



NEWS

July 24, 2019

SouthCrest Financial Group Reports Preliminary 2Q19 Earnings

ATLANTA, GA – Brian D. Schmitt, Chief Executive Officer of SouthCrest Financial Group, Inc. (SCSG:PK) announced today that the Company reported preliminary earnings of \$1.05MM or \$0.12/share for the second quarter ended June 30, 2019. Excluding unusual items, primarily consisting of a loss on the sale of a former bank building, core earnings were \$1.23MM or \$0.15/share. The core results represent year over year quarterly earnings growth of over 20%, driven by loan growth and continued focus on expenses.

“We are extremely pleased to experience earnings growth of over 25% in the first half of 2019 versus the first half of 2018. The pricing environment continues to remain challenging on both sides of the balance sheet. Atlanta has experienced significant changes in the banking landscape and the competition remains robust. We continue to look for ways to increase SouthCrest’s influence in the Atlanta MSA while maintaining our primary focus of improving shareholder value and managing capital appropriately.”

Total assets were down to \$528.5MM vs. \$542.6MM in 1Q19, and vs. \$541.3MM in 2Q18. Seasonality accounts for some of the decline in total assets during the quarter vs. 1Q, and there was one large municipal deposit that left the bank due to pricing competition. The cost of funds and cost of deposits were up just 3bps and 2bps respectively from 1Q19.

The estimated Tier 1 Leverage ratio at the end of the quarter for SouthCrest Bank increased to 9.95%. On a fully converted basis (including the conversion of all preferred equity), TBV/share ended the quarter at \$7.21 per share, up from \$6.90 at the end of the first quarter. This metric will continue to be influenced by OCI changes resulting from the swings in interest rates. Currently, the impact to TBV by OCI is \$0.07/share vs. -\$0.16/share as of 1Q19. The current fully converted share count at the end of the quarter was 8.42 million shares, comprised of 6.36 million common shares and 2.06 million preferred shares. In addition, the Company still retains a small deferred tax asset valuation allowance related to state taxes that totals approximately \$0.07/fully converted share.

Asset quality ratios ticked up slightly during the quarter, with NPAs to assets increasing to 1.09% vs. 0.92% in 1Q19, excluding the \$396,000 of a former bank building in OREO (this building was under contract and subsequently sold in early July). Including this building, 2Q19

NPAs/total assets were 1.17% of assets vs. 1.02% in 1Q19. Excluding the impact of the bank building in OREO, OREO balances were just \$179,000.

ABOUT SOUTHCREST

SouthCrest Financial Group, Inc. is a bank holding company with over half a billion dollars in assets, headquartered in Atlanta, GA. The company operates a 9 branch network throughout Georgia through its subsidiary bank, SouthCrest Bank, N.A. The bank provides a full suite of retail, private, entrepreneurial, high-net-worth 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
678.734.3505

Statement of Operations (\$000s, Unaudited)

	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Interest Income					
Loans					
Construction and Development	\$479	\$560	\$633	\$609	\$603
Commercial Real Estate	1,696	1,776	1,819	1,800	1,834
Commercial Loans	370	454	401	458	429
Multi Family	28	27	20	19	32
Residential Mortgage	1,116	1,119	1,167	1,176	1,101
Consumer Loans	56	51	48	41	41
County/Municipal Loans	23	23	25	25	22
Loss Share Loans	79	70	64	62	61
Investment Securities					
Federal Funds/Overnight Funds	\$48	\$41	\$65	\$82	\$88
Bank Owned CDs	6	7	7	7	6
Investment Securities	1,214	1,181	1,187	1,168	1,111
Total Interest Income	\$5,115	\$5,311	\$5,436	\$5,447	\$5,329
Total Interest Expense	\$506	\$586	\$728	\$746	\$759
Net Interest Income	\$4,609	\$4,725	\$4,708	\$4,701	\$4,570
Provision for Loan Losses	0	46	0	0	0
Net Interest Income after Loan Losses	\$4,609	\$4,679	\$4,708	\$4,701	\$4,570
Other Income					
Service Charges on Deposits	\$165	\$169	\$164	\$156	\$153
NSF/Overdraft Fees	334	350	396	309	310
Other Service Charges	63	62	65	65	70
ATM/Billpay/DR Card Income	280	273	260	255	284
Other Income	125	316	172	204	131
Total Other Income	\$967	\$1,170	\$1,057	\$989	\$947
Non-Interest Expense					
Salaries, Other Comp (+ FAS123R)	\$1,969	\$1,889	\$1,822	\$1,849	\$1,842
Employee Benefits	524	435	458	419	370
Occupancy & FF&E Expense	590	621	588	621	570
Professional Fees	156	305	136	170	274
Data Processing	489	485	476	481	488
Other Expense	832	693	724	649	613
Total Noninterest Expenses	\$4,560	\$4,428	\$4,204	\$4,189	\$4,157
Pre-Tax Income (Loss)	\$1,016	\$1,421	\$1,561	\$1,501	\$1,360
Income Taxes	210	319	289	321	315
Net Income	\$806	\$1,102	\$1,272	\$1,180	\$1,045

Balance Sheet (\$000s, Unaudited)

<u>Assets</u>	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Current Assets					
Cash & Due from Bank	\$18,408	\$14,189	\$20,168	\$20,243	\$30,930
Federal Funds/Overnight Funds	5,446	0	6,070	1,718	0
Bank Owned CDs	1,319	1,322	1,322	1,322	1,322
Investment Securities	169,924	166,632	162,936	161,561	141,013
Total Current Assets	\$195,097	\$182,143	\$190,496	\$184,844	\$173,265
Loans					
Construction and Development	\$34,157	\$43,113	\$40,420	\$41,777	\$40,040
Commercial Real Estate	134,653	148,219	144,329	144,178	153,527
Commercial Loans	29,873	29,997	29,452	28,177	28,036
Multi Family	2,230	1,518	1,466	1,438	1,970
Residential Mortgage	92,346	88,357	94,199	92,405	85,064
Consumer Loans	3,361	2,143	2,579	1,086	1,384
County/Municipal Loans	2,480	2,459	2,438	2,301	2,037
Loss Share Loans	4,480	3,466	4,030	3,975	3,933
Total Loans	\$303,581	\$319,272	\$318,914	\$315,337	\$315,991
Allowance for Loss	<u>(3,037)</u>	<u>(3,060)</u>	<u>(3,042)</u>	<u>(2,968)</u>	<u>(3,022)</u>
Net Loans	\$300,544	\$316,212	\$315,872	\$312,369	\$312,698
OREO	879	720	821	670	575
FDIC Indemnification	112	0	0	0	0
BOLI	21,640	21,773	21,909	22,039	22,186
Fixed Assets, net	9,970	9,733	9,511	9,268	9,180
Intangible Assets	152	126	116	107	100
Other Assets	<u>12,880</u>	<u>13,365</u>	<u>11,759</u>	<u>13,336</u>	<u>10,083</u>
Total Assets	\$541,274	\$544,072	\$550,484	\$542,633	\$528,503
<u>Liabilities & Stockholders'</u>					
<u>Equity</u>					
Liabilities					
Deposits					
DDAs	\$97,587	\$88,768	\$106,821	\$99,896	\$98,229
Interest Bearing Demand	81,262	64,684	62,829	59,270	59,606
Celebration Checking	105,358	101,474	99,694	102,617	100,950
Money Market Accts	30,402	47,286	55,836	49,584	33,080
Savings	43,862	44,139	43,574	44,152	44,407
CDs Less Than \$100k	57,600	57,349	56,864	56,664	56,256
CDs Greater than \$100k	<u>30,477</u>	<u>34,795</u>	<u>38,007</u>	<u>39,867</u>	<u>38,854</u>
Total Deposits	\$446,548	\$438,495	\$463,625	\$452,054	\$431,382
Other Liabilities	1,874	2,115	1,493	2,492	2,583

Net Borrowings (Wholesale Funding)	40,000	50,641	30,000	30,000	33,795
Total Liabilities	\$488,422	\$491,251	\$495,118	\$484,546	\$467,760
Total Equity	52,852	52,821	55,366	58,087	60,743
Total Liabilities & Stockholders' Equity	\$541,274	\$544,072	\$550,484	\$542,633	\$528,503

Ratios

	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
ROAA	0.59%	0.81%	0.93%	0.86%	0.78%
ROAE	6.12%	8.35%	9.40%	8.32%	7.03%
NPAs/Assets (Core)	1.25%	1.11%	0.92%	0.92%	1.09%
Est. T1 Leverage (Bank)	8.56%	8.94%	9.16%	9.46%	9.95%
Total Common Shares	6,190,012	6,198,632	6,198,632	6,198,632	6,360,273
Total Preferred Shares	2,223,360	2,223,360	2,223,360	2,223,360	2,061,719
Total Common Equiv. Shares	8,413,372	8,421,992	8,421,992	8,421,992	8,421,992
NIM	3.73%	3.78%	3.79%	3.86%	3.75%
Cost of Deposits	0.25%	0.33%	0.44%	0.49%	0.51%
Loan/Deposit	68.0%	72.5%	68.8%	69.5%	73.4%
Employees	115	110	106	105	106
Loans in Atlanta MSA	61.6%	65.8%	65.3%	66.0%	67.4%