



SouthCrest Financial Group Reports Preliminary 2Q16 Earnings

Company release – July 28, 2016

WOODSTOCK, GA – Andrew Borrmann, Chief Financial Officer of SouthCrest Financial Group, Inc. (SCSG:PK) announced today that the company reported preliminary net income of \$11.4 million or \$1.36/share for the second quarter ended June 30, 2016. “As we expected, we were able to reverse \$10.6 million of the valuation allowance against our deferred tax asset during the second quarter. This has long been the focus of the Company and we are proud to clear another significant hurdle in the ongoing improvement of SouthCrest.” Borrmann continued “The efforts of all our employees to achieve these goals cannot be over emphasized. We continue to improve our operating expenses and now expect the expense run rate to fall under \$17.5 million/year during the next several months.”

Core pre-tax earnings for the quarter were \$1.4 million. Unusual items during the quarter included \$403,000 of securities losses, and \$164,000 of one time payments for contract buyouts and incentives. This equates to an approximate 1.0% pre-tax ROA for the quarter. On a core basis, expenses for the quarter were \$4.5 million, down from approximately \$6.0 million in 2Q15.

Loans were effectively flat and deposits fell approximately 3% during the second quarter. The decline in deposits is due to an update of the service fee schedule that is improving non-interest income by well over \$500,000 year. These have been some deposit accounts close due the fee reset, but the Company took this possibility into account when analyzing the potential impact of the change.

The estimated Tier 1 Leverage ratio at the end of the quarter for SouthCrest Bank was 9.00%. On a fully converted basis (including the conversion of all preferred equity) TBV/share ended the quarter at \$7.25 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 small deferred tax asset valuation allowance related to state taxes that totals approximately \$0.06/fully converted share.

Asset quality continued its multi-quarter improvement trend with 2Q16 NPAs/total assets declining to 1.08% of assets. Noncurrent loans/total loans is now just 1.22%, down from 1.97% in the year ago period. Other real estate owned increased slightly from 1Q16 and now stands at \$1.77 million.

SouthCrest Financial Group, Inc. is a \$550 million asset bank holding company headquartered in Woodstock, Georgia. The company operates a 12 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, SBA lending, 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.

Andy Borrmann
Chief Financial Officer
678.734.3505

Statement of Operations (\$000s, Unaudited)

	2015			2016	
	Q2	Q3	Q4	Q1	Q2
Interest Income					
Loans					
Construction and Development	\$231	\$261	\$205	\$206	\$143
Commercial Real Estate	1,374	1,483	1,512	1,465	1,479
Commercial Loans	261	301	275	280	280
Multi Family	26	29	27	26	18
Residential Mortgage	1,464	1,521	1,454	1,415	1,337
Consumer Loans	212	197	178	166	156
County/Municipal Loans	43	59	65	29	28
Loss Share Loans	324	214	140	116	132
Investment Securities					
Federal Funds/Overnight Funds	\$16	\$11	\$22	\$38	\$27
Bank Owned CDs	7	7	8	7	8
Investment Securities	960	904	916	1030	1083
Total Interest Income	\$4,918	\$4,987	\$4,803	\$4,779	\$4,685
Total Interest Expense	\$309	\$308	\$302	\$299	\$267
Net Interest Income	\$4,611	\$4,679	\$4,501	\$4,480	\$4,417
Provision for Loan Losses	200	0	150	50	0
Net Interest Income after Loan Losses	\$4,409	\$4,679	\$4,351	\$4,430	\$4,417
Other Income					
Service Charges on Deposits	\$99	\$113	\$110	\$105	\$215

NSF/Overdraft Fees	513	543	525	475	515
Other Service Charges	95	78	93	74	79
ATM/Billpay/DR Card Income	392	352	370	293	336
Other Income	1,017	973	475	829	(47)
Total Other Income	\$2,116	\$2,059	\$1,535	\$1,776	\$1,098
Non-Interest Expense					
Salaries, Other Comp (+ FAS123R)	\$2,492	\$2,419	\$2,257	\$2,006	\$1,772
Employee Benefits	440	424	645	591	360
Occupancy & FF&E Expense	1,004	1,020	919	933	848
Professional Fees	249	206	263	174	209
Data Processing	221	244	321	305	521
OREO and Credit related Exp.	67	156	146	41	36
Other Expense	1,575	1,608	1,409	1,243	927
Total Noninterest Expenses	\$6,048	\$6,077	\$5,927	\$5,293	\$4,673
Pre-Tax Income (Loss)	\$477	\$661	\$(36)	\$913	\$842
Income Taxes	-	-	-	-	(10,592)
Net Income	\$477	\$661	\$(36)	\$913	\$11,434
Preferred Dividends	\$125	\$125	\$125	\$125	\$125

Balance Sheet
(\$000s, Unaudited)

	2015			2016	
<u>Assets</u>	Q2	Q3	Q4	Q1	Q2
Current Assets					
Cash & Due from Bank	\$22,335	\$20,355	\$44,157	\$30,427	\$34,838
Federal Funds/Overnight Funds	10,736	14,171	2,186	3,306	569
Bank Owned CDs	1,814	1,815	1,815	1,815	1,716
Investment Securities	179,276	145,247	174,998	191,905	161,177
Mortgage Loans Held for Sale	1,869	3,011	899	0	0
Total Current Assets	\$216,030	\$184,599	\$224,055	\$227,452	\$198,300
Loans					

Construction and Development	\$16,495	\$16,165	\$16,229	\$13,692	\$11,285
Commercial Real Estate	106,549	119,888	118,780	116,175	119,419
Commercial Loans	18,646	21,236	21,246	21,296	21,863
Multi Family	2,187	2,152	2,117	1,450	1,419
Residential Mortgage	116,961	116,969	114,803	110,094	107,270
Consumer Loans	11,787	10,814	9,657	7,096	7,977
County/Municipal Loans	7,631	12,293	3,911	3,537	4,501
Loss Share Loans	10,815	10,345	9,543	9,360	7,689
Total Loans	\$291,071	\$309,862	\$296,286	\$282,700	\$281,425
Allowance for Loss	<u>(3,263)</u>	<u>(2,881)</u>	<u>(3,052)</u>	<u>(3,021)</u>	<u>(2,817)</u>
Net Loans	\$287,808	\$306,981	\$293,234	\$279,679	\$278,608
OREO	3,552	3,331	2,421	1,500	1,769
FDIC Indemnification	503	498	474	419	433
BOLI	19,995	20,130	20,265	20,391	20,548
Fixed Assets, net	\$18,720	\$18,553	\$18,214	\$17,671	\$17,362
Intangible Assets	535	648	618	583	555
Other Assets	<u>6,552</u>	<u>6,339</u>	<u>6,983</u>	<u>6,651</u>	<u>33,982</u>
Total Assets	\$553,695	\$541,079	\$566,264	\$554,346	\$551,557

**Liabilities & Stockholders'
Equity**

Liabilities

Deposits

DDAs	\$120,659	\$114,345	\$130,877	\$119,343	\$112,974
Interest Bearing Demand	53,979	50,965	62,784	61,172	55,248
Celebration Checking	82,246	90,893	97,316	108,076	110,894
Money Market Accts	42,004	41,731	38,643	35,289	33,858
Savings	57,887	56,517	55,550	55,831	53,397
CDs Less Than \$100k	88,158	84,510	81,930	79,221	76,301
CDs Greater than \$100k	<u>49,697</u>	<u>46,603</u>	<u>44,080</u>	<u>39,576</u>	<u>40,585</u>
Total Deposits	\$494,630	\$485,564	\$511,180	\$498,508	\$483,257

Other Liabilities	6,684	2,414	2,690	1,988	1,919
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Net Borrowings (Wholesale Funding)	-	-	-	-	-
Total Liabilities	\$501,314	\$487,978	\$513,870	\$500,496	\$485,176
Total Equity	52,381	53,101	52,394	53,850	66,381
Total Liabilities & Stockholders' Equity	\$553,695	\$541,079	\$566,264	\$554,346	\$551,557

Ratios

	2Q 2015	3Q 2015	4Q 2015	1Q 2016	2Q 2016
ROAA	0.34%	0.48%	-0.01%	0.66%	8.29%
ROAE	3.65%	5.01%	-0.10%	6.80%	76.1%
NPAs/Assets (Core)	1.71%	1.68%	1.40%	1.18%	1.08%
Tier 1 Leverage	8.81 %	9.12 %	8.87 %	8.94 %	9.42 %
Total Common Equiv. Shares	8,380,337	8,380,337	8,380,337	8,380,337	8,380,337
NIM	3.81%	3.76%	3.57%	3.47%	3.59%
Cost of Funds	0.25%	0.25%	0.24%	0.24%	0.22%
Loan/Deposit	58.8%	63.8%	57.9%	56.6%	58.2%
Employees	170	163	153	129	127