



South Atlantic Bancshares, Inc. Reports Earnings of \$0.41 per Diluted Common Share For the Three Months Ended March 31, 2023

MYRTLE BEACH, S.C., April 25, 2023 /PRNewswire/ -- South Atlantic Bancshares, Inc. ("South Atlantic" or the "Company") (OTCQX: SABK), parent of South Atlantic Bank (the "Bank"), reported consolidated net income of \$3.1 million, or \$0.41 per diluted common share, for the three months ended March 31, 2023, an increase of \$1.1 million, or \$0.15 per diluted common share, compared to the three months ended March 31, 2022.

First Quarter 2023 Financial Highlights:

- Net income for first quarter of 2023 totaled \$3.1 million, a 55.7 percent increase over first quarter 2022
- Interest income increased \$5.3 million or 53.0 percent compared to the first quarter of 2022
- Total assets increased \$68.3 million during the quarter to \$1.5 billion, a 19.2 percent annualized increase
- Total loans increased \$45.9 million during the quarter, an 18.4 percent annualized increase
- Total deposits increased \$40.1 million during the quarter to \$1.3 billion, a 13.2 percent annualized increase

Commenting on the first quarter 2023 results, the Company's Chairman and Chief Executive Officer, K. Wayne Wicker, remarked, "The first quarter of 2023 was another successful quarter for our Company. Net income increased 55.7% during the first quarter of 2023 compared to the first quarter of 2022, and our Company paid its first cash dividend following strong 2022 annual results. While deposits and liquidity in the banking system have been called into focus in recent weeks, our deposits grew 13.2% in the first quarter of 2023 on an annualized basis. While our net interest margin did contract in the quarter due to the higher cost of deposits, the growth of deposits and loans is a testament to our strong franchise. We are pleased with the growth across all our markets, as demand has remained high. Despite a worsening of the forecasted economic conditions due to the continued rising interest rate environment, our credit quality and risk indicators have remained excellent. As we move forward in 2023, we remain focused on delivering disciplined growth through strong underwriting and our conservative credit culture, and closely monitoring economic conditions to manage through potential headwinds in future periods."

Selected Financial Highlights For the Periods/Three Months Ended

Balance Sheet (000's)	March 31,	March 31,	Change (\$)	Change (%)
	2023	2022		
Total Assets	\$ 1,477,844	\$ 1,296,132	\$ 181,712	14.0%
Total Loans, Net of Unearned Income	1,048,555	772,978	275,577	35.7%
Total Deposits	1,256,818	1,156,211	100,607	8.7%
Total Equity	94,445	94,483	(38)	0.0%

Income Statement and Per Share Data	March 31,	March 31,	Change (\$) ¹	Change (%) ¹
	2023	2022		
Net Income (000's)	\$ 3,124	\$ 2,006	\$ 1,118	55.7%
Earnings Per Share	0.41	0.26	0.15	55.6%

Selected Financial Ratios	March 31,	March 31,
	2023	2022
Return on Average Assets	0.88%	0.65%
Return on Average Equity	13.54%	7.94%
Efficiency Ratio	67.11%	72.06%
Net Interest Margin	3.29%	3.28%

¹ Represents quarter over quarter, results not annualized.

Earnings Summary

Net interest income increased \$1.8 million, or 19.7 percent, to \$11.2 million in the three months ended March 31, 2023, when compared to \$9.3 million in the three months ended March 31, 2022. The increase during the period was driven primarily by a \$4.8 million increase in loan interest income due to increased yields and volume in the loan portfolio, as well as a \$551.0 thousand increase in interest income on investment securities. The increase in net interest income in the first quarter of 2023 was partially offset by an increase in interest expense of \$3.5 million, driven primarily by increased deposit-related interest expense due to competition from bank and non-bank alternatives during the period.

Noninterest income declined \$37.0 thousand, or 3.2 percent, to \$1.2 million for the three months ended March 31, 2023, when compared to \$1.2 million for the three months ended March 31, 2022. The year-over-year decline is primarily due to a market driven reduction in secondary mortgage fee income of \$608.0 thousand.

Noninterest expense increased \$319.0 thousand, or 4.0 percent, to \$8.3 million for the quarter ended March 31, 2023, when compared to \$8.0 million for the quarter ended March 31, 2022. An expense savings of \$125.0 thousand, or 2.4 percent, was recognized for salary and employee benefits for the first quarter of 2023 versus the first quarter of 2022. Other noninterest expense, including public relations and business development activities, increased \$372.0 thousand, or 20.7 percent, as the Company has continued to deepen its expansion into new markets.

Financial Performance

Dollars in Thousands Except Per Share Data

	Three Months Ended				
	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Interest Income					
Loans	\$ 13,015	\$ 11,727	\$ 10,589	\$ 9,065	\$ 8,231
Investments	2,383	2,583	2,598	2,208	1,832
Total Interest Income	\$ 15,398	\$ 14,310	\$ 13,187	\$ 11,273	\$ 10,063
Interest Expense	4,241	1,793	877	787	740
Net Interest Income	\$ 11,157	\$ 12,517	\$ 12,310	\$ 10,486	\$ 9,323
Provision for Loan Losses	175	900	650	325	75
Noninterest Income	1,126	1,084	1,198	1,494	1,163
Noninterest Expense	8,322	7,518	8,594	8,467	8,003
Income Before Taxes	\$ 3,786	\$ 5,183	\$ 4,264	\$ 3,188	\$ 2,408
Provision for Income Taxes	662	1,232	675	680	402
Net Income	\$ 3,124	\$ 3,951	\$ 3,589	\$ 2,508	\$ 2,006
Basic Earnings Per Share	\$ 0.41	\$ 0.52	\$ 0.47	\$ 0.33	\$ 0.26
Diluted Earnings Per Share	\$ 0.41	\$ 0.52	\$ 0.47	\$ 0.33	\$ 0.26
Weighted Average Shares Outstanding					
Basic	7,546,566	7,561,993	7,588,505	7,586,465	7,580,618
Diluted	7,632,316	7,651,288	7,701,507	7,702,831	7,707,204
Total Shares Outstanding	7,596,779	7,596,198	7,592,520	7,592,520	7,591,915

Noninterest Income/Expense

Dollars in Thousands

	Three Months Ended				
	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Noninterest Income					
Service charges and fees	\$ 128	\$ 126	\$ 138	\$ 145	\$ 134
Securities gains, net	3	-	(71)	(110)	(545)
Secondary mortgage income	196	157	303	614	804
Other income	799	801	828	845	770
Total noninterest income	\$ 1,126	\$ 1,084	\$ 1,198	\$ 1,494	\$ 1,163
Noninterest expense					
Salaries and employee benefits	\$ 5,036	\$ 4,344	\$ 5,257	\$ 5,357	\$ 5,161
Occupancy	1,114	1,086	1,074	1,100	1,042
Other expense	2,172	2,088	2,263	2,010	1,800
Total noninterest expense	\$ 8,322	\$ 7,518	\$ 8,594	\$ 8,467	\$ 8,003

Balance Sheet Activity

Total assets increased \$68.3 million to \$1.5 billion as of March 31, 2023, compared to \$1.4 billion as of December 31, 2022 and \$1.3 billion as of March 31, 2022. The increase in total assets during the three months ended March 31, 2023 was driven primarily by an increase in net loans of \$45.7 million and an increase in cash and cash equivalents of \$21.8 million, offset by a reduction in investment securities of \$1.2 million. Total loans increased 4.6 percent during the three months ended March 31, 2023, compared to 5.3 percent for the quarter ended March 31, 2022.

Total deposits increased \$40.1 million during the three months ended March 31, 2023, and total deposits have increased \$100.6 million year-over-year since March 31, 2022.

Shareholders' equity totaled \$94.4 million as of March 31, 2023, an increase of \$3.9 million from December 31, 2022, driven primarily by a positive \$2.0 million adjustment for unrealized losses in the Bank's available-for-sale securities portfolio since December 31, 2022, in addition to \$3.1 million in earnings during the three months ended March 31, 2023, partially offset by the payment of the Bank's first cash dividend issuance in the first quarter of 2023.

The Company reported 7,596,779 total shares outstanding as of March 31, 2023. The increase of 581 shares outstanding during the three months ended December 31, 2022 is due to the exercise of stock options granted.

Balance Sheets

Dollars in Thousands

	For the Periods Ended				
	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Cash and Cash Equivalents	\$ 37,651	\$ 15,851	\$ 31,397	\$ 118,495	\$ 108,901
Trading Securities	-	-	-	-	9,510
Investment Securities	316,336	317,541	321,496	330,436	338,293
Loans Held for Sale	1,682	677	766	2,156	3,840
Loans					
Loans	1,048,555	1,002,633	948,031	887,712	772,978
Less Allowance for Loan Losses	(10,281)	(10,111)	(9,210)	(8,560)	(8,235)
Loans, Net	\$ 1,038,274	\$ 992,522	\$ 938,821	\$ 879,152	\$ 764,743
OREO					-
Property, net of accumulated depreciation	\$ 20,331	\$ 19,888	\$ 19,332	\$ 19,371	\$ 19,550
BOLI	29,721	29,517	29,324	24,143	23,991
Goodwill	5,349	5,349	5,349	5,349	5,349
Core Deposit Intangible	411	453	496	542	590
Other Assets	28,089	27,795	26,475	24,040	21,365
Total Assets	\$ 1,477,844	\$ 1,409,593	\$ 1,373,456	\$ 1,403,684	\$ 1,296,132
Deposits					
Noninterest bearing	\$ 343,822	\$ 371,412	\$ 400,321	\$ 408,474	\$ 356,345
Interest bearing	912,996	845,350	836,060	858,491	799,866
Total Deposits	\$ 1,256,818	\$ 1,216,762	\$ 1,236,381	\$ 1,266,965	\$ 1,156,211
Subordinated Debt	30,000	30,000	30,000	30,000	30,000
Other Borrowings	80,000	56,475	804	-	-
Other Liabilities	16,581	15,817	18,071	16,790	15,438
Total Liabilities	\$ 1,383,399	\$ 1,319,054	\$ 1,285,256	\$ 1,313,755	\$ 1,201,649
Stock with Related Surplus	\$ 78,443	\$ 78,908	\$ 78,734	\$ 78,709	\$ 78,678
Retained Earnings	41,816	39,446	35,455	31,866	29,358
Accumulated Other Comprehensive Income	(25,814)	(27,815)	(25,989)	(20,646)	(13,553)
Shareholders' Equity	\$ 94,445	\$ 90,539	\$ 88,200	\$ 89,929	\$ 94,483
Total Liabilities and Shareholders' Equity	\$ 1,477,844	\$ 1,409,593	\$ 1,373,456	\$ 1,403,684	\$ 1,296,132

Net Interest Margin

Net interest margin, on a tax equivalent basis ("net interest margin"), increased by 1 basis point to 3.29 percent for the three months ended March 31, 2023, compared to 3.28 percent for the three months ended March 31, 2022. The increase is primarily attributable to a 98 basis point increase in yields on interest earning assets during the period. Cost of funds increased by 102 basis points to 1.29 percent for the three months ended March 31, 2023 compared to 0.27 percent for the three months ended March 31, 2022.

Net Interest Margin Analysis

Dollars in Millions

	Three Months Ended									
	March 31, 2023		December 31, 2022		September 30, 2022		June 30, 2022		March 31, 2022	
	Average Balance	Yield/Rate	Average Balance	Yield/Rate	Average Balance	Yield/Rate	Average Balance	Yield/Rate	Average Balance	Yield/Rate
Interest earning assets										
Loans	\$ 1,030	5.02%	\$ 971	4.69%	\$ 920	4.39%	\$ 822	4.11%	\$ 751	4.00%
Loan fees		0.10%		0.10%		0.17%		0.29%		0.42%
Loans with fees	\$ 1,030	5.12%	\$ 971	4.79%	\$ 920	4.56%	\$ 822	4.40%	\$ 751	4.42%
Total interest earning assets	\$ 1,388	4.52%	\$ 1,332	4.29%	\$ 1,357	3.88%	\$ 1,258	3.61%	\$ 1,157	3.54%
Interest-bearing liabilities										
Total interest bearing deposits	\$ 870	1.45%	\$ 831	0.62%	\$ 851	0.28%	\$ 825	0.25%	\$ 750	0.25%
Total interest bearing liabilities	\$ 975	1.76%	\$ 882	0.80%	\$ 881	0.39%	\$ 855	0.37%	\$ 779	0.38%
Cost of funds		1.29%		0.56%		0.27%		0.26%		0.27%
Net interest margin		3.29%		3.76%		3.63%		3.36%		3.28%

Credit Quality

Effective January 1, 2023, the Company adopted the Financial Accounting Standards Board's Accounting Standards Update 2016-13, Measurement of Credit Losses on Financial Instruments, including the current expected credit losses ("CECL") methodology for estimating the allowance for credit losses. The CECL methodology requires earlier recognition of credit losses using a life of loan, expected loss methodology that incorporates reasonable and supportable forecasts into the estimate.

The Company's adoption of the CECL methodology resulted in a \$960,000 day-one reduction in required reserve levels under CECL. The Company recorded a provision for credit losses during the three months ended March 31, 2023 of \$175 thousand compared to \$75 thousand for the three months ended March 31, 2022. The increase in the provision for credit losses during the first quarter of 2023 resulted primarily from growth in the Company's loan portfolio.

We continue to see excellent credit quality in our markets through March 31, 2023, with no loans classified as non-accrual, and no loans past due greater than 30 days.

The Company continues to closely monitor credit quality in light of the recent events in the banking industry, including the recent bank failures, and a continued worsening of forecasted economic conditions due to the rising interest rate environment and persistent high inflation levels in the United States and our market areas. Accordingly, additional provisions for credit losses may be necessary in future periods.

Credit Quality Analysis

	For the Periods Ended				
	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
LLR to Total Loans	0.98%	1.01%	0.97%	0.96%	1.07%
NPAs to Avg Assets	0.00%	0.00%	0.00%	0.00%	0.00%
NCOs to Total Loans	0.00%	0.00%	0.00%	0.00%	0.00%
Past Due > 30 Days to Total Loans	0.00%	0.00%	0.00%	0.00%	0.01%
Total NPAs (thousands)	\$ -	\$ -	\$ -	\$ -	\$ -

Performance Ratios

	For the Periods Ended				
	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
ROAA	0.88%	0.89%	0.81%	0.70%	0.65%
ROAE	13.54%	13.40%	10.47%	9.16%	7.94%
Efficiency	67.11%	64.33%	67.90%	70.80%	72.06%
NIM	3.29%	3.52%	3.44%	3.33%	3.28%
Book Value	\$ 12.43	\$ 11.92	\$ 11.62	\$ 11.84	\$ 12.45
Tangible Book Value	\$ 11.66	\$ 11.14	\$ 10.84	\$ 11.04	\$ 11.63

Regulatory Capital Position

The Bank's capital position remains above the regulatory thresholds required to be deemed "well-capitalized," with a total risk-based capital ratio of 13.02 percent and leverage ratio of 9.13 percent as of March 31, 2023. The Company maintains \$7.9 million of the proceeds from its 2021 subordinated debt issuance at the holding company level and available for use to supplement the capital ratios of the Bank, as well as for debt service coverage for the Company.

Regulatory Capital Ratios

Bank Only	For the Periods Ended				
	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Tier 1	12.09%	11.18%	11.13%	10.81%	11.61%
Leverage	9.13%	8.56%	8.33%	8.37%	8.35%
CET-1	12.09%	11.18%	11.13%	10.81%	11.61%
Total	13.02%	12.12%	12.01%	11.63%	12.53%

Additional Data	For the Periods Ended				
	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Branches	12	12	12	12	11
Employees (Full Time Equivalent)	164	158	152	153	150

About South Atlantic Bancshares, Inc.

South Atlantic Bancshares, Inc. (OTCQX: SABK) is a registered bank holding company based in Myrtle Beach, South Carolina with approximately \$1.5 billion in total assets as of March 31, 2023. 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 twelve offices in Myrtle Beach, Carolina Forest, North Myrtle Beach, Murrells Inlet, Pawleys Island, Georgetown, Mount Pleasant, Charleston, Bluffton, Hilton Head Island and Beaufort, 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, certificates of deposit 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 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 good faith 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. Factors that could cause such differences include, but are not limited to, general economic conditions, potential recession in the United States and our market areas, the impacts related to or resulting from recent bank failures and any continuation of the recent uncertainty in the banking industry, including the associated impact to the Company and other financial institutions of any regulatory changes or other mitigation efforts taken by government agencies in response thereto, increased competition for deposits and related changes in deposit customer behavior, changes in market interest rates and loan and deposit pricing, the persistence of the current inflationary environment in our market areas and the United States, the uncertain impacts of quantitative tightening and current and future monetary policies of the Board of Governors of the Federal Reserve System, the impact of the ongoing COVID-19 pandemic (and any current or future variants thereof), regulatory considerations, competition and market expansion opportunities, changes in non-interest expenditures or in the anticipated benefits of such expenditures, the receipt of required regulatory approvals, changes in tax laws, and current or future litigation, regulatory examinations or other legal and/or regulatory actions. 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 and readers are cautioned not to place undue reliance on the forward-looking statements contained in this press release. 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. 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. All forward-looking statements, express or implied, included in the press release are qualified in their entirety by this cautionary statement.

Information contained herein, other than information as of December 31, 2022, 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, 2022, as contained in the Company's 2022 Annual Report located on the Company's website.

Available Information

The Company maintains an Internet web site at www.southatlantic.bank/about-us/investor-relations. The Company makes available, free of charge, on its web site the Company's annual meeting materials, annual reports, and quarterly earnings reports. In addition, the OTC Markets Group maintains an Internet site that contains reports, proxy and information statements, and other information regarding the Company (at www.otcmarkets.com/stock/SABK/overview).

The Company routinely posts important information for investors on its web site (under www.southatlantic.bank and, more specifically, under the Investor Relations tab at www.southatlantic.bank/about-us/investor-relations/). The Company intends to use its web site as a means of disclosing material non-public information and for complying with its disclosure obligations under the OTC Markets Group OTCQX Rules for U.S. Banks. Accordingly, investors should monitor the Company's web site, in addition to following the Company's press releases, OTC filings, public conference calls, presentations and webcasts.

The information contained on, or that may be accessed through, the Company's web site is not incorporated by reference into, and is not a part of, this press release.

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