GrandSouth
BANCORPORATION

GRANDSOUTH Declares Dividend, Reports Fourth Quarter Earnings.

GREENVILLE, S.C.--(BUSINESS WIRE)—**GrandSouth Bancorporation** (OTC: GRRB), parent company for GrandSouth Bank (Bank), reported fourth quarter 2014 net income of $1.2 million, or $0.35 per common share diluted.

According to CEO Mason Y. Garrett, "We are very pleased with the results of operations for the fourth quarter and all of 2014 and are very thankful for the customer relationships we have and the efforts of our staff of banking professionals that have delivered great value for our shareholders." Garrett continued, "The fourth quarter of 2014 represented a continuing trend of positive results that enabled our Board of Directors to declare a cash dividend of $.05 per share ($.0525 for Series A Preferred Shares) for holders of record as of February 24, 2015 and payable March 5, 2015. This dividend is an increase of 25% over the prior quarter's payout of $.04 per common share."

Fourth quarter 2014 earnings rose by $346 thousand or 40% when compared to fourth quarter earnings 2013. The increase in earnings was driven primarily by lower credit costs. No provision expense for loan loss reserves occurred in the final quarter of 2014 compared to $1.25 million in 2013. Credit losses were minimal for the fourth quarter of 2014 and amounted to .32% of gross loans for the full year compared to 1.53% for 2013. Net income for the year 2014 was $4.37 million, up $1.45 million or 49% from $2.93 million for the year 2013.

Net interest margin for the year 2014 equaled 6.14% versus 5.82% for 2013. On a linked quarter basis, the margin increased to 6.33% for the three months ended December 31, 2014 compared to 5.90% for the three months ended September 30, 2014.

On a consolidated basis, the Corporation reported annualized return on average assets of 1.26% and 1.11% for the three and twelve month periods ended December 31, 2014, respectively. Meanwhile, the annualized return on average common equity was 15.4% and 14.4% for the three and twelve month periods ended December 31, 2014, respectively.

Total assets at December 31, 2014 amounted to $379 million compared to $390 million at December 31, 2013. Loans, net of reserves, equaled $308 million at December 31, 2014 compared to $319 million at December 31, 2013. Total deposits at December 31, 2014 equaled $306 million versus $315 million at December 31, 2013.

Non-performing assets as a percentage of total assets (NPAs) decreased 18.7% to $10.00 million at December 31, 2014 from $12.30 million at December 31, 2013, representing 2.64% and 3.14% of total assets, respectively. NPAs consisted of $2.39 million in non-performing loans and $7.61 million of other real estate owned. The allowance for loan losses was $4.81 million and $4.36 million or 1.59% and 1.37% of total loans held for investment as of December 31, 2014 and December 31, 2013, respectively.

Book value per common share increased from $7.85 at December 31, 2013 to $9.15 at December 31, 2014. The ratio of total equity to total assets for GrandSouth Bancorporation and its subsidiary bank was 10.6% at December 31, 2014.

GrandSouth Bancorporation is the parent company of GrandSouth Bank, an independent, state chartered bank serving the business community of the Upstate region of South Carolina. Additional information is available on our website at www.GrandSouth.com. Shares of GrandSouth Bancorporation are traded on the OTC market under the symbol "GRRB".

Certain matters set forth in this news release may contain forward-looking statements that are provided to assist in the understanding of anticipated future financial performance. However, such performance involves risks and uncertainties that may cause actual results to differ materially from those in such statements.

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GrandSouth Bancorporation
Financial Results
December 31, 2014

	Quarter ended				Twelve Months Ended December 31		
	December 2014	September 2014	June 2014	March 2014	Total 2014	Total 2013	Year over Year Change
Earnings (dollars in thousands):							
Net income	$ 1,218	$ 1,061	$ 1,035	$ 1,060	$ 4,374	$ 2,928	49%
Net income available to common shareholder	1,186	1,014	987	1,014	4,201	2,751	53%
Earnings per common share, diluted	0.35	0.30	0.30	0.30	1.22	0.83	48%
Net interest margin	6.41%	6.00%	5.93%	6.00%	6.14%	5.82%	5%
Return on average equity	10.5%	9.2%	9.1%	9.6%	9.6%	6.9%	40%
Return on average common equity	15.4%	12.4%	13.7%	13.7%	14.4%	10.6%	36%
Dividend payout ratio	11.2%	9.8%	10.1%	8.1%	9.8%	8.9%	10%
Dividend yield	2.1%	1.8%	1.8%	1.7%	1.9%	1.4%	37%
Return on average assets	1.26%	1.07%	1.04%	1.08%	1.11%	0.76%	46%
Asset Quality:							
Nonperforming assets as percentage of total assets	2.64%	3.08%	3.25%	3.12%	2.64%	3.14%	-16%
Net charge-offs as percentage of average loans (annualized)	0.01%	0.03%	0.62%	0.36%	0.26%	1.53%	-83%
Allowance for loan losses as percentage of gross loans	1.56%	1.56%	1.45%	1.42%	1.56%	1.35%	16%
Allowance for loan losses as percentage of nonperforming loans	201.08%	193.33%	119.31%	145.27%	201.08%	191.96%	5%
Capital:							
Total risk-based capital ratio	17.5%	19.6%	19.4%	18.5%	17.5%	18.1%	-4%
Tier 1 risk-based capital ratio	16.2%	18.3%	18.1%	17.2%	16.2%	16.9%	-4%
Leverage ratio	12.2%	13.6%	13.3%	13.2%	12.2%	12.9%	-6%
Common equity tier 1 ratio	10.6%	10.1%	9.9%	9.2%	10.6%	8.7%	22%
Common share book value	$ 9.16	$ 8.81	$ 8.52	$ 8.19	$ 9.16	$ 7.85	17%
Share price	7.50	6.65	6.60	6.01	7.50	5.55	35%
Share price to tangible book value	82%	76%	77%	73%	82%	71%	16%
Share price to earnings per share	5.4	5.5	5.6	4.9	6.1	6.7	-9%
Common shares outstanding	3,325,481	3,313,881	3,313,881	3,313,881	3,325,481	3,277,581	1%
Other (dollars in thousands):							
Gross loans	$ 308,270	$ 308,407	$ 309,249	$ 320,635	$ 308,270	$ 323,314	-5%
Total deposits	306,849	319,516	317,725	326,962	306,849	314,875	-3%
Total assets	379,120	388,224	393,374	401,724	379,120	389,983	-3%