

# CONSOLIDATED BALANCE SHEETS

## AT DECEMBER 31ST

	<b>ASSETS</b>	<b>2014</b>	<b>2013</b>
Cash and due from banks		\$ 27,486,961	\$ 29,645,372
Interest-bearing deposits in other banks		30,176,275	29,023,087
Cash and cash equivalents		<u>57,663,236</u>	<u>58,668,459</u>
Investment securities, available-for-sale		207,847,715	218,450,094
Other equity investments		19,324,222	19,955,177
Net loans		771,036,526	733,499,242
Premises and equipment, net		44,293,675	45,378,578
Goodwill		36,752,842	36,752,842
Other assets		38,311,470	41,301,366
<b>TOTAL ASSETS</b>		<b><u>\$ 1,175,229,686</u></b>	<b><u>\$ 1,154,005,758</u></b>
	<b>LIABILITIES</b>		
Total deposits		\$ 970,628,336	\$ 958,772,408
Securities sold under agreements to repurchase		22,593,966	22,316,945
Federal Home Loan Bank of Dallas advances		19,010,557	30,367,483
Subordinated debentures		17,437,000	17,437,000
Notes payable		18,479,893	19,059,562
Other liabilities		11,140,533	4,197,840
<b>TOTAL LIABILITIES</b>		<b><u>\$ 1,059,290,285</u></b>	<b><u>\$ 1,052,151,238</u></b>
	<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, \$1 par value, 200,000 shares authorized; 38,350 shares issued and outstanding at December 31, 2014 and 2013, \$1,000 per share liquidation value		\$ 38,248,310	\$ 38,248,310
Common stock, \$1 par value, 1,600,000 shares authorized; 168,482 shares issued and outstanding at December 31, 2014 and 167,938 shares at December 31, 2013		168,482	167,938
Capital surplus		23,906,457	23,657,267
Retained earnings		54,321,581	46,208,786
Accumulated other comprehensive loss		(705,429)	(6,427,781)
<b>TOTAL STOCKHOLDERS' EQUITY</b>		<b><u>\$ 115,939,401</u></b>	<b><u>\$ 101,854,520</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b><u>\$ 1,175,229,686</u></b>	<b><u>\$ 1,154,005,758</u></b>

# CONSOLIDATED STATEMENTS OF INCOME

## YEARS ENDED DECEMBER 31

	<b>INTEREST INCOME</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Loans, including fees		\$ 40,678,757	\$ 39,336,745	\$ 38,596,422
INVESTMENT SECURITIES:				
Taxable		3,084,787	2,934,701	3,915,035
Tax exempt		2,178,412	2,736,438	2,350,215
Federal funds sold and other		243,874	278,184	524,974
<b>TOTAL INTEREST INCOME</b>		<b>46,185,830</b>	<b>45,286,068</b>	<b>45,386,646</b>
	<b>INTEREST EXPENSE</b>			
Deposits		2,452,935	2,985,017	5,093,107
Subordinated debentures		667,239	692,238	692,239
Other		928,550	998,852	752,536
<b>TOTAL INTEREST EXPENSE</b>		<b>4,048,724</b>	<b>4,676,107</b>	<b>6,537,882</b>
Net interest income		42,137,106	40,609,961	38,848,764
Provision for loan losses		1,951,018	3,185,038	3,772,988
	<b>NON-INTEREST INCOME</b>			
Service charges on deposit accounts		5,404,483	4,400,990	4,550,788
Net investment securities gains		83,864	53,148	2,637,272
Fees, commissions, and other		4,748,564	5,532,964	6,104,623
<b>TOTAL NON-INTEREST INCOME</b>		<b>10,236,911</b>	<b>9,987,102</b>	<b>13,292,683</b>
	<b>NON-INTEREST EXPENSE</b>			
Salaries and employee benefits		20,155,700	20,618,990	19,378,191
Net occupancy and equipment expense		4,580,532	4,601,772	4,678,880
Other		12,272,884	12,148,090	11,245,856
<b>TOTAL NON-INTEREST EXPENSE</b>		<b>37,009,116</b>	<b>37,368,852</b>	<b>35,302,927</b>
<b>INCOME BEFORE INCOME TAXES</b>		<b>13,413,883</b>	<b>10,043,173</b>	<b>13,065,532</b>
Income tax provision		3,737,586	1,348,261	2,918,545
<b>NET INCOME</b>		<b>\$ 9,676,297</b>	<b>\$ 8,694,912</b>	<b>\$ 10,146,987</b>

Net income in 2013 decreased to \$8.7 million from \$10.2 million in 2012. However, normalizing the net income by removing one-time gains and expenses like the one-time securities pre-tax gain of \$2.6 million realized in 2012 provides a more accurate picture of Southern's financial performance. Removing such one-time items, Southern's normalized net income increased by 26% from 2012 to 2013, and it increased by 20% from 2013 to 2014.