GrandSouth Bancorporation reports earnings for the second quarter of 2017 of $468 thousand and declares a dividend of $0.10 per common share.

GREENVILLE, SC, September 5, 2017
GrandSouth Bancorporation (GRRB:OTCQB), the holding company for GrandSouth Bank

GrandSouth Bancorporation had another excellent quarter of growth in total assets ending June 30, 2017. Our investment into three new markets combined with organic growth in our legacy offices produced asset growth of approximately 31.6% year over year. Total assets grew from $459.0 million as of June 30, 2016 to $603.9 million as of June 30, 2017. For the quarter, total assets grew approximately $44.5 million or 8.0% from March 31, 2017. In addition, we expanded our footprint down to the coast by adding two experienced bankers in the Charleston Market. Rob Phillips, Senior Vice President/Market President, and Alan Uram, Senior Vice President/Commercial Banker, both longtime Charleston bankers, joined our team in May. Rob has 37 years of banking experience and comes to us from NBSC where he served as the Coastal Area Executive. He has worked in the Charleston market for 25 years and his previous territory covered the entire coast from Hilton Head to Myrtle Beach. Alan also comes to us from NBSC where he previously served as the Charleston Market President and has worked in Charleston for the last 15 years. We are very optimistic about our entrance into one of South Carolina's fastest growing cities and the value Rob and others bring to our franchise.

The Bank is having excellent asset, loan, and deposit growth. The reasons for these extraordinary growth numbers are as follows: 1). We have intentionally recruited and retained very experienced bankers. They are accustomed to producing at high levels, servicing large portfolios, and are well connected in the markets they serve. 2). The US economy continues to look healthy with low unemployment and strong consumer confidence. The Federal Reserve did raise the federal funds rate 25 basis points to 1.25% (up 75 basis points from a year ago). This has pushed short term rates up but long-term rates have declined. The South Carolina economy is expected to outpace the national numbers and is supported by continued growth in the upstate and the tri-county area of Charleston, Berkeley, and Dorchester. We are continuing to have good reports from our clients across the state especially those in the construction industry. We are hopeful that South Carolina farmers are poised to have a better year in 2017 than in the previous two years. Commodity prices on corn and soybeans have slowly declined since the beginning of 2017 and are approximately $3.40 and $9.40 per bushel respectively. Peanut contracts were higher than the past two years with prices varying from $500 to $525 per ton. Cotton prices have remained in the $.70 cents per pound range all year. The corn harvest is winding down across the state and most farmers are seeing outstanding yields. Current crop conditions for soybeans, cotton, and peanuts are above average to excellent.

Total loans grew from $418.8 million as of December 31, 2016 to $473.3 million as of June 30, 2017. This $54.5 million increase represents 13.0% growth in 6 months. The majority of this growth came from our Greenville, Columbia, and Orangeburg markets.

Total deposits have grown by $45.8 million from the previous quarter, or 9.7%, and are up 38.3% from the previous year. As of June 30, 2017, deposits totaled $518.9 million. We are pleased to report our wholesale funding continues to decline and is down 18.4% since June 30, 2016. Most importantly, our demand deposits continue a nice trend of growth and are up 17.4% from a year prior. Our Columbia and Orangeburg markets have been big contributors to this overall deposit growth. Columbia ended the quarter with total deposits of $36.8 million and had a 31.1% increase from the prior quarter.

Orangeburg ended the quarter at $43.8 million in deposits and had a 48.4% increase from the previous quarter.

As we anticipated, our specialty floor plan lending division results were much improved compared to first quarter 2017 results. We made changes in our underwriting and operating procedures in the second quarter of 2017 to improve the credit quality of the portfolio. As a result, there were charge offs of $751 thousand for the second quarter of 2017, equating to an annualized loss rate of 3.78%, compared to $1.6 million in first quarter of 2017. We continue to maintain elevated loss expectations within the allowance for loan losses due to the loss history throughout the entirety of 2017. While this second quarter loss rate is still above the loss rate we would like to see in this division, it is within a range that allows the division to be a positive contributor to the results of the company.

We continue to monitor the used car industry trends that affect our floor planning business. Automobile sales for 2017 have declined year over year and this is a trend that we are watching closely. This negative trend has not caused used car values to decline appreciably for the year. In fact, values rebounded in the second quarter and are above year end values according to the leading used car valuation index. Nonetheless, we stand prepared to make additional changes, as necessary to mitigate future losses.

The investments we made in the last two years for the future success of our company are beginning to yield results. We expect these results will continue to improve as we grow into our new markets and continue to expand our franchise. We have high expectations for the Charleston market and the early results are very positive.

As you will also note in the following financial information, our earnings for the three months ended June 30, 2017 have improved substantially from the first quarter of 2017. While these results are not at the level of the prior year, we are confident that the fruits of our efforts to grow your company will continue to add earnings in future periods. We appreciate the support from our shareholders and customers and look forward to continued success in 2017.

Sincerely,

JB Schwiers
President & CEO

GrandSouth Bancorporation (GRRB:OTCQB), the holding company for GrandSouth Bank, announced today that net income for the quarter ended June 30, 2017 was $468 thousand compared to $1.1 million during the quarter ended June 30, 2016.

The Board of Directors declared a dividend of $0.10 per common share ($0.105 per Series A preferred share) payable on September 8, 2017 to shareholders of record on August 31, 2017. This is our sixteenth consecutive quarterly dividend.

Overview

- Net loans increased by $21.97 million, or 4.94%, during the quarter.
- GrandSouth Bancorporation's efficiency ratio was 76.57% during the second quarter of 2017 compared to 65.44% during the second quarter of 2016.

- GrandSouth Bancorporation’s return on average assets was 0.33% during the second quarter of 2017 compared to 1.06% in the same quarter last year.
- The return on average equity was 3.68% in the second quarter of 2017, down from 8.88% in the second quarter of 2016.

Net Interest Income

During the second quarter of 2017, net interest income before the provision for loan losses was $7.7 million, up from $6.5 million during the second quarter of 2016. Average loans during the second quarter of 2017 were $464.2 million compared to $356.5 million during the same period last year. The net interest margin was 5.89% in the second quarter of 2017, down from 6.35% in the second quarter of 2016 and down from 6.82% in the prior quarter.

Noninterest income

Noninterest income was $284 thousand during the second quarter of 2017, compared to $249 thousand during the same quarter of 2016.

Noninterest Expense

Noninterest expense was $6.1 million for the second quarter of 2017 compared to $4.4 million for the second quarter of 2016. Growth in non-interest expense during the quarter was impacted by the Company’s in-process expansion of three new offices in the Columbia, Orangeburg, and Charleston, S.C. markets. Employee compensation increased by $863 thousand compared to the second quarter of 2016.

The efficiency ratio increased to 76.57% during the quarter ended June 30, 2017 from 65.44% during the second quarter of 2016.

Loan Portfolio

Net loan growth in the second quarter of 2017 was $21.97 million.

The composition of our loan portfolio consisted of the following at June 30, 2017 and December 31, 2016:

	June 30, 2017	December 31, 2016
	(Dollars in thousands)	
Loans secured by real estate:		
Commercial, financial, and agricultural	$ 144,673	$ 130,577
Real estate - construction, land development, and other land loans	37,208	38,371
Real estate – mortgage	237,956	214,679
Installment loans to individuals	53,428	35,164
Loans, gross	473,265	418,791
Allowance for possible loan losses	(6,396)	(5,158)
Loans, net	$ 466,869	$ 413,633

Loan Loss Provision/Asset Quality

The loan loss provision for the quarter ended June 30, 2017 was $1.1 million, compared to $495 thousand for the same period last year. Net charge offs for the three months ended June 30, 2017 were $782 thousand, compared to $467 thousand for the same period in 2016.

Other Real Estate Owned (OREO) as of June 30, 2017 was $5.6 million compared to $4.9 million as of the end of the previous year. Nonaccrual loans remained the same at $2.9 million at June 30, 2017 as compared to the end of last year.

GrandSouth Bancorporation's allowance for loan losses as a percentage of total loans at June 30, 2017 was 1.35%, compared to 1.23% at the end of 2016. Management believes the allowance is adequate at this time but continues to monitor trends in environmental factors which may potentially affect future losses.

Securities Portfolio

Investment securities, all of which are available-for-sale, were $24.0 million at June 30, 2017 down from $25.5 million at December 31, 2016.

Securities in our investment portfolio as of June 30, 2017 were as follows:

- callable agency securities in the amount of $5.9 million
- residential government-sponsored mortgage-backed securities in the amount of $14.0 million
- taxable municipal bonds in the amount of $1.0 million
- nontaxable municipal bonds in the amount of $3.1 million

During the second quarter of 2017, two municipal securities in the amount of $731 thousand and one agency security in the amount of $1.0 million were called. Two mortgage backed securities in the amount of $2.8 million were purchased.

Deposits

Total deposits were $518.9 million at June 30, 2017 compared to $430.3 million at December 31, 2016. Interest-bearing accounts were $441.9 million at June 30, 2017 up from $360.4 million at December 31, 2016.

Shareholders' Equity

Total shareholders' equity held steady at $50.7 million from December 31, 2016 to June 30, 2017, the activity of which resulted from the retention of earnings, payment of dividends, exercise of stock options, expense of stock option grants, and changes in the fair market value of investments. Our Tier 1 Risk Based Capital Ratios were 12.43% and 12.22% for GrandSouth Bancorporation and GrandSouth Bank, respectively, as of June 30, 2017.

GrandSouth Bancorporation is a bank holding company with assets of $603.9 million at June 30, 2017. GrandSouth Bank provides a range of financial services to individuals and small and medium sized businesses. GrandSouth Bank has six branches in South Carolina, located in Greenville, Fountain Inn, Anderson, Greer, Columbia, and Orangeburg.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that relate to future events or the future performance of GrandSouth Bancorporation. Forward-looking statements are not guarantees of performance or results. These forward-looking statements are based on the current beliefs and expectations of the respective management of GrandSouth Bancorporation and GrandSouth Bank and are inherently subject to significant business, economic, and competitive uncertainties and contingencies, many of which are beyond their respective control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Actual results may differ materially from the anticipated results discussed or implied in these forward-looking statements because of numerous possible uncertainties. Words like "may," "plan," "contemplate," "anticipate," "believe," "intend," "continue," "expect," "project," "predict," "estimate," "could," "should," "would," "will," and similar expressions, should be considered as identifying forward-looking statements, although other phrasing may be used. Such forward-looking statements involve risks and uncertainties and may not be realized due to a variety of factors. Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in the reports (such as Annual Reports) filed by GrandSouth Bancorporation. You should consider such factors and not place undue reliance on such forward-looking statements. No obligation is undertaken by GrandSouth Bancorporation to update such forward-looking statements to reflect events or circumstances occurring after the issuance of this press release.

GrandSouth Bancorporation
Greenville, SC

Condensed Consolidated Balance Sheets
(Unaudited)

	June 30, 2017	December 31, 2016
	(Dollars in thousands)	
Assets		
Cash and due from banks	$ 44,708	$ 34,923
Interest bearing transaction accounts with other banks	1,368	3,086
Federal funds sold	29,434	5,309
Cash and cash equivalents	75,510	43,318
Certificates of deposit with other banks	4,000	2,500
Securities available-for-sale	23,976	25,543
Other investments, at cost	1,399	1,319
Loans, gross	473,265	418,791
Allowance for loan losses	(6,396)	(5,158)
Loans, net of allowance for loan losses	466,869	413,633
Premises and equipment, net	12,073	10,211
Bank owned life insurance	6,467	6,390
Assets acquired in settlement of loans	5,569	4,902
Interest receivable	4,117	3,755
Deferred income taxes	1,497	1,530
Goodwill	737	737
Other assets	1,714	1,676
Total assets	$ 603,928	$ 515,514
Liabilities and shareholders’ equity		
Deposits		
Noninterest bearing	$ 77,011	$ 69,878
Interest bearing	441,878	360,449
Total deposits	518,889	430,327
Federal Home Loan Bank advances	22,000	22,000
Junior subordinated debentures	8,247	8,247
Interest payable	171	111
Other liabilities	3,938	4,140
Total liabilities	553,245	464,825
Shareholders’ equity	50,683	50,689
Total liabilities and shareholders’ equity	$ 603,928	$ 515,514

Condensed Consolidated Statements of Income
(Unaudited)

	For the three months ended June 30,		For the six months ended June,	
	2017	2016	2017	2016
	(Dollars in thousands)			
Interest income	$ 8,837	$ 7,056	$ 17,784	$ 14,491
Interest expense	1,141	554	2,022	1,148
Net interest income	7,696	6,502	15,762	13,343
Provision for loan losses	1,086	495	3,806	1,125
Net interest income after provision for loan losses	6,610	6,007	11,956	12,218
Noninterest income				
Service charges on deposit accounts	137	115	264	207
Gain on sale of securities	4	6	10	6
Net gain on sale of premises and Equipment	(2)	6	(2)	6
Increase in value of life insurance Assets	39	40	77	81
Other	106	82	186	109
Total noninterest income	284	249	535	409
Noninterest expense				
Salaries and employee benefits	3,920	3,057	7,375	5,816
Premises and equipment	431	331	866	608
Loss on sale and impairment of assets acquired in settlement of Loans	0	(223)	4	(224)
Data processing	306	229	593	431
Other expenses	1,454	1,023	2,686	1,811
Total noninterest expense	6,111	4,417	11,524	8,442
Income before income taxes	783	1,839	967	4,185
Income tax provision	315	676	404	1,511
Net income	468	1,163	563	2,674
Deductions for amounts not available to common shareholders:				
Dividends declared or accumulated on preferred stock	(30)	(30)	(60)	(90)
Net income available to common Shareholders	$ 438	$ 1,133	$ 503	$ 2,584

Financial Highlights
(Unaudited)

	For the three months ended June 30, 2017	For the three months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
	(Dollars in thousands)			
Per share data:				
Earnings per share, basic	$ 0.10	$ 0.25	$ 0.11	$ 0.59
Earnings per share, diluted	$ 0.10	$ 0.24	$ 0.10	$ 0.58
Book value per share	$ 10.97	$ 11.22	$ 10.97	$ 11.22
Tangible book value per share	$ 10.81	$ 11.06	$ 10.81	$ 11.06
Weighted average shares outstanding, basic	4,499,559	4,551,396	4,494,950	4,343,174
Weighted average shares outstanding, diluted	4,594,874	4,651,227	4,591,968	4,447,769
Shares outstanding at end of period	4,500,540	4,556,165	4,500,540	4,556,165
Selected performance ratios and other data:				
Return on average assets	0.33%	1.06%	0.21%	1.21%
Return on average equity	3.68%	8.88%	2.20%	10.65%
Yield on average earning assets	5.69%	6.27%	6.08%	6.45%
Cost of funds	1.02%	0.67%	0.94%	0.68%
Net interest margin	5.89%	6.35%	6.35%	6.52%
Efficiency ratio	76.57%	65.44%	70.71%	61.40%
Charge-offs, net to average loans	0.67%	0.52%	1.14%	0.61%

	As of June 30, 2017	As of December 31, 2016
	(Dollars in thousands)	
Shareholders' equity to total assets	8.39%	9.83%
Tier 1 risk-based capital ratio	12.43%	13.90%
Intangible assets		
Goodwill	$ 737	$ 737
Other real estate owned	$ 5,569	$ 4,902
Nonaccrual loans	2,860	2,935
Loans past due 90 days and accruing interest (a)	117	82
Total nonperforming assets	8,546	7,919
Allowance for loan losses to loans, gross	1.35%	1.23%

(a) - Amount represents the net of the loans wholly or partially guaranteed by the US Government.