



NEWS

January 24, 2019

SouthCrest Financial Group Reports Preliminary 4Q18 Earnings

ATLANTA, GA – Brian D. Schmitt, Chief Executive Officer of SouthCrest Financial Group, Inc. (SCSG:PK) announced today that the Company reported preliminary earnings of \$1.27MM or \$0.15/share for the third quarter ended December 31, 2018. Excluding the impact of one-time items, net income would have been \$1.4MM or \$0.17/share vs. \$0.9MM or 0.11/share in 4Q17. For the full year 2018, preliminary earnings were \$4.0MM or \$0.47/ share, with core earnings of \$4.8MM or \$0.57/share vs. 2017 core of \$3.8MM or \$0.45/share.

“We are pleased to say we have completed the vast majority of the transformational change that we have been striving towards for several years at SouthCrest. During 2018 the Company continued to improve its efficiency, exited its loss share agreement, grew loans 10%, grew deposits 4% while maintaining its cost of deposit advantage versus peers, reduced wholesale borrowings by \$10MM, and increased its Atlanta MSA concentrations in both loans (65%, up from 62% at YE 2017) and deposits (30%, up from 27% at YE 2017). We expect both trends to continue. In addition, 80% of the loan growth in 2018 was due to the increase in small business relationships. With this said, management is still focused on executing additional operational and financial improvements and finding ways to enhance overall shareholder value, including increasing our Atlanta presence.”

“We are also proud to announce that we will be increasing the dividend to \$0.04/share in the first quarter of 2019. These dividends will be payable February 15, 2019 to holders of record on February 1, 2019.”

Total assets were up from 3Q at \$550.5MM vs. \$544.0MM in 3Q18, and up slightly vs. \$545.4MM in 4Q17 even after the \$10MM reduction in borrowings in the quarter.

Deposit balance growth was very strong even after excluding seasonal factors, sequentially up 6% from 3Q18, and continued to be well above internal projections. Total deposits were up 4.3% from 4Q17, with a 7% YOY increase in non-interest bearing deposits from the previous year.

The estimated Tier 1 Leverage ratio at the end of the quarter for SouthCrest Bank increased to 9.16%. On a fully converted basis (including the conversion of all preferred equity), TBV/share ended the quarter at \$6.57 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 -\$0.38/share vs. -\$0.55/share as of 3Q18. Excluding the OCI impact, TBV/share grew \$0.12 during the quarter. The current fully converted share count at the end of the quarter was 8.42 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 ratios remained within a reasonable range during the quarter, with NPAs to assets moving down slightly to 0.92% from 1.11%, excluding the \$540,000 of a former bank building in OREO. Including this building, 4Q18 NPAs/total assets were 1.02% of assets vs. 1.21% in 3Q18. Excluding the impact of the Bank buildings in OREO, OREO balances were just \$281,000.

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)

	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Interest Income					
Loans					
Construction and Development	\$360	\$535	\$479	\$560	\$633
Commercial Real Estate	1,669	1,667	1,696	1,776	1,819
Commercial Loans	368	341	370	454	401
Multi Family	30	28	28	27	20
Residential Mortgage	1,117	1,087	1,116	1,119	1,167
Consumer Loans	68	57	56	51	48
County/Municipal Loans	24	23	23	23	25
Loss Share Loans	81	80	79	70	64
Investment Securities					
Federal Funds/Overnight Funds	\$99	\$98	\$48	\$41	\$65
Bank Owned CDs	7	6	6	7	7
Investment Securities	1,036	1,187	1,214	1,181	1,187
Total Interest Income	\$4,859	\$5,109	\$5,115	\$5,311	\$5,436
Total Interest Expense	\$393	\$460	\$506	\$586	\$728
Net Interest Income	\$4,466	\$4,649	\$4,609	\$4,725	\$4,708
Provision for Loan Losses	0	125	0	46	0
Net Interest Income after Loan Losses	\$4,466	\$4,524	\$4,609	\$4,679	\$4,708
Other Income					
Service Charges on Deposits	\$174	\$168	\$165	\$169	\$164
NSF/Overdraft Fees	393	350	334	350	396
Other Service Charges	63	64	63	62	65
ATM/Billpay/DR Card Income	266	262	280	273	260
Other Income	(969)	227	125	316	172
Total Other Income	\$(73)	\$1,071	\$967	\$1,170	\$1,057
Non-Interest Expense					
Salaries, Other Comp (+ FAS123R)	\$1,977	\$1,948	\$1,969	\$1,889	\$1,822
Employee Benefits	409	473	524	435	458
Occupancy & FF&E Expense	934	653	590	621	588
Professional Fees	154	161	156	305	136
Data Processing	488	480	489	485	476
Other Expense	825	883	832	693	724
Total Noninterest Expenses	\$4,787	\$4,598	\$4,560	\$4,428	\$4,204
Pre-Tax Income (Loss)	\$(394)	\$997	\$1,016	\$1,421	\$1,561
Income Taxes	4,192	197	210	319	289
Net Income	\$(4,586)	\$800	\$806	\$1,102	\$1,272

Balance Sheet (\$000s, Unaudited)

<u>Assets</u>	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Current Assets					
Cash & Due from Bank	\$42,146	\$24,603	\$18,408	\$14,189	\$20,168
Federal Funds/Overnight Funds	2,356	0	5,446	0	6,070
Bank Owned CDs	1,319	1,319	1,319	1,322	1,322
Investment Securities	165,203	182,569	169,924	166,632	162,936
Total Current Assets	\$211,024	\$208,491	\$195,097	\$182,143	190,496
Loans					
Construction and Development	\$31,184	\$31,475	\$34,157	\$43,113	\$40,420
Commercial Real Estate	133,191	138,931	134,653	148,219	144,329
Commercial Loans	26,681	28,048	29,873	29,997	29,452
Multi Family	2,283	2,150	2,230	1,518	1,466
Residential Mortgage	87,001	92,973	92,346	88,357	94,199
Consumer Loans	3,304	5,738	3,361	2,143	2,579
County/Municipal Loans	2,771	2,511	2,480	2,459	2,438
Loss Share Loans	4,593	4,536	4,480	3,466	4,030
Total Loans	\$291,008	\$306,362	\$303,581	\$319,272	\$318,914
Allowance for Loss	<u>(2,820)</u>	<u>(3,028)</u>	<u>(3,037)</u>	<u>(3,060)</u>	<u>(3,042)</u>
Net Loans	\$288,188	\$303,334	\$300,544	\$316,212	\$315,872
OREO	2,760	2,697	879	720	821
FDIC Indemnification	112	112	112	0	0
BOLI	21,359	21,490	21,640	21,773	21,909
Fixed Assets, net	9,915	10,166	9,970	9,733	9,511
Intangible Assets	242	197	152	126	116
Other Assets	<u>11,754</u>	<u>13,228</u>	<u>12,880</u>	<u>13,365</u>	<u>11,759</u>
Total Assets	\$545,354	\$559,715	\$541,274	\$544,072	\$550,484
<u>Liabilities & Stockholders'</u>					
<u>Equity</u>					
Liabilities					
Deposits					
DDAs	\$99,906	\$95,714	\$97,587	\$88,768	\$106,821
Interest Bearing Demand	73,555	76,198	81,262	64,684	62,829
Celebration Checking	102,368	105,247	105,358	101,474	99,694
Money Market Accts	29,699	29,673	30,402	47,286	55,836
Savings	43,147	44,030	43,862	44,139	43,574
CDs Less Than \$100k	59,273	57,827	57,600	57,349	56,864
CDs Greater than \$100k	<u>36,723</u>	<u>37,232</u>	<u>30,477</u>	<u>34,795</u>	<u>38,007</u>
Total Deposits	\$444,671	\$445,921	\$446,548	\$438,495	\$463,625
Other Liabilities	7,067	1,639	1,874	2,115	1,493

Net Borrowings (Wholesale Funding)	40,000	59,666	40,000	50,641	30,000
Total Liabilities	\$491,738	\$507,226	\$488,422	\$491,251	\$495,118
Total Equity	53,616	52,489	52,852	52,821	55,366
Total Liabilities & Stockholders' Equity	\$545,354	\$559,715	\$541,274	\$544,072	\$550,484

Ratios

	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
ROAA	-0.84%	0.58%	0.59%	0.81%	0.93%
ROAE	-7.81%	6.03%	6.12%	8.35%	9.40%
NPAs/Assets (Core)	1.05%	0.99%	1.25%	1.11%	0.92%
Est. T1 Leverage (Bank)	8.27%	8.42%	8.56%	8.94%	9.16%
Total Common Equiv. Shares	8,413,372	8,413,372	8,413,372	8,421,992	8,421,992
NIM	3.68%	3.83%	3.73%	3.78%	3.79%
Cost of Deposits	0.24%	0.24%	0.25%	0.33%	0.44%
Loan/Deposit	65.3%	68.3%	68.0%	72.5%	68.8%
Employees	115	116	115	110	106