



**Southern Bancorp**  
Building communities. Changing lives.

**Annual Report 2010**



THE ARKADELPHIA PROMISE ENABLES ARKADELPHIA  
HIGH SCHOOL GRADUATES TO ATTEND COLLEGE BY  
REMOVING FINANCIAL HURDLES.



## CONTENTS

Financial Report . . . . .	6
Financial Strength . . . . .	8
Committed to Job Creation. . . . .	10
Committed to Education . . . . .	13
Committed to Poverty Reduction . . . . .	14
Establishing a Legacy of Commitment . . . . .	17
Governing Boards . . . . .	18
Senior Officers . . . . .	19
Stockholders . . . . .	19



## MESSAGE FROM WALTER SMILEY

Chairman and CEO, Southern Bancorp Inc.

While our nation experienced slow economic recovery, Southern Bancorp continued to reinforce our level of commitment in each of the communities we serve.

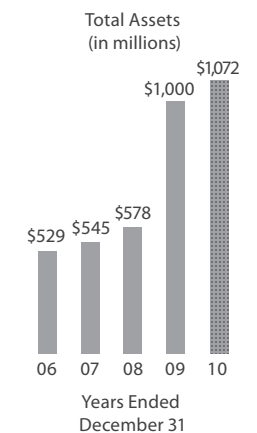
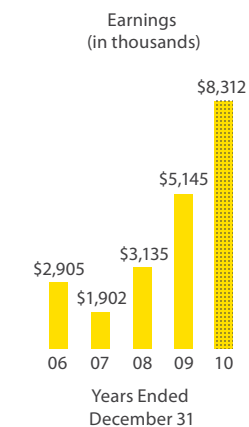
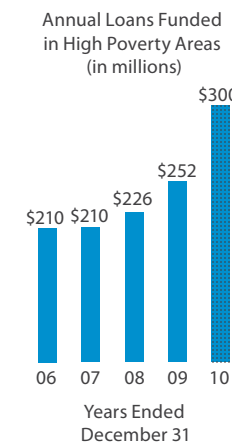
Southern Bancorp’s capacity and reach grew substantially when so many of our banking peers contracted. We built on that momentum established last year in Arkansas and Mississippi by deepening our focus while expanding our services in new and existing markets.

It is with commitment that we

continue to move forward—realizing our responsibility to our region and establishing aggressive goals to ensure the success of our communities.

Our ambitious vision of change is aimed at reductions in unemployment and poverty and an increase in educational attainment. Southern’s ability to not only endure, but to prevail, during our country’s challenging times best illustrates our resounding commitment to

*Building Communities and Changing Lives.*



# FINANCIALS

## CONSOLIDATED BALANCE SHEETS

Years Ended December 31

	2010	2009
<b>ASSETS:</b>		
Cash and due from banks	\$ 22,106,113	\$ 32,045,569
Federal funds sold	25,636,521	44,747,417
Total cash and cash equivalents	47,742,634	76,792,986
Interest-bearing deposits in other banks	30,639,881	16,092,394
Investment securities, available-for-sale	277,144,196	270,946,780
Loans:		
Commercial, financial, and agricultural	125,615,396	144,508,000
Real estate	441,017,546	418,124,747
Installment	46,593,884	48,675,000
Total loans	613,226,786	611,307,747
Allowance for loan losses	(7,641,030)	(8,806,624)
Net loans	605,585,756	602,501,123
Bank owned life insurance	17,773,957	17,279,805
Premises and equipment, net	50,312,140	39,674,487
Goodwill	36,752,842	36,956,618
Other assets	14,528,371	16,226,789
<b>Total assets</b>	<b><u>\$1,080,479,777</u></b>	<b><u>\$1,076,470,982</u></b>
<b>LIABILITIES</b>		
Deposits:		
Non-interest bearing demand	\$ 133,219,273	\$ 127,156,427
Interest-bearing demand	270,576,539	279,942,452
Savings	52,831,142	50,043,722
Time deposits	461,128,092	453,516,840
Total deposits	917,755,046	910,659,441
Federal funds purchased and securities sold under agreements to repurchase	21,256,368	15,214,620
Federal Home Loan Bank advances	15,059,853	37,344,116
Subordinated debentures	17,437,000	17,437,000
Notes payable	12,065,880	21,483,000
Other liabilities	6,676,092	5,366,279
<b>Total liabilities</b>	<b><u>990,250,239</u></b>	<b><u>1,007,504,456</u></b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$1 par value; 1,600,000 shares authorized; shares issued and outstanding:	167,938	165,804
Preferred stock, \$1 par value; 38,350 shares authorized and outstanding	38,248,310	24,698,293
Capital surplus	23,657,267	23,109,401
Retained earnings	28,084,739	19,463,463
Accumulated other comprehensive income (loss)	71,284	1,529,565
<b>Total Stockholders' Equity</b>	<b><u>90,229,538</u></b>	<b><u>68,966,526</u></b>
<b>Total Liabilities and Stockholders' Equity</b>	<b><u>\$1,080,479,777</u></b>	<b><u>\$1,076,470,982</u></b>

## CONSOLIDATED STATEMENTS OF INCOME

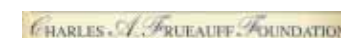
Years Ended December 31

	2010	2009	2008
<b>INTEREST INCOME:</b>			
Loans, including fees	\$41,487,946	\$ 29,787,483	\$23,582,471
Investment securities:			
Taxable	6,054,640	5,012,741	4,820,863
Tax exempt	2,178,510	1,352,979	1,280,524
Federal funds sold and other	606,548	457,284	1,631,190
Total interest income	<u>50,327,644</u>	<u>36,610,487</u>	<u>31,315,048</u>
<b>INTEREST EXPENSE:</b>			
Deposits	10,685,410	8,181,941	10,111,389
Subordinated debentures	692,231	902,689	876,317
Other	1,501,244	750,124	1,003,359
Total interest expense	<u>12,878,885</u>	<u>9,834,754</u>	<u>11,991,065</u>
Net interest income	<u>37,448,759</u>	<u>26,775,733</u>	<u>19,323,983</u>
Provision for loan losses	<u>3,885,462</u>	<u>2,491,086</u>	<u>1,387,332</u>
Net interest income after provision for loan losses	<u>33,563,297</u>	<u>24,284,647</u>	<u>17,936,651</u>
<b>OTHER INCOME:</b>			
Service charges on deposit accounts	4,852,122	4,202,851	4,057,623
Net investment securities gains	543,941	515,908	21,719
Fees, commissions, and other	5,881,217	1,994,895	1,915,079
Total	<u>11,277,280</u>	<u>6,713,654</u>	<u>5,994,421</u>
<b>OTHER EXPENSE:</b>			
Salaries and employee benefits	17,415,180	13,270,877	10,671,485
Net occupancy and equipment expense	4,201,592	3,187,996	2,784,419
Other	11,838,631	8,638,692	6,527,524
Total	<u>33,455,403</u>	<u>25,097,565</u>	<u>19,983,428</u>
<b>INCOME BEFORE INCOME TAXES</b>	<u>11,385,174</u>	<u>5,900,736</u>	<u>3,947,644</u>
Income tax provision	<u>3,072,993</u>	<u>755,744</u>	<u>812,297</u>
<b>NET INCOME</b>	<b><u>\$ 8,312,181</u></b>	<b><u>\$ 5,144,992</u></b>	<b><u>\$ 3,135,347</u></b>

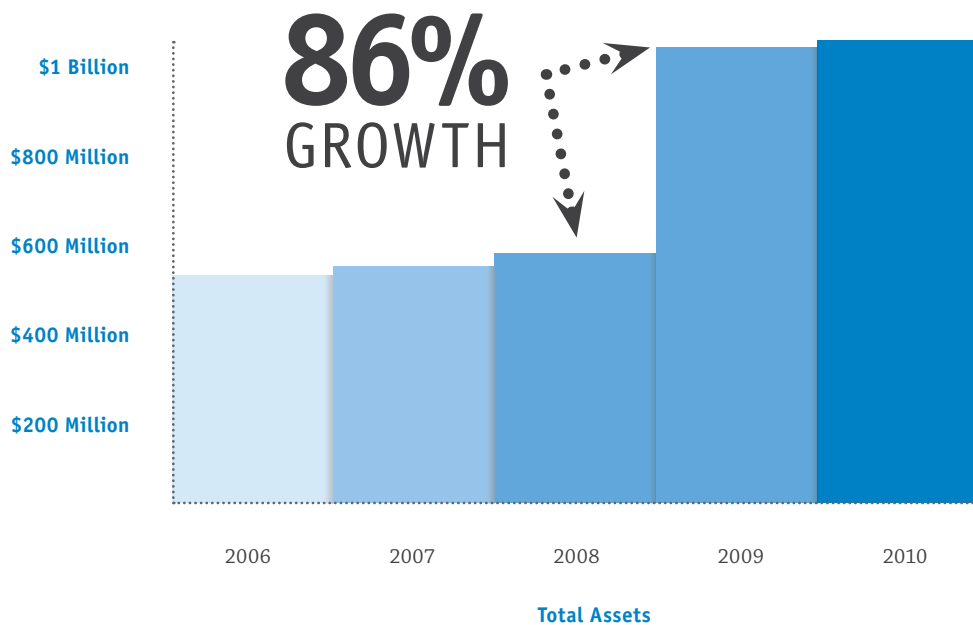
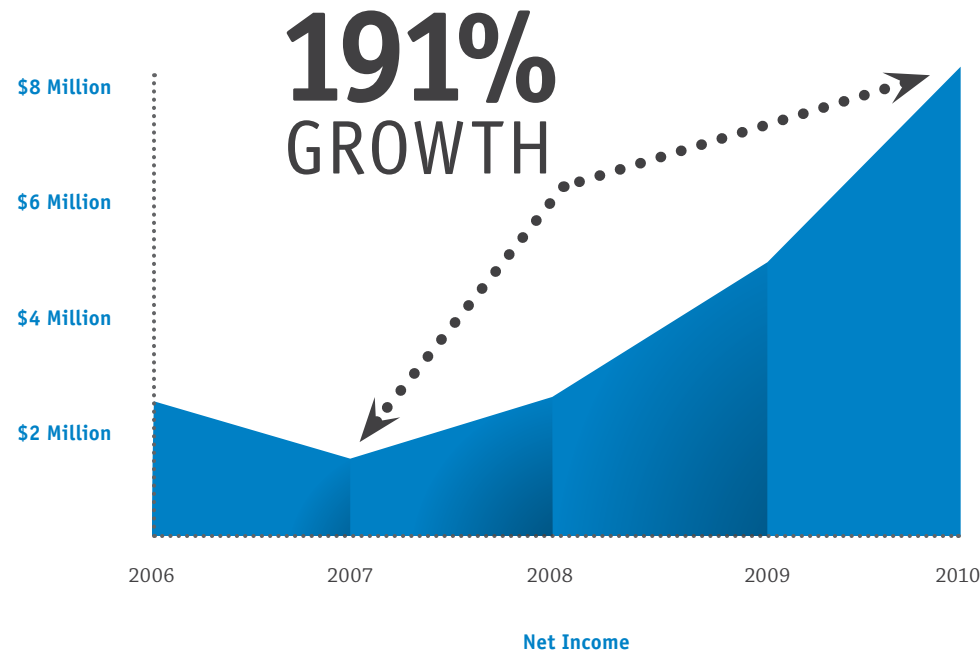
### MISSION BANKING

Building communities.  
Changing lives.

Southern Bancorp is helping philanthropic organizations and individuals across America extend their social impact by banking with a mission focused institution. We are grateful to have many leading mission driven organizations as banking partners.



# FINANCIAL STRENGTH



## Running the Numbers

- **\$1.1 Billion** in total assets
- **>60% of Loans** in distressed areas
- **1.54%** non-performing loans to total loans
- **>67% of Borrowers** are minorities and females
- **9.56%** return on equity
- **>50% of Loans** less than \$10,000
- **\$3 Billion** in development loans since 1988

### A YEAR OF COMMITMENT

In 2010, Southern Bancorp affirmed its unwavering dedication to our targeted communities through our banking activities and philanthropic endeavors. To ensure the geographic alignment of our mission-directed efforts and banking presence, we continued our strategic focus of serving low-income communities in the rural south.

Our commitment resulted in several key economic and education projects including the development of Civil War

Helena in Phillips County, AR; the development of the Sunflower River as a recreational asset in Coahoma County, MS; and the establishment of the Arkadelphia and Great River Promises.

The combined commitment of our banking and nonprofit activities is a Southern Bancorp innovation that has earned our place as one of the most profitable and impactful Community Development Financial Institutions in the United States.

## Peer Comparison: Key Ratios

Based On the Percent of Average Assets	Southern Bancorp	All Banks < \$3 Billion
Return on Average Assets	0.93	0.61
Return on Average Equity	9.56	5.86
Net interest margin	4.53%	3.65%
Net charge offs	0.62%	0.92%
Non-performing assets	1.54%	2.71%

## COMMITTED TO JOB CREATION

*Southern Bancorp Value Proposition:  
Decrease unemployment*



## Running the Numbers

- **\$4.5 Million**  
expected revenue in Phillips County each year from Civil War tourism
- **300 Jobs**  
expected for Helena, AR as a result of the Civil War Helena plan
- **90,000 Tourists**  
expected in Phillips County each year from Civil War tourism
- **27 Historic Sites**  
to be developed as part of the Civil War Helena plan

## CIVIL WAR HELENA: A CASE STUDY

*Phillips County, AR*

### CHALLENGES

In many rural communities, like Helena-West Helena, AR, job opportunities are rare. A common denominator amongst small towns is an aggressive outmigration of individuals and families, ultimately caused by a lack of employment prospects. A substantially reduced population bankrupts small business and deteriorates the tax base needed for adequate municipal services and quality education. The people who remain lose hope in their community, and the cycle of decline accelerates.

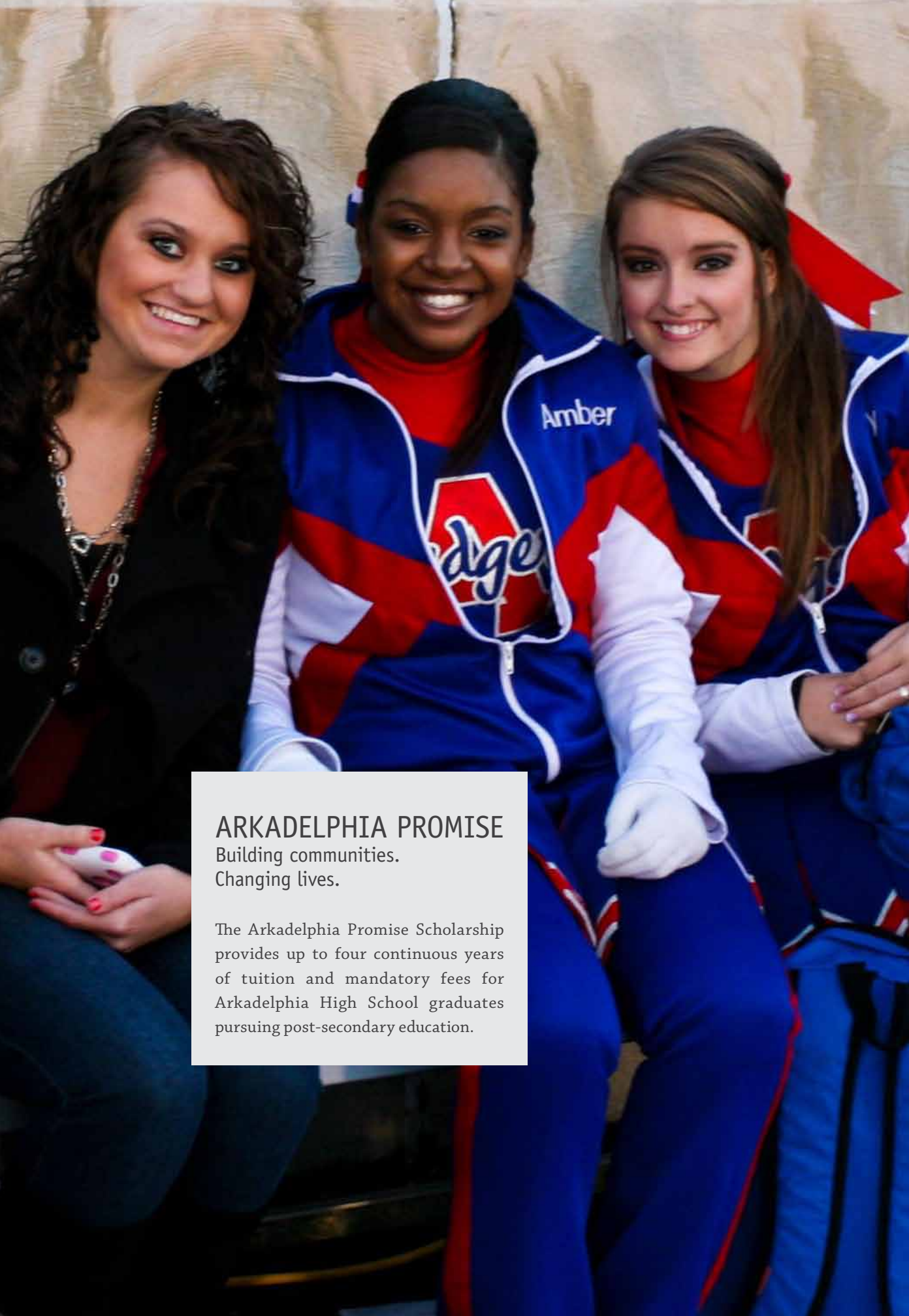
### OPPORTUNITIES

Southern Bancorp seeks to create an environment conducive to meaningful employment for individuals and families. Southern believes in utilizing the resources and geographic sites within a community to produce sustainable job opportunities. A component of the Phillips County Tourism Strategy, illustrated in its Delta Bridge Project Strategic Plan, focuses on drawing visitors to Helena-West Helena's rich Civil War history. A significant increase in tourists to Phillips County will create jobs within the community and stimulate its overall economy.

### SOLUTIONS

Southern recognizes that no single program or effort can reduce unemployment. A balanced combination of the business, philanthropic, faith-based, civic and governmental sectors is necessary to achieve long-term employment opportunities and economic prosperity. The implementation of the Civil War Helena plan contributes to solutions for the economic decline and outmigration of Phillips County. Moreover, as we've seen with strong community engagement and development in Helena-West Helena, sometimes the answers we're looking for are in our own backyard.

Civil War Helena is just one component of an effort to revitalize Phillips County. Other economic development successes include growth of the American Biofuels Company, expansion of the Sweet Potato Distribution Facility, revival of Phillips County Chamber of Commerce and launch of a successful business incubator.



## ARKADELPHIA PROMISE

Building communities.  
Changing lives.

The Arkadelphia Promise Scholarship provides up to four continuous years of tuition and mandatory fees for Arkadelphia High School graduates pursuing post-secondary education.

## COMMITTED TO EDUCATION

### *Southern Bancorp Value Proposition:*

*Increase educational attainment*

### Running the Numbers

- **1,300 Students**  
provided with high quality classroom space and education in Blytheville, Helena-West Helena, Jacksonville, and Little Rock.
- **75% of Students**  
in 10th and 11th grade increased their ACT Prep scores after just one year of the Arkadelphia College Prep Academy
- **96%**  
of KIPP graduates went on to college
- **DOUBLE**  
the number of college-ready high school seniors in Phillips County by 2013

#### **EDUCATION: A MISSION**

Southern works to reduce high school dropout rates by supporting public schools across Arkansas that raise the bar of educational performance for students. The nationally recognized KIPP Delta charter school in Helena-West Helena, Arkansas is expected to double the number of college-ready high school seniors in Phillips County by 2013. KIPP's first graduating class was in 2010. The class of 2010 moved from the 29th to the 91st percentile in math on achievement tests and from the 29th to the 84th percentile in language. Every graduate was accepted to a four-year college, and 22 out of 23 students matriculated to college.

#### **ARKADELPHIA PROMISE AND GREAT RIVER PROMISE**

In alignment with Southern's mission to improve educational attainment, the Ross Foundation and Southern Bancorp announced the Arkadelphia Promise Schol-

arship in November 2010. Only the second program of its kind in the state of Arkansas, the Arkadelphia Promise Scholarship will pay the difference between the dollar amount of a lottery-funded scholarship and the highest tuition and mandatory fees charged by an Arkansas public college or university.

Shortly after the announcement of the Arkadelphia Promise, Southern unveiled the Great River Promise scholarship program. Southern provided a grant to help establish this scholarship fund for Phillips County. The Great River Promise is setup to help high school graduates in Phillips County attend Phillips Community College of the University of Arkansas.

Southern's commitment to advancing educational development is alive and excellent, in both their sponsored scholarship programs and charter schools. Enabling educational opportunity is not a short-term goal; it is a promise Southern plans to fulfill for generations to come.

# COMMITTED TO POVERTY REDUCTION

## Southern Bancorp Value Proposition: Reduce Poverty



### VOLUNTEER INCOME TAX ASSISTANCE PROGRAM (VITA)

Southern Bancorp's Volunteer Income Tax Assistance (VITA) program—one of the largest rural VITA programs in the coun-

**VITA**  
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Southern Bancorp's VITA service offers tax preparation for low to moderate income taxpayers who generally earn \$49,000 a year and below.

try—helped more than 2,000 low-income individuals and families file their taxes free of charge. Southern's IRS-certified, committed volunteer tax preparers generated over \$4 million in total returns, including more than \$1.8 million in Earned Income Tax Credits (EITC). The refunds created for VITA clients stay in the pockets of taxpayers and local communities, therein giving low-income families an opportunity to save money and build assets.

### INDIVIDUAL DEVELOPMENT ACCOUNT (IDA)

Southern also reduces poverty and empowers families to build assets through Individual

## Running the Numbers

- **2,000+ Tax Returns**  
filed free of charge for low-income individuals and families
- **\$1.8 Million**  
in Earned Income Tax Credits for VITA clients
- **\$4 Million**  
in total returns generated by VITA
- **152**  
IDA asset purchases in 2010—a record number

**INDIVIDUAL DEVELOPMENT ACCOUNTS (IDA)**  
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Changing lives.

For people who qualify, the IDA program matches every \$1 saved with \$3 toward starting a business, homebuying, or education. The program also offers economic skills classes.



other services to achieve their dreams of home ownership and economic well-being. The number of IDAs created in Arkansas and Mississippi skyrocketed within the past year. In 2010, IDA savers made 152 asset purchases—almost doubling the number from 2009.

### POWER TO CARE

In addition to our direct services, Southern also administers Entergy Arkansas's low income assistance grant fund, known as "Power to Care". The program helps provide utility assistance for electric bills to Arkansas' elderly or disabled citizens during the hot summer months. "Power to Care" processed 2,958 grants for Arkansas citizens throughout the state in 2010.

Development Accounts (IDA), essentially matched savings accounts. IDAs enable families to become homeowners, go to college or start a business. Many take advantage of homebuyer and credit counseling as well as





# ESTABLISHING A LEGACY OF COMMITMENT

Banking with Southern means more than traditional checking and savings accounts. It's an opportunity to invest in people to help them realize their dreams. It allows you the opportunity no other bank in the South can—to become a stakeholder and investor in your own community.

Southern is unlike any other Community Development Financial Institution (CDFI). We deliver sustainable community development by engaging targeted communities in

their strategic planning process. In order for Southern Bancorp to thrive, the communities in which we operate and live must thrive, and we are committed to both.

Through collaborative efforts with local government, businesses, and schools, Southern makes the economic and social conditions of the communities we serve the focus of our business. This is becoming known as “shared value,” and has been the core of Southern since our founding.

## JOIN US

Sign up for our email list today and receive the following benefits:

- Quarterly updates on the people whose lives are changed through your help
- Be the first to learn about community investment events, community service highlights, and mission news

For more information on banking and investing with Southern and helping us [Build Communities and Change Lives](#), please contact Dominik Mjartan at [dmjartan@banksouthern.com](mailto:dmjartan@banksouthern.com).

## SOUTHERN BANCORP INC. GOVERNING BOARD

### **Walter Smiley**

Chairman and Chief Executive Officer,  
Southern Bancorp Inc.

### **Tony Berkley**

Program and Portfolio Officer  
Mission Driven Investing,  
W.K. Kellogg Foundation

### **Jerry Damerow**

Retired Ernst & Young Partner

### **Herman Davenport**

President and Chief Executive Officer  
Davenport Group

### **James Harrington**

President, Harrington Construction

### **Jerry Sims**

President, Blytheville Unlimited

### **Rodney Slater**

Partner, Patton Boggs, LLP

### **Dorothy Stuck**

Retired Civic Leader and Businesswoman

### **Sherman Tate**

Vice President and General Manager of  
Operations, Verizon Corporation

## SOUTHERN BANCORP BANK GOVERNING BOARD

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Chairman  
Vice President and General Manager of  
Operations, Verizon Corporation

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President, Arant Farms Inc.

### **Kim Evans**

Vice President of Development and Client  
Services, Arkansas Community Foundation

### **Scott Fife**

President and CEO, Southern Bancorp Bank

### **James Harrington**

President, Harrington Construction

### **Dr. Glendell Jones, Jr.**

Interim Executive Chancellor and Provost,  
Arkansas State University

### **Walter L. Morris, Jr.**

President, H&M Lumber Company

## SOUTHERN BANCORP CAPITAL PARTNERS GOVERNING BOARD

### **Brian Miller**

Chairman,  
United States District Judge  
United States District Court  
Eastern District of Arkansas

### **John C. Edwards**

Partner, Anible & Edwards

### **LaVerne Feaster**

Retired Educator and Administrator

### **Dr. Robert Fisher**

President, Belmont University

### **Dr. Jacquelyn Williams McCray**

Retired Dean School of Agriculture,  
Fisheries and Human Sciences  
University of Arkansas at Pine Bluff

### **Walt Patterson**

Senior Vice President, Government Services  
Division of TransFirst Holding Inc.

## SOUTHERN GOOD FAITH FUND GOVERNING BOARD

### **Herman Davenport**

Chairman,  
President and Chief Executive Officer  
Davenport Group

### **Elizabeth Glasbrenner**

Vice President of Administration,  
Smiley Technologies

### **Freddye Petett**

Assistant Professor of Leadership and  
Philanthropy, Clinton School

### **Dorothy Stuck**

Retired Civic Leader and Businesswoman

## SENIOR OFFICERS

### **Scott Fife**

President and CEO, Southern Bancorp Bank

### **Joe Black**

President, Southern Bancorp Capital Partners

### **James E. Boyd**

CEO, Southern Bancorp Bank—Central Region

### **Joseph Ricotta**

CEO, Southern Bancorp Bank—East Region

### **Gary Griffin**

CEO, Southern Bancorp Bank—North Region

### **Tanya Wright**

Group President, Southern Bancorp Inc.  
CEO, Southern Bancorp Capital Partners and  
Southern Good Faith Fund

### **William Wright**

CEO, Southern Bancorp Bank—West Region

*Note: Phil Baldwin, President and CEO of Southern Bancorp Inc. retired in January of 2011. Brent Black, CFO of Southern Bancorp Inc. left in May of 2011.*

## STOCKHOLDERS

Southern Bancorp 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 who needed it most, without the expectation of any financial return.

Aman & Company  
Arkansas Best Corporation  
Arkansas Capital Corporation  
Arkansas Community Foundation  
Arkansas Electric Cooperatives  
Calmeadow Foundation, Canada  
Calvert Foundation  
Charles A. Frueauff Foundation  
Fannie Mae  
Fred Darragh Estate/Pulaski Bank Trustee  
Dominican Sisters of Springfield, IL  
Jean T. Gordon  
Hampshire College  
James Harrington  
International Paper Company  
Robert B. Lifton Trust  
Local Church Ministries  
Metropolitan Life Foundation

Gwen Morgan Trust  
Charles Stewart Mott Foundation  
National Community Investment Fund  
Regions Bank  
Reliant Energy  
SF Holding Corporation  
Southern Bancorp Capital Partners  
Levi Strauss Foundation  
United States Treasury Department  
Community Development Financial  
Institution Fund  
Walton Family Foundation  
Weyerhaeuser Company  
Arthur White  
W.K. Kellogg Foundation  
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Verizon Corporation

