



## **SouthCrest Financial Group Reports Preliminary 3Q14 Earnings**

Company release – October 28, 2014

PEACHTREE CITY, GA –Kenneth H. Maloy, President and CEO of SouthCrest Financial Group, Inc. (SCSG:PK) announced today that the company reported preliminary earnings for the third quarter of 2014.

During the quarter the Company produced net income of \$52,000 or \$0.01/share while dropping operating expenses by \$750,000 from the second quarter, maintaining flat operating revenues and increasing the loan loss provision by \$75,000. “As we have mentioned in each of the earnings releases this year, our goal is to return SouthCrest to peer-level profitability through higher revenues and improving expense levels. This quarter’s results are our first step back into profitability, but profitability remains at levels far from where we expect SouthCrest to be over the next several quarters.”

The Company’s balance sheet improvement continued with \$4.9 million of loan growth from 2Q14 (8% annualized, 11% year over year) while core (non-CD) deposits grew by over \$12 million from the second quarter (16% annualized, 8% from 3Q13), the strongest performance in several quarters. Total deposits grew \$7.2 million, or 6% annualized while total assets grew 4% annualized. “We are expecting to maintain high single digit loan growth during the fourth quarter. We are also extremely satisfied with the deposit metrics given the number of disruptions that have occurred this year as we have completely restructured the company. However, given our deposit pricing discipline it is unlikely to see deposits grow this rapidly again soon” said Maloy.

The estimated Tier 1 Leverage ratio at the end of the quarter was 10.78%, down slightly from 10.80% at the end of 1Q14. On a fully converted basis (including the conversion of all Series AAA Preferred and Series C Convertible Preferred equity) TBV/share was negatively impacted by the TARP dividends moving up to 9% and ended the quarter at \$5.68 per share. The Company is currently reviewing all available TARP redemption options and expects some progress between now and 1Q15. 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 approximately \$10.7 million (\$1.28/fully converted share).

SouthCrest has a loss sharing agreement, related to the purchase of a small failed bank in 2010, which expires in March, 2015. Based on the current internal analysis and external reviews, 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 \$1.7 million from \$3.1 million at the end of 2Q14 and \$7.3 million as of 3Q13.

Asset quality remained reasonable as the Company continues to work through the last few remaining troubled assets. The non-performing assets/total assets ratio moved up from 1.90% to 2.44% due primarily to the downgrade of one relationship that is paying as contractually agreed. The allowance for loan losses fell to 1.41% of loans.

SouthCrest Financial Group, Inc. is a \$560 million asset bank holding company headquartered in Peachtree City, Georgia. The company operates a 12 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           |                |                |
|--|----------------|----------------|----------------|----------------|----------------|
|  | Q3             | Q4             | Q1             | Q2             | Q3             |
| <b>Interest Income</b>                       |                |                |                |                |                |
| Loans  |                |                |                |                |                |
| Construction and Development                 | \$213          | \$186          | \$215          | \$231          | \$262          |
| Commercial Real Estate                       | 1,004          | 1,058          | 1,081          | 1,173          | 1,297          |
| Commercial Loans                             | 156            | 175            | 185            | 162            | 214            |
| Multi Family                                 | 19             | 14             | 17             | 13             | 14             |
| Residential Mortgage                         | 1,426          | 1,408          | 1,430          | 1,573          | 1,518          |
| Consumer Loans                               | 471            | 436            | 384            | 343            | 305            |
| County/Municipal Loans                       | 84             | 72             | 31             | 32             | 34             |
| Loss Share Loans                             | 299            | 288            | 310            | 236            | 200            |
| <b>Investment Securities</b>                 |                |                |                |                |                |
| Federal Funds/Overnight Funds                | \$74           | \$59           | \$66           | \$44           | \$20           |
| Bank Owned CDs                               | 13             | 14             | 8              | 7              | 6              |
| Investment Securities                        | 665            | 686            | 767            | 1,022          | 975            |
| <b>Total Interest Income</b>                 | <b>\$4,425</b> | <b>\$4,396</b> | <b>\$4,494</b> | <b>\$4,836</b> | <b>\$4,845</b> |
| <b>Total Interest Expense</b>                | \$397          | \$357          | \$327          | \$334          | \$348          |
| <b>Net Interest Income</b>                   | \$4,028        | \$4,039        | \$4,167        | \$4,502        | \$4,497        |
| Provision for Loan Losses                    | -              | -              | -              | -              | 75             |
| <b>Net Interest Income after Loan Losses</b> | \$4,028        | \$4,039        | \$4,167        | \$4,502        | \$4,422        |
| <b>Other Income</b>                          |                |                |                |                |                |
| Service Charges on Deposits                  | \$112          | \$109          | \$108          | \$105          | \$102          |
| NSF/Overdraft Fees                           | 611            | 587            | 526            | 575            | 626            |
| Other Service Charges                        | 94             | 88             | 89             | 91             | 96             |
| ATM/Billpay/DR Card Income                   | 354            | 369            | 394            | 414            | 403            |
| Gain on Sale of loans                        | 159            | 295            | 364            | 581            | 566            |
| Other Income                                 | 1,032          | 851            | 1,676          | 2,004          | 1,209          |
| <b>Total Other Income</b>                    | <b>\$2,362</b> | <b>\$2,299</b> | <b>\$3,157</b> | <b>\$3,770</b> | <b>\$3,002</b> |
| <b>Non-Interest Expense</b>                  |                |                |                |                |                |
| Salaries, Other Comp (+ FAS123R)             | \$2,838        | \$3,061        | \$2,865        | \$2,756        | \$2,525        |
| Employee Benefits                            | 574            | 628            | 658            | 719            | 571            |
| Occupancy & FF& E Expense                    | 757            | 852            | 857            | 888            | 920            |
| Professional Fees                            | 524            | 757            | 333            | 469            | 419            |
| Data Processing                              | 291            | 292            | 247            | 301            | 295            |
| OREO and Credit related Exp.                 | 293            | 276            | 295            | 223            | -35            |

|                                   |                |                  |                |                |                |
|-----------------------------------|----------------|------------------|----------------|----------------|----------------|
| Other Expense                     | 2,052          | 2,746            | 2,962          | 3,613          | 2,482          |
| <b>Total Noninterest Expenses</b> | <b>\$7,329</b> | <b>\$8,612</b>   | <b>\$8,282</b> | <b>\$9,137</b> | <b>\$7,372</b> |
| <b>Pre-Tax Income (Loss)</b>      | <b>\$(939)</b> | <b>\$(2,274)</b> | <b>\$(958)</b> | <b>\$(865)</b> | <b>\$52</b>    |
| Income Taxes                      | -              | -                | -              | -              | -              |
| <b>Net Income</b>                 | <b>\$(939)</b> | <b>\$(2,274)</b> | <b>\$(958)</b> | <b>\$(865)</b> | <b>\$52</b>    |

### Balance Sheet (\$000s)

|   | <u>2013</u>      |                  | <u>2014</u>      |                  |                  |
|---|------------------|------------------|------------------|------------------|------------------|
| <u>Assets</u>                                 | <u>Q3</u>        | <u>Q4</u>        | <u>Q1</u>        | <u>Q2</u>        | <u>Q3</u>        |
| <b>Current Assets</b>                         |                  |                  |                  |                  |                  |
| Cash & Due from Bank                          | \$29,665         | \$24,467         | \$27,766         | \$26,083         | \$18,238         |
| Federal Funds/Overnight Funds                 | 92,064           | 99,080           | 75,795           | 31,083           | 50,260           |
| Bank Owned CDs                                | 5,914            | 3,247            | 3,762            | 2,965            | 2,231            |
| Investment Securities                         | 122,132          | 123,685          | 143,221          | 166,182          | 164,971          |
| Mortgage Loans Held for Sale                  | 2,803            | 4,642            | 7,548            | 13,343           | 5,376            |
| <b>Total Current Assets</b>                   | <b>\$252,578</b> | <b>\$255,121</b> | <b>\$258,092</b> | <b>\$239,656</b> | <b>\$241,076</b> |
| <b>Loans</b>                                  |                  |                  |                  |                  |                  |
| Construction and Development                  | \$13,424         | 14,404           | \$17,344         | \$16,791         | \$13,489         |
| Commercial Real Estate                        | 76,705           | 82,492           | 85,158           | 96,664           | 105,664          |
| Commercial Loans                              | 8,985            | 9,977            | 9,352            | 14,573           | 16,817           |
| Multi Family                                  | 2,278            | 2,155            | 2,112            | 1,142            | 1,112            |
| Residential Mortgage                          | 104,186          | 105,496          | 107,654          | 109,916          | 107,234          |
| Consumer Loans                                | 20,464           | 19,352           | 17,283           | 16,125           | 15,345           |
| County/Municipal Loans                        | 11,665           | 3,845            | 3,684            | 4,190            | 5,110            |
| Loss Share Loans                              | 13,622           | 13,426           | 13,957           | 12,844           | 12,407           |
| <b>Total Loans</b>                            | <b>\$251,329</b> | <b>\$251,147</b> | <b>\$256,544</b> | <b>\$272,245</b> | <b>\$277,178</b> |
| Allowance for Loss                            | <u>(4,444)</u>   | <u>(4,443)</u>   | <u>(4,294)</u>   | <u>(3,914)</u>   | <u>(3,723)</u>   |
| <b>Net Loans</b>                              | <b>\$246,885</b> | <b>\$246,704</b> | <b>\$252,250</b> | <b>\$268,331</b> | <b>\$273,455</b> |
| <b>Core Loans</b>                             | <b>\$237,707</b> | <b>\$237,721</b> | <b>\$242,587</b> | <b>\$259,401</b> | <b>\$264,771</b> |
| OREO  | \$9,966          | 5,283            | 4,763            | 4,932            | 5,320            |
| FDIC Indemnification                          | 7,266            | 6,374            | 4,642            | 3,139            | 1,685            |
| BOLI  | 19,021           | 19,156           | 19,283           | 19,442           | 19,574           |
| Fixed Assets, net                             | 18,742           | 18,617           | 19,314           | 19,509           | 19,503           |
|   |                  |                  |                  | -                | -                |
| Intangible Assets                             | 1,002            | 920              | 838              | 747              | 657              |
| Other Assets                                  | <u>6,405</u>     | <u>7,141</u>     | <u>6,979</u>     | <u>6,926</u>     | <u>6,917</u>     |
| <b>Total Assets</b>                           | <b>\$561,865</b> | <b>\$559,316</b> | <b>\$566,161</b> | <b>\$562,682</b> | <b>\$568,187</b> |
| <b>Liabilities &amp; Stockholders' Equity</b> |                  |                  |                  |                  |                  |
| <b>Liabilities</b>                            |                  |                  |                  |                  |                  |
| Deposits                                      |                  |                  |                  |                  |                  |
| DDAs  | \$115,614        | 127,477          | \$126,454        | \$123,672        | \$122,374        |
| Interest Bearing Demand                       | 50,218           | 48,950           | 52,320           | 51,018           | 54,661           |
| Celebration Checking                          | 32,352           | 32,596           | 33,292           | 34,977           | 54,072           |
| Money Market Accts                            | 57,197           | 54,704           | 53,658           | 57,056           | 49,594           |
| Savings                                       | 63,820           | 61,960           | 65,174           | 64,134           | 63,001           |
| CDs Less Than \$100k                          | 112,421          | 107,989          | 104,808          | 102,512          | 98,984           |
| CDs Greater than \$100k                       | <u>53,389</u>    | <u>50,623</u>    | <u>57,230</u>    | <u>55,634</u>    | <u>53,502</u>    |
| <b>Total Deposits</b>                         | <b>\$485,011</b> | <b>\$484,299</b> | <b>\$492,936</b> | <b>\$489,003</b> | <b>\$496,188</b> |

|   |                  |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|------------------|
| Other Liabilities                                   | \$10,289         | 11,576           | 10,585           | 11,263           | 10,695           |
| Net Borrowings (Wholesale Funding)                  | 330              | -                | -                | 900              | -                |
| <b>Total Liabilities</b>                            | <b>\$495,630</b> | <b>\$495,875</b> | <b>\$503,521</b> | <b>\$501,166</b> | <b>\$506,883</b> |
| <b>Total Equity</b>                                 | <b>66,235</b>    | <b>63,441</b>    | <b>62,640</b>    | <b>61,516</b>    | <b>61,304</b>    |
| <b>Total Liabilities &amp; Stockholders' Equity</b> | <b>\$561,865</b> | <b>\$559,316</b> | <b>\$566,161</b> | <b>\$562,682</b> | <b>\$568,187</b> |

#### Ratios

|                            | <b>3Q 2013</b> | <b>4Q 2013</b> | <b>1Q 2014</b> | <b>2Q 2014</b> | <b>3Q 2014</b> |
|----------------------------|----------------|----------------|----------------|----------------|----------------|
| ROAA                       | -0.67%         | -1.62%         | -0.68%         | -0.67%         | 0.04%          |
| ROAE                       | -6.80%         | -14.02%        | -6.09%         | -6.00%         | 0.34%          |
| NPAs/Assets (Core)         | 2.31%          | 1.64%          | 1.84%          | 1.90%          | 2.44%          |
| Tier 1 Leverage            | 11.67%         | 11.02%         | 10.97%         | 10.80%         | 10.78%         |
| Total Common Equiv. Shares | 8,380,337      | 8,380,337      | 8,380,337      | 8,380,337      | 8,380,337      |
| NIM                        | 3.38%          | 3.36%          | 3.42%          | 3.67%          | 3.77%          |
| Cost of Funds              | 0.32%          | 0.29%          | 0.27%          | 0.27%          | 0.28%          |
| Loan/Deposit               | 51.8%          | 51.9%          | 52.0%          | 55.7%          | 55.9%          |

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