South Atlantic Bank

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PRESS RELEASE

For Immediate Release
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South Atlantic Bancshares, Inc. Reports Earnings of 45 cents per Diluted Common Share For the Six Months Ended June 30, 2020

Myrtle Beach, South Carolina, July 21, 2020 – South Atlantic Bancshares, Inc. ("South Atlantic" or the "Company") (OTCQX: SABK), parent of South Atlantic Bank (the "Bank"), today reported net income of $3.4 million, or $0.45 per diluted share, for the six months ended June 30, 2020, compared to $3.1 million, or $0.41 per diluted share, reported for the same six months ended June 30, 2019. Net income for the three months ended June 30, 2020 totaled $2.1 million, or $0.28 per diluted common share, compared to $1.8 million or $0.24 per diluted shares, reported for the same three months ended June 30, 2019. During the quarter, net income attributable to the Company's participation in the Small Business Administration ("SBA") Payroll Protection Program ("PPP"), created under the Coronavirus Aid, Relief, and Economic Security Act, was $467 thousand.

Financial Highlights

- Return on average equity was 7.48 percent for the six months ended June 30, 2020, compared to 7.66 percent for the six months ended June 30, 2019.
- Return on average assets was 0.86 percent for the six months ended June 30, 2020, compared to 0.92 percent for the six months ended June 30, 2019.
- The net interest margin, on a tax-equivalent basis, was 3.95 percent for the six months ended June 30, 2020, a 30-basis point decline from 4.25 percent for the six months ended June 30, 2019.
- Total loans grew 22.98 percent from $553.1 million at June 30, 2019 to $680.3 million at June 30, 2020.
- Total deposits grew 27.99 percent from $636.8 million at June 30, 2019 to $815.0 million at June 30, 2020.
- Total assets grew 25.51 percent from $736.1 million at June 30, 2019 to $923.9 million at June 30, 2020.
- The Company originated 1,013 loans under the PPP, totaling $91.7 million and generating estimated total fee income of $3.8 million. During the quarter, the Company recognized $447 thousand of the $3.8 million in estimated fees generated by originating PPP loans, with the majority of the remaining balance expected to be recognized over the next several quarters.
- Asset quality continues to be pristine with non-performing assets to average total assets at 0.04 percent as of June 30, 2020 compared to 0.06 percent reported for the same six months ended June 30, 2019.

The economic shutdown necessitated by the ongoing novel coronavirus (COVID-19) pandemic has resulted in loss of business for many of our customers and the effects continue to be felt throughout the markets we serve. A recent surge in cases in the Myrtle Beach and Charleston markets has resulted in additional limitations and safeguards being implemented by state and local governmental authorities, which will delay the efforts of businesses to work toward normal operations until it is safely possible to do so.

Wayne Wicker, Chief Executive Officer and Chairman of the Board of South Atlantic, said, "During the first six months of the year, our Company met the challenges presented by the ongoing COVID-19 pandemic and its ensuing economic pressures. We were a strong participating lender in the SBA's PPP, processing 1,013 loans totaling approximately $91.7 million during April and May of 2020. We also responded to the needs of our borrowers by granting short-term loan modifications to those who are or may be unable to meet their contractual payment obligations due to the effects of the COVID-19 pandemic. Our financial performance thus far in 2020 reflects solid loan growth, exclusive of the PPP loans that we originated, along with a pleasing increase in deposits. The reductions in the federal funds rate by the Board of Governors of the Federal Reserve System (the "Federal Reserve") and the temporary closing of non-essential businesses to help stop the spread of the COVID-19 pandemic contributed to reduced financial ratios compared to last year. However, we believe we are well-positioned for growth when the effects of the COVID-19 pandemic wanes."

Operating Results

Net income for the six months ended June 30, 2020 totaled $3.4 million, or $0.45 per diluted common share, compared to $3.1 million, or $0.41 per diluted share, reported for the same six months ended June 30, 2019. Net income for the three months ended June 30, 2020 totaled $2.1 million, or $0.28 per diluted common share, compared to $1.8 million or $0.24 per diluted shares, reported for the same three months ended June 30, 2019.

PPP Loans

The Company was a participating lender in the SBA's PPP and originated 1,013 PPP loans, totaling $91.7 million, in rounds 1 and 2 of the program. 966 of such PPP loans, or $58.0 million, were for principal amounts of less than $350 thousand, as reflected in the table below.

Gross origination fees from the PPP loans that we originated are currently expected to total approximately $3.8 million, based on our current expectations with respect to the eligibility of such PPP loans to qualify for loan forgiveness.

Accordingly, we expect our effective yield on PPP loans to be approximately 4.31 percent.

As of 6/30/2020
($'s in millions)

Loan Size	# of Loans		$ of Loans	SBA Fee %		$ fee
<350K	966	$	58.0	5.00%	$	2.9
$350 K - $2.0 MM	45	$	29.0	3.00%	$	0.87
>$2.0 MM	2	$	4.7	1.00%	$	0.047
Total	1,013	$	91.7	4.31%	$	3.8

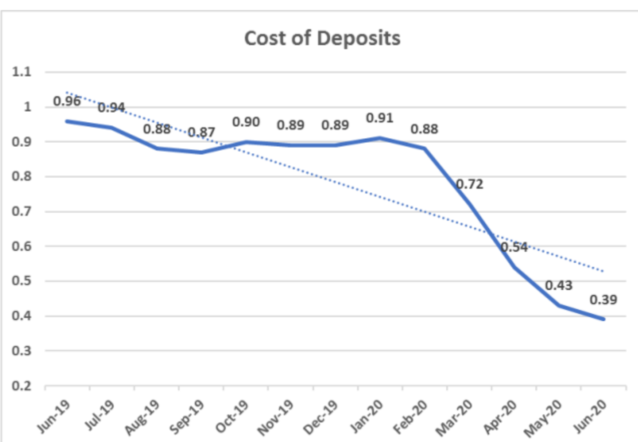
Net Interest Income

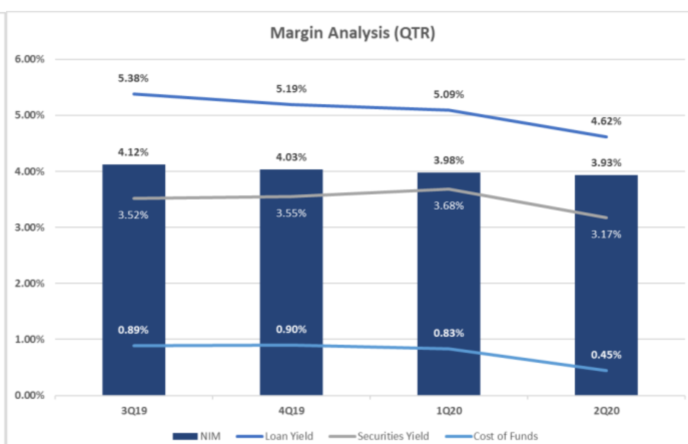
Net interest income increased $1.0 million or 8 percent to $14.2 million for the six months ended June 30, 2020, compared to $13.2 million for the six months ended June 30, 2019, and increased $740 thousand or 10.9 percent to $7.5 million for the three months ended June 30, 2020, compared to $6.8 million for the same three-month period in 2019. The increase during the six-month period ended June 30, 2020 compared to the same six-month period in 2019 resulted from a 15.2 percent increase in interest-earning average asset balances due primarily from the increased interest income from loan growth of 13.9 percent for the six months ended June 30, 2020. Net interest income to average assets was 3.61 percent for the six months ended June 30, 2020, compared to 3.91 percent for the same six-month period in 2019, and 3.59 percent for the three months ended June 30, 2020, compared to 3.84 percent for the same three-month period in 2019. The decline during the six-month period ended June 30, 2020 is due primarily to a 16.7 percent increase in average assets and a 10.8 percent decline in our earning asset yield compared to the same six-month period in 2019.

Net Interest Margin

Net interest margin, on a tax-equivalent basis ("net interest margin"), decreased 30 basis points on a year to date comparison (and decreased 29 basis points excluding PPP loans) from 4.25 percent at June 30, 2019 to 3.95 percent at June 30, 2020. The decrease in net interest margin is primarily the result of the 150 basis point cut in the federal funds rate by the Federal Reserve in March 2020, resulting in a 49 basis point drop in loan yield for the six months ended June 30, 2020. As shown in the table below, our cost of deposits has declined from a high of 0.96 percent at June 30, 2019 to 0.39 percent as of June 30, 2020. We may continue to experience margin compression due to the continued decline in loan yields, slower cost of deposit declines, higher levels of liquidity related to the COVID-19 pandemic and possible interest reversals. Offsets to our net interest margin compression are our lower cost on deposits and the impact of our participation in the SBA's PPP.

Net interest income and the net interest margin are affected by purchase accounting accretion and amortization entries associated with the fair value measurements recorded effective September 1, 2018. Interest income on loans totaling $178 thousand were recorded during the six months ended June 30, 2020, compared to $186 thousand in the six months ended June 30, 2019. Purchase loan accretion amounts vary from period to period as a result of periodic cash flow re-estimations, loan payoffs, and payment performance.





Margin Analysis Compare

	Average Yield and Rate			Average Funds			Interest Income/Expense		
	YTD Actual Jun 2020	YTD Actual Jun 2019	Change	YTD Actual Jun 2020	YTD Actual Jun 2019	Change	YTD Actual Jun 2020	YTD Actual Jun 2019	Change
Earning Assets									
Loans	4.58	5.22	-0.64	623,074,405	546,835,937	76,238,468	14,175,632	14,146,157	29,475
Loan fees	0.26	0.16	0.1	0	0	0	812,731	426,543	386,187
Loans with fees	4.84	5.37	-0.53	623,074,405	546,835,937	76,238,468	14,988,363	14,572,700	415,663
Mortgage loans held for sale	3.09	3.92	-0.83	8,168,906	2,866,693	5,302,213	126,378	56,239	70,139
Federal funds sold	0.59	2.53	-1.94	10,378,098	14,451,868	-4,073,770	30,702	181,653	-150,952
Deposits with banks	0.98	2.05	-1.07	11,559,900	12,928,012	-1,368,113	56,467	131,422	-74,956
Investment securities - taxable	3.19	3.63	-0.44	59,735,591	28,660,596	31,074,995	952,433	520,597	431,836
Investment securities - tax-exempt	4.21	3.8	0.41	12,893,654	22,228,693	-9,335,039	211,543	329,250	-117,707
Total Earning Assets	**4.55**	**5.1**	**-0.55**	**725,810,553**	**627,971,798**	**97,838,755**	**16,365,886**	**15,791,862**	**574,024**
Interest bearing liabilities									
Interest bearing demand	0.2	0.27	-0.07	78,203,843	65,430,446	12,773,396	78,534	89,024	-10,490
Savings and Money Market	0.61	1.1	-0.49	273,716,010	241,562,905	32,153,105	831,914	1,320,471	-488,557
Time deposits - Retail	1.9	2.07	-0.17	121,853,514	98,959,201	22,894,313	1,153,927	1,014,085	139,842
Time Deposits - Wholesale	1.74	1.96	-0.22	8,996,641	11,209,682	-2,213,041	77,636	108,815	-31,180
Total interest bearing deposits	0.89	1.22	-0.33	482,770,007	417,162,234	65,607,773	2,142,010	2,532,395	-390,385
Federal home Loan Bank advances	0.2	2.37	-2.17	2,747,253	7,348,066	-4,600,814	2,833	87,653	-84,819
Other borrowings	1.46	2.9	-1.44	1,162,011	548,912	613,099	8,419	7,902	517
Total borrowed funds	0.58	2.41	-1.83	3,909,264	7,896,978	-3,987,714	11,252	95,555	-84,303
Total interest-bearing liabilities	**0.89**	**1.25**	**-0.36**	**486,679,271**	**425,059,212**	**61,620,059**	**2,153,262**	**2,627,950**	**-474,688**
Net interest rate spread	**3.66**	**3.85**	**-0.19**				**14,212,623**	**13,163,912**	**1,048,712**
Effect of non-interest bearing deposits	-0.26	-0.35	0.09	200,986,571	160,474,325	40,512,246			
Cost of funds	0.63	0.9	-0.27						
Net interest margin	**3.95**	**4.25**	**-0.3**						

Noninterest Income and Expense

Noninterest income totaled $3.9 million for the six months ended June 30, 2020, compared to $2.3 million for the six months ended June 30, 2019. Noninterest income for the three months ended June 30, 2020 totaled $2.2 million, compared to $1.5 million for the same three-month period ended June 30, 2019. The increase in noninterest income was primarily related to increased mortgage origination and gains on the restructure of the Company’s investment portfolio. For the six months ended June 30, 2020, noninterest expense increased $1.5 million to $13.0 million, compared to $11.4 million for the six months ended June 30, 2019. For the three months ended June 30, 2020, noninterest expense increased $651 thousand to $6.5 million, compared to $5.8 million for the three months ended June 30, 2019. The increase in noninterest expense for the six month period ended June 30, 2020 compared to the same six-month period in 2019 is primarily related to increases in compensation, benefits and occupancy related to the COVID-19 pandemic and expansion of our market presence during 2019. Expense control measures are being implemented by the Company where feasible. However, additional costs of working remotely and the deep cleaning of offices due to the ongoing COVID-19 pandemic may offset these expense control measures.

Loan Loss Provision

Our provision for loan losses for the six months ended June 30, 2020 and 2019 was $855 thousand and $330 thousand, respectively. This increase in the provision for loan losses is due primarily to the increase in loan growth from June 30, 2019 to June 30, 2020, in addition to the anticipated economic impact of the COVID-19 pandemic. For the three months ended June 30, 2020, the provision for loan losses was $610 thousand, compared to $165 thousand for the three months ended June 30, 2019. The provision for the three months ended June 30, 2020 consisted of $445 thousand in general factor increases primarily related to the impact of the ongoing COVID-19 pandemic on credit risk, among other factors.

We continue to closely monitor our loan portfolio and will make provision adjustments based on modeling and loan portfolio performance. The allowance for loan and lease losses at June 30, 2020 was $6.1 million, or 0.90 percent of total loans (or 1.04 percent, excluding PPP loans), compared to $4.7 million, or 0.86 percent of total loans at June 30, 2019.

In addition, we have granted loan modifications or deferrals to certain borrowers on a short-term basis of three to six months. As of June 30, 2020, we have provided short-term modifications or payment deferrals to 90 loans totaling $67.2 million, or 11 percent of total loans outstanding, excluding PPP loans. Modifications of principal payments only make up $27.2 million of loans, or 4 percent of total loans outstanding, while $40 million of loans, or 7 percent of total loans outstanding, are interest and principal deferrals. The following table shows the number and amount of loans provided with short-term modifications and is organized by NCIAS sector code:

As of 6/30/2020
($s in millions)

SECTOR	DESCRIPTION	# OF LOANS	DOLLAR AMOUNT
23	Construction	4	$1,357
45-45	Retail Trade	6	$1,025
48-49	Transportation and Warehousing	5	$1,290
52	Finance and Insurance	3	$1,024
53	Real Estate and Rental and Leasing	40	$39,914
62	Health Care and Social Assistance	3	$1,164
71	Arts, Entertainment and Recreation	6	$2,240
72	Accommodation and Food Service	8	$13,978
	Consumer	15	$5,186
	TOTAL	**90**	**$67,178**

Nonperforming Assets

Nonperforming assets as a percentage of average assets was 0.04 percent for the six months ended June 30, 2020, compared to 0.06 percent for the same six months 2019. For the three-month periods ended June 30, 2020 and 2019, nonperforming assets as a percentage of average assets was 0.04 percent and 0.06 percent, respectively

Capital Position

Shareholders' equity totaled $93.5 million as of June 30, 2020, an increase of $9.2 million since June 30, 2019. The Bank's capital position remains above the minimum regulatory thresholds required to be considered "well-capitalized," with a total risk-based capital ratio of 11.27 percent at June 30, 2020. At June 30, 2020, the Bank had approximately $8.3 million in excess of the 10.0 percent minimum regulatory threshold required to be considered a "well-capitalized" institution. In addition, the Company reported $14.3 million in additional capital available for distribution to the Bank. The Company reported 7,504,040 total shares outstanding at June 30, 2020.

About South Atlantic Bancshares, Inc.

South Atlantic Bancshares, Inc. (OTCQX: SABK) is a registered bank holding company based in Myrtle Beach, South Carolina with $924 million in total assets. The Company's banking subsidiary, South Atlantic Bank, is a full-service financial institution spanning the entire coastal area of South Carolina, and is locally owned, controlled and operated. The Bank operates ten offices in Myrtle Beach, Carolina Forest, North Myrtle Beach, Murrells Inlet, Pawleys Island, Georgetown, Mount Pleasant, Charleston, Bluffton and Hilton Head Island, South Carolina. The Bank specializes in providing personalized community banking services to individuals, small businesses and corporations. Services include a full range of consumer and commercial banking products, including mortgage, and treasury management, including South Atlantic Bank *goMobile*, the Bank's mobile banking app. The Bank also offers internet banking, no-fee ATM access, checking, CD and money market accounts, merchant services, mortgage loans, remote deposit capture, and more. For more information, visit www.SouthAtlantic.bank.

Cautionary Statement Regarding Forward-Looking Statements

This press release contains, among other things, certain statements about future events that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, statements regarding the effects of the ongoing COVID-19 pandemic, statements with references to a future period or statements preceded by, followed by, or that include the words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," "project," "outlook" or similar terms or expressions. These statements are based upon the current beliefs and expectations of the Company's management team and are subject to significant risks and uncertainties that are subject to change based on various factors (many of which are beyond the Company's control). These risks, uncertainties and other factors may cause the actual results, performance, and achievements of the Company to be materially different from the anticipated future results, performance or achievements expressed in, or implied by, the forward-looking statements. Although the Company believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove to be inaccurate. Therefore, the Company can give no assurance that the results contemplated in the forward-looking statements will be realized. The inclusion of this forward-looking information should not be construed as a representation by the Company or any person that the future events, plans, or expectations contemplated by the Company will be achieved and readers are cautioned not to place undue reliance on the forward-looking statements contained in this press release. All subsequent written and oral forward-looking statements attributable to the Company or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above. Any forward-looking statements contained in this press release are made as of the date hereof, and the Company does not undertake any obligation to update any forward-looking statement to reflect circumstances or events that occur after the date the forward-looking statements are made, except as required by law.

Information contained herein is unaudited. All financial data should be read in conjunction with the notes to the consolidated financial statements of the Company and the Bank as of and for the fiscal year ended December 31, 2019, as contained in the Company's 2019 Annual Report located on the Company's website.

Member FDIC

SELECTED FINANCIAL HIGHLIGHTS

	For the Three Months Ended **June 30, 2020**	For the Three Months Ended **June 30, 2019**	For the Six Months Ended **June 30, 2020**	For the Six Months Ended **June 30, 2019**
Quarter End/Year End Balances (In Thousands)				
Total Assets	$ 923,918	$ 736,102	$ 923,918	$ 736,102
Investment securities	85,513	59,757	85,513	59,757
Mortgage loans held-for-sale	13,119	11,142	13,119	11,142
Loans, net of unearned income (total loans)	680,265	553,141	680,265	553,141
Allowance for loan losses	(6,100)	(4,740)	(6,100)	(4,740)
Goodwill	5,349	5,349	5,349	5,349
Deposit intangible	981	1,249	981	1,249
Deposits	815,010	636,797	815,010	636,797
Shareholders' equity	93,541	84,322	93,541	84,322
Average Balances (In Thousands)				
Total assets	$ 839,809	$ 705,930	$ 792,709	$ 679,011
Earning assets	762,293	646,355	719,941	625,081
Investment securities	77,172	51,688	74,928	50,865
Loans, net of unearned income	662,651	553,248	623,074	546,836
Deposits	727,021	607,933	683,757	577,636
Shareholders' equity	91,691	83,063	90,920	81,828
Earnings Breakdown (In Thousands, except share and per share amounts)				
Total interest income	$ 8,327	$ 8,212	$ 16,366	$ 15,792
Total interest expense	821	1,446	2,153	2,628
Net interest income	7,506	6,766	14,213	13,164
Total noninterest income	2,234	1,473	3,864	2,348
Total noninterest expense	6,494	5,843	12,958	11,418
Provision for loan losses	610	165	855	330
Income before taxes	2,636	2,231	4,263	3,764
Taxes	540	396	880	654
Net income	2,096	1,836	3,383	3,110
Diluted earnings per share	0.28	0.24	0.45	0.41
Common Stock period end actual shares	7,504,040	7,504,040	7,504,040	7,504,040
Weighted average shares outstanding				
Common stock - basic	7,504,040	7,504,040	7,504,040	7,504,040
Common stock - diluted	7,529,952	7,602,487	7,558,972	7,598,627
Selected % Increases		*(Period over Period)*		
Total assets	25.51 %	15.21 %	25.51 %	15.21 %
Total interest earning assets	26.45	14.38	26.45	14.38
Total loans	22.98	8.04	22.98	8.04
Total deposits	27.99	14.71	27.99	14.71
Interest income	1.40	19.06	3.63	28.02
Interest expense	(43.22)	109.48	(18.06)	105.35
Noninterest income	51.61	43.32	64.53	29.33
Noninterest expense	11.14	(14.49)	13.49	(1.18)
Net income	14.16	3,839.37	8.76	313.45
Selected Ratios				
Return on average assets	1.00 %	1.04 %	0.86 %	0.92 %
Return on average equity	9.19	8.86	7.48	7.66
Net interest income to total average assets	3.59	3.84	3.61	3.91
Efficiency ratio	66.68	70.92	71.69	73.61
Loan loss reserve to total loans	0.90	0.86	0.90	0.86
Nonperforming assets to total average assets	0.04	0.06	0.04	0.06
Net charge-offs to total average assets	(0.00)	0.00	0.00	0.00
Net interest margin (taxable equivalent)	3.93	4.20	3.95	4.25