



# NEWS

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## SouthCrest Financial Group Reports preliminary 2Q17 earnings: Net income over \$1MM

ATLANTA, GA – Brian D. Schmitt, Chief Executive Officer of SouthCrest Financial Group, Inc. (SCSG:PK) announced today that the Company reported preliminary net income of \$1.02MM or \$0.12/share for the second quarter ended June 30, 2017.

“As planned, both SouthCrest Bank and SouthCrest Financial Group are now operating out of our new headquarters in midtown Atlanta, and we intend for our loan and deposit growth in the core Atlanta market to grow substantially,” said Schmitt. “Now with our four locations in and around Atlanta, we will focus strategically on having 50% of our total assets and 25% of our deposits in what we consider the core 13 counties at the center of the MSA.

“As of the end of June, we had 37% of our loans and 12% of our deposits in these counties. We are on track for planned future growth,” Schmitt explained. “These will be the metrics we will use to track the success of our Atlanta growth initiative.

“Tangible book value grew to \$7.41/share, up over \$0.20 from the end of March. Total loans grew 6.5% year over year and 9.5% on a linked quarter annualized (LQA) basis to \$300 million. During the quarter, we closed on the sale of a small credit card portfolio that benefitted the quarter by approximately \$160,000 after tax, or \$0.02/share, making core earnings \$0.10/share.

“As is the norm for SouthCrest due to seasonality, deposits declined slightly in the second quarter from the first quarter, and are down 2.8% from 2Q16. This is primarily due to the strategic decisions made regarding locations and fees that occurred in 2016. This has generally been the magnitude of the decline on a year over year basis for the past few quarters, between 2-3%,” Schmitt explained.

“We have regulatory approval to close the sale of our two Alabama branches, which is now scheduled for September. The process has required more time to complete than

anticipated, but ultimately we believe this strategic move is a net positive for SouthCrest's shareholders, and will be beneficial for our Alabama based customers."

On a core basis, expenses for the quarter were \$4.4 million, flat with the past few quarters, but down over 5% from 2Q16.

Loan activity remained improved from the end of the first quarter through this writing, and management expects continued growth in 2H17. In addition, the Company continues to recruit in the core Metro area for top quality lenders to increase the percentage of total assets to hit the 50% target.

The estimated Tier 1 Leverage ratio at the end of the quarter for SouthCrest Bank increased to 9.31%. On a fully converted basis (including the conversion of all preferred equity), TBV/share ended the quarter at \$7.41 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 just \$0.02/share. The current fully converted share count at the end of the quarter is 8.40 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 improved further during the quarter, with NPAs to assets declining to 0.76% from 0.84%, excluding the \$2.1 million of former bank buildings that are projected to be sold over the next several quarters in OREO. Including these buildings, 2Q17 NPAs/total assets were 1.16% of assets vs. 1.23% in 1Q17. Excluding the impact of the Bank buildings in OREO, OREO balances were down to a cycle low of \$86,000.

#### **ABOUT SOUTHCREST**

SouthCrest Financial Group, Inc. is a \$540 million asset bank holding company headquartered in Atlanta, 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, 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	
	Q2	Q3	Q4	Q1	Q2
<b>Interest Income</b>					
Loans					
Construction and Development	\$143	\$153	\$150	\$197	\$198
Commercial Real Estate	1,479	1,537	1,645	1,691	1,737
Commercial Loans	280	276	291	316	341
Multi Family	18	18	31	27	26
Residential Mortgage	1,337	1,289	1,230	1,190	1,209
Consumer Loans	156	139	122	117	109
County/Municipal Loans	28	29	42	25	25
Loss Share Loans	132	132	119	111	33
<b>Investment Securities</b>					
Federal Funds/Overnight	\$27	\$42	\$28	\$58	\$77
Funds					
Bank Owned CDs	8	6	6	5	6
Investment Securities	1,083	933	1039	967	872
<b>Total Interest Income</b>	<b>\$4,685</b>	<b>\$4,556</b>	<b>\$4,703</b>	<b>\$4,705</b>	<b>\$4,633</b>
<b>Total Interest Expense</b>	\$267	\$246	\$247	\$249	\$250
<b>Net Interest Income</b>	\$4,417	\$4,311	\$4,456	\$4,456	\$4,383
Provision for Loan Losses	0	0	94	106	70
<b>Net Interest Income after Loan Losses</b>	\$4,417	\$4,311	\$4,362	\$4,349	\$4,314
<b>Other Income</b>					
Service Charges on Deposits	\$215	\$245	\$228	\$216	\$209
NSF/Overdraft Fees	515	575	542	488	491
Other Service Charges	79	96	83	75	78
ATM/Billpay/DR Card Income	336	302	303	296	307
Other Income	(47)	339	-386	451	541
<b>Total Other Income</b>	\$1,098	\$1,560	\$768	\$1,526	\$1,626
<b>Non-Interest Expense</b>					
Salaries, Other Comp (+ FAS123R)	\$1,772	\$1,705	\$2,014	\$1,799	\$1,874
Employee Benefits	360	707	463	438	378
Occupancy & FF&E Expense	848	860	764	739	765
Professional Fees	209	212	190	190	157

Data Processing	521	536	525	498	549
OREO/Credit related Exp.	36	36	36	50	(27)
Other Expense	927	861	694	766	734
<b>Total Noninterest Expenses</b>	<b>\$4,673</b>	<b>\$4,917</b>	<b>\$4,687</b>	<b>\$4,480</b>	<b>\$4,430</b>
<b>Pre-Tax Income (Loss)</b>	<b>\$842</b>	<b>\$954</b>	<b>\$443</b>	<b>\$1,395</b>	<b>\$1,510</b>
Income Taxes	(10,592)	274	128	465	488
<b>Net Income</b>	<b>\$11,434</b>	<b>\$680</b>	<b>\$315</b>	<b>\$930</b>	<b>\$1,022</b>
<b>Preferred Dividends</b>	<b>\$125</b>	<b>\$125</b>	<b>\$125</b>	<b>\$125</b>	<b>\$57</b>

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

	2016			2017	
<u>Assets</u>	Q2	Q3	Q4	Q1	Q2
<b>Current Assets</b>					
Cash & Due from Bank	\$34,838	\$31,268	\$33,015	\$41,302	\$31,852
Federal Funds/Overnight Funds	569	0	4,299	6,688	5,355
Bank Owned CDs	1,716	1,218	1,069	1,069	1,069
Investment Securities	161,177	182,614	176,723	152,583	144,740
<b>Total Current Assets</b>	<b>\$198,300</b>	<b>\$215,100</b>	<b>\$215,106</b>	<b>\$201,642</b>	<b>\$183,016</b>
<b>Loans</b>					
Construction and Development	\$11,285	\$9,776	\$15,159	\$12,486	\$15,604
Commercial Real Estate	119,419	121,609	138,155	140,003	143,883
Commercial Loans	21,863	21,247	23,462	23,923	27,884
Multi Family	1,419	1,401	2,281	2,093	2,050
Residential Mortgage	107,270	102,512	97,194	98,302	95,682
Consumer Loans	7,977	7,363	6,893	6,117	5,874
County/Municipal Loans	4,501	6,456	3,387	2,999	2,971
Loss Share Loans	7,689	7,589	7,123	6,626	5,755
<b>Total Loans</b>	<b>\$281,425</b>	<b>\$277,952</b>	<b>\$293,654</b>	<b>\$292,549</b>	<b>\$299,703</b>
Allowance for Loss	<u>(2,817)</u>	<u>(2,701)</u>	<u>(2,766)</u>	<u>(2,797)</u>	<u>(2,875)</u>
<b>Net Loans</b>	<b>\$278,608</b>	<b>\$275,251</b>	<b>\$290,888</b>	<b>\$289,752</b>	<b>\$296,828</b>
OREO	1,769	936	3,581	2,728	2,315
FDIC Indemnification	433	425	304	238	112
BOLI	20,548	20,683	20,816	20,947	21,094
Fixed Assets, net	\$17,362	\$16,967	\$13,717	\$13,429	\$13,406
Intangible Assets	555	507	468	420	373
Other Assets	<u>33,982</u>	<u>16,476</u>	<u>17,953</u>	<u>17,428</u>	<u>16,564</u>
<b>Total Assets</b>	<b>\$551,557</b>	<b>\$546,385</b>	<b>\$562,833</b>	<b>\$546,584</b>	<b>\$533,708</b>

**Liabilities & Stockholders'****Equity****Liabilities**

## Deposits

DDAs	\$112,974	\$111,290	\$125,459	\$112,286	\$106,968
Interest Bearing Demand	55,248	54,552	65,654	63,949	63,481
Celebration Checking	110,894	111,544	112,355	113,548	112,731
Money Market Accts	33,858	33,956	32,271	27,942	28,689
Savings	53,397	52,061	50,495	51,304	51,095
CDs Less Than \$100k	76,301	73,964	72,091	70,020	67,892
CDs Greater than \$100k	40,585	39,832	38,922	39,966	38,952
<b>Total Deposits</b>	<b>\$483,257</b>	<b>\$477,388</b>	<b>\$497,247</b>	<b>\$479,018</b>	<b>\$469,809</b>

Other Liabilities	1,919	2,281	1,252	1,632	1,763
Net Borrowings (Wholesale Funding)	-	317	-	-	-
<b>Total Liabilities</b>	<b>\$485,176</b>	<b>\$479,797</b>	<b>\$498,499</b>	<b>\$480,650</b>	<b>\$471,572</b>
<b>Total Equity</b>	<b>66,381</b>	<b>66,548</b>	<b>64,334</b>	<b>65,934</b>	<b>62,136</b>
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>\$551,557</b>	<b>\$546,345</b>	<b>\$562,833</b>	<b>\$546,584</b>	<b>\$533,708</b>

**Ratios**

	<b>2Q 2016</b>	<b>3Q 2016*</b>	<b>4Q 2016*</b>	<b>1Q 2017*</b>	<b>2Q 2017*</b>
ROAA	6.30%	0.54%	0.48%	0.72%	0.76%
ROAE	62.07%	4.77%	4.44%	6.78%	6.57%
NPAs/Assets (Core)	1.08%	0.91%	0.83%	0.84%	0.76%
Est. T1 Leverage (Bank)	9.00%	9.31%	9.26%	8.87%	9.31%
Total Common Equiv. Shares	8,380,337	8,380,337	8,389,954	8,389,954	8,395,696
NIM	3.59%	3.58%	3.63%	3.67%	3.68%
Cost of Funds	0.22%	0.20%	0.20%	0.20%	0.21%
Loan/Deposit	58.2%	58.2%	59.0%	60.3%	63.7%
Employees	127	123	122	122	122

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