



Year End 2018

SOUTH POINT 

Pointing You Forward



J. Stephen Smith
Chairman, President and CEO

Dear Shareholder,

I am extremely pleased to offer this update on the performance of our Bank in 2018. Attached are some historical graphs on the last few years along with our unaudited 2018 income statement and balance sheet.

2018 was an excellent year for the bank. Some quick highlights were as follows:

- » Net Income for the year set a new record, breaking the \$4mm mark for the first time finishing at \$4,362,733 up 40% over 2017.
- » Net Loan volume after payoffs increased \$56.5mm or 23% YTD vs 2017.
- » Deposit volume increased \$64.6mm or 25% YTD vs 2017.
- » After Tax Return on equity for the year was 15.20% a new record and the first time breaking the 15% level!
- » After Tax Return on assets for the year was 1.29% also a new record for our bank.
- » Earnings per share had a significant increase to \$2.18/share, a new record and the first time over the \$2 mark!

Overall, the bank is growing organically at a much quicker pace than the State median growth rates for other banks. Top line revenues are growing very well, and bottom line profits put us at #3 in Return on equity for the #120 banks operating in Alabama. Rising interest rates has compressed our margins slightly this year and may have a small effect on 2019 as well. Our Mortgage division has suffered from some volume reduction due to higher interest rates and the income contribution from the Mortgage business was down to \$737,195 in 2018 vs \$1,084,170 in 2017. We think that this level of profitability for the mortgage division has stabilized at current interest rates.

Below are some intangible results from our Mortgage division other than their net income contribution.

- » Assisted 261 First-Time Homebuyers in the purchase their new home.
- » Through the FHLB, and led internally by Jim Lardas, we provided 72 Veteran families \$907,488 in Federal Home Loan Bank grant funds for home improvements bringing the total to 285 families for \$3.7 million since 2015.
- » Decatur LPO, managed by Darleen Hill, was recognized as “Best of the Best” by the Decatur Daily for the second time in the last three years.

- » Julie Moore received “Woman of the Year” award from Professional Women Builder’s for her service to that association.
- » Ian Hebert and Julie Moore were recognized by Greater Birmingham Association of Home Builders as being two of the top five for originators in new home construction.
- » Conducted three Home Buying Seminars in majority minority neighborhoods located within our CRA area.

We are now two years into our last strategic plan update and we have already achieved our 2019 plan for size and profitability of the bank at year end 2018. We will continue to execute on this plan and grow beyond our original goals. The Banks board of directors and management teams will create a fresh plan in early 2020 for another 3-5 years.

For those of you that made the Grand Opening of our new World Headquarters, it was a grand event! Our new building has been nominated for the best new building design in 2018 and was voted as one of the winners of the best holiday decorated business in the Birmingham area at Christmas. Pictures are on the following pages.

Going forward, we are working on getting a stock trading symbol for our shares and listing the shares on the OTC Pink Sheets. We are always looking for and working hard to attract more deposits to the bank in order to fund our significant loan demand. So please consider placing some or all of your deposits with us and let us know of any deposit opportunities with others that you may come across.

Thanks for your investment!!

Sincerely,



Steve Smith

Chairman, President and CEO

Grand Opening | June 19, 2018



New Headquarters

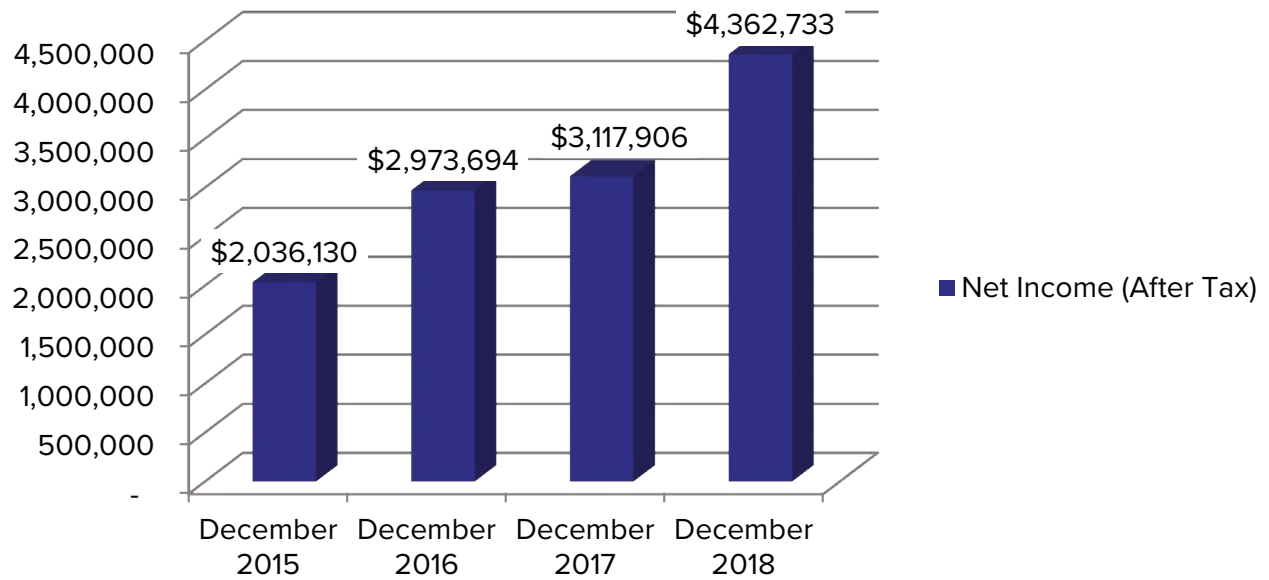


SOUTH POINT 

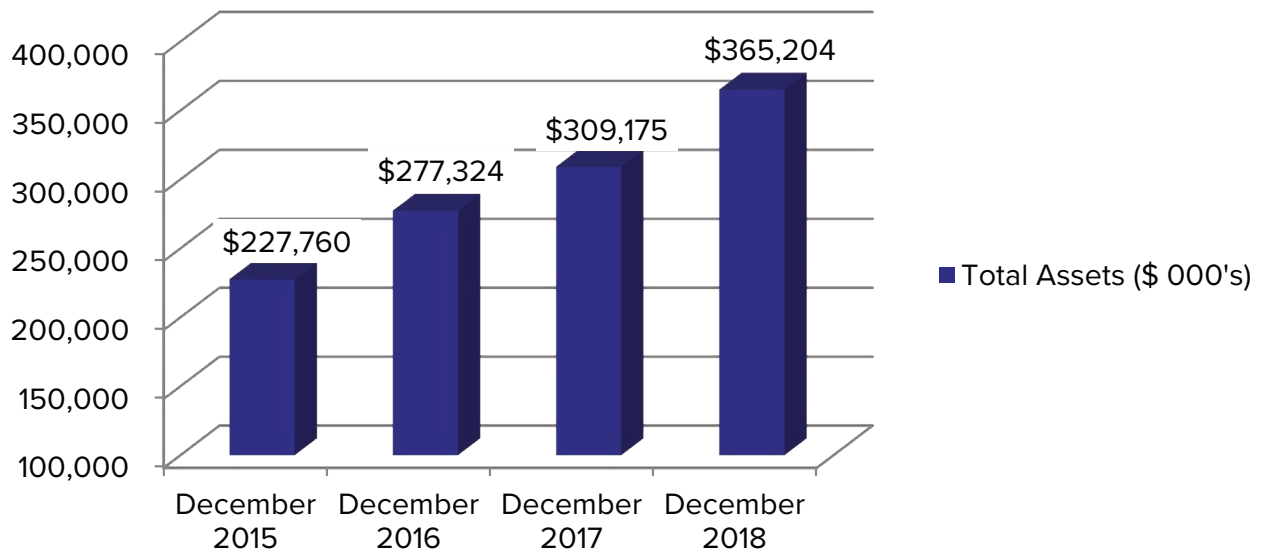
Christmas 2018



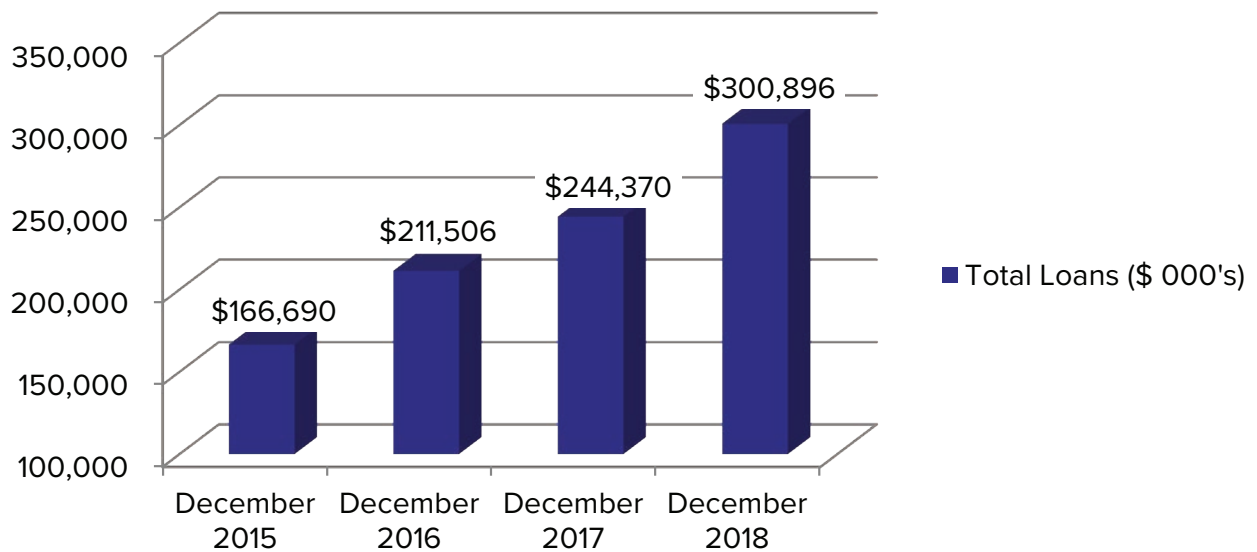
Net Income (After Tax)



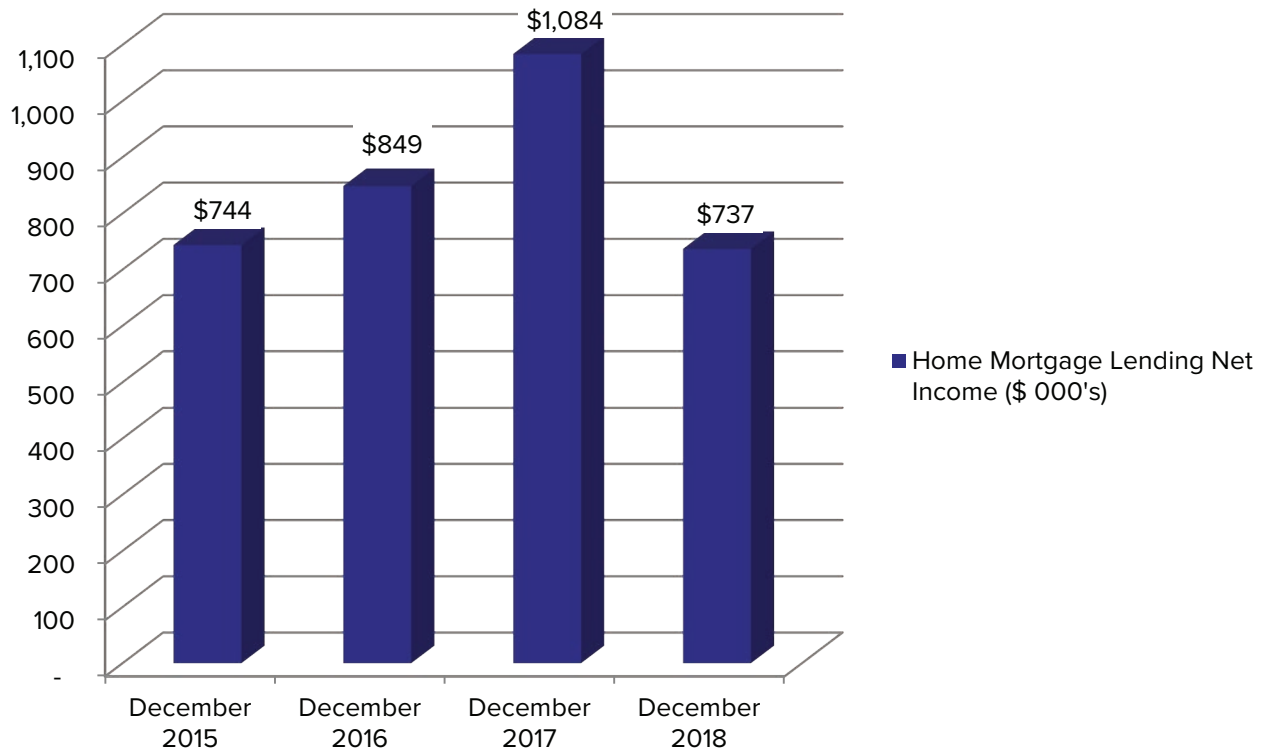
Total Assets (\$ 000's)



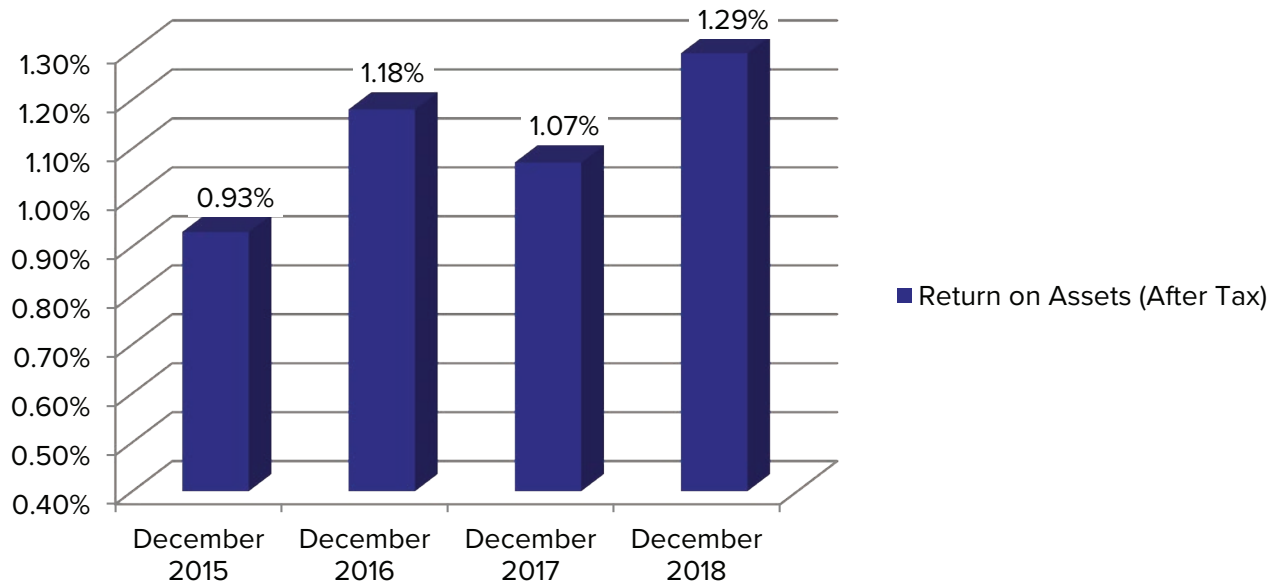
Total Loans (\$ 000's)



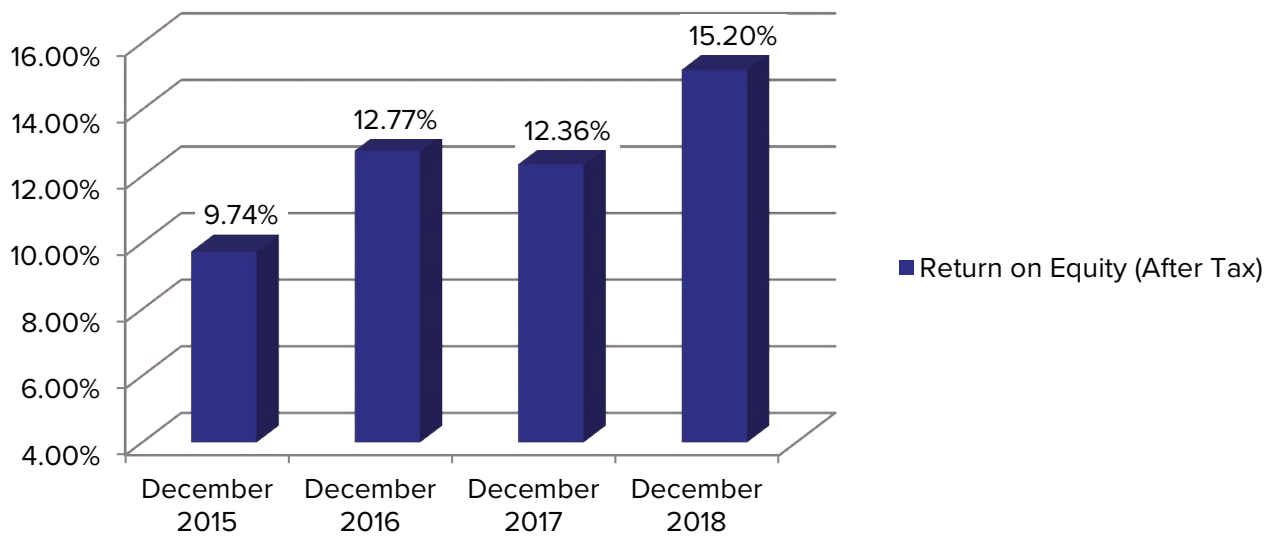
Home Mortgage Lending Net Income (\$ 000's)



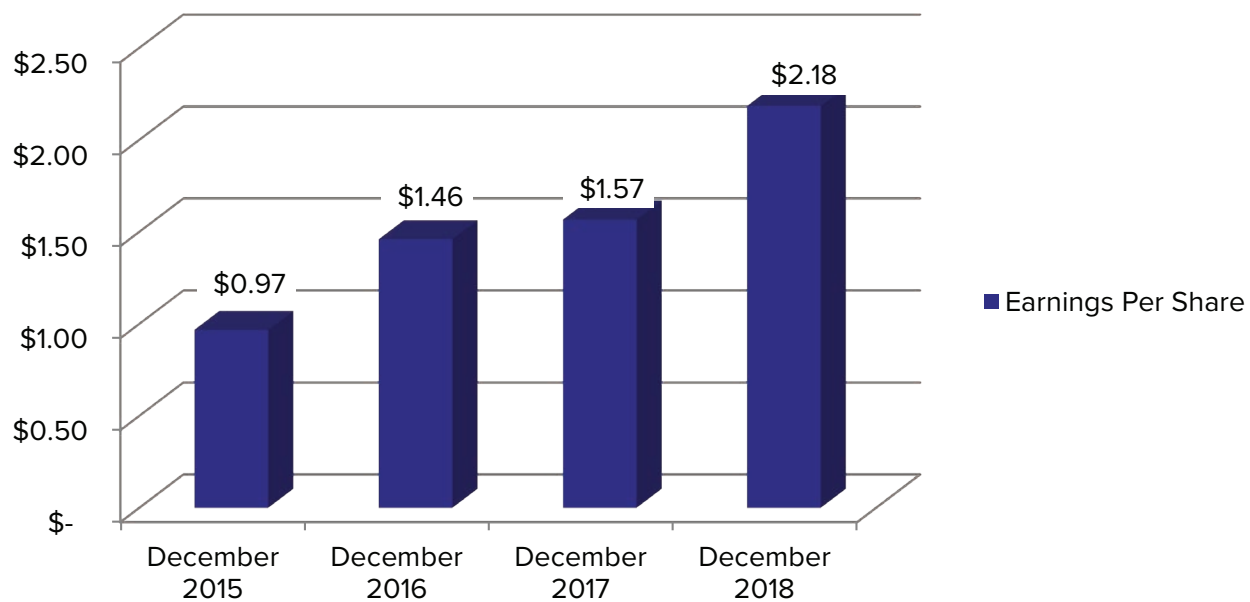
Return on Assets (After Tax)



Return on Equity (After Tax)



Earnings Per Share



Book Value Per Share



Income Statement Compare
Consolidated

	YTD Actual Dec 2018	YTD Actual Dec 2017	\$ Change	% Change
Interest Income				
Interest on Loans	14,036,750	11,406,524	2,630,226	23.1
Mortgage Loans Held For Sale	163,948	204,275	(40,327)	-19.7
Fees on Loans	396,924	302,688	94,236	31.1
Interest on federal funds sold	-	6	(6)	-100
Interest on deposits with banks	150,528	15,897	134,632	846.9
Investment Securities - Taxable	308,391	429,796	(121,405)	-28.2
Investment Securities - Tax-exempt	842,964	836,674	6,290	0.8
Total Interest Income	15,899,505	13,195,859	2,703,646	20.5
Interest Expense				
Interest bearing demand deposits	504,922	194,206	310,716	160
Savings and Money Market Deposits	1,227,287	316,664	910,623	287.6
Time Deposits - Retail	980,924	669,671	311,253	46.5
Time Deposits - Wholesale	520,954	368,224	152,730	41.5
Total Interest Expense on Deposits	3,234,086	1,548,765	1,685,321	108.8
FHLB Advances	268,314	198,427	69,887	35.2
Interest on other borrowings	133,779	93,228	40,551	43.5
Total Interest Expense	3,636,179	1,840,420	1,795,759	97.6
Net Interest Income	12,263,326	11,355,439	907,887	8.0
Provision for loan losses	10,000	300,000	(290,000)	-96.7
Net In. Inc. After Prov. for Loan Losses	12,253,326	11,055,439	1,197,887	10.8
Non Interest Income				
Service charges and fees	389,055	311,777	77,278	24.8
Securities gains (losses), net	74,841	(20,039)	94,880	473.5
Mortgage loan and related fees	4,320,656	4,952,623	(631,967)	-12.8
Other noninterest income	453,964	404,362	49,602	12.3
Total Non Interest Income	5,238,515	5,648,722	(410,207)	-7.3
Non Interest Expense				
Salaries and employee benefits	7,925,898	7,779,787	146,111	1.9
Occupancy	1,141,869	1,024,135	117,735	11.5
Other noninterest expense	3,065,212	2,737,116	328,096	12.0
Total Non Interest Expense	12,132,979	11,541,038	591,941	5.1
Income Before Taxes	5,358,862	5,163,123	195,739	3.8
Income taxes	996,129	2,045,217	(1,049,088)	-51.3
Net Income	4,362,733	3,117,906	1,244,827	39.9

**Balance Sheet Compare
Consolidated**

	Actual Dec 2018	Actual Dec 2017	\$ Change	% Change
Assets				
Cash and due from banks	3,445,530	2,164,005	1,281,524	59.2
Interest bearing deposits with banks	4,220,934	963,127	3,257,807	338.3
Investment Securities - Taxable	7,615,079	12,317,887	(4,702,808)	-38.2
Investment Securities - Tax-exempt	28,801,780	28,845,259	(43,479)	-0.2
Mortgage loans held for sale	4,663,583	5,540,422	(876,839)	-15.8
Loans, net of unearned income	300,895,655	244,370,230	56,525,425	23.1
Less: Allowance for loan losses	(3,554,840)	(3,566,361)	11,522	0.3
Premises and equipment, net	12,095,153	11,479,122	616,031	5.4
Accrued interest receivable	1,206,890	1,042,039	164,850	15.8
Other real estate	221,179	265,882	(44,703)	-16.8
Other assets	5,592,892	5,753,419	(160,527)	-2.8
Total Assets	365,203,835	309,175,031	56,028,804	18.1
Liabilities				
Non-Interest Bearing Deposits	35,204,034	29,641,048	5,562,986	18.8
Interest bearing demand deposits	76,355,613	45,939,856	30,415,756	66.2
Savings and Money Market Deposits	122,192,397	78,074,353	44,118,044	56.5
Time Deposits - Retail	56,950,070	68,162,795	(11,212,725)	-16.4
Time Deposits - Wholesale	23,075,976	27,365,676	(4,289,699)	-15.7
Total Deposits	313,778,090	249,183,728	64,594,362	25.9
Accrued expenses and other liabilities	1,567,226	2,241,985	(674,759)	-30.1
FHLB Advances	17,000,000	28,000,000	(11,000,000)	-39.3
Line of Credit	2,242,949	1,737,952	504,997	29.1
Other Borrowings	-	1,249,000	(1,249,000)	-100
Total Liabilities	334,588,265	282,412,665	52,175,600	18.5
Equity				
Common stock	2,133,166	2,124,000	9,166	0.4
Capital surplus	20,401,348	20,300,070	500,000	2.5
Retained earnings	10,155,626	5,792,895	4,362,731	75.3
Accumulated other comprehensive income (loss)	(493,030)	126,941	(619,971)	-488.4
Treasury Stock	(1,581,540)	(1,581,540)	-	0.0
Total Equity	30,615,570	26,762,366	3,853,204	14.4
Total Liabilities & Equity	365,203,835	309,175,031	56,028,804	18.1