



## **SouthCrest Financial Group Reports Preliminary 2Q14 Financial Results**

Company release – July 30, 2014

PEACHTREE CITY, GA –Kenneth H. Maloy, President and CEO of SouthCrest Financial Group, Inc. (SCSG:PK) announced today that the company reported preliminary results for the second quarter of 2014 and the completion of a significant post charter consolidation restructuring.

During the quarter the Company produced a net loss of \$939,000, inclusive of \$484,000 of restructuring expenses and \$221,000 of securities gains. Excluding these one-time items, the net loss would have been \$676,000, an improvement from the \$958,000 loss in 1Q14. “As part of the final back office consolidation that was completed on July 12<sup>th</sup>, we finished our internal restructuring that included the reduction of 10% of our workforce in June and early July which will begin to benefit expense levels in August, and the realignment of our formerly four banks into two divisions, Community and Metro. We have also optimized our benefits package to save approximately 20% of our total benefit cost per year starting in August. Finally, we closed one branch in Chickamauga and the lobby of the downtown Cedartown branch during the past 45 days. When combined with year over year loan growth of 10% and the resulting 14% growth in net interest income, we are now more confident that SouthCrest will produce positive income during the second half of 2014. As we said in our first quarter earnings release, we are fully committed to returning SouthCrest to peer-level profitability through better efficiencies and higher revenues.”

The Company’s balance sheet improvement continued with \$15.7 million of loan growth (24.5% annualized from 1Q14) while core deposits were effectively level with the first quarter. Total deposits fell \$4.0 million, or 4% annualized while total assets fell 2% annualized. “We are expecting to maintain high single to low double digit growth during the third quarter. We are also reasonably satisfied with the deposit metrics given the number of disruptions that have occurred in the past six months.”

The estimated Tier 1 Leverage ratio at the end of the quarter was 10.80%, down slightly from 10.97% at the end of 1Q14. On a fully converted basis (including the conversion of all Series AAA Preferred and Series C Convertible Preferred equity) TBV/share ended the quarter at \$5.73 per share. The current fully converted share count at the end of the quarter is 8.380 million shares. In addition, the company still retains a deferred tax asset valuation allowance that totaled \$10.7 million (\$1.28/fully converted share).

SouthCrest has a loss sharing agreement, related to the purchase of a small failed bank in 2010, which expires in March, 2015. Based on the current internal analysis and external reviews, SouthCrest’s accounting for the indemnification asset should align closely with related income over the remaining life of the loss share agreement which expires in March 2015, and should not cause any one time material impact in the financial reports. The indemnification asset is now down to \$3.1 million from \$4.6 million at the end of 1Q14.

Asset quality remained effectively flat as the Company continues to work through the last few remaining troubled assets. The non-performing assets/total assets ratio moved from 1.84% to 1.90% while the allowance for loan losses fell to 1.51% of loans.

SouthCrest Financial Group, Inc. is a \$560 million asset bank holding company headquartered in Peachtree City, Georgia. The company operates a 12 branch network throughout Georgia and Alabama through its subsidiary bank, SouthCrest Bank, N.A. The bank provides retail and commercial banking services, mortgage banking, investment management, and online banking services.

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.

Statement of Operations (\$000s)	2013			2014	
	Q2	Q3	Q4	Q1	Q2
<b>Interest Income</b>					
Loans					
Construction and Development	\$199	\$213	\$186	\$215	\$231
Commercial Real Estate	1,012	1,004	1,058	1,081	1,173
Commercial Loans	151	156	175	185	162
Multi Family	16	19	14	17	13
Residential Mortgage	1,432	1,426	1,408	1,430	1,573
Consumer Loans	458	471	436	384	343
County/Municipal Loans	100	84	72	31	32
Loss Share Loans	313	299	288	310	236
<b>Investment Securities</b>					
Federal Funds/Overnight Funds	\$80	\$74	\$59	\$66	\$44
Bank Owned CDs	13	13	14	8	7
Investment Securities	604	665	686	767	1,022
<b>Total Interest Income</b>	<b>\$4,377</b>	<b>\$4,425</b>	<b>\$4,396</b>	<b>\$4,494</b>	<b>\$4,836</b>
<b>Total Interest Expense</b>	\$436	\$397	\$357	\$327	\$334
<b>Net Interest Income</b>	<b>\$3,941</b>	<b>\$4,028</b>	<b>\$4,039</b>	<b>\$4,167</b>	<b>\$4,502</b>
Provision for Loan Losses	-	-	-	-	-
<b>Net Interest Income after Loan Losses</b>	<b>\$3,941</b>	<b>\$4,028</b>	<b>\$4,039</b>	<b>\$4,167</b>	<b>\$4,502</b>
<b>Other Income</b>					
Service Charges on Deposits	\$112	\$112	\$109	\$108	\$105
NSF/Overdraft Fees	571	611	587	526	575
Other Service Charges	104	94	88	89	91
ATM/Billpay/DR Card Income	362	354	369	394	414
Gain on Sale of loans	322	159	295	364	581
Other Income	699	1,032	851	1,676	2,004
<b>Total Other Income</b>	<b>\$2,170</b>	<b>\$2,362</b>	<b>\$2,299</b>	<b>\$3,157</b>	<b>\$3,770</b>
<b>Non-Interest Expense</b>					
Salaries, Other Comp (+ FAS123R)	\$2,560	\$2,838	\$3,061	\$2,865	\$2,756
Employee Benefits	524	574	628	658	719

Occupancy & FF& E Expense	760	757	852	857	888
Professional Fees	587	524	757	333	469
Data Processing	398	291	292	247	301
OREO and Credit related Exp.	178	293	276	295	223
Other Expense	1,886	2,052	2,746	2,962	3,687
<b>Total Noninterest Expenses</b>	<b>\$6,893</b>	<b>\$7,329</b>	<b>\$8,612</b>	<b>\$8,282</b>	<b>\$9,211</b>
<b>Pre-Tax Income (Loss)</b>	<b>\$(782)</b>	<b>\$(939)</b>	<b>\$(2,274)</b>	<b>\$(958)</b>	<b>\$(939)</b>
Income Taxes	-	-	-	-	-
<b>Net Loss</b>	<b>\$(782)</b>	<b>\$(939)</b>	<b>\$(2,274)</b>	<b>\$(958)</b>	<b>\$(939)</b>

### Balance Sheet (\$000s)

	<u>2013</u>			<u>2014</u>	
<u>Assets</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>
<b>Current Assets</b>					
Cash & Due from Bank	\$15,412	\$29,665	\$24,467	\$27,766	\$26,083
Federal Funds/Overnight Funds	114,068	92,064	99,080	75,795	31,083
Bank Owned CDs	6,888	5,914	3,247	3,762	2,965
Investment Securities	113,784	122,132	123,685	143,221	166,182
Mortgage Loans Held for Sale	3,713	2,803	4,642	7,548	13,343
<b>Total Current Assets</b>	<b>\$253,865</b>	<b>\$252,578</b>	<b>\$255,121</b>	<b>\$258,092</b>	<b>\$239,656</b>
<b>Loans</b>					
Construction and Development	\$12,696	\$13,424	14,404	\$17,344	\$16,791
Commercial Real Estate	76,646	76,705	82,492	85,158	96,664
Commercial Loans	9,566	8,985	9,977	9,352	14,573
Multi Family	2,216	2,278	2,155	2,112	1,142
Residential Mortgage	102,786	104,186	105,496	107,654	109,916
Consumer Loans	19,916	20,464	19,352	17,283	16,125
County/Municipal Loans	9,410	11,665	3,845	3,684	4,190
Loss Share Loans	14,372	13,622	13,426	13,957	12,844
<b>Total Loans</b>	<b>\$247,608</b>	<b>\$251,329</b>	<b>\$251,147</b>	<b>\$256,544</b>	<b>\$272,245</b>
Allowance for Loss	<u>(4,745)</u>	<u>(4,444)</u>	<u>(4,443)</u>	<u>(4,294)</u>	<u>(3,914)</u>
<b>Net Loans</b>	<b>\$242,863</b>	<b>\$246,885</b>	<b>\$246,704</b>	<b>\$252,250</b>	<b>\$268,331</b>
<b>Core Loans</b>	<b>\$233,236</b>	<b>\$237,707</b>	<b>\$237,721</b>	<b>\$242,587</b>	<b>\$259,401</b>
OREO	\$11,441	\$9,966	5,283	4,763	4,932
FDIC Indemnification	7,688	7,266	6,374	4,642	3,139
BOLI	18,886	19,021	19,156	19,283	19,442
Fixed Assets, net	17,200	18,742	18,617	19,314	19,509
					-
Intangible Assets	1,080	1,002	920	838	747
Other Assets	<u>6,440</u>	<u>6,405</u>	<u>7,141</u>	<u>6,979</u>	<u>6,926</u>
<b>Total Assets</b>	<b>\$559,463</b>	<b>\$561,865</b>	<b>\$559,316</b>	<b>\$566,161</b>	<b>\$562,682</b>
<b><u>Liabilities &amp; Stockholders' Equity</u></b>					
<b>Liabilities</b>					
Deposits					
DDAs	\$119,096	\$115,614	127,477	\$126,454	\$123,672
Interest Bearing Demand	50,914	50,218	48,950	52,320	51,018
Rewards Checking	32,981	32,352	32,596	33,292	34,977
Money Market Accts	58,500	57,197	54,704	53,658	57,056

Savings	64,823	63,820	61,960	65,174	64,134
CDs Less Than \$100k	116,326	112,421	107,989	104,808	102,512
CDs Greater than \$100k	<u>56,191</u>	<u>53,389</u>	<u>50,623</u>	<u>57,230</u>	<u>55,634</u>
<b>Total Deposits</b>	<b>\$498,831</b>	<b>\$485,011</b>	<b>\$484,299</b>	<b>\$492,936</b>	<b>\$489,003</b>
Other Liabilities	10,053	\$10,289	11,576	10,585	11,263
Net Borrowings (Wholesale Funding)	-	330	-	-	900
<b>Total Liabilities</b>	<b>\$508,884</b>	<b>\$495,630</b>	<b>\$495,875</b>	<b>\$503,521</b>	<b>\$501,166</b>
<b>Total Equity</b>	<b>50,579</b>	<b>66,235</b>	<b>63,441</b>	<b>62,640</b>	<b>61,516</b>
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>\$559,463</b>	<b>\$561,865</b>	<b>\$559,316</b>	<b>\$566,161</b>	<b>\$562,682</b>

#### **Ratios**

	<b>2Q 2013</b>	<b>3Q 2013</b>	<b>4Q 2013</b>	<b>1Q 2014</b>	<b>2Q 2014</b>
ROAA	-0.56%	-0.67%	-1.62%	-0.68%	-0.67%
ROAE	-6.08%	-6.80%	-14.02%	-6.09%	-6.00%
NPAs/Assets (Core)	2.27%	2.31%	1.64%	1.84%	1.90%
Tier 1 Leverage	8.67%	11.67%	11.02%	10.97%	10.80%
Total Common Equiv. Shares	4,914,991	8,380,337	8,380,337	8,380,337	8,380,337
NIM	3.23%	3.38%	3.36%	3.42%	3.67%
Cost of Funds	0.35%	0.32%	0.29%	0.27%	0.27%
Loan/Deposit	49.6%	51.8%	51.9%	52.0%	55.7%

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