

2015 ANNUAL REPORT



The photos appearing on our cover this year represent just a handful of the thousands of entrepreneurs, homeowners and savers we served in 2015. They are the economic engine that is powering rural and underserved communities, and it is our honor to help them realize their dreams. Learn more about the customers we serve by visiting BankSouthern.com/stories.



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Southern Bancorp



A MESSAGE FROM THE CEO

2015 was a year of impact for Southern Bancorp. From developing new products and services for underserved and rural markets to growing the number of loans we made to help families buy homes and start businesses. 2015 was also a hallmark of things to come as we look to a future in which Southern's mission to create economic opportunity is both increased and extended beyond our current markets.

Our resolve to serve even more communities is driven by an ongoing and increasing lack of financial capital and credit in rural and underserved communities. Between 2012 and 2015, the number of banks in the United States fell by more than 600, with many of those closing in already underserved urban and rural markets. As these financial institutions close, either from acquisition or consolidation, increased regulation or a lack of succession planning, the local economy suffers. With few or no banks to lend, borrowers have limited, if any, options to buy homes, start businesses, go to school or pursue other net worth building activities that improve their economic mobility. This is the need that we seek to meet, as it is the reason we were created. It is also the reason we strive for innovation.

To better meet the growing needs of these communities, we have developed internal working groups to devise solutions for the problems facing low-income and economically distressed

communities. For example, in many of our communities, predatory lenders continue to prey upon the most vulnerable individuals with sky-high interest rates and cyclical debt traps. In addition to working nationally with partners to enact regulations to curb such practices, our working groups have developed a payday loan alternative designed to meet the short-term needs of individuals without the long-term financial risk, and perhaps more importantly, we have devised a way to do it efficiently and sustainably by utilizing technology.

We are also looking far beyond our markets for innovative new approaches being taken around the world.



In 2015, we joined the Global Alliance for Banking on Values (GABV), an international, independent network of 28 financial institutions with a shared mission of using finance to deliver sustainable economic, social and environmental development. GABV members are committed and connected to the communities they serve and are accountable for the risks they both take and create for the people who use their products and services. By focusing on inclusive finance, GABV members strive

to put basic banking products in service to a greater number of people, rather than highly sophisticated products in the hands of a few.

The GABV membership includes some of the most respected mission-focused financial institutions from around the world. In October of 2015, we invited members of the GABV to visit the Arkansas and Mississippi Delta region to learn more about the challenges facing families in the rural Mid-South. This visit, along with subsequent collaborations, is helping Southern and other institutions develop innovative methods for serving economically distressed communities not just in the Mid-South, but around the globe.

Of course, these are things we are doing today. A large part of 2015 was spent focusing on what we will do tomorrow.

To better address the growing need for responsible and responsive access to capital and credit across our markets and beyond, our leadership spent many months developing three Big Hairy Audacious Goals that will direct our work for the next 10 years.

By 2026, we are committed to:

- Supporting 10,000 people in attaining affordable housing.
- Supporting the creation or retention of 100,000 jobs.
- Empowering 1,000,000 people to save.

These goals are so audacious that they will not only require us to grow and innovate, but also to engage with state and federal lawmakers in support of policies that help families build net worth and achieve greater economic mobility far beyond our market borders.

We know these are bold objectives, but we believe that in order to make real, long-lasting change in the distressed communities we serve, we must think boldly, collaborate globally and proactively work locally. We look forward to 2016 and beyond as years of growth and progress toward these objectives, as we seek to not only impact our current markets, but the global community as well. I hope you'll join us on the journey.

Audaciously,



Darrin L. Williams, CEO
Southern Bancorp, Inc.



GABV board members visit Southern Bancorp.

L-R: Marcos Eguiguren, GABV Executive Director; Ken LaRoe, CEO, First GREEN Bank (USA); Peter Blom, CEO, Triodos Bank (The Netherlands), Chair; Darrin Williams, CEO, Southern Bancorp; Tamara Vrooman, CEO, Vancity (Canada); Kurt Koenigsfest, CEO, BancoSol (Bolivia); Thomas Jorberg, CEO, GLS Bank (Germany)

SOUTHERN'S APPROACH TO ECONOMIC CHANGE

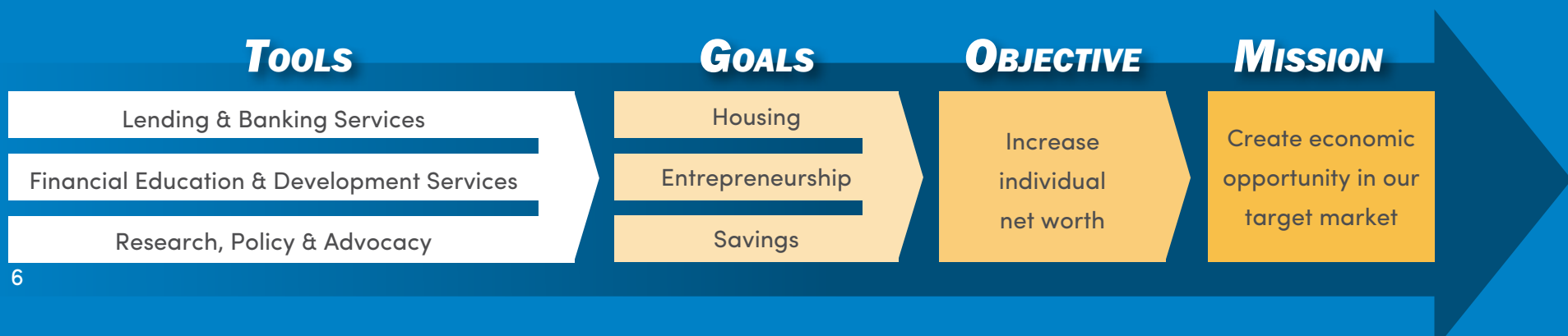
Southern's approach to creating economic opportunity in some of our nation's most economically challenged communities is rooted in research showing that net worth drives economic mobility.¹ By combining financial development tools and services with responsible access to capital, individuals and families can begin to build personal wealth that leads to economic mobility – and consequently, generational change.

Studies have indicated that the following are three of the proven drivers of net worth: access to quality **housing and affordable homeownership**; **entrepreneurship**; and **savings and financial education**. By focusing our unique brand of products and services on these areas, we are able to help individuals and families grow their assets, build net worth, and over time, break the daunting cycle of poverty that permeates many of our communities.

To focus our efforts on these proven drivers of economic opportunity, we have established audacious goals aimed at creating equally audacious results over the next ten years. Achieving them will require a combination of effective traditional products and services as well as innovative ideas to expand our reach. It will require both expanding our product offerings as well as our market footprint, and it will require both community-level and public policy change.

With the support of our partners, employees and customers, we aim to not only meet these goals, but also surpass them.

1. The Pew Charitable Trusts, "Pursuing the American Dream," 2012



10 YEAR GOALS



HOUSING

*Assist **10,000** people in attaining and/or sustaining affordable housing.*



JOBS

*Support the creation or retention of **100,000** jobs.*



SAVINGS

*Empower **1,000,000** people to save.*



Housing

10 YEAR GOAL

Assist 10,000 people in attaining and/or sustaining affordable housing.

Housing is an essential need. It provides shelter, safety and in the case of homeownership, it can build wealth. Southern Bancorp will utilize all of its resources, from home loans to housing counseling, to ensure that 10,000 people in its target markets attain or sustain affordable housing.

The terms “high quality” and “affordable” aren’t often mentioned in the same sentence when describing income-qualified housing developments, especially in rural communities, unless you’re talking about developments like Church Court in Holly Springs, Mississippi. With financing from Southern Bancorp, a group of mission-minded developers are utilizing low-income tax credits to build high quality, yet affordable housing for residents in the rural Mid-South. And perhaps even more impressive is the fact that they are creating a path to homeownership by giving residents the option to purchase their units at a great discount after having lived there for a period of time. This type of mission-minded development aligns perfectly with Southern Bancorp, which is why we are already working on additional developments in surrounding communities.

Learn more about Church Court at BankSouthern.com/churchcourt



Patricia Jacome, Church Court Resident



JOBS



10 YEAR GOAL

Support the creation or retention of 100,000 jobs.

Jobs and entrepreneurship are key components to building wealth and creating broad-based community prosperity.

Southern Bancorp will utilize all of its resources, from lending to training, in support of the creation or retention of 100,000 jobs within our target markets.

Roger Perry has never shied away from hard work. For over a decade, in the sweltering summers and the frigid winters, with nothing more than a small abandoned gas station awning to protect him, Roger built his auto detail business one car and one client at a time. It was that tenacity that attracted the attention of Southern Bancorp to provide the financial and technical assistance access needed for him to build a facility in which he and his employees could wash cars year round. Today, RP Detail is a thriving testament to the spirit of entrepreneurship and Southern Bancorp's commitment to help entrepreneurs get their dreams off the ground (or out of the elements).

Learn more about Roger Perry at BankSouthern.com/rpdetail



Southern Bancorp West Region CEO, Bill Wright and RP Detail Owner, Roger Perry.



SAVINGS

10 YEAR GOAL

Empower 1,000,000 people to save.

Savings, along with good credit and financial education, is a key ingredient for building personal wealth and increasing economic mobility. Southern Bancorp will utilize all of its resources, from programs to products, in developing savings programs as well as advocating for public policies that promote savings.

A single mother of two, Marianne Dolls knew she wanted more for her children, but she wasn't sure where to start. With help from Southern Bancorp's credit counselors and lenders, Marianne was able to rebuild her credit, learn the importance of saving even a small amount, and build a stronger future for her and her kids by purchasing a home. Her hard work will also have a generational impact by teaching her kids the importance of credit, savings and financial education. Every year, through our array of programs, products and services, Southern Bancorp helps guide hundreds of people like Marianne on the path to a stronger financial future.

Learn Marianne's story at BankSouthern.com/mariannedolls

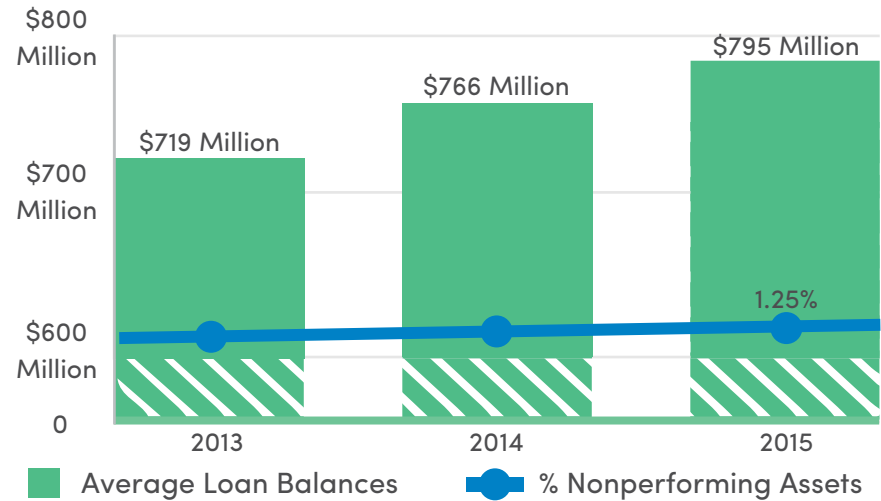


Mother, Saver, Homeowner: Marianne Dolls.

2015 SNAPSHOT

**\$384
Million**

In New Loans in 2015



	2015		
	Southern Bancorp Bank	All CDFIs	CDFIs \$1-3 Billion
ROAA	0.84	0.76	1.00
ROAE	7.03	6.62	9.53
Nonperforming Assets	1.25	1.71	0.81
Efficiency Ratio	69.65	76.89	65.23
Net Charge Offs	0.22	0.30	0.09
Texas Ratio	12.86	19.89	8.88

	2014		
	Southern Bancorp Bank	All CDFIs	CDFIs \$1-3 Billion
ROAA	1.00	0.69	0.99
ROAE	9.08	5.68	9.61
Nonperforming Assets	1.03	2.40	1.05
Efficiency Ratio	64.2	78.54	66.44
Net Charge Offs	0.25	0.31	0.15
Texas Ratio	11.28	26.04	10.86

	2013		
	Southern Bancorp Bank	All CDFIs	CDFIs \$1-3 Billion
ROAA	0.83	0.57	0.94
ROAE	6.82	4.54	9.62
Nonperforming Assets	0.83	2.87	1.68
Efficiency Ratio	66.97	80.18	67.24
Net Charge Offs	0.34	0.48	0.26
Texas Ratio	16.40	33.18	15.32

Return on Average Assets (ROAA): The year-to-date net income after securities gains and losses, extraordinary gains and losses, and applicable taxes (annualized), as a percent of average assets.
 Return on Average Equity (ROAE): The year-to-date net income after securities gains and losses, extraordinary gains and losses, and applicable taxes (annualized), as a percent of average equity.
 Nonperforming Assets: The sum of loans and leases which are on nonaccrual status, past due 90 days or more, and non-investment other real estate owned as a percent of total assets.
 Efficiency Ratio: Noninterest expenses as a percent of the sum of net interest income (TE) plus total noninterest income.
 Net Charge-Offs: Gross loan and lease financing receivable charge-offs, less gross recoveries, (annualized) as a percent of average total loans and lease financing receivables.
 Texas Ratio: The sum of loans and leases which are on nonaccrual, restructured but 30-89 days past due, restructured but over 90 days past due, restructured and in compliance with modified terms and non-investment other real estate owned divided by the sum of total equity capital plus the allowance for possible loan and lease losses.



EMPOWERING HOMEOWNERS

Provided **2,726** individuals and families with financing for affordable housing and homeownership. Southern Bancorp counselors served **55** clients and supported **22** home-related matched savings account purchases.



SUPPORTING ENTREPRENEURS

Supported the creation or retention of **4,419** jobs through commercial, small business and microloans – **over 75%** of which were made in low to moderate income census tracks. Nearly **500** microloans of \$50,000 or less were made in 2015.



BUILDING ECONOMIC SECURITY

Empowered **11,383** people to save and build their net worth. Southern Bancorp staff opened over **8,000** new accounts to help people save, opened **116** credit builder CDs, served **175** counseling clients and helped make **35** education asset purchases. Southern Bancorp VITA volunteers helped nearly **3,000** people file their tax returns for free, resulting in **\$6,155,122** in tax refunds and credits, **\$3.25** million of which was the Earned Income Tax Credit.

CONSOLIDATED BALANCE SHEETS

AT DECEMBER 31ST (\$ AMOUNTS IN THOUSANDS)

	ASSETS	2015	2014
Cash and due from banks		\$ 29,694	\$ 27,486
Interest-bearing deposits in other banks		45,333	30,176
Cash and cash equivalents		75,057	57,663
Investment securities, available for sale		206,337	207,848
Other equity investments		19,934	19,324
Net loans		768,019	771,037
Premises and equipment, net		43,525	44,294
Goodwill		36,753	36,753
Other assets		37,262	38,311
TOTAL ASSETS		\$ 1,186,857	\$ 1,175,230
	LIABILITIES		
Total deposits		\$ 989,795	\$ 970,628
Securities sold under agreements to repurchase		20,362	22,594
Federal Home Loan Bank advances		11,575	19,011
Subordinated debentures		17,437	17,437
Notes payable		17,570	18,480
Other liabilities		7,558	11,141
TOTAL LIABILITIES		\$ 1,064,297	\$ 1,059,291
	SHAREHOLDERS' EQUITY		
Preferred stock, \$1 par value; 0% cumulative 200,000 shares authorized; 38,350 issued at December 31, 2015 and 2014; aggregate liquidation preference \$38,350		\$ 38,248	\$ 38,248
Common stock, \$1 par value; 1,600,000 shares authorized; 168,977 and 168,482 shares issued and outstanding at December 31, 2015 and 2014, respectively		169	168
Additional paid-in capital		24,155	23,906
Retained earnings		60,338	54,322
Accumulated other comprehensive loss		(350)	(705)
TOTAL SHAREHOLDERS' EQUITY		\$ 122,560	\$ 115,939
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 1,186,857	\$ 1,175,230

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31 (\$ AMOUNTS IN THOUSANDS)

	INTEREST INCOME	2015	2014
Loans, including fees		\$ 41,414	\$ 40,679
INVESTMENT SECURITIES:			
Taxable		3,018	3,085
Tax exempt		2,067	2,178
Federal funds sold and other		248	244
TOTAL INTEREST INCOME		\$ 46,747	\$ 46,186
	INTEREST EXPENSE		
Deposits		2,205	2,453
Subordinated debentures		692	667
Other		868	929
TOTAL INTEREST EXPENSE		\$ 3,765	\$ 4,049
Net interest income		42,982	42,137
Provision for loan losses		1,600	1,951
	NON-INTEREST INCOME		
Service charges		6,224	5,504
Net investment securities gains		106	84
Fees, commissions, and other		3,359	4,649
TOTAL NON-INTEREST INCOME		\$ 9,689	\$ 10,237
	NON-INTEREST EXPENSE		
Salaries and employee benefits		21,381	20,156
Net occupancy and equipment expense		4,541	4,581
Other		14,983	12,272
TOTAL NON-INTEREST EXPENSE		\$ 40,905	\$ 37,009
INCOME BEFORE INCOME TAXES		10,166	13,414
Income tax provision		2,586	3,738
NET INCOME		\$ 7,580	\$ 9,676

GOVERNING BOARDS

Southern Bancorp, Inc.

Glendell Jones, Jr., Chair

President, Henderson State University

Jerry Damerow

Retired Ernst & Young Partner

Herman Davenport

President & CEO, Davenport Group

John C. Edwards

Partner, Anible & Edwards

Donna Gambrell

Visiting Scholar, Federal Reserve Bank of Atlanta
Former CDFI Fund Director

Dan Koehler

President, Koehler Software, Inc.

Mike Myers

Vice President & CFO, Winrock International

Rodney Slater

Partner, Squire Patton Boggs, LLP

Sherman Tate

President & CEO, HT & Associates

Diane Tatum

Retired Regional Customer Service Manager,
Entergy Arkansas

Southern Bancorp Bank

Sherman Tate, Chair

President & CEO, HT & Associates

Hugh Arant, Jr.

President, Arant Farms

Jerry Damerow

Retired Ernst & Young Partner

Kim Evans

Legal Affairs and Planned Giving Director,
Arkansas Community Foundation

Michael Montgomery

Chairman & CEO, Radius Group, LLC

Walter L. Morris, Jr.

President, H&M Lumber Company

John T. Olaimey

President & CEO, Southern Bancorp Bank

Darryl Swinton

Exec. Director, Housing & Economic Development,
Better Community Development, Inc.

Darrin L. Williams

CEO, Southern Bancorp, Inc.

Southern Bancorp Community Partners

Herman Davenport, Chair

President & CEO, Davenport Group

Freddye Petett, Co-Chair

Retired Professor, Clinton School of Public Service

John C. Edwards

Partner, Anible & Edwards

Bob Fisher

President, Belmont University

Sarah Gentry

CPA, Manager, Hudson Cisne & Co. LLP

Amanda Johnson

Director of Curriculum & Instruction,
KIPP Delta Public Schools

Aurelia Jones-Taylor

CEO,
Aaron E. Henry Community Health Services, Inc.

Jacquelyn W. McCray

Interim Vice Chancellor for Academic Affairs,
University of Arkansas at Pine Bluff

Brian Miller

United States District Judge,
Eastern District of Arkansas

George Miles

Past Program Director,
Rural Local Initiatives Support Corporation

Walt Patterson

Past Senior Vice President,
TransFirst Holdings, Inc.

Mary Gay Shipley

Retired Founder, That Bookstore in Blytheville

SHAREHOLDERS



Dorothy Stuck Empowerment Award

Beginning in 2017, Southern will present the

Dorothy Stuck Empowerment Award in honor

of recently retired board member, leader and founder, Dorothy Stuck.

The award is in recognition of Mrs. Stuck's nearly 30 years of dedicated

service to Southern, as well as her lifelong

pursuit of social and economic justice which

continues to this day. In 2016, Mrs. Stuck

will be presented with the inaugural award,

and subsequent annual awards will be

presented to an employee who embodies


the same values and characteristics that

Mrs. Stuck embodies.



- Aman and Company
- Arkansas Capital Corporation
- Arkansas Community Foundation
- Arkansas Electric Cooperative Corp.
- ArcBest Corporation
- Calmeadow Foundation
- Calvert Social Investment Foundation
- Centerpoint Energy
- Charles A. Frueauff Foundation
- Charles Stewart Mott Foundation
- Dominican Sisters of Springfield, Illinois
- Gwen G. Morgan Trust
- Hampshire College
- Jean T. Gordon
- Levi Strauss Foundation
- Local Church Ministries
- MetLife Foundation
- National Community Investment Fund
- Regions Bank
- Robert B. Lifton Trust
- S F Holding Corp
- Southern Bancorp Community Partners
- United States Treasury Department
- Community Development Financial Institution Fund
- Verizon
- W.K. Kellogg Foundation
- Walton Family Foundation
- Winrock International
- Winthrop Rockefeller Foundation

Special thanks to: Arkansas Printing, Cranford Co., Rory Doyle Photography.



*“I’m showing my
kids that **anything**
is possible.”*

– Marianne Dolls
Mother, Saver, Homeowner