

## **GrandSouth Bancorporation reports first quarter 2019 earnings of \$2.1 million; tops \$800 million in total assets.**

GREENVILLE, SC, April 18, 2019

GrandSouth Bancorporation (GRRB:OTCQX), the holding company for GrandSouth Bank

GrandSouth Bancorporation today reported first quarter earnings of \$2.1 million and an annualized return on average of assets of 1.07%. This performance represents an increase in earnings of 48.90% over the first quarter of 2018's earnings of \$1.4 million. The increase in net income was primarily driven by a \$1.2 million, or 13.86%, increase in net interest income offset by a \$411 thousand, or 6.46%, increase in noninterest expenses.

The Company continued to deliver strong asset growth, ending the first quarter of 2019 with total assets of \$828.5 million, a 6.74% increase over the prior quarter. This growth was primarily driven by substantial quarterly deposit growth of \$49.6 million, or 7.30%, with the Greenville and Anderson markets leading the way with 57.0% of this growth. Additionally, the Company issued \$8.4 million in new common stock during the quarter, a partial completion of an ongoing capital raise of up to \$10 million. Total gross loans ended the period at \$676.0 million, an increase of \$12.7 million, or 1.92%, for the quarter.

The Company plans to open its first full-service branch in Charleston through the conversion of its existing loan production office at 291 East Bay Street in the second quarter of this year. This new branch will allow for growth in core deposits following the substantial loan growth experienced at this same office.

Nonperforming assets ended the quarter at \$4.7 million, 0.57% of total assets, an increase from 0.53% as of December 31, 2018. Past due, but still accruing, loans, net of the amounts guaranteed by the U. S. Government, decreased to 0.23% of total gross loans as of quarter end, down from 0.32% at December 31, 2018. Asset quality remains a primary focus of the Company.

The specialty floor plan lending division experienced solid performance during the quarter with \$83.4 million in loans outstanding at quarter end. The credit loss for the first quarter of 2019 was 1.85% compared to 1.81% in the prior quarter and 1.69% in the same quarter a year ago. This division continues to be a significant contributor to the Company's success.

This growth comes from a consistent business development effort on new customer acquisition combined with great customer service to our existing clients. Our customers continue to see great opportunities in the markets we serve, and we are focused on helping them achieve success. We appreciate the support of our clients and shareholders and value the long-term relationships that are so critical to our company.

Sincerely,



JB Schwiers  
President & CEO  
GrandSouth Bank

GrandSouth Bancorporation (GRRB:OTCQX), the holding company for GrandSouth Bank, announced today that net income for the first quarter of 2019 was \$2.1 million and the partial completion of an ongoing capital raise of up to \$10 million.

#### Overview

- Net income was \$2.1 million for the quarter.
- The Company issued 510,017 shares of common stock with net proceeds of \$8.4 million. The Company intends to issue additional shares related to this issuance at a later date.
- Net loans increased \$12.7 million, or 1.92%, during the quarter.
- Gross loans, excluding specialty floor plan and purchased student loans (“Core Bank loans”), grew \$13.8 million, or 2.54%, during the quarter.
- The Company’s net charge off ratio for the quarter was 0.26%, down from 0.30% in the prior quarter. The Core Bank’s charge off ratio was 0.02%, consistent with the prior quarter.
- The Company’s efficiency ratio improved to 66.16% from 68.03% in the prior quarter and 70.27% in the same quarter a year ago.

#### Net Interest Income

Net interest income before provision for loan losses was \$9.9 million for the quarter ended March 31, 2019, up \$1.2 million, or 13.86%, from the same quarter a year ago.

Gross average loans totaled \$670.7 million for the first quarter of 2019, up \$99.7 million, or 17.46%, from \$571.0 million for the first quarter of 2018. The net interest margins for the same periods were 5.35% and 5.70%.

#### Noninterest Income

Noninterest income of \$329 thousand was slightly lower in the first quarter of 2019 compared to the \$350 thousand balance in the first quarter of 2018, primarily driven by a lower gain on the sale of premises and equipment.

#### Noninterest Expense

Noninterest expense increased in the first quarter of 2019 to \$6.8 million from \$6.4 million in the first quarter of the prior year. This increase was principally driven by increases in salaries and employee benefits and professional fees.

#### Loan Portfolio

The Company’s total gross loans grew \$12.7 million, or 1.92%, during the quarter. Core Bank loans grew by \$13.8 million, or 2.54%. Specialty floor plan loans grew by \$1.1 million, or 1.33%. Purchased student loans continued to experience paydowns totaling \$2.2 million, or 5.89%, during the quarter.

The composition of our loan portfolio consisted of the following at March 31, 2019, December 31, 2018 and March 31, 2018:

	March 31, 2019	December 31, 2018	March 31, 2018
	(Dollars in thousands)		
Commercial, financial and agricultural	\$ 119,785	\$ 119,201	\$ 83,803
Specialty floor plan loans	83,449	80,792	75,959
Real estate - construction, land development and other	57,798	57,206	61,688
Real estate – mortgage	371,436	359,798	310,483
Purchased student loans	34,440	36,596	41,971
Installment loans to individuals	9,120	9,686	7,189
Loans, gross	676,028	663,279	581,093
Allowance for possible loan losses	(9,465)	(9,188)	(7,836)
Loans, net	<u>\$ 666,563</u>	<u>\$ 654,091</u>	<u>\$ 573,257</u>

#### Loan Loss Provision and Asset Quality

For the quarter ended March 31, 2019, the Provision for loan losses was \$700 thousand, down \$105 thousand, or 13.04%, from the same period in 2018, when it was \$805 thousand. Charge offs for the first quarter of 2019 were \$423 thousand, up \$41 thousand, or 10.69% from the first quarter of 2018's charge off total of \$382 thousand.

The Allowance for loan losses as a percentage of total gross loans was 1.40% and 1.39% at March 31, 2019 and December 31, 2018, respectively. The Company's management believes the allowance is adequate and continues to monitor trends in environmental factors which may potentially affect future losses.

Assets acquired in the settlement of loans was \$3.6 million at March 31, 2019 and December 31, 2018. Nonaccrual loans increased to \$1.1 million at March 31, 2019 from \$491 thousand at December 31, 2018.

#### Securities Portfolio

Investment securities, all of which are available-for-sale, were \$38.2 million at March 31, 2019, down from \$40.3 million at December 31, 2018.

Securities in our investment portfolio as of December 31, 2018 were as follows:

- callable agency securities in the amount of \$3.9 million
- residential government-sponsored mortgage-backed securities in the amount of \$18.1 million
- taxable municipal bonds in the amount of \$1.0 million
- nontaxable municipal bonds in the amount of \$6.2 million
- treasury securities in the amount of \$9.0 million

During the first quarter of 2019, the Company did not complete any purchases and one security was called.

### Deposits

Total deposits increased by \$49.6 million, or 7.30%, to \$728.4 million during the first quarter of 2019. Interest bearing deposits made up \$47.6 million of this increase, representing a 8.35% increase since December 31, 2018's balance of \$570.0 million, bringing the March 31, 2019 total to \$617.6 million. Noninterest bearing deposits increased \$2.0 million, or 1.80%, increasing the balance from \$108.8 million at December 31, 2018 to \$110.8 million at March 31, 2019.

### Borrowings

During the quarter, the Company paid off \$7 million of Federal Home Loan Bank advances. This advance was accruing interest at an annual rate of 2.65% before its pay off.

### Shareholders' Equity

Shareholders' equity was \$68.6 million at March 31, 2019, an \$11.2 million, or 19.44%, increase since the prior quarter's end. In addition to the normal retention of earnings, exercise of stock options, expense of stock option grants and changes in the fair value of investments, the balance change was impacted by the issuance of \$8.4 million, or 510,017 shares, of the Company's common stock. The Company intends to issue additional shares related to this issuance at a later date. Along with the \$10 million in proceeds from the Subordinated Debt issued in the fourth quarter of 2018, the proceeds from the stock issuance will be used to support the Bank's continued organic growth across its current footprint.

Tier 1 Risk Based Capital Ratios were 12.40% and 12.13% for GrandSouth Bancorporation and GrandSouth Bank, respectively, as of December 31, 2018.

GrandSouth Bancorporation is a bank holding company with assets of \$828.5 million at March 31, 2019. 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 and a loan production office in Charleston.

### 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 and Subsidiary  
Greenville, SC  
Condensed Consolidated Balance Sheets (Unaudited)

	March 31, 2019	December 31, 2018
	(Dollars in thousands)	
<b>Assets</b>		
Cash and due from banks	\$ 27,837	\$ 21,048
Interest bearing transaction accounts with other banks	5,674	7,658
Federal funds sold	41,729	4,250
Restricted cash	1,308	2,060
Cash, cash equivalents and restricted cash	76,548	35,016
Certificates of deposit with other banks	12,500	13,750
Securities available-for-sale	38,242	40,329
Other investments, at cost	996	1,183
Loans, gross	676,028	663,279
Allowance for loan losses	(9,465)	(9,188)
Loans, net of allowance for loan losses	666,563	654,091
Premises and equipment, net	13,601	12,105
Bank owned life insurance	6,721	6,686
Assets acquired in settlement of loans	3,564	3,564
Interest receivable	5,256	5,185
Deferred income taxes	2,003	1,896
Goodwill	737	737
Other assets	1,806	1,664
<b>Total assets</b>	<b><u>\$ 828,537</u></b>	<b><u>\$ 776,206</u></b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Deposits</b>		
Noninterest bearing	\$ 110,785	\$ 108,828
Interest bearing	617,581	569,967
<b>Total deposits</b>	<b>728,366</b>	<b>678,795</b>
Federal Home Loan Bank advances	7,000	14,000
Junior subordinated debentures	18,057	18,047
Interest payable	667	416
Other liabilities	5,836	7,506
<b>Total liabilities</b>	<b><u>759,926</u></b>	<b><u>718,764</u></b>
<b>Shareholders' equity</b>		
Preferred stock - Series A - no par value	1,298	1,298
Common stock - no par value	42,062	33,374
Retained earnings	25,312	23,218
Accumulated other comprehensive loss	(61)	(448)
<b>Total shareholders' equity</b>	<b><u>68,611</u></b>	<b><u>57,442</u></b>
<b>Total liabilities and shareholders' equity</b>	<b><u>\$ 828,537</u></b>	<b><u>\$ 776,206</u></b>

GrandSouth Bancorporation and Subsidiary  
 Greenville, SC  
 Condensed Consolidated Statements of Income (Unaudited)

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	For the three months ended March 31,	
	2019	2018
	(Dollars in thousands)	
Interest income	\$ 12,857	\$ 10,418
Interest expense	2,947	1,713
Net interest income	9,910	8,705
Provision for loan losses	700	805
Net interest income after provision for loan losses	9,210	7,900
Noninterest income		
Service charges on deposit accounts	206	149
Net gain on sale of premises and equipment	19	124
Increase in value of life insurance assets	35	36
Other	69	41
Total noninterest income	329	350
Noninterest expenses		
Salaries and employee benefits	4,441	4,196
Premises and equipment	522	465
Net loss on sale and impairment of assets acquired in settlement of loans	-	6
Data processing	339	334
Other expenses	1,472	1,362
Total noninterest expenses	6,774	6,363
Income before income taxes	2,765	1,887
Income tax provision	670	479
Net income	\$ 2,095	\$ 1,408

GrandSouth Bancorporation and Subsidiary  
Greenville, SC  
Net Interest Margin Analysis (Unaudited)

	balance	Interest	Yeild	balance	Interest	Yeild
<b>Interest earning assets</b>						
Investment securities						
FHLB stock	1,181	23	7.65%	1,175	16	5.37%
US agency securities and treasuries	14,765	81	2.19%	5,808	27	1.87%
Mortgage backed securities	18,269	116	2.55%	12,359	62	2.01%
Municipals	7,042	47	2.67%	2,783	13	1.84%
Subtotal, investment securities	41,257	267	2.59%	22,125	118	2.13%
Cash equivalents						
Due from banks, fed funds sold, certificates of deposit and CDARS						
	42,131	255	2.45%	39,353	173	1.79%
Subtotal, cash equivalents	42,131	255	2.45%	39,353	173	1.79%
Total investments	83,388	522	2.52%	61,478	291	1.91%
Loans						
Consumer loans and line of credit loans	9,163	120	5.32%	7,261	87	4.87%
FFELP student loans	35,776	478	5.41%	42,770	526	4.99%
Commercial loans	93,718	1,309	5.67%	66,251	801	4.90%
Commercial real estate loans	386,209	4,904	5.15%	312,146	3,597	4.67%
Specialty floor plan loans	86,960	4,851	22.62%	81,330	4,512	22.49%
Residential loans and equity loans	55,885	673	4.89%	47,829	604	5.12%
Total loans	667,711	12,335	7.49%	557,587	10,127	7.36%
Total interest bearing assets	751,099	12,857	6.94%	619,065	10,418	6.82%
<b>Interest bearing funds</b>						
Interest-bearing deposits						
Premium accounts	12,212	4	0.13%	7,263	2	0.11%
Money market accounts	228,940	843	1.49%	227,592	604	1.08%
Regular savings accounts	4,976	2	0.15%	4,175	2	0.15%
Certificates of deposit, IRAs and CDARS	338,295	1,751	2.10%	261,799	946	1.46%
Total interest bearing deposits	584,423	2,600	1.80%	500,829	1,554	1.26%
Other interest bearing liabilities						
Other borrowings	-	-	0.00%	558	7	4.92%
Junior subordinated debentures	18,052	268	5.97%	8,247	72	3.52%
Federal Home Loan Bank advances	12,678	79	2.51%	16,600	80	1.97%
Total other interest bearing liabilities	30,730	347	4.54%	25,405	159	2.54%
Total interest bearing funds	615,153	2,947	1.94%	526,234	1,713	1.32%
Rate spread			<u>5.00%</u>			<u>5.50%</u>
<b>Non-interest bearing funds</b>						
Demand deposit accounts	114,400			90,347		
Total funds and cost of funds	729,553	2,947	1.64%	616,581	1,713	1.13%
Rate spread on funds			<u>5.30%</u>			<u>5.70%</u>
Net interest margin		<u>9,910</u>	<u>5.35%</u>		<u>8,705</u>	<u>5.70%</u>



GrandSouth Bancorporation and Subsidiary  
Greenville, SC  
Financial Highlights (Unaudited)

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	For the three months ended March 31,	
	2019	2018
	(Dollars in thousands, except per share)	
Per share data:		
Earnings per share, basic	0.45	0.31
Earnings per share, diluted	0.42	0.29
Book value per share	13.24	11.25
Tangible book value per share	13.10	11.08
Tangible book value adjusted for the conversion of Series A preferred stock per share	12.64	10.69
Weighted average shares outstanding, basic	4,625,107	4,502,457
Weighted average shares outstanding, diluted	4,983,167	4,884,713
Shares outstanding at end of period	5,083,207	4,505,190
Selected performance ratios and other data:		
Annualized return on average assets	1.07%	0.84%
Annualized return on average equity	14.13%	10.92%
Annualized net interest margin	5.35%	5.70%
Efficiency ratio	66.16%	70.27%
Annualized charge-offs, net to average loans	0.26%	0.27%
	As of	
	March 31, 2019	December 31, 2018
	(Dollars in thousands)	
Shareholders' equity to total assets	8.28%	7.40%
Tier 1 risk-based capital ratio	12.40%	11.36%
Intangible assets		
Goodwill	737	737
Other real estate owned	3,564	3,564
Nonaccrual loans	1,122	491
Loans past due 90 days and accruing interest (a)	29	43
Total nonperforming assets	4,715	4,098
Allowance for loan losses to loans, gross	1.40%	1.39%

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