

2015 ANNUAL REPORT



CCF HOLDING COMPANY AND
ITS WHOLLY OWNED SUBSIDIARY

CCF Holding Company

101 North Main Street • Jonesboro, Georgia 30236

Dear Shareholder and Interested Readers:

On the following pages you will have an opportunity to take a deep dive into the financial performance of CCF Holding Company and Heritage Bank. Each year, we try to point out items in the attached pages that are indicators of how the bank did the previous year, as well as point out any challenges we see on the horizon. First, however, we would like to welcome to the voting ranks of CCF Holding Company the holders of the preferred stock we issued in 2014. Through the two common stock dividends issued since our last report, many of these investors now have an opportunity to vote for the first time. While the vote is typically only to elect a slate of directors, the vote is vitally important to our ability to continue on the path the existing directors and management have set.

In 2015, we continued to see an erosion of community banking in all of our markets. Going into the financial crisis of 2009, there were twelve community banks and multiple large regional and national banks operating in our three markets (Clayton, Henry and Fayette counties). All of the large regional and national banks received bailout assistance from the government and yet two of those banks failed. Of the twelve community banks, all but two failed leaving Heritage Bank the **only** locally owned and operated community bank in Clayton and Henry counties and one of only two community banks remaining in Fayette County. This level of local banking support is creating challenges within our communities as small businesses starve for access to growth capital. Most of the assets of the failed community banks have been acquired from the FDIC through banks created by Wall Street investors for the sole purpose of working through loss payout opportunities with the FDIC, thereby eliminating the chance to provide necessary working capital to its customers. It is complicated, but our financial reports will show how many of these abandoned failed bank customers have flocked to Heritage Bank as their last opportunity to deal locally with decision makers that will offer them the attention they need and deserve.

The road of the past seven years has been difficult and we have tried to put things in perspective with every correspondence to our customers and shareholders. While we accomplished much in 2015, the challenges are still significant. In 2015, the FDIC again charged us more than \$850,000 to support their activities and to support the loss share agreements with our local competitors that have taken over the failed banks. This represented more than one-third of our pre-tax operating profits in 2015. In addition, the government continued to reduce restrictions on credit unions, our primary competitors, allowing them to be more "bank like", while continuing to allow them to operate without having to pay state and federal taxes. We still feel the negative impact of the Dodd-Frank legislation as retailers continue to push their cost of credit card processing back to the consumers through the banking system causing our cost of processing those transactions and the liability associated with them to be borne by our bank and ultimately our customers. We understand why there is a backlash against the banks that created the bubble which led to the financial crisis. It is unfair that local community banks like Heritage Bank are being punished as well.

CCF Holding Company and Heritage Bank have fought a mighty fight. We survived and can see positive signs of new life all around us. We have stuck by our loyal and hardworking customers and supported them when times were tough, developing workout strategies that gave them time to work through their

challenges. Our approach was different than most, but in the end it turned out to be a winning strategy and we believe it is now leading to a growth in core business like none of us have ever seen in our careers. Again this year, growth in non-interest bearing deposits was off the charts coming in at almost \$20 million over the prior year. This year's growth represents more than a 25% increase over 2014. These new customers include businesses and individual households that feel disenfranchised by their former bank's approach to taking from our markets and lending to large businesses and corporations in other markets. We still see reluctance for businesses and consumers to incur new debt as the economy continues to teeter, but even with that said, loans outstanding increased by almost \$10 million year over year. Both of these positive indicators helped produce \$3.7 million in net income for the company in 2015. So while the macro-economic and regulatory challenges exist, it is clear the local community supports Heritage Bank.

As in prior communications, we never tried to put lipstick on a pig. The challenges brought on by the financial crisis and the ensuing devaluation of real estate in our markets created huge losses for Heritage Bank in previous years. Just to provide key metrics detailed in the report, Other Real Estate Owned declined by \$8.1 million or 47% year over year. Past due and non-accruing loans declined by \$2.75 million year over year for a total decrease of 66% and represent just over one half of one percent (0.52%) at year end 2015. This means total non-performing assets (both loans and ORE) as of December 31, 2015 accounted for just 2.5% of total assets. There is still work to be done in ridding the balance sheet of these problems, but momentum is on our side. Year over year comparison of key loss numbers also provides positive trends. Net loan losses for 2015 were 54% less than 2014 and equaled 0.33% of loans outstanding. Net gains associated with the disposal of OREO were \$337,000 compared to the prior year loss of \$2.3 million. As a result of these improving statistics, the public enforcement action (Consent Order) levied against the bank in 2010 by the FDIC and the Georgia State Banking Department has been removed.

While things at Heritage Bank are not at a level of high performance or even sustained confidence, we definitely see major progress and reason to continue to be cautiously optimistic about the future. Whether you came on board in 1995 at our initial public offering, were new to us in 2014 during our preferred stock capital raise, or somewhere in between, we hope you know we are committed every day to creating value for your investment. We have a terrifically talented group of bankers with servant hearts that treat our customers in a way second to no other bank and that will continue to be a prime ingredient in our recipe for success.

Thank you and God Bless.



Leonard A. Moreland
President & CEO
Heritage Bank



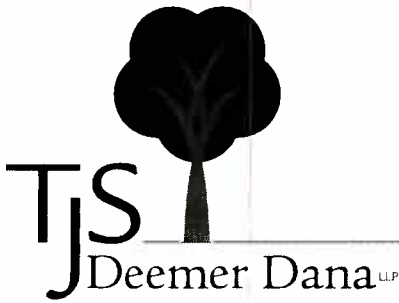
David B. Turner
President & CEO
CCF Holding Company

CCF HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
CCF Holding Company and Subsidiary

We have audited the accompanying consolidated financial statements of CCF Holding Company and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of changes in shareholders' equity, income, comprehensive income, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CCF Holding Company and Subsidiary as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

TJS Deemer Dana LLP

March 24, 2016
Dublin, Georgia

CCF HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	<i>As of December 31,</i>	
	2015	2014
Assets		
Cash and due from banks	\$ 27,591,054	\$ 20,858,541
Total cash and cash equivalents	<u>27,591,054</u>	<u>20,858,541</u>
Interest-bearing deposits in other banks	12,907,050	2,977,000
Securities available for sale, at fair value	44,099,147	33,916,009
Securities held to maturity, at cost	9,038,637	10,520,858
Federal Home Loan Bank stock, restricted, at cost	328,300	332,700
Loans, net of unearned income	276,321,204	266,665,137
Less - allowance for loan losses	<u>(3,294,547)</u>	<u>(2,972,917)</u>
Loans, net	<u>273,026,657</u>	<u>263,692,220</u>
Bank premises and equipment, net	6,065,395	6,073,065
Other real estate	9,154,905	17,264,904
Accrued interest receivable	411,547	437,274
Cash surrender value of life insurance	8,323,655	7,990,549
Other assets	<u>2,550,928</u>	<u>1,194,828</u>
Total Assets	<u>\$ 393,497,275</u>	<u>\$ 365,257,948</u>
Liabilities and Shareholders' Equity		
Deposits:		
Non-interest bearing	\$ 86,353,465	\$ 68,389,061
Interest bearing	<u>263,034,327</u>	<u>256,780,816</u>
Total deposits	349,387,792	325,169,877
Securities sold under repurchase agreements	11,724,074	11,916,118
Notes payable	3,656,473	3,460,009
Accrued interest payable	83,916	97,764
Accrued expenses and other liabilities	<u>1,945,708</u>	<u>1,645,172</u>
Total liabilities	<u>366,797,963</u>	<u>342,288,940</u>
Shareholders' Equity:		
Series A Preferred stock, 6% non-cumulative, \$1,000 par, authorized 9,200 shares, issued and outstanding 9,200 shares in 2015 and 2014	9,200,000	9,200,000
Preferred stock, no par value; 990,800 shares authorized in 2015 and 2014; no shares issued or outstanding	-	-
Common stock, \$.10 par value, authorized 50,000,000 shares, issued and outstanding 4,086,223 and 3,604,316 in 2015 and 2014, respectively	408,622	360,432
Paid-in capital surplus	9,500,104	9,109,773
Retained earnings	7,956,672	4,693,565
Accumulated other comprehensive loss	<u>(366,086)</u>	<u>(394,762)</u>
Total shareholders' equity	<u>26,699,312</u>	<u>22,969,008</u>
Total Liabilities and Shareholders' Equity	<u>\$ 393,497,275</u>	<u>\$ 365,257,948</u>

See Accompanying Notes to Consolidated Financial Statements

CCF HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Preferred Stock		Common Stock		Paid-in Capital Surplus	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total
	Shares	Amount	Shares	Amount				
Balance, December 31, 2013	-	\$ -	3,604,316	\$ 360,432	\$ 9,109,773	\$ (465,758)	\$ (1,289,433)	\$ 7,715,014
Issuance of preferred stock	9,200	9,200,000	-	-	-	-	-	9,200,000
Net income	-	-	-	-	-	5,159,323	-	5,159,323
Other comprehensive income	-	-	-	-	-	-	894,671	894,671
Balance, December 31, 2014	9,200	9,200,000	3,604,316	360,432	9,109,773	4,693,565	(394,762)	22,969,008
Stock dividend	-	-	469,201	46,920	375,360	(422,280)	-	-
Grants exercised	-	-	12,706	1,270	254	-	-	1,524
Issuance of stock options	-	-	-	-	14,717	-	-	14,717
Net income	-	-	-	-	-	3,685,387	-	3,685,387
Other comprehensive income	-	-	-	-	-	-	28,676	28,676
Balance, December 31, 2015	9,200	\$ 9,200,000	4,086,223	\$ 408,622	\$ 9,500,104	\$ 7,956,672	\$ (366,086)	\$ 26,699,312

CCF HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	<i>Years ended December 31,</i>	
	<u>2015</u>	<u>2014</u>
Interest and Dividend Income:		
Interest and fees on loans	\$ 13,674,517	\$ 13,531,173
Interest income on securities	762,808	798,758
Income on federal funds sold	47,277	33,459
Income on interest-bearing deposits in other banks	224	132
Dividend income	15,257	16,841
Total interest and dividend income	<u>14,500,083</u>	<u>14,380,363</u>
Interest Expense:		
Deposits	991,326	1,087,014
Other interest expense	239,368	154,590
Total interest expense	<u>1,230,694</u>	<u>1,241,604</u>
Net interest income before provision for loan losses	13,269,389	13,138,759
Less - provision for loan losses	1,200,000	750,000
Net interest income after provision for loan losses	<u>12,069,389</u>	<u>12,388,759</u>
Noninterest Income:		
Service charges on deposit accounts	1,091,955	1,021,013
Other services charges, commissions and fees	672,341	653,052
Gain on sales of loans	413,705	651,431
Gain (loss) on sales of securities	63,884	(650)
Gain (loss) on disposal of premises and equipment	910	(287,675)
Gain on settlement of Trust Preferred Securities	-	5,467,772
Increase in CSV of life insurance	333,106	321,096
Other income	232,074	230,292
Total noninterest income	<u>2,807,975</u>	<u>8,056,331</u>
Noninterest Expense:		
Salaries	5,266,707	4,861,169
Employee benefits	1,558,130	1,347,710
Net occupancy expense	1,057,845	1,012,167
Equipment rental and depreciation of equipment	458,855	511,129
Loss (gain) on sales and writedown of foreclosed assets and other real estate	(336,985)	2,269,104
Expenses on foreclosed assets held	489,999	741,743
FDIC insurance premiums	806,015	832,647
Other expenses	3,270,847	4,053,410
Total noninterest expense	<u>12,571,413</u>	<u>15,629,079</u>
Income Before Income Taxes	2,305,951	4,816,011
Benefit of income taxes	(1,379,436)	(343,312)
Net Income	<u>\$ 3,685,387</u>	<u>\$ 5,159,323</u>
Earnings per common share:		
Basic	\$ 1.00	\$ 1.43
Diluted	\$ 0.13	\$ 0.37

See Accompanying Notes to Consolidated Financial Statements

CCF HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Years ended December 31,</i>	
	2015	2014
Net Income	<u>\$ 3,685,387</u>	<u>\$ 5,159,323</u>
Other comprehensive income:		
Unrealized holding gains on investment securities held for sale	108,001	1,354,912
Reclassification adjustments for losses (gains) realized in income	<u>(63,884)</u>	<u>650</u>
Net unrealized gains	44,117	1,355,562
Tax effect	<u>(15,441)</u>	<u>(460,891)</u>
Total other comprehensive income, net of tax	<u>28,676</u>	<u>894,671</u>
Total comprehensive income	<u><u>\$ 3,714,063</u></u>	<u><u>\$ 6,053,994</u></u>

CCF HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Years ended December 31,</i>	
	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Net income	\$ 3,685,387	\$ 5,159,323
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,200,000	750,000
Depreciation	489,159	512,021
(Gain) loss on sales and writedown of foreclosed assets and ORE	(336,985)	2,269,104
Net (accretion) amortization on securities	(784)	1,534
(Gain) loss on sales of investment securities	(63,884)	650
(Gain) loss on disposal of premises and equipment	(910)	287,675
Gain on sale of loans	(413,705)	(651,431)
Gain on settlement of trust preferred securities	-	(5,467,772)
Compensation expense from issuance of stock options	14,717	-
Increase in CSV life insurance	(333,106)	(321,096)
Changes in accrued income and other assets	(1,336,613)	116,055
Changes in accrued expenses and other liabilities	483,152	(80,351)
Net cash provided by operating activities	<u>3,386,428</u>	<u>2,575,712</u>
Cash Flows from Investing Activities:		
Net change in loans to customers	(6,063,534)	(12,724,703)
Net change in interest-bearing deposits in other banks	(9,930,050)	6,244,000
Purchase of available for sale securities	(20,503,906)	(13,025,469)
Proceeds from sales of available for sale securities	4,469,438	21,485,675
Proceeds from maturities/calls of available for sale securities	5,950,606	3,309,183
Proceeds from maturities/calls of held to maturity securities	1,482,529	1,568,409
Purchases of Federal Home Loan Bank stock	-	(810,000)
Proceeds from redemption of Federal Home Loan Bank stock	4,400	1,177,600
Property and equipment expenditures	(480,579)	(353,162)
Proceeds from sales of premises and equipment	-	925,910
Proceeds from sales of other real estate and repossessed assets	4,412,170	4,945,952
Capitalized improvements on foreclosed assets	(22,384)	-
Net cash provided by (used in) investing activities	<u>(20,681,310)</u>	<u>12,743,395</u>

CCF HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Years ended December 31,</i>	
	2015	2014
Cash Flows from Financing Activities:		
Net change in deposits	24,217,915	(5,828,300)
Net change in customer escrow accounts	-	(95,572)
Net change in securities sold under agreements to repurchase	(192,044)	(1,268,377)
Proceeds from Federal Home Loan Bank advances	-	23,000,000
Repayment of Federal Home Loan Bank advances	-	(29,000,000)
Proceeds from issuance of preferred stock	-	8,000,000
Proceeds from exercised options	1,524	-
Net cash provided by (used in) financing activities	<u>24,027,395</u>	<u>(5,192,249)</u>
Net Increase in Cash and Cash Equivalents	6,732,513	10,126,858
Cash and Cash Equivalents, Beginning of Year	<u>20,858,541</u>	<u>10,731,683</u>
Cash and Cash Equivalents, End of Year	<u>\$ 27,591,054</u>	<u>\$ 20,858,541</u>

CCF HOLDING COMPANY AND SUBSIDIARY
SUPPLEMENTAL INFORMATION TO CONSOLIDATED STATEMENTS OF CASH FLOWS

Cash paid for interest and taxes

	2015	2014
Interest on deposits and borrowings	\$ 1,243,989	\$ 4,339,411
Income taxes, net	\$ -	\$ -

Noncash items

	2015	2014
Changes in unrealized gain/loss on investments	\$ 28,676	\$ 894,671
Transfer of loans to other real estate and other assets	\$ (705,120)	\$ (7,925,000)
Sale of foreclosed assets financed by loans	\$ 4,762,318	\$ 6,515,920
Common stock dividend	\$ 422,280	\$ -
Settlement of Trust Preferred Securities	\$ -	\$ 4,578,500

CCF HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. **Principles of Consolidation** - The consolidated financial statements include the accounts of CCF Holding Company (the "Company") and its wholly owned subsidiary, Heritage Bank (the "Bank"). All significant intercompany balances and transactions have been eliminated in consolidation.
2. **Reporting Entity** - The Company is incorporated in the State of Georgia as a state chartered bank holding company whose business is conducted by its wholly owned bank subsidiary. The Company is primarily regulated by the Board of Governors of the Federal Reserve System (Federal Reserve) and Georgia Department of Banking and Finance (DBF), while the Bank is primarily regulated by the Federal Deposit Insurance Corporation (FDIC) and the DBF. Both the Bank and the Company are subject to periodic examinations by these regulatory authorities.

The Bank provides a full range of banking services to individual and corporate customers through its main office in Jonesboro, Georgia and five other branch offices in Georgia, located in Clayton, Fayette and Henry Counties. The Bank primarily competes with other financial institutions in its market area, which it considers to be south metropolitan Atlanta.

3. **Securities** - The classification of securities is determined at the date of purchase. Gains or losses on the sale of securities are recognized on a specific identification basis.

Securities available for sale consist of investment securities not classified as trading securities or held-to-maturity securities and are recorded at fair value. Unrealized holding gains and losses on securities available-for-sale are excluded from earnings and are reported as a separate component of shareholders' equity until realized. A decline in the market value of any available-for-sale or held-to-maturity investment below cost that is deemed an other than temporary decline is charged to earnings and establishes a new cost basis for the security.

Securities held to maturity are recorded at cost, adjusted for the amortization or accretion of premiums or discounts. Transfers of securities between categories are recorded at fair value at the date of transfer. Unrealized holding gains or losses associated with transfers of securities from held-to-maturity to available-for-sale are recorded as a separate component of shareholders' equity.

Mortgage-backed securities represent participating interests in pools of long-term first mortgage loans originated and serviced by issuers of the securities. Mortgage-backed securities are carried at unpaid principal balances, adjusted for unamortized premiums and unearned discounts.

The market value of securities is generally based on quoted market prices. If a quoted market price is not available, market value is estimated using quoted market prices for similar securities.

Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

4. **Loans and Interest Income** - Loans are stated at the amount of unpaid principal, reduced by net deferred loan fees, unearned discounts and a valuation allowance for possible loan losses. Interest on simple interest installment loans and other loans is calculated by using the simple interest method on daily balances of the principal amount outstanding. Loan origination fees collected, net of certain direct loan origination costs, are deferred and recognized into income using the interest method as an adjustment of the yield over the lives of the underlying loans. Loans are generally placed on non-accrual status when full payment of principal or interest is in doubt, or when they are past due 90 days as to either principal or interest. Senior management