QUARTERLY REPORT
JUNE 2019

SOUTHERN BANCSHARES (N.C.), INC.
Mission

Founded in 1901, Southern Bank is a customer-focused community bank serving eastern North Carolina and southeastern Virginia. Our mission is to be the bank of preference for consumers and businesses in the markets that we serve.

Genuine concern for the customer is our top priority, striving to create and deliver superior value in the financial services we provide by exceeding the expectations of our customers.

We are dedicated to the communities we serve, both in spirit and support. We provide a progressive and rewarding working environment for our employees that encourages the investment of their time, energy, and talents to the betterment of their communities.

We embrace sound banking philosophies that incorporate dedication to relationships, strong business values, and financial integrity while advocating the maintenance of quality assets and reasonable return on shareholder investment.

Southern Bank is a wholly owned subsidiary of Southern BancShares (N.C.), Inc.
# Summary Balance Sheet

**Southern BancShares (N.C.), Inc. and Subsidiary**  
**Financial Highlights (Unaudited)**  
(Dollars in thousands, except per share data)

## ASSETS

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
<th>YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, due from banks and overnight funds sold</td>
<td>$184,568</td>
<td>$140,442</td>
<td>$2,837,131</td>
</tr>
<tr>
<td>Investments</td>
<td>764,189</td>
<td>678,534</td>
<td>$2,629,847</td>
</tr>
<tr>
<td>Loans less allowance for loan loss of $19,773 and $19,647</td>
<td>1,729,565</td>
<td>1,659,752</td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>158,809</td>
<td>151,119</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$2,837,131</td>
<td>$2,629,847</td>
<td>8%</td>
</tr>
</tbody>
</table>

## LIABILITIES

<table>
<thead>
<tr>
<th>Deposits:</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Noninterest-bearing deposits</td>
<td>$774,948</td>
<td>$700,514</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Interest-bearing deposits</td>
<td>1,632,162</td>
<td>1,543,357</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td><strong>Total deposits</strong></td>
<td>2,407,110</td>
<td>2,243,871</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>58,952</td>
<td>75,433</td>
<td>-22%</td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td>39,309</td>
<td>24,813</td>
<td>58%</td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>2,505,371</td>
<td>2,344,117</td>
<td>7%</td>
<td></td>
</tr>
</tbody>
</table>

## SHAREHOLDERS’ EQUITY

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preferred stock</td>
<td>1,812</td>
<td>1,823</td>
</tr>
<tr>
<td>Common stock</td>
<td>406</td>
<td>406</td>
</tr>
<tr>
<td>Surplus</td>
<td>47,043</td>
<td>54,862</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>285,500</td>
<td>248,081</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>(3,001)</td>
<td>(19,442)</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td>331,760</td>
<td>285,730</td>
</tr>
<tr>
<td><strong>Total liabilities and shareholders’ equity</strong></td>
<td>$2,837,131</td>
<td>$2,629,847</td>
</tr>
</tbody>
</table>

## EARNINGS PERFORMANCE

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
<th>2018</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>27,249</td>
<td>25,388</td>
<td>$53,668</td>
<td>$49,883</td>
<td>8%</td>
</tr>
<tr>
<td>Interest expense</td>
<td>2,676</td>
<td>1,518</td>
<td>5,036</td>
<td>2,917</td>
<td>73%</td>
</tr>
<tr>
<td>Net interest income</td>
<td>24,573</td>
<td>23,870</td>
<td>48,632</td>
<td>46,966</td>
<td>4%</td>
</tr>
<tr>
<td>Provision (recovery) for loan losses</td>
<td>406</td>
<td>406</td>
<td>(541)</td>
<td>1,368</td>
<td>-140%</td>
</tr>
<tr>
<td>Noninterest income</td>
<td>13,657</td>
<td>3,665</td>
<td>25,629</td>
<td>12,736</td>
<td>101%</td>
</tr>
<tr>
<td>Noninterest expense</td>
<td>19,586</td>
<td>18,374</td>
<td>39,610</td>
<td>36,160</td>
<td>10%</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>18,713</td>
<td>8,702</td>
<td>35,192</td>
<td>22,174</td>
<td>59%</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>3,885</td>
<td>1,832</td>
<td>7,438</td>
<td>4,886</td>
<td>52%</td>
</tr>
<tr>
<td>Net income</td>
<td>14,828</td>
<td>6,870</td>
<td>$27,754</td>
<td>$17,288</td>
<td>61%</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>177.64</td>
<td>78.58</td>
<td>$331.71</td>
<td>201.23</td>
<td></td>
</tr>
<tr>
<td>Return on average assets</td>
<td>2.13%</td>
<td>1.07%</td>
<td>2.04%</td>
<td>1.35%</td>
<td></td>
</tr>
<tr>
<td>Return on average equity</td>
<td>18.60%</td>
<td>9.60%</td>
<td>17.89%</td>
<td>12.19%</td>
<td></td>
</tr>
</tbody>
</table>

## ADDITIONAL DISCLOSURE - NEW ACCOUNTING PRONOUNCEMENT

In January 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-01: Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”). One of the requirements of the ASU is that equity investments must be measured at fair value with changes in fair value recognized in net income. We adopted the ASU on January 1, 2018 and recorded a $58.1 million cumulative-effect adjustment that increased retained earning and decreased accumulated other comprehensive income. For the quarters ended June 30, 2019 and 2018, unrealized gains (losses) on equity investments of $8.4 million and ($2.0) million, respectively were included in noninterest income, and $1.9 million and ($500,000), respectively in deferred tax expense (benefit) were included in income tax expense related to the change in fair value of equity investments. For the six months ended June 30, 2019 and 2018, unrealized gains on equity investments of $15.2 million and $2.5 million, respectively were included in noninterest income, and $3.5 million and $600,000, respectively in deferred tax expense were included in income tax expense related to the change in fair value of equity investments. While the ASU has no impact on the book value per common share, the impact to net income is as follows:

<table>
<thead>
<tr>
<th>For the Quarter Ended June 30,</th>
<th>Year to Date June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>2018</td>
</tr>
</tbody>
</table>

| Net income as reported          | $14,828               | $6,870               |
| Plus (less): impact of ASU 2016-01 | (6,462)               | 1,543                |
| Net income excluding the impact of ASU 2016-01 | $8,366               | $8,413               |
| Return on average assets excluding the impact of ASU 2016-01 | 1.20%                | 1.31%                |
| Return on average equity excluding the impact of ASU 2016-01 | 10.49%               | 11.75%               |
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The Bank’s and our Chief Executive Officer and Board Chairperson

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Mount Olive, NC
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Mount Olive, NC
Self-employed farmer

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Chapel Hill, NC
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Wilson, NC
Attorney; general partner, Sallenger & Brown, LLP (law firm)

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Goldsboro, NC
Business Consultant; formerly President, PDNC, LLC an affiliate of Cheney Brothers, Inc.

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Rocky Mount, NC
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Hampton Roads

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Murfreesboro

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Southern Nash County

Wilson County

Windsor

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Glenda D. Ward, Assistant Banking Officer

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I. Faith Stilley, Assistant Vice President

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Sylvia B. Temple, Banking Officer

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Patricia J. Cooper, Assistant Vice President
Earline M. Webb, Banking Officer

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Amie I. Dail, Vice President
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LaGrange
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Manteo
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Kelly A. Johnson, Assistant Vice President
Darian J. Fisher, Assistant Vice President

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Lisa P. Wells, Banking Officer

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Kim E. Ivey, Vice President

Robersonville
Hope D. MacNeill, Vice President

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Debbie S. Boyette, Vice President
Deborah L. Brasswell, Vice President
John Allen Corbett, III, Vice President
Kimberly S. Sutton, Vice President
William P. Johnson, Vice President
Deborah D. Nelms, Vice President
Vanessa M. Whitaker, Assistant Vice President

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Julie C. Howard, Banking Officer
Bryan M. Huff, Banking Officer
Gloria D. Williams, Banking Officer
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Robert V. Boykin, Vice President
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Susan H. Joyner, Vice President
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W. Neil Johnston, Assistant Vice President
Denise P. Corbett, Banking Officer
Kimberly C. Harrison, Banking Officer
Heather B. Vann, Banking Officer

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William Jason Waughtel, Senior Vice President

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V. Scott Wilson, Vice President

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Genetta B. Goodman, Assistant Vice President

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Kimberly N. Anderson, Banking Officer

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Brandon K. Faucette, Assistant Vice President
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Karen G. Whitsett, Senior Vice President
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Adam T. Jobe, Vice President
Hemang V. Oza, Vice President
Craig W. Reed, Vice President
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Christopher T. Bray, Assistant Vice President

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James T. Williams, Senior Vice President
Kevin L. Loftin, Vice President
Julie C. Marvin, Vice President and Information Security Officer

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Robert F. Feamster, Vice President
Lisa R. Sanderson, Vice President

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T. Olin Davis, Senior Vice President
Dilara B. Moore, Senior Vice President
Charles M. Wells, II, Senior Vice President
C. McCray Sadler, Vice President
Dustin W. Sumner, Vice President

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Jeneen P. Potts, Assistant Vice President and Bank Compliance Officer

Risk Management
Sheila Y. Ewers, Assistant Vice President

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Lynn L. Baker, Banking Officer

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Justin Brooks Bunting, Vice President
John P. Dennis, Vice President
William H. Hopkins, Jr., Vice President
Rick D. Hughes, Vice President
Frank C. Jones, Jr., Vice President
Jeffrey M. Raxlin, Vice President
Angela H. Futrell, Assistant Vice President

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Rebecca C. Dorsey, Senior Vice President
P. Brent Williams, Senior Vice President

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Tanya L. Mizelle, Assistant Vice President

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Lori P. Martin, Senior Vice President
Deborah B. Mast, Senior Vice President
Matthew L. Raymond, Senior Vice President
Callie H. Stutts, Vice President
Melanie B. Whitehead, Senior Vice President
Hillary A. Jackson, Vice President
Jennifer H. Robertson, Vice President
Nina Y. Ward, Assistant Vice President
Lynn L. Baker, Banking Officer
Ardis T. Goss, Banking Officer

West Region
Michael T. Bryant, Executive Vice President
G. Willard Barnes, Senior Vice President
Wayne E. Murphy, Senior Vice President
William D. Edgar, Jr., Senior Vice President
Founded in 1901 as the Bank of Mount Olive, Southern Bank is among the oldest state chartered commercial banks in North Carolina. With total assets approaching $3 billion, the bank operates Over 60 locations in North Carolina and Virginia.