

GrandSouth

BANCORPORATION

GrandSouth Bancorporation reports second quarter 2020 earnings of \$1.6 million and declares a dividend of \$0.08 per common share.

GREENVILLE, SC, July 24, 2020

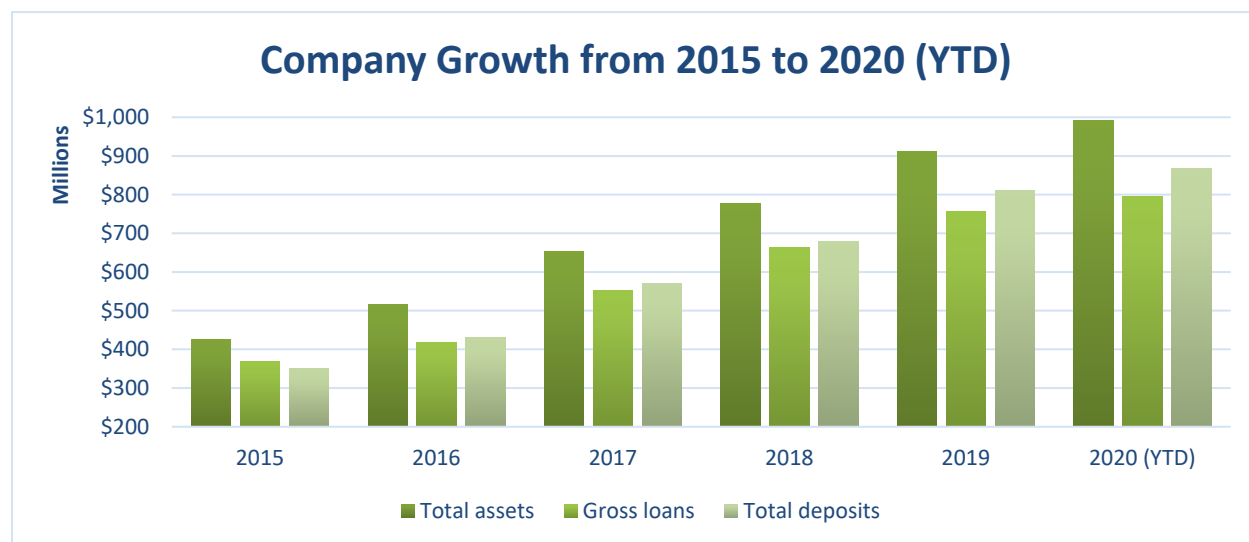
GrandSouth Bancorporation (GRRB:OTCQX), the holding company for GrandSouth Bank (the “Company”)

GrandSouth Bancorporation today reported earnings of \$1.6 million for the quarter ending June 30, 2020, compared to earnings of \$2.0 million for the same period in 2019. During the first and second quarter of 2020, results were negatively affected by the decision to further bolster the allowance for loan losses, increasing the reserve to 1.42% of loans at the end of the first quarter and then further to 1.50% of loans excluding Small Business Administration (“SBA”) Payroll Protection Plan (“PPP”) loans at the end of the second quarter. Our credit metrics continue to look strong at the end of the second quarter, but we believe the higher reserve is necessary should economic conditions remain weak for an extended period of time. The allowance for loan losses was 1.36% of total loans as of December 31, 2019.

Nonperforming assets ended the quarter at \$3.0 million, or 0.31% of total assets, down from 0.35% as of March 31, 2020 and 0.42% as of December 31, 2019. Past due, but still accruing loans, net of the amounts guaranteed by the U.S. Government continued to improve ending the quarter at 0.004% as a percentage of total assets for the quarter ended June 30, 2020, compared to 0.007% at March 31, 2020 and 0.008% at December 31, 2019.

Total assets at the end of the second quarter were \$992.3 million. This is an \$80.7 million, or 8.85%, increase in total assets since December 31, 2019 and a \$67.2 million, or 7.27%, increase since March 31, 2020. The main funding source supporting asset growth was noninterest bearing deposits, which increased \$54.1 million, or 39.92%, and \$51.2 million, or 37.05%, for the quarter and year to date, respectively. Total gross loans ended the second quarter at \$796.8 million, reflecting an increase of \$25.3 million, or 3.29%, for the quarter and \$40.4 million, or 5.34%, year to date. The Company was able to provide critical capital to the small business community in South Carolina through the SBA PPP loan program funding \$39.0 million to over 272 businesses. These loans were the largest contributor to loan growth in the quarter. This growth was offset by a decrease of \$22.1 million, or 26.90%, in the Company’s specialty floor plan lending division. Loans excluding these two portfolios grew \$8.5 million, or 1.23%, from March 31, 2020.

As indicated in the chart below, the Company continues to build on its expansion across South Carolina that began in 2015. Total assets have grown to \$992.3 million from \$426.5 million over the past four and half years. In addition, the Company lowered its cost of interest-bearing deposits by 59 basis points (“bps”), or 33.15%, from 1.78% during the fourth quarter of 2019 to 1.19% during the second quarter of 2020. We are confident we can continue to decrease this expense as the rate commitments made in 2019 and prior continue to mature and reprice at current market interest rates. The Board of Directors declared a dividend of \$0.08 per common payable on August 20, 2020 to shareholders of record on August 4, 2020.



The specialty floor plan lending division was affected by the COVID-19 pandemic as most automobile auctions throughout the country ceased in-person buying allowing only online purchases. In addition, many dealers throughout the country were disrupted by various government restrictions including but not limited to stay-at-home orders. As a result, the volume of vehicles financed within this division decreased. This lack of new volume contributed to a decrease in loans outstanding in this portfolio of \$22.1 million, or 26.90% in the second quarter. The credit performance of the portfolio has been resilient throughout the pandemic as the quarterly annualized charge off was 1.62% an improvement from 1.74% in the first quarter of 2020 and 2.02% in the same quarter a year ago.

We continue to focus on the ever-changing environment in 2020 as it relates to our Company, employees, customers and other stakeholders. The effort of our employees in assisting our existing and new customers through the SBA PPP loan program was extraordinary. These times have shown to the community the value of having a great banker and a true financial partner to help in times of need.

Sincerely,

A handwritten signature in blue ink, appearing to read "JB Schwiers", with a long horizontal flourish extending to the right.

JB Schwiers
President & CEO
GrandSouth Bank

GrandSouth Bancorporation (GRRB:OTCQX), the holding company for GrandSouth Bank, announced today that net income for the second quarter of 2020 was \$1.6 million.

The Board of Directors declared a dividend of \$0.08 per common share (\$0.084 per Series A preferred share) payable on August 20, 2020 to shareholders of record on August 4, 2020.

Second Quarter 2020 Overview

- Net income was \$1.6 million for the quarter.
- Gross loans increased \$25.3 million, or 3.29%, during the quarter.
- Gross loans, excluding specialty floor plan and purchased student loans (“Core Bank loans”), grew \$48.1 million, or 7.31%, during the quarter.
- SBA PPP loans totaled \$39.0 million at quarter end.
- The Company’s net charge off ratio for the quarter was 0.12%, down from the prior quarter’s 0.22%. The Core Bank’s net recovery ratio was 0.02% for the quarter, compared to a net charge off ratio of 0.01% in the prior quarter.
- The Company’s quarterly efficiency ratio was 72.99%, compared to 66.81% for the same quarter a year ago.

COVID-19 Loan Overview through June 30, 2020

- 272 Paycheck Protection Program (PPP) loans processed and funded totaling \$39.0 million.
- 226 Core Bank loans granted payment deferrals totaling \$108.4 million, or 15.5% of Core Bank loans.
- 1,114 vehicles financed through the specialty floor plan lending division were granted payment deferrals totaling \$7.6 million.

Net Interest Income

Net interest income before provision for loan losses was \$9.5 million for the quarter ended June 30, 2020, down \$0.2 million, or 1.82%, from the same period in 2019. For the six months ended June 30, 2020, net interest income before provision for loan losses increased \$0.7 million, or 3.73%, to \$20.1 million from the same period in 2019.

Net interest margin compressed primarily as a result of the Federal Reserve rate cuts of 225 bps during 2020 and a 13% decline in the Bank’s specialty floor lending division. Although average interest-bearing assets increased \$102.2 million, or 12.38%, for the quarter ended June 30, 2020 compared to the same period in 2019, the relative yields on interest-earning assets declined 121 bps over the same periods. The decline in overall asset yields was primarily driven by the decline in yields generated from bank excess liquidity decreasing to 0.12% from 2.22% and the decline in the Bank’s specialty floor lending division outstanding balances as a percentage of the total loan portfolio declining to 8.7% from 11.7%. Core Bank loan yields excluding SBA PPP loans declined 75 bps from the same period in 2019. The yield on interest-bearing liabilities declined at a slower pace, or 73 bps, over the same periods, resulting in a net interest margin of 4.11% for the second quarter of 2020, compared to 4.69% for the same period in 2019.

Noninterest Income

Noninterest income was \$1.0 million for the second quarter of 2020, an increase of \$0.6 million, or 185.26%, from the second quarter of 2019. Year to date through June 30, 2020, noninterest income increased \$0.9 million, or 138.93%, to \$1.6 million from \$0.7 million in the same period in 2019. These

changes were primarily driven by increases in gains on sale of securities and bank-owned life insurance income.

Noninterest Expense

Noninterest expense increased \$1.0 million, or 14.36%, in the second quarter of 2020 when compared to the same period of 2019. For the year to date, noninterest expense increased \$2.0 million, or 15.20%, over the same period in 2019. These increases are primarily attributable to increases in salaries and employee benefits from the addition of new staff and write-downs of assets acquired in the settlement of loans.

Loan Portfolio

The Company has been actively working with customers through the COVID-19 pandemic through the participation in the SBA PPP and through the grant of deferments of principal and interest to those affected.

The Company granted loan payment deferrals due to the COVID-19 pandemic on 266 loans totaling \$108.4 million, or 15.5%, of the Core Bank loan portfolio as of June 30, 2020. Of these deferrals, 227 loans totaling \$75.5 million were 90-day payment deferments of principal and interest, of which 191 loans, or \$62.0 million, had exited the deferment period as of July 23, 2020. Within the specialty floor plan lending division, 1,114 vehicles financed totaling \$7.6 million were extended deferment due to COVID-19. Of these deferments, 93, or \$0.6 million, of these vehicles remain outstanding as of July 23, 2020.

The Company grew gross loans by \$25.3 million, or 3.29%, during the second quarter of 2020 and \$40.4 million, or 5.34%, for the year to date. While specialty floor plan loans declined by \$22.1 million, or 26.90% for the quarter and \$26.8 million, or 30.82%, for the year to date, respectively, Core Bank loans grew by \$48.1 million, or 7.31%, and \$69.1 million, or 10.84%, during the same periods, respectively. Purchased student loans continued to experience paydowns totaling \$0.7 million, or 2.23% and \$2.0 million, or 6.12% for the quarter and year to date, respectively.

The composition of our loan portfolio consisted of the following on June 30, 2020, March 31, 2020 and December 31, 2019:

	June 30, 2020	March 31, 2020	December 31, 2019
	(Dollars in thousands)		
Commercial, financial and agricultural	\$ 135,221	\$ 136,021	\$ 140,109
Specialty floor plan loans	60,081	82,189	86,853
Commercial PPP loans	38,983	-	-
Real estate - construction, land development and other	73,950	61,901	63,729
Real estate – mortgage	450,665	452,337	424,590
Purchased student loans	29,937	30,621	31,887
Installment loans to individuals	7,941	8,362	9,221
Loans, gross	<u>796,778</u>	<u>771,431</u>	<u>756,389</u>
Allowance for loan losses	<u>(11,369)</u>	<u>(10,957)</u>	<u>(10,287)</u>
Loans, net	<u>\$ 785,409</u>	<u>\$ 760,474</u>	<u>\$ 746,102</u>

Loan Loss Provision and Asset Quality

For the quarter ended June 30, 2020, the provision for loan losses was \$0.7 million, an increase of \$18 thousand, or 2.82%, from the same quarter a year ago. Year to date, the provision for loan losses was \$1.7 million, an increase of \$0.4 million, or 29.97%, over the same period a year ago. Net charge offs fell to \$0.2 million for the quarter and \$0.7 million for the year to date ended June 30, 2020 as compared to \$0.4 million and \$0.8 million for the same periods in 2019. Gross recoveries for the quarter ending June 30, 2020 were \$0.4 million compared to \$0.1 million for the same period in 2019. Gross recoveries for the year to date were \$0.6 million compared to \$0.1 million for the same period in 2019, respectively.

The allowance for loan losses as a percentage of total gross loans increased to 1.43% (1.50% of gross loans excluding SBA PPP loans) at June 30, 2020 from 1.42% at March 31, 2020 and 1.36% at December 31, 2019 primarily as a result of uncertainty from the recent COVID-19 pandemic. The Company's management believes the allowance is adequate to absorb losses that are inherent in the loan portfolio as of June 30, 2020 and will continue to closely monitor credit ratios and activity.

Assets acquired in the settlement of loans were \$2.1 million at June 30, 2020, an increase from \$1.9 million at March 31, 2020 and December 31, 2019. Nonaccrual loans decreased to \$0.9 million at June 30, 2020 from \$1.3 million at March 31, 2020 and \$1.9 million at December 31, 2019. Nonaccrual loans were \$2.0 million at June 30, 2019.

Securities Portfolio

Investment securities available-for-sale were \$102.6 million at June 30, 2020, up \$31.5 million, or 44.23%, from \$71.1 million at March 31, 2020, and up \$28.7 million, or 38.87%, from \$73.9 million at December 31, 2019.

Securities in our investment portfolio as of June 30, 2020 were as follows:

- asset backed securities totaling \$6.3 million;
- residential government-sponsored mortgage-backed securities totaling \$27.7 million;
- collateralized mortgage obligations totaling \$50.7 million;
- taxable municipal bonds totaling \$4.9 million;
- nontaxable municipal bonds totaling \$12.5 million; and
- corporate debt securities in the amount of \$0.5 million.

During the second quarter of 2020, one security was called, twenty-one securities were purchased, and five securities were sold.

Deposits

Total deposits increased \$65.1 million, or 8.12%, during the second quarter and \$54.4 million, or 6.70%, for the year to date to \$866.9 million at quarter end. Noninterest bearing deposits increased \$54.1 million, or 39.92%, during the quarter and \$51.2 million, or 37.05%, for the year to date to \$189.5 million at June 30, 2020.

Borrowings

As of June 30, 2020, the Company had \$20.0 million of Federal Home Loan Bank advances outstanding and had purchased \$1.1 million of overnight funds.

Shareholders' Equity

Shareholders' equity was \$81.0 million at June 30, 2020, an increase of \$1.6 million, or 1.96%, for the quarter and \$4.3 million, or 5.65%, for the year to date. The balance was impacted by the normal retention of earnings, exercise of stock options, expense of stock option grants, changes in the fair value of investments and payment of dividends.

Tier 1 Risk Based Capital Ratios were 12.13% and 11.83% for GrandSouth Bancorporation and GrandSouth Bank, respectively, as of June 30, 2020.

GrandSouth Bancorporation is a bank holding company with assets of \$992.3 million at June 30, 2020. GrandSouth Bank provides a range of financial services to individuals and small and medium sized businesses. GrandSouth Bank has seven branches in South Carolina, located in Greenville, Fountain Inn, Anderson, Greer, Columbia, Orangeburg and 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. The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements: (1) competitive pressures among depository and other financial institutions may increase significantly and have an effect on pricing, spending, third-party relationships and revenues; (2) the strength of the United States economy in general and the strength of the local economies in which the company conducts operations may be different than expected, including, but not limited to, due to the negative impacts and disruptions resulting from the recent outbreak of the novel coronavirus, or COVID-19, on the economies and communities the company serves, which may have an adverse impact on the company's business, operations and performance, and could have a negative impact on the company's credit portfolio, share price, borrowers, and on the economy as a whole, both domestically and globally; (3) the rate of delinquencies and amounts of charge-offs, the level of allowance for loan loss, the rates of loan growth, or adverse changes in asset quality in our loan portfolio, which may result in increased credit risk-related losses and expenses; (4) changes in legislation, regulation, policies, or administrative practices, whether by judicial, governmental, or legislative action, including, but not limited to, the Coronavirus Aid, Relief, and Economic Security Act, or the "CARES Act"; (5) adverse conditions in the stock market, the public debt market and other capital markets (including changes in interest rate conditions) could have a negative impact on the company; (6) changes in interest rates, which may affect the company's net income, prepayment penalty income, and other future cash flows, or the market value of the company's assets, including its investment securities; and (7) changes in accounting principles, policies, practices, or guidelines. 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)

	June 30, 2020	March 31, 2020	December 31, 2019
	(Dollars in thousands)		
Assets			
Cash and due from banks	\$ 3,440	\$ 6,299	\$ 10,758
Interest bearing transaction accounts with other banks	53,023	34,449	25,746
Federal funds sold	-	2,835	6,275
Cash, cash equivalents and restricted cash	56,463	43,583	42,779
Securities available-for-sale	102,601	71,136	73,885
Other investments, at cost	8,505	10,169	9,196
Loans, gross	796,778	771,431	756,389
Allowance for loan losses	(11,369)	(10,957)	(10,287)
Loans, net of allowance for loan losses	785,409	760,474	746,102
Premises and equipment, net	13,287	13,184	13,345
Bank owned life insurance	14,651	14,548	14,447
Assets acquired in settlement of loans	2,126	1,855	1,855
Interest receivable	5,648	5,384	5,743
Deferred income taxes	1,797	1,845	2,161
Goodwill	737	737	737
Other assets	1,100	2,174	1,395
Total assets	<u>\$ 992,324</u>	<u>\$ 925,089</u>	<u>\$ 911,645</u>
Liabilities and Shareholders' Equity			
Liabilities			
Deposits			
Noninterest bearing	\$ 189,514	\$ 135,442	\$ 138,276
Interest bearing	677,424	666,411	674,225
Total deposits	866,938	801,853	812,501
Federal funds purchased	1,076	-	-
Federal Home Loan Bank advances	20,000	20,000	-
Junior subordinated debentures	18,108	18,098	18,088
Interest payable	370	663	506
Other liabilities	4,854	5,051	3,900
Total liabilities	<u>911,346</u>	<u>845,665</u>	<u>834,995</u>
Shareholders' equity			
Preferred stock - Series A - no par value	1,298	1,298	1,298
Common stock - no par value	44,788	44,588	44,327
Retained earnings	33,507	32,312	30,841
Accumulated other comprehensive gain	1,385	1,226	184
Total shareholders' equity	<u>80,978</u>	<u>79,424</u>	<u>76,650</u>
Total liabilities and shareholders' equity	<u>\$ 992,324</u>	<u>\$ 925,089</u>	<u>\$ 911,645</u>

NOTE: Certain amounts in the prior year's financial statements may have been reclassified to conform to the current year's presentation. The reclassifications had no effect on our results of operations or financial condition as previously reported.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
	(Dollars in thousands)		(Dollars in thousands)	
Interest income	\$ 11,725	\$ 12,961	\$ 25,342	\$ 25,606
Interest expense	2,263	3,324	5,286	6,272
Net interest income	9,462	9,637	20,056	19,334
Provision for loan losses	656	638	1,739	1,338
Net interest income after provision for loan losses	8,806	8,999	18,317	17,996
Noninterest income				
Service charges on deposit accounts	222	227	456	435
Gain on sale of securities	392	13	392	13
Net gain on sale of premises and equipment	8	-	8	19
Increase in value of life insurance assets	103	36	204	70
Other	262	70	548	136
Total noninterest income	987	346	1,608	673
Noninterest expenses				
Salaries and employee benefits	5,044	4,282	10,200	8,603
Premises and equipment	531	543	1,085	1,065
Net (gain)/loss on sale and impairment of assets acquired in settlement of loans	242	(20)	242	(20)
Data processing	394	410	844	749
Other expenses	1,416	1,454	2,868	2,831
Total noninterest expenses	7,627	6,669	15,239	13,228
Income before income taxes	2,166	2,676	4,686	5,441
Income tax provision	531	651	1,139	1,321
Net income	1,635	2,025	3,547	4,120
Deductions for amounts not available to common shareholders:				
Dividends declared or accumulated on preferred stock	(24)	-	(48)	-
Net income available to common shareholders	\$ 1,611	\$ 2,025	\$ 3,499	\$ 4,120

NOTE: Certain amounts in the prior year's financial statements may have been reclassified to conform to the current year's presentation. The reclassifications had no effect on our results of operations or financial condition as previously reported.

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

	For the three months ended					
	June 30, 2020			June 30, 2019		
	Average balance	Interest	Average Yield	Average balance	Interest	Average Yield
	(Dollars in thousands)					
Interest earning assets						
Investments						
Corporate debt security	500	7	5.27%	-	-	0.00%
Other investments	2,489	29	4.59%	1,642	12	3.62%
Certificates of deposit	7,175	40	2.22%	11,882	61	2.07%
US agency securities and treasuries	617	3	1.95%	12,923	75	2.31%
Mortgage backed securities & CMOs	58,713	243	1.66%	23,172	144	2.48%
Municipals, taxable	4,598	31	2.74%	502	2	1.89%
Municipals, non-taxable (a)	6,971	54	3.13%	5,461	48	3.49%
Subtotal, investments	81,063	407	2.01%	55,582	342	2.48%
Cash equivalents						
Due from banks and fed funds sold	52,679	16	0.12%	85,753	475	2.22%
Subtotal, cash equivalents	52,679	16	0.12%	85,753	475	2.22%
Total investment securities and cash equivalents	133,742	423	1.27%	141,335	817	2.32%
Loans						
Consumer loans and line of credit loans	7,873	75	3.81%	8,852	113	5.13%
FFELP student loans	30,410	353	4.67%	34,243	472	5.53%
Commercial loans	113,654	1,278	4.52%	98,652	1,359	5.52%
Commercial real estate loans	483,482	5,096	4.24%	404,832	4,996	4.95%
Commercial PPP loans	28,392	216	3.07%	-	-	0.00%
Specialty floor plan loans	69,697	3,633	20.97%	80,106	4,509	22.58%
Residential loans and equity loans	60,068	664	4.44%	57,137	702	4.93%
Total loans	793,576	11,315	5.73%	683,822	12,151	7.13%
Total interest earning assets	927,318	11,738	5.09%	825,157	12,968	6.30%
Interest bearing funds						
Interest-bearing deposits						
Premium accounts	23,795	7	0.11%	23,406	7	0.11%
Money market accounts	273,329	339	0.50%	233,157	938	1.61%
Regular savings accounts	7,952	2	0.10%	5,414	2	0.15%
Certificates of deposit, IRAs and CDARS	363,498	1,632	1.81%	377,135	2,090	2.22%
Total interest bearing deposits	668,574	1,980	1.19%	639,112	3,037	1.91%
Other interest bearing liabilities						
Federal funds purchased	61	-	0.45%	-	-	0.00%
Junior subordinated debentures	18,103	235	5.23%	18,062	264	5.89%
Federal Home Loan Bank advances	20,000	48	0.97%	4,000	23	2.37%
Total other interest bearing liabilities	38,164	283	2.99%	22,062	287	5.24%
Total interest bearing funds	706,738	2,263	1.29%	661,174	3,324	2.02%
Tax-equivalent net interest rate spread			3.80%			4.29%
Non-interest bearing funds						
Demand deposit accounts	170,951			116,852		
Total funds and cost of funds	877,689	2,263	1.04%	778,026	3,324	1.71%
Tax-equivalent net interest rate spread on funds			4.05%			4.59%
Tax-equivalent net interest net interest margin		9,475	4.11%		9,644	4.69%

(a) Tax exempt investments are calculated giving effect to a 21% federal tax rate.

NOTE: Certain amounts in the prior year's financial statements may have been reclassified to conform to the current year's presentation. The reclassifications had no effect on our results of operations or financial condition as previously reported.

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

	June 30, 2020		For the six months ended			June 30, 2019	
	Average balance	Interest	Average Yield	Average balance	Interest	Average Yield	
	(Dollars in thousands)						
Interest earning assets							
Investments							
Corporate debt security	500	13	5.25%	-	-	0.00%	
Other investments	2,181	46	4.27%	1,784	41	4.66%	
Certificates of deposit	7,463	83	2.23%	12,670	129	2.05%	
US agency securities and treasuries	1,758	18	1.99%	13,839	154	2.23%	
Mortgage backed securities & CMOs	60,686	563	1.86%	20,734	260	2.51%	
Municipals, taxable	4,426	60	2.72%	745	7	1.75%	
Municipals, non-taxable (a)	4,720	76	3.21%	5,754	102	3.54%	
Subtotal, investments	<u>81,734</u>	<u>859</u>	<u>2.10%</u>	<u>55,526</u>	<u>693</u>	<u>2.50%</u>	
Cash equivalents							
Due from banks and fed funds sold	37,347	88	0.48%	62,776	662	2.13%	
Subtotal, cash equivalents	<u>37,347</u>	<u>88</u>	<u>0.48%</u>	<u>62,776</u>	<u>662</u>	<u>2.13%</u>	
Total investment securities and cash equivalents	119,081	947	1.59%	118,302	1,355	2.30%	
Loans							
Consumer loans and line of credit loans	8,658	158	3.67%	9,030	228	5.08%	
FFELP student loans	30,978	743	4.82%	35,005	949	5.47%	
Commercial loans	112,462	2,642	4.72%	96,456	2,622	5.48%	
Commercial real estate loans	476,189	10,562	4.46%	396,630	9,737	4.95%	
Commercial PPP loans	14,797	217	2.94%	-	-	0.00%	
Specialty floor plan loans	80,925	8,723	21.68%	83,514	9,361	22.60%	
Residential loans and equity loans	58,936	1,365	4.66%	56,664	1,375	4.90%	
Total loans	<u>782,945</u>	<u>24,410</u>	<u>6.27%</u>	<u>677,299</u>	<u>24,272</u>	<u>7.23%</u>	
Total interest earning assets	902,026	25,357	5.66%	795,601	25,627	6.50%	
Interest bearing funds							
Interest-bearing deposits							
Premium accounts	21,713	12	0.11%	17,840	10	0.12%	
Money market accounts	269,412	1,047	0.78%	231,060	1,781	1.55%	
Regular savings accounts	7,376	4	0.10%	5,196	4	0.15%	
Certificates of deposit, IRAs and CDARS	368,841	3,651	1.99%	357,786	3,842	2.17%	
Total interest bearing deposits	<u>667,342</u>	<u>4,714</u>	<u>1.42%</u>	<u>611,882</u>	<u>5,637</u>	<u>1.86%</u>	
Other interest bearing liabilities							
Federal funds purchased	511	5	2.12%	-	-	0.00%	
Junior subordinated debentures	18,098	486	5.39%	18,057	533	5.96%	
Federal Home Loan Bank advances	14,879	81	1.09%	8,315	102	2.48%	
Total other interest bearing liabilities	<u>33,488</u>	<u>572</u>	<u>3.43%</u>	<u>26,372</u>	<u>635</u>	<u>4.86%</u>	
Total interest bearing funds	700,830	5,286	1.52%	638,254	6,272	1.98%	
Tax-equivalent net interest rate spread			<u>4.14%</u>			<u>4.51%</u>	
Non-interest bearing funds							
Demand deposit accounts	151,014			115,633			
Total funds and cost of funds	<u>851,844</u>	<u>5,286</u>	<u>1.25%</u>	<u>753,887</u>	<u>6,272</u>	<u>1.68%</u>	
Tax-equivalent net interest rate spread on funds			<u>4.41%</u>			<u>4.82%</u>	
Tax-equivalent net interest net interest margin		<u>20,071</u>	<u>4.48%</u>		<u>19,355</u>	<u>4.90%</u>	

(a) Tax exempt investments are calculated giving effect to a 21% federal tax rate.

NOTE: Certain amounts in the prior year's financial statements may have been reclassified to conform to the current year's presentation. The reclassifications had no effect on our results of operations or financial condition as previously reported.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
	(Dollars in thousands, except per share)		(Dollars in thousands, except per share)	
Per share data:				
Earnings per common share, basic	0.31	0.39	0.67	0.84
Earnings per common share, diluted	0.29	0.37	0.63	0.79
Book value per common share	15.29	13.79	15.29	13.79
Tangible book value per common share	15.15	13.64	15.15	13.64
Tangible book value per common share adjusted for the conversion of Series A preferred stock per share	14.59	13.16	14.59	13.16
Weighted average common shares outstanding, basic	5,210,531	5,147,588	5,208,275	4,887,791
Weighted average common shares outstanding, diluted	5,546,258	5,504,489	5,564,330	5,244,987
Common shares outstanding at end of period	5,210,531	5,179,251	5,210,531	5,179,251
Selected performance ratios and other data:				
Annualized return on average assets	0.68%	0.95%	0.76%	1.01%
Annualized return on average equity	8.18%	11.43%	8.98%	12.66%
Annualized net interest margin	4.11%	4.69%	4.48%	4.90%
Efficiency ratio	72.99%	66.81%	70.32%	66.13%
Annualized charge-offs, net to average loans	0.12%	0.25%	0.17%	0.25%
			As of	
		June 30,	December 31,	June 30,
		2020	2019	2019
			(Dollars in thousands)	
Shareholders' equity to total assets		8.17%	8.41%	8.41%
Tier 1 risk-based capital ratio		11.83%	11.61%	12.46%
Intangible assets				
Goodwill		737	737	737
Other real estate owned		2,126	1,855	2,762
Nonaccrual loans		866	1,897	2,013
Loans past due 90 days and accruing interest (a)		37	64	51
Total nonperforming assets		3,029	3,816	4,826
Allowance for loan losses to loans, gross		1.43%	1.36%	1.40%

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

NOTE: Certain amounts in the prior year's financial statements may have been reclassified to conform to the current year's presentation. The reclassifications had no effect on our results of operations or financial condition as previously reported.