

President's Letter

Southern Development Bancorporation, Inc. employs an array of long-term rural development programs through its bank centered development structure. Southern's financial strength and long-term development perspective serves as a bridge between traditional business enterprise and the special development needs of rural communities through traditional and nontraditional financial and work force development products and services.

Southern is committed to a rural development mission, which requires that we compete vigorously, innovate continually and engage in strategically directed growth. Everyday at Southern, we work to promote the self-sufficiency of families and individuals and to improve the quality of life and economic vitality of communities in the Arkansas and Mississippi Delta. We realize that our mission will be successful only if we are able to break through social, racial and economic barriers that make opportunity, self-sufficiency and economic vitality out of reach for many people.

In December 2000, Southern reached a development lending milestone, by funding over \$100 million in development loans since our organization in 1988. These development loans have helped finance small businesses, individual entrepreneurs and a population base that is frequently denied access to financial products and services.

The success of Southern is not measured only by the volume of development loans but also by the number of people who leave the welfare roll with employment at a living wage, the construction of low and moderate-income housing, increased job opportunities and job training that provides people with the necessary skills to enter the work force and stay there. Southern believes in a people-based strategy designed to help individuals find jobs and create opportunities for themselves wherever they may live. Our mission does not require that we develop solutions to all problems, but it does require that we provide all people with the ability to pursue their dreams and achieve self-sufficiency.



Each of us individually can only do so much, but together we can accomplish great things. That's the underlying theme of this year's annual report: Small Pieces. Big Picture. We highlight the individual accomplishments of our companies and customers and together we form a picture of teamwork, opportunity and economic development in a region mired in poverty and hopelessness.

Economic development is not a single solution, but a long-term investment based on human, technical and financial foundations.

This is an exciting time for our company and I thank you, our shareholders and partners for participating in our success.

William H. Brandon

A blue ink signature of William H. Brandon.

President and Chief Executive Officer

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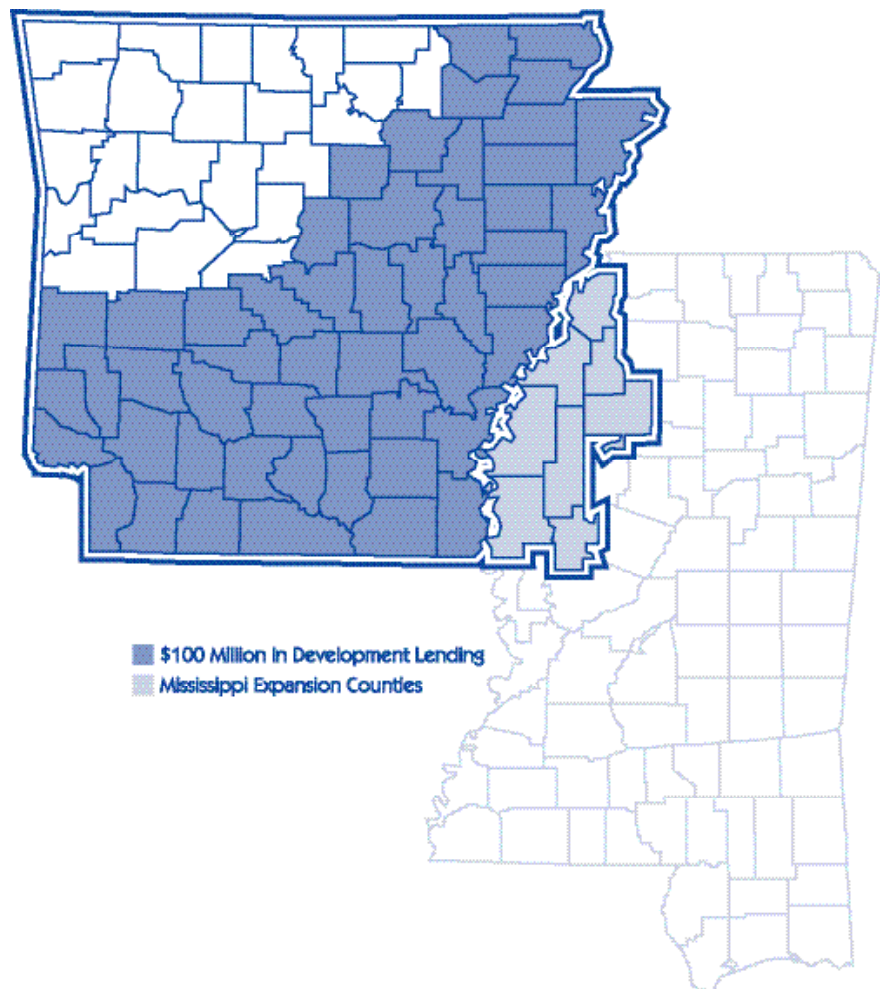
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Our Mission

Southern Development Bancorporation is a development bank holding company committed to transforming rural economies by creating new trends of investments in people, jobs, businesses and real property.

Southern Development Bancorporation was founded to change the future of the Arkansas and Mississippi Delta region, one of the most economically depressed and persistently poor areas in the United States. The communities in this area suffer from a lack of economic opportunity, a viable employment base and a poverty level that deprives families and children of future opportunities.

Since inception, Southern has stayed true to its mission and we have lived up to our promise of creating opportunities for individuals and communities by fostering an atmosphere of hope, teamwork and self-reliance.



\$100 Million and Growing



Independently, each of Southern's companies provide an important piece of the economic development puzzle. Our banking, small business lending, affordable housing development and human development services come together on a common ground to improve the quality of life for current and future generations.

Evidence of our progress can be seen in the communities where we have been at work. Through our development lending subsidiaries and affiliates, Elk Horn Bank and Trust, First National Bank of Phillips County and Arkansas Enterprise Group, we have originated more

than \$100 million in development loans to small businesses and low to moderate income individuals.

During the last 12 years, we have provided local entrepreneurs with development lending and technical assistance to grow sustainable businesses. We have helped create badly needed jobs in struggling rural areas.

We believe the ripple effect of our activities will reach far beyond direct financial assistance and help people and communities realize their dreams and thrive.

Michael and Debra Hall have owned West End Grocery since 1997. Located in an older, minority section of Pine Bluff, Arkansas, it provides neighbors with a convenient place to buy groceries. More importantly, the revenue stays in the community. It is a perfect example of development lending. The Halls plans to expand the business and add barber shop services.

Southern Development Bancorporation Statistics

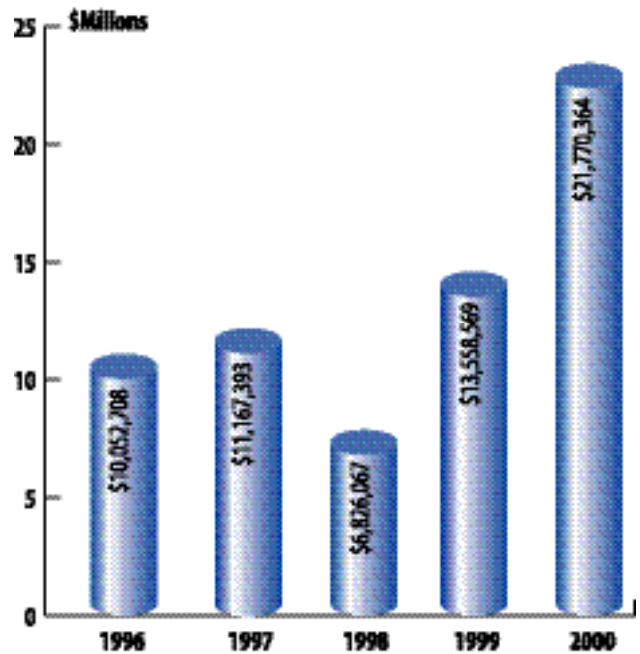
Since incorporation in 1988:

- \$100,585,608 in development loan originations
- Created or retained 6,555 jobs

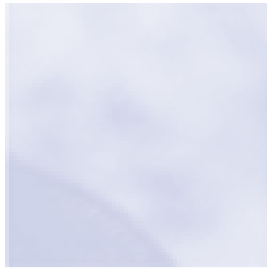
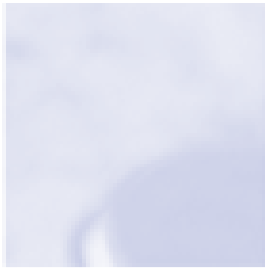
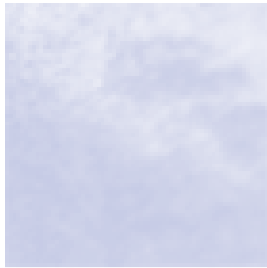
In 2000:

- 217 development loans
- With a value of \$21,770,364
- Created or retained 1,807 jobs

Development Lending



Banking & Financial Services



Basic banking services are lacking in many distressed communities resulting in a loss of jobs and a decreased emphasis on local lending, both of which accelerate the decline of rural communities.

Southern believes development-based community banks are essential in building healthy rural communities. Our unique bank-centered development model uses Elk Horn Bank and Trust and First National Bank of Phillips County as hubs through which all development activities are directed.

2000 EHB Statistics

- FDIC insured Community Development Financial Institution
- \$117 million in assets
- \$10.3 million in equity capital
- \$962,000 of net income
- 103 development loans originated
- With a value of \$10,278,033
- 15 loans exceeding \$815,000 were made to minority-owned businesses
- 29 loans exceeding \$2,972,000 were made to women or women-owned businesses
- 903 jobs created or retained
- SBA Preferred Lender of the Year in Rural Markets
- SBA New Market Lender of the Year for Arkansas

2000 FNBPC Statistics

- FDIC insured Community Development Financial Institution
- \$125 million in assets
- \$16.1 million of equity capital
- \$1,044,000 of net income
- 69 development loans originated
- With a value of \$7,521,866
- 30 loans exceeding \$947,000 were made to minority-owned businesses
- 11 loans exceeding \$468,000 were made to women or women-owned businesses
- 223 jobs created or retained

Elk Horn Bank and Trust and First National Bank of Phillips County provide comprehensive banking services to distressed communities that are essential to developing a healthy rural economy.

During 2000, our banks introduced Internet Banking and Bounce Proof Checking as part of their ongoing efforts to provide quick, easy and secure financial services.

n Elk Horn Bank and Trust

Elk Horn Bank and Trust (“EHB”), with \$117 million in assets, operates five full-service branches in the cities of Arkadelphia, Caddo Valley and Bismarck, Arkansas. EHB offers a full range of banking, development lending and brokerage services. EHB’s subsidiary company, Southern Development Mortgage Corporation, provides traditional and nontraditional mortgage loans which help low to moderate-income families purchase homes.

Once again the U.S. Small Business Administration (“SBA”) has honored Elk Horn Bank with several awards for its commitment to small business development and support of new markets, primarily women and minorities.

n First National Bank of Phillips County

First National Bank of Phillips County (“FNBPC”) is one of the largest financial institutions in the Arkansas Delta with \$125 million in total assets. FNBPC operates four locations in Helena and West Helena, Arkansas.

Delta State Bank in Elaine, Arkansas was merged into FNBPC on April 23, 2001. This merger will allow Delta State’s customers to benefit from additional banking services like automatic teller machines, Internet banking, investment services and most importantly, the same local professional managers and staff will continue to operate the branch location.

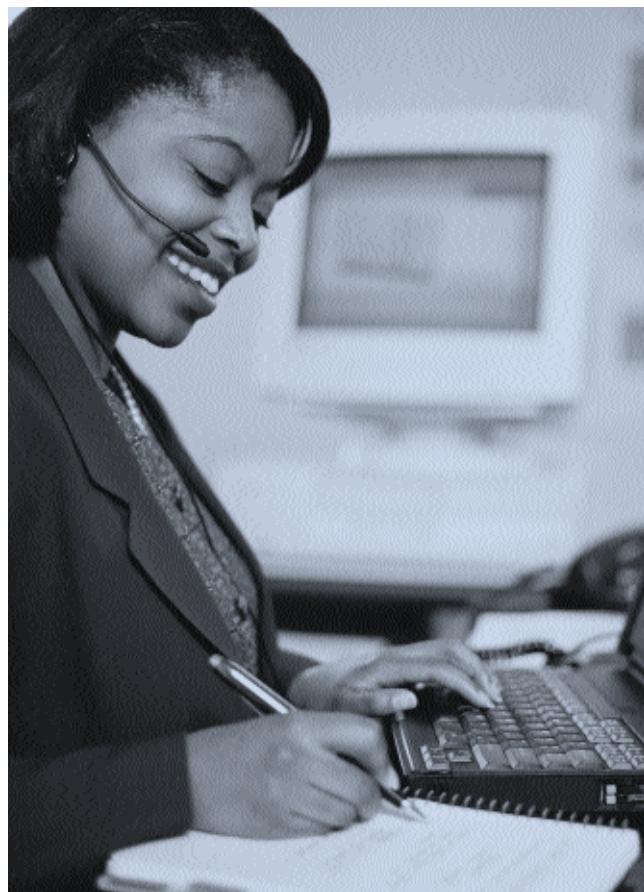
n Branching Out

Banks are catalysts for job creation, economic growth and a better way of life for people. It’s often the presence of the small, community bank that keeps a rural community viable since deposits are reinvested in the community in the form of loans, which help a community grow.

Southern has made a commitment to expand our banking operations into Mississippi and to extend our development services to one of the most economically distressed, persistently poor areas of the country. Due to this commitment, Southern acquired banking offices in the communities of Drew, Ruleville, Lambert, Lula, Friars Point and Sledge, Mississippi in July,2001.

During 2000, Elk Horn Bank and First National Bank of Phillips County originated 172 development loans that created or retained 1,126 jobs.

In 2000, Elk Horn Bank and First National Bank of Phillips County introduced Internet Banking and Bounce Proof Checking to their customers.



Focusing on Small Business Lending

n Arkansas Enterprise Group

Arkansas Enterprise Group (“AEG”) is a (501)(c)(3) non-profit organization that provides economic development financing for small businesses.

AEG works closely with traditional banks and other financial service organizations to provide small businesses the financing they need. An innovative combination of lending services, financial training and technical assistance helps many small businesses survive in the highly competitive business environment that exists today.

Small businesses have special borrowing needs. AEG is unique in that it provides loans for financing start-up businesses, business expansion and working capital lines of credit in rural communities that traditionally have difficulty obtaining access to credit.

n A Common Lending Solution

Exterior Solutions Inc., is an eight-year old family-owned business that provides residential and commercial construction and improvement services to low-and moderate-income homeowners in Helena and West Helena, Arkansas.

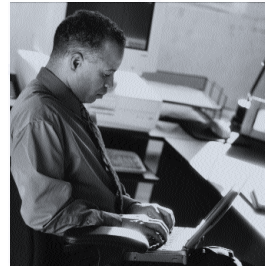
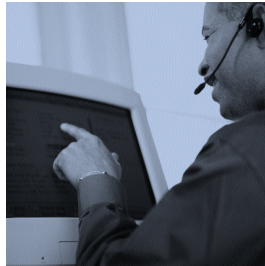
During the last five years the company experienced rapid growth with sales increasing by 100% per annum. This rapid sales growth created a need for a working capital line of credit.

AEG worked with Exterior Solutions’ local bank to provide the line of credit needed to manage both growth and cash flow.

Exterior Solutions’ story is typical of many small businesses. AEG provides the types of loans that are vital to small business owners and by doing so, creates economic opportunities and development.

2000 AEG Statistics

- 45 development loans originated
- Valued at \$3,970,465
- Created or retained 681 jobs



Exterior Solutions is the general contractor for this 9-unit senior housing development in Chidester, Arkansas.

n The Difference

AEG loan officers are experts at developing customized financing solutions using a variety of loan programs. We believe that successful economic development requires a team effort so AEG works with bankers, government agencies and other economic development professionals to assist the borrower and stimulate economic growth.

What makes AEG different from banks is that we offer flexible financing terms and are more patient when a business hits a rough spot. When evaluating a loan we consider the borrower's professional goals and character, positive trends in recent credit history, an analysis of the market and industry and the economic impact the business has to the community.

n Working to Improve Health Care in Arkansas

During 2000, AEG teamed with a group of lenders across Arkansas to offer financing for health care providers like physician clinics and hospitals. The Rural Health Revolving Loan Fund, administered by AEG, provides capital to develop and improve health care services in rural Arkansas. The fixed rate loans provided by this program can be used for expansion, new technology, office equipment or even, the hiring of additional practitioners.

n Technical Assistance

Running a business is hard work and sometimes businesses need more than a loan to get them through a rough spot. Many times all it takes is professional financial assistance.

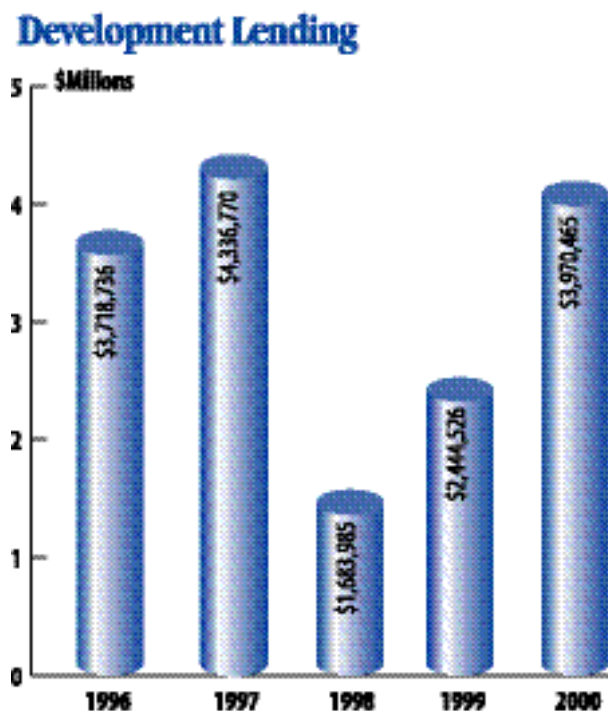
AEG understands this and contracts with Alt. Consulting, a not-for-profit business consulting group that specializes in providing professional financial assistance to small businesses.

Together, AEG and Alt. Consulting help businesses manage their finances and cash flows, as well as assist in the development of realistic business and marketing plans. Counseling and mentoring support services also are beneficial to small businesses.

n Continued Service and Support

AEG's staff works closely with borrowers throughout the term of the loan because we don't want our customers to fail. With regular contact, potential problems are identified early and can be fixed before they reach a crisis situation. Our loan officers work with community banks whenever possible, helping the small business customer develop a permanent banking relationship.

In the past year, we put significant resources to work in southern and eastern Arkansas, lending nearly \$4 million.



Traditionally, AEG loans money in amounts ranging from \$5,000 to \$1 million.

"I have not dealt with any financial institutions that can compare to AEG. AEG and its caring personnel will make every effort to find a way to help companies succeed with their goals. They will make the uncommon, extra effort to be a partner in business rather than just a lender."

*Rick Chisman
Revolutionary Designs*

"Y'all are great. I never would have had the chance to own my business if AEG hadn't given me the chance."

*Sherry Hancock
Portia Cafe*

Affordable Housing

Rural communities face an abundance of economic challenges, with one of the most acute being a shortage of safe, decent and affordable housing. The rural housing shortage is directly linked to the difficulty in attracting private investment capital for new construction.

Southern's solution is to use our real estate expertise and our ability to structure a financial package to build high-quality, affordable housing.



New housing development has a profound impact on rural communities. Besides providing families with new homes, they also instill encouragement and community pride. When quality, affordable housing is available, businesses and manufacturers can attract a work force. With access to employees, businesses can grow, breaking the cycle of economic decline.

This is what Opportunity Lands Corporation ("OLC") and Southern Community Development Corporation ("SCDC") are all about—developing, owning and managing affordable housing.



OLC Statistics

- Our portfolio includes:
- 95 rental units completed
 - 25 units in construction
 - 40 units of senior housing in pre-development
 - 37 business offices with 26,790 sq. ft.

Timeline - Delta Acres Apartments-Clarendon, Arkansas

OLC visits Clarendon to assess property it owns. Banker and city officials meet to discuss new housing as a catalyst for economic development.

OLC begins funding process, applications for USDA Rural Development, ADFA HOME program and State & Federal Low Income Housing Tax Credits.

Leasing begins.

Late 1998

January 1999

October 1999

January 2000

Spring 2001

City of Clarendon and its Industrial Commission donate 3.78 acres of land for the project.

Ground breaking and construction begin.

Delta Acres opens with 100% occupancy.

n **Opportunity Lands Corporation & Southern Community Development Corporation**

The mission of Opportunity Lands Corporation and its 501(c)(3) non-profit affiliate, Southern Community Development Corporation, is to develop affordable housing for low and moderate-income families.

Through the years, OLC has grown from a one-county operation to a multi-faceted corporation serving rural communities from Arkadelphia to Pine Bluff, Stuttgart, Clarendon and Helena, Arkansas.

Real estate development is difficult in rural communities due to the lack of available private funding. Successful development of affordable housing in rural communities requires a combination of specialized financing in order to build high quality residential units at a cost that is affordable to working families. Southern has a team of experienced real estate development professionals that specialize in this type of real estate development activity. Our team combines expertise with a belief that housing development is a catalyst for economic development.

n **Built for Results**

As a developer, Southern targets rural communities where there is a need for housing. We work closely with community leaders to determine the type of housing needed, we identify a site, put together multiple layers of low-cost financing, oversee construction and manage the finished property. By working with the community, housing becomes a welcome and positive component of its' economic development plan.

n **Collaborate in Communities**

A team effort is required for housing development to be successful and for it to fit into the community. Southern works with the city, other non-profit organizations, government agencies, health care providers, private businesses and neighbors to develop community-based housing projects.

n **Delta Acres Apartments-Clarendon, Arkansas**

Clarendon is a community that faces the challenges of poverty and unemployment typical of many Delta communities with sixty-four percent of rental households in Clarendon having annual incomes less than \$12,500.

Through a 1998 market study, Southern determined that rental units in Clarendon were 100% occupied with significant waiting lists. Clarendon's difficulty in attracting businesses is due in part to a shortage of rental housing.

Because of the housing problem, Southern partnered with a team of Clarendon's community leaders, its community bank and the Clarendon Industrial Commission to view housing development as an important component of economic development. The City of Clarendon donated a 3.78-acre site for the development of 25 new apartments. In a community like Clarendon, new housing creates a synergy to make other positive things happen.

The Delta Acres housing project is an excellent example of how collaboration, determination and efficiency can create change in the Delta.

The momentum for Delta Acres Apartments began in late 1998. The 25-unit multi-family complex is comprised of one, two and three-bedroom units, plus a managers unit. It is scheduled to open in the spring of 2001 with 100% occupancy.

Housing developments have a profound impact on rural communities

OLC has developed or renovated 95 rental housing units

Delta Acres Apartments is an example of how collaboration, determination and hard work can have a positive influence on economic development.



The Human Investment



Some of the more impressive numbers at Southern have less to do with interest rates, certificates of deposit and lending activity, but more to do with the hundreds of individuals the Good Faith Fund is empowering to make real and lasting changes in lives and economic well-being.

n Good Faith Fund

The Good Faith Fund (“GFF”) invests in people through a unique program that combines small business development resources, community based education, rapid asset development, public policy development and advocacy activities.

The programs offered by GFF build marketable skills, confidence and self-esteem and a commitment to life-long learning. Participants use newly acquired knowledge and skills that prove they can succeed in learning, developing careers and improving their financial situation.

Careers In Health Care Statistics

2000 Graduates

- 75 graduates
- 70 placed in jobs
- 18 currently enrolled in LPN or RN programs
- 2 graduates are now LPNs and enrolled in RN training
- 1 graduate has finished college

Industry Partners Employee Training Centers Statistics

To date:

- 53 people have graduated from the program
- 40 have moved into good paying jobs
- 10 new graduates are in the job placement process
- 75% employee retention rate



n Work Force Development Programs

The Arkansas Delta is plagued with high levels of unemployment and low wages. The Good Faith Fund uses innovative methods to end persistent welfare dependency, unemployment and educational deficiencies.

GFF is working with industries across the Delta to provide a competent work force that is armed with the skills needed to compete for quality jobs and higher wages. Our work force training programs are focused on careers in health care and manufacturing that offer genuine career paths and wages a family can live on. These programs are offered in Pine Bluff, Stuttgart and Helena, Arkansas.

Careers in Health Care program provides free certified nursing assistant training to income eligible individuals. Within 8 weeks, graduates can begin working as a highly trained certified nursing assistant and be ready to enroll in nursing school to become an LPN or an RN.

Twenty-five preferred health care providers - “Employer Partners” - work with Good Faith Fund to provide jobs and clinical training sites to our work force program students and graduates. These partners offer salaries above the minimum wage, benefits and supportive working environments for graduates.

Industry Partners Employment Training Centers provide job training to low-income individuals for careers in the manufacturing field. Many participants who enroll in the Industry Partners (“IPE”) program lack the education and business skills needed for decent entry-level jobs. To tackle this problem, GFF combines basic adult education remediation, GED classes, technical training and hands-on work experience in both simulated and real-world manufacturing settings.

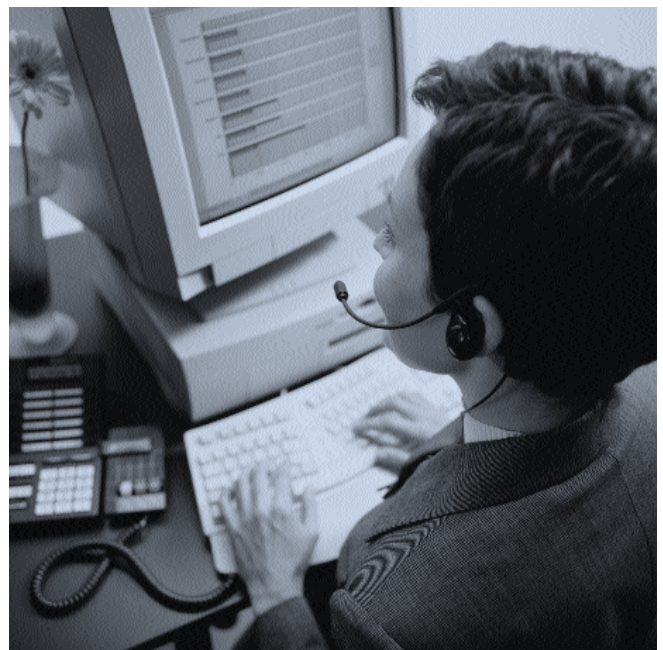
Trainees spend approximately half their time working on basic education to get their GED and the basic skills needed for employment. The other time is spent in hands-on training or in small groups and working for local industries. Because of varying education and skill levels, trainees complete the program at their own pace, taking anywhere from three to six months to graduate.

GFF partners with area employers to help develop a curriculum that gives trainees the skills needed for employment. Our “Employer Partners” hire IPE graduates and several provide paid sub-contract work to IPE. This helps trainees learn hands-on production work and earn money for household needs while they are in the program.

Support Services. When a student is in training and following graduation from a program, they receive an ongoing range of supportive services. Problems in obtaining safe and affordable childcare, transportation and medical care can make it difficult for trainees and graduates to stay in a work force training program or keep a job. Our career and support counselors provide job placement services and help address personal and family needs. Alumni groups offer peer and mentoring support and help graduates further develop their careers.

Industry Partners Employee Training Centers is a very young, innovative program that already boasts a 75% employee retention rate.

The IPE program combines basic adult education, technical training and hands-on work experience to prepare trainees for the work force.



The Human Investment

Individual Development Account Statistics

Over 400 individuals registered for program

- 175 currently saving money for:
 - 68% Home purchase or home improvement
 - 22% Education
 - 10% Microenterprise
- Total savings of \$90,574 (includes matched support funds)

IDA participants make monthly deposits into their account. Every dollar saved is matched with \$3.



n Asset Development

The Rapid Asset Individual Development Account (“IDA”) program began in 2000 and is already one of the largest IDA programs in the United States.

The IDA program provides qualified low-income residents a unique way to save money, for goals like homeownership, starting a small business or post-secondary education for the individual or their children. Participants make monthly deposits of at least \$20 into their account and every dollar saved is matched with \$3 from state and federal funds or GFF investors.

Education is an integral part of the IDA program. IDA account holders must complete six economic literacy classes that cover money management, spending habits, financial services, credit management, homeownership and renting, leasing and buying information.

n Personal Achievements

Tawanna Dunlap has always been interested in the nursing profession. But as a single parent, she couldn’t juggle going to school, supporting her son and dealing with child care, transportation and financial problems. Then in January of 1999, when her 5-year old son Cedric was old enough to begin the Head Start program, Tawanna made a commitment that changed her life.

She enrolled in the Careers in Health Care (“CHC”) program to earn her certified nursing assistant license. “I decided to go to CNA class to see if nursing was something I really wanted to do,” Dunlap says. “The people at CHC were so helpful. If I had problems with child care or transportation, they’d help and make sure I got to class.”

And after completing the CNA course, Tawanna knew she wanted to be a nurse. In June 1999, she enrolled in the LPN program at Southeast Arkansas College in Pine Bluff. “They (CHC) helped with getting child care and my financial aid in place and getting me stable enough to go on to LPN school,” says Dunlap.

And no one was more proud to see Tawanna graduate with academic honors from SEARK College in December, 2000, than Penny Penrose, Executive Director of Good Faith Fund.

“Tawanna has really come alive with a deep sense of her own potential. She has proven to herself that she can develop a vital career in the health care sector - and she is well on her way! Becoming an LPN is only the beginning. We’re going to see Tawanna great contributions to the field in the coming years. She’s already an inspirir. model for our program’s incoming students.”

Penny Penrose, Executive Director, GFF

As for her future plans, Tawanna plans to enter the nursing program at University of Arkansas at Pine Bluff next spring to pursue her bachelor of science in nursing. “I knew I had it in me,” brags Dunlap. “I just needed someone to motivate me and not let me quit.”



n Arkansas Women's Business Development Center

In partnership with the U.S. Small Business Administration, GFF opened the Arkansas Women's Business Development Center ("ARWBDC") to provide a wide variety of information, technical assistance and guidance to women entrepreneurs. Women who are just starting out or want to expand their business can get help with business plans and market development, financial management, use of the Internet and access a host of educational and mentoring resources. Business seminars and roundtables are offered continuously and access to the SBA's programs and services are also available.

n Public Policy/Advocacy Program

In 1996, when Congress passed its groundbreaking welfare reform legislation, Good Faith Fund helped to launch a statewide coalition to guide the implementation of the new law in Arkansas. However, as former welfare recipients enter the work force, they join an already large population of working poor families. Our public policy efforts have grown to address the needs of these families.

Through collaboration with coalitions, individuals and organizations from around the state, GFF works to pass new legislation and improve existing legislation related to work force development, economic development, and asset building.

Arkansas Working Families Project received a lot of attention in 2000. The project is a joint effort of GFF, Arkansas Advocates for Children and Families and the Arkansas Public Policy Panel.

Despite a robust economy in which unemployment has dropped to all-time lows, more than 1 out of every 3 Arkansas families are living on incomes which do not provide for their basic needs. The Arkansas Working Families Project issued a three-part study exploring why, in this new high-growth economy, many hard-working Arkansas families continue to live at incomes that cannot cover their basic daily living needs; and, more importantly what can be done about it. It is the solutions that GFF will focus on for the upcoming legislative session.

Legislative Agenda During 2000 we laid the groundwork that will shape our agenda for the 2001 Arkansas legislative session.

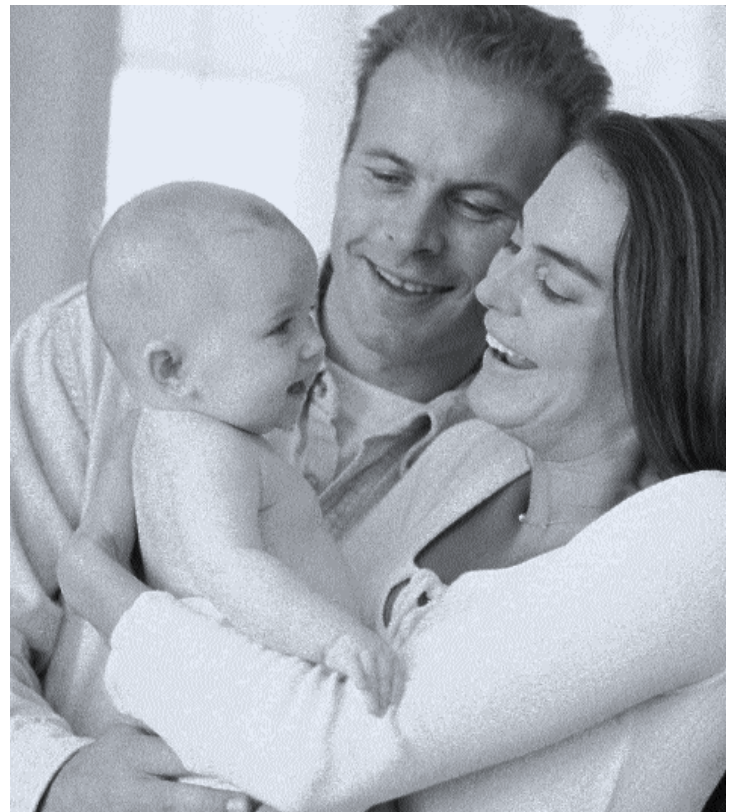
Access to affordable and quality childcare is an obstacle facing working families. The demand for quality, subsidized childcare far exceeds the state's capacity to provide access to all low-income families who need it. GFF worked to improve access to subsidized care for all low-income families.

Another key concern is the lack of affordable health care for low-income families struggling to become self-sufficient. Currently, the lowest income families served under a new Arkansas healthcare program must meet an assets test to qualify. They cannot have more than the minimal amount of savings or own a decent car and remain eligible for the program. GFF worked to eliminate this asset test.

GFF is working to improve childcare and healthcare services for low-income families.

Arkansas Women's Business Development Center Statistics

- Linked 10 women with lenders to secure loans totaling \$756,000
- 250 attended training workshops
- 200 used counseling services
- 20 businesses started or were supported at start-up stage



The Big Picture

Individually, we are only a small piece of the economic development picture. But when you put us together, we form one of the most innovative and comprehensive economic development programs in the nation.

Small businesses are opening and expanding. Jobs are being created and saved. New low and moderate-income housing is being built or renovated. People are leaving the welfare rolls, getting an education and saving money.

We are bringing attention to the problems that plague rural families and working to create change. We are breathing new life into communities and people that have been abandoned. We are revitalizing impoverished communities and changing the face of the Delta. We are using our knowledge, resources and skills to reach across to our neighbors in Mississippi who face many of the same problems.

Individually we can only accomplish so much. Together, we have infused more than \$100 million into one of the most distressed rural areas of the country. Together, we form a picture of teamwork, hope and self-reliance.

Southern Development Bancorporation, Inc.

Consolidated Balance Sheets

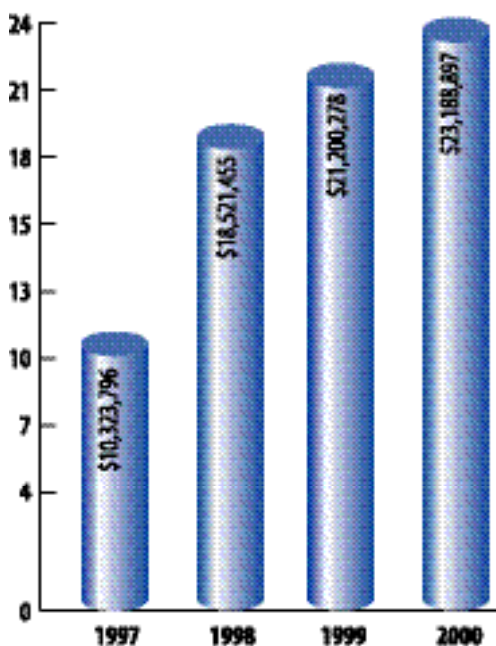
	December 31,	
	2000	1999
Assets		
Cash and due from banks	\$ 13,948,858	\$ 10,580,168
Federal funds sold	5,100,000	17,590,000
Total cash and cash equivalents	19,048,858	28,170,168
Interest bearing deposits in other banks	100,000	-
Investment securities	57,686,452	58,531,321
Loans:		
Commercial, financial and agricultural	38,702,665	26,678,502
Real estate	69,019,116	69,594,205
Installment	18,889,414	21,466,738
Development	31,443,034	26,241,490
Allowance for loan losses	(1,949,166)	(1,942,437)
Net Loans	156,105,063	142,038,498
Premises and equipment, net	6,198,653	6,537,992
Rental real estate	2,616,584	2,739,679
Excess of cost over fair value of assets acquired	4,350,817	4,746,392
Other assets	6,128,250	6,018,326
Total Assets	252,234,677	248,782,376
Liabilities		
Deposits		
Non-interest bearing demand	\$ 24,685,360	\$ 25,225,638
Interest-bearing demand	60,073,215	60,172,479
Savings	14,155,830	13,788,518
Time deposits less than \$100,000	69,020,430	71,801,463
Time deposits greater than or equal to \$100,000	45,776,082	42,817,462
Total deposits	213,710,917	213,805,560
Federal funds purchased and securities sold under agreements to repurchase	1,715,000	200,000
Federal Home Loan Bank advances and other short term borrowings	1,459,626	1,333,803
Notes payable	9,991,696	10,272,713
Other liabilities	2,168,541	1,970,022
Total liabilities	229,045,780	227,582,098
Stockholders' Equity		
Common stock, \$1 par value, 200,000 shares authorized; shares issued and outstanding:		
Series A-1, 34,711 in 2000 and 1999	34,711	34,711
Series A-2, 41,658 in 2000 and 1999	41,658	41,658
Series A-3, 67,398 in 2000 and 62,398 in 1999	67,398	62,398
Capital surplus	19,337,110	18,342,110
Retained earnings	3,651,151	3,223,301
Accumulated other comprehensive income (loss)	56,869	(503,900)
Total stockholders' equity	23,188,897	21,200,278
Total liabilities and stockholders' equity	\$ 252,234,677	\$ 248,782,376

Southern Development Bancorporation, Inc.

Consolidated Statements of Income

	Years Ended December 31,		
	2000	1999	1998
Interest income			
Loans, including fees	\$ 14,262,187	\$ 13,413,692	\$ 10,330,355
Investment securities:			
Taxable	3,417,765	3,061,271	2,025,418
Tax exempt	272,089	234,741	171,423
Federal funds sold and other	476,606	573,469	382,256
Total interest income	<u>18,428,647</u>	<u>17,283,173</u>	<u>12,909,452</u>
Interest expense			
Deposits	7,793,274	7,363,954	5,666,309
Other	1,184,686	876,099	544,717
Total interest expense	<u>8,977,960</u>	<u>8,240,053</u>	<u>6,211,026</u>
Net interest income	<u>9,450,687</u>	<u>9,043,120</u>	<u>6,698,426</u>
Provision for loan losses	1,426,596	670,091	538,762
Net interest income after provision for loan losses	<u>8,024,091</u>	<u>8,373,029</u>	<u>6,159,664</u>
Other income			
Service charges on deposit accounts	1,727,747	1,304,024	650,113
Investment securities losses	(6,862)	(68,419)	(6,840)
Fees, commissions and other	1,322,629	1,523,466	932,525
Total other income	<u>3,043,514</u>	<u>2,759,071</u>	<u>1,575,798</u>
Other expenses			
Salaries and employee benefits	5,798,105	5,337,781	3,484,916
Net occupancy expense, furniture and equipment expense	1,465,376	1,278,212	909,829
Amortization of excess cost of assets acquired	395,575	421,910	196,179
Charitable contribution to affiliated company	225,000	225,000	100,000
Other	2,633,571	3,307,689	2,638,326
Total other expenses	<u>10,517,627</u>	<u>10,570,592</u>	<u>7,329,250</u>
Income before income taxes	549,978	561,508	406,212
Income taxes	122,128	148,661	109,542
Net Income	<u>\$ 427,850</u>	<u>\$ 412,847</u>	<u>\$ 296,670</u>

Stockholder's Equity Progression



Southern Development Bancorporation, Inc.

List of Directors

Southern Development Bancorporation

Walter Smiley
Chairman
William H. Brandon
President
William Bynum
Herman Davenport
James Harrington
Jacquelyn McCray
Brian Miller
Henry Morgan
Don Munro
Rodney Slater
David Solomon
Dorothy Stuck

Arkansas Enterprise Group

Henry Morgan
Chairman
William H. Brandon
President
Herman Davenport
John Edwards
LaVerne Feaster
Bob Fisher
Don Munro
Walter Patterson
Sherman Tate
Freddie Webb-Pettet

Opportunity Lands Corporation

James Harrington
Chairman
William H. Brandon
President
Nancy Leake
Phil Baldwin
Linda Smith
Joe Miles

Southern Community Development Corporation

William H. Brandon
Chairman
Linda Smith
Joe Black



*Southern Development Bancorporation and Arkansas Enterprise Group Board of Directors
Photo From left to right: William Bynum, John Edwards, LaVerne Feaster, Don Munro, Jacquelyn McCray,
Robert Fisher, Walt Patterson, William H. Brandon, Brian Miller, James Harrington, David Solomon,
Dorothy Stuck & Rodney Slater Not Pictured: Walter Smiley, Herman Davenport, Henry Morgan,
Sherman Tate & Freddie Webb-Pettet*

Elk Horn Bank & Trust

James W. Harrington
Chairman
I. Joe Miles
President
Thomas B. Barksdale
James H. Blanton
William H. Brandon
Ronald Echols
Geneva Hunter
Richard Izor
Glen Jones, Jr.
Mike Kolb
J. Hugh Lookadoo
Mary Jo Mann
Veda Morgan
Roy Shope
Dr. Andrew Westmoreland
William Wright

First National Bank of Phillips County

William H. Brandon
Chairman
Bart R. Lindsey
President
Patrick R. Burks
Cathy Cunningham
Mary Louise Demoret Fiser
Winston P. "Sonny" Foster, Jr.
James C. Frazier
David Brooks Griffin
Henry K. Jordan, Sr.
Victor A. Juengel
Walter L. Morris, Jr.
David Solomon
Dr. P. Vasudevan
James E. Yancey

Southern Development Bancorporation Senior Officers

William H. Brandon
President and CEO
Phil Baldwin
Executive Vice President and CFO
Bart Lindsey
President, First National Bank

Joe Miles
President, Elk Horn Bank
Rene Pace
*Vice President, Opportunity Lands Corp. &
Southern Community Development Corporation*

Penny Penrose
Vice President, Good Faith Fund
Deborah Slayton
Vice President, AEG

Our Shareholders

Our stockholders believed in us before we were a bank. They invested in an idea without the expectation of any monetary return. They are the heroes of our story.

Southern Development Bancorporation is proud to have been funded by a generous group of foundations, corporations and individuals who believe in our mission. They invested in an idea of bringing economic opportunity to those that needed it most.

Alltel Corporation	Charles Stewart Mott Foundation	John D. and Catherine T. MacArthur Foundation	United States Treasury Department CDFI Fund
Aman and Company	Dominican Sisters of Springfield, IL	Levi Strauss Foundation	Walton Family Foundation
Arkansas Best Corporation	Fannie Mae	Metropolitan Life Foundation	Weyerhaeuser Company
Arkansas Capital Corporation	Fred Darragh	National Community Investment Fund	Winrock International
Arkansas Community Foundation	Hampshire College	Reliant Energy	Winthrop Rockefeller Foundation
Arkansas Electric Cooperative Corporation	Henry Morgan	Robert B. Lifton Trust	
Arkansas Enterprise Group	International Paper Company	Stephens Group, Inc.	
Arthur White	James Harrington	United Church Board of Homeland Ministries	
Calmeadow Foundation	Jean T. Gordon		

Our Supporters

None of what we do would be possible without grant, lending and investment support. Southern Development gratefully acknowledges the individuals and institutions who have supported our community development efforts over the years.

Arkansas Department of Human Services	Levi Strauss Foundation	The Sisters of St. Joseph	W.K. Kellogg Foundation
Charles A. Fruauff Foundation	Mary Reynolds Babcock Foundation	Smiley Family Investment	Walton Family Foundation
Charles Stewart Mott Foundation	Ms. Foundation for Women, Collaborative Fund for Women's Economic Empowerment	Southwestern Bell Telephone	Winthrop Rockefeller Foundation
Christus Health	National Community Investment Fund	United States Department of Agriculture Intermediary Relending Programs and Rural Business Enterprise Grant	
Corporation for Economic Development	Norman Foundation	United States Department of Health and Human Services, Office of Community Service JOLI Program	
The David and Lucille Packard Foundation	Office of Community Services	United States Department of Housing and Urban Development	
The F.B. Heron Foundation	Pearle Vision Foundation	United States Department of Labor	
The Flora Family Foundation	Public/Private Venture	United States Small Business Administration	
The Ford Foundation	Public Welfare Foundation	United State Treasury Department Community Development Financial Institution Fund	
Foundation of the Mid-South	Riceland Foods Foundation		
The Hitachi Foundation	Robert Woods Johnson Foundation		
The John D. and Catherine T. MacArthur Foundation	SE Arkansas Economic Development District		
Jefferson County TEA Coalition			

Our Community Depositors

We appreciate those who support our community development activities with their deposits:

Abused Women & Children D/B/A Courage House	First National Bank at Marianna	Simmons First Bank of South Arkansas
Adrian Dominican Sisters	Fleet National Bank	Sinsinawa Dominicans Inc.
AMOCO Federal Credit Union	Forrest City Bank, NA	Sisters of Charity of the Incarnate Word
Arthur S. or Susan Lloyd	Fort Knox Federal Credit Union	Sisters of Mercy of St. Louis Regional
Attorney Generals Office	Friedman Family Foundation	Sisters of Mercy of The Americas
Ben & Jerry's Foundation	Holy Cross Shared Services Inc.	Sisters Of St. Dominic
Bradley Grabs	Home Missioners of America	Sisters of St. Francis of Peace
Calvert Social Investment Fund	James F. Johnson	Sisters of St. Francis of Philadelphia
Calvert Social Investment Foundation	Legacy Bank	Sisters of St. Joseph in California
Carver Federal Savings Bank	Lessa Redding Disability Trust	Sisters of St. Francis of Tiffin, Ohio
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Central Conference of American Rabbis	Mazon: A Jewish Response to Hunger	Sisters of the Sorrowful Mother
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Citizens State Bank (Bald Knob, AR)	MMA Community Development Investments, Inc.	Southern New Hampshire Bank & Trust Co.
Citizens Trust Bank of Atlanta	Mutual Bank	St. Scholastica Monastery
City First National Bank of New Jersey	Nazareth Literary & Benevolent Institution	S.W. Dittenhoffer III
C. Lee Hazer	Neighborhood National Bank	The Citizens Bank (Batesville, AR)
Community Bank (Cabot, AR)	Partners For the Common Good 2000	The Home Missioners of America
Community Commerce Bank (Los Angeles, CA)	Physicians For Social Responsibility	The Tovar Cerulli Living Trust
Congregation of Sisters of Charity of the Incarnate Word	Presbyterian Church USA Foundation	Union of American Hebrew Congregations
Conscience & Military Tax Campaign	Primary Financial Co. ACF	Unitarian Universalists Assn.
Continental National Bank of Miami	Rebecca Liebman or Charles E. Stephans	United Methodist Church Board of Pensions
David & Kim Gordon	Reform Pension Board	US Trust Company
Dominican Sisters of Springfield, IL	Rosemary King and Bruce McCallister	Victor L. and Peggy Dubrowski
Episcopal Diocese of North Michigan	Sam Stegeman	War Resisters League Inc.
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	School Sisters of Notre Dame of Dallas	
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