



## 2013 SECOND QUARTER SHAREHOLDER REPORT



### Dear KeyWorth Bank Shareholders:

KeyWorth Bank's performance through June 30, 2013 has been consistent with the Guiding Principles established when the bank was founded. These are: (1) Asset Quality - sound lending, (2) Profitability and (3) Growth. We have endeavored to keep these principles our main priority over the past five years as they have served us well during this challenging economic period.

I am pleased to report loans outstanding at June 30, 2013 were \$191.9 million or 14.5% above the same period in 2012. Our loan quality continues to be sound and favorable to our peers. Non-performing assets (NPAs) as a percent of total loans was .46%, further improvement from 2012 levels. The high quality of our loan portfolio allows our loan officers to focus on business development. While loan growth over the past twelve months has been solid, we are seeing increased competition for quality borrowers in recent months. Maintaining the same year over year growth percentage in the second half of 2013 will be a challenge. Therefore, we are being more aggressive in soliciting new relationships and expanding the business we have with existing clients. Loan referrals are always welcome and appreciated.

Total deposit balances declined slightly over the past twelve months. The majority of the decline was in interest bearing accounts as we have lowered offering rates on CD and other interest bearing products consistent with the market. This has helped to reduce interest expense. We will monitor offering rates and adjust upward when necessary. Our checking account balances have experienced strong growth in both the business and personal categories. Balances in checking accounts comprise approximately 19% of total deposits compared to 15% in mid-2012. These accounts represent valuable relationships for KeyWorth. Investment securities balances were lower at June 30, 2013 due to the drop in deposits, which resulted in less excess funds available for investment.

Total assets at June 30, 2013 were \$334.8 million compared to \$354.5 million at June 30, 2012. The drop in total assets was associated with the previously mentioned management of deposit balances and the resulting funds available for investment in securities. With loans at 65% of deposit balances, KeyWorth has additional capacity to fund loan growth when it occurs. Our pre-tax earnings for the six months ending June 30, 2013 were \$1,835,041 compared to \$1,178,986 for the same period in 2012. This represents a 56% improvement. Net income after taxes through June 30, 2013 was \$1,159,041 or 47% above the prior year comparable period.

Net interest income was somewhat lower due to the lower yields on investments securities. Interest expense was down 16% due to the lower rates paid on deposits. We experienced solid increases in non-interest income, primarily attributed to gains on SBA loan sales, SBA servicing fees and debit card interchange fees.

We continue to evaluate additional lines of business. We are considering re-establishing a residential mortgage lending department. Once this is in place, we anticipate it contributing positively to our earnings. Our Marietta lending office continues to grow. Scott Hammond joined our East Cobb team during the 2nd quarter. Additionally, we continue to evaluate ways to expand our North Atlanta presence through acquisition of other institutions, branch offices, loan portfolios, etc. KeyWorth Bank's financial strength continues to be sound with all capital ratios exceeding the "well capitalized" regulatory standards.

We were pleased to announce the addition of Charles Buffington to our Board of Directors in May. Mr. Buffington brings many years of sales and marketing experience within the telecommunication industry to our well-diversified Board. We are blessed to have an enthusiastic and supportive Board of Directors to assist management in leading our company.

During June, KeyWorth consolidated our loan and deposit operations, compliance and accounting units into one location in Johns Creek adjacent to our main office. The new space also contains a multipurpose room for training, staff meetings, and Board meetings. The efficiency gained from the expansion has already proven to be beneficial in freeing up space in our existing offices for increased production staff. Our book value per share continues to be solid and was \$10.28 at June 30, 2013. In addition, we conducted another successful Annual Shareholder Meeting in April with good attendance and support.

We value your investment in KeyWorth Bank and appreciate your business. We encourage you to refer us friends, family and business contacts. It is these referrals that will enable us to grow profitability and increase the value of your investment. As always feel free to call with any comments and suggestions.

Sincerely,



**James F. Pope**  
*President & CEO*

*The experience is worth it.™*

# FINANCIAL INFORMATION

## BALANCE SHEET

AS OF  
JUNE 30, 2013  
(UNAUDITED)

AS OF  
JUNE 30, 2012  
(UNAUDITED)

### ASSETS

Investments	\$118,281,373	\$146,690,997
Loan Outstanding	\$191,944,384	\$167,574,905
Loan Loss Reserves	-\$3,319,121	-\$2,949,325
Property, FFE & Others	\$27,935,710	\$43,194,566
<b>TOTAL ASSETS</b>	<b>\$334,842,346</b>	<b>\$354,511,141</b>

### LIABILITY & CAPITAL

Deposits & Sweep Accts.	\$296,223,465	\$310,175,918
Borrowings from FHLB	\$ -0-	\$5,000,000
Other Liabilities	\$1,300,316	\$2,475,001
Equity Capital	\$37,318,565	\$36,860,223
<b>TOTAL LIABILITIES &amp; CAPITAL</b>	<b>\$334,842,346</b>	<b>\$354,511,141</b>

## INCOME STATEMENT

FOR 6 MONTHS  
ENDING  
JUNE 30, 2013

FOR 6 MONTHS  
ENDING  
JUNE 30, 2012

Interest Income & Loan Fees	\$6,614,612	\$6,768,055
Interest Expense	-\$1,458,033	-\$1,745,538
Net Interest Income	\$5,156,579	\$5,022,517
Provision for Loan Losses	-\$210,000	-\$620,000
Other Income	\$892,818	\$624,414
Operating Expenses	-\$4,004,356	-\$3,847,958
Income before Income Tax	\$1,835,041	\$1,178,973
Income Tax	-\$676,000	-\$392,600
<b>NET INCOME</b>	<b>\$1,159,041</b>	<b>\$786,373</b>

## KEY PERFORMANCE MEASURES

YTD  
JUNE 30, 2013

YTD  
JUNE 30, 2012

### ASSET QUALITY:

Delinquent Loans/Loans	.09%	.17%
Net Charge-offs (recoveries)/Loans	.16%	-.03%
Non Performing Assets/Loans	.46%	4.85%

### EARNING RATIOS:

Average Return on Assets	.68%	.46%
Average Return on Equity	6.06%	4.36%

### OTHER RATIOS:

Loans to Deposits	64.5%	54.8%
Efficiency Ratio	66.19%	68.14%
Book Value Per Share	\$10.28	\$10.17

## KEYWORTH ANNOUNCES BRANCH ACQUISITION

We are pleased to announce that on August 15, 2013, KeyWorth Bank signed a definitive agreement to purchase Signature Bank of Georgia's Dunwoody branch office. In addition to the purchase of the branch itself, KeyWorth Bank will acquire approximately \$11.7 million in loans and assume approximately \$30.0 million in deposits. The Signature Bank of Georgia employees currently located at the Dunwoody branch will become KeyWorth Bank employees when the purchase is completed.

This acquisition is subject to regulatory approval and completion of the acquisition is anticipated to occur in the fourth quarter of 2013.

Since 2007, KeyWorth's goal has been to service the banking needs of businesses and individuals in the north Metro Atlanta market. KeyWorth Bank currently has a number of customers in the Dunwoody/Sandy Springs area. The addition of the Dunwoody Village branch, located at 1449 Dunwoody Village Parkway, will provide a convenient location for these existing and future customers to access KeyWorth Bank.

– James F. Pope, *President & CEO*