



Contact: Andrew Bowen, APR
ab@clearviewcom.com
404-822-3309

January 25, 2017

SouthCrest Financial Group Reports preliminary 4Q17 earnings

ATLANTA, GA – Brian D. Schmitt, Chief Executive Officer of SouthCrest Financial Group, Inc. (SCSG:PK) announced today that the Company reported preliminary results of $-\$4.59\text{MM}$ or $-\$0.55/\text{share}$ for the fourth quarter ended December 31, 2017. Excluding the impact of previously announced one-time items which included the impact of the new tax law and office relocations, net income would have been $\$0.9\text{MM}$ or $\$0.11/\text{share}$.

“Like a large number of our peers, the tax law change created a significant mark to our deferred tax asset. In addition, we made what we have thought of as a capital investment by preparing to move out of our operations center and to move our Tyrone branch to our Fayetteville LPO. These two items were responsible for a $\$5.9\text{MM}$ negative impact to earnings in the fourth quarter.

“We were also excited to announce a special dividend of $\$0.60/\text{common share}$ recently. At the end of the day, our primary responsibility is to be good stewards of the capital that our investors have given us, and we believe that this was the best use of this capital at this time. Importantly, we believe that after this dividend the Company has sufficient capital to take advantage of any strategic growth opportunity that may present itself.

“The Company should continue to have significant operating leverage, improved loan growth and significantly improved ROA and ROE.”

Tangible book value declined to $\$6.37/\text{share}$ which takes into account both the one-time items and the impact of the special dividend.

Deposits saw a normal seasonal pattern for the quarter and were up 15% LQA vs a slight year over year decline of 2%. Total deposits at the end of 4Q17 were $\$444.7\text{MM}$ vs. $\$428.9\text{MM}$ as of 3Q17 and $\$452.7\text{MM}$ as of 4Q16 (adjusted for the Alabama branch sale).

On a core basis, expenses for the quarter were $\$4.2$ million, continuing the downward trend that has existed for several quarters. Total expenses for the quarter were $\$4.79\text{MM}$.

The estimated Tier 1 Leverage ratio at the end of the quarter for SouthCrest Bank declined to 8.27% due to the funding of the special dividend. On a fully converted basis (including the conversion of all preferred equity), TBV/share ended the quarter at $\$6.37$ per share. This metric will continue to be influenced by OCI changes resulting from the swings in interest rates. Currently, the negative impact to TBV by OCI is $-\$0.19/\text{share}$ vs. $-\$0.07/\text{share}$ as

of 3Q17. The current fully converted share count at the end of the quarter remained 8.41 million shares. In addition, the Company still retains a small deferred tax asset valuation allowance related to state taxes that totals approximately \$0.07/fully converted share.

Asset quality remained steady during the quarter, with NPAs to assets ticking up slightly to 1.05% from 0.91%, excluding the \$2.5 million of former bank buildings that are projected to be sold over the next several quarters in OREO. Including these buildings, 3Q17 NPAs/total assets were 1.51% of assets vs. 1.28% in 3Q17, with half of the increase being driven by the operations center that is being vacated. Excluding the impact of the Bank buildings in OREO, OREO balances were just \$115,000.

ABOUT SOUTHCREST

SouthCrest Financial Group, Inc. is a bank holding company with over half a billion dollars in assets, headquartered in Atlanta, GA. The company operates a 9-branch network throughout Georgia through its subsidiary bank, SouthCrest Bank, N.A. The bank provides a full suite of retail, private, entrepreneurial, high-net-worth 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)

2016			2017		
Q4	Q1	Q2	Q3	Q4	

Interest Income

Loans

Construction and Development	\$150	\$197	\$198	\$238	\$360
Commercial Real Estate	1,645	1,691	1,737	1,767	1,669
Commercial Loans	291	316	341	378	368
Multi Family	31	27	26	29	30
Residential Mortgage	1,230	1,190	1,209	1,140	1,117
Consumer Loans	122	117	109	61	68
County/Municipal Loans	42	25	25	24	24
Loss Share Loans	119	111	33	89	81

Investment Securities

Federal Funds/Overnight Funds	\$28	\$58	\$77	\$97	\$99
-------------------------------	------	------	------	------	------

Bank Owned CDs	6	5	6	5	7
Investment Securities	1039	967	872	922	1,036

Total Interest Income **\$4,703** **\$4,705** **\$4,633** **\$4,750** **\$4,859**

Total Interest Expense \$247 \$249 \$250 \$293 \$393

Net Interest Income \$4,456 \$4,456 \$4,383 \$4,457 \$4,466

Provision for Loan Losses 94 106 70 0 0

Net Interest Income after \$4,362 \$4,349 \$4,314 \$4,457 \$4,466

Loan Losses**Other Income**

Service Charges on Deposits	\$228	\$216	\$209	\$201	\$174
NSF/Overdraft Fees	542	488	491	494	393
Other Service Charges	83	75	78	68	63
ATM/Billpay/DR Card Income	303	296	307	284	266
Other Income	(386)	451	541	1,920	(969)
Total Other Income	\$768	\$1,526	\$1,626	\$2,967	\$(73)

Non-Interest Expense

Salaries, Other Comp (+ FAS123R)	\$2,014	\$1,799	\$1,874	\$1,869	\$1,977
Employee Benefits	463	438	378	395	409
Occupancy & FF&E Expense	764	739	765	740	934
Professional Fees	190	190	157	201	154
Data Processing	525	498	549	561	488
Other Expense	730	816	707	754	825

Total Noninterest Expenses \$4,687 \$4,480 \$4,430 \$4,520 \$4,787

Pre-Tax Income (Loss) \$443 \$1,395 \$1,510 \$2,904 \$(394)

Income Taxes 128 465 488 1,036 4,192

Net Income \$315 \$930 \$1,022 \$1,868 \$(4,586)

Preferred Dividends \$125 \$125 \$57 \$0 \$0

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

	2016			2017		
<u>Assets</u>	Q4	Q1	Q2	Q3	Q4	
Current Assets						
Cash & Due from Bank	\$33,015	\$41,302	\$31,852	\$32,153	\$41,514	
Federal Funds/Overnight Funds	4,299	6,688	5,355	1,150	2,356	
Bank Owned CDs	1,069	1,069	1,069	1,319	1,319	
Investment Securities	176,723	152,583	144,740	157,261	165,203	
Total Current Assets	\$215,106	\$201,642	\$183,016	\$191,883	\$210,392	
Loans						
Construction and Development	\$15,159	\$12,486	\$15,604	\$14,400	\$31,184	
Commercial Real Estate	138,155	140,003	143,883	138,550	133,191	
Commercial Loans	23,462	23,923	27,884	27,719	26,681	
Multi Family	2,281	2,093	2,050	2,330	2,283	
Residential Mortgage	97,194	98,302	95,682	89,760	87,001	
Consumer Loans	6,893	6,117	5,874	14,086	3,304	
County/Municipal Loans	3,387	2,999	2,971	2,791	2,771	
Loss Share Loans	7,123	6,626	5,755	4,659	4,593	
Total Loans	\$293,654	\$292,549	\$299,703	\$294,132	\$291,008	
Allowance for Loss	<u>(2,766)</u>	<u>(2,797)</u>	<u>(2,875)</u>	<u>(2,813)</u>	<u>(2,820)</u>	
Net Loans	\$290,888	\$289,752	\$296,828	\$291,482	\$288,188	
OREO	3,581	2,728	2,315	2,194	2,761	
FDIC Indemnification	304	238	112	112	112	
BOLI	20,816	20,947	21,094	21,227	21,359	
Fixed Assets, net	\$13,717	\$13,429	\$13,406	\$11,868	\$9,916	
Intangible Assets	468	420	373	326	242	
Other Assets	<u>17,953</u>	<u>17,428</u>	<u>16,564</u>	<u>15,867</u>	<u>19,383</u>	
Total Assets	\$562,833	\$546,584	\$533,708	\$534,959	\$552,353	
<u>Liabilities & Stockholders'</u>						
<u>Equity</u>						
Liabilities						
Deposits						
DDAs	\$125,459	\$112,286	\$106,968	\$93,150	\$99,905	
Interest Bearing Demand	65,654	63,949	63,481	58,723	73,555	

Celebration Checking	112,355	113,548	112,731	105,514	102,367
Money Market Accts	32,271	27,942	28,689	29,869	29,699
Savings	50,495	51,304	51,095	44,703	43,147
CDs Less Than \$100k	72,091	70,020	67,892	61,548	59,272
CDs Greater than \$100k	<u>38,922</u>	<u>39,966</u>	<u>38,952</u>	<u>36,234</u>	<u>36,723</u>
Total Deposits	\$497,247	\$479,018	\$469,809	\$428,929	\$444,668
Other Liabilities	1,252	1,632	1,763	2,223	13,756
Net Borrowings (Wholesale Funding)	-	-	-	40,000	40,000
Total Liabilities	\$498,499	\$480,650	\$471,572	\$471,152	\$498,738
Total Equity	64,334	65,934	62,136	63,807	53,615
Total Liabilities & Stockholders' Equity	\$562,833	\$546,584	\$533,708	\$534,959	\$552,353

Ratios

	4Q 2016	1Q 2016	2Q 2017	3Q 2017	4Q 2017
ROAA	0.48%	0.72%	0.76%	1.40%	-0.84%
ROAE	4.44%	6.78%	6.57%	11.86%	-7.81%
NPAs/Assets (Core)	0.83%	0.84%	0.76%	0.91%	1.05%
Est. T1 Leverage (Bank)	9.26%	8.87%	9.31%	10.00%	8.27%
Total Common Equiv. Shares	8,389,954	8,389,954	8,395,696	8,410,332	8,413,372
NIM	3.63%	3.72%	3.68%	3.70%	3.68%
Cost of Deposits	0.20%	0.21%	0.21%	0.23%	0.24%
Loan/Deposit	59.0%	60.3%	63.7%	68.5%	65.3%
Employees	122	122	122	114	115