



## **SouthCrest Financial Group Reports Charter Consolidation Progress with Preliminary 4Q13 Financial Results**

Company release – February 3, 2014

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 fourth quarter of 2013, and provided additional information regarding the consolidation of the Company's four banking charters. "We are currently right on schedule to consolidate into an OCC charter named SouthCrest Bank NA on February 28<sup>th</sup>," said Mr. Maloy. "Our teams are thrilled to have the opportunity to work more efficiently as one bank and pass that value on to our customers and shareholders. We're working hard at bringing the best we have to offer to every corner of our footprint."

During the quarter the Company produced a net loss of \$2.3 million, of which \$1.0 million was due to one-time expenses, the majority of which were related to the upcoming charter consolidation. There were also \$0.3 million of OREO expense as the Company was able to exit its largest NPA, a \$4.2 million shopping center, lowering the total NPA levels to 1.64% of total assets, the lowest level since 2Q08. Net interest income after provision for loan losses increased for the third quarter in a row. Core loans were effectively flat even though the company had a \$6.0 million payoff in its low rate municipal lending area. Total assets at the end of the quarter were down 1.8% linked quarter annualized (LQA) to \$559.3 million from 3Q13. "Our results are far from where they need to be," stated Mr. Maloy. "The underlying post provision net interest income and loan growth trends are beginning to show improvement, but we also have significant work to do on the expense side in the first half of 2014. Consolidation will be a huge step in that direction."

The deposit mix continued to improve, with total non-CD funding increasing to 67% in 4Q13 from 66% the prior quarter and 63% at the end of 2012, with total deposits declining slightly. 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 4Q13 was just 0.29%, vs. 0.45% during 4Q12.

The estimated Tier 1 Leverage ratio at the end of the quarter was 11.02%, up from and 8.83% at the end of 2012 as a result of the capital raise that occurred in 3Q13. On a fully converted basis (including the conversion of all Series AAA Preferred and Series C Convertible Preferred equity) TBV/share ended the quarter at \$5.93 per share. The current fully converted share count at the end of the quarter is 8.380 million shares.

The Company also continued to work through its FDIC loss share covered assets, with the net covered loan balance shrinking by 6% LQA. The FDIC Indemnification Asset declined by \$892,000 or 12% from 3Q13 to 4Q13, and now stands at \$6.4 million with approximately 5 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 13 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.

**Statement of Operations (dollars in thousands)**

	<u>2013</u>			
	Q1	Q2	Q3	Q4
<b>Interest Income</b>				
Loans				
Construction and Development	\$201	\$199	\$213	\$186
Commercial Real Estate	974	1,012	1,004	1,058
Commercial Loans	155	151	156	175
Multi Family	18	16	19	14
Residential Mortgage	1,468	1,432	1,426	1,408
Consumer Loans	482	458	471	436
SCM Loans	110	100	84	72
Loss Share Loans	347	313	299	288
<b>Investment Securities</b>				
Federal Funds/Overnight Funds	\$80	\$80	\$74	\$59
Bank Owned CDs	14	13	13	14
Investment Securities	557	604	665	686
<b>Total Interest Income</b>	<b>\$4,405</b>	<b>\$4,377</b>	<b>\$4,425</b>	<b>\$4,396</b>
<b>Total Interest Expense</b>	<b>\$484</b>	<b>\$436</b>	<b>\$397</b>	<b>\$357</b>
<b>Net Interest Income</b>	<b>\$3,922</b>	<b>\$3,941</b>	<b>\$4,028</b>	<b>\$4,039</b>
Provision for Loan Losses	400	-	-	-
<b>Net Interest Income after Loan Losses</b>	<b>\$3,522</b>	<b>\$3,941</b>	<b>\$4,028</b>	<b>\$4,039</b>
<b>Other Income</b>				
Service Charges on Deposits	\$122	\$112	\$112	\$109
NSF/Overdraft Fees	552	571	611	587
Other Service Charges	86	104	94	88
ATM/Billpay/DR Card Income	322	362	354	369
Gain on Sale of loans	415	322	159	295
Other Income	757	699	1,032	851
<b>Total Other Income</b>	<b>\$2,254</b>	<b>\$2,170</b>	<b>\$2,362</b>	<b>\$2,299</b>
<b>Non Interest Expense</b>				
Salaries, Other Comp (+ FAS123R)	\$2,623	\$2,560	\$2,838	\$3,061
Employee Benefits	658	524	574	628
Occupancy & FF& E Expense	676	760	757	852
Professional Fees	355	587	524	757

Data Processing	254	398	291	292
OREO and Credit related Exp.	451	178	293	276
Other Expense	1,847	1,886	2,052	2,746
<b>Total Noninterest Expenses</b>	<b>\$6,864</b>	<b>\$6,893</b>	<b>\$7,329</b>	<b>\$8,612</b>
<b>Pre-Tax Income (Loss)</b>	<b>\$(1,088)</b>	<b>\$(782)</b>	<b>\$(939)</b>	<b>\$(2,274)</b>
Income Taxes	-	-	-	-
<b>Net Loss</b>	<b>\$(1,088)</b>	<b>\$(782)</b>	<b>\$(939)</b>	<b>\$(2,274)</b>

### Balance Sheets (Dollars in Thousands)

<u>Assets</u>	Q1	Q2	Q3	Q4
<b>Current Assets</b>				
Cash & Due from Bank	\$ 16,468	\$ 15,412	\$ 29,665	\$24,467
Federal Funds/Overnight Funds	108,342	114,068	92,064	99,080
Bank Owned CDs	5,909	6,888	5,914	3,247
Investment Securities	116,360	113,784	122,132	123,685
Mortgage Loans Held for Sale	<u>4,239</u>	<u>3,713</u>	<u>2,803</u>	<u>4,642</u>
<b>Total Current Assets</b>	<b>\$ 251,318</b>	<b>\$ 253,865</b>	<b>\$ 252,578</b>	<b>255,121</b>
<b>Loans</b>				
Construction and Development	\$ 13,110	\$ 12,696	\$ 13,424	14,404
Commercial Real Estate	79,046	76,646	76,705	82,492
Commercial Loans	9,910	9,566	8,985	9,977
Multi Family	2,281	2,216	2,278	2,155
Residential Mortgage	103,762	102,786	104,186	105,496
Consumer Loans	20,735	19,916	20,464	19,352
SCM Loans	9,978	9,410	11,665	3,845
Loss Share Loans	14,670	14,372	13,622	13,426
<b>Total Loans</b>	<b>\$ 253,492</b>	<b>\$ 247,608</b>	<b>\$ 251,329</b>	<b>251,147</b>
Allowance for Loss	<u>(5,486)</u>	<u>(4,745)</u>	<u>(4,444)</u>	<u>(4,443)</u>
<b>Net Loans</b>	<b>\$ 248,006</b>	<b>\$ 242,863</b>	<b>\$ 246,885</b>	<b>246,704</b>
<b>Core Loans</b>				
<b>\$ 238,822</b>	<b>\$ 233,236</b>	<b>\$ 237,707</b>	<b>237,721</b>	
OREO	\$ 8,245	\$ 11,441	\$ 9,966	5,283
FDIC Indemnification	8,562	7,688	7,266	6,374
BOLI	18,725	18,886	19,021	19,156
Fixed Assets, net	17,224	17,200	18,742	18,617
	-	-	-	-
Intangible Assets	1,135	1,080	1,002	920
Accrued Interest Receivable	-	-	-	-
Other Assets	<u>6,411</u>	<u>6,440</u>	<u>6,405</u>	<u>7,141</u>
<b>Total Assets</b>	<b>\$ 559,626</b>	<b>\$ 559,463</b>	<b>\$ 561,865</b>	<b>559,316</b>
<b>Liabilities &amp; Stockholders' Equity</b>				
<b>Liabilities</b>				
Deposits				
DDAs	\$ 114,063	\$ 119,096	\$ 115,614	127,477
Interest Bearing Demand	48,914	50,914	50,218	48,950
Rewards Checking	35,131	32,981	32,352	32,596
Money Market Accts	58,152	58,500	57,197	54,704
Savings	64,131	64,823	63,820	61,960

CDs Less Than \$100k	120,310	116,326	112,421	107,989
CDs Greater than \$100k	<u>56,520</u>	<u>56,191</u>	<u>53,389</u>	<u>50,623</u>
<b>Total Deposits</b>	<b>\$ 497,221</b>	<b>\$ 498,831</b>	<b>\$ 485,011</b>	<b>484,299</b>
Other Liabilities	\$ 9,642	\$ 10,053	\$ 10,289	11,576
Net Borrowings (Wholesale Funding)	<u>275</u>	<u>-</u>	<u>330</u>	<u>-</u>
<b>Total Liabilities</b>	<b>\$ 507,138</b>	<b>\$ 508,884</b>	<b>\$ 495,630</b>	<b>495,875</b>
<b>Total Equity</b>	<b>\$ 52,488</b>	<b>\$ 50,579</b>	<b>\$ 66,235</b>	<b>63,441</b>
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b><u>\$ 559,626</u></b>	<b><u>\$ 559,463</u></b>	<b><u>\$ 561,865</u></b>	<b><u>559,316</u></b>

#### Ratios

	1Q 2013	2Q 2013	3Q 2013	4Q 2013
ROAA	-0.79%	-0.56%	-0.67%	-1.62%
ROAE	-8.23%	-6.08%	-6.80%	-14.02%
NPA's/Assets (Core)	2.72%	2.27%	2.31%	1.64%
Tier 1 Leverage	8.93%	8.67%	11.67%	11.02%
Total Common Equiv. Shares	4,914,991	4,914,991	8,380,337	8,380,337
NIM	3.27%	3.23%	3.38%	3.36%
Cost of Funds	0.39%	0.35%	0.32%	0.29%
Loan/Deposit	51.0%	49.6%	51.8%	51.9%

*For more information, contact:*

Andy Borrmann, 678-734-3505  
SVP Finance, SouthCrest Financial Group