

GrandSouth Bancorporation reports earnings for the second quarter of 2016 of \$1.2 million and declares a dividend of \$0.10 per common share.

GREENVILLE, SC, July 21, 2016 -- GrandSouth Bancorporation (GRRB), the holding company for GrandSouth Bank, announced today that net income for the quarter ended June 30, 2016 was \$1.2 million compared to \$1.7 million during the quarter ended June 30, 2015.

The Board of Directors declared a dividend of \$0.10 per common share (\$0.105 per Series A preferred share) payable on August 25, 2016 to shareholders of record on August 10, 2016. This is our thirteenth consecutive quarterly dividend.

Overview

- Loans, net increased by \$6.9 million, or 2.0%, during the quarter.
- GrandSouth Bancorporation's efficiency ratio was 65.44% during the second quarter of 2016 compared to 57.73% during the second quarter of 2015.
- GrandSouth Bancorporation's return on average assets was 1.06% during the second quarter of 2016 compared to 1.67% in the same quarter last year.
- The return on average equity was 8.88% in the second quarter of 2016, down from 15.41% in the second quarter of 2015.

Net Interest Income

During the second quarter of 2016, net interest income before the provision for loan losses was \$6.5 million, up from \$6.1 million during the second quarter of 2015. Average loans during the second quarter of 2016 were \$356.5 million compared to \$326.3 million during the same period last year. The net interest margin was 6.35% in the second quarter of 2016, down from 6.59% in the second quarter of 2015 and down from 6.68% in the prior quarter.

Noninterest income

Noninterest income was \$249 thousand during the second quarter of 2016, compared to \$163 thousand during the same quarter of 2015.

Noninterest Expense

Noninterest expense was \$4.4 million for the second quarter of 2016 compared to \$3.6 million for the second quarter of 2015. Growth in non-interest expense during the quarter was impacted by the Company's in-process expansion of two new offices in the Columbia and Orangeburg, S.C. markets. Employee compensation increased by \$742 thousand compared to the second quarter of 2015. During the second quarter of 2016, we sold \$299 thousand of other real estate owned (OREO) properties recognizing gains of \$294 thousand, and we recognized impairment in the amount of \$71 thousand on OREO properties resulting in a net gain of \$223 thousand. This compared to a loss on OREO of \$13 thousand for the second quarter of 2015.

The efficiency ratio increased to 65.44% during the quarter ended June 30, 2016 from 57.73% during the second quarter of 2015.

Loan Portfolio

Net loan growth in the second quarter of 2016 was \$6.9 million.

The composition of our loan portfolio consisted of the following at June 30, 2016 and December 31, 2015:

	June 30, 2016	December 31, 2015
	(Dollars in thousands)	
Loans secured by real estate:		
Commercial, financial and agricultural	\$ 100,718	\$ 100,485
Real estate - construction, land development and other land loans	39,751	47,714
Real estate - mortgage	185,890	182,284
Installment loans to individuals	35,770	38,867
Loans, gross	362,129	369,350
Allowance for possible loan losses	(4,346)	(4,315)
Loans, net	<u>\$ 357,783</u>	<u>\$ 365,035</u>

Loan Loss Provision/Asset Quality

The loan loss provision for the quarter ended June 30, 2016 was \$495 thousand, compared to \$0 for the same period last year. Net charge offs for the three months ended June 30, 2016 were \$468 thousand, compared to \$338 thousand for the same period in 2015.

OREO as of June 30, 2016 was \$4.8 million compared to \$5.3 million as of the end of the previous year. Nonaccrual loans were \$1.8 million at June 30, 2016 compared to \$1.7 million at the end of last year.

GrandSouth Bancorporation's allowance for loan losses as a percentage of total loans at June 30, 2016 was 1.20%, compared to 1.17% at the end of 2015. 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 \$29.1 million at June 30, 2016 up from \$14.9 million at December 31, 2015.

Securities in our investment portfolio as of June 30, 2016 were as follows:

- callable agency securities in the amount of \$13.7 million
- residential government-sponsored mortgage-backed securities in the amount of \$7.9 million and residential government-sponsored collateralized mortgage obligations totaling \$142 thousand
- taxable municipal bonds in the amount of \$1.0 million
- nontaxable municipal bonds in the amount of \$6.4 million

During the second quarter of 2016, we purchased \$10.7 million of callable agency securities, \$724 thousand of municipal bonds and \$2.1 million of residential government-sponsored mortgage-backed securities. One callable agency security in the amount of \$345 thousand and six municipal bonds were called.

Deposits

Total deposits were \$375.1 million at June 30, 2016 compared to \$350.3 million at December 31, 2015. Interest-bearing accounts were \$321.5 million at June 30, 2016 up from \$304.7 million at December 31, 2015.

Shareholders' Equity

Total shareholders' equity increased from \$42.7 million at December 31, 2015 to \$52.4 million at June 30, 2016 as a result of a previously announced completion of the sale of \$12 million in common stock through a private placement, the redemption of all remaining Series T-3 preferred stock and the retention of earnings. Our Tier 1 Risk Based Capital Ratios were 16.39% and 16.01% for GrandSouth Bancorporation and GrandSouth Bank, respectively, as of June 30, 2016.

GrandSouth Bancorporation is a bank holding company with assets of \$459.0 million at June 30, 2016. GrandSouth Bank provides a range of financial services to individuals and small and medium sized businesses. GrandSouth Bank has four branches in South Carolina, located in Greenville, Fountain Inn, Anderson and Greer and two additional branch offices in Columbia and Orangeburg, S.C. that have received regulatory approval and are expected to be opened during the third quarter of 2016.

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 forwardlooking 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, <u>2016</u>	December 31, <u>2015</u>
	(Dollars in thousands)	
Assets		
Cash and due from banks	\$ 12,426	\$ 11,695
Interest bearing transaction accounts with other banks	21,346	456
Federal funds sold	<u>8,705</u>	<u>3,701</u>
Cash and cash equivalents	42,477	15,852
Certificates of deposit with other banks	2,250	2,000
Securities available-for-sale	29,072	14,885
Other investments, at cost	1,234	1,276
Loans, gross	362,129	369,350
Allowance for loan losses	<u>(4,346)</u>	<u>(4,315)</u>
Loans, net of allowance for loan losses	357,783	365,035
Premises and equipment, net	8,847	8,814
Bank owned life insurance	6,307	6,226
Assets acquired in settlement of loans	4,793	5,275
Interest receivable	3,120	3,133
Deferred income taxes	1,240	1,274
Goodwill	737	737
Other assets	<u>1,124</u>	<u>1,983</u>
Total assets	<u><u>\$ 458,984</u></u>	<u><u>\$ 426,490</u></u>
Liabilities and shareholders' equity		
Deposits		
Noninterest bearing	\$ 53,648	\$ 45,515
Interest bearing	<u>321,493</u>	<u>304,746</u>
Total deposits	375,141	350,261
Federal Home Loan Bank advances	20,000	22,000
Junior subordinated debentures	8,247	8,247
Interest payable	79	98
Other liabilities	<u>3,103</u>	<u>3,138</u>
Total liabilities	406,570	383,744
Shareholders' equity	<u>52,414</u>	<u>42,746</u>
Total liabilities and shareholders' equity	<u><u>\$ 458,984</u></u>	<u><u>\$ 426,490</u></u>

Condensed Consolidated Statements of Income
(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
	(Dollars in thousands)			
Interest income	\$ 7,056	\$ 6,595	\$ 14,491	\$ 13,017
Interest expense	<u>554</u>	<u>497</u>	<u>1,148</u>	<u>957</u>
Net interest income	6,502	6,098	13,343	12,060
Provision for loan losses	<u>495</u>	<u>0</u>	<u>1,125</u>	<u>0</u>
Net interest income after provision for loan losses	6,007	6,098	12,218	12,060
Noninterest income				
Service charges on deposit accounts	115	72	207	142
Gain on sale of securities	6	3	6	3
Net gain on sale of premises and equipment	6	25	6	68
Increase in value of life insurance assets	40	32	81	63
Other	<u>82</u>	<u>31</u>	<u>109</u>	<u>58</u>
Total noninterest income	249	163	409	334
Noninterest expense				
Salaries and employee benefits	3,057	2,315	5,816	4,599
Premises and equipment	331	244	608	459
Loss on sale and impairment of assets acquired in settlement of loans	(223)	13	(224)	38
Data processing	229	168	431	326
Other expenses	<u>1,023</u>	<u>874</u>	<u>1,811</u>	<u>1,473</u>
Total noninterest expenses	<u>4,417</u>	<u>3,614</u>	<u>8,442</u>	<u>6,895</u>
Income before income taxes	1,839	2,647	4,185	5,499
Income tax provision	<u>676</u>	<u>985</u>	<u>1,511</u>	<u>2,050</u>
Net income	1,163	1,662	2,674	3,449
Deductions for amounts not available to common shareholders:				
Dividends declared or accumulated on preferred stock	<u>(30)</u>	<u>(43)</u>	<u>(90)</u>	<u>(78)</u>
Net income available to common shareholders	<u><u>1,133</u></u>	<u><u>1,619</u></u>	<u><u>2,584</u></u>	<u><u>3,371</u></u>

Financial Highlights
(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
(Dollars in thousands)				
Per share data:				
Earnings per share, basic	\$ 0.25	\$ 0.49	\$ 0.59	\$ 0.78
Earnings per share, diluted	\$ 0.24	\$ 0.46	\$ 0.58	\$ 0.98
Book value per share	\$11.22	\$ 10.28	\$ 11.22	\$ 10.28
Tangible book value per share	\$ 11.06	\$ 10.06	\$ 11.06	\$ 10.06
Weighted average shares outstanding, basic	4,551,396	3,333,550	4,343,174	3,329,538
Weighted average shares outstanding, diluted	4,651,227	3,483,798	4,447,769	3,454,722
Shares outstanding at end of period	4,556,165	3,337,331	4,556,165	3,337,331
Selected performance ratios and other data:				
Return on average assets	1.06%	1.67%	1.21%	1.75%
Return on average equity	8.88%	15.41%	10.65%	16.28%
Yield on average earning assets	6.27%	6.52%	6.45%	6.54%
Cost of funds	0.67%	0.63%	0.68%	0.62%
Net interest margin	6.35%	6.59%	6.52%	6.64%
Efficiency ratio	65.44%	57.73%	61.40%	55.62%
Charge-offs, net to average loans	0.52%	0.41%	0.61%	0.35%

	As of	
	June 30, 2016	December 31, 2015
Shareholders' equity to total assets	11.42%	10.03%
Tier 1 risk-based capital ratio	16.39%	13.61%
Intangible assets		
Goodwill	\$ 737	\$ 737
Other real estate owned	\$ 4,793	\$ 5,275
Nonaccrual loans	1,814	1,685
Loans past due 90 days and accruing interest (a)	<u>103</u>	<u>142</u>
Total nonperforming assets	6,710	7,102
Allowance for loan losses to loans, gross	1.20%	1.17%

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