



SouthCrest Financial Group Reports Closure of \$17.5 Million Capital Raise and Charter Consolidation Application with Preliminary 3Q13 Financial Results

Company release – October 24, 2013

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 third quarter of 2013, as well as the completion of the previously disclosed \$17.5 million capital raise. On September 27th, SouthCrest funded investments with affiliates of Castle Creek Capital and other institutional investors that total \$17.5 million in a mix of voting common and non-voting preferred securities at a price of \$5.05 per share. “We are beyond enthusiastic about our partnership with Castle Creek Capital and our other new investors,” stated Mr. Maloy. “Their experience and involvement enables us to capitalize on our already building momentum and internal loan growth. We look forward to taking the fundamental dynamics we’ve developed into future growth opportunities in our Georgia and Alabama markets.”

“The influx of this new capital enhances the Company’s ability to help our customers thrive, empower our employees with training and technology, and continue to build value for our shareholders over time,” continued Mr. Maloy.

The Company intends to use the proceeds for general corporate purposes, including the potential redemption of the TARP preferred shares and other strategic initiatives.

The Company also announced the approval by the Board of Directors to make the necessary applications to consolidate the charters of the four banks in the holding company. Charter consolidation has been a long term goal of the Company, and management expects to complete and file the application over the next few weeks. “The profitability improvements created by combining the charters should approach 0.20% ROAA. We expect to completely phase in these improvements within six to twelve months after we receive the required regulatory approvals,” said Mr. Maloy.

During the quarter the company produced a net loss of \$0.9 million, a large portion of which was due to the restructuring of the mortgage division that started in late 2Q13 and was completed in mid-3Q13. Total assets at the end of the quarter were up 1.7% linked quarter annualized (LQA) to \$561.9 million from 2Q13, while total core loans increased 7.7% LQA, constituting the Company’s greatest loan growth since prior to the financial crisis.

The deposit mix continued to improve, with total non-CD funding increasing to 66% in 3Q13 from 65% the prior quarter, although total deposits did decline somewhat. Given the current loan to deposit ratio, the Company is maintaining at or below market deposit pricing at this time which has led to the decline in total deposits. The improvement in deposit mix and disciplined pricing continued to drive the cost of funds down. The total cost of funds in 3Q13 was just 0.32%, vs. 0.52% during 3Q12.

Credit costs remained controlled with no loan loss provision expense, although OREO costs of \$293,000 were up slightly from \$178,000 in the prior quarter.

Finally, the completion of the capital raise during the quarter caused a significant increase in the capital ratios. The estimated Tier 1 Leverage ratio at the end of the quarter was 11.68%, up from 8.72% for 2Q13 and 8.83% at the end of 2012. The capital raise was modestly dilutive from a tangible book value perspective. On a fully diluted basis (including the conversion of all Series AAA Preferred and Series C Convertible Preferred equity) TBV/share ended the quarter at \$6.26 per share. The current fully diluted, fully converted share count at the end of the quarter is 8.380 million shares. Not reflected in the current TBV/share is a deferred tax asset valuation allowance of \$9.482 million.

The Company also continued to work through its FDIC loss share covered assets, with the net loan balance shrinking by 21% LQA. The FDIC Indemnification Asset declined by \$422,000 or 5.5% from 2Q13 to 3Q13 (22% LQA), and now stands at \$7.3 million with approximately 6 quarters remaining on the commercial portfolio loss sharing agreement.

SouthCrest Financial Group, Inc. is a \$560 million asset bank holding company headquartered in Peachtree City, Georgia. The company operates a 14 branch network throughout Georgia and Alabama through its four subsidiary banks: SouthCrest Bank, The First National Bank of Polk County, Peachtree Bank and Bank of Chickamauga. The banks provide 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.

Income Statement

2013

	Q1	Q2	Q3	YTD
Interest Income				
Loans				
Construction and Development	\$ 201	\$ 199	\$ 213	\$ 613
Commercial Real Estate	974	1,012	1,004	2,990
Commercial Loans	155	151	156	461
Multi Family	18	16	19	53
Residential Mortgage	1,468	1,432	1,426	4,326
Consumer Loans	482	458	471	1,411
SCM Loans	110	100	84	294
Loss Share Loans	347	313	299	959
	\$ 3,754	\$ 3,680	\$ 3,673	\$ 11,107
Investment Securities				
Federal Funds/Overnight Funds	\$ 80	\$ 80	\$ 74	\$ 234
Bank Owned CDs	14	13	18	45
Investment Securities	<u>557</u>	<u>604</u>	<u>665</u>	<u>1,826</u>
Total Interest Income	\$ 4,405	\$ 4,377	\$ 4,430	\$ 13,212
Total Interest Expense	\$ 484	\$ 436	\$ 397	\$ 1,316
Net Interest Income	\$ 3,922	\$ 3,941	\$ 4,033	\$ 11,896
Provision for Loan Losses	400	-	-	400

Net Interest Income after Loan Losses	\$	3,522	\$	3,941	\$	4,033	\$	11,496
Service Charges on Deposits	\$	122	\$	112	\$	112	\$	346
NSF/Overdraft Fees		552		571		611		1,734
Other Service Charges		86		104		94		284
ATM/Billpay/DR Card Income		322		362		354		1,038
Gain on Sale of loans		415		322		159		896
Other Income		757		699		1,032		2,488
Total Other Income	\$	2,254	\$	2,170	\$	2,362	\$	6,786
Non Interest Expense								
Salaries, Other Comp (+ FAS123R) (- FAS 91)	\$	2,623	\$	2,560	\$	2,838	\$	8,021
Employee Benefits		658		524		574		1,756
Occupancy & FF& E Expense		676		760		757		2,193
Professional Fees		355		587		524		1,466
Data Processing		254		398		291		943
OREO and Credit related Exp.		451		178		293		922
Other Expense		1,847		1,886		2,052		5,785
Total Other Expenses	\$	6,864	\$	6,893	\$	7,329	\$	21,086
Pre-Tax Income (Loss)	\$	(1,088)	\$	(782)	\$	(934)	\$	(2,804)
Income Taxes		-		-		-		-
Net Income	\$	(1,088)	\$	(782)	\$	(934)	\$	(2,804)

Balance Sheet

<u>Assets</u>	1Q 2013	2Q 2013	3Q 2013
Current Assets			
Cash & Due from Bank	\$ 16,468	\$ 15,412	\$ 29,665
Federal Funds/Overnight Funds	108,342	114,068	92,064
Bank Owned CDs	5,909	6,888	5,914
Investment Securities	116,360	113,784	122,132
Mortgage Loans Held for Sale	<u>4,239</u>	<u>3,713</u>	<u>2,803</u>
Total Current Assets	\$ 251,318	\$ 253,865	\$ 252,578
Loans			
Construction and Development	\$ 13,110	\$ 12,696	\$ 13,424
Commercial Real Estate	79,046	76,646	76,705
Commercial Loans	9,910	9,566	8,985
Multi Family	2,281	2,216	2,278
Residential Mortgage	103,762	102,786	104,186
Consumer Loans	20,735	19,916	20,464
SCM Loans	9,978	9,410	11,665
Loss Share Loans	14,670	14,372	13,622
Total Loans	\$ 253,492	\$ 247,608	\$ 251,329
Allowance for Loss	<u>(5,486)</u>	<u>(4,745)</u>	<u>(4,444)</u>
Net Loans	\$ 248,006	\$ 242,863	\$ 246,885
Core Loans	\$ 238,822	\$ 233,236	\$ 237,707
OREO	\$ 8,245	\$ 11,441	\$ 9,966
FDIC Indemnification	8,562	7,688	7,266
BOLI	18,725	18,886	19,021

Technology, Software, & FFE	17,224	17,200	18,742
Accumulated Depreciation	-	-	-
Intangible Assets	1,135	1,080	1,002
Accrued Interest Receivable	-	-	-
Other Assets	<u>6,411</u>	<u>6,440</u>	<u>6,405</u>
Total Assets	<u>\$ 559,626</u>	<u>\$ 559,463</u>	<u>\$ 561,865</u>
<u>Liabilities & Stockholders' Equity</u>			
Liabilities			
Deposits			
DDAs	\$ 114,063	\$ 119,096	\$ 115,614
Interest Bearing Demand	48,914	50,914	50,218
Rewards Checking	35,131	32,981	32,352
Money Market Accts	58,152	58,500	57,197
Savings	64,131	64,823	63,820
CDs Less Than \$100k	120,310	116,326	112,421
CDs Greater than \$100k	<u>56,520</u>	<u>56,191</u>	<u>53,389</u>
Total Deposits	\$ 497,221	\$ 498,831	\$ 485,011
Other Liabilities	\$ 9,642	\$ 10,053	\$ 10,289
Net Borrowings (Wholesale Funding)	<u>275</u>	<u>-</u>	<u>330</u>
Total Liabilities	\$ 507,138	\$ 508,884	\$ 495,630
Total Equity	<u>\$ 52,488</u>	<u>\$ 50,579</u>	<u>\$ 66,235</u>
Total Liabilities & Stockholders' Equity	<u>\$ 559,626</u>	<u>\$ 559,463</u>	<u>\$ 561,865</u>

Ratios

	1Q 2013	2Q 2013	3Q 2013
ROAA	-0.79%	-0.56%	-.67%
ROAE	-8.23%	-6.08%	-6.80%
NPA's/Assets (Core)	2.72%	2.27%	2.31%
Tier 1 Leverage	8.93%	8.67%	11.67%
Total Common Equiv. Shares	4,914,991	4,914,991	8,380,337
NIM	3.27%	3.23%	3.38%
Cost of Funds	0.39%	0.35%	0.32%
Loan/Deposit	51.0%	49.6%	51.8%

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