



# NEWS

Contact: Andrew Bowen, APR  
[ab@clearviewcom.com](mailto:ab@clearviewcom.com)  
404-822-3309

Oct. 28, 2016

## SouthCrest Financial Group Reports Preliminary 3Q16 Earnings

WOODSTOCK, GA – Brian D. Schmitt, Chief Executive Officer of SouthCrest Financial Group, Inc. (SCSG:PK) announced today that the company reported preliminary net income of \$680,000 or \$0.08/share for the third quarter ended September 30, 2016.

“I am excited to report my first quarter of earnings with SouthCrest Bank as the new CEO. My goal is to push our Company towards higher loan growth, better customer relationships, a higher level of employee satisfaction and higher, more consistent profitability for our shareholders,” Schmitt said.

“To complete this task, we will have some additional one-time items occur for the next few quarters, but expect these adjustments to move our return on assets closer to our long term target of 1.0% after tax.” Schmitt continued.

“The team I have inherited has done significant work on the expense side and we will continue to maintain a high level of focus there. With that said, we are now looking to grow loans to improve our returns so we will dedicate additional financial resources to this area going forward. We are also excited to have a new member of the Board of Directors, Dan Broos, join our team and help us push SouthCrest further along this path.”

Core pre-tax earnings for the quarter were \$1.3 million, with net unusual items during the quarter totaling \$311,000 of pre-tax expenses. This equates to an approximate 0.94% pre-tax ROA for the quarter. On a core basis, expenses for the quarter were \$4.4 million, down from approximately \$5.9 million in 3Q15.

Deposits were lower, consistent with the seasonality the Company experiences every third quarter. Year over year deposits fell less than 2%, which is well within the expectations of management based on the changes in deposit rates and fees that occurred over the past three quarters.

Loans did decline by 1.2% from 2Q16, but with the refocus on lending directly in the Atlanta market, management expects to make significant progress on balances.

Service fee income, including all deposit fees, NSF/Overdraft and ATM/Card related income was up 12% from 2Q15, an annual run rate increase of over \$500,000.

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 \$7.27 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 3Q16 NPAs/total assets declining to 0.91% of assets, the lowest level since March, 2008. Other real estate owned decreased from 2Q16 and now stands at just \$936,000, down from over \$3.3 million in 3Q15.

#### ABOUT SOUTHCREST

SouthCrest Financial Group, Inc. is a \$550 million asset bank holding company headquartered in Woodstock, Ga. 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, 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)

	2015		2016		
	Q3	Q4	Q1	Q2	Q3
<b>Interest Income</b>					
Loans					
Construction and Development	\$261	\$205	\$206	\$143	\$153
Commercial Real Estate	1,483	1,512	1,465	1,479	1,537
Commercial Loans	301	275	280	280	276
Multi Family	29	27	26	18	18
Residential Mortgage	1,521	1,454	1,415	1,337	1,289
Consumer Loans	197	178	166	156	139
County/Municipal Loans	59	65	29	28	29

Loss Share Loans	214	140	116	132	132
<b>Investment Securities</b>					
Federal Funds/Overnight Funds	\$11	\$22	\$38	\$27	\$42
Bank Owned CDs	7	8	7	8	6
Investment Securities	904	916	1,030	1,083	933
<b>Total Interest Income</b>	<b>\$4,987</b>	<b>\$4,803</b>	<b>\$4,779</b>	<b>\$4,685</b>	<b>\$4,556</b>
<b>Total Interest Expense</b>	\$308	\$302	\$299	\$267	\$246
<b>Net Interest Income</b>	\$4,679	\$4,501	\$4,480	\$4,417	\$4,311
Provision for Loan Losses	0	150	50	0	0
<b>Net Interest Income after Loan Losses</b>	\$4,679	\$4,351	\$4,430	\$4,417	\$4,311
<b>Other Income</b>					
Service Charges on Deposits	\$113	\$110	\$105	\$215	\$245
NSF/Overdraft Fees	543	525	475	515	575
Other Service Charges	78	93	74	79	96
ATM/Billpay/DR Card	352	370	293	336	302
Income					
Other Income	973	475	829	(47)	339
<b>Total Other Income</b>	\$2,059	\$1,535	\$1,776	\$1,098	\$1,560
<b>Non-Interest Expense</b>					
Salaries, Other Comp (+ FAS123R)	\$2,419	\$2,257	\$2,006	\$1,772	\$1,705
Employee Benefits	424	645	591	360	707
Occupancy & FF&E Expense	1,020	919	933	848	860
Professional Fees	206	263	174	209	212
Data Processing	244	321	305	521	536
OREO and Credit related	156	146	41	36	36
Exp.					
Other Expense	1,608	1,409	1,243	927	724
<b>Total Noninterest Expenses</b>	\$6,077	\$5,927	\$5,293	\$4,673	\$4,917
<b>Pre-Tax Income (Loss)</b>	\$661	\$(36)	\$913	\$842	\$954
Income Taxes	-	-	-	(10,592)	274
<b>Net Income</b>	\$661	\$(36)	\$913	\$11,434	\$680
<b>Preferred Dividends</b>	\$125	\$125	\$125	\$125	\$125

**Balance Sheet**  
(\$000s,  
Unaudited)

	2015		2016		
<u>Assets</u>	Q3	Q4	Q1	Q2	Q3

**Current Assets**

Cash & Due from Bank	\$20,355	\$44,157	\$30,427	\$34,838	\$31,268
Federal Funds/Overnight Funds	14,171	2,186	3,306	569	0
Bank Owned CDs	1,815	1,815	1,815	1,716	1,218
Investment Securities	145,247	174,998	191,905	161,177	182,614
Mortgage Loans Held for Sale	3,011	899	0	0	0
<b>Total Current Assets</b>	<b>\$184,599</b>	<b>\$224,055</b>	<b>\$227,452</b>	<b>\$198,300</b>	<b>\$215,100</b>

**Loans**

Construction and Development	\$16,165	\$16,229	\$13,692	\$11,285	\$9,776
Commercial Real Estate	119,888	118,780	116,175	119,419	121,609
Commercial Loans	21,236	21,246	21,296	21,863	21,247
Multi Family	2,152	2,117	1,450	1,419	1,401
Residential Mortgage	116,969	114,803	110,094	107,270	102,512
Consumer Loans	10,814	9,657	7,096	7,977	7,363
County/Municipal Loans	12,293	3,911	3,537	4,501	6,456
Loss Share Loans	10,345	9,543	9,360	7,689	7,589
<b>Total Loans</b>	<b>\$309,862</b>	<b>\$296,286</b>	<b>\$282,700</b>	<b>\$281,425</b>	<b>\$277,952</b>

Allowance for Loss	<u>(2,881)</u>	<u>(3,052)</u>	<u>(3,021)</u>	<u>(2,817)</u>	<u>(2,701)</u>
--------------------	----------------	----------------	----------------	----------------	----------------

<b>Net Loans</b>	<b>\$306,981</b>	<b>\$293,234</b>	<b>\$279,679</b>	<b>\$278,608</b>	<b>\$275,251</b>
------------------	------------------	------------------	------------------	------------------	------------------

OREO	3,331	2,421	1,500	1,769	936
FDIC Indemnification	498	474	419	433	425
BOLI	20,130	20,265	20,391	20,548	20,683
Fixed Assets, net	\$18,553	\$18,214	\$17,671	\$17,362	\$16,967
Intangible Assets	648	618	583	555	507
Other Assets	<u>6,339</u>	<u>6,983</u>	<u>6,651</u>	<u>33,982</u>	<u>16,476</u>
<b>Total Assets</b>	<b>\$541,079</b>	<b>\$566,264</b>	<b>\$554,346</b>	<b>\$551,557</b>	<b>\$546,385</b>

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

Deposits					
DDAs	\$114,345	\$130,877	\$119,343	\$112,974	\$111,290
Interest Bearing Demand	50,965	62,784	61,172	55,248	54,552
Celebration Checking	90,893	97,316	108,076	110,894	111,544
Money Market Accts	41,731	38,643	35,289	33,858	33,956
Savings	56,517	55,550	55,831	53,397	52,061
CDs Less Than \$100k	84,510	81,930	79,221	76,301	73,964
CDs Greater than \$100k	<u>46,603</u>	<u>44,080</u>	<u>39,576</u>	<u>40,585</u>	<u>39,832</u>
<b>Total Deposits</b>	<b>\$485,564</b>	<b>\$511,180</b>	<b>\$498,508</b>	<b>\$483,257</b>	<b>\$477,388</b>

Other Liabilities	2,414	2,690	1,988	1,919	2,281
Net Borrowings (Wholesale Funding)	-	-	-	-	317
<b>Total Liabilities</b>	<b>\$487,978</b>	<b>\$513,870</b>	<b>\$500,496</b>	<b>\$485,176</b>	<b>\$479,797</b>
<b>Total Equity</b>	<b>53,101</b>	<b>52,394</b>	<b>53,850</b>	<b>66,381</b>	<b>66,548</b>
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>\$541,079</b>	<b>\$566,264</b>	<b>\$554,346</b>	<b>\$551,557</b>	<b>\$546,345</b>

#### Ratios

	<b>3Q 2015</b>	<b>4Q 2015</b>	<b>1Q 2016</b>	<b>2Q 2016</b>	<b>3Q 2016*</b>
ROAA	0.48%	-0.01%	0.66%	8.29%	0.53%
ROAE	5.01%	-0.10%	6.80%	76.1%	4.74%
NPAs/Assets (Core)	1.68%	1.40%	1.18%	1.08%	0.91%
Est. Tier 1 Leverage	9.12 %	8.87 %	8.94 %	9.54 %	9.84 %
Total Common Equiv. Shares	8,380,337	8,380,337	8,380,337	8,380,337	8,380,337
NIM	3.76%	3.57%	3.47%	3.59%	3.59%
Cost of Funds	0.25%	0.24%	0.24%	0.22%	0.20%
Loan/Deposit	63.8%	57.9%	56.6%	58.2%	58.2%
Employees	163	153	129	127	123

\*3Q2016 ROAA and ROAE are after tax vs. pre-tax prior to 2Q 2016. 2Q 2016 includes DTA valuation allowance recovery.