



July 21, 2020

SouthCrest Financial Group Reports Preliminary 2Q20 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 \$1.63 million or \$0.21/share for the second quarter ended June 30, 2020. Excluding non-core items, primarily securities gains, core earnings were \$1.21 million, or \$0.15/share. Total core net income is up effectively flat from 2Q19, but core EPS increased by 20% from 1Q20.

“I would like to start with saying how proud I remain in the efforts of all of our team members who have operated at the highest standard possible during this remarkably difficult time. Our SouthCrest family has gone above and beyond in taking care of each other, our customers and the communities we have the privilege to serve and live in.”

“Financially, we are comfortable with where we stand today but we continue to be diligent on the credit front. The earnings run rate at SouthCrest has recovered to pre-COVID levels as expenses have declined slightly while the balance sheet adjustments made during the past four months have offset the negative interest margin impact of the first quarter FOMC rate cuts. Loan deferrals appear to have hit a peak in June at approximately \$58 million or 18% of loans. As of this writing, based on communication with nearly every deferred borrower, and using the standard of payments actually occurring to signify the end of deferral, we expect deferrals at the end of July to be down 60% to \$23MM or 7% of loans, and decline further in August to just 2% of loans. As a result, we currently believe that our allowance for loan losses and future provisioning expense should be manageable for the rest of 2020. We also believe that our strong earnings performance and significantly increased unrealized gain in our investment portfolio will provide additional capital if necessary.”

The Company is also announcing that it will pay a regular quarterly dividend of \$0.05/share on August 13, 2020 to shareholders of record July 30, 2020.

Total assets increased to \$622.4 million vs. \$577.7 million in 1Q20 and \$528.5MM in the year ago quarter. Loan growth was modest during the quarter finishing at \$338.6 million vs. \$334.5 million at the end of 1Q20 and \$316.0 million 2Q19. None of the loan growth during the quarter was the result of PPP loans as the Company partnered with a third party for that product. The ALLL grew from \$3.2MM (0.95% of loans) to \$4.0MM (1.18% of loans) in the quarter with the elevated provision expense and a significant recovery that occurred in June. Excess liquidity was reinvested into the investment portfolio which increased by \$34MM during the quarter.

Interest income increased 4.3% from 1Q20 due to both the increase in loan balances and the larger investment portfolio. Interest expense declined 3.8% during the quarter as well which increased the overall net interest income by 5.7% or \$260,000 versus the first quarter. During the second quarter, the cost of deposits declined by 8bps to 0.46%. Provision expense increased to \$450,000 from \$150,000 in the first three months of 2020.

Non-interest income, excluding the \$548,000 of securities gains, was down from the prior three months with NSF and overdraft fees declining by 48% as the primary driver. Non-interest expense declined by 9% from the previous quarter with the majority of the decline resulting from the temporary elimination of bonus accruals.

The estimated Tier 1 Leverage ratio at the end of the quarter for SouthCrest Bank declined to 8.99% from 9.62% as a result of the deposit growth during the quarter. On a fully converted basis (including the conversion of all preferred equity), TBV/share ended the quarter at \$7.84 per share, up from \$6.83 at the end of 2019 and \$7.09 at the end of 1Q20. This is directly a result of the timely securities purchases made during the past four months. This metric will continue to be influenced by OCI changes resulting from the swings in interest rates. Currently, the positive impact to TBV by OCI is \$0.86/share vs. \$0.09/share at the end of 4Q19 and \$0.28/share as of 1Q20. The current fully converted share count at the end of the quarter was 7.841 million shares, comprised of 5.786 million common shares and 2.055 million preferred shares.

Asset quality ratios improved slightly from the prior quarter, with NPAs to assets declining to 0.71% vs. 0.80% in 1Q20. As of June 30, 2020 the Company's OREO balances were \$447,000.

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. You should not rely upon forward-looking statements, as they are inherently unlikely to occur, and we do not assume any liability to update or correct any forward-looking statements that we make.

Andy Borrmann
Chief Financial Officer
678.734.3505

Statement of Operations (\$000s, Unaudited)

	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Interest Income					
Loans					
Construction and Development	\$603	\$636	\$669	\$744	\$758
Commercial Real Estate	1,834	2,037	2,030	1,856	1,974
Commercial Loans	429	446	645	553	567
Multi Family	32	27	28	21	21
Residential Mortgage	1,101	991	1,029	904	750
Consumer Loans	41	41	34	36	29
County/Municipal Loans	22	22	24	34	41
Loss Share Loans	61	61	58	46	37
Investment Securities					
Federal Funds/Overnight Funds	\$88	\$107	\$77	\$129	\$6
Bank Owned CDs	6	6	2	0	0
Investment Securities	1,111	950	996	1023	1393
Total Interest Income	\$5,329	\$5,324	\$5,592	\$5,346	\$5,576
Total Interest Expense	\$759	\$658	\$699	\$769	\$741
Net Interest Income	\$4,570	\$4,666	\$4,893	\$4,577	\$4,835
Provision for Loan Losses	0	39	0	150	450
Net Interest Income after Loan Losses	\$4,570	\$4,627	\$4,893	\$4,427	\$4,385
Other Income					
Service Charges on Deposits	\$153	\$148	\$144	\$138	\$132
NSF/Overdraft Fees	310	356	348	305	158
Other Service Charges	70	78	95	64	71
ATM/Billpay/DR Card Income	284	278	271	247	277
Other Income	131	308	268	238	664
Total Other Income	\$947	\$1,169	\$1,186	\$992	\$1,303
Non-Interest Expense					
Salaries, Other Comp (+ FAS123R)	\$1,842	\$1,856	\$2,140	\$1,940	\$1,711
Employee Benefits	370	391	379	412	341
Occupancy & FF&E Expense	570	564	529	503	506
Professional Fees	274	152	149	141	143
Data Processing	488	497	502	488	385
Other Expense	613	505	667	632	661
Total Noninterest Expenses	\$4,157	\$3,963	\$4,366	\$4,116	\$3,747
Pre-Tax Income (Loss)	\$1,360	\$1,832	\$1,713	\$1,303	\$1,941
Income Taxes	315	417	389	265	316
Net Income	\$1,045	\$1,414	\$1,323	\$1,038	\$1,625

Balance Sheet (\$000s, Unaudited)

<u>Assets</u>	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Current Assets					
Cash & Due from Bank	\$30,930	\$13,758	\$38,555	\$19,845	\$22,520
Federal Funds/Overnight Funds	0	0	5,215	0	7,873
Bank Owned CDs	1,322	1,069	77	0	0
Investment Securities	141,013	139,907	139,880	184,377	318,680
Total Current Assets	\$173,265	\$154,733	\$183,727	\$204,222	\$249,072

Loans

Construction and Development	\$40,040	\$43,661	\$47,593	\$56,430	\$64,320
Commercial Real Estate	153,527	155,397	146,287	142,610	139,407
Commercial Loans	28,036	42,921	53,833	53,383	56,860
Multi Family	1,970	1,939	1,611	1,601	1,590
Residential Mortgage	85,064	80,391	77,772	73,778	66,810
Consumer Loans	1,384	1,022	830	2,144	2,472
County/Municipal Loans	2,037	2,037	3,109	3,732	4,851
Loss Share Loans	3,933	3,859	3,601	2,451	2,315
Total Loans	\$315,991	\$331,227	\$334,635	\$336,129	\$338,625
Allowance for Loss	<u>(3,022)</u>	<u>(3,073)</u>	<u>(3,039)</u>	<u>(3,184)</u>	<u>(3,984)</u>
Net Loans	\$312,698	\$328,154	\$331,596	\$332,946	\$334,641
OREO	575	0	497	529	447
FDIC Indemnification	0	0	0	0	0
BOLI	22,186	22,323	22,456	22,583	22,737
Fixed Assets, net	9,180	8,982	8,862	8,705	8,697
Intangible Assets	100	96	84	80	68
Other Assets	<u>10,083</u>	<u>9,424</u>	<u>8,740</u>	<u>8,604</u>	<u>6,731</u>
Total Assets	\$528,503	\$523,711	\$555,960	\$577,669	\$622,383

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

DDAs	\$98,229	\$94,680	\$103,154	\$96,517	\$114,554
Interest Bearing Demand	59,606	63,386	87,685	85,746	96,141
Celebration Checking	100,950	97,277	98,558	103,718	111,421
Money Market Accts	33,080	32,382	33,888	37,693	38,650
Savings	44,407	44,383	44,370	44,516	47,674
CDs Less Than \$100k	56,256	56,543	54,228	53,616	52,709
CDs Greater than \$100k	<u>38,854</u>	<u>41,846</u>	<u>43,404</u>	<u>47,259</u>	<u>47,049</u>
Total Deposits	\$431,382	\$430,497	\$465,288	\$469,064	\$508,198
Other Liabilities	2,583	2,516	2,143	2,415	2,184

Net Borrowings (Wholesale Funding)	33,795	33,429	34,697	50,228	50,546
Total Liabilities	\$467,760	\$466,443	\$502,127	\$521,708	\$560,918
Total Equity	60,743	57,268	53,833	55,961	61,465
Total Liabilities & Stockholders' Equity	\$528,503	\$523,711	\$555,960	\$577,669	\$622,393

Ratios

	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
ROAA	0.78%	1.09%	0.98%	0.75%	1.05%
ROAE	7.04%	10.10%	9.52%	7.30%	10.87%
NPAs/Assets (Core)	1.09%	1.00%	0.77%	0.80%	0.71%
Est. T1 Leverage (Bank)	9.95%	9.65%	9.63%	9.62%	8.99%
Total Common Shares	6,360,273	5,849,101	5,832,793	5,832,793	5,786,288
Total Preferred Shares	2,061,719	2,058,121	2,054,759	2,054,759	2,054,759
Total Common Equiv. Shares	8,421,992	7,907,222	7,887,552	7,887,552	7,841,047
NIM (Bank)	3.74%	3.92%	4.03%	3.65%	3.37%
Cost of Deposits (Bank)	0.51%	0.54%	0.53%	0.54%	0.46%
Loan/Deposit	73.0%	76.7%	71.9%	71.6%	66.6%
Employees	106	103	105	104	102
Loans in Atlanta MSA	67.4%	76.8%	77.5%	78.2%	79.1%