



## ***SOUTHERN BANK BSA/AML/OFAC COMPLIANCE PROGRAM CERTIFICATION***

*The purpose of this certification is to provide a summary of Southern Bank's compliance program with applicable federal regulations governing anti-money laundering, anti-terrorist financing and U.S. economic sanctions (collectively BSA/AML/OFAC). It is intended for use by financial institutions that may provide Southern Bank with banking services and that require a certification in connection with their AML compliance programs. **Southern Bank, as a matter of practice, does not complete certification forms for AML/KYC questionnaires provided by other financial institutions or business entities since there is no law or regulation requiring U.S. financial institution to complete certification forms.** This document may be changed from time to time without notice and will be published on our website at [www.southernbank.com](http://www.southernbank.com).*

It is the policy of Southern BancShares, N.C., Inc. and its subsidiaries (collectively "Southern Bank") to comply with all applicable AML laws and regulations including, but not limited to, the Bank Secrecy Act (BSA), applicable portions of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act and the Office of Foreign Assets Control (OFAC) regulations. Southern Bank's compliance program consists of the following key components:

- An annual BSA/AML/OFAC risk assessment which considers all bank products, services, customer types and geographic locations. The bank does not have any anonymous or numbered accounts, does not conduct activities with shell banks and does not have any payable through accounts.
- The designation of a BSA Officer responsible for establishing and directing corporate AML compliance processes and strategies and reporting to executive management on compliance efforts
- A system of clearly documented internal controls to ensure ongoing compliance
- Annual independent testing which validates the effectiveness of the bank's processes
- Training for all applicable personnel

On an annual basis, Southern Bank's board of directors reviews and approves the program and the bank's supervisory regulatory agency conducts an in-depth review in accordance with the Federal Financial Institutions Examination Council's BSA/AML examination procedures. A brief summary about the details of the primary sections of the bank's compliance program is included below.

### **Customer Identification Program and Customer Due Diligence**

Southern Bank has a comprehensive customer identification program which includes both documentary and non-documentary methods to verify the identity of each customer and a customer due diligence program based on customer risk and the bank's overall risk assessment.

### **Suspicious Activity Monitoring**

All bank customers are subject to ongoing monitoring of suspicious transactions or activities. The bank uses a combination of a manual and an automated account monitoring system, which is capable of detecting structuring and other types of suspicious activities, and has dedicated fraud and AML investigators who review the information on a daily basis.

### **Currency Transaction Reporting and Purchase of Monetary Instruments**

The bank uses an automated system to aggregate currency transactions and to collect and record the required information pertaining to the sale of monetary instruments. The bank also has a centralized unit which reviews all potential CTR filings and ensures that appropriate records are maintained.

**OFAC**

The bank has comprehensive automated OFAC processes and internal controls which ensure that all new customers, existing customers and certain higher risk customer transactions (e.g., wire transfers and international ACH transactions) are compared against the current U.S. Department of the Treasury's list of sanctioned entities and countries.

**Information Sharing**

In an effort to combat money laundering and terrorist financing, the bank has elected to participate in voluntary information sharing under section 314(b) of the USA PATRIOT Act.

Additional information on Southern Bank, our management, products, services and locations is available at [www.southernbank.com](http://www.southernbank.com). For any questions regarding this document, please contact Jeneen Potts, VP and Compliance Officer, via email at [jeneen.potts@southernbank.com](mailto:jeneen.potts@southernbank.com).

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