



## **South Atlantic Bancshares, Inc. Reports Earnings of \$0.46 per Diluted Common Share For the Three Months Ended March 31, 2021**

**MYRTLE BEACH, S.C., April 20, 2021 /PRNewswire/** -- South Atlantic Bancshares, Inc. ("South Atlantic" or the "Company") (OTCQX: SABK), parent of South Atlantic Bank (the "Bank"), reported consolidated net income of \$3.5 million, or \$0.46 per diluted common share, for the three months ended March 31, 2021, an increase of \$1.7 million, or \$0.22 per diluted common share, compared to the fourth quarter of 2020.

"This was a significant quarter for our Company as we reached over \$1 billion in total assets, achieved record earnings, and opened our 11<sup>th</sup> branch location in Hilton Head Island, South Carolina," said K. Wayne Wicker, Chairman and Chief Executive Officer of South Atlantic. "As in prior quarters, our bankers continue to assist local businesses through the Small Business Administration's (the "SBA") Paycheck Protection Program (the "PPP"), which continued to drive growth in assets, earnings, and customers in the first quarter of 2021. We have rapidly responded to client needs and have used this opportunity to attract and retain customers and deposits. Our credit quality remains strong and economic activity in our geographic footprint is beginning to recover as COVID-19-related travel restrictions are being relaxed. We believe we remain well positioned to navigate changing economic conditions in our markets."

### **Balance Sheet Growth**

Total assets increased to over \$1.0 billion during the first quarter of 2021, driven primarily by PPP loans and increases to cash and investment securities stemming from a corresponding increase in deposits related to PPP loan forgiveness. Cash and investment securities increased by \$72.0 million and \$23.5 million, respectively, in the first quarter of 2021 compared to the fourth quarter of 2020. Total deposits increased by \$86.6 million from December 31, 2020, including an increase of \$59.1 million in noninterest bearing deposits.

### **Paycheck Protection Program**

As part of the first phase of the PPP, we processed 1,013 PPP loans totaling \$91.7 million. Of these, 801, or \$63.6 million, have been granted forgiveness payments by the SBA. We anticipate that we will receive forgiveness payments from the SBA for the remaining phase one PPP loans by the end of the second quarter of 2021.

The Economic Aid Act, signed into law on December 27, 2020, authorized an additional \$284.5 billion in new PPP loan funding and extends the authority of lenders to make PPP loans through March 31, 2021. The PPP Extension Act of 2021 was subsequently signed into law on March 30, 2021 and extended the PPP application deadline to May 31, 2021. We are currently assisting customers with phase two of the PPP and, as of March 31, 2021, we have processed 484 PPP loans totaling \$52.5 million during phase two of the PPP.

### **Operating Performance**

Net income increased significantly during the first quarter of 2021 due to several factors. Net interest income increased by \$692,000 in the first quarter of 2021 compared to the fourth quarter of 2020, driven primarily by an increase in average earning assets and slightly higher net interest margin. Noninterest income increased by \$1.3 million in the first quarter of 2021 compared to the fourth quarter of 2020, primarily due to gains on sales of securities and higher secondary mortgage income. We anticipate mortgage demand to decline throughout the remainder of 2021 and that securities gains will moderate over the next several quarters.

## Financial Performance

Dollars in Millions Except Per Share Data

<b>Income Statement</b>	<u>1Q21</u>	<u>4Q20</u>	<u>3Q20</u>	<u>2Q20</u>	<u>1Q20</u>
Interest Income					
Loans	\$8,684	\$8,096	\$7,735	\$7,686	\$7,428
Investments	748	734	653	641	610
<b>Total Interest Income</b>	<b>\$9,432</b>	<b>\$8,830</b>	<b>\$8,388</b>	<b>\$8,327</b>	<b>\$8,038</b>
Interest Expense	575	665	738	821	1,332
<b>Net Interest Income</b>	<b>8,857</b>	<b>8,165</b>	<b>7,650</b>	<b>7,506</b>	<b>6,706</b>
Provision for Loan Losses	285	665	165	610	245
Noninterest Income	3,478	2,138	1,980	2,234	1,630
Noninterest Expense	7,558	7,418	7,120	6,494	6,464
<b>Income Before Taxes</b>	<b>\$4,492</b>	<b>\$2,220</b>	<b>\$2,345</b>	<b>\$2,636</b>	<b>\$1,627</b>
Provision for Income Taxes	978	376	376	540	340
<b>Net Income</b>	<b>\$3,514</b>	<b>\$1,844</b>	<b>\$1,969</b>	<b>\$2,096</b>	<b>\$1,287</b>
<b>Basic Earnings Per Share</b>	<b>\$0.47</b>	<b>\$0.25</b>	<b>\$0.26</b>	<b>\$0.28</b>	<b>\$0.17</b>
<b>Diluted Earnings Per Share</b>	<b>\$0.46</b>	<b>\$0.24</b>	<b>\$0.26</b>	<b>\$0.28</b>	<b>\$0.17</b>
<b>Weighted Average Shares O/S</b>					
Basic	7,509,333	7,504,098	7,504,040	7,504,040	7,504,040
Diluted	7,600,275	7,561,005	7,530,222	7,529,952	7,588,124

## Operating Results

The Company reported consolidated net income of \$3.5 million, or \$0.46 per diluted share, for the three months ended March 31, 2021, an increase of \$1.7 million, or \$0.22 per diluted common share, compared to the fourth quarter of 2020. Net interest income increased by \$692,000 in the first quarter of 2021 compared to the fourth quarter of 2020, driven by an increase in average earning assets and slightly higher net interest margin. Noninterest income increased by \$1.3 million in the first quarter of 2021 compared to the fourth quarter of 2020, attributable to gains on sales of securities and higher secondary mortgage income.

## Net Interest Margin

Dollars in Millions

	<u>1Q21</u>		<u>4Q20</u>		<u>3Q20</u>		<u>2Q20</u>		<u>1Q20</u>	
	Average Balance	Yield/ Rate								
<b>Interest earning assets</b>										
Loans	\$690	3.99%	\$681	3.99%	\$678	4.06%	\$663	4.24%	\$583	4.96%
Loan fees		1.00		0.62		0.40		0.38		0.13
Loans with fees	\$690	4.98%	\$681	4.61%	\$678	4.46%	\$663	4.62%	\$583	5.09%
Total Interest earning assets	\$903	4.25%	\$875	4.04%	\$855	3.93%	\$772	4.36%	\$680	4.77%
<b>Interest-bearing liabilities</b>										
Total interest bearing deposits	\$596	0.39%	\$575	0.46%	\$545	0.54%	\$487	0.67%	\$478	1.11%
Total interest bearing liabilities	\$596	0.39%	\$575	0.46%	\$545	0.54%	\$494	0.67%	\$480	1.12%
<b>Cost of funds</b>		<b>0.27%</b>		<b>0.32%</b>		<b>0.36%</b>		<b>0.45%</b>		<b>0.83%</b>
<b>Net interest margin</b>		<b>3.99%</b>		<b>3.74%</b>		<b>3.59%</b>		<b>3.93%</b>		<b>3.98%</b>

Net Interest Margin increased by 25 basis points in the first quarter of 2021 primarily due to increases in loan yields stemming from fee income generated by PPP loan forgiveness. Absent the fee income generated from PPP loan forgiveness, loan yields remained flat from the prior quarter. We may continue to experience net interest margin compression due to the sustained decline in loan yields, slower cost of deposit declines, higher levels of liquidity related to the COVID-19 pandemic and possible interest reversals.

Our cost of funds decreased by 5 basis points from the previous quarter and has decreased 56 basis points from the same period last year. We remain vigilant in managing our cost of funds and continue to take advantage of the current rate environment to supply low-cost funding for our Company.

## Noninterest Income/Expense

Dollars in Millions

	<u>1Q21</u>	<u>4Q20</u>	<u>3Q20</u>	<u>2Q20</u>	<u>1Q20</u>
<b>Noninterest income</b>					
Service charges and fees	\$126	\$106	\$152	\$89	\$114
Securities gains, net	990	90	-	430	532
Secondary mortgage					
income	1,755	1,354	1,248	1,080	469
Other Income	607	588	580	635	515
<b>Total noninterest income</b>	<b>\$3,478</b>	<b>\$2,138</b>	<b>\$1,980</b>	<b>\$2,234</b>	<b>\$1,630</b>
<b>Noninterest expense</b>					
Salaries and employee					
benefits	\$4,797	\$4,572	\$4,574	\$4,039	\$3,959
Occupancy	1,121	954	968	915	943
Other	1,640	1,892	1,579	1,540	1,562
<b>Total noninterest expense</b>	<b>\$7,558</b>	<b>\$7,418</b>	<b>\$7,121</b>	<b>\$6,494</b>	<b>\$6,464</b>

Noninterest income increased by \$1.3 million in the first quarter of 2021 compared to the fourth quarter of 2020. The Company realized securities gains of \$990,000 in the first quarter of 2021 compared to \$90,000 for the fourth quarter of 2020. These gains were realized as a result of ordinary purchase and sales activity based on evaluation of ongoing market conditions. Secondary mortgage income increased by \$401,000 in the first quarter of 2021 compared to the fourth quarter of 2020 due to strong demand for mortgages in our markets. Noninterest expense associated with salaries and employee benefits increased by \$225,000 in the first quarter of 2021 compared to the fourth quarter of 2020, primarily due to increases in commissions paid to employees for mortgage origination. Additionally, occupancy expense increased during the first quarter of 2021 as a result of the opening of our second branch location in Hilton Head Island, South Carolina.

## Balance Sheet

Dollars in Millions

	<u>1Q21</u>	<u>4Q20</u>	<u>3Q20</u>	<u>2Q20</u>	<u>1Q20</u>
Cash and Cash Equivalents	\$112,694	\$40,682	\$58,494	\$92,176	\$15,523
Investment Securities	148,739	125,229	113,111	85,513	73,402
Loans Held for Sale	26,559	36,676	37,141	13,119	8,437
Loans					
Loans	691,141	686,894	673,766	680,265	594,133
Less Allowance Loan losses	(7,109)	(6,824)	(6,243)	(6,100)	(5,490)
Loans, Net	<u>684,032</u>	<u>680,070</u>	<u>667,523</u>	<u>674,165</u>	<u>588,643</u>
OREO					
Property, net of accumulated depreciation	20,371	20,313	20,328	20,447	20,499
BOLI	23,369	23,215	18,087	17,959	17,823
Goodwill	5,349	5,349	5,349	5,349	5,349
Other Assets	15,552	15,007	15,273	15,189	15,167
<b>Total Assets</b>	<b><u>\$1,036,665</u></b>	<b><u>\$946,541</u></b>	<b><u>\$935,306</u></b>	<b><u>\$923,917</u></b>	<b><u>\$744,845</u></b>
Deposits					
Noninterest bearing	\$304,430	\$245,321	\$263,885	\$275,155	\$172,856
Interest Bearing	617,021	589,533	560,112	539,855	462,774
Total Deposits	<u>921,451</u>	<u>834,854</u>	<u>823,997</u>	<u>815,010</u>	<u>635,630</u>
Other Borrowings	-	-	-	-	5,000
Other Liabilities	16,242	13,865	15,309	15,367	14,142
Total Liabilities	<u>\$937,693</u>	<u>\$848,719</u>	<u>\$839,306</u>	<u>\$830,377</u>	<u>\$654,772</u>
Shareholders' Equity	<u>\$98,972</u>	<u>\$97,822</u>	<u>\$96,000</u>	<u>\$93,540</u>	<u>\$90,073</u>
<b>Total Liabilities and Shareholders' Equity</b>	<b><u>\$1,036,665</u></b>	<b><u>\$946,541</u></b>	<b><u>\$935,306</u></b>	<b><u>\$923,917</u></b>	<b><u>\$744,845</u></b>

Total assets grew to \$1.0 billion in the first quarter of 2021, an increase of \$90.1 million, or 9.5%, from December 31, 2020, and an increase of \$292 million, or 39.2%, from March 31, 2020. Cash and cash equivalents increased by \$72.0 million in the first quarter of 2021 from December 31, 2020. During the three months ended March 31, 2021, investment securities increased by \$23.5 million while loans, net of the allowance, increased by \$4.0 million. We continue to see customers utilize funds to pay down existing loans which has tempered loan growth despite quality loan production. Total deposits grew by \$86.6 million, or 10.4%, in the first quarter of 2021 from December 31, 2020. This was an increase of \$285.8 million, or 39.2%, from March 31, 2020. Deposit growth has been fueled by paydowns associated with PPP loan forgiveness. We anticipate this trend to continue as additional PPP loans are expected to be forgiven by the SBA over the next few quarters.

## PPP Loans

Dollars in Millions

	<u>Production</u>		<u>Forgiveness</u>		<u>Outstanding as of</u>		<u>Fee Income</u>
	<u># of Loans</u>	<u>\$ of Loans</u>	<u># of Loans</u>	<u>\$ of Loans</u>	<u>3/31/2021</u>		
	<u># of Loans</u>	<u>\$ of Loans</u>	<u># of Loans</u>	<u>\$ of Loans</u>	<u># of Loans</u>	<u>\$ of Loans</u>	
Phase 1	1,013	\$91.7	801	\$63.6	212	\$28.1	\$3.8
Phase 2	484	\$52.5	-	-	484	\$52.5	\$2.6

## Credit Quality

	<u>1Q21</u>	<u>4Q20</u>	<u>3Q20</u>	<u>2Q20</u>	<u>1Q20</u>
LLR to Total Loans	1.03%	0.99%	0.93%	0.90%	0.92%
NPAs to Avg Assets	0.03	0.02	0.03	0.04	0.07
NCOs to Total Loans	-	-	-	-	-

We continue to see strong credit quality throughout our markets. Nonperforming assets increased slightly during the first quarter of 2021; however, no loans were charged off during the first quarter of 2021. Currently, there are no loans past due greater than 90 days. We recorded a provision expense of \$285,000 during the first quarter of 2021, which consisted of general factor increases primarily related to the potential impact of the ongoing COVID-19 pandemic on credit risk, among other factors. The provision during the first quarter of 2021 resulted in a slight increase in the ratio of the allowance for loan losses to total loans.

As of March 31, 2021, two loans totaling \$3.6 million continue to have short-term modifications or payment deferrals due to the COVID-19 pandemic, down from 92 loans totaling \$66.2 million as of June 30, 2020, which represented our highest level of COVID-19-related modifications or payment deferrals. The two remaining loans that continue to have loan modifications or deferrals are anticipated to meet contractual payments at the end of their respective deferral periods.

## Performance and Capital Ratios

<b>Performance Ratios</b>	<u>1Q21</u>	<u>4Q20</u>	<u>3Q20</u>	<u>2Q20</u>	<u>1Q20</u>
ROAA	1.46%	0.78%	0.85%	1.00%	0.69%
ROAE	14.31	7.58	8.20	9.19	5.74
Efficiency	61.27	72.00	73.94	66.68	77.54
NIM	3.99	3.74	3.59	3.93	3.98
Book Value	\$13.18	\$13.03	\$12.79	\$12.47	\$12.00
Tangible Book Value	\$12.33	\$12.17	\$11.92	\$11.58	\$11.11

## Capital Ratios

Tier 1	12.42%	12.83%	12.73%	12.70%	13.33%
Leverage	9.28	9.30	9.30	9.98	10.95
CET-1	12.42	12.83	12.73	12.70	13.33
TCE	8.98	9.72	9.63	9.47	11.29
Total	13.40	13.84	13.67	13.63	14.23

## Additional Data

Branches	11	10	10	10	10
Employees (Full Time Equivalent)	146	137	135	133	135

## About South Atlantic Bancshares, Inc.

South Atlantic Bancshares, Inc. (OTCQX: SABK) is a registered bank holding company based in Myrtle Beach, South Carolina with \$1.0 billion 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 eleven 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](http://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, other than information as of December 31, 2020, 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, 2020, as contained in the Company's 2020 Annual Report located on the Company's website.

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