Special Supervision Division
400 7th St. SW, Suite 3E-218
Mail Stop 8E-12
Washington, DC 20219

Supervisory Condition #2014-07
September 2014

July 10, 2014

Via Facsimile and First Class Mail

Board of Directors
SOUTHBank F.S.B.
118 Jefferson Street
Huntsville, Alabama 35801

Re: **Notification of No Supervisory Objection of Strategic Plan**

Dear Members of the Board:

This is in response to an July 7, 2014 request from SOUTHBank F.S.B. (Bank) for a no supervisory objection (NSO) from the Office of the Comptroller of the Currency (OCC) to the Bank's revised Strategic Plan. The Bank submitted the Strategic Plan pursuant to the requirements of Article III(1) of the March 28, 2012 Consent Order (Order).

After a careful and thorough review of the Strategic Plan (Plan), the OCC has no supervisory objection to the proposed Plan subject to the following conditions:

- The Board shall adopt and the Bank shall implement the Plan at the next Board meeting following receipt of this notice of NSO;
- The Board shall ensure adherence to the Plan going forward;
- The Board shall review and update the Plan at least annually or more frequently if necessary or if requested by the Director;
- The Bank must request supervisory non objection to the payment of any stay bonuses or severance payments from the OCC with concurrence from the Federal Deposit Insurance Corporation prior to implementation of such payments; and
- The Bank may not significantly deviate from the Plan or materially change the Plan without the OCC's prior written determination of no supervisory objection. The Bank must provide the OCC at least sixty (60) days advance, written notice of its intent to deviate significantly from the Plan or materially change the Plan, along with an assessment of the impact of such changes on the Bank's condition, including profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change in the Plan. Changes that may constitute a significant deviation from the Plan include, but are not limited to, any significant deviations from marketing strategies, products and services, marketing

partners, or acquisition channels; underwriting practices or standards; credit administration, account management strategies or test programs; collection strategies, partners, or operations; fee structure, pricing or fee application methods; accounting processes or practices; funding strategy; or any other changes in personnel, operations, or external factors that may have a material impact on the Bank's operations or financial performance. A determination of a material impact on the Bank's operations or financial performance may include a single change or changes in aggregate.

The condition of this no supervisory objection is a condition "imposed in writing by a Federal banking agency in connection with any action on any application, notice, or other request" within the meaning of 12 U.S.C. § 1818. As such, the condition is enforceable under 12 U.S.C. § 1818.

This letter does not amend, suspend, waive, or terminate any provisions of the Order. Additionally, this letter does not amend, suspend, waive, or terminate any provisions of the Stipulation and Consent to the Issuance of the Order dated March 28, 2012. Further, this letter and the activities and communications by OCC employees in connection with the Bank's request, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory, and examination authorities under applicable laws and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

This supervisory correspondence and any related supervisory information are confidential and are "non-public OCC information" as defined by 12 C.F.R. § 4.32(b). Generally, disclosure of any "non-public OCC information," without prior written authorization by the OCC will be considered a violation of 12 C.F.R. Part 4 and subject to the penalties in 18 U.S.C. § 641 and the enforcement actions available in 12 U.S.C. § 1818, including the assessment of civil money penalties. However, when necessary or appropriate for bank business purposes, a national bank is allowed to disclose such information to a person or organization officially connected with the bank as officer, director, employee, attorney, auditor, or independent auditor. Disclosure may also be made to the Bank's Holding Company and, under certain conditions, to a consultant employed by the Bank. *See* 12 C.F.R. § 4.37(b) (2).

If you have any questions, please do not hesitate to contact Problem Bank Specialist Ramah Chansen or me at (202) 694-6450.

Sincerely,

/s/

Thomas Herslebs
Acting Director for Special Supervision