



SouthCrest Financial Group Reports Preliminary 4Q15 Earnings

Company release – February 9, 2016

PEACHTREE CITY, GA – Andrew Borrmann, Chief Financial Officer of SouthCrest Financial Group, Inc. (SCSG:PK) announced today that the company reported preliminary net income of $-\$36,000$ or $\$0.00$ /share. Core net income for the fourth quarter of 2015 was $\$509,000$ or $\$0.06$ per share prior to $\$545,000$ one-time items including $\$416,000$ in severance. “In the fourth quarter we furthered our cost control efforts, bringing down core expenses to a run rate under $\$22$ million/year in December. At this time we believe the run rate entering 3Q16 will be under $\$18$ million/year due to additional technology, occupancy, and personnel savings. Most of the personnel savings will come from the elimination of the mortgage division, which was effectively break even during 2015. Mortgage produced just under $\$250,000$ in gain on sale in 4Q. We believe 2016 will be slightly better on a net income basis without the division.” Speaking on the balance sheet Borrmann said “The decline in loans was disappointing and more than we were projecting. We did see the expected growth in deposits versus the third quarter and the overall mix continues to shift away from CD’s into core categories.”

Loan growth in 4Q15 was weak with a decline of $\$13.6$ million from 3Q15 with tax revenue related loans to municipalities falling by $\$8.4$ million. The municipal related decline was expected, however traditional commercial lending was weaker than projected as pricing competition remained substantial. Total loan balances were up 6% year over year.

Deposits were up significantly during the quarter with a continued improvement in the product mix and cost of funds. This is a seasonal effect for SouthCrest due to municipal deposits in our rural communities. Year over year deposits increased by 1%, with transaction accounts increasing to 57% of total deposits from 50% at the end of 2014. Time deposits declined over the same period from 29% of deposits to 25% of deposits.

The estimated Tier 1 Leverage ratio at the end of the quarter was 8.87%. On a fully converted basis (including the conversion of all preferred equity) TBV/share ended the quarter at $\$5.59$ 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 deferred tax asset valuation allowance that totals approximately $\$1.36$ /fully converted share.

Asset quality improved from 3Q15 with NPAs/total assets declining by 28 basis points to 1.40%. This was primarily due to the sale of the Company’s largest single OREO property during the quarter. Other real estate owned fell 46% year over year and now stands at $\$2.4$ million.

SouthCrest Financial Group, Inc. is a $\$565$ million asset bank holding company headquartered in Peachtree City, Georgia. 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, SBA lending, 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.

Andy Borrmann
 Chief Financial Officer
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Statement of Operations (\$000s, Unaudited)

	2014			2015	
	Q4	Q1	Q2	Q3	Q4
Interest Income					
Loans					
Construction and Development	\$216	\$219	\$231	\$261	\$205
Commercial Real Estate	1,371	1,274	1,374	1,483	1,512
Commercial Loans	319	245	261	301	275
Multi Family	17	20	26	29	27
Residential Mortgage	1,408	1,354	1,464	1,521	1,454
Consumer Loans	267	241	212	197	178
County/Municipal Loans	42	36	43	59	65
Loss Share Loans	194	169	324	214	140
Investment Securities					
Federal Funds/Overnight Funds	\$35	\$22	\$16	\$11	\$22
Bank Owned CDs	4	8	7	7	8
Investment Securities	971	1,058	960	904	916
Total Interest Income	\$4,844	\$4,646	\$4,918	\$4,987	\$4,803
Total Interest Expense	\$347	\$329	\$309	\$308	\$302
Net Interest Income	\$4,497	\$4,320	\$4,611	\$4,679	\$4,501
Provision for Loan Losses	95	239	200	0	150

Net Interest Income after Loan Losses	\$4,402	\$4,078	\$4,409	\$4,679	\$4,351
Other Income					
Service Charges on Deposits	\$106	\$99	\$99	\$113	\$110
NSF/Overdraft Fees	603	480	513	543	525
Other Service Charges	91	82	95	78	93
ATM/Billpay/DR Card Income	402	408	392	352	370
Other Income	1,270	1,028	1,017	973	475
Total Other Income	\$2,472	\$2,097	\$2,116	\$2,059	\$1,535
Non-Interest Expense					
Salaries, Other Comp (+ FAS123R)	\$2,529	\$2,610	\$2,492	\$2,419	\$2,257
Employee Benefits	432	672	440	424	645
Occupancy & FF&E Expense	1,023	935	1,004	1,020	919
Professional Fees	293	229	249	206	263
Data Processing	306	282	221	244	321
OREO and Credit related Exp.	287	230	67	156	146
Other Expense	1,978	1,613	1,575	1,608	1,409
Total Noninterest Expenses	\$6,848	\$6,571	\$6,048	\$6,077	\$5,927
Pre-Tax Income (Loss)	\$26	\$(396)	\$477	\$661	\$(36)
Income Taxes	-	-	-	-	-
Net Income	\$26	\$(396)	\$477	\$661	\$(36)

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

	2014		2015		
<u>Assets</u>	Q4	Q1	Q2	Q3	Q4
Current Assets					
Cash & Due from Bank	\$16,991	\$34,459	\$22,335	\$20,355	\$44,157
Federal Funds/Overnight Funds	34,182	17,067	10,736	14,171	2,186
Bank Owned CDs	2,974	1,814	1,814	1,815	1,815
Investment Securities	190,864	188,864	179,276	145,247	174,998
Mortgage Loans Held for Sale	932	3,985	1,869	3,011	899

Total Current Assets	\$245,943	\$246,189	\$216,030	\$184,599	\$224,055
Loans					
Construction and Development	\$15,187	\$15,218	\$16,495	\$16,165	\$16,229
Commercial Real Estate	104,493	102,069	106,549	119,888	118,780
Commercial Loans	17,399	17,679	18,646	21,236	21,246
Multi Family	1,589	1,543	2,187	2,152	2,117
Residential Mortgage	110,347	105,021	116,961	116,969	114,803
Consumer Loans	14,215	12,790	11,787	10,814	9,657
County/Municipal Loans	4,343	5,178	7,631	12,293	3,911
Loss Share Loans	12,447	10,837	10,815	10,345	9,543
Total Loans	\$280,020	\$270,334	\$291,071	\$309,862	\$296,286
Allowance for Loss	<u>(3,675)</u>	<u>(3,121)</u>	<u>(3,263)</u>	<u>(2,881)</u>	<u>(3,052)</u>
Net Loans	\$276,345	\$267,213	\$287,808	\$306,981	\$293,234
OREO	4,473	4,284	3,552	3,331	2,421
FDIC Indemnification	1,537	1,089	503	498	474
BOLI	19,710	19,834	19,995	20,130	20,265
Fixed Assets, net	\$19,255	\$18,978	\$18,720	\$18,553	\$18,214
Intangible Assets	583	573	535	648	618
Other Assets	<u>7,523</u>	<u>7,964</u>	<u>6,552</u>	<u>6,339</u>	<u>6,983</u>
Total Assets	\$575,369	\$566,124	\$553,695	\$541,079	\$566,264

Liabilities & Stockholders'

Equity

Liabilities

Deposits

DDAs	\$125,699	\$121,381	\$120,659	\$114,345	\$130,877
Interest Bearing Demand	64,178	61,685	53,979	50,965	62,784
Celebration Checking	64,998	75,844	82,246	90,893	97,316
Money Market Accts	44,434	41,871	42,004	41,731	38,643
Savings	59,251	59,859	57,887	56,517	55,550
CDs Less Than \$100k	94,923	91,545	88,158	84,510	81,930
CDs Greater than \$100k	<u>51,685</u>	<u>50,060</u>	<u>49,697</u>	<u>46,603</u>	<u>44,080</u>
Total Deposits	\$505,168	\$502,245	\$494,630	\$485,564	\$511,180

Other Liabilities	9,361	11,363	6,684	2,414	2,690
Net Borrowings (Wholesale Funding)	-	-	-	-	-
Total Liabilities	\$514,529	\$513,607	\$501,314	\$487,978	\$513,870
Total Equity	60,840	52,517	52,381	53,101	52,394
Total Liabilities & Stockholders' Equity	\$575,369	\$566,124	\$553,695	\$541,079	\$566,264

Ratios

	4Q 2014	1Q 2015	2Q 2015	3Q 2015	4Q 2015
ROAA	0.02%	-0.07%	0.34%	0.48%	-0.01%
ROAE	0.17%	-0.66%	3.65%	5.01%	-0.10%
NPAs/Assets (Core)	1.92%	1.68%	1.71%	1.68%	1.40%
Tier 1 Leverage	10.05%	8.78 %	8.81 %	9.12 %	8.87 %
Total Common Equiv. Shares	8,380,337	8,380,337	8,380,337	8,380,337	8,380,337
NIM	3.68%	3.60%	3.81%	3.76%	3.57%
Cost of Funds	0.28%	0.26%	0.25%	0.25%	0.24%
Loan/Deposit	55.4%	54.5%	58.8%	63.8%	57.9%
Employees	187	172	170	163	153