



NEWS

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SouthCrest Financial Group Reports Preliminary 1Q17 Earnings

WOODSTOCK, GA – Brian D. Schmitt, Chief Executive Officer of SouthCrest Financial Group, Inc. (SCSG:PK) announced today that the Company reported preliminary net income of \$930,000 or \$0.11/share for the first quarter ended March 31, 2017.

“I think the first quarter’s results are a good barometer of where the Company stands. On a net basis our core earnings and un-adjusted earnings are effectively the same. We were excited to recently announce the dividend expense savings created by the final Series A and Series B Preferred share redemption (former TARP shares), and we are starting to see the impact of recent Atlanta metro region lending hires as we get ready to move into our Midtown headquarters during May,” Schmitt said.

“Unfortunately, we did have a delay in the closing of our Alabama branch sale due to regulatory schedules,” Schmitt continued. “This is a top focus of senior management, and we are very confident that the deal will be completed even if the timeline has been stretched.

“The Company has two former locations in OREO and awaiting sale, which could cause additional one-time expenses during the next several quarters. Outside of that, management continues to push on expenses while taking the next steps to improve the loan book and overall profitability of the Bank. Our long term profitability target, which could be hit on a quarterly basis as early as late 2018, remains 1.0% ROAA,” Schmitt added.

Core pre-tax earnings for the quarter were \$1.36 million, with net unusual items during the quarter totaling \$32,000 of pre-tax income. On a core basis, expenses for the quarter were \$4.4 million, flat with the past few quarters, but down over 15% from 1Q16.

Loan balances were down less than 1% from 4Q16 and up 3% from 1Q16, with the weakness in growth due to a slow start to the quarter combining with the welcome payoff of the largest substandard loan in the portfolio at no loss. Activity late in the quarter improved and should lead to a good second quarter result. The Company continues to look for additional bankers who can drive both loan and deposit growth in the metro Atlanta area.

Deposits were lower year over year and linked quarter by 2%, which was consistent with historic seasonality. Overall deposit mix continues to improve with balances in transaction accounts up 3% year over year, with a 7% year over year decline in CD balances.

The estimated Tier 1 Leverage ratio at the end of the quarter for SouthCrest Bank declined to 8.82% as a result of the \$3.9 million dividend to the holding company as part of the preparation to redeem the former TARP shares. On a fully converted basis (including the conversion of all preferred equity), TBV/share ended the quarter at \$7.19 per share. This metric will continue to be influenced by OCI changes resulting from the swings in interest rates. Currently, the negative impact to TBV by OCI is \$0.13/share. The current fully converted share count at the end of the quarter is 8.39 million shares. In addition, the Company still retains a small deferred tax asset valuation allowance related to state taxes that totals approximately \$0.06/fully converted share.

Asset quality remained solid with the aforementioned payoff of a nearly \$3 million substandard loan. The Company maintains \$2.1 million of former bank buildings that are projected to be sold over the next several quarters in OREO. Excluding these buildings, 1Q17 NPAs/total assets was flat at 0.84% of assets, including the buildings the number level was 1.23%. Excluding the impact of the Bank buildings in OREO, OREO balances were down to \$499,000.

ABOUT SOUTHCREST

SouthCrest Financial Group, Inc. is a \$550 million asset bank holding company headquartered in Woodstock, GA until May 2017, at which time it will relocate the Bank and Financial Group headquarters to Atlanta. The Company operates a 10 branch network throughout Georgia and Alabama through its subsidiary bank, SouthCrest Bank, N.A. The Bank provides a full suite of retail and commercial banking services, and online banking services.

FORWARD LOOKING STATEMENTS

This presentation may contain certain “forward-looking statements” that are subject to risks, uncertainties, and other factors that could cause actual results and shareholder values to differ materially from those projected. Factors that could cause or contribute to such differences include economic conditions, government regulation and legislation, changes in interest rates, credit quality, competition, and other risk factors.

Andy Borrmann
Chief Financial Officer
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**Statement of Operations (\$000s,
Unaudited)**

			2016		2017
	Q1	Q2	Q3	Q4	Q1
Interest Income					
Loans					
Construction and Development	\$206	\$143	\$153	\$150	\$197
Commercial Real Estate	1,465	1,479	1,537	1,645	1,691
Commercial Loans	280	280	276	291	316
Multi Family	26	18	18	31	27
Residential Mortgage	1,415	1,337	1,289	1,230	1,190
Consumer Loans	166	156	139	122	117
County/Municipal Loans	29	28	29	42	25
Loss Share Loans	116	132	132	119	111
Investment Securities					
Federal Funds/Overnight	\$38	\$27	\$42	\$28	\$58
Funds					
Bank Owned CDs	7	8	6	6	5
Investment Securities	1,030	1,083	933	1039	967
Total Interest Income	\$4,779	\$4,685	\$4,556	\$4,703	\$4,705
Total Interest Expense	\$299	\$267	\$246	\$247	\$249
Net Interest Income	\$4,480	\$4,417	\$4,311	\$4,456	\$4,456
Provision for Loan Losses	50	0	0	94	106
Net Interest Income after Loan	\$4,430	\$4,417	\$4,311	\$4,362	\$4,349
Losses					
Other Income					
Service Charges on Deposits	\$105	\$215	\$245	\$228	\$216
NSF/Overdraft Fees	475	515	575	542	488
Other Service Charges	74	79	96	83	75
ATM/Billpay/DR Card Income	293	336	302	303	296
Other Income	829	(47)	339	-386	451
Total Other Income	\$1,776	\$1,098	\$1,560	\$768	\$1,526
Non-Interest Expense					
Salaries, Other Comp (+ FAS123R)	\$2,006	\$1,772	\$1,705	\$2,014	\$1,799
Employee Benefits	591	360	707	463	438
Occupancy & FF&E Expense	933	848	860	764	739
Professional Fees	174	209	212	190	190
Data Processing	305	521	536	525	498
OREO/Credit related Exp.	41	36	36	36	50

Other Expense	1,243	927	861	694	766
Total Noninterest Expenses	\$5,293	\$4,673	\$4,917	\$4,687	\$4,480
Pre-Tax Income (Loss)	\$913	\$842	\$954	\$443	\$1,395
Income Taxes	-	(10,592)	274	128	465
Net Income	\$913	\$11,434	\$680	\$315	\$930
Preferred Dividends	\$125	\$125	\$125	\$125	\$125

Balance Sheet
(\$000s,
Unaudited)

	2016				2017
	Q1	Q2	Q3	Q4	Q1
<u>Assets</u>					
Current Assets					
Cash & Due from Bank	\$30,427	\$34,838	\$31,268	\$33,015	\$41,302
Federal Funds/Overnight Funds	3,306	569	0	4,299	6,688
Bank Owned CDs	1,815	1,716	1,218	1,069	1,069
Investment Securities	191,905	161,177	182,614	176,723	152,583
Mortgage Loans Held for Sale	0	0	0	0	0
Total Current Assets	\$227,452	\$198,300	\$215,100	\$215,106	\$201,642
Loans					
Construction and Development	\$13,692	\$11,285	\$9,776	\$15,159	\$12,486
Commercial Real Estate	116,175	119,419	121,609	138,155	140,003
Commercial Loans	21,296	21,863	21,247	23,462	23,923
Multi Family	1,450	1,419	1,401	2,281	2,093
Residential Mortgage	110,094	107,270	102,512	97,194	98,302
Consumer Loans	7,096	7,977	7,363	6,893	6,117
County/Municipal Loans	3,537	4,501	6,456	3,387	2,999
Loss Share Loans	9,360	7,689	7,589	7,123	6,626
Total Loans	\$282,700	\$281,425	\$277,952	\$293,654	\$292,549
Allowance for Loss	<u>(3,021)</u>	<u>(2,817)</u>	<u>(2,701)</u>	<u>(2,766)</u>	<u>(2,797)</u>
Net Loans	\$279,679	\$278,608	\$275,251	\$290,888	\$289,752
OREO	1,500	1,769	936	3,581	2,728
FDIC Indemnification	419	433	425	304	238
BOLI	20,391	20,548	20,683	20,816	20,947
Fixed Assets, net	\$17,671	\$17,362	\$16,967	\$13,717	\$13,429
Intangible Assets	583	555	507	468	420
Other Assets	<u>6,651</u>	<u>33,982</u>	<u>16,476</u>	<u>17,953</u>	<u>17,428</u>
Total Assets	\$554,346	\$551,557	\$546,385	\$562,833	\$546,584

Liabilities & Stockholders'**Equity****Liabilities**

Deposits

DDAs	\$119,343	\$112,974	\$111,290	\$125,459	\$112,286
Interest Bearing Demand	61,172	55,248	54,552	65,654	63,949
Celebration Checking	108,076	110,894	111,544	112,355	113,548
Money Market Accts	35,289	33,858	33,956	32,271	27,942
Savings	55,831	53,397	52,061	50,495	51,304
CDs Less Than \$100k	79,221	76,301	73,964	72,091	70,020
CDs Greater than \$100k	<u>39,576</u>	<u>40,585</u>	<u>39,832</u>	<u>38,922</u>	<u>39,966</u>
Total Deposits	\$498,508	\$483,257	\$477,388	\$497,247	\$479,018

Other Liabilities	1,988	1,919	2,281	1,252	1,632
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Net Borrowings	-	-	317	-	-
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(Wholesale Funding)

Total Liabilities	\$500,496	\$485,176	\$479,797	\$498,499	\$480,650
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Total Equity	53,850	66,381	66,548	64,334	65,934
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Total Liabilities &	\$554,346	\$551,557	\$546,345	\$562,833	\$546,584
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Stockholders' Equity**Ratios**

	1Q 2016	2Q 2016	3Q 2016*	4Q 2016*	1Q 2017*
ROAA	0.66%	8.29%	0.53%	0.22%	0.72%
ROAE	6.80%	76.1%	4.74%	1.96%	6.52%
NPA/Assets (Core)	1.18%	1.08%	0.91%	0.83%	0.84%
Est. Tier 1 Leverage	8.94%	9.54%	9.84%	9.73%	10.09%
Total Common	8,380,337	8,380,337	8,380,337	8,389,954	8,389,954
Equiv. Shares					
NIM	3.47%	3.59%	3.59%	3.67%	3.72%
Cost of Funds	0.24%	0.22%	0.20%	0.20%	0.21%
Loan/Deposit	56.6%	58.2%	58.2%	59.0%	60.3%
Employees	129	127	123	122	122

*3Q2016 and later ROAA and ROAE are after tax vs. pre-tax prior to 2Q 2016. 2Q 2016 includes DTA valuation allowance recovery.