

Southern BancShares (N.C.), Inc.

Consolidated Comparative Quarterly Report

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September 30, 2020



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

For the Quarter Ended
September 30,
2020 2019

Year to Date
September 30,
2020 2019

Percent
Change
YTD

SUMMARY BALANCE SHEET

ASSETS

Cash, due from banks and overnight funds sold			\$	300,876	\$	177,729	69 %
Investments				966,097		838,702	15 %
Loans less allowance for loan loss of \$27,650 and \$20,537				2,267,173		1,764,763	28 %
Other assets				169,633		163,214	4 %
Total assets			\$	3,703,779	\$	2,944,408	26 %

LIABILITIES

Deposits:							
Noninterest-bearing deposits			\$	1,158,652	\$	792,648	46 %
Interest-bearing deposits				1,980,464		1,654,186	20 %
Total deposits				3,139,116		2,446,834	28 %
Borrowings				184,666		111,167	66 %
Other liabilities				37,797		40,600	-7 %
Total liabilities				3,361,579		2,598,601	29 %

SHAREHOLDERS' EQUITY

Preferred stock				1,805		1,810	0 %
Common stock				401		406	-1 %
Surplus				27,043		47,043	-43 %
Retained earnings				301,598		296,518	2 %
Accumulated other comprehensive income				11,353		30	37743 %
Total shareholders' equity				342,200		345,807	-1 %
Total liabilities and shareholders' equity			\$	3,703,779	\$	2,944,408	26 %

EARNINGS PERFORMANCE

Interest income	\$	30,054	\$	28,371	\$	88,324	\$	82,039	8 %
Interest expense		1,892		2,965		6,666		8,001	-17 %
Net interest income		28,162		25,406		81,658		74,038	10 %
Provision for loan losses		443		773		6,091		232	2525 %
Noninterest income (loss)		(9,434)		10,209		(23,693)		35,838	-166 %
Noninterest expense		21,836		19,847		62,173		59,457	5 %
Income (loss) before income taxes		(3,551)		14,995		(10,299)		50,187	-121 %
Income tax expense (benefit)		(1,221)		3,146		(3,327)		10,584	-131 %
Net income (loss)	\$	(2,330)	\$	11,849	\$	(6,972)	\$	39,603	-118 %
Earnings (loss) per share	\$	(29.91)	\$	141.22	\$	(92.63)	\$	472.95	
Return on average assets		-0.26 %		1.69 %		-0.28 %		1.92 %	
Return on average equity		-2.64 %		14.04 %		-2.64 %		16.53 %	

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. For the quarters ended September 30, 2020 and 2019, unrealized gains (losses) on equity investments of (\$17.1) million and \$4.5 million, respectively were included in noninterest income (loss), and (\$3.9) million and \$1.0 million, respectively in deferred tax expense (benefit) were included in income tax expense (benefit) related to the change in fair value of equity investments. For the nine months ended September 30, 2020 and 2019, unrealized gains (losses) on equity investments of (\$43.7) million and \$19.7 million, respectively were included in noninterest income (loss), and (\$10.0) million and \$4.5 million, respectively in deferred tax expense (benefit) were included in income tax expense (benefit) 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:

	For the Quarter Ended		Year to Date					
	September 30,		September 30,					
	2020	2019	2020	2019				
Net income (loss) as reported	\$	(2,330)	\$	11,849	\$	(6,972)	\$	39,603
Less: impact of ASU 2016-01		13,157		(3,497)		33,711		(15,201)
Net income excluding the impact of ASU 2016-01	\$	10,827	\$	8,352	\$	26,739	\$	24,402
Return on average assets excluding the impact of ASU 2016-01		1.20 %		1.19 %		1.08 %		1.18 %
Return on average equity excluding the impact of ASU 2016-01		12.27 %		9.89 %		10.13 %		10.19 %