

GrandSouth Bancorporation reports first quarter 2018 earnings of \$1.4 million; tops \$700 million in total assets.

GREENVILLE, SC, April 12, 2018

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

GrandSouth Bancorporation had an excellent first quarter with growth in total assets of \$49.4 million or 7.56% from \$653.7 million as of December 31, 2017 to \$703.1 million as of March 31, 2018. The asset growth for our company has been driven by a 5.39% increase in gross loans from December 31, 2017 to March 31, 2018 with our new markets of Orangeburg, Columbia and Charleston representing 72.25% or \$21.5 million of the growth. The loan growth was funded by an increase of our deposit base of 10.56% to \$630.2 million from the previous year end. Total noninterest bearing deposits have grown 5.24% year to date. The Greenville and Greer markets have been big contributors to overall deposit growth.

We continued to be very focused on the asset quality of the bank and this focus has shown results. The asset quality of the company continued to improve throughout 2018. Nonperforming assets as a percentage of total assets decreased to 0.94% as of March 31, 2018 from 1.03% as of December 31, 2017. Total past due accruing loans, net of the amounts guaranteed by the U.S. government, increased to 0.13% as of March 31, 2018 from 0.06% as of December 31, 2017.

Our specialty floor plan division credit loss for the first quarter of 2018 improved to an annualized rate of 1.67%. The loss ratio trends for this division have improved from an annualized loss of 2.29% from the prior quarter, 3.44% in the third quarter of last year, and 3.77% for the second quarter of last year. This division continues to be a positive contributor to the earnings of the company. We are excited about its future.

The Company recorded net income for the quarter ended March 31, 2018 of \$1.4 million, or \$0.29 per diluted share compared to net income of \$95 thousand, or \$.01 per diluted for share during the quarter ended March 31, 2017.

As you will also note in the following financial information, our earnings for the three months ended March 31, 2018 have increased from the three months ended March 31, 2017. The higher net income in 2018 is primarily due to a decrease of \$1.9 million in the provision for loan losses which is partially offset by the \$739 thousand increase in employment expenses. Over the last two years, we have made investments to expand our footprint in the top three metropolitan areas of South Carolina, and we are beginning to see the results in the growth of our balance sheet.

We expect our overall results to continue to improve as our experienced bankers begin to share our relationship banking approach across our state. We are confident that the quality growth we are experiencing will benefit earnings in future periods. We appreciate the support from our shareholders and customers and look forward to continued success in 2018.

Sincerely,

JB Schwiers
President & CEO

GrandSouth Bancorporation (GRRB:OTCQB), the holding company for GrandSouth Bank, announced today that net income for the quarter ended March 31, 2018 was \$1.4 million compared to net income of \$95 thousand during the quarter ended March 31, 2017.

Overview

- Net loans increased by \$29.3 million, or 5.4%, during the quarter.
- Loans excluding specialty floor plan and purchased student loans (“core bank loans”) grew \$34.0 million, or 7.92% during the quarter.
- Core bank loan charge off ratio year to date of 0.02%.
- GrandSouth Bancorporation’s efficiency ratio increased to 70.27% during the first quarter of 2018 compared to 65.10% during the first quarter of 2017.

Net Interest Income

During the first quarter of 2018, net interest income before the provision for loan losses was \$8.7 million, up from \$8.1 million during the first quarter of 2017. Average loans during the first quarter of 2018 were \$571.0 million compared to \$437.8 million during the same period last year. The net interest margin was 5.75% in the first quarter of 2018, down from 6.82% in the first quarter of 2017 and up from 5.66% in the prior quarter.

Noninterest Income

Noninterest income was \$350 thousand during the first quarter of 2018, compared to \$253 thousand during the same quarter of 2017.

Noninterest Expense

Noninterest expense was \$6.4 million for the first quarter of 2018 compared to \$5.4 million for the first quarter of 2017. Growth in non-interest expense during the quarter was impacted by the Company’s in-process expansion of new offices in the Columbia, Orangeburg and Charleston, S.C. markets. Employee compensation increased by \$739 thousand compared to the first quarter of 2017.

The efficiency ratio increased to 70.27% during the quarter ended March 31, 2018 from 65.10% during the first quarter of 2017.

Loan Portfolio

Net gross loan growth in the first quarter of 2018 was \$29.7 million. Core bank loans grew \$34.0 million, or 7.92% while the specialty floor plan finance loans declined \$2.8 million or 3.53% and purchased student loans experienced paydowns of \$1.5 million or 3.51%.

The composition of our loan portfolio consisted of the following at March 31, 2018 and December 31, 2017:

	December 31, 2017	December 31, 2017
	(Dollars in thousands)	
Loans secured by real estate:		
Commercial, financial and agricultural	\$ 159,762	\$ 157,074
Real estate - construction, land development and other land loans	61,688	54,580
Real estate - mortgage	310,483	289,029
Installment loans to individuals	49,160	50,711
Loans, gross	581,093	551,394
Allowance for possible loan losses	(7,836)	(7,414)
Loans, net	<u>\$ 573,257</u>	<u>\$ 543,980</u>

Loan Loss Provision/Asset Quality

The loan loss provision for the quarter ended March 31, 2018 was \$805 thousand, compared to \$2.7 million for the same period last year. Net charge offs for the three months ended March 31, 2018 were \$382 thousand, compared to \$1.8 million for the same period in 2017.

OREO as of March 31, 2018 and 2017 was \$4.9 million and \$5.5 million, respectively. Nonaccrual loans were \$1.6 million at March 31, 2018 compared to \$3.1 million a year ago.

GrandSouth Bancorporation's allowance for loan losses as a percentage of total loans at March 31, 2018 was 1.35%, compared to 1.35% at the end of the first quarter of 2017. 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 \$20.6 million at March 31, 2018 down from \$23.3 million at March 31, 2017.

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

- callable agency securities in the amount of \$5.8 million
- residential government-sponsored mortgage-backed securities in the amount of \$12.0 million
- taxable municipal bonds in the amount of \$1.0 million
- nontaxable municipal bonds in the amount of \$1.8 million

No securities were called during the first quarter of 2018.

Deposits

Total deposits were \$630.2 million at March 31, 2018 compared to \$570.0 million at March 31, 2017. Interest-bearing accounts were \$535.8 million at March 31, 2018 up from \$384.0 million at March 31, 2017. Noninterest bearing accounts grew 6.12% from \$89.0 million at March 31, 2017 to \$94.4 million at March 31, 2018.

Shareholders' Equity

Total shareholders' equity increased from \$50.6 million at December 31, 2017 to \$52.0 million at March 31, 2018, 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 10.20% and 10.25% for GrandSouth Bancorporation and GrandSouth Bank, respectively, as of March 31, 2018.

GrandSouth Bancorporation is a bank holding company with assets of \$703.1 million at March 31, 2018. 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)

	March 31, 2018	December 31, 2017
	(Dollars in thousands)	
Assets		
Cash and due from banks	\$ 24,379	\$ 22,799
Interest bearing transaction accounts with other banks	3,171	14,290
Federal funds sold	36,153	4,368
Cash and cash equivalents	63,703	41,457
Certificates of deposit with other banks	13,500	13,500
Securities available-for-sale	20,608	21,440
Other investments, at cost	907	1,271
Loans, gross	581,093	551,394
Allowance for loan losses	(7,836)	(7,414)
Loans, net of allowance for loan losses	573,257	543,980
Premises and equipment, net	12,138	12,215
Bank owned life insurance	6,579	6,543
Assets acquired in settlement of loans	4,906	4,923
Interest receivable	4,301	4,728
Deferred income taxes	1,744	1,664
Goodwill	737	737
Other assets	750	1,275
Total assets	<u>\$ 703,130</u>	<u>\$ 653,733</u>
Liabilities and shareholders' equity		
Deposits		
Noninterest bearing	\$ 94,408	\$ 89,688
Interest bearing	535,771	480,310
Total deposits	630,179	569,998
Federal Home Loan Bank advances	7,000	19,000
Other borrowings	625	550
Junior subordinated debentures	8,247	8,247
Interest payable	251	208
Other liabilities	4,867	5,097
Total liabilities	651,169	603,100
Shareholders' equity	51,961	50,633
Total liabilities and shareholders' equity	<u>\$ 703,130</u>	<u>\$ 653,733</u>

Condensed Consolidated Statements of Income
(Unaudited)

	For the three months ended March 31,	
	2018	2017
	(Dollars in thousands)	
Interest income	\$ 10,418	\$ 8,947
Interest expense	1,713	881
Net interest income	8,705	8,066
Provision for loan losses	805	2,720
Net interest income after provision for loan losses	7,900	5,346
Noninterest income		
Service charges on deposit accounts	149	127
Gain on sale of securities	-	7
Net gain on sale of premises and equipment	124	-
Increase in value of life insurance assets	36	38
Other	41	81
Total noninterest income	350	253
Noninterest expense		
Salaries and employee benefits	4,196	3,457
Premises and equipment	465	435
Loss on sale and impairment of assets acquired in settlement of loans	6	4
Data processing	334	287
Other expenses	1,362	1,232
Total noninterest expenses	6,363	5,415
Income before income taxes	1,887	184
Income tax provision	479	89
Net income	1,408	95
Deductions for amounts not available to common Shareholders:		
Dividends declared or accumulated on preferred stock	-	(30)
Net income available to common shareholders	1,408	65

Financial Highlights
(Unaudited)

	For the three months ended March 31,	
	2018	2017
Per share data:		
Earnings per share, basic	\$ 0.31	\$ 0.01
Earnings per share, diluted	\$ 0.29	\$ 0.01
Book value per share	\$ 11.25	\$ 10.94
Tangible book value per share	\$ 11.08	\$ 10.78
Weighted average shares outstanding, basic	4,502,457	4,490,290
Weighted average shares outstanding, diluted	4,884,713	4,863,735
Shares outstanding at end of period	4,505,190	4,497,990
Selected performance ratios and other data:		
Return on average assets	0.84%	0.07%
Return on average equity	10.92%	0.74%
Yield on average earning assets	5.38%	6.61%
Cost of funds	1.28%	0.86%
Net interest margin	5.70%	6.82%
Efficiency ratio	70.27%	65.10%
Charge-offs, net to average loans	0.27%	1.66%
As of		
	March 31,	December 31,
	2018	2017
	(Dollars in thousands)	
Shareholders' equity to total assets	7.39%	7.75%
Tier 1 risk-based capital ratio	10.25%	10.46%
Intangible assets		
Goodwill	\$ 737	\$ 737
Other real estate owned	\$ 4,906	\$ 4,923
Nonaccrual loans	1,644	1,745
Loans past due 90 days and accruing interest (a)	40	61
Total nonperforming assets	6,590	6,729
Allowance for loan losses to loans, gross	1.35%	1.34%

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