

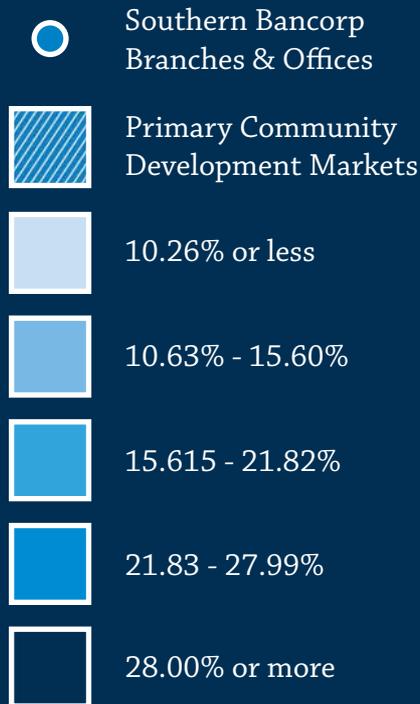


Who is Southern?

Southern Bancorp ("Southern") is a mission driven family of companies that includes one of America's largest and most profitable community development banks - Southern Bancorp Bank, a bank holding company, and Southern Bancorp Community Partners, a nonprofit affiliate. All three are U.S. Treasury certified community development financial institutions (CDFIs) with a shared mission to transform communities by creating new trends of investment in people, jobs, businesses, and property. Southern measures its impact through three transformation goals: reducing poverty, increasing employment, and increasing educational attainment in the mid-South.

LEGEND

*Arkansas & Mississippi counties with estimated percent of all people living in poverty between 2007 - 2011.**



**American Community Survey, U.S. Census, 2007-2011*

ARKANSAS

MISSISSIPPI

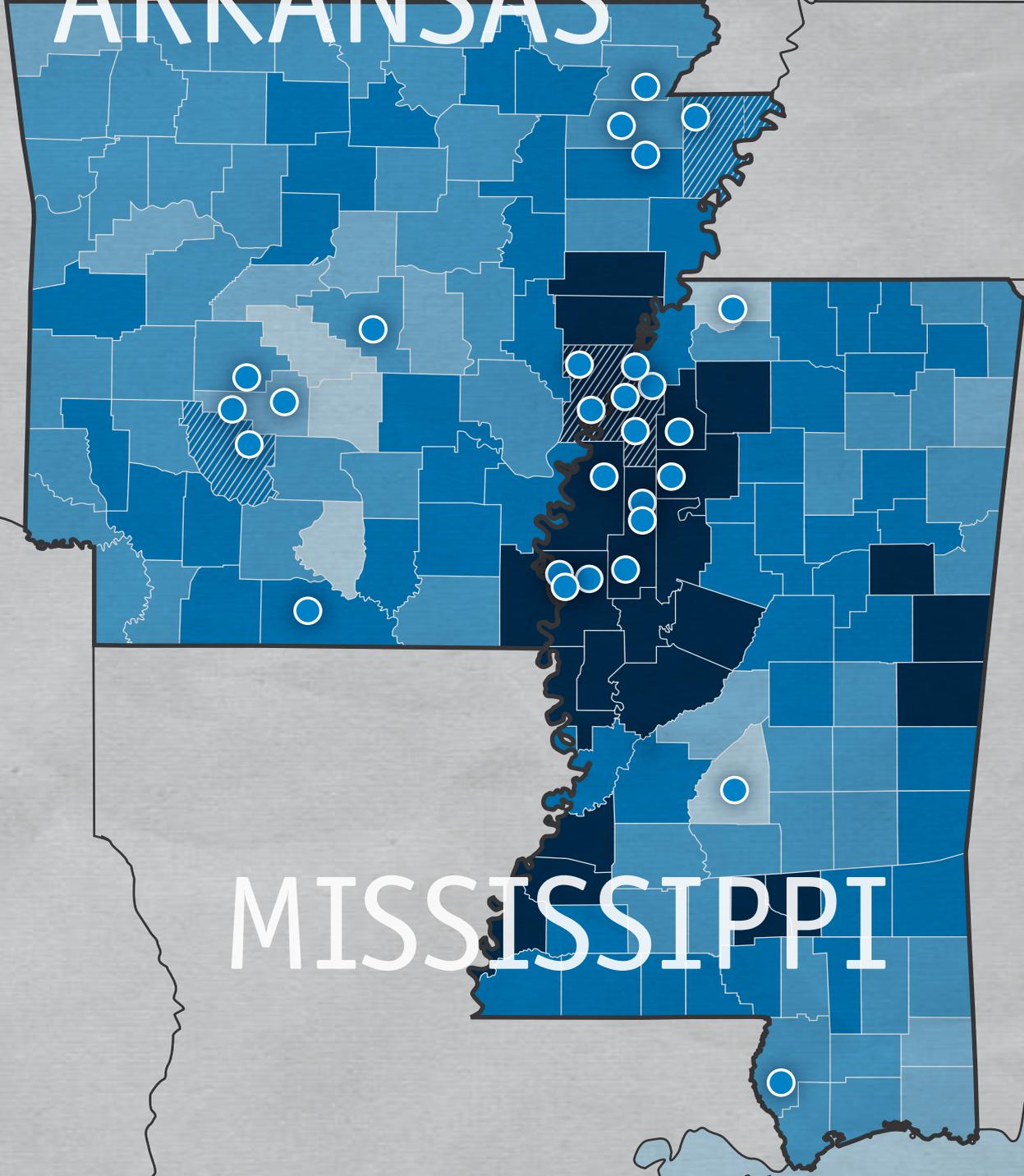


Photo: Iron Mountain Bike Trail, Arkadelphia, Ark.
Grant coordinated by Southern Bancorp Community Partners.



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Glendell Jones, Jr.
Chair, Southern Bancorp Inc.



At Southern, our unwavering commitment to our mission remains at the forefront of our daily activities. 2012 marked a strong year for our nonprofit, Southern Bancorp Community Partners, which was created through the merger of Southern Bancorp Capital Partners and Southern Good Faith Fund to work in partnership with Southern Bancorp to revitalize struggling rural areas. Its social impact can be measured in milestones such as providing over \$10 million in grants to local communities over 10 years, reaching the 1,000th asset purchase through the Individual Development Account program benefiting small businesses, home ownership and higher education, leveraging funding for increasing college attendance through the Arkadelphia Promise, construction of the KaBOOM! Playground in Clarksdale, Miss., and promoting tourism through Civil War Helena's Freedom Park. Southern's focus on building communities and changing lives has never been stronger.

Southern also remains committed to being a recognized leader in the CDFI industry by combining our focus on communities with the operation of strong, responsive, and community-centered financial institutions. These qualities have aided us in reaching a record profitability of \$10.1 million and increasing lending by over \$50 million in 2012 – all while continuing our history of impressive credit quality and exemplary services to communities, consumers, microenterprises, and small businesses.

Successful transitions to new management, such as the addition of Darrin L. Williams as chief executive officer of Southern Bancorp Inc. and the expansion of our board, demonstrate the progressive and agile nature of our company. The economies of small rural communities rely on the responsible and responsive credit products Southern offers. Over 50 percent of Southern's loans are less than \$10,000, and a notable part of our loan portfolio is made up of small loans to small businesses, over half of which are for \$35,000 or less.

We are always on the lookout for innovative ways to provide financial services, community leadership, and resources for rural development, with boards of directors made up of local leaders who are committed to their communities. As Southern continues its mission-driven focus, we invite you to join us in our quest to make a difference in the lives of people, one community at a time.



Darrin L. Williams
Chief Executive Officer, Southern Bancorp Inc.

I am excited to have the opportunity to lead Southern Bancorp, Inc. as its chief executive officer. As a legislator, I know firsthand the positive impact Southern's advocacy has had on shaping public policies. As a consumer protection attorney who has fought the abuses of Wall Street banks, I also know firsthand how some financial institutions prey upon their customers. My legislative and legal experience has prepared me well to show how development banking can and should be done to help small businesses and consumers by eliminating barriers and creating opportunities for rural communities.

I don't know of a better bank to make that point than Southern, where I plan to use my management experience, business and finance education, community and non-profit involvement, political and leadership experience, and spirit of commitment to build upon its fine work of transforming communities through strategic investments in people and their dreams for a better tomorrow.

Southern is more than a bank. It's where individuals, families, and communities intersect with hope and opportunity.

BANKING WHERE IT'S NEEDED MOST

From providing banking solutions in underserved, rural areas to then investing in those communities, Southern is redefining the word “service.”

Dreams realized CLARKSDALE, MISS.

When Francisco “Chico” Molina first came to Southern with a dream to expand his small farm equipment refurbishing company, he had no idea it would become a financial relationship that would not only shape his career but his personal life as well.

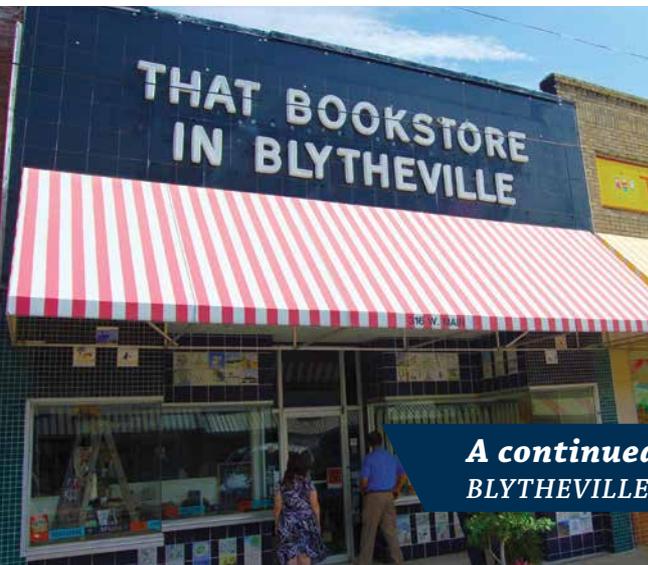
What began as a simple loan for a few pieces of equipment transformed over time into the financing of an expanded facility to accommodate his growing business. That success led to his desire to own his own home, which meant that Southern was once again there to help make a dream a reality. Since then, Chico has continued to grow his company, and even start a new one, all with the help of Southern.



A literary icon, That Bookstore in Blytheville has become a nationally recognized booklover’s destination under the leadership of current Southern Bancorp Community Partners board member Mary Gay Shipley. She crossed paths with an energetic young man, Grant Hill, who had a passion for books. Their talks eventually turned to the possibility of him operating the famous store. While Grant was rich in passion, he needed a little help to make his dream a reality. And that’s where Southern stepped into the picture.

Understanding the importance of such an iconic storefront to Blytheville’s future, Southern worked with Grant to secure two rounds of funding in 2012 that would ensure that booklovers of the world would continue making this Mississippi County town a must-see travel destination.

A continued tradition BLYTHEVILLE, ARK.



**SOUTHERN SERVES OVER 80,000
CUSTOMERS WITH RESPONSIBLE
AND RESPONSIVE BANKING SERVICES.**

Monita Ford, 27, wanted her own home. She was able to find a house that fit her budget in Phillips County; however, she quickly discovered that traditional lenders were not interested in working with her because she didn't want to take on a large mortgage.

Monita instead applied for a smaller mortgage loan at Southern, where mortgage loan officers found ways to provide her with the needed financing while keeping her interest rate and monthly payments within reach.



SMALL LOANS. *BIG IMPACT.*

Tailored home loans
HELENA-WEST HELENA, ARK.



Southern helped expand a local fitness gym in Arkadelphia through a small business loan program. It not only led to a successful business, but it has also created a positive environment for area children.

Small business with a big impact
ARKADELPHIA, ARK.

78% OF SOUTHERN'S LOANS
ARE FOR LESS THAN \$50,000.

REBUILDING COMMUNITIES – AND LIVES

Southern Bancorp Community Partners works hand-in-hand with Southern Bancorp Bank (collectively “Southern”) to tackle the issues of long-term poverty, economic decline, loss of population and other challenges facing the rural mid-South. This relationship combines financial services with a passion for helping others improve their lives. Through initiatives such as the Delta Bridge Project, a public-private partnership that coordinates strategic community and economic development efforts, Southern is rebuilding communities – and lives.

2012 marked the 1,000th successful asset purchase using an Individual Development Account (IDA). IDAs are matched savings accounts used to promote homeownership, entrepreneurship, and higher education – goals that help reduce poverty and increase family economic mobility. One of those thousand, Ms. Gracie Lee, used an IDA to purchase her very first house which she shares with her two children.

Southern was with Ms. Lee from the beginning, from helping start her IDA and providing financial education that helped with credit and home buying questions, to tax preparation assistance through the VITA (Volunteer Income Tax Assistance) program that helped maximize her tax credits and refunds. Just like for thousands of people across the rural Mid-South, Southern has been there to put Ms. Lee on the road to economic security for her family.



Building assets and hope **HELENA-WEST HELENA, ARK.**



A community comes together **CLARKSDALE, MISS.**

A rainy December weekend didn't deter over 200 volunteers from gathering to transform a dreary, empty park into a bright, safe place for Clarksdale's kids to play and families to gather.

The 6,000-square-foot playground is near the site of a 60-foot stage to be built in Martin Luther King Park in the southwest area of downtown Clarksdale. A cultural heritage trail is also being planned to further improve lives in Coahoma County.



Revitalizing communities
ARKADELPHIA, ARK.

Studies show that entry routes and downtown areas provide critical first impressions to those entering these areas – including potential employers.

Southern established a matching grant program to provide area businesses an incentive to improve their facades, thus improving visitors' first impressions. Through 2012, over \$145,000 in improvements have been made across Clark County, Ark.

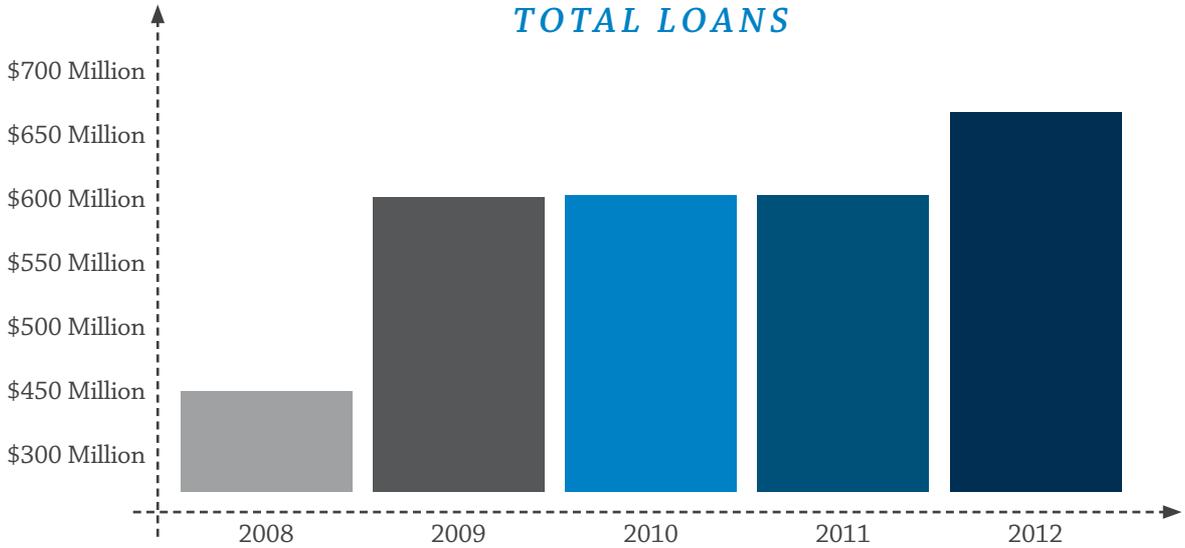
In late 2012, Southern provided an \$80,000 grant to initiate the Mississippi County Delta Bridge Project community clean-up plan, which will focus on the remediation of dilapidated structures throughout the county. Over the course of 18 months, at least 30 strategically selected properties will be improved or razed to help reduce criminal activity and improve the safety and economic development potential of the county.



Clearing the way for progress
BLYTHEVILLE, ARK.

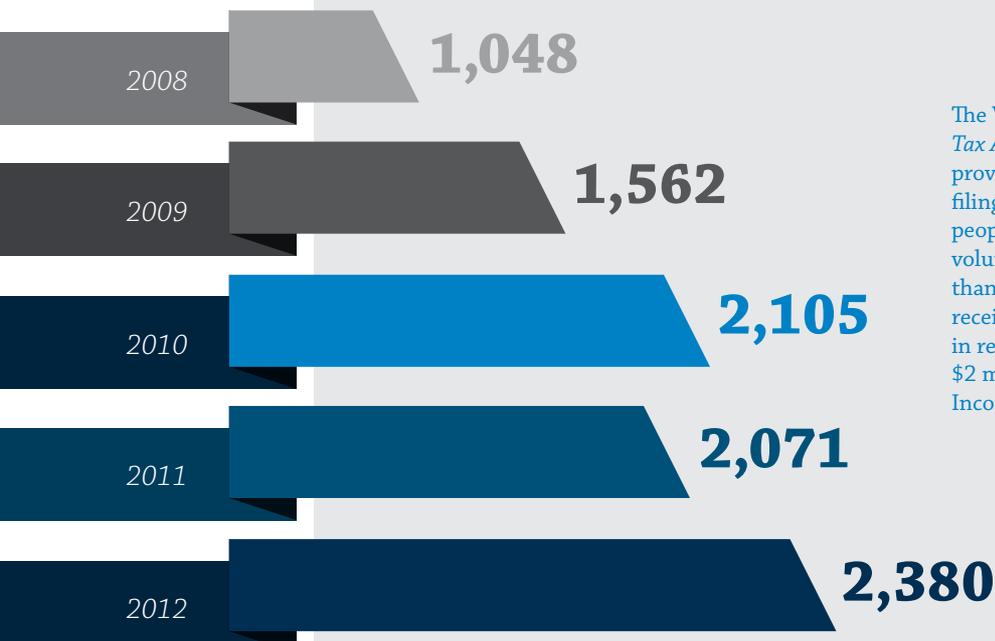
BY THE NUMBERS

TOTAL LOANS



Lending is a key development tool for Southern. In communities abandoned by most traditional lenders, Southern fills the void and provides the lifelines of responsible and responsive credit to small businesses, families, and community organizations. Even during the most recent recession and slow recovery, when most banks retreated from serving their customers, Southern's lending remained steady and even increased substantially in 2012.

TOTAL VITA TAX RETURNS



The VITA (*Volunteer Income Tax Assistance*) Program provides free income tax filing services to eligible people. In 2012, Southern volunteers helped more than 2,000 taxpayers receive nearly \$5 million in refunds, including over \$2 million in the Earned Income Tax Credit (EITC).



ARKANSAS STATE CAPITOL



MISSISSIPPI STATE CAPITOL

PUBLIC POLICY CHANGE

For nearly 20 years, Southern has understood that seeing real change at the community level often means affecting change at the policy making level. That type of work requires a dedicated staff of policy advocates working with policymakers, fellow advocates, and community stakeholders to create or change policies that raise families out of poverty.

2012 was a big year for Southern's public policy team. In Arkansas, Southern's work paved the way for passage of Act 535, which requires the Department of Human Services to conduct a study on asset limits which could then be used to educate lawmakers on the advantages of eliminating asset limits in public benefit programs – a change that would encourage saving and self-sufficiency among low-income families.

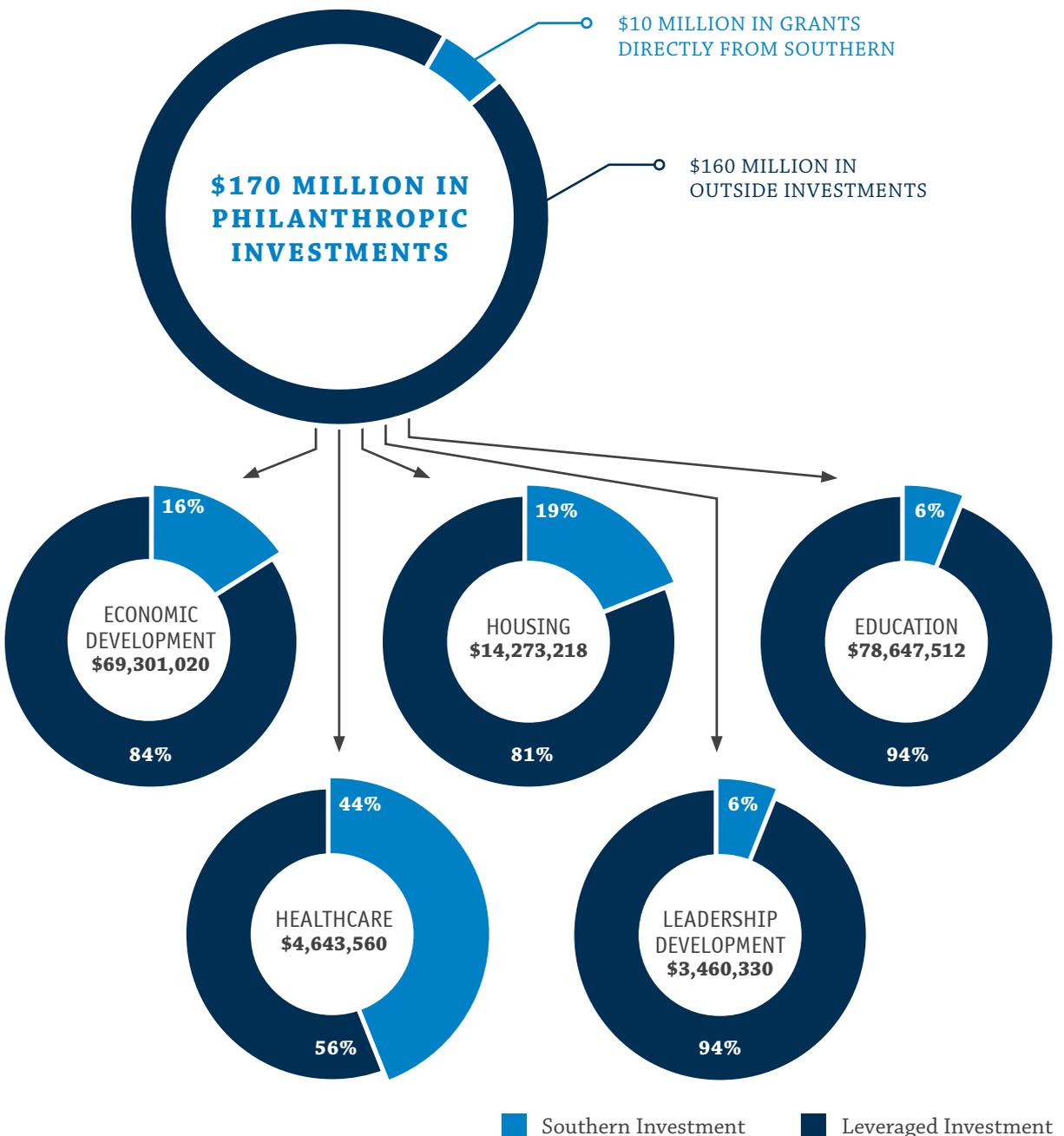
Of course, it's not always about passing good legislation. Sometimes it's about halting harmful bills. That was the case when Southern successfully worked to stop SB 900, which would have increased the state's interest rates on consumer loans and provided a backdoor way of allowing payday lenders to resume operations.

Mississippi's policy change efforts launched in 2012, and planning is currently under way to support our partners' efforts to pass IDA and Housing Trust Fund legislation. Policy team members are already working toward the 2014 legislative session with the goal of creating these critical economic security tools which have been so successful in Arkansas.

LEVERAGING FOR IMPACT

Our founders, Bill and Hillary Clinton, Rob Walton, Mohammad Yunus, the Winthrop Rockefeller Foundation, and others had a shared vision – to create a mission driven financial institution that would become a catalyst for community revitalization by creating new trends in investment that would flow into America’s most distressed areas. With an initial investment of approx. \$10 million to capitalize this new bank, these founders may have hoped, but almost certainly then could not have imagined, that it would eventually yield more than \$3 billion

in loans and over \$170 million in additional philanthropic investments, including more than \$10 million in grants directly from Southern – all of which have been leveraged into supporting work in each of our five community development focus areas: education, economic development, healthcare, housing, and leadership. Today, Southern has become a platform for attracting investments into markets that have experienced an outflow of capital for decades, proving that great change can result from small beginnings.



MEASURING OUR IMPACT

Southern's Social Metrics Framework was developed to maximize progress toward our three ambitious transformational goals – reducing poverty, increasing employment, and improving education over a 20-year period in targeted rural communities, as well as to promote a culture of ongoing impact measurement, evaluation, and improvement.

The Framework is aligned with Southern's community level planning process and helps to constantly inform, educate, and manage the goals and activities as they progress.

As the planning process identifies solutions and begins to implement them on both individual and community levels, Southern's Measurement Framework monitors key statistics and indicators which are then used to further inform and improve the process, programs, projects, and activities.

For example, one community level obstacle noted in Phillips County was the high teen pregnancy rate.

A strategy was in place to begin addressing the problem on an individual level through a teen pregnancy program; however, Southern wanted to know if this individual level work was having a community level impact.

Southern analyzed teen pregnancy rates in the area and determined that the rate fell from 97.2 births per 1,000 teens in 2009 to 83.8 births per 1,000 teens in 2011. These numbers support the finding that the program is working not only on an individual, case-by-case basis, but also on a community level. Moreover, if these numbers continue to improve, the community should see progress in line with our three transformational goals as lower teen pregnancies should lead to higher graduation rates, improved job prospects, and reduced overall poverty.

Since this is only a simplified view of Southern's Social Metrics Framework, we encourage you to visit www.southernpartners.org/impact and learn how Southern is maximizing the impact of its work.

IDENTIFIED COMMUNITY OPPORTUNITIES

ECONOMIC DEVELOPMENT | HOUSING | EDUCATION | HEALTHCARE | LEADERSHIP DEVELOPMENT

INDIVIDUAL LEVEL OUTCOMES
(LIVES TOUCHED)

COMMUNITY LEVEL OUTCOMES
(LIVES CHANGED)

EVALUATION

FEEDBACK

IMPACTS ON 3 TRANSFORMATIONAL GOALS

REDUCED POVERTY | INCREASED EMPLOYMENT | IMPROVED EDUCATION

FINANCIALS

Consolidated Balance Sheets

At December 31,

	2012	2011
ASSETS		
Cash & due from banks	\$ 27,539,774	\$ 21,517,564
Interest-bearing deposits in other banks	26,078,063	97,590,696
Cash & cash equivalents	<u>53,617,837</u>	<u>119,108,260</u>
Investment securities, available-for-sale	277,907,430	297,089,442
Other equity investments	5,450,208	6,558,409
Loans:		
Commercial, financial & agricultural	130,967,382	115,705,441
Real estate	494,111,548	448,331,270
Installment & other	<u>48,369,877</u>	<u>48,045,920</u>
Total loans	673,448,807	612,082,631
Credit discount, net of accumulated amortization	(179,663)	(1,004,896)
Allowance for loan losses	<u>(7,852,606)</u>	<u>(6,708,106)</u>
Net loans	665,416,538	604,369,629
Premises & equipment, net	47,976,422	49,756,022
Goodwill	36,752,842	36,752,842
Other assets	<u>34,081,172</u>	<u>36,671,585</u>
TOTAL ASSETS	<u><u>\$1,121,202,449</u></u>	<u><u>\$1,150,306,189</u></u>
LIABILITIES		
Deposits:		
Non-interest bearing demand	\$ 201,326,256	\$ 161,304,738
Interest-bearing demand	354,374,993	320,338,361
Savings	64,941,772	57,350,154
Time deposits	<u>318,604,485</u>	<u>430,194,219</u>
Total deposits	939,247,506	969,187,472
Securities sold under agreements to repurchase	31,517,298	30,595,532
Federal Home Loan Bank of Dallas advances	10,842,740	13,747,948
Subordinated debentures	17,437,000	17,437,000
Notes payable	11,055,005	11,612,755
Other liabilities	<u>7,895,032</u>	<u>9,213,592</u>
TOTAL LIABILITIES	<u><u>1,017,994,581</u></u>	<u><u>1,051,794,299</u></u>
STOCKHOLDERS' EQUITY		
Preferred stock, \$1 par value; 200,000 shares authorized; 38,350 shares, issued & outstanding at December 31, 2012 & 2011, \$1,000 per share liquidation value	38,248,310	38,248,310
Common stock, \$1 par value; 1,600,000 shares authorized; 167,938 shares issued & outstanding at December 31, 2012 & 2011	167,938	167,938
Capital surplus	23,657,267	23,657,267
Retained earnings	39,077,375	32,334,503
Accumulated other comprehensive income	<u>2,056,978</u>	<u>4,103,872</u>
TOTAL STOCKHOLDERS' EQUITY	<u><u>103,207,868</u></u>	<u><u>98,511,890</u></u>
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	<u><u>\$1,121,202,449</u></u>	<u><u>\$1,150,306,189</u></u>

Consolidated Statements of Income

Year Ended December 31,

	2012	2011	2010
INTEREST INCOME			
Loans, including fees	\$ 38,596,422	\$ 40,492,688	\$ 41,487,946
Investment securities:			
Taxable	3,915,035	5,292,064	6,054,640
Tax exempt	2,350,215	2,329,751	2,178,510
Federal funds sold & other	524,974	694,274	606,548
Total interest income	<u>45,386,646</u>	<u>48,808,777</u>	<u>50,327,644</u>
INTEREST EXPENSE			
Deposits	5,093,107	8,161,123	10,685,410
Subordinated debentures	692,239	692,239	692,231
Other	752,536	1,014,706	1,501,244
Total interest expense	<u>6,537,882</u>	<u>9,868,068</u>	<u>12,878,885</u>
Net interest income	<u>38,848,764</u>	<u>38,940,709</u>	<u>37,448,759</u>
Provision for loan losses	<u>3,772,988</u>	<u>3,896,075</u>	<u>3,885,462</u>
Net interest income after provision for loan losses	<u>35,075,776</u>	<u>35,044,634</u>	<u>33,563,297</u>
OTHER INCOME			
Service charges on deposit accounts	4,550,788	4,516,206	4,852,122
Net investment securities gains (losses)	2,637,272	(62,955)	543,941
Fees, commissions & other	6,104,623	4,743,560	5,977,190
	<u>13,292,683</u>	<u>9,196,811</u>	<u>11,373,253</u>
OTHER EXPENSE			
Salaries & employee benefits	19,378,191	18,067,203	17,415,180
Net occupancy & equipment expense	4,678,880	4,256,802	4,201,592
Other	11,245,856	13,581,141	11,934,604
	<u>35,302,927</u>	<u>35,905,146</u>	<u>33,551,376</u>
INCOME BEFORE INCOME TAXES	<u>13,065,532</u>	<u>8,336,299</u>	<u>11,385,174</u>
Income tax provision	<u>2,918,545</u>	<u>1,659,091</u>	<u>3,072,993</u>
NET INCOME	<u>\$ 10,146,987</u>	<u>\$ 6,667,208</u>	<u>\$ 8,312,181</u>

SOUTHERN BANCORP INC. GOVERNING BOARD

Walter Smiley, Chair *(retired in June 2013)*
President, Smiley Investment Company

Anthony Berkley
Director, Mission Driven Investing, W. K. Kellogg Foundation

Gerald Damerow
Retired Ernst & Young Partner

Herman Davenport
President and Chief Executive Officer, Davenport Group

John C. Edwards
Partner, Anible & Edwards

James Harrington *(retired in June 2013)*
President, Harrington Construction

Colette Honorable
Chair, Arkansas Public Service Commission

Glendell Jones, Jr. *(became Board Chair in June 2013)*
President, Henderson State University

Daniel Koehler
President, Koehler Software Inc.

Rodney Slater
Partner, Patton Boggs LLP

Dorothy Stuck
Retired Civic Leader and Businesswoman

Sherman Tate
President and Chief Executive Officer, HT & Associates

Diane Tatum
Regional Customer Service Manager, Entergy Arkansas

Darrin L. Williams *(resigned to become CEO in Feb. 2013)*
Partner, Carney Williams Bates Pulliam and Bowman, PLLC

SOUTHERN BANCORP BANK GOVERNING BOARD

Sherman Tate, Chair
President and Chief Executive Officer, HT & Associates

Hugh Arant Jr.
President, Arant Farms

Gerald Damerow
Retired Ernest & Young Partner

Kim Evans
Vice President of Development and Client Services,
Arkansas Community Foundation

James Harrington *(retired in June 2013)*
President, Harrington Construction

Walter L. Morris Jr.
President, H & M Lumber Company

John Olaimy
President and Chief Executive Officer,
Southern Bancorp Bank

SOUTHERN BANCORP COMMUNITY PARTNERS GOVERNING BOARD

Herman Davenport, Co-Chair
President and Chief Executive Officer, Davenport Group

Brian Miller, Co-Chair
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

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

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

Freddye Petett
Assistant Professor of Leadership and Philanthropy,
Clinton School of Public Service

Dorothy Stuck
Retired Civic Leader and Businesswoman

SHAREHOLDERS

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
Winrock International
Winthrop Rockefeller Foundation
Verizon Corporation

SUPPORTERS

Many funders, partners, and investors generously support us in our efforts to transform distressed communities and create opportunities for thousands of people. Since they are too numerous to list here, we want all of our supporters to know how grateful we are for their belief that every community and person in America should have a chance to improve their lives.

MORE THAN A BANK *AN INVESTMENT IN YOUR COMMUNITY*

Banking with Southern Bancorp is your chance to invest in people and communities in the mid-South while receiving high quality responsive and responsible financial services. Through collaborative efforts with residents, businesses, and organizations, Southern strives to improve the economic and social conditions of the communities we serve. You can be part of our mission simply by banking with us.

For more information on helping us build communities and change lives, contact Dominik Mjartan at dmjartan@banksouthern.com.

SPECIAL THANKS

Arkansas Printing Company (Printing)

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Small business loans provided by Southern Bancorp.





banksouthern.com & southernpartners.org