3 percent). The bank's level of lending to moderate-income borrowers (25.3 percent) is even better, which is significantly above both the family population percentage (17.6 percent) and the 2011 aggregate lending level (12.4 percent).

Secondly, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2011 small business loans by loan amount and business revenue size.

Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	32 32.7%	5 5.1%	5 5.1%	**42** **42.9%**
Greater Than $1 Million/Unknown	25 25.5%	14 14.3%	17 17.3%	**56** **57.1%**
TOTAL	**57** **58.2%**	**19** **19.4%**	**22** **22.4%**	**98** **100%**

The bank's level of lending to small businesses is poor. Only 42.9 percent of 2011 small business loans were to businesses with revenues of $1 million or less. This performance is below the estimate of small businesses in the assessment area (88.7 percent) and the 2011 aggregate lending level to small businesses (64.3 percent).

Lastly, the bank's distribution of consumer loans by borrower's profile was reviewed. The following table displays 2011 consumer loan activity by borrower income level in comparison to household demographics.

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	22 26.8%	11 13.4%	11 13.4%	22 26.8%	16 19.5%	**82** **100%**
Household Population	22.9%	16.6%	19.3%	41.2%	0.0%	**100%**

The bank's overall distribution of consumer loans by borrower's profile is good. 2011 lending to low-income borrowers (26.8 percent) is excellent compared to the low-income household population percentage (22.9 percent), and the 2010 low-income lending level (16.4 percent) is adequate. Compared to the moderate-income household percentage (16.6 percent), the bank's distribution of consumer loans to moderate-income borrowers in 2010 (11.5 percent) and 2011 (13.4 percent) is good.

Community Development Lending Activities

First Bank makes a relatively high level of community development loans in the San Francisco CSA assessment area. During the review period, the bank originated or renewed ten community development loans totaling $27.1 million. The majority of these loans were in special areas targeted for revitalization/stabilization, funding development that will attract businesses and create jobs. In addition, one of the largest loans was to a community service organization that provides basic education, literacy, and occupational skills training to the unemployed.

INVESTMENT TEST

First Bank makes a significant level of qualified community development investments and grants within the San Francisco CSA, exhibiting good responsiveness to credit and community development needs in the assessment area. During the review period, the bank made $454,690 in new investment monies attributable to this assessment area. In addition, the bank had $3.1 million in qualified investments made previous to this review period but still outstanding. Particularly responsive investments include two funds targeting affordable multifamily housing developments in the San Jose and San Francisco areas.

Additionally, the bank made grants totaling $125,673 to entities providing community services to LMI individuals in the assessment area. The majority of these monies supported community

service initiatives in LMI areas or to LMI individuals, such as affordable housing, financial literacy, health services, youth services, employment counseling, homeless shelters, and food pantries.

SERVICE TEST

First Bank's service delivery systems are readily accessible in the San Francisco CSA assessment area, and the bank's record of opening and closing branch offices has generally not adversely affected accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals. Business hours and services do not vary in a way that inconveniences certain segments of this assessment area, particularly LMI geographies and/or LMI individuals. Finally, First Bank is a leader in providing community development services within this assessment area.

Accessibility of Delivery Systems

The bank operates 13 branches and one LPO within the San Francisco CSA assessment area. The following table illustrates the distribution of these facilities by geography income level, in comparison to the distribution of census tracts and households.

Branch Distribution by Geography Income Level						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Branches	3 23.1%	3 23.1%	6 46.2%	1 7.7%	0 0.0%	**13** **100%**
Census Tracts	7.3%	21.8%	41.7%	29.0%	0.3%	**100%**
Household Population	6.3%	19.5%	44.7%	29.5%	0.0%	**100%**

Based on information presented in the preceding table, the bank's service delivery systems are readily accessible to the geographies and individuals of different income levels in this assessment area. Of the 13 branches, six (46.2 percent) are located in LMI areas, representing a strong branch presence, particularly in low-income census tracts. The bank's LPO is also located in a low-income census tract.

Changes in Branch Locations

The bank's record of opening and closing branches in this assessment area has generally not adversely affected the accessibility of delivery systems, particularly to LMI geographies and/or LMI individuals. During this review period, the bank closed one branch in a moderate-income census tract and opened one LPO in a low-income census tract.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Business hours and services do not vary in a way that inconveniences certain segments of this assessment area, particularly LMI geographies and/or LMI individuals, as hours of operation and services are uniformly offered across all branches in this assessment area.

Community Development Services

First Bank is a leader in providing community development services in the San Francisco CSA assessment area. During the review period, bank personnel provided community development services totaling 1,684 hours. Bank personnel are especially active in organizations assisting immigrants and others with language barriers that need transition assistance. Other key services include helping organizations that locate affordable housing for LMI people in need, such as single parents, the elderly, and those that are homeless or at risk for homelessness. In addition, a significant number of bank employees provide financial expertise on an ongoing basis to qualifying community development organizations. These organizations promote financial education, affordable housing, economic development, or social services such as childcare, health care, job training, and homeless shelters.

SACRAMENTO–ARDEN-ARCADE–ROSEVILLE, CALIFORNIA MSA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN SACRAMENTO–ARDEN-ARCADE–ROSEVILLE, CALIFORNIA MSA

Bank Structure

The bank operates six branch offices within this assessment area. During the review period, the bank closed one branch in a moderate-income census tract and one LPO in an upper-income census tract. Based on this branch network and other service delivery systems, the bank is adequately positioned to serve the more populous central part of the assessment area, including the city of Sacramento and the surrounding area to the north.

General Demographics

The bank's Sacramento MSA assessment area is comprised of the entire MSA, which includes four counties: El Dorado, Placer, Sacramento, and Yolo. The MSA is located in the Central Valley and Sierra Nevada regions of Northern California. The principal cities in the MSA are Sacramento, Roseville, and Elk Grove. At the 2000 census, the MSA had a population of 1,796,857. As of the 2010 census, the MSA had a population of 2,149,127. Of the 45 FDIC insured depository institutions with a branch presence in these counties, the bank ranked twentieth in terms of deposit market share, encompassing 0.7 percent of total deposit dollars.

As the demographics of this assessment area cover a wide metropolitan area and the population is diverse, credit needs in the area are also varied, including a blend of consumer and business credit products. Other particular credit needs in the assessment area, as noted primarily during community contact interviews, include foreclosure avoidance programs and affordable housing options, flexible start-up business loan programs, and lines-of-credit in amounts of $150,00 or less to help small businesses manage cash flow. Furthermore, as the Sacramento MSA is an environment with significant need, coupled with a strong source of community development intermediaries (such as nonprofit agencies, institutions of higher education, and government assistance entities), there is a high level of community development opportunity available for financial institution participation.

Income and Wealth Demographics

There are 403 census tracts in the Sacramento MSA. The following table reflects the number and family population of these census tracts by geography income level.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	29 7.2%	99 24.6%	160 39.7%	115 28.5%	0 0.0%	**403** **100%**
Family Population	24,406 5.4%	103,746 23.1%	180,580 40.2%	140,425 31.3%	0 0.0%	**449,157** **100%**

Based on 2000 census data, the median family income for the assessment area was $53,804. In comparison, the state of California median family income was $53,025. More recently, HUD estimates the 2011 median family income for the Sacramento MSA to be $75,100. The following table displays the distribution of assessment area families by income level, compared to all California families.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	91,390 20.3%	81,557 18.2%	94,033 20.9%	182,177 40.6%	**449,157** **100%**
California	1,733,172 21.7%	1,389,573 17.4%	1,579,244 19.8%	3,283,500 41.1%	**7,985,489** **100%**

Housing Demographics

As displayed in the following table, home ownership in the assessment area appears to be more affordable than California overall, based primarily upon lower housing costs (as opposed to differences in relative income levels).

Housing Demographics			
Dataset	**Median Housing Value**	**Affordability Ratio**	**Median Gross Rent (monthly)**
Sacramento MSA Assessment Area	$ 156,192	29.5%	$ 673
California	$ 198,900	23.9%	$ 747

Industry and Employment Demographics

As displayed in the following table, the assessment area economy is broad and led by healthcare and retail trade industries, followed by accommodation and food services.

Business Patterns			
Industry	**Paid Employees**	**% of Paid Employees**	**Establishments**
Healthcare and Social Assistance	100,972	16.3%	5,146
Retail Trade	88,480	14.2%	5,719
Accommodation and Food Services	70,896	11.4%	4,111
All Other Industries	360,720	58.1%	29,538
TOTAL	**621,068**	**100%**	**44,514**

Furthermore, business demographic estimates indicate there are 89,574 businesses in the assessment area (90.4 percent with gross annual revenues of $1 million or less) and 1,324 farms (95.2 percent with gross annual revenues of $1 million or less).

The following table displays unemployment data for the Sacramento MSA along with state figures. Based on this information, unemployment rates in both datasets have been decreasing since 2010, but remain at elevated levels.

Unemployment Data			
Dataset	**2010 Annual Average**	**2011 Annual Average**	**June 2012**
Sacramento MSA Assessment Area	12.5%	11.9%	10.8%
California	12.4%	11.7%	10.7%

Community Contact Information

As noted in the *California, Scope of Examination* section, numerous community contacts were utilized during this evaluation, in order obtain additional performance context information. As specifically related to the Sacramento MSA assessment area, one community contact was completed as a part of this evaluation. This interview was with an executive director of an affordable housing coalition in Sacramento. In addition to this interview, two previously completed contacts were also referenced.

One contact described the Sacramento economy as lagging behind the rest of the United States, with the exception of the technology sector. Specifically, the contact stated that the unemployment rate in Sacramento is higher than the state average. There is a desperate need for affordable housing, as homelessness continues to rise along with the rate of foreclosures. Furthermore, government redevelopment money has dried up. These funds formerly provided gap financing. With this money no longer available, it is pertinent for banks to meet these credit needs to revitalize and stabilize the struggling communities.

Other comments were specific to small business lending, noting that community banks have not modified lending perspectives to keep in step with surviving local businesses, particularly as related to collateral requirements. Strengthening relationships with small business customers would help these perspectives.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SACRAMENTO–ARDEN-ARCADE–ROSEVILLE, CALIFORNIA MSA

LENDING TEST

Lending levels reflect adequate responsiveness to Sacramento MSA assessment area credit needs. The bank's overall geographic distribution of loans reflects adequate penetration throughout the assessment area. Furthermore, the overall distribution of loans by borrower's income/revenue profile reflects adequate penetration among customers of different income levels and businesses of different sizes. Finally, the bank is a leader in providing community development loans in this assessment area.

Lending Activity

The bank's lending levels within the Sacramento MSA assessment area reflect adequate responsiveness to assessment area credit needs. The lending activity analyzed under the lending test is displayed by loan type in the following table. This table reflects loans made inside the bank's Sacramento MSA assessment area.

Summary of Lending Activity				
Loan Type	**#**	**%**	**$(000s)**	**%**
Home Purchase	11	9.4%	$1,851	10.5%
Refinancing	29	24.8%	$6,135	34.9%
Home Improvement	1	0.9%	$150	0.9%
Multi-Family Housing	0	0.0%	$0	0.0%
Total HMDA Loans	**41**	**35.0%**	**$8,136**	**46.3%**
Small Business	**62**	**53.0%**	**$9,185**	**52.2%**
Small Farm	**0**	**0.0%**	**$0**	**0.0%**
Consumer	**14**	**12.0%**	**$268**	**1.5%**
TOTAL	**117**	**100%**	**$17,589**	**100%**

Geographic Distribution of Loans

As noted in the *Description of Institution's Operations in Sacramento–Arden-Arcade–Roseville, California MSA* section, this assessment area includes 29 low-income and 99 moderate-income census tracts, representing 31.8 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects adequate penetration throughout these LMI census tracts, led by excellent performance in the small business loan category. Geographic distribution performance in the HMDA and consumer loan categories is poor. The following table displays the geographic distribution of bank's 2011 HMDA lending activity, in comparison to owner-occupied housing demographics.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	0 0.0%	3 27.3%	4 36.4%	4 36.4%	0 0.0%	**11** **100%**
Refinance	0 0.0%	0 0.0%	17 58.6%	12 41.4%	0 0.0%	**29** **100%**
Home Improvement	0 0.0%	0 0.0%	1 100.0%	0 0.0%	0 0.0%	**1** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0.0%**
TOTAL LOANS	**0** **0.0%**	**3** **7.3%**	**22** **53.7%**	**16** **39.0%**	**0** **0.0%**	**41** **100%**
Owner-Occupied Housing	3.3%	18.3%	42.1%	36.2%	0.0%	**100%**

Performance conclusions in this loan category were driven by lending activity levels in moderate-income geographies, where the bank had a low lending level (7.3 percent). This loan penetration in moderate-income census tracts is significantly below the percentage of owner-occupied housing units in moderate-income geographies (18.3 percent) and the 2011 HMDA aggregate lending level in moderate-income areas (10.4 percent). The bank did not make any HMDA loans to residents within a low-income census tract. Consequently, the bank's geographic distribution of HMDA loans is poor.

Secondly, the bank's geographic distribution of small business loans was reviewed. The following table displays 2011 small business loan activity by geography income level, in comparison to the location of businesses in the bank's assessment area.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Business Loans	4 6.5%	16 25.8%	18 29.0%	24 38.7%	0 0.0%	**62** **100%**
Business Institutions	6.4%	21.0%	38.9%	33.6%	0.0%	**100%**

The analysis of small business loans reflects excellent penetration throughout LMI geographies. As shown in the table above, the bank's lending levels in LMI areas (6.5 and 25.8 percent, respectively) are above both the percentages of businesses within LMI areas (6.4 and 21.0 percent) and 2011 CRA aggregate lending levels (4.9 and 17.7 percent).

Lastly, the bank's geographic distribution of consumer loans was reviewed. The following table displays 2011 consumer loan activity by geography income level, in comparison to household demographics.

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	0 0.0%	0 0.0%	8 57.1%	6 42.9%	0 0.0%	**14** **100%**
Household Population	6.0%	24.8%	40.2%	29.1%	0.0%	**100%**

While 2010 consumer loan activity reflects an excellent level of consumer loans to borrowers in low-income geographies (9.1 percent), all other LMI lending levels in 2010 and 2011 reflect poor performance. The percentage of 2010 consumer loans made to borrowers in moderate-income census tracts (4.5 percent) is well below the percentage of households in moderate-income areas (24.8 percent). As displayed in the table above, the bank did not make any consumer loans to borrowers in LMI areas in 2011. Consequently, the overall geographic distribution of consumer loans is poor.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is adequate based on performance from all three loan categories reviewed, despite a poor level of lending to small businesses. The following table shows the distribution of 2011 HMDA loans by borrower income level, in comparison to family population demographics.

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	1 9.1%	2 18.2%	2 18.2%	6 54.5%	0 0.0%	**11** **100%**
Refinance	0 0.0%	7 24.1%	4 13.8%	17 58.6%	1 3.4%	**29** **100%**
Home Improvement	0 0.0%	0 0.0%	0 0.0%	1 100.0%	0 0.0%	**1** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**1** **2.4%**	**9** **22.0%**	**6** **14.6%**	**24** **58.5%**	**1** **2.4%**	**41** **100%**
Family Population	20.3%	18.2%	20.9%	40.6%	0.0%	**100%**

The bank's performance varied significantly by LMI income category, but overall, the distribution of HMDA loans by borrower's profile is adequate. As displayed in the table above, the bank had a poor lending level to low-income borrowers (2.4 percent), which is significantly below both the family population percentage (20.3 percent) and the 2011 HMDA aggregate lending level to low-income borrowers (8.8 percent). Conversely, the bank's level of lending to moderate-income borrowers is excellent (22.0 percent), compared to the moderate-income family population (18.2 percent) and the 2011 aggregate lending level to moderate-income borrowers (17.5 percent).

Secondly, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2011 small business loans by loan amount and business revenue size.

Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	28 45.2%	2 3.2%	3 4.8%	**33** **53.2%**
Greater Than $1 Million/Unknown	10 16.1%	12 19.4%	7 11.3%	**29** **46.8%**
TOTAL	**38** **61.3%**	**14** **22.6%**	**10** **16.1%**	**62** **100%**

Under this loan category, the bank's level of lending to small businesses varied significantly by year, but ultimately, the bank's overall performance is poor in light of a very poor small business lending level in 2010. As displayed in the table of above, the bank made 53.2 percent of 2011 small business loans to businesses with revenues of $1 million or less. This performance is below the estimate of small businesses in the assessment area (90.4 percent) and the 2011 aggregate lending level to small businesses (61.5 percent). The 2010 level of lending to small businesses was significantly below 2011, at only 35.5 percent.

Lastly, the bank's distribution of consumer loans by borrower's profile was reviewed. The following table displays 2011 consumer loan activity by borrower income level in comparison to household demographics.

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	2 14.3%	2 14.3%	6 42.9%	2 14.3%	2 14.3%	**14** **100%**
Household Population	22.6%	16.8%	19.3%	41.2%	0.0%	**100%**

The bank's overall level of consumer loans to LMI borrowers is adequate, as the bank's LMI lending levels (14.3 percent for both categories) were below, but within reasonable range of, the LMI household population percentages (22.6 and 16.8 percent).

Community Development Lending Activities

First Bank is a leader in providing community development loans in the Sacramento MSA assessment area. During the review period, the bank originated or renewed nine community development loans totaling $68.3 million. In this total are multiple very large loans helping redevelop specific areas targeted by state and federal agencies for revitalization/stabilization. Also, the bank made a large loan to develop an 81-unit affordable housing complex for seniors, which also provides new jobs within a moderate-income geography.

INVESTMENT TEST

The bank makes an adequate level of community development grants within the Sacramento MSA assessment area. While the bank did not have any community development investments attributable to this assessment area during the review period, the bank made $22,961 in grants, which primarily befitted various organizations providing community services to LMI individuals and families.

SERVICE TEST

The bank's service delivery systems are reasonably accessible in the Sacramento MSA assessment area. The bank's record of opening and closing branch offices has adversely affected accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals. Business hours and services do not vary in a way that inconveniences certain segments of this assessment area, particularly LMI geographies and/or LMI individuals. Finally, First Bank is a leader in providing community development services within this assessment area.

Accessibility of Delivery Systems

The bank operates six branches within the Sacramento MSA assessment area. The following table illustrates the distribution of these branches by geography income level, in comparison to the distribution of census tracts and households.

Branch Distribution by Geography Income Level						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Branches	0 0.0%	1 16.7%	2 33.3%	3 50.0%	0 0.0%	**6** **100%**
Census Tracts	7.2%	24.6%	39.7%	28.5%	100%	**100%**
Household Population	6.0%	24.8%	40.2%	29.1%	100%	**100%**

Based on information presented in the preceding table, the bank's service delivery systems are reasonably accessible to the geographies and individuals of different income levels in this assessment area. The bank operates one branch in the combined LMI areas, which represents

marginally acceptable service accessibility, considering the household population percentages in LMI areas (6.0 and 24.8 percent, respectively).

Changes in Branch Locations

The bank's record of opening and closing branches in this assessment area has adversely affected the accessibility of its delivery systems. During this review period, the bank closed two facilities: a branch located in a moderate-income area and an LPO in an upper-income area.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Business hours and services do not vary in a way that inconveniences certain segments of this assessment area, particularly LMI geographies and/or LMI individuals, as hours of operation and services are uniformly offered across all branches in this assessment area.

Community Development Services

First Bank is a leader in providing community development services in the Sacramento MSA assessment area. During the review period, bank employees provided community development services totaling 671 hours. Organizations assisted by bank personnel include those providing financial education targeted to youth from LMI families, economic development corporations, affordable housing providers, and various other entities providing basic necessities to LMI people in need.

SAN DIEGO-CARLSBAD-SAN MARCOS, CALIFORNIA MSA

(Limited-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN SAN DIEGO-CARLSBAD-SAN MARCOS, CALIFORNIA MSA

First Bank has designated the entire San Diego-Carlsbad-San Marcos, California MSA as an assessment area, which includes one county, San Diego County. First Bank operates four branch offices in this assessment area and one LPO. During this review period, the bank converted one branch office in a moderate-income census tract into an LPO. The tables below detail key demographics relating to this assessment area.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	48 7.9%	136 22.5%	228 37.7%	190 31.4%	3 0.5%	**605** **100%**
Family Population	44,733 6.7%	148,992 22.3%	251,776 37.6%	223,601 33.4%	0 0.0%	**669,102** **100%**
Household Population	65,483 6.6%	226,300 22.7%	390,910 39.3%	312,799 31.4%	0 0.0%	**995,492** **100%**
Business Institutions	6,903 4.7%	30,902 21.0%	54,974 37.3%	54,427 37.0%	69 <0.1%	**147,275** **100%**
Agricultural Institutions	11 0.9%	158 13.2%	485 40.7%	539 45.2%	0 0.0%	**1,193** **100%**

Assessment Area Demographics by Population Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Family Population	141,031 21.1%	120,059 17.9%	134,516 20.1%	273,496 40.9%	**669,102** **100%**
Household Population	224,657 22.6%	170,752 17.2%	187,829 18.9%	412,254 41.4%	**995,492** **100%**

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SAN DIEGO-CARLSBAD-SAN MARCOS, CALIFORNIA MSA

LENDING TEST

The bank's lending test performance in this assessment area is consistent with the bank's overall lending test performance in the state of California (high satisfactory), as is detailed in the following table. For more detailed information relating to the bank's lending test performance in this assessment area, see the tables contained in Appendices C and D.

Lending Test Criteria	Performance
Lending Activity	Consistent
Geographic Distribution of Loans	Consistent
Distribution of Loans by Borrower's Profile	Consistent
Community Development Lending Activities	Below
OVERALL	**Consistent**

INVESTMENT TEST

The bank's investment test performance in this assessment area is consistent with the bank's overall investment test performance in the state of California (high satisfactory). During the review period, the bank made new investments totaling $250,000 attributable to this assessment area. In addition, the bank made $1,900 in community development grants.

SERVICE TEST

The bank's service test performance in this assessment area is consistent with the bank's overall service test performance in the state of California (high satisfactory), as is detailed in the following table.

Service Test Criteria	Performance
Accessibility of Delivery Systems	Exceeds
Changes in Branch Locations	Consistent
Reasonableness of Business Hours and Services	Consistent
Community Development Services	Consistent
OVERALL	**Consistent**

SANTA BARBARA-SANTA MARIA-GOLETA, CALIFORNIA MSA

(Limited-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN SANTA BARBARA-SANTA MARIA-GOLETA, CALIFORNIA MSA

First Bank has designated the entire Santa Barbara-Santa Maria-Goleta, California MSA as an assessment area, which includes one county, Santa Barbara County. The bank operates three branch offices in this assessment area. The tables below detail key demographics relating to this assessment area.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	4 4.7%	26 30.2%	29 33.7%	27 31.4%	0 0.0%	**86** **100%**
Family Population	3,245 3.6%	24,390 27.0%	32,285 35.7%	30,394 33.7%	0 0.0%	**90,314** **100%**
Household Population	6,657 4.9%	37,587 27.5%	47,577 34.8%	44,948 32.9%	0 0.0%	**136,769** **100%**
Business Institutions	498 2.3%	7,138 33.6%	6,998 32.9%	6,621 31.2%	0 0.0%	**21,255** **100%**
Agricultural Institutions	10 1.7%	106 18.0%	184 31.3%	288 49.0%	0 0.0%	**588** **100%**

Assessment Area Demographics by Population Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Family Population	18,097 20.0%	16,823 18.6%	18,474 20.5%	36,920 40.9%	**90,314** **100%**
Household Population	31,217 22.8%	23,235 17.0%	25,630 18.7%	56,687 41.4%	**136,769** **100%**

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SANTA BARBARA-SANTA MARIA-GOLETA, CALIFORNIA MSA

LENDING TEST

The bank's lending test performance in this assessment area is consistent with the bank's overall lending test performance in the state of California (high satisfactory), as is detailed in the following table. For more detailed information relating to the bank's lending test performance in this assessment area, see the tables contained in Appendices C and D.

Lending Test Criteria	Performance
Lending Activity	Consistent
Geographic Distribution of Loans	Consistent
Distribution of Loans by Borrower's Profile	Consistent
Community Development Lending Activities	Below
OVERALL	**Consistent**

INVESTMENT TEST

The bank's investment test performance in this assessment area is below the bank's overall investment test performance in the state of California (high satisfactory); however, it is not significant enough to bring down the overall state performance. During the evaluation period, the bank did not have any investments attributable to this assessment area, and the bank made $1,300 in community development grants.

SERVICE TEST

The bank's service test performance in this assessment area is consistent with the bank's overall service test performance in the state of California (high satisfactory), as is detailed in the following table.

Service Test Criteria	Performance
Accessibility of Delivery Systems	Consistent
Changes in Branch Locations	Consistent
Reasonableness of Business Hours and Services	Consistent
Community Development Services	Consistent
OVERALL	**Consistent**

FLORIDA

CRA RATING FOR FLORIDA: SATISFACTORY
The Lending Test is rated: High Satisfactory
The Investment Test is rated: Low Satisfactory
The Service Test is rated: Outstanding

Major factors supporting the institution's rating in the state of Florida include the following:

- Lending levels reflect adequate responsiveness to assessment area credit needs in the state of Florida.
- The bank's overall geographic distribution of loans reflects excellent penetration throughout the Florida assessment areas.
- The distribution of loans by borrower's income/revenue profile reflects good penetration among customers of different income levels and businesses of different sizes.
- The bank makes an adequate level of community development loans in the Florida assessment areas.
- The bank makes an adequate level of qualified community development investments and grants in Florida.
- Service delivery systems are readily accessible to areas and individuals of different income levels in the Florida assessment areas; furthermore, changes in branch locations have not adversely affected the accessibility of delivery systems, particularly to LMI geographies and/or LMI individuals.
- First Bank is a leader in providing community development services in the Florida assessment areas.

SCOPE OF EXAMINATION

Examination scope considerations applicable to the review of the Florida assessment areas are consistent with the overall CRA examination scope as presented in the *Institution, Scope of Examination* section. However, the bank had no small farm loan activity in Florida; therefore, this lending category did not play a role in the evaluation of the Florida lending performance. Consequently, small farm lending activity is not addressed within the Florida lending test discussions.

The bank operates in two Florida assessment areas: one that includes the entire North Port-Bradenton-Sarasota MSA (Bradenton MSA) and one that includes the entire Tampa-St. Petersburg-Clearwater MSA (Tampa MSA). As detailed in the next section, the Bradenton MSA assessment area was evaluated using full-scope review procedures; performance in this assessment area primarily shaped the bank's state ratings.

In order to better understand the banking environment within the full-scope review assessment area, two community contacts previously completed within the Bradenton MSA were utilized to ascertain specific credit needs and local market conditions. In addition, this information aided in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from these community contacts are included in the *Description of Institution's Operations* section.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN FLORIDA

As displayed in the table below, the bank operates 19 branches within the Florida assessment areas.

Assessment Area	Branches #	Branches %	Deposits $000s	Deposits %	CRA Review Procedures
Bradenton MSA	8	42.1%	$ 193,886	49.2%	Full Scope
Tampa MSA	11	57.9%	$ 200,586	50.8%	Limited Scope
OVERALL	**19**	**100%**	**$ 394,472**	**100%**	**1 Full Scope**

In addition to the traditional banking facilities noted in the preceding table, the bank operates a mobile banking vehicle that serves both Florida assessment areas. This vehicle offers ATM services to special events (often targeted to LMI customers and geographies), as well as when such services are needed after natural disasters (during which time services are provided surcharge free).

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN FLORIDA

LENDING TEST

The bank's performance under the lending test is rated high satisfactory. Overall lending levels reflect adequate responsiveness to the Florida assessment area credit needs. The bank's geographic distribution of loans reflects excellent penetration throughout the full-scope review assessment area. Furthermore, the overall distribution of loans by borrower's income/revenue profile reflects good penetration among customers of different income levels and businesses of different sizes. Finally, First Bank makes an adequate level of community development loans within the full-scope review assessment area.

Lending Activity

The bank's lending levels within the state of Florida reflect adequate responsiveness to assessment area credit needs, given the bank's capacity/constraints and weak credit demand in Florida assessment areas resulting from the ongoing economic difficulties in these areas. The lending activity (2010 and 2011) analyzed under the lending test is displayed by loan type in the following table. This table reflects loans made inside the Florida assessment areas.

Summary of Lending Activity				
Loan Type	**#**	**%**	**$(000s)**	**%**
Home Purchase	22	5.9%	$2,870	8.4%
Refinancing	62	16.6%	$7,020	20.6%
Home Improvement	6	1.6%	$319	0.9%
Multi-Family Housing	1	0.3%	$51	0.1%
Total HMDA Loans	**91**	**24.3%**	**$10,260**	**30.2%**
Small Business	**103**	**27.5%**	**$16,596**	**48.8%**
Small Farm	**0**	**0.0%**	**$0**	**0.0%**
Consumer	**180**	**48.1%**	**$7,155**	**21.0%**
TOTAL	**374**	**100%**	**$34,011**	**100%**

Geographic and Borrower Distribution

As displayed in the following tables, the bank's geographic distribution of loans in the full-scope review assessment area is excellent.

Full-Scope Review Areas	Geographic Distribution of Loans
Bradenton MSA	Excellent

Limited-Scope Review Areas	Geographic Distribution of Loans
Tampa MSA	Below

The bank's performance by borrower's income/revenue profile is good in the full-scope review assessment area.

Full-Scope Review Areas	Borrower Distribution of Loans
Bradenton MSA	Good

Limited-Scope Review Areas	Borrower Distribution of Loans
Tampa MSA	Consistent

Community Development Lending Activities

The bank makes an adequate level of community development loans in the full-scope review assessment area.

Full-Scope Review Areas	Community Development Lending
Bradenton MSA	Adequate Level

Limited-Scope Review Areas	Community Development Lending
Tampa MSA	Below

Overall, the bank made five community development loans in the Florida assessment areas, four of which were made within the Bradenton MSA assessment area, totaling over $282,000.

INVESTMENT TEST

First Bank's investment test rating for the state of Florida is low satisfactory. As displayed below, the bank makes an adequate level of qualified community development investments and grants in the full-scope review assessment area.

Full-Scope Review Areas	Community Development Investments
Bradenton MSA	Adequate

Limited-Scope Review Areas	Community Development Investments
Tampa MSA	Below

During the review period, the bank did not have any qualified community development investments attributable to the Florida assessment areas; however, the bank did grant $34,323 to community development organizations serving the Florida assessment areas.

SERVICE TEST

The bank's service test rating in Florida is outstanding. The bank's service delivery systems are readily accessible to areas and individuals of different income levels in the full-scope review assessment area. In addition, the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals. Business hours and services do not vary in a way that inconveniences the Florida assessment areas, particularly as related to LMI geographies and/or LMI individuals. Lastly, the bank is a leader in providing community development services within the full-scope review assessment area.

Accessibility of Delivery Systems

The bank's service delivery systems are readily accessible to geographies and individuals of different income levels within the full-scope review assessment area.

Full-Scope Review Areas	Accessibility of Delivery Systems
Bradenton MSA	Readily Accessible

Limited-Scope Review Areas	Accessibility of Delivery Systems
Tampa MSA	Below

Changes in Branch Locations

The bank's record of opening and closing branches in the full-scope review assessment area has not adversely affected accessibility of service delivery systems.

Full-Scope Review Areas	Changes in Branch Locations
Bradenton MSA	Not Adversely Affected

Limited-Scope Review Areas	Changes in Branch Locations
Tampa MSA	Consistent

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Overall, banking services and business hours applicable to the full-scope review assessment area do not vary in a way that inconveniences certain locations, particularly LMI geographies and/or LMI individuals.

Full-Scope Review Areas	Reasonableness of Business Hours and Services
Bradenton MSA	Do Not Vary in a Way That Inconveniences

Limited-Scope Review Areas	Reasonableness of Business Hours and Services
Tampa MSA	Consistent

Community Development Services

The bank is a leader in providing community development services within the full-scope review assessment area.

Full-Scope Review Areas	Community Development Services
Bradenton MSA	Leader

Limited-Scope Review Areas	Community Development Services
Tampa MSA	Below

NORTH PORT-BRADENTON-SARASOTA, FLORIDA MSA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NORTH PORT-BRADENTON-SARASOTA, FLORIDA MSA

Bank Structure

The bank operates eight branch offices within the Bradenton MSA assessment area. During this review period, the bank did not open or close any branches in this assessment area. Based on this branch network and other service delivery systems, the bank is not suited to serving the entire Bradenton MSA assessment area, as the bank's branches are primarily located in the northwestern quadrant of this geographically large area. These circumstances do not necessarily correlate to negative CRA performance implications.

General Demographics

The bank's Bradenton MSA assessment area is comprised of the entire MSA, which includes two counties, Manatee County and Sarasota County. These counties are located on the gulf shore-side of central Florida. The principal cities in the MSA are Bradenton, located in Manatee County, as well as Sarasota and North Port, both located in Sarasota County. At the 2000 census, the MSA had a population of 589,959. As of the 2010 census, the MSA had a population of 702,281. Of the 47 FDIC-insured depository institutions with a branch presence in these counties, the bank ranked nineteenth in terms of deposit market share, encompassing 1.2 percent of total deposit dollars.

As the demographics of this assessment area cover a wide, metropolitan area and the population is diverse, credit needs in the area are also varied, including a blend of consumer and business credit products. Other particular credit needs in the assessment area, as noted primarily during community contact interviews, include multifamily affordable housing projects, flexible small business loan programs targeted to business relocations/expansions, and business incubator projects. Furthermore, as the Bradenton MSA is an environment with significant need, coupled with a strong source of community development intermediaries (such as nonprofit agencies and government assistance entities), there is a high level of community development opportunity available for financial institution participation.

Income and Wealth Demographics

There are 143 census tracts in the Bradenton MSA. The following table reflects the number and family population of these census tracts by geography income level.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	1 0.7%	31 21.7%	77 53.8%	34 23.8%	0 0.0%	**143** **100%**
Family Population	897 0.5%	37,541 22.2%	89,610 52.9%	41,200 24.3%	0 0.0%	**169,248** **100%**

As shown above, there is only one low-income census tract within this assessment area. However, there is a sizeable portion (22.2 percent) of the assessment area family population living within the assessment area's 31 moderate-income census tracts.

Based on 2000 census data, the median family income for the assessment area was $48,549. In comparison, the state of Florida median family income was $45,625. More recently, HUD estimates the 2011 median family income for the Bradenton MSA to be $59,100. The following table displays the distribution of assessment area families by income level, compared to all Florida families.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	29,853 17.6%	33,150 19.6%	39,877 23.6%	66,368 39.2%	**169,248** **100%**
Florida	830,470 19.6%	788,806 18.6%	917,824 21.7%	1,701,309 40.1%	**4,238,409** **100%**

While there is only one census tract designated as low-income in this assessment area, the table above shows that 17.6 percent of assessment area families are in the low-income category, which is just slightly below the percentage of low-income families for the entire state. Otherwise, the family distribution by income level in the assessment area is very similar to that of the state of Florida.

Housing Demographics

As displayed in the following table, home ownership in the assessment area appears to be less affordable than Florida overall, based primarily upon higher housing costs (as opposed to lower relative income levels).

Housing Demographics			
Dataset	**Median Housing Value**	**Affordability Ratio**	**Median Gross Rent (monthly)**
Bradenton Assessment Area	$ 104,746	38.8%	$ 673
Florida	$ 93,200	41.7%	$ 641

Industry and Employment Demographics

As displayed in the following table, the assessment area economy is led by healthcare and retail trade industries, followed by accommodation and food service. All other industries include a broad mix supporting a diverse economy.

Business Patterns			
Industry	**Paid Employees**	**% of Paid Employees**	**Establishments**
Healthcare and Social Assistance	37,794	19.1%	2,302
Retail Trade	34,973	17.7%	2,722
Accommodation and Food Services	24,157	12.2%	1,355
All Other Industries	101,096	51.1%	13,499
TOTAL	**198,020**	**100%**	**19,878**

Furthermore, business demographic estimates indicate there are 11,205 businesses in the combined assessment area (91.4 percent with gross annual revenues of $1 million or less) and 884 farms (99.5 percent with gross annual revenues of $1 million or less).

The following table displays unemployment data for the Bradenton MSA along with state figures. Based on this information, unemployment rates in both datasets have been decreasing since 2010, while this improvement has been slightly more pronounced in the Bradenton MSA.

Unemployment Data			
Dataset	**2010 Annual Average**	**2011 Annual Average**	**June 2012**
Bradenton MSA	12.0%	10.8%	8.8%
Florida	11.3%	10.5%	9.0%

Community Contact Information

As noted in the *Florida, Scope of Examination* section, two community contacts were utilized during this evaluation, in order obtain additional performance context information related to the Bradenton MSA. One of these contacts was with a market research and project manager, who works for an economic development corporation. The second contact was with a program manager for a government housing agency.

Both contacts emphasized the dire economic circumstances impacting the area, citing high levels of unemployment, business bankruptcies, and foreclosure levels. However, the contacts differed as to the type of banks that are doing the most to improve the situation. One contact stated that credit standards have tightened beyond a reasonable expectation, and that even well established and profitable businesses struggle to secure financing for day-to-day operations. This contact stated that despite the overall environment having very strict underwriting standards, smaller local banks were much more likely to work with businesses in order to improve their cash-flow situations. Alternatively, the other contact indicated that smaller community banks have been negatively impacted by the economic downturn so severely that they are not in a position to offer much assistance, while larger, nationwide banks are in a better position to offer flexible lending options.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NORTH PORT-BRADENTON-SARASOTA, FLORIDA MSA

LENDING TEST

Lending levels reflect adequate responsiveness to Bradenton MSA assessment area credit needs. The bank's overall geographic distribution of loans reflects excellent penetration throughout the assessment area. Furthermore, the overall distribution of loans by borrower's income/revenue profile reflects good penetration among customers of different income levels and businesses of different sizes. Finally, the bank makes an adequate level of community development loans in this assessment area.

Lending Activity

The bank's lending levels within the Bradenton MSA assessment area reflect adequate responsiveness to assessment area credit needs, given the bank's capacity/constraints and weak credit demand in the MSA (resulting from the ongoing economic difficulties). The lending activity analyzed under the lending test is displayed by loan type in the following table. This table reflects loans made inside the bank's Bradenton MSA assessment area.

Summary of Lending Activity				
Loan Type	**#**	**%**	**$(000s)**	**%**
Home Purchase	6	4.7%	$514	4.3%
Refinancing	20	15.6%	$2,701	22.5%
Home Improvement	0	0.0%	$0	0.0%
Multi-Family Housing	1	0.8%	$51	0.4%
Total HMDA Loans	**27**	**21.1%**	**$3,266**	**27.3%**
Small Business	**35**	**27.3%**	**$5,197**	**43.4%**
Small Farm	**0**	**0.0%**	**$0**	**0.0%**
Consumer	**66**	**51.6%**	**$3,518**	**29.4%**
TOTAL	**128**	**100%**	**$11,981**	**100%**

Geographic Distribution of Loans

As noted in the *Description of Institution's Operations in North Port-Bradenton-Sarasota, Florida MSA* section, this assessment area includes one low- and 31 moderate-income census tracts, representing 22.4 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects excellent penetration throughout these LMI census tracts. The following table displays the geographic distribution of the bank's 2011 HMDA lending activity, in comparison to owner-occupied housing demographics.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	0 0.0%	1 16.7%	5 83.3%	0 0.0%	0 0.0%	**6** **100%**
Refinance	0 0.0%	1 5.0%	12 60.0%	7 35.0%	0 0.0%	**20** **100%**
Home Improvement	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **100%**
Multi-Family	0 0.0%	1 100%	0 0.0%	0 0.0%	0 0.0%	**1** **100%**
TOTAL LOANS	0 0.0%	3 11.1%	17 63.0%	7 25.9%	0 0.0%	**27** **100%**
Owner-Occupied Housing	0.3%	20.5%	54.7%	24.6%	0.0%	**100%**

As displayed in the table above, residential real estate-related lending opportunities are *de minimis* in low-income census tracts, as reflected by the fact that only 0.3 percent of owner-occupied housing units in the assessment area are located in low-income tracts. Given this low level of owner-occupied housing units in low-income tracts, it is reasonable that the bank did not have any loans in those areas. However, the bank's lending performance in moderate-income census tracts is excellent, considering 2010 and 2011 loan activity. While the percentage of 2011 HMDA loans made in moderate-income census tracts (11.1 percent) is below the owner-occupied housing figure in moderate-income census tracts (20.5 percent), the bank's performance is significantly above the 2011 HMDA aggregate, moderate-income lending level (8.3 percent). The bank's moderate-income lending level was even higher in 2010 (13.6 percent), while the 2010 HMDA aggregate lending level in 2010 decreased slightly (8.2 percent).

Secondly, the bank's geographic distribution of small business loans was reviewed. The following table displays 2011 small business loan activity by geography income level, in comparison to the location of businesses in the bank's assessment area.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Business Loans	0 0.0%	9 25.7%	18 51.4%	8 22.9%	0 0.0%	**35** **100%**
Business Institutions	0.4%	18.2%	53.2%	28.2%	0.0%	**100%**

Similar to the previous loan category, business lending opportunities appear to be *de minimis* in low-income census tracts. However, the bank's lending performance in moderate-income census tracts is excellent. As displayed in the table above, the bank's percentage of lending in moderate-income census tracts (25.7 percent) is above both the estimate of businesses located in moderate-income census tracts (18.2 percent) and the 2011 CRA aggregate level of lending in moderate-income census tracts (16.1 percent).

Lastly, the bank's geographic distribution of consumer loans was reviewed. The following table displays 2011 consumer loan activity by geography income level, in comparison to household demographics.

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	0 0.0%	11 16.7%	33 50.0%	22 33.3%	0 0.0%	**66** **100%**
Household Population	0.5%	24.3%	52.7%	22.4%	0.0%	**100%**

As previously noted, lending opportunities to borrowers residing in low-income census tracts appear to be minimal. However, the bank's lending performance in moderate-income census tracts is good, considering 2010 and 2011 loan activity. The percentage of 2011 consumer loans made in moderate-income census tracts (16.7 percent) is not too far below the percentage of households located in moderate-income census tracts (24.3 percent), reflecting adequate performance. Alternatively, the bank's 2010 level of lending in moderate-income census tracts (33.3 percent) is excellent.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is good, based on performance from all three loan categories reviewed. The following table shows the distribution of 2011 HMDA loans by borrower income level, in comparison to family population demographics.

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	1 16.7%	2 33.3%	0 0.0%	2 33.3%	1 16.7%	**6** **100%**
Refinance	0 0.0%	1 5.0%	4 20.0%	14 70.0%	1 5.0%	**20** **100%**
Home Improvement	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0.0%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	1 100%	**1** **100%**
TOTAL LOANS	**1** **3.7%**	**3** **11.1%**	**4** **14.8%**	**16** **59.3%**	**3** **11.1%**	**27** **100%**
Family Population	17.6%	19.6%	23.6%	39.2%	0.0%	**100%**

Overall, the bank's distribution of HMDA loans by borrower's profile is good, considering performance from both 2010 and 2011. As displayed in the table above, the percentage of 2011 HMDA loans made to low-income borrowers (3.7 percent) is well below the percentage of low-income families (17.6 percent); the bank's low-income lending level is also below the 2011 HMDA aggregate lending level to low-income borrowers (5.5 percent). However, the bank's 2010 HMDA lending level to low-income borrowers (9.1 percent) is above the aggregate lending percentage (7.4 percent). Consequently, the bank's overall distribution of HMDA loans to low-income borrowers is adequate.

The bank's level of lending to moderate-income borrowers also varies by year. As displayed in the table, the percentage of 2011 HMDA loans made to moderate-income borrowers (11.1 percent) is below the percentage of low-income families (19.6 percent); however, it is within close range of the 2010 aggregate lending level to moderate-income borrowers (13.8 percent). The bank's 2010 level of lending to moderate-income borrowers (22.7 percent) is well above the 2010 aggregate lending level to moderate-income borrowers (15.3 percent). Therefore, the bank's overall distribution of HMDA loans to moderate-income borrowers is good.

Secondly, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2011 small business loans by loan amount and business revenue size.

Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	20 57.1%	1 2.9%	3 8.6%	**24** **68.6%**
Greater Than $1 Million/Unknown	5 14.3%	2 5.7%	4 11.4%	**11** **31.4%**
TOTAL	**25** **71.4%**	**3** **8.6%**	**7** **20.0%**	**35** **100%**

The bank's level of lending to small businesses in the assessment area is good. Although the bank's lending level to small businesses (68.6 percent) is below the estimated percentage of small businesses in the combined assessment area (91.4 percent), it is well above the 2011 CRA aggregate percentage of lending to small businesses (45.1 percent).

Lastly, the bank's distribution of consumer loans by borrower's profile was reviewed. The following table displays 2011 consumer loan activity by borrower income level in comparison to household demographics.

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	12 18.2%	4 6.1%	11 16.7%	31 47.0%	8 12.1%	**66** **100%**
Household Population	20.9%	18.1%	20.4%	40.7%	0.0%	**100%**

The bank's level of consumer lending to LMI borrowers is good, based on performance from both 2010 and 2011. As shown in the table above, the bank made a high percentage of 2011 consumer loans to low-income borrowers (18.2 percent), which compares very favorably to the percentage of low-income households (20.9 percent). However, the percentage of 2010 consumer loans made to low-income borrowers is significantly lower (13.7 percent), resulting in overall good penetration to low-income borrowers.

Moderate-income lending levels also varied significantly by year. As shown in the table, the bank's level of lending to moderate-income borrowers (6.1 percent) is well below the percentage of moderate-income households (18.1 percent). However, the bank's level of 2010 consumer

loans made to moderate-income borrowers (23.5 percent) is well above the moderate-income demographic figure, resulting in overall good penetration to moderate-income borrowers.

Community Development Lending Activities

The bank makes an adequate level of community development loans in the Bradenton MSA assessment area. During the review period, the bank originated or renewed four community development loans totaling over $268,000. The majority of this loan activity was to the benefit of community service organizations that assist low-income persons. For example, the bank made a $100,000 loan to an organization providing community based living assistance to mentally disabled citizens.

INVESTMENT TEST

The bank makes an adequate level of community development grants within the Bradenton MSA. While the bank did not have any community development investments attributable to this assessment area during the review period, the bank made $32,423 in grants, which primarily benefited various organizations providing community services to LMI individuals and families.

SERVICE TEST

The bank's service delivery systems are readily accessible in the Bradenton MSA assessment area, and the bank's record of opening and closing branch offices has not adversely affected accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals. Business hours and services do not vary in a way that inconveniences certain segments of this assessment area, particularly LMI geographies and/or LMI individuals. Finally, First Bank is a leader in providing community development services within this assessment area.

Accessibility of Delivery Systems

The bank operates eight branches within the Bradenton MSA assessment area. The following table illustrates the distribution of these branches by geography income level, in comparison to the distribution of census tracts and households.

Branch Distribution by Geography Income Level						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Branches	0 0.0%	3 37.5%	4 50.0%	1 12.5%	0 0.0%	**8** **100%**
Census Tracts	0.7%	21.7%	53.8%	23.8%	100%	**100%**
Household Population	0.5%	24.3%	52.7%	22.4%	100%	**100%**

Overall, the bank's branch distribution in this assessment area is readily accessible to geographies and individuals of different income levels. As displayed in the preceding table, the bank's service accessibility in moderate-income geographies by percentage of branches (37.5 percent) exceeds the percentage of households within moderate-income areas (24.3 percent).

Changes in Branch Locations

The bank's record of opening and closing branches in this assessment area has not adversely affected the accessibility of its delivery systems, as the bank did not open or close any branches during this review period.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Business hours and services do not vary in a way that inconveniences certain segments of this assessment area, particularly LMI geographies and/or LMI individuals, as hours of operation and services are uniformly offered across all branches in this assessment area.

Community Development Services

First Bank is a leader in providing community development services in the Bradenton MSA assessment area. During the review period, bank employees provided community development services totaling 642 hours. Organizations assisted by bank personnel include those providing financial education targeted to youth from LMI families, economic development corporations, affordable housing providers, and various other entities providing basic necessities to LMI people in need.

TAMPA-ST. PETERSBURG-CLEARWATER, FLORIDA MSA

(Limited-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN TAMPA-ST. PETERSBURG-CLEARWATER, FLORIDA MSA

First Bank has designated the entire Tampa MSA as an assessment area, which includes Hillsborough, Pinellas, Pasco, and Hernando Counties. The bank operates 11 branch offices in this assessment area. The tables below detail key demographics relating to this assessment area.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	16 2.9%	141 25.8%	248 45.3%	142 26.0%	0 0.0%	**547** **100%**
Family Population	11,794 1.8%	147,007 22.9%	298,002 46.5%	184,566 28.8%	0 0.0%	**641,369** **100%**
Household Population	21,557 2.1%	243,584 24.1%	479,229 47.5%	265,422 26.3%	0 0.0%	**1,009,792** **100%**
Business Institutions	2,428 1.7%	33,986 24.1%	61,561 43.7%	42,947 30.5%	0 0.0%	**140,922** **100%**
Agricultural Institutions	1 0.1%	253 21.9%	623 53.9%	279 24.1%	0 0.0%	**1,156** **100%**

Assessment Area Demographics by Population Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Family Population	120,832 18.8%	122,519 19.1%	141,129 22.0%	256,889 40.1%	**641,369** **100%**
Household Population	219,295 21.7%	177,124 17.5%	200,022 19.8%	413,351 40.9%	**1,009,792** **100%**

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TAMPA-ST. PETERSBURG-CLEARWATER, FLORIDA MSA

LENDING TEST

As displayed in the following table, the bank's lending test performance in this assessment area is below the bank's overall lending test performance in the state of Florida (high satisfactory); however, it is not significant enough to bring down the overall state performance. For more detailed information relating to the bank's lending test performance in this assessment area, see the tables contained in Appendices C and D.

Lending Test Criteria	Performance
Lending Activity	Below
Geographic Distribution of Loans	Below
Distribution of Loans by Borrower's Profile	Consistent
Community Development Lending Activities	Below
OVERALL	**Below**

INVESTMENT TEST

The bank's investment test performance in this assessment area is below the bank's overall investment test performance in the state of Florida (low satisfactory); however, it is not significant enough to bring down the overall state performance. During the evaluation period, the bank did not have any community development investments attributable to this assessment area, but the bank made $1,900 in community development grants.

SERVICE TEST

The bank's service test performance in this assessment area is below the bank's overall service test performance in the state of Florida (outstanding), as is detailed in the following table.

Service Test Criteria	Performance
Accessibility of Delivery Systems	Below
Changes in Branch Locations	Consistent
Reasonableness of Business Hours and Services	Consistent
Community Development Services	Below
OVERALL	**Below**

ILLINOIS[8]

CRA RATING FOR ILLINOIS: SATISFACTORY
The Lending Test is rated: Low Satisfactory
The Investment Test is rated: Substantial Noncompliance
The Service Test is rated: High Satisfactory

Major factors supporting the institution's rating in the state of Illinois include the following:

- Lending levels reflect excellent responsiveness to assessment area credit needs in the state of Illinois.
- The bank's overall geographic distribution of loans reflects adequate penetration throughout the Illinois assessment areas.
- The distribution of loans by borrower's income/revenue profile reflects good penetration among customers of different income levels and businesses/farms of different sizes.
- The bank makes a low level of community development loans in Illinois.
- The bank makes few if any qualified community development investments and grants in Illinois.
- Service delivery systems are accessible to areas and individuals of different income levels in Illinois assessment areas; furthermore, changes in branch locations have not adversely affected the accessibility of delivery systems, particularly to LMI geographies and/or LMI individuals.
- First Bank personnel provide a relatively high level of community development services in Illinois assessment areas.

[8] First Bank has branches located in Illinois that are also part of the St. Louis MO-IL multistate MSA. Consequently, the statewide evaluation for Illinois is adjusted so as not to reflect performance in the parts of Illinois contained within the St. Louis MO-IL multistate MSA. Refer to the St. Louis MO-IL multistate MSA discussion for the rating and evaluation of the institution's performance in that area.

SCOPE OF EXAMINATION

Examination scope considerations applicable to the review of Illinois assessment areas are consistent with the overall CRA examination scope as presented in the *Institution, Scope of Examination* section. The bank operates in two Illinois assessment areas, neither of which is within an MSA. As part of continued restructuring during this review period, the bank closed or sold 14 branches in Illinois, reducing the number of its Illinois assessment areas from six to two. The bank's state ratings reflect a composite of performance in both Illinois assessment areas, which were reviewed using full-scope procedures. Furthermore, most of the demographics and performance data are combined as presented in this section, even though performance analysis was completed at the individual assessment area level. Performance divergences between the two assessment areas are noted as applicable. In such cases, performance in the Southern Illinois assessment area received primary consideration when making statewide performance conclusions, in light of branch structure, loan/deposit activity, and the bank's CRA evaluation history.

In order to better understand the banking environment within the bank's Illinois assessment areas, two community contact interviews were completed as a part of this evaluation. One community contact was made with representatives from a small business development center, and one contact was with an economic development coordinator. In addition, two community contacts previously completed within the Illinois assessment areas were also referenced. Information from all four of these community contacts was utilized to ascertain specific credit needs and local market conditions within the bank's assessment areas. In addition, this information aided in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from these community contacts are included in the *Description of Institution's Operations* section.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ILLINOIS

Bank Structure

As displayed in the table below, the bank operates seven branches within the Illinois assessment areas.

Assessment Area	Branches #	Branches %	Deposits $000s	Deposits %	CRA Review Procedures
Central Illinois (nonMSA)	2	28.6%	$ 67,516	23.2%	Full Scope
Southern Illinois (nonMSA)	5	71.4%	$ 223,394	76.8%	Full Scope
OVERALL	**7**	**100%**	**$ 290,910**	**100%**	**2 Full Scope**

As previously mentioned, the bank closed/sold 14 branches in Illinois during the review period; however, the bank did not open or close any branch offices in the currently existing Illinois assessment areas. Furthermore, based on this branch network and other service delivery systems, the bank is adequately positioned to deliver financial services to substantially all of the combined assessment areas in Illinois.

General Demographics

The bank's combined Illinois assessment area is comprised of six counties in their entirety. The Central Illinois assessment area (which is just east of and contiguous to the St. Louis MSA) is comprised of Fayette and Marion Counties. The Southern Illinois assessment area (which is just south of and contiguous to the St. Louis MSA) is comprised of Franklin, Jackson, Randolph, and Williamson Counties. As of the 2000 census, the combined assessment area population was 257,312. As of the 2010 census, the combined assessment area population was 261,189. Of the 44 FDIC-insured depository institutions with a branch presence in these counties, the bank ranked third in terms of deposit market share, encompassing 6.6 percent of total deposit dollars.

Credit needs in the Illinois assessment areas include a mix of consumer, business, and farm loan products. Other particular credit needs, as noted primarily from community contacts, include affordable housing options targeted to LMI homebuyers, financial education, and credit card debt reduction programs. Despite being located just outside of the St. Louis MSA, the combined assessment area cities (particularly Carbondale) support an adequate network of community development initiatives to the benefit of LMI geographies/individuals and distressed areas. Consequently, there is sufficient opportunity for community development involvement throughout the combined Illinois assessment area.

Income and Wealth Demographics

The combined Illinois assessment area consists of 69 census tracts. The following table reflects the number and family population of these census tracts by geography income level.

Combined Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	2 2.9%	20 29.0%	44 63.8%	3 4.3%	0 0.0%	**69** **100%**
Family Population	314 0.5%	17,242 25.9%	45,900 68.8%	3,233 4.8%	0 0.0%	**66,689** **100%**

This table reveals that the strong majority of families in the combined assessment area (68.8 percent) live in a middle-income census tract, followed by a significant percentage of families (25.9 percent) that live in a moderate-income census tract. Furthermore, ten of the 44 middle-income census tracts in the combined assessment area are categorized as "distressed" due to elevated poverty levels—five in Fayette County and five in Jackson County.

As of the 2000 census, the median family income for combined assessment area was $40,557, which was below the nonMSA Illinois figure, $43,613. More recently, HUD estimates the 2011 median family income for nonMSA Illinois to be $56,600. The following table displays the distribution of families by income level for the combined assessment area, as compared to nonMSA Illinois.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Combined Assessment Area	14,711 22.1%	13,047 19.6%	15,963 23.9%	22,968 34.4%	**66,689** **100%**
NonMSA Illinois	80,399 17.8%	86,935 19.2%	110,129 24.3%	174,867 38.7%	**452,330** **100%**

As displayed in the table above, most families are in the upper-income category, despite the fact that the previous table indicated that only a small percentage of families lived in an upper-income census tract. Furthermore, the distribution of families in the combined assessment area is largely similar to that of nonMSA Illinois, although the combined assessment area appears to be less affluent. The combined assessment area has a higher percentage of low-income families and a lower percentage of upper-income families.

Housing Demographics

As displayed in the following table, home ownership in the combined assessment area appears to be more affordable than nonMSA Illinois, based primarily upon lower housing costs (as opposed to elevated income levels).

Housing Demographics			
Dataset	**Median Housing Value**	**Affordability Ratio**	**Median Gross Rent (monthly)**
Combined Assessment Area	$ 57,168	54.7%	$ 395
NonMSA Illinois	$ 67,278	52.8%	$ 409

Industry and Employment Demographics

As displayed in the following table, the combined assessment area economy is led by healthcare and social assistance, followed by retail trade and manufacturing. All other industries include a broad mix supporting a diverse economy.

Business Patterns			
Industry	**Paid Employees**	**% of Paid Employees**	**Establishments**
Healthcare and Social Assistance	17,293	24.0%	700
Retail Trade	12,649	17.5%	985
Manufacturing	9,456	13.1%	217
All Other Industries	32,719	45.4%	3,995
TOTAL	**72,117**	**100%**	**5,897**

Furthermore, business demographic estimates indicate there are 11,205 businesses in the combined assessment area (89.6 percent with gross annual revenues of $1 million or less) and 884 farms (99.5 percent with gross annual revenues of $1 million or less).

The following table displays unemployment rate information for key micropolitan statistical areas within the combined assessment area, along with state data. Based on this data, unemployment in the Carbondale area has remained relatively steady, while below state levels. On the other hand, unemployment rates in the Centralia area have typically been above state figures, despite exhibiting a slight decreasing trend.

Unemployment Data			
Dataset	**2010 Annual Average**	**2011 Annual Average**	**June 2012**
Carbondale	8.0%	7.7%	8.8%
Centralia	12.2%	11.1%	10.9%
Illinois	10.5%	9.8%	9.3%

Community Contact Information

As noted in the *Illinois, Scope of Examination* section, four community contacts were utilized during this evaluation, in order obtain additional performance context information. The general consensus indicated that Southern Illinois economies were still weak but slowly improving. Similarly, unemployment levels have shown signs of improvement but remain at relatively high levels, and the departure of a few major employers has been somewhat mitigated by small business start-ups.

Particular credit needs that were mentioned by community contacts include affordable housing options, financial education, and programs tailored to helping consumers reduce reliance upon revolving debt.

Most contacts indicated that the Illinois assessment areas are represented by numerous community development organizations, which are trying to address increased needs. Furthermore, overall sentiment was that area banks were adequately fulfilling community development opportunities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ILLINOIS

LENDING TEST

First Bank's lending test rating for the state of Illinois is low satisfactory. Overall lending levels reflect excellent responsiveness to Illinois assessment area credit needs. The bank's overall geographic distribution of loans reflects adequate penetration throughout the Illinois assessment areas. Furthermore, the overall distribution of loans by borrower's income/revenue profile reflects good penetration among customers of different income levels and businesses/farms of different sizes. Finally, First Bank makes a low level of community development loans within the Illinois assessment areas.

Lending Activity

The bank's lending levels within the state of Illinois reflect excellent responsiveness to assessment area credit needs based upon the lending activity analyzed under the lending test. This lending activity (2010 and 2011) is displayed by loan type in the following table. This table reflects loans made inside the bank's Illinois assessment areas.

Summary of Lending Activity				
Loan Type	**#**	**%**	**$(000s)**	**%**
Home Purchase	44	4.4%	$4,437	6.4%
Refinancing	148	14.6%	$19,026	27.4%
Home Improvement	25	2.5%	$866	1.2%
Multi-Family Housing	0	0.0%	$0	0.0%
Total HMDA Loans	**217**	**21.5%**	**$24,329**	**35.0%**
Small Business	**169**	**16.7%**	**$19,854**	**28.5%**
Small Farm	**205**	**20.3%**	**$17,543**	**25.2%**
Consumer	**420**	**41.5%**	**$7,820**	**11.2%**
TOTAL	**1,011**	**100%**	**$69,546**	**100%**

Geographic Distribution of Loans

As noted in the *Description of Institution's Operations in Illinois* section, the combined Illinois assessment area includes two low-income and 20 moderate-income census tracts, representing 31.9 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans in the combined Illinois assessment area reflects adequate penetration throughout these LMI census tracts. The following table displays the geographic distribution of the bank's 2011 HMDA lending activity, in comparison to owner-occupied housing demographics.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	1 5.0%	3 15.0%	14 70.0%	2 10.0%	0 0.0%	**20** **100%**
Refinance	0 0.0%	12 17.4%	55 79.7%	2 2.9%	0 0.0%	**69** **100%**
Home Improvement	0 0.0%	4 33.3%	7 58.3%	1 8.3%	0 0.0%	**12** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0.0%**
TOTAL LOANS	1 1.0%	19 18.8%	76 75.2%	5 5.0%	0 0.0%	**101** **100%**
Owner-Occupied Housing	0.2%	24.5%	70.4%	5.0%	0.0%	**100%**

As displayed in the table above, residential real estate related-lending opportunities appear to be minimal in low-income census tracts. However, the bank's lending performance in moderate-income census tracts is adequate, considering 2010 and 2011 loan activity. While the percentage of 2011 HMDA loans made in moderate-income census tracts (18.8 percent) is below the owner-occupied housing figure in the moderate-income census tracts (24.5 percent), the bank's performance is above the 2011 HMDA aggregate, moderate-income lending level (17.0 percent). Consequently, the geographic distribution of 2011 HMDA loans is good. However, the bank's overall performance is dragged down somewhat by a poor level of moderate-income lending in 2010 (11.2 percent), which is significantly below the 2010 HMDA aggregate lending level in moderate-income census tracts (16.7 percent). Overall geographic distribution is considered adequate.

Secondly, the bank's geographic distribution of small business loans was reviewed. The following table displays 2011 small business loan activity by geography income level, in comparison to business demographics for the combined Illinois assessment area.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Business Loans	1 1.2%	31 38.3%	49 60.5%	0 0.0%	0 0.0%	**81** **100%**
Business Institutions	2.0%	33.5%	59.8%	4.8%	0.0%	**100%**

Similar to the previous loan category, business lending opportunities appear to be minimal in the low-income census tracts, with adequate lending performance noted. However, the bank's lending performance in moderate-income census tracts is excellent. As displayed in the table above, the bank's percentage of lending in moderate-income census tracts (38.3 percent) is above both the estimate of businesses located in moderate-income census tracts (33.5 percent) and the 2011 CRA aggregate level of lending in moderate-income census tracts (33.9 percent). Overall performance for this loan category is good.

Next, the bank's geographic distribution of small farm loans was reviewed. The following table displays 2011 small farm loan activity by geography income level, in comparison to farm demographics for the combined Illinois assessment area.

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Farm Loans	0 0.0%	2 2.1%	95 97.9%	0 0.0%	0 0.0%	**97** **100%**
Agricultural Institutions	0.0%	7.5%	90.2%	2.4%	0.0%	**100%**

As displayed in the preceding table, it does not appear that any farms are located in low-income geographies, and the bank's small farm lending penetration in moderate-income census tracts is poor. In 2011, the bank only made two small farm loans (2.1 percent) in moderate-income census tracts, which is well below the estimated percentage of farms operating in moderate-income geographies (7.5 percent) and the 2011 CRA aggregate level of small farm lending in moderate income census tracts (7.5 percent), reflecting poor performance.

Lastly, the bank's geographic distribution of consumer loans was reviewed. The following table displays 2011 consumer loan activity by geography income level, in comparison to household demographics for the combined Illinois assessment area.

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	0 0.0%	28 17.0%	116 70.3%	21 12.7%	0 0.0%	**165** **100%**
Household Population	2.0%	29.9%	63.1%	5.0%	0.0%	**100%**

As previously noted, lending opportunities to borrowers residing in low-income census tracts appear to be minimal. However, the bank's lending performance in moderate-income census tracts is adequate, considering 2010 and 2011 loan activity. The percentage of 2011 consumer loans made in moderate-income census tracts (17.0 percent) is significantly below the percentage of households located moderate-income census tracts (29.9 percent), reflecting poor performance. Alternatively, the bank's 2010 level of lending in moderate-income census tracts (21.6 percent) is good.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is good, based on performance from all four loan categories reviewed. The following table shows the bank's distribution of 2011 HMDA loans by borrower income level, in comparison to family population demographics.

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	2 10.0%	5 25.0%	5 25.0%	8 40.0%	0 0.0%	**20** **100%**
Refinance	3 4.3%	17 24.6%	21 30.4%	26 37.7%	2 2.9%	**69** **100%**
Home Improvement	0 0.0%	5 41.7%	2 16.7%	2 16.7%	3 25.0%	**12** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0.0%**
TOTAL LOANS	**5** 5.0%	**27** 26.7%	**28** 27.7%	**36** 35.6%	**5** 5.0%	**101** **100%**
Family Population	22.1%	19.6%	23.9%	34.4%	0.0%	**100%**

Overall, the bank's distribution of HMDA loans by borrower's profile is good, considering performance from both 2010 and 2011. As displayed in the table of above, the percentage of 2011 HMDA loans made to low-income borrowers (5.0 percent) is well below the percentage of low-income families (22.1 percent); the bank's low-income lending level is also significantly below the 2011 HMDA aggregate lending level to low-income borrowers (6.9 percent). However, the bank's 2010 HMDA lending level to low-income borrowers (10.3 percent) is significantly above the aggregate lending percentage (7.4 percent). Consequently, the bank's overall distribution of HMDA loans to low-income borrowers is good.

The bank's level of lending to moderate-income borrowers also varies by year. As displayed in the table, the percentage of 2011 HMDA loans made to moderate-income borrowers (26.7 percent) is significantly above the percentage of low-income families (19.6 percent); it is also well above the 2011 HMDA aggregate lending level to moderate-income borrowers (16.2 percent). While the bank's 2010 level of lending to moderate-income borrowers (16.4 percent) is lower than in 2011, it is still within close range of the 2010 HMDA aggregate lending level to moderate-income borrowers (17.4 percent). Therefore, the bank's overall distribution of HMDA loans to moderate-income borrowers is excellent.

Secondly, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2011 small business loans by loan amount and business revenue size.

Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	47 58.0%	3 3.7%	1 1.2%	**51** **63.0%**
Greater Than $1 Million/Unknown	12 14.8%	8 9.9%	10 12.3%	**30** **37.0%**
TOTAL	**59** **72.8%**	**11** **13.6%**	**11** **13.6%**	**81** **100%**

The bank's level of lending to small businesses in the combined Illinois assessment area is good. Although the bank's lending level to small businesses (63.0 percent) is below the estimated percentage of small businesses in the combined assessment area (89.6 percent), it is above the 2011 CRA aggregate percentage of lending to small businesses (46.9 percent).

Next, small farm loans were reviewed to determine the bank's lending levels to farms of different sizes. The following table shows the distribution of 2011 small farm loans by loan amount and farm revenue size.

Lending Distribution by Farm Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$500**	
$1 Million or Less	62 63.9%	11 11.3%	4 4.1%	**77** **79.4%**
Greater Than $1 Million/Unknown	9 9.3%	8 8.2%	3 3.1%	**20** **20.6%**
TOTAL	**71** **73.2%**	**19** **19.6%**	**7** **7.2%**	**97** **100%**

The bank's level of lending to small farms in the combined Illinois assessment area is good. Although the bank's 2011 lending level to small farms (79.4 percent) is below the estimated percentage of small farms in the combined assessment area (99.5 percent), it is slightly above the 2011 CRA aggregate percentage of lending to small farms (79.0 percent). Furthermore, based on 2010 small farm loans, the bank's level of lending to small farms loans (84.3 percent) was also higher than 2010 CRA aggregate lending level to small farms (81.3 percent).

Lastly, the bank's distribution of consumer loans by borrower's profile was reviewed. The following table displays 2011 consumer loan activity by borrower income level, in comparison to household demographics for the combined Illinois assessment area.

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	24 14.5%	40 24.2%	29 17.6%	52 31.5%	20 12.1%	**165** **100%**
Household Population	28.7%	17.0%	18.9%	35.4%	0.0%	**100%**

As displayed in the preceding table, the bank's level of lending to LMI borrowers varies significantly by income category. The level of consumer loans made to low-income borrowers (14.5 percent) is well below the percentage of low-income households (28.7 percent), reflecting poor performance. Conversely, the level of consumer loans made to moderate-income borrowers (24.2 percent) is significantly above the percentage of moderate-income households (17.0 percent), reflecting excellent performance. Therefore, the bank's overall distribution of consumer loans by borrower's profile is good.

Community Development Lending Activities

The bank makes a low level of community development loans in the Illinois assessment areas. During the review period, the bank made one community development loan for $1.1 million. This loan was to expand business operations in a designated enterprise zone, creating jobs and revitalizing/stabilizing a moderate-income area.

INVESTMENT TEST

The bank makes few, if any, qualified community development investments and grants in the Illinois assessment areas. The bank did not have any qualified investments attributable to Illinois assessment areas, and grants made to community development organizations were minimal. During the review period, the bank made a total of $1,520 in grants to community development organizations benefiting an Illinois assessment area.

SERVICE TEST

The bank's service delivery systems are accessible to geographies and individuals of different income levels within the Illinois assessment areas, and the bank's record of opening and closing branch offices has not adversely affected accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals. Business hours and services do not vary in a way that inconveniences certain segments within the Illinois assessment areas, particularly as related to LMI geographies and/or LMI individuals. Finally, the bank provides a relatively high level of community development services within the Illinois assessment areas.

Accessibility of Delivery Systems

The bank operates seven branches within the combined Illinois assessment area. The following table illustrates the distribution of these branches by geography income level, in comparison to the distribution of census tracts and households.

Branch Distribution by Geography Income Level						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Branches	0 0.0%	3 42.9%	3 42.9%	1 14.3%	0 0.0%	**7** **100%**
Census Tracts	2.9%	29.0%	63.8%	4.3%	0%	**100%**
Household Population	2.0%	29.9%	63.1%	5.0%	0%	**100%**

Overall, the bank's branch distribution in the Illinois assessment areas is accessible to geographies and individuals of different income levels. As displayed in the preceding table, the substantial majority of branches are located within moderate- or middle-income geographies, which corresponds with the distribution of census tracts and households within the Illinois

assessment areas. Branch distribution in the Southern Illinois assessment area was considered to be excellent, while it was reasonable in the Central Illinois assessment area.

Changes in Branch Locations

The bank's record of opening and closing branches within the Illinois assessment areas has not adversely affected the accessibility of its delivery systems, as the bank did not open or close any branches during the review period.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Business hours and services do not vary in a way that inconveniences certain segments of the Illinois assessment areas, particularly LMI geographies and/or LMI individuals, as hours of operation and services are uniformly offered across all branches in Illinois.

Community Development Services

The bank provides a relatively high level of community development services in the Illinois assessment areas. During the review period, bank personnel provided community development services totaling 336 hours. All of these efforts related to providing community services within LMI areas, such as providing education/child care services for disadvantaged families or assisting individuals with disabilities.

MISSOURI[9]

CRA RATING FOR MISSOURI: SATISFACTORY
The Lending Test is rated: High Satisfactory
The Investment Test is rated: Substantial Noncompliance
The Service Test is rated: High Satisfactory

Major factors supporting the institution's rating in the state of Missouri include the following:

- First Bank's lending levels reflect good responsiveness to the credit needs of its Missouri assessment areas.
- The distribution of loans by borrower's income/revenue profile reflects excellent penetration among customers of different income levels and businesses/farms of different sizes.
- The bank did not make any community development loans in its Missouri assessment areas.
- First Bank did not make any qualified community development investments within its Missouri assessment areas, and the bank makes a poor level of community development grants.
- Service delivery systems are accessible to areas and individuals of different income levels in the Missouri assessment areas; furthermore, changes in branch locations have not adversely affected the accessibility of delivery systems, particularly to LMI geographies and/or LMI individuals.
- First Bank staff provides a relatively high level of community development services within the state of Missouri assessment areas.

[9] First Bank has branches located in Missouri that are also part of the St. Louis MO-IL multistate MSA. Consequently, the statewide evaluation for Missouri is adjusted so as not to reflect performance in the parts of Missouri contained within the St. Louis MO-IL MSA. Refer to the *St. Louis MO-IL MSA* discussion for the rating and evaluation of the institution's performance in that area.

SCOPE OF EXAMINATION

Examination scope considerations applicable to the review of Missouri assessment areas are consistent with the overall CRA examination scope as presented in the *Institution, Scope of Examination* section. The bank operates in two Missouri assessment areas, neither of which is within an MSA. The bank's ratings in the state of Missouri reflect a composite of performance in both Missouri assessment areas, which were reviewed using full-scope procedures. Furthermore, most of the demographics and performance data are combined as presented in this section, even though performance analysis was completed at the individual assessment area level. Performance divergences between the two assessment areas are noted as applicable.

In order to better understand the banking environment within the bank's Missouri assessment areas, two community contacts were conducted. One of the contacts was a representative of an affordable housing organization and the other was a representative of a community action organization. In addition, four community contacts previously completed within the Missouri assessment areas were also referenced. Information from all six of these community contacts was utilized to ascertain specific credit needs and local market conditions within the bank's assessment areas. In addition, this information assisted in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from these community contacts are included in the *Description of Institution's Operations* section.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MISSOURI

Bank Structure

As displayed in the table below, the bank operates seven branches within the Missouri assessment areas.

Assessment Area	Branches #	Branches %	Deposits $000s	Deposits %	CRA Review Procedures
Central Missouri (nonMSA)	3	42.9%	$ 136,985	47.9%	Full Scope
Southern Missouri (nonMSA)	4	57.1%	$ 149,108	52.1%	Full Scope
OVERALL	**7**	**100%**	**$ 286,093**	**100%**	**2 Full Scope**

During the review period, the bank did not open or close any branch offices in the Missouri assessment areas. Furthermore, based on this branch network and other service delivery systems, the bank is adequately positioned to deliver financial services to substantially all of the combined assessment areas in Missouri.

General Demographics

The bank's combined Missouri assessment area is comprised of four counties in their entirety. The Central Missouri assessment area is comprised of Gasconade and Montgomery Counties, and the Southern Missouri assessment area is comprised of Ste. Genevieve and St. Francois Counties. As of the 2000 census, the combined assessment area population was 100,961. As of the 2010 census, the combined assessment area population was 110,962. Of the 19 FDIC-insured depository institutions with a branch presence in the combined assessment area, the bank ranked second in terms of deposit market share, encompassing 15.8 percent of total deposit dollars.

Credit needs in the Missouri assessment areas are varied, including a mix of consumer and business loan products. Other particular credit needs in the assessment area, as noted primarily from community contacts, include financial education and small business financing programs. Despite not being a part of a major metropolitan area, the combined assessment area supports several organizations focused on meeting the needs of LMI individuals and creating new jobs through attracting businesses to the area. Consequently, there is sufficient opportunity for community development involvement throughout the combined Missouri assessment area.

Income and Wealth Demographics

The combined Missouri assessment area consists of 22 census tracts. The following table reflects the number and family population of these census tracts by geography income level.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	0 0.0%	0 0.0%	17 77.3%	5 22.7%	0 0.0%	**22** **100%**
Family Population	0 0.0%	0 0.0%	20,100 73.2%	7,356 26.8%	0 0.0%	**27,456** **100%**

This table reveals that the strong majority of families in the combined assessment area (77.3 percent) live in a middle-income census tract, followed by a significant percentage of families (22.7 percent) that live in upper-income census tracts.

As of the 2000 census, the median family income for the combined assessment area was $39,576, which was above the state of Missouri figure, $35,821. More recently, HUD estimates the 2011 median family income for nonMSA Missouri to be $47,200. The following table displays the distribution of families by income level for the combined assessment area, as compared to nonMSA Missouri.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Combined Assessment Area	4,334 15.8%	4,548 16.6%	6,288 22.9%	12,286 44.7%	**27,456** **100%**
NonMSA Missouri	75,632 19.0%	73,644 18.5%	91,780 23.1%	156,006 39.3%	**397,062** **100%**

As displayed in the table above, the largest percentage of families are in the upper-income category, despite the fact that the previous table indicated that the smaller percentage of families lived in an upper-income census tracts. Additionally, the above table indicates the combined assessment area is slightly more affluent having lower percentages of LMI families and a higher percentage of upper-income families as compared to nonMSA Missouri.

Housing Demographics

As displayed in the following table, home ownership in the combined assessment area appears to be more affordable than nonMSA Missouri, based primarily upon higher median household incomes in the combined assessment area ($33,540) as compared to the nonMSA ($29,747).

Housing Demographics			
Dataset	**Median Housing Value**	**Affordability Ratio**	**Median Gross Rent (monthly)**
Combined Assessment Area	$ 72,310	46.4%	$ 396
NonMSA Missouri	$ 65,152	45.6%	$ 375

Industry and Employment Demographics

As displayed in the following table, the combined assessment area economy is broad and led by healthcare and social assistance, supported by a mix of other industries.

Business Patterns			
Industry	**Paid Employees**	**% of Paid Employees**	**Establishments**
Healthcare and Social Assistance	6,880	23.3%	330
Manufacturing	5,066	17.1%	156
Retail Trade	4,621	15.6%	407
All Other Industries	12,974	43.9%	1,698
TOTAL	**29,541**	**100%**	**2,591**

Furthermore, business demographic estimates indicate there are 4,723 businesses in the combined assessment area (89.6 percent with gross annual revenues of $1 million or less) and 431 farms (99.8 percent with gross annual revenues of $1 million or less).

The following tables display unemployment rates for each assessment area by county as compared to state data. Based on this data, unemployment rates in the combined assessment area have been consistently higher than state unemployment rates throughout the review period. Unemployment rates have been the highest in St Francois County and the lowest in Ste. Genevieve County.

Unemployment Data Central Missouri NonMSA Assessment Area			
Dataset	**2010 Annual Average**	**2011 Annual Average**	**June 2012**
Gasconade County	10.2%	9.2%	7.2%
Montgomery County	10.7%	10.1%	7.8%
Missouri	9.4%	8.6%	6.9%

Unemployment Data Southern Missouri NonMSA Assessment Area			
Dataset	**2010 Annual Average**	**2011 Annual Average**	**June 2012**
Ste. Genevieve County	9.4%	8.8%	7.0%
St. Francois County	11.2%	10.5%	8.6%
Missouri	9.4%	8.6%	6.9%

Community Contact Information

As noted in the *Missouri, Scope of Examination* section, six community contacts were utilized during this evaluation, in order obtain additional performance context information. Two of these contacts were newly conducted for this examination, while four were previously conducted. Three of the contacts represented organizations working to promote economic development in the assessment area, two contacts worked for small business assistance centers, and one contact works at an organization that provides affordable housing to LMI individuals. Through these contacts it was learned that the combined assessment is mostly rural in nature. Area jobs, other than agricultural jobs, are often small business manufacturing jobs generally providing lower wages. In general, larger cities in the area have become more diverse in population over the last few years. The contacts identified the two major credit needs in the area to be the creation of jobs through attracting more small businesses to the area and the availability of affordable housing for LMI individuals. To attract these jobs, some of the contacts indicated there is a need for obtainable financing programs to small businesses and entrepreneurs. Additionally, financial education programs and financial counseling programs are also needed to educate LMI individuals on financial options that may assist in helping to save for a first home, fund a small business, or budget for monthly expenses. Generally, the contacts noted that local banks are active in the community; however, there is still much opportunity available for bank participation, particularly as related to programs for attracting businesses to the area and financial education programs targeted to LMI consumers.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MISSOURI

LENDING TEST

First Bank's lending test rating for the state of Missouri is high satisfactory. Overall lending levels reflect good responsiveness to Missouri assessment area credit needs. The bank's overall geographic distribution of loans reflects good penetration throughout the combined assessment area. Furthermore, the overall distribution of loans by borrower's income/revenue profile reflects excellent penetration among customers of different income levels and businesses/farms of different sizes. Finally, First Bank did not make any community development loans in this assessment area.

Lending Activity

The bank's lending levels within the assessment area reflect good responsiveness to assessment area credit needs, based upon the lending activity analyzed under the lending test. This activity is displayed by loan type in the following table. This table reflects loans made inside the bank's Missouri assessment areas.

Summary of Lending Activity				
Loan Type	**#**	**%**	**$(000s)**	**%**
Home Purchase	134	16.2%	$14,607	27.0%
Refinancing	189	22.9%	$21,727	40.2%
Home Improvement	28	3.4%	$1,382	2.6%
Multi-Family Housing	0	0.0%	$0	0.0%
Total HMDA Loans	351	42.4%	$37,716	69.7%
Small Business	132	16.0%	$9,864	18.2%
Small Farm	26	3.1%	$1,591	2.9%
Consumer	318	38.5%	$4,933	9.1%
TOTAL	**827**	**100%**	**$54,104**	**100%**

Geographic Distribution of Loans

As previously discussed, there are no LMI census tracts within the combined assessment area. Therefore, a detailed geographic distribution of loans analysis would not been meaningful and was not performed as part of this evaluation. Nevertheless, the loan dispersion within the assessment area census tracts was reviewed, the results of which indicated that loan activity showed good dispersion throughout the assessment area consistent with demographics and bank structure.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is excellent, based on performance from all four loan categories reviewed. The following table shows the distribution of 2011 HMDA loans by borrower income level in comparison to family population demographics.

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	3 5.8%	11 21.2%	19 36.5%	19 36.5%	0 0.0%	**52** **100%**
Refinance	3 4.0%	15 20.0%	22 29.3%	30 40.0%	5 6.7%	**75** **100%**
Home Improvement	0 0.0%	2 15.4%	3 23.1%	8 61.5%	0 0.0%	**13** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0.0%**
TOTAL LOANS	**6** **4.3%**	**28** **20.0%**	**44** **31.4%**	**57** **40.7%**	**5** **3.6%**	**140** **100%**
Family Population	15.8%	16.6%	22.9%	44.7%	0.0%	**100%**

The analysis of HMDA loans revealed that First Bank's lending to LMI borrowers within this assessment area is excellent. While the bank's lending volume to low-income borrowers (4.3 percent) is lower than the percentage of low-income families in the assessment area (15.8 percent), it is higher than the 2011 HMDA aggregate percentage of loans made to low-income borrowers (3.0 percent). The bank's lending to moderate-income borrowers (20.0 percent) is well above both the moderate-income family population percentage (16.6 percent) and the 2011 HMDA aggregate lending percentage to moderate-income borrowers (11.7 percent).

Secondly, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2011 small business loans by loan amount and business revenue size.

Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	41 70.7%	6 10.3%	1 1.7%	**48** **82.8%**
Greater Than $1 Million/Unknown	8 13.8%	2 3.4%	0 0.0%	**10** **17.2%**
TOTAL	**49** **84.5%**	**8** **13.8%**	**1** **1.7%**	**58** **100%**

The bank's level of lending to businesses with revenues of $1 million or less is excellent. The bank originated 82.8 percent of 2011 small business loans to businesses with revenues of $1 million or less. While this performance is below the Dun & Bradstreet estimated percentage of small businesses located in the assessment area (89.6 percent), it is well above the 2011 CRA aggregate lending percentages to small businesses (42.4 percent). Additionally, 41 of 48 loans made to small businesses (85.4 percent) were in amounts of $100,000 or less, further demonstrating the bank's willingness to meet the credit needs of small businesses in this assessment area.

Next, small farm loans were reviewed to determine the bank's lending levels to farms of different sizes. The following table shows the distribution of 2011 small farm loans by loan amount and farm revenue size.

Lending Distribution by Farm Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$500**	
$1 Million or Less	7 77.8%	2 22.2%	0 0.0%	**9** **100%**
Greater Than $1 Million/Unknown	0 0.0%	0 0.0%	0 0.0%	**0** **0.0%**
TOTAL	**7** **77.8%**	**2** **22.2%**	**0** **0.0%**	**9** **100%**

Based on 2011 small farm lending activity, only nine loans were available for this analysis. However, based on the limited lending activity available for this review, the bank's distribution of small farm loans by borrower's profile is excellent. All nine small farm loans reviewed were made to farms with gross annual revenues of $1 million or less, which is above both the Dun & Bradstreet estimated percentage of small farms in the assessment area (99.8 percent) and the 2011 CRA aggregate lending percentage to small farms (83.9 percent). Additionally, 77.8 percent of the bank's small farm loans were in amounts of $100,000 or less, further demonstrating the bank's willingness to meet the credit needs of small farms in this assessment area.

Lastly, the bank's distribution of consumer loans by borrower's profile was reviewed. The following table displays 2011 consumer loan activity by borrower income level in comparison to household population demographics for the combined Missouri assessment area.

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	18 12.3%	24 16.4%	31 21.2%	54 37.0%	19 13.0%	**146** **100%**
Household Population	19.4%	15.5%	18.0%	47.0%	0.0%	**100%**

As displayed in the preceding table, the bank's level of consumer lending to LMI borrowers is good. The bank's level of lending to low-income borrowers (12.3 percent) is lower than the percentage of low-income households in the combined assessment area. However, the bank's lending to moderate-income borrowers (16.4 percent) is above the percentage of moderate-income borrowers in the combined assessment area.

Community Development Lending Activities

First Bank did not originate any community development loans within the combined Missouri assessment area during this review period.

INVESTMENT TEST

The bank makes few, if any, community development investments and grants in the Missouri assessment areas. The bank did not have any qualified investments attributable to the Missouri assessment areas, and grants made to community development organizations were minimal. During the review period, the bank made a total of 13 grants to 7 different organizations, totaling $1,400. Among these grants are contributions to organizations providing community services and affordable housing initiatives for LMI individuals.

SERVICE TEST

First Bank's service delivery systems are accessible to geographies and individuals of different income levels within Missouri assessment areas, and the bank's record of opening and closing branch offices has not adversely affected accessibility of its delivery systems, particularly to LMI individuals. Business hours and services do not vary in a way that inconveniences certain segments within the Missouri assessment areas, particularly the LMI population. Finally, the bank provided a relatively high level of community development services within the Missouri assessment areas.

Accessibility of Delivery Systems

The bank operates seven branch facilities with full-service ATMs within the assessment area. The following table illustrates the location of these facilities by geography income level.

Branch Distribution by Geography Income Level						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Branches	0 0.0%	0 0.0%	5 71.4%	2 28.6%	0 0.0%	**7** **100%**
Census Tracts	0.0%	0.0%	77.3%	22.7%	0.0%	**100%**
Household Population	0.0%	0.0%	74.1%	25.9%	0.0%	**100%**

As displayed in the table above, there are no LMI geographies in this assessment area, and the bank's distribution of branch facilities is in line with middle- and upper-income demographics. Therefore, the dispersion of service delivery systems is accessible to the geographies and individuals of different income levels in this assessment area.

Changes in Branch Locations

The bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, as the bank did not open or close any branches during the review period.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Business hours and services do not vary in a way that inconveniences certain segments of the combined assessment area, particularly LMI individuals, as branch facility hours of operation and services are uniformly offered across all branches in this assessment area.

Community Development Services

Finally, the bank provided a relatively high level of community development services in the combined assessment area. This conclusion is driven by the relatively high level of services performed benefiting the Central Missouri assessment area. During the review period, bank employees performed 320 hours of qualified services primarily targeted to providing affordable housing services for elderly LMI individuals. Additionally, bank employees performed 33.5 hours of qualified services in the Southern Missouri assessment area benefiting LMI individuals through counseling services and food pantries.

SCOPE OF EXAMINATION TABLES

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	1/1/2010 to 12/31/2011 for HMDA, small business, small farm, and consumer lending. 8/16/2010 to 9/10/2012 for community development loans, investment, and service activities		
FINANCIAL INSTITUTION First Bank Creve Coeur, Missouri			**PRODUCTS REVIEWED** HMDA Small Business Small Farm Consumer
AFFILIATE(S)	**AFFILIATE RELATIONSHIP**		**PRODUCTS REVIEWED**
Not applicable			

ASSESSMENT AREA – EXAMINATION SCOPE DETAILS

Assessment Area	Rated Area	Branch #	Deposits $000s	Branches Visited	CRA Review Procedures
CSA 3348 Los Angeles-Long Beach-Riverside	CA	33	$ 1,666,300	0	Full Scope
MSA 41740 San Diego-Carlsbad-San Marcos	CA	4	$ 128,316	0	Limited Scope
MSA 42060 Santa Barbara-Santa Maria-Goleta	CA	3	$ 144,619	0	Limited Scope
CSA 488 San Jose-San Francisco-Oakland	CA	13	$ 956,608	0	Full Scope
MSA 40900 Sacramento—Arden-Arcade—Roseville	CA	6	$ 232,994	0	Full Scope
Central Illinois (nonMSA)	IL	2	$ 67,516	0	Full Scope
Southern Illinois (nonMSA)	IL	5	$ 223,394	0	Full Scope
Central Missouri (nonMSA)	MO	3	$ 136,985	0	Full Scope
Southern Missouri (nonMSA)	MO	4	$ 149,108	0	Full Scope
Multistate MSA 41180 St. Louis MO-IL	STLS MSA	54	$1,978,005	5	Full Scope
MSA 35840 North Port-Bradenton-Sarasota	FL	8	$ 193,886	0	Full Scope
MSA 45300 Tampa-St Petersburg-Clearwater	FL	11	$ 200,586	0	Limited Scope
OVERALL		**146**	**$6,078,317**	**5**	**9 Full Scope**

SUMMARY OF STATE AND MULTISTATE MSA RATINGS

State or Multistate MSA	Lending Test Rating	Investment Test Rating	Service Test Rating	Overall Rating
St. Louis MO-IL MSA	High Satisfactory	Outstanding	Low Satisfactory	Satisfactory
California	High Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
Florida	High Satisfactory	Low Satisfactory	Outstanding	Satisfactory
Illinois	Low Satisfactory	Substantial Noncompliance	High Satisfactory	Satisfactory
Missouri	High Satisfactory	Substantial Noncompliance	High Satisfactory	Satisfactory

2011 LENDING PERFORMANCE TABLES FOR LIMITED-SCOPE REVIEW AREAS[10]

CALIFORNIA

San Diego MSA Assessment Area

Summary of Lending Activity				
Loan Type	**#**	**%**	**$(000s)**	**%**
Home Purchase	1	1.6%	$ 240	3.0%
Refinancing	10	16.4%	$1,879	23.6%
Home Improvement	0	0.0%	$ 0	0.0%
Multifamily Housing	0	0.0%	$ 0	0.0%
Total HMDA Loans	11	18.0%	$2,119	26.6%
Small Business	31	50.8%	$5,248	65.8%
Small Farm	0	0.0%	$ 0	0.0%
Consumer	19	31.1%	$ 612	7.7%
TOTAL	**61**	**100%**	**$7,979**	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	0 0.0%	1 100%	0 0.0%	0 0.0%	0 0.0%	**1** **100%**
Refinance	0 0.0%	5 50.0%	1 10.0%	4 40.0%	0 0.0%	**10** **100%**
Home Improvement	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **100%**
Multifamily	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**0** **0.0%**	**6** **54.5%**	**1** **9.1%**	**4** **36.4%**	**0** **0.0%**	**11** **100%**
Owner-Occupied Housing	2.3%	14.0%	41.0%	42.7%	0.0%	**100%**

[10] Small farm lending performance tables are omitted where such lending volume is de minimis.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Business Loans	1 3.2%	15 48.4%	6 19.4%	9 29.0%	0 0.0%	**31** **100%**
Business Institutions	4.7%	21.0%	37.3%	37.0%	0.0%	**100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	0 0.0%	2 10.5%	10 52.6%	7 36.8%	0 0.0%	**19** **100%**
Household Population	6.6%	22.7%	39.3%	31.4%	0.0%	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	0 0.0%	0 0.0%	1 100%	0 0.0%	0 0.0%	**1** **100%**
Refinance	1 10.0%	1 10.0%	2 20.0%	6 60.0%	0 0.0%	**10** **100%**
Home Improvement	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**1** **9.1%**	**1** **9.1%**	**3** **27.3%**	**6** **54.5%**	**0** **0.0%**	**11** **100%**
Family Population	21.1%	17.9%	20.1%	40.9%	0.0%	**100%**

Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250 ≤$1,000**	
$1 Million or Less	7 22.6%	2 6.5%	1 3.2%	**10** **32.3%**
Greater Than $1 Million/Unknown	14 45.2%	3 9.7%	4 12.9%	**21** **67.7%**
TOTAL	**21** **67.7%**	**5** **16.1%**	**5** **16.1%**	**31** **100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	2 10.5%	1 5.3%	4 21.1%	5 26.3%	7 36.8%	**19** **100.0%**
Household Population	22.6%	17.2%	18.9%	41.4%	0.0%	**100%**

Santa Barbara MSA Assessment Area

Summary of Lending Activity				
Loan Type	**#**	**%**	**$(000s)**	**%**
Home Purchase	0	0.0%	$ 0	0.0%
Refinancing	28	29.2%	$ 6,713	49.3%
Home Improvement	4	4.2%	$ 984	7.2%
Multi-Family Housing	0	0.0%	$ 0	0.0%
Total HMDA Loans	**32**	**33.3%**	**$ 7,697**	**56.5%**
Small Business	**35**	**36.5%**	**$ 5,452**	**40.0%**
Small Farm	**0**	**0.0%**	**$ 0**	**0.0%**
Consumer	**29**	**30.2%**	**$ 472**	**3.5%**
TOTAL	**96**	**100%**	**$13,621**	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderat**	**Middle-**	**Upper-**	**Unknow**	
Home Purchase	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
Refinance	0 0.0%	2 7.1%	12 42.9%	14 50.0%	0 0.0%	**28** **100%**
Home Improvement	0 0.0%	0 0.0%	2 50.0%	2 50.0%	0 0.0%	**4** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**0** **0.0%**	**2** **6.3%**	**14** **43.8%**	**16** **50.0%**	**0** **0.0%**	**32** **100%**
Owner-Occupied Housing	1.0%	17.4%	39.9%	41.7%	0.0%	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Business Loans	2 5.7%	11 31.4%	14 40.0%	8 22.9%	0 0.0%	**35** **100%**
Business Institutions	2.3%	33.6%	32.9%	31.2%	0.0%	**100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	0 0.0%	4 13.8%	7 24.1%	18 62.1%	0 0.0%	**29** **100%**
Household Population	4.9%	27.5%	34.8%	32.9%	0.0%	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
Refinance	3 10.7%	6 21.4%	4 14.3%	15 53.6%	0 0.0%	**28** **100%**
Home Improvement	0 0.0%	0 0.0%	2 50.0%	2 50.0%	0 0.0%	**4** **100%**
Multifamily	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**3** **9.4%**	**6** **18.8%**	**6** **18.8%**	**17** **53.1%**	**0** **0.0%**	**32** **100%**
Family Population	20.0%	18.6%	20.5%	40.9%	0.0%	**100%**

Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	16 45.7%	8 22.9%	4 11.4%	**28** **80.0%**
Greater Than $1 Million/Unknown	2 5.7%	3 8.6%	2 5.7%	**7** **20.0%**
TOTAL	**18** **51.4%**	**11** **31.4%**	**6** **17.1%**	**35** **100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	2 6.9%	4 13.8%	5 17.2%	12 41.4%	6 20.7%	**29** **100%**
Household Population	22.8%	17.0%	18.7%	41.4%	0.0%	**100%**

FLORIDA

Tampa MSA Assessment Area

Summary of Lending Activity				
Loan Type	**#**	**%**	**$(000s)**	**%**
Home Purchase	5	5.1%	$ 770	8.9%
Refinancing	21	21.4%	$1,704	19.7%
Home Improvement	2	2.0%	$ 183	2.1%
Multifamily Housing	0	0.0%	$ 0	0.0%
Total HMDA Loans	**28**	**28.6%**	**$2,657**	**30.7%**
Small Business	**20**	**20.4%**	**$3,611**	**41.7%**
Small Farm	**0**	**0.0%**	**$ 0**	**0.0%**
Consumer	**50**	**51.0%**	**$2,389**	**27.6%**
TOTAL	**98**	**100%**	**$8,656**	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	0 0.0%	1 20.0%	2 40.0%	2 40.0%	0 0.0%	**5** **100%**
Refinance	0 0.0%	2 9.5%	12 57.1%	7 33.3%	0 0.0%	**21** **100%**
Home Improvement	0 0.0%	0 0.0%	1 50.0%	1 50.0%	0 0.0%	**2** **100%**
Multifamily	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**0** **0.0%**	**3** **10.7%**	**15** **53.6%**	**10** **35.7%**	**0** **0.0%**	**28** **100%**
Owner-Occupied Housing	0.8%	21.9%	48.3%	29.0%	0.0%	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Business Loans	2 10.0%	5 25.0%	9 45.0%	4 20.0%	0 0.0%	**20** **100%**
Business Institutions	1.7%	24.1%	43.7%	30.5%	0.0%	**100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	0 0.0%	3 6.0%	21 42.0%	26 52.0%	0 0.0%	**50** **100%**
Household Population	2.1%	24.1%	47.5%	26.3%	0.0%	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	0 0.0%	2 40.0%	2 40.0%	1 20.0%	0 0.0%	**5** **100%**
Refinance	2 9.5%	2 9.5%	5 23.8%	12 57.1%	0 0.0%	**21** **100%**
Home Improvement	0 0.0%	0 0.0%	0 0.0%	1 50.0%	1 50.0%	**2** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**2** **7.1%**	**4** **14.3%**	**7** **25.0%**	**14** **50.0%**	**1** **3.6%**	**28** **100%**
Family Population	18.8%	19.1%	22.0%	40.1%	0.0%	**100%**

Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	9 45.0%	0 0.0%	1 5.0%	**10** **50.0%**
Greater Than $1 Million/Unknown	5 25.0%	1 5.0%	4 20.0%	**10** **50.0%**
TOTAL	**14** **70.0%**	**1** **5.0%**	**5** **25.0%**	**20** **100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	1 2.0%	5 10.0%	6 12.0%	31 62.0%	7 14.0%	**50** **100%**
Household Population	21.7%	17.5%	19.8%	40.9%	0.0%	**100%**

2010 LENDING PERFORMANCE TABLES FOR ALL ASSESSMENT AREAS[11]

ST. LOUIS, MO-IL MULTI-STATE MSA

Summary of Lending Activity				
Loan Type	**#**	**%**	**$(000s)**	**%**
Home Purchase	344	11.2%	$48,731	14.2%
Refinancing	1,110	36.3%	$167,844	48.7%
Home Improvement	94	3.1%	$8,373	2.4%
Multi-Family Housing	0	0.0%	$0	0.0%
Total HMDA Loans	**1,548**	**50.6%**	**$224,948**	**65.3%**
Small Business	**564**	**18.4%**	**$88,407**	**25.7%**
Small Farm	**109**	**3.6%**	**$11,112**	**3.2%**
Consumer	**841**	**27.5%**	**$19,849**	**5.8%**
TOTAL	**3,062**	**100%**	**$ 344,316**	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	3 0.9%	30 8.7%	208 60.5%	103 29.9%	0 0.0%	**344** **100%**
Refinance	3 0.3%	50 4.5%	606 54.6%	451 40.6%	0 0.0%	**1,110** **100%**
Home Improvement	2 2.1%	12 12.8%	59 62.8%	21 22.3%	0 0.0%	**94** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	8 0.5%	92 5.9%	873 56.4%	575 37.1%	0 0.0%	**1,548** **100%**
Owner-Occupied Housing	3.0%	17.8%	52.3%	26.9%	0.0%	**100%**

[11] Small farm lending performance tables are omitted where such lending volume is de minimis.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Business Loans	22 3.9%	79 14.0%	305 54.1%	154 27.3%	4 0.7%	**564** **100%**
Business Institutions	4.3%	17.1%	48.1%	30.1%	0.3%	**100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Farm Loans	0 0.0%	13 11.9%	88 80.7%	8 7.3%	0 0.0%	**109** **100%**
Agricultural Institutions	0.7%	9.5%	78.3%	11.4%	0.0%	**100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	5 0.6%	46 5.5%	548 65.2%	242 28.8%	0 0.0%	**841** **100%**
Household Population	5.4%	20.9%	50.3%	23.3%	0.0%	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	59 17.2%	105 30.5%	86 25.0%	82 23.8%	12 3.5%	**344** **100%**
Refinance	109 9.8%	234 21.1%	280 25.2%	450 40.5%	37 3.3%	**1,110** **100%**
Home Improvement	17 18.1%	28 29.8%	18 19.1%	26 27.7%	5 5.3%	**94** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**185** **12.0%**	**367** **23.7%**	**384** **24.8%**	**558** **36.0%**	**54** **3.5%**	**1,548** **100%**
Family Population	19.4%	18.4%	22.6%	39.6%	0.0%	**100%**

Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	259 45.9%	43 7.6%	22 3.9%	**324** **57.4%**
Greater Than $1 Million/Unknown	88 15.6%	71 12.6%	81 14.4%	**240** **42.6%**
TOTAL	**347** **61.5%**	**114** **20.2%**	**103** **18.3%**	**564** **100%**

Lending Distribution by Farm Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$500**	
$1 Million or Less	77 70.6%	13 11.9%	7 6.4%	**97** **89.0%**
Greater Than $1 Million/Unknown	2 1.8%	7 6.4%	3 2.8%	**12** **11.0%**
TOTAL	**79** **72.5%**	**20** **18.3%**	**10** **9.2%**	**109** **100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	152 18.1%	146 17.4%	150 17.8%	224 26.6%	169 20.1%	**841** **100.0%**
Household Population	22.6%	16.9%	19.3%	41.2%	0.0%	**100%**

CALIFORNIA

Los Angeles CSA Assessment Area

Summary of Lending Activity				
Loan Type	**#**	**%**	**$(000s)**	**%**
Home Purchase	16	2.3%	$4,704	3.8%
Refinancing	136	19.9%	$34,467	27.5%
Home Improvement	12	1.8%	$2,506	2.0%
Multi-Family Housing	0	0.0%	$0	0.0%
Total HMDA Loans	**164**	**23.9%**	**$41,677**	**33.2%**
Small Business	**337**	**49.2%**	**$74,759**	**59.6%**
Small Farm	**1**	**0.1%**	**$300**	**0.2%**
Consumer	**183**	**26.7%**	**$8,668**	**6.9%**
TOTAL	**685**	**100%**	**$125,405**	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	1 6.3%	0 0.0%	6 37.5%	9 56.3%	0 0.0%	**16** **100%**
Refinance	1 0.7%	8 5.9%	41 30.1%	86 63.2%	0 0.0%	**136** **100%**
Home Improvement	0 0.0%	3 25.0%	3 25.0%	6 50.0%	0 0.0%	**12** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**2** **1.2%**	**11** **6.7%**	**50** **30.5%**	**101** **61.6%**	**0** **0.0%**	**164** **100%**
Owner-Occupied Housing	1.6%	17.7%	35.4%	45.2%	0.0%	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Business Loans	20 5.9%	91 27.0%	117 34.7%	105 31.2%	4 1.2%	**337** **100%**
Business Institutions	5.7%	23.1%	32.2%	38.4%	0.6%	**100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	1 0.5%	13 7.1%	69 37.7%	100 54.6%	0 0.0%	**183** **100%**
Household Population	5.4%	26.1%	33.8%	34.7%	0.0%	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	0 0.0%	3 18.8%	5 31.3%	7 43.8%	1 6.3%	**16** **100%**
Refinance	9 6.6%	21 15.4%	36 26.5%	65 47.8%	5 3.7%	**136** **100%**
Home Improvement	1 8.3%	0 0.0%	5 41.7%	6 50.0%	0 0.0%	**12** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**10** **6.1%**	**24** **14.6%**	**46** **28.0%**	**78** **47.6%**	**6** **3.7%**	**164** **100%**
Family Population	22.6%	17.0%	18.8%	41.6%	0.0%	**100%**

Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	84 24.9%	17 5.0%	11 3.3%	**112** **33.2%**
Greater Than $1 Million/Unknown	70 20.8%	60 17.8%	95 28.2%	**225** **66.8%**
TOTAL	**154** **45.7%**	**77** **22.8%**	**106** **31.5%**	**337** **100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	15 8.2%	25 13.7%	19 10.4%	55 30.1%	69 37.7%	**183** **100%**
Household Population	23.9%	16.3%	18.0%	41.8%	0.0%	**100%**

San Francisco CSA Assessment Area

Summary of Lending Activity				
Loan Type	**#**	**%**	**$(000s)**	**%**
Home Purchase	2	1.0%	$334	0.9%
Refinancing	27	13.3%	$7,278	20.5%
Home Improvement	7	3.4%	$1,694	4.8%
Multi-Family Housing	0	0.0%	$0	0.0%
Total HMDA Loans	**36**	**17.7%**	**$9,306**	**26.2%**
Small Business	**106**	**52.2%**	**$23,276**	**65.6%**
Small Farm	**0**	**0.0%**	**$0**	**0.0%**
Consumer	**61**	**30.0%**	**$2,912**	**8.2%**
TOTAL	**203**	**100%**	**$ 35,495**	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	0 0.0%	0 0.0%	0 0.0%	2 100%	0 0.0%	**2** **100%**
Refinance	0 0.0%	2 7.4%	19 70.4%	6 22.2%	0 0.0%	**27** **100%**
Home Improvement	0 0.0%	0 0.0%	2 28.6%	5 71.4%	0 0.0%	**7** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**0** **0.0%**	**2** **5.6%**	**21** **58.3%**	**13** **36.1%**	**0** **0.0%**	**36** **100%**
Owner-Occupied Housing	2.1%	13.6%	46.0%	38.2%	0.0%	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Business Loans	15 14.2%	19 17.9%	42 39.6%	30 28.3%	0 0.0%	**106** **100%**
Business Institutions	8.9%	18.3%	40.5%	32.3%	0.0%	**100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	0 0.0%	13 21.3%	23 37.7%	25 41.0%	0 0.0%	**61** **100%**
Household Population	6.3%	19.5%	44.7%	29.5%	0.0%	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	0 0.0%	1 50.0%	1 50.0%	0 0.0%	0 0.0%	**2** **100%**
Refinance	3 11.1%	2 7.4%	9 33.3%	10 37.0%	3 11.1%	**27** **100%**
Home Improvement	1 14.3%	2 28.6%	0 0.0%	4 57.1%	0 0.0%	**7** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**4** **11.1%**	**5** **13.9%**	**10** **27.8%**	**14** **38.9%**	**3** **8.3%**	**36** **100%**
Family Population	20.5%	17.6%	21.1%	40.9%	0.0%	**100%**

Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	32 30.2%	6 5.7%	11 10.4%	**49** **46.2%**
Greater Than $1 Million/Unknown	23 21.7%	14 13.2%	20 18.9%	**57** **53.8%**
TOTAL	**55** **51.9%**	**20** **18.9%**	**31** **29.2%**	**106** **100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	10 16.4%	7 11.5%	15 24.6%	11 18.0%	18 29.5%	**61** **100%**
Household Population	22.9%	16.6%	19.3%	41.2%	0.0%	**100%**

Sacramento MSA Assessment Area

Summary of Lending Activity				
Loan Type	**#**	**%**	**$(000s)**	**%**
Home Purchase	3	2.8%	$359	1.8%
Refinancing	20	18.3%	$3,884	19.8%
Home Improvement	1	0.9%	$300	1.5%
Multi-Family Housing	0	0.0%	$0	0.0%
Total HMDA Loans	**24**	**22.0%**	**$4,543**	**23.1%**
Small Business	**62**	**56.9%**	**$12,470**	**63.5%**
Small Farm	**1**	**0.9%**	**$160**	**0.8%**
Consumer	**22**	**20.2%**	**$2,466**	**12.6%**
TOTAL	**109**	**100%**	**$19,639**	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	0 0.0%	0 0.0%	3 100.0%	0 0.0%	0 0.0%	**3** **100%**
Refinance	0 0.0%	1 5.0%	12 60.0%	7 35.0%	0 0.0%	**20** **100%**
Home Improvement	0 0.0%	0 0.0%	0 0.0%	1 100.0%	0 0.0%	**1** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**0** **0.0%**	**1** **4.2%**	**15** **62.5%**	**8** **33.3%**	**0** **0.0%**	**24** **100%**
Owner-Occupied Housing	3.3%	18.3%	42.1%	36.2%	0.0%	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Business Loans	3 4.8%	22 35.5%	19 30.6%	18 29.0%	0 0.0%	**62** **100%**
Business Institutions	6.4%	21.0%	38.9%	33.6%	0.0%	**100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	2 9.1%	1 4.5%	9 40.9%	10 45.5%	0 0.0%	**22** **100%**
Household Population	6.0%	24.8%	40.2%	29.1%	0.0%	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	0 0.0%	0 0.0%	2 66.7%	1 33.3%	0 0.0%	**3** **100%**
Refinance	2 10.0%	4 20.0%	4 20.0%	10 50.0%	0 0.0%	**20** **100%**
Home Improvement	0 0.0%	0 0.0%	0 0.0%	1 100%	0 0.0%	**1** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**2** **8.3%**	**4** **16.7%**	**6** **25.0%**	**12** **50.0%**	**0** **0.0%**	**24** **100%**
Family Population	20.3%	18.2%	20.9%	40.6%	0.0%	**100%**

Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	18 29.0%	3 4.8%	1 1.6%	**22** **35.5%**
Greater Than $1 Million/Unknown	16 25.8%	14 22.6%	10 16.1%	**40** **64.5%**
TOTAL	**34** **54.8%**	**17** **27.4%**	**11** **17.7%**	**62** **100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	3 13.6%	1 4.5%	6 27.3%	7 31.8%	5 22.7%	**22** **100%**
Household Population	22.6%	16.8%	19.3%	41.2%	0.0%	**100%**

San Diego MSA Assessment Area

Summary of Lending Activity				
Loan Type	**#**	**%**	**$(000s)**	**%**
Home Purchase	1	1.3%	$417	3.7%
Refinancing	15	19.5%	$3,090	27.5%
Home Improvement	2	2.6%	$106	0.9%
Multi-Family Housing	0	0.0%	$0	0.0%
Total HMDA Loans	**18**	**23.4%**	**$3,613**	**32.2%**
Small Business	**34**	**44.2%**	**$6,699**	**59.6%**
Small Farm	**0**	**0.0%**	**$0**	**0.0%**
Consumer	**25**	**32.5%**	**$924**	**8.2%**
TOTAL	**77**	**100%**	**$11,236**	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	0 0.0%	0 0.0%	0 0.0%	1 100%	0 0.0%	**1** **100%**
Refinance	0 0.0%	4 26.7%	5 33.3%	6 40.0%	0 0.0%	**15** **100%**
Home Improvement	0 0.0%	1 50.0%	0 0.0%	1 50.0%	0 0.0%	**2** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**0** **0.0%**	**5** **27.8%**	**5** **27.8%**	**8** **44.4%**	**0** **0.0%**	**18** **100%**
Owner-Occupied Housing	2.3%	14.0%	41.0%	42.7%	0.0%	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Business Loans	3 8.8%	15 44.1%	5 14.7%	11 32.4%	0 0.0%	**34** **100%**
Business Institutions	4.7%	21.0%	37.3%	37.0%	0.0%	**100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	1 4.0%	8 32.0%	4 16.0%	12 48.0%	0 0.0%	**25** **100%**
Household Population	6.6%	22.7%	39.3%	31.4%	0.0%	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	0 0.0%	0 0.0%	0 0.0%	1 100%	0 0.0%	**1** **100%**
Refinance	1 6.7%	2 13.3%	6 40.0%	5 33.3%	1 6.7%	**15** **100%**
Home Improvement	0 0.0%	0 0.0%	1 50.0%	0 0.0%	1 50.0%	**2** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**1** **5.6%**	**2** **11.1%**	**7** **38.9%**	**6** **33.3%**	**2** **11.1%**	**18** **100%**
Family Population	21.1%	17.9%	20.1%	40.9%	0.0%	**100%**

Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	8 23.5%	3 8.8%	2 5.9%	**13** **38.2%**
Greater Than $1 Million/Unknown	9 26.5%	6 17.6%	6 17.6%	**21** **61.8%**
TOTAL	**17** **50.0%**	**9** **26.5%**	**8** **23.5%**	**34** **100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	3 12.0%	5 20.0%	3 12.0%	2 8.0%	12 48.0%	**25** **100%**
Household Population	22.6%	17.2%	18.9%	41.4%	0.0%	**100%**

Santa Barbara MSA Assessment Area

Summary of Lending Activity				
Loan Type	**#**	**%**	**$(000s)**	**%**
Home Purchase	1	0.9%	$60	0.4%
Refinancing	38	35.2%	$9,168	54.3%
Home Improvement	5	4.6%	$1,211	7.2%
Multi-Family Housing	0	0.0%	$0	0.0%
Total HMDA Loans	**44**	**40.7%**	**$10,439**	**61.8%**
Small Business	**33**	**30.6%**	**$6,038**	**35.7%**
Small Farm	**0**	**0.0%**	**$0**	**0.0%**
Consumer	**31**	**28.7%**	**$414**	**2.4%**
TOTAL	**108**	**100%**	**$16,890**	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	0 0.0%	0 0.0%	0 0.0%	1 100%	0 0.0%	**1** **100%**
Refinance	0 0.0%	4 10.5%	9 23.7%	25 65.8%	0 0.0%	**38** **100%**
Home Improvement	0 0.0%	2 40.0%	0 0.0%	3 60.0%	0 0.0%	**5** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**0** **0.0%**	**6** **13.6%**	**9** **20.5%**	**29** **65.9%**	**0** **0.0%**	**44** **100%**
Owner-Occupied Housing	1.0%	17.4%	39.9%	41.7%	0.0%	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Business Loans	2 6.1%	10 30.3%	12 36.4%	9 27.3%	0 0.0%	**33** **100%**
Business Institutions	2.3%	33.6%	32.9%	31.2%	0.0%	**100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	1 3.2%	6 19.4%	13 41.9%	11 35.5%	0 0.0%	**31** **100%**
Household Population	4.9%	27.5%	34.8%	32.9%	0.0%	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	0 0.0%	1 100%	0 0.0%	0 0.0%	0 0.0%	**1** **100%**
Refinance	3 7.9%	8 21.1%	6 15.8%	19 50.0%	2 5.3%	**38** **100%**
Home Improvement	0 0.0%	1 20.0%	2 40.0%	2 40.0%	0 0.0%	**5** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**3** **6.8%**	**10** **22.7%**	**8** **18.2%**	**21** **47.7%**	**2** **4.5%**	**44** **100%**
Family Population	20.0%	18.6%	20.5%	40.9%	0.0%	**100%**

Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	12 36.4%	4 12.1%	4 12.1%	**20** **60.6%**
Greater Than $1 Million/Unknown	3 9.1%	7 21.2%	3 9.1%	**13** **39.4%**
TOTAL	**15** **45.5%**	**11** **33.3%**	**7** **21.2%**	**33** **100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	6 19.4%	7 22.6%	7 22.6%	7 22.6%	4 12.9%	**31** **100%**
Household Population	22.8%	17.0%	18.7%	41.4%	0.0%	**100%**

FLORIDA

Bradenton MSA Assessment Area

Summary of Lending Activity				
Loan Type	**#**	**%**	**$(000s)**	**%**
Home Purchase	6	5.5%	$933	12.2%
Refinancing	13	11.9%	$1,428	18.6%
Home Improvement	3	2.8%	$128	1.7%
Multi-Family Housing	0	0.0%	$0	0.0%
Total HMDA Loans	**22**	**20.2%**	**$2,489**	**32.5%**
Small Business	**36**	**33.0%**	**$4,236**	**55.3%**
Small Farm	**0**	**0.0%**	**$0**	**0.0%**
Consumer	**51**	**46.8%**	**$933**	**12.2%**
TOTAL	**109**	**100%**	**$7,658**	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	0 0.0%	1 16.7%	2 33.3%	3 50.0%	0 0.0%	**6** **100%**
Refinance	0 0.0%	2 15.4%	10 76.9%	1 7.7%	0 0.0%	**13** **100%**
Home Improvement	0 0.0%	0 0.0%	3 100%	0 0.0%	0 0.0%	**3** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**0** **0.0%**	**3** **13.6%**	**15** **68.2%**	**4** **18.2%**	**0** **0.0%**	**22** **100%**
Owner-Occupied Housing	0.3%	20.5%	54.7%	24.6%	0.0%	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Business Loans	0 0.0%	9 25.0%	17 47.2%	10 27.8%	0 0.0%	**36** **100%**
Business Institutions	0.4%	18.2%	53.2%	28.2%	0.0%	**100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	0 0.0%	17 33.3%	25 49.0%	9 17.6%	0 0.0%	**51** **100%**
Household Population	0.5%	24.3%	52.7%	22.4%	0.0%	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	1 16.7%	2 33.3%	0 0.0%	2 33.3%	1 16.7%	**6** **100%**
Refinance	1 7.7%	2 15.4%	6 46.2%	3 23.1%	1 7.7%	**13** **100%**
Home Improvement	0 0.0%	1 33.3%	0 0.0%	0 0.0%	2 66.7%	**3** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**2** **9.1%**	**5** **22.7%**	**6** **27.3%**	**5** **22.7%**	**4** **18.2%**	**22** **100%**
Family Population	17.6%	19.6%	23.6%	39.2%	0.0%	**100%**

Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	21 58.3%	1 2.8%	3 8.3%	**25** **69.4%**
Greater Than $1 Million/Unknown	7 19.4%	0 0.0%	4 11.1%	**11** **30.6%**
TOTAL	**28** **77.8%**	**1** **2.8%**	**7** **19.4%**	**36** **100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	7 13.7%	12 23.5%	5 9.8%	9 17.6%	18 35.3%	**51** **100%**
Household Population	20.9%	18.1%	20.4%	40.7%	0.0%	**100%**

Tampa MSA Assessment Area

Summary of Lending Activity				
Loan Type	**#**	**%**	**$(000s)**	**%**
Home Purchase	5	12.8%	$653	11.4%
Refinancing	8	20.5%	$1,187	20.8%
Home Improvement	1	2.6%	$8	0.1%
Multi-Family Housing	0	0.0%	$0	0.0%
Total HMDA Loans	**14**	**35.9%**	**$1,848**	**32.3%**
Small Business	**12**	**30.8%**	**$3,552**	**62.2%**
Small Farm	**0**	**0.0%**	**$0**	**0.0%**
Consumer	**13**	**33.3%**	**$315**	**5.5%**
TOTAL	**39**	**100%**	**$5,715**	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	0 0.0%	0 0.0%	3 60.0%	2 40.0%	0 0.0%	**5** **100%**
Refinance	0 0.0%	0 0.0%	2 25.0%	6 75.0%	0 0.0%	**8** **100%**
Home Improvement	0 0.0%	0 0.0%	0 0.0%	1 100%	0 0.0%	**1** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**0** **0.0%**	**0** **0.0%**	**5** **35.7%**	**9** **64.3%**	**0** **0.0%**	**14** **100%**
Owner-Occupied Housing	0.8%	21.9%	48.3%	29.0%	0.0%	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Business Loans	1 8.3%	6 50.0%	4 33.3%	1 8.3%	0 0.0%	**12** **100%**
Business Institutions	1.7%	24.1%	43.7%	30.5%	0.0%	**100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	0 0.0%	0 0.0%	8 61.5%	5 38.5%	0 0.0%	**13** **100%**
Household Population	2.1%	24.1%	47.5%	26.3%	0.0%	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	0 0.0%	2 40.0%	0 0.0%	2 40.0%	1 20.0%	**5** **100%**
Refinance	1 12.5%	2 25.0%	2 25.0%	3 37.5%	0 0.0%	**8** **100%**
Home Improvement	0 0.0%	1 100%	0 0.0%	0 0.0%	0 0.0%	**1** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**1** **7.1%**	**5** **35.7%**	**2** **14.3%**	**5** **35.7%**	**1** **7.1%**	**14** **100%**
Family Population	18.8%	19.1%	22.0%	40.1%	0.0%	**100%**

Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	5 41.7%	0 0.0%	1 8.3%	**6** **50.0%**
Greater Than $1 Million/Unknown	1 8.3%	1 8.3%	4 33.3%	**6** **50.0%**
TOTAL	**6** **50.0%**	**1** **8.3%**	**5** **41.7%**	**12** **100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	0 0.0%	1 7.7%	0 0.0%	3 23.1%	9 69.2%	**13** **100%**
Household Population	21.7%	17.5%	19.8%	40.9%	0.0%	**100%**

ILLINOIS

Combined NonMSA Assessment Area

Summary of Lending Activity				
Loan Type	**#**	**%**	**$(000s)**	**%**
Home Purchase	24	4.2%	$2,273	6.4%
Refinancing	79	13.9%	$10,080	28.5%
Home Improvement	13	2.3%	$470	1.3%
Multi-Family Housing	0	0.0%	$0	0.0%
Total HMDA Loans	**116**	**20.5%**	**$12,823**	**36.3%**
Small Business	**88**	**15.5%**	**$8,828**	**25.0%**
Small Farm	**108**	**19.0%**	**$9,167**	**25.9%**
Consumer	**255**	**45.0%**	**$4,535**	**12.8%**
TOTAL	**567**	**100%**	**$35,353**	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	0 0.0%	2 8.3%	19 79.2%	3 12.5%	0 0.0%	**24** **100%**
Refinance	0 0.0%	11 13.9%	66 83.5%	2 2.5%	0 0.0%	**79** **100%**
Home Improvement	0 0.0%	0 0.0%	11 84.6%	2 15.4%	0 0.0%	**13** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**0** **0.0%**	**13** **11.2%**	**96** **82.8%**	**7** **6.0%**	**0** **0.0%**	**116** **100%**
Owner-Occupied Housing	0.2%	24.5%	70.4%	5.0%	0.0%	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Business Loans	2 2.3%	33 37.5%	50 56.8%	3 3.4%	0 0.0%	**88** **100%**
Business Institutions	2.0%	33.5%	59.8%	4.8%	0.0%	**100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Farm Loans	0 0.0%	5 4.6%	101 93.5%	2 1.9%	0 0.0%	**108** **100%**
Agricultural Institutions	0.0%	7.5%	90.2%	2.4%	0.0%	**100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	1 0.4%	55 21.6%	180 70.6%	19 7.5%	0 0.0%	**255** **100%**
Household Population	2.0%	29.9%	63.1%	5.0%	0.0%	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	3 12.5%	5 20.8%	8 33.3%	8 33.3%	0 0.0%	**24** **100%**
Refinance	9 11.4%	12 15.2%	28 35.4%	24 30.4%	6 7.6%	**79** **100%**
Home Improvement	0 0.0%	2 15.4%	3 23.1%	8 61.5%	0 0.0%	**13** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**12** **10.3%**	**19** **16.4%**	**39** **33.6%**	**40** **34.5%**	**6** **5.2%**	**116** **100%**
Family Population	22.1%	19.6%	23.9%	34.4%	0.0%	**100%**

Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	58 65.9%	5 5.7%	0 0.0%	**63** **71.6%**
Greater Than $1 Million/Unknown	15 17.0%	2 2.3%	8 9.1%	**25** **28.4%**
TOTAL	**73** **83.0%**	**7** **8.0%**	**8** **9.1%**	**88** **100%**

Lending Distribution by Farm Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$500**	
$1 Million or Less	76 70.4%	10 9.3%	5 4.6%	**91** **84.3%**
Greater Than $1 Million/Unknown	8 7.4%	6 5.6%	3 2.8%	**17** **15.7%**
TOTAL	**84** **77.8%**	**16** **14.8%**	**8** **7.4%**	**108** **100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	28 11.0%	55 21.6%	39 15.3%	71 27.8%	62 24.3%	**255** **100%**
Household Population	28.7%	17.0%	18.9%	35.4%	0.0%	**100%**

MISSOURI

Combined NonMSA Assessment Area

Summary of Lending Activity				
Loan Type	**#**	**%**	**$(000s)**	**%**
Home Purchase	82	17.3%	$9,022	28.2%
Refinancing	114	24.1%	$12,288	38.4%
Home Improvement	15	3.2%	$678	2.1%
Multi-Family Housing	0	0.0%	$0	0.0%
Total HMDA Loans	**211**	**44.5%**	**$21,988**	**68.7%**
Small Business	**74**	**15.6%**	**$6,555**	**20.5%**
Small Farm	**17**	**3.6%**	**$947**	**3.0%**
Consumer	**172**	**36.3%**	**$2,520**	**7.9%**
TOTAL	**474**	**100%**	**$32,010**	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	0 0.0%	0 0.0%	59 72.0%	23 28.0%	0 0.0%	**82** **100%**
Refinance	0 0.0%	0 0.0%	78 68.4%	36 31.6%	0 0.0%	**114** **100%**
Home Improvement	0 0.0%	0 0.0%	11 73.3%	4 26.7%	0 0.0%	**15** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**0** **0.0%**	**0** **0.0%**	**148** **70.1%**	**63** **29.9%**	**0** **0.0%**	**211** **100%**
Owner-Occupied Housing	0.0%	0.0%	72.1%	27.9%	0.0%	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Business Loans	0 0.0%	0 0.0%	42 56.8%	32 43.2%	0 0.0%	**74** **100%**
Business Institutions	0.0%	0.0%	74.1%	25.9%	0.0%	**100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Farm Loans	0 0.0%	0 0.0%	12 70.6%	5 29.4%	0 0.0%	**17** **100%**
Agricultural Institutions	0.0%	0.0%	78.0%	22.0%	0.0%	**100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	0 0.0%	0 0.0%	123 71.5%	49 28.5%	0 0.0%	**172** **100%**
Household Population	0.0%	0.0%	74.1%	25.9%	0.0%	**100%**

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	4 4.9%	25 30.5%	22 26.8%	31 37.8%	0 0.0%	**82** **100%**
Refinance	11 9.6%	14 12.3%	28 24.6%	57 50.0%	4 3.5%	**114** **100%**
Home Improvement	0 0.0%	2 13.3%	4 26.7%	6 40.0%	3 20.0%	**15** **100%**
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	**0** **0%**
TOTAL LOANS	**15** **7.1%**	**41** **19.4%**	**54** **25.6%**	**94** **44.5%**	**7** **3.3%**	**211** **100%**
Family Population	15.8%	16.6%	22.9%	44.7%	0.0%	**100%**

Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250 <$1,000**	
$1 Million or Less	50 67.6%	7 9.5%	1 1.4%	**58** **78.4%**
Greater Than $1 Million/Unknown	11 14.9%	2 2.7%	3 4.1%	**16** **21.6%**
TOTAL	**61** **82.4%**	**9** **12.2%**	**4** **5.4%**	**74** **100%**

Lending Distribution by Farm Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250 ≤$500**	
$1 Million or Less	15 88.2%	1 5.9%	0 0.0%	**16** **94.1%**
Greater Than $1 Million/Unknown	0 0.0%	1 5.9%	0 0.0%	**1** **5.9%**
TOTAL	**15** **88.2%**	**2** **11.8%**	**0** **0.0%**	**17** **100%**

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower						
Dataset	**Borrower Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Consumer Loans	13 7.6%	28 16.3%	39 22.7%	55 32.0%	37 21.5%	**172** **100%**
Household Population	19.4%	15.5%	18.0%	47.0%	0.0%	**100%**

GLOSSARY

Assessment area: One or more of the geographic areas delineated by the bank and used by the regulatory agency to assess an institution's record of CRA performance.

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 contact: Interviews conducted as part of the CRA examination to gather information that might assist examiners in understanding the bank's community, available opportunities for helping to meet local credit and community development needs, and perceptions on the performance of financial institutions in helping meet local credit needs. Communications and information gathered can help to provide a context to assist in the evaluation of an institution's CRA performance.

Community development: An activity associated with one of the following five descriptions: (1) affordable housing (including multifamily rental housing) for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) 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; (4) activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas, or distressed or underserved non-metropolitan middle-income geographies; or (5) Neighborhood Stabilization Program (NSP) eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate- and middle-income individuals and geographies.

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.

Demographics: The statistical characteristics of human populations (such as age, race, sex, income, etc.) used especially to identify markets.

Distressed non-metropolitan middle-income geography: A middle-income, nonmetropolitan geography will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20 percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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 non-relatives 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).

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 applicants, 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 multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancing 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.

Housing affordability ratio: Is calculated by dividing the median household income by the median housing value. It represents the amount of single family, owner-occupied housing that a dollar of income can purchase for the median household in the census tract. Values closer to 100 percent indicate greater affordability.

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.

Median family income: The dollar amount that divides the family income distribution into two equal groups, half having incomes above the median, half having incomes below the median. The median family income is based on all families within the area being analyzed.

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 a 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.

Multifamily: Refers to a residential structure that contains five or more units.

Nonmetropolitan statistical area (nonMSA): Not part of a metropolitan area. (See metropolitan area.)

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.

Performance context: The performance context is a broad range of economic, demographic, and institution- and community-specific information that an examiner reviews to understand the context in which an institution's record of performance should be evaluated. The performance context is not a formal or written assessment of community credit needs.

Performance criteria: These are the different criteria against which a bank's performance in helping to meet the credit needs of its assessment area(s) are measured. The criteria relate to lending, investment and service retail, and community development activities performed by a bank. The performance criteria have both quantitative and qualitative aspects. There are different sets of criteria for large banks, intermediate small banks, small banks, wholesale/limited purpose banks, and strategic plan banks.

Performance evaluation (PE): A written evaluation of a financial institution's record of meeting the credit needs of its community, as prepared by the federal financial supervision agency responsible for supervising the institution.

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 multi-state 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 multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small businesses / small farms: A small business/farm is considered to be one in which gross annual revenues for the preceding calendar year were $1 million or less.

Small loan(s) to business(es): That is, "small business loans" are 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 secured either 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 non-mortgage, commercial loans.

Small loan(s) to farm(s): That is, "small farm loans" are 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.

Underserved middle-income geography: A middle-income, nonmetropolitan geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

TISHAURA O. JONES
TREASURER
CITY OF SAINT LOUIS
MISSOURI

Affidavit for Depositories

We pledge not to arbitrarily reject any loans for any properties or projects within the City of St. Louis, or within any specific geographic area in the City of St. Louis, because of the location and/or age of the property, or in the case of prospective borrowers, to arbitrarily vary the terms of loans or the application procedures for loans because of race, color, religion, national origin, age, sex or marital status. In addition, we pledge to make loans available on residential property in neighborhoods of all income levels in the City of St. Louis within the limits of legal restrictions and prudent financial practices. All collateral security agreements governing depositories, institutional banking and investments must be in a form acceptable to the City Treasurer.

Board Chair, Financial Institution — Date: 5-5-14

CEO, Financial Institution — Date: 5-5-14

Fair Lending Anti-Discrimination Policy

First Banks, Inc. and its Subsidiaries ("the Bank") is fully committed to the principle that the granting of credit should be made without regard to race, color, national origin, religion, gender, age, marital status, sexual orientation, disability, or any other basis protected by law. We are committed to the spirit and letter of fair lending laws which are designed to promote fair and equal access to credit throughout the nation. We will fulfill this commitment while maintaining prudent credit discipline and operating in a safe and sound manner.

It is the policy of the Bank to make credit products available to all qualified applicants without discrimination on the basis of race, color, religion, sex, marital or familial status, age (over that of majority), national origin, handicap, receipt of public assistance, or good faith exercise of rights under the Federal Consumer Credit Protection Act. It is the Bank's policy not to discourage the completion of an application for credit by any applicant. No one will be denied the services of the Bank on the basis of illegal discrimination because of the prohibited bases.

2013 CRA DONATIONS - AA 10

Affordable Housing	Community Services	Economic Development	Census Tract	Investment Amount
	x		1013.00	1,168
	x		1025.00	800
	x		1034.00	3,646
	x		1036.00	2,500
	x		1045.00	1,000
	x		1054.00	1,200
	x		1067.00	500
	x		1096.00	1,300
	x		1104.00	1,740
x	x		1111.00	4,310
	x		1142.00	1,180
	x		1162.00	500
x			1186.00	500
	x		1191.00	625
	x		1191.01	5,546
	x		1191.02	500
	x		1192.00	250
x	x		1193.00	250
	x		1211.00	2,910
	x		1232.00	250
	x		1242.00	1,500
	x	x	1255.00	3,475
x	x	x	1256.00	52,800
	x		1269.00	800
	x		1275.00	6,550
	x		1276.00	24,150
				$ 119,950.00

Loan Total	Affordable Housing	Community Services	Economic Development	Revitilization	Loan Count	Census Tract
5,000,000				x	1	1034.00
150,000		x	x		1	1111.00
10,000,000				x	1	1211.00
1,000,000	x				1	1256.00
3,000,000			x	x	1	1266.00
5,000,000				x	2	1276.00
$ 24,150,000.00					7	

Branch Closing Policy

First Bank is committed to providing convenient, accessible banking services to all communities within our service areas. From time to time bank management may determine that it is necessary for a bank branch to be closed. Factors that bank management may consider in determining if a branch will be closed include:

1. The profitability of a branch;

2. Proximity of existing branches;

3. The impact a branch closing will have on a community; and,

4. Appropriate action to minimize negative effects on the branch customers and its neighborhood.

In the event that a branch is to be closed, the following procedures will be followed:

1. First Bank will notify the Federal Reserve Bank of St. Louis and the Missouri Division of Finance no later than 90 days prior to the date of the proposed branch closing. The notice will include a detailed statement of the reasons for the decision to close the branch. Statistical or other information to support the bank's decision to close the branch will accompany this notice.

2. Customers of the branch to be closed will be mailed notification of the proposed office closure either in their regular statement or in a separate mailing no later than 90 days prior to the date of the proposed closure.

3. The bank will conspicuously post a notice stating the date of the proposed closing on the premises of the branch to be closed no later than 30 days prior to the proposed closing date.

5. Consumer Loans

Census Tract	Number	Dollar Amount (in 000s)
1011.00		
1012.00		
1013.00		
1014.00		
1015.00	1	$ 1
1018.00		
1021.00	1	$ 11
1022.00		
1023.00		
1024.00		
1025.00		
1031.00		
1034.00		
1036.00		
1037.00		
1038.00		
1042.00		
1045.00		
1051.98		
1052.00		
1053.00		
1054.00		
1055.00		
1061.00		
1062.00		
1063.00		
1064.00		
1065.00		
1066.00		
1067.00		
1072.00		
1073.00		
1074.00		
1075.00		
1076.00		
1081.00		
1082.00		
1083.00		
1096.00		
1097.00		
1101.00		
1102.00		
1103.00		
1104.00		
1105.00		
1111.00		
1112.00		
1113.00		
1114.00		
1115.00		
1121.00		

	1122.00			
	1123.00			
	1124.00	1	$	23
	1135.00			
	1141.01			
	1141.02			
	1142.00	1	$	10
	1143.00	1	$	5
	1151.00			
	1152.00			
	1153.00	1	$	25
	1154.00			
	1155.00			
	1156.00			
	1157.00			
	1161.00			
	1162.00			
	1163.01			
	1163.02			
	1164.00			
	1165.00			
	1171.00			
	1172.00			
	1174.00			
	1181.00			
	1184.00			
	1186.00			
	1191.01	2	$	23
	1191.02			
	1192.00			
	1193.00	1	$	13
	1202.00			
	1211.00			
	1212.00			
	1231.00			
	1232.00			
	1233.00			
	1241.00			
	1242.00			
	1243.00	1	$	5
	1246.00			
	1255.00			
	1256.00			
	1267.00			
	1268.00			
	1269.00			
	1270.00			
	1271.00			
	1272.00	1	$	16
	1273.00			
	1274.00			
	1275.00			
	1276.00	1	$	10
Total		**12**	**$**	**142**

3. Community Development Loans

	Affordable Housing		Community Services		Economic Development		Revitalization & Stabilization		Other	
Census Tract	Number	Dollar Amount (in 000s)	Number	Dollar Amount (in 000s)	Number	Dollar Amount (in 000s)	Number	Dollar Amount (in 000s)	Number	Dollar Amount (in 000s)
1011.00										
1012.00										
1013.00										
1014.00										
1015.00										
1018.00										
1021.00										
1022.00										
1023.00										
1024.00										
1025.00										
1031.00										
1034.00							1	$ 5,000,000		
1036.00										
1037.00										
1038.00										
1042.00										
1045.00										
1051.98										
1052.00										
1053.00										
1054.00										
1055.00										
1061.00										
1062.00										
1063.00										
1064.00										
1065.00										
1066.00										
1067.00										
1072.00										
1073.00										
1074.00										
1075.00										
1076.00										
1081.00										
1082.00										
1083.00										
1096.00										
1097.00										
1101.00										
1102.00										
1103.00										
1104.00										
1105.00										
1111.00			1	150,000.00						
1112.00										
1113.00										
1114.00										
1115.00										
1121.00										
1122.00										
1123.00										
1124.00										
1135.00										
1141.01										
1141.02										
1142.00										
1143.00										
1151.00										
1152.00										
1153.00										
1154.00										
1155.00										
1156.00										
1157.00										
1161.00										
1162.00										
1163.01										
1163.02										
1164.00										
1165.00										
1171.00										
1172.00										
1174.00										
1181.00										
1184.00										
1186.00										
1191.01										

1191.02															
1192.00															
1193.00															
1202.00															
1211.00										1	$	10,000,000			
1212.00															
1231.00															
1232.00															
1233.00															
1241.00															
1242.00															
1243.00															
1246.00															
1255.00															
1256.00	1.00	$	1,000,000												
1266.00						1	$	3,000,000							St. Louis Cil
1267.00															
1268.00															
1269.00															
1270.00															
1271.00															
1272.00															
1273.00															
1274.00															
1275.00															
1276.00										2	$	5,000,000			
Total	**1**	**$**	**1,000,000**	**1**	**150000**	**1**	**$**	**3,000,000**		**4**	**$**	**20,000,000**	**0**	**$**	**-**

	Number		Dollar Amount (in 000s)
Total for the City of St. Lo	**7**	**$**	**24,150,000**

2b. Small Business Loans. **Also includes small business loans secured by non-commercial real estate and other commercial loans not qualified as small business or community development for CRA purposes.**

	Number			Dollar Amount (in 000s)		
Census Tract	**Revenue Above $1 million**	**Revenue Under $1 million**	**Revenue Unknown**	**Revenue Above $1 million**	**Revenue Under $1 million**	**Revenue Unknown**
1011.00				$ -	$ -	$ -
1012.00				$ -	$ -	$ -
1013.00		1		$ -	$ 714	$ -
1014.00				$ -	$ -	$ -
1015.00				$ -	$ -	$ -
1018.00				$ -	$ -	$ -
1021.00				$ -	$ -	$ -
1022.00		1		$ -	$ 5	$ -
1023.00				$ -	$ -	$ -
1024.00				$ -	$ -	$ -
1025.00				$ -	$ -	$ -
1031.00		1		$ -	$ 175	$ -
1034.00	4		2	$ 452	$ -	$ 8,422
1036.00				$ -	$ -	$ -
1037.00				$ -	$ -	$ -
1038.00				$ -	$ -	$ -
1042.00				$ -	$ -	$ -
1045.00	1		1	$ 184	$ -	$ 649
1051.98		1		$ -	$ 608	$ -
1052.00				$ -	$ -	$ -
1053.00				$ -	$ -	$ -
1054.00				$ -	$ -	$ -
1055.00				$ -	$ -	$ -
1061.00				$ -	$ -	$ -
1062.00				$ -	$ -	$ -
1063.00				$ -	$ -	$ -
1064.00				$ -	$ -	$ -
1065.00				$ -	$ -	$ -
1066.00				$ -	$ -	$ -
1067.00		1		$ -	$ 99	$ -
1072.00				$ -	$ -	$ -
1073.00				$ -	$ -	$ -
1074.00				$ -	$ -	$ -
1075.00				$ -	$ -	$ -
1076.00				$ -	$ -	$ -
1081.00				$ -	$ -	$ -
1082.00				$ -	$ -	$ -
1083.00				$ -	$ -	$ -
1096.00				$ -	$ -	$ -
1097.00				$ -	$ -	$ -
1101.00				$ -	$ -	$ -
1102.00				$ -	$ -	$ -
1103.00				$ -	$ -	$ -
1104.00				$ -	$ -	$ -
1105.00				$ -	$ -	$ -
1111.00				$ -	$ -	$ -
1112.00				$ -	$ -	$ -
1113.00				$ -	$ -	$ -
1114.00				$ -	$ -	$ -
1115.00				$ -	$ -	$ -
1121.00				$ -	$ -	$ -
1122.00				$ -	$ -	$ -
1123.00				$ -	$ -	$ -
1124.00			4	$ -	$ -	$ 99
1135.00				$ -	$ -	$ -
1141.01		2		$ -	$ 221	$ -
1141.02				$ -	$ -	$ -
1142.00				$ -	$ -	$ -
1143.00				$ -	$ -	$ -
1151.00		1		$ -	$ 5	$ -
1152.00				$ -	$ -	$ -
1153.00				$ -	$ -	$ -
1154.00				$ -	$ -	$ -
1155.00				$ -	$ -	$ -
1156.00				$ -	$ -	$ -
1157.00				$ -	$ -	$ -
1161.00				$ -	$ -	$ -
1162.00				$ -	$ -	$ -
1163.01		2		$ -	$ 464	$ -
1163.02		1		$ -	$ 433	$ -

1164.00		1		$ -	$ 120	$ -	
1165.00				$ -	$ -	$ -	
1171.00				$ -	$ -	$ -	
1172.00				$ -	$ -	$ -	
1174.00				$ -	$ -	$ -	
1181.00	1			$ 529	$ -	$ -	
1184.00				$ -	$ -	$ -	
1186.00				$ -	$ -	$ -	
1191.01				$ -	$ -	$ -	
1191.02				$ -	$ -	$ -	
1192.00				$ -	$ -	$ -	
1193.00				$ -	$ -	$ -	
1202.00				$ -	$ -	$ -	
1211.00				$ -	$ -	$ -	
1212.00				$ -	$ -	$ -	
1231.00				$ -	$ -	$ -	
1232.00	1	1		$ 38	$ 45	$ -	
1233.00	3			$ 471	$ -	$ -	
1241.00				$ -	$ -	$ -	
1242.00				$ -	$ -	$ -	
1243.00				$ -	$ -	$ -	
1246.00	3			$ 971	$ -	$ -	
1255.00				$ -	$ -	$ -	
1256.00	3	2	1	$ 880	$ 45	$ 2,836	
1257.00			1	$ -	$ -	$ 5	
1266.00	2			$ 420	$ -	$ -	
1267.00				$ -	$ -	$ -	St. Louis Cit
1268.00				$ -	$ -	$ -	St. Louis Cit
1269.00				$ -	$ -	$ -	
1270.00		1		$ -	$ 112	$ -	
1271.00				$ -	$ -	$ -	
1272.00				$ -	$ -	$ -	
1273.00				$ -	$ -	$ -	
1274.00	1			$ 200	$ -	$ -	
1275	**1**			**$ 500**	$ -	$ -	
1276	3			$ 510	$ -	$ -	
Total for the City of St. Louis	**23**	**13**	**1**	**$ 5,155**	**$ 1,960**	**$ 5**	