



NEWS

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SouthCrest Financial Group Reports Preliminary 4Q16 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 \$315,000 or \$0.04/share for the fourth quarter ended Dec. 31, 2016.

“We continue to push towards our long term profit goals after what I view as a very successful fourth quarter for SouthCrest. We grew loans by over 20% annualized, we absorbed the cost of selling two newly closed locations, and we continue to make progress towards better customer relationships, a higher level of employee satisfaction and higher, more consistent profitability for our shareholders,” Schmitt said.

“The quarter included one-time, pre-tax expenses of approximately \$700,000,” Schmitt continued. “This was primarily due to the sale of two buildings and costs related to benefits and incentive plans. Excluding these one-time expenses, earnings for the quarter would have been \$0.10/share.

“While we may have additional one-time expenses during the next few quarters as a result of additional building sales to improve our facilities costs, the goal is to have each individual sale meet a two-year earn-back hurdle,” Schmitt added. “At this time, we believe the largest of the potential losses have occurred, but we will use the two-year period to make each decision”

Core pre-tax earnings for the quarter were \$1.14 million, with net unusual items during the quarter totaling \$700,000 of pre-tax expenses. On a core basis, expenses for the quarter were \$4.4 million, flat with 3Q16 and down from approximately \$5.6 million in 4Q15. The Company continues to have a long-term ROA target of 1.0% after tax.

Loan growth was very strong, with balances increasing by nearly \$16 million from 3Q16, a 23% annualized rate. The Company added one new lender during the quarter, but actually achieved the loan growth with two fewer lenders net than the Company had in 3Q16. Management currently expects significant loan growth to continue, although perhaps at a slightly slower pace than in the fourth quarter. The Company is also currently targeting additional lending hires for the metro Atlanta market in 1Q17.

Deposits were lower year over year by 3%, which was primarily a result of an upwardly adjusted fee schedule and deposit pricing discipline. Deposits increased from 3Q16 by over 4% or 17% annualized, which is consistent with historic seasonality. Balances in DDAs and interest bearing checking increased 4% year over year, with a 12% year over year decline in CD balances.

The estimated Tier 1 Leverage ratio at the end of the quarter for SouthCrest Bank was 9.20%. On a fully converted basis (including the conversion of all preferred equity), TBV/share ended the quarter at \$7.06 per share, with the decline completely driven by the decrease in the investment portfolio that occurred late in the quarter. The current fully converted share count at the end of the quarter is 8.39 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, however the Company did move \$2.8 million of bank buildings that are projected to be sold over the next several months to OREO. Excluding these buildings 4Q16 NPAs/total assets declining to 0.83% of assets, including the buildings, the number level was 1.33%. The sale of two of these buildings is expected to occur in 1Q17. Excluding the impact of the Bank building OREO, NPAs stood at the lowest level since March, 2008, with OREO totaling only \$667,000.

ABOUT SOUTHCREST

SouthCrest Financial Group, Inc. is a \$550 million asset bank holding company headquartered in Woodstock, Ga. The company operates a 10 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
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**Statement of Operations (\$000s,
Unaudited)**

	2015		2016		
	Q4	Q1	Q2	Q3	Q4
Interest Income					
Loans					
Construction and Development	\$205	\$206	\$143	\$153	\$150
Commercial Real Estate	1,512	1,465	1,479	1,537	1,645
Commercial Loans	275	280	280	276	291
Multi Family	27	26	18	18	31
Residential Mortgage	1,454	1,415	1,337	1,289	1,230
Consumer Loans	178	166	156	139	122
County/Municipal Loans	65	29	28	29	42
Loss Share Loans	140	116	132	132	119
Investment Securities					
Federal Funds/Overnight Funds	\$22	\$38	\$27	\$42	\$28
Bank Owned CDs	8	7	8	6	6
Investment Securities	916	1,030	1,083	933	1039
Total Interest Income	\$4,803	\$4,779	\$4,685	\$4,556	\$4,703
Total Interest Expense	\$302	\$299	\$267	\$246	\$247
Net Interest Income	\$4,501	\$4,480	\$4,417	\$4,311	\$4,456
Provision for Loan Losses	150	50	0	0	94
Net Interest Income after Loan Losses	\$4,351	\$4,430	\$4,417	\$4,311	\$4,362
Other Income					
Service Charges on Deposits	\$110	\$105	\$215	\$245	\$228
NSF/Overdraft Fees	525	475	515	575	542
Other Service Charges	93	74	79	96	83
ATM/Billpay/DR Card	370	293	336	302	303
Income					
Other Income	475	829	(47)	339	-386
Total Other Income	\$1,573	\$1,776	\$1,098	\$1,560	\$768
Non-Interest Expense					
Salaries, Other Comp (+ FAS123R)	\$2,257	\$2,006	\$1,772	\$1,705	\$2,014
Employee Benefits	645	591	360	707	463
Occupancy & FF&E Expense	919	933	848	860	764
Professional Fees	263	174	209	212	190

Data Processing	321	305	521	536	525
OREO/Credit related Exp.	146	41	36	36	36
Other Expense	1,409	1,243	927	861	694
Total Noninterest Expenses	\$5,960	\$5,293	\$4,673	\$4,917	\$4,687
Pre-Tax Income (Loss)	\$(36)	\$913	\$842	\$954	\$443
Income Taxes	-	-	(10,592)	274	128
Net Income	\$(36)	\$913	\$11,434	\$680	\$315
Preferred Dividends	\$125	\$125	\$125	\$125	\$125

Balance Sheet
(\$000s,
Unaudited)

	2015			2016		
<u>Assets</u>	Q4	Q1	Q2	Q3	Q4	
Current Assets						
Cash & Due from Bank	\$44,157	\$30,427	\$34,838	\$31,268	\$33,015	
Federal Funds/Overnight Funds	2,186	3,306	569	0	4,299	
Bank Owned CDs	1,815	1,815	1,716	1,218	1,069	
Investment Securities	174,998	191,905	161,177	182,614	176,723	
Mortgage Loans Held for Sale	899	0	0	0	0	
Total Current Assets	\$224,055	\$227,452	\$198,300	\$215,100	\$215,106	
Loans						
Construction and Development	\$16,229	\$13,692	\$11,285	\$9,776	\$15,159	
Commercial Real Estate	118,780	116,175	119,419	121,609	138,155	
Commercial Loans	21,246	21,296	21,863	21,247	23,462	
Multi Family	2,117	1,450	1,419	1,401	2,281	
Residential Mortgage	114,803	110,094	107,270	102,512	97,194	
Consumer Loans	9,657	7,096	7,977	7,363	6,893	
County/Municipal Loans	3,911	3,537	4,501	6,456	3,387	
Loss Share Loans	9,543	9,360	7,689	7,589	7,123	
Total Loans	\$296,286	\$282,700	\$281,425	\$277,952	\$293,654	
Allowance for Loss	<u>(3,052)</u>	<u>(3,021)</u>	<u>(2,817)</u>	<u>(2,701)</u>	<u>(2,766)</u>	
Net Loans	\$293,234	\$279,679	\$278,608	\$275,251	\$290,888	
OREO	2,421	1,500	1,769	936	3,581	
FDIC Indemnification	474	419	433	425	304	
BOLI	20,265	20,391	20,548	20,683	20,816	
Fixed Assets, net	\$18,214	\$17,671	\$17,362	\$16,967	\$13,717	
Intangible Assets	618	583	555	507	468	
Other Assets	<u>6,983</u>	<u>6,651</u>	<u>33,982</u>	<u>16,476</u>	<u>17,953</u>	
Total Assets	\$566,264	\$554,346	\$551,557	\$546,385	\$562,833	

**Liabilities &
Stockholders' Equity**

Liabilities

Deposits

DDAs	\$130,877	\$119,343	\$112,974	\$111,290	\$125,459
Interest Bearing Demand	62,784	61,172	55,248	54,552	65,654
Celebration Checking	97,316	108,076	110,894	111,544	112,355
Money Market Accts	38,643	35,289	33,858	33,956	32,271
Savings	55,550	55,831	53,397	52,061	50,495
CDs Less Than \$100k	81,930	79,221	76,301	73,964	72,091
CDs Greater than \$100k	<u>44,080</u>	<u>39,576</u>	<u>40,585</u>	<u>39,832</u>	<u>38,922</u>
Total Deposits	\$511,180	\$498,508	\$483,257	\$477,388	\$497,247

Other Liabilities	2,690	1,988	1,919	2,281	1,252
Net Borrowings (Wholesale Funding)	-	-	-	317	-

Total Liabilities \$513,870 \$500,496 \$485,176 \$479,797 \$498,499

Total Equity 52,394 53,850 66,381 66,548 64,334

Total Liabilities & Stockholders' Equity \$566,264 \$554,346 \$551,557 \$546,345 \$562,833

Ratios

	4Q 2015	1Q 2016	2Q 2016	3Q 2016*	4Q 2016*
ROAA	-0.01%	0.66%	8.29%	0.53%	0.22%
ROAE	-0.10%	6.80%	76.1%	4.74%	1.96%
NPAs/Assets (Core)	1.40%	1.18%	1.08%	0.91%	0.83%
Est. Tier 1 Leverage	8.87%	8.94%	9.54%	9.84%	9.73%
Total Common Equiv. Shares	8,380,337	8,380,337	8,380,337	8,380,337	8,389,954
NIM	3.57%	3.47%	3.59%	3.59%	3.67%
Cost of Funds	0.24%	0.24%	0.22%	0.20%	0.20%
Loan/Deposit	57.9%	56.6%	58.2%	58.2%	59.0%
Employees	153	129	127	123	122

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