



SouthCrest Financial Group Reports Preliminary 1Q14 Financial Results

Company release – April 29, 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 first quarter of 2014.

During the quarter the Company produced a net loss of \$958,000, an improvement from a \$1.3 million loss excluding consolidation expenses in 4Q13. “During the quarter we initiated a significant portion of the initial cost saves that we expected from the charter consolidation finalized February 28th. Total operational expenses were down \$565,000 from 4Q13 in the salary, benefits, and professional fee lines. While this is a real positive, and a better result than we expected this early in the process, we plan to improve on these levels substantially over the remainder of the year.” During the quarter, salaries were down \$171,000 from 4Q13, benefits were up \$30,000 due to an increase in unemployment insurance, and professional fees were down \$424,000. “We are fully committed to returning SouthCrest to peer-level profitability through better efficiencies and higher revenues,” Maloy added.

The Company’s balance sheet improvement continued with \$4.9 million of loan growth (8.0% annualized from 4Q13) and \$3.0 million of growth in interest and non-interest bearing checking account balances (6% annualized). Total deposits grew \$8.6 million, or 7% annualized while total assets grew 5% annualized. “Based on our current pipeline, we believe that our loan growth will be stronger in the second quarter, and we continue to be pleased with the overall mix shift on both sides of our balance sheet,” said Maloy.

SouthCrest has a loss sharing agreement, related to the purchase of a small failed bank in 2010, which expires in March, 2015. To continue to properly manage the indemnification asset, the Company accelerated both the income accretion and the indemnification expense in the first quarter by nearly \$1.0 million and expects similar levels to occur in 2Q14. Based on the current analysis, SouthCrest’s accounting for the indemnification asset should align closely with related income over the remaining life of the loss share agreement which expires in March 2015, and should not cause any one time material impact in the financial reports. The indemnification asset is now down to \$4.6 million from \$6.4 million at the end of 2013.

The estimated Tier 1 Leverage ratio at the end of the quarter was 10.97%, down slightly from 11.02% at the end of 2013 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 \$5.83 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 totaled \$10.8 million.

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

subsidiary bank, SouthCrest Bank, N.A. The bank provides 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 (\$000s)	2013				2014
	Q1	Q2	Q3	Q4	Q1
Interest Income					
Loans					
Construction and Development	\$201	\$199	\$213	\$186	\$215
Commercial Real Estate	974	1,012	1,004	1,058	1,081
Commercial Loans	155	151	156	175	185
Multi Family	18	16	19	14	17
Residential Mortgage	1,468	1,432	1,426	1,408	1,430
Consumer Loans	482	458	471	436	384
SCM Loans	110	100	84	72	31
Loss Share Loans	347	313	299	288	310
Investment Securities					
Federal Funds/Overnight Funds	\$80	\$80	\$74	\$59	\$66
Bank Owned CDs	14	13	13	14	8
Investment Securities	557	604	665	686	767
Total Interest Income	\$4,405	\$4,377	\$4,425	\$4,396	4,494
Total Interest Expense	\$484	\$436	\$397	\$357	\$327
Net Interest Income	\$3,922	\$3,941	\$4,028	\$4,039	\$4,167
Provision for Loan Losses	400	-	-	-	-
Net Interest Income after Loan Losses	\$3,522	\$3,941	\$4,028	\$4,039	\$4,167
Other Income					
Service Charges on Deposits	\$122	\$112	\$112	\$109	\$108
NSF/Overdraft Fees	552	571	611	587	526
Other Service Charges	86	104	94	88	89
ATM/Billpay/DR Card Income	322	362	354	369	394
Gain on Sale of loans	415	322	159	295	364
Other Income	757	699	1,032	851	1,676
Total Other Income	\$2,254	\$2,170	\$2,362	\$2,299	\$3,157
Non-Interest Expense					
Salaries, Other Comp (+ FAS123R)	\$2,623	\$2,560	\$2,838	\$3,061	\$2,890
Employee Benefits	658	524	574	628	658
Occupancy & FF& E Expense	676	760	757	852	857
Professional Fees	355	587	524	757	333
Data Processing	254	398	291	292	247
OREO and Credit related Exp.	451	178	293	276	295
Other Expense	1,847	1,886	2,052	2,746	2,962
Total Noninterest Expenses	\$6,864	\$6,893	\$7,329	\$8,612	\$8,282

Pre-Tax Income (Loss)	\$ (1,088)	\$ (782)	\$ (939)	\$ (2,274)	\$ (958)
Income Taxes	-	-	-	-	-
Net Loss	\$ (1,088)	\$ (782)	\$ (939)	\$ (2,274)	\$ (958)

Balance Sheet (\$000s)	<u>2013</u>				<u>2014</u>
Assets	Q1	Q2	Q3	Q4	Q1
Current Assets					
Cash & Due from Bank	\$16,468	\$15,412	\$29,665	\$24,467	\$27,766
Federal Funds/Overnight Funds	108,342	114,068	92,064	99,080	75,795
Bank Owned CDs	5,909	6,888	5,914	3,247	3,762
Investment Securities	116,360	113,784	122,132	123,685	143,221
Mortgage Loans Held for Sale	<u>4,239</u>	<u>3,713</u>	<u>2,803</u>	<u>4,642</u>	<u>7,548</u>
Total Current Assets	\$251,318	\$253,865	\$252,578	\$255,121	\$258,092
Loans					
Construction and Development	\$13,110	\$12,696	\$13,424	\$14,404	\$17,344
Commercial Real Estate	79,046	76,646	76,705	82,492	85,158
Commercial Loans	9,910	9,566	8,985	9,977	9,352
Multi Family	2,281	2,216	2,278	2,155	2,112
Residential Mortgage	103,762	102,786	104,186	105,496	107,654
Consumer Loans	20,735	19,916	20,464	19,352	17,283
SCM Loans	9,978	9,410	11,665	3,845	3,684
Loss Share Loans	14,670	14,372	13,622	13,426	13,957
Total Loans	\$253,492	\$247,608	\$251,329	251,147	256,544
Allowance for Loss	<u>(5,486)</u>	<u>(4,745)</u>	<u>(4,444)</u>	<u>(4,443)</u>	<u>(4,294)</u>
Net Loans	\$248,006	\$242,863	\$246,885	\$246,704	\$252,250
Core Loans					
OREO	\$8,245	\$11,441	\$9,966	\$5,283	4,763
FDIC Indemnification	8,562	7,688	7,266	6,374	4,642
BOLI	18,725	18,886	19,021	19,156	19,283
Fixed Assets, net	17,224	17,200	18,742	18,617	\$19,314
					-
Intangible Assets	1,135	1,080	1,002	920	838
Accrued Interest Receivable					-
Other Assets	<u>6,411</u>	<u>6,440</u>	<u>6,405</u>	<u>7,141</u>	<u>6,979</u>
Total Assets	\$559,626	\$559,463	\$561,865	\$559,316	\$566,161
Liabilities & Stockholders' Equity					
Liabilities					
Deposits					
DDAs	\$114,063	\$119,096	\$115,614	\$127,477	\$126,454
Interest Bearing Demand	48,914	50,914	50,218	48,950	52,320
Rewards Checking	35,131	32,981	32,352	32,596	33,292
Money Market Accts	58,152	58,500	57,197	54,704	53,658
Savings	64,131	64,823	63,820	61,960	65,174
CDs Less Than \$100k	120,310	116,326	112,421	107,989	104,808
CDs Greater than \$100k	<u>56,520</u>	<u>56,191</u>	<u>53,389</u>	<u>50,623</u>	<u>57,230</u>
Total Deposits	\$497,221	\$498,831	\$485,011	\$484,299	\$492,936
Other Liabilities	\$9,642	\$10,053	\$10,289	\$11,576	10,585

Net Borrowings (Wholesale Funding)	<u>275</u>	-	<u>330</u>	-	-
Total Liabilities	\$507,138	\$508,884	\$495,630	\$495,875	\$503,521
Total Equity	<u>\$52,488</u>	<u>\$50,579</u>	<u>\$66,235</u>	<u>\$63,441</u>	<u>\$62,640</u>
Total Liabilities & Stockholders' Equity	<u>\$559,626</u>	<u>\$559,463</u>	<u>\$561,865</u>	<u>\$559,316</u>	<u>\$559,316</u>

Ratios

	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014
ROAA	-0.79%	-0.56%	-0.67%	-1.62%	-0.68%
ROAE	-8.23%	-6.08%	-6.80%	-14.02%	-6.09%
NPAs/Assets (Core)	2.72%	2.27%	2.31%	1.64%	1.84%
Tier 1 Leverage	8.93%	8.67%	11.67%	11.02%	10.97%
Total Common Equiv. Shares	4,914,991	4,914,991	8,380,337	8,380,337	8,380,337
NIM	3.27%	3.23%	3.38%	3.36%	3.42%
Cost of Funds	0.39%	0.35%	0.32%	0.29%	0.27%
Loan/Deposit	51.0%	49.6%	51.8%	51.9%	52.0%

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