

Southern BancShares (N.C.), Inc.

Consolidated Comparative Quarterly Report

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September 30, 2018



Summary Balance Sheet

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

	For the Quarter Ended September 30,		Year to Date September 30,		Percent Change YTD
	2018	2017	2018	2017	
ASSETS					
Cash, due from banks and overnight funds sold			\$ 176,678	\$ 221,317	-20%
Investments			650,753	629,017	3%
Loans less allowance for loan loss of \$20,235 and \$18,147			1,694,046	1,616,413	5%
Other assets			153,126	136,852	12%
Total assets			\$ 2,674,603	\$ 2,603,599	3%
LIABILITIES					
Deposits:					
Noninterest-bearing deposits			\$ 732,930	\$ 680,717	8%
Interest-bearing deposits			1,529,889	1,510,661	1%
Total deposits			2,262,819	2,191,378	3%
Borrowings			86,177	110,268	-22%
Other liabilities			27,595	27,338	1%
Total other liabilities			113,772	137,606	-17%
Total liabilities			\$ 2,376,591	\$ 2,328,984	2%
SHAREHOLDERS' EQUITY					
Preferred stock			\$ 1,818	\$ 1,828	-1%
Common stock			406	406	0%
Surplus			54,862	69,862	-21%
Retained earnings			264,060	167,923	57%
Accumulated other comprehensive income (loss)			(23,134)	34,596	-167%
Total shareholders' equity			298,012	274,615	9%
Total liabilities and shareholders' equity			\$ 2,674,603	\$ 2,603,599	3%
EARNINGS PERFORMANCE					
Interest income	\$ 26,212	\$ 25,750	\$ 76,095	\$ 73,535	3%
Interest expense	1,782	1,570	4,699	4,196	12%
Net interest income	24,430	24,180	71,396	69,339	3%
Provision for loan losses	626	591	1,994	1,792	11%
Noninterest income	16,040	9,156	28,771	14,610	97%
Noninterest expense	18,266	17,561	54,421	53,839	1%
Income before income taxes	21,578	15,184	43,752	28,318	55%
Income tax expense	4,999	5,267	9,885	9,723	2%
Net income	\$ 16,579	\$ 9,917	\$ 33,867	\$ 18,595	82%
Earnings per share	\$ 199.72	\$ 115.16	\$ 403.68	\$ 208.42	
Return on average assets	2.57%	1.57%	1.76%	1.00%	
Return on average equity	22.60%	14.69%	16.32%	9.45%	

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 earnings and decreased accumulated other comprehensive income. During the quarter ended September 30, 2018, unrealized gains on equity investments of \$10.5 million were included in noninterest income, and \$2.7 million in deferred taxes were included in income tax expense related to the unrealized gain. For the nine months ended September 30, 2018, unrealized gains on equity investments of \$13.1 million were included in noninterest income, and \$3.0 million in deferred taxes were included in income tax expense related to the unrealized gain. While the ASU has no impact on the book value per common share, the impact to net income is as follows:

	For the Quarter Ended September 30,		Year to Date September 30,	
	2018		2018	
Net income as reported	\$	16,579	\$	33,867
Less: after tax unrealized (gain) loss related to ASU 2016-01		(7,767)		(10,108)
Net income excluding the impact of ASU 2016-01	\$	8,812	\$	23,759
Return on average assets excluding the impact of ASU 2016-01		1.37%		1.23%
Return on average equity excluding the impact of ASU 2016-01		12.01%		11.45%