South Atlantic Bank®

South Atlantic Bancshares, Inc. Reports Earnings of $0.26 per Diluted Common Share for the Quarter Ended March 31, 2024

MYRTLE BEACH, S.C., April 23, 2024 /PRNewswire/ -- South Atlantic Bancshares, Inc. ("South Atlantic" or the "Company") (OTCQX: SABK), parent of South Atlantic Bank (the "Bank"), reported consolidated net income of $2.0 million, or $0.26 per diluted common share, for the three months ended March 31, 2024.

First Quarter 2024 Financial Highlights:

- **Total assets increased $51.8 million to $1.69 billion during the quarter ended March 31, 2024, an 11.8 percent annualized increase from December 31, 2023**
- **Total deposits grew $45.2 million to $1.34 billion during the quarter ended March 31, 2024, a 14.0 percent annualized increase from December 31, 2023**
- **Cash and cash equivalents increased $41.3 million during the first quarter of 2024 to $78.5 million, which represents a quarterly increase of 111.1%**
- **Total loans increased $21.3 million during the first quarter of 2024 with a weighted average yield on new production over 8.50%**
- **Tangible book value per share at March 31, 2024 increased by $1.39, or 11.9 percent, to $13.05 per share when compared to the same quarter in 2023**
- **Interest income on loans and investments increased $749 thousand during the first quarter of 2024, or 15.4 percent annualized when compared to the fourth quarter of 2023**
- **Net income totaled $2.0 million for the first quarter of 2024, which represents a slight decrease when compared to the fourth quarter of 2023**

Commenting on the Company's results, Chairman and Chief Executive Officer, K. Wayne Wicker, remarked, "The first quarter of 2024 was a solid quarter for our Company. After two years of record loan growth in 2022 and 2023, we intentionally entered 2024 with a strategic plan for more measured loan growth, coupled with a focus on growing core deposit relationships. Our team is executing on that plan with annualized deposit growth of 14.0%, and annualized loan growth of 7.2%. Cash and cash equivalents increased 111.1% during the first quarter of 2024. Economic activity remains high in our markets, and we continue to see very strong credit metrics across our portfolio. The prolonged elevated interest rate environment and increased competition for deposits continues to pressure our funding costs. After two quarters of stable margin levels, we experienced a decrease in the first quarter of 2024, with the majority of our increased margin compression during the period stemming from a large banking relationship repricing from low cost to higher yield deposit products. While this outsized movement in interest expense has pressured net interest margin for the quarter, we do not anticipate continued downward margin compression at that level in future periods. We remain focused on curtailing overhead and generating operating efficiencies, and we believe we are well positioned to navigate the uncertain economic environment which lies ahead. "

Selected Financial Highlights
For the Periods/Three Months Ended

Balance Sheet (000's)	March 31, 2024	December 31, 2023	Change ($)	Change (%)[1]
Total Assets	$ 1,669,955	$ 1,622,250	$ 47,705	11.8%
Total Loans, Net of Unearned Income	1,205,453	1,184,187	21,266	7.2%
Total Deposits	1,339,290	1,294,097	45,193	14.0%
Total Equity	104,872	102,954	1,918	7.5%
Income Statement and Per Share Data	**March 31, 2024**	**December 31, 2023**	**Change ($)**	**Change (%)**
Net Income (000's)	$ 2,007	$ 2,193	$ (186)	-8.5%
Earnings Per Share	0.26	0.29	(0.03)	-10.3%

Selected Financial Ratios	March 31, 2024	December 31, 2023
Return on Average Assets	0.49%	0.55%
NPAs to Average Assets	0.00%	0.00%
Efficiency Ratio	75.22%	70.46%
Net Interest Margin	2.64%	2.82%

[1] Results annualized.

Earnings Summary

Net interest income decreased $1.0 million, or 9.3 percent, to $10.1 million for the three months ended March 31, 2024, when compared to $11.2 million for the three months ended March 31, 2023. The Company experienced an increase in interest income of $4.8 million, or 31.0 percent, during the first quarter of 2024 compared to the first quarter of 2023, offset by a $5.8 million increase in interest expense during the first quarter of 2024 primarily due to the prolonged environment of elevated market interest rates for deposits across the Bank's market areas and increased competition from bank and non-bank alternatives, as well as the migration of a portion of the Company's deposit balances from noninterest and low interest bearing deposits to higher-cost savings, money market, and time deposits during the period. The increase in interest income during the three months ended March 31, 2024 compared to the prior year period was primarily driven by a $4.2 million increase in interest income on the Company's loan portfolio due to increased yields and volume, as well as an increase of $588 thousand of interest income from the Company's investment securities portfolio and interest earnings on cash balances held with the Federal Reserve Bank of Richmond (the "FRB") and correspondent banks.

Noninterest income increased $54 thousand, or 4.8 percent, for the three months ended March 31, 2024 compared to the same three-month period in 2023 while noninterest expense increased $261 thousand, or 3.1 percent. The increase was driven primarily by an increase of $141 thousand in occupancy expense, or 15.8 percent, over the respective periods, followed by an increase in data processing expense of $112 thousand, or 17.0 percent, during the first quarter of 2024 when compared to the first quarter of 2023. Compensation and benefits expense increased $61 thousand or 1.2 percent overall, predominantly led by an increase of $124 thousand, or 49.0 percent in retirement expense, followed by an increase of $47 thousand, or 14.2 percent in group insurance expense for the three months ended March 31, 2024 when compared to the three months ended March 31, 2023. Other noninterest expense decreased $53 thousand or 3.1 percent when comparing the first quarter of 2024 to the first quarter of 2023, offset by an increase in regulatory assessments and compliance costs of $83 thousand, or 32.7 percent.

Financial Performance

Dollars in Thousands Except Per Share Data

	Three Months Ended				
	March 31, 2024	**December 31, 2023**	**September 30, 2023**	**June 30, 2023**	**March 31, 2023**
Interest Income					
Loans	$ 17,194	$ 16,324	$ 15,186	$ 14,122	$ 13,015
Investments	2,971	3,092	2,964	2,648	2,383
Total Interest Income	**$ 20,165**	**$ 19,416**	**$ 18,150**	**$ 16,770**	**$ 15,398**
Interest Expense	10,048	8,781	7,776	6,440	4,241
Net Interest Income	**$ 10,117**	**$ 10,635**	**$ 10,374**	**$ 10,330**	**$ 11,157**
Provision for Loan Losses	175	400	-	180	175
Noninterest Income	1,180	1,165	1,166	1,481	1,126
Noninterest Expense	8,583	8,394	8,772	8,442	8,322
Income Before Taxes	**$ 2,539**	**$ 3,006**	**$ 2,768**	**$ 3,189**	**$ 3,786**
Provision for Income Taxes	532	813	579	676	662
Net Income	**$ 2,007**	**$ 2,193**	**$ 2,189**	**$ 2,513**	**$ 3,124**
Basic Earnings Per Share	**$ 0.26**	**$ 0.29**	**$ 0.29**	**$ 0.33**	**$ 0.41**
Diluted Earnings Per Share	**$ 0.26**	**$ 0.29**	**$ 0.29**	**$ 0.33**	**$ 0.41**
Weighed Average Shares Outstanding					
Basic	7,606,024	7,605,854	7,546,086	7,545,922	7,546,566
Diluted	7,669,225	7,644,120	7,589,725	7,606,002	7,632,316
Total Shares Outstanding	7,606,823	7,605,854	7,605,854	7,596,779	7,596,779

Noninterest Income/Expense

Dollars in Thousands

	Three Months Ended				
	March 31, 2024	**December 31, 2023**	**September 30, 2023**	**June 30, 2023**	**March 31, 2023**
Noninterest Income					
Service charges and fees	$ 138	$ 138	$ 142	$ 389	$ 128
Securities gains, net	-	-	-	-	3
Secondary mortgage income	184	190	137	225	196
Other income	858	837	887	867	799
Total noninterest income	**$ 1,180**	**$ 1,165**	**$ 1,166**	**$ 1,481**	**$ 1,126**
Noninterest expense					
Salaries and employee benefits	$ 5,097	$ 4,193	$ 5,272	$ 5,118	$ 5,036
Occupancy	1,036	1,048	973	944	895
Data processing	772	829	674	604	660
Other expense	1,678	2,324	1,853	1,776	1,731
Total noninterest expense	**$ 8,583**	**$ 8,394**	**$ 8,772**	**$ 8,442**	**$ 8,322**

Balance Sheet Activity

Total assets increased $47.7 million to $1.69 billion as of March 31, 2024, compared to $1.62 billion as of December 31, 2023, an increase of 11.8 percent, annualized. The increase in total assets during the three months ended March 31, 2024 was driven primarily by an increase in cash and cash equivalents of $41.3 million, or 444.5 percent annualized, and an increase of $21.3 million, or 7.2 percent annualized in net loans, partially offset by a reduction in investment securities of $16.4 million due to the maturity of investments held.

Total deposits increased $45.2 million, or 14.0 percent annualized, during the three months ended March 31, 2024. The overall increase in deposits during the period is attributable to organic growth of core deposit accounts, with no additions to brokered deposits during the first quarter of 2024.

Shareholders' equity totaled $104.9 million as of March 31, 2024, an increase of $1.9 million, or 7.5 percent annualized, from December 31, 2023, primarily driven by $2.0 million in earnings during the three months ended March 31, 2024 partially offset by the declaration and payment of an ordinary cash dividend of $757 thousand on the Company's common stock during the first quarter of 2024.

The Company reported 7,606,823 total shares of common stock outstanding as of March 31, 2024. The increase of 969 shares of common stock outstanding during the three months ended March 31, 2024 is due to the exercise during the period of stock options granted. Tangible book value increased $0.26 per share, or 2.0 percent, to $13.05 per share as of March 31, 2024, when compared to $12.79 per share as of December 31, 2023, and has increased $1.39 per share, or 11.9 percent, when compared to $11.66 per share as of March 31, 2023.

Balance Sheets

Dollars in Thousands

	For the Periods Ended				
	March 31, 2024	**December 31, 2023**	**September 30, 2023**	**June 30, 2023**	**March 31, 2023**
Cash and Cash Equivalents	$ 78,534	$ 37,200	$ 24,273	$ 38,011	$ 37,651
Investment Securities	297,287	313,681	306,334	313,202	316,336
Loans Held for Sale	1,185	949	1,345	426	1,682
Loans					
Loans	1,205,453	1,184,187	1,136,231	1,095,316	1,048,555
Less Allowance for Loan Losses	(11,038)	(10,863)	(10,463)	(10,462)	(10,281)
Loans, Net	$ 1,194,415	$ 1,173,324	$ 1,125,768	$ 1,084,854	$ 1,038,274
OREO					
Property, net of accumulated depreciation	$ 22,360	$ 22,290	$ 22,041	$ 22,494	$ 20,331
BOLI	34,603	34,345	30,132	29,924	29,721
Goodwill	5,349	5,349	5,349	5,349	5,349
Core Deposit Intangible	264	298	375	455	411
Other Assets	35,958	34,814	35,655	30,698	28,089
Total Assets	**$ 1,669,955**	**$ 1,622,250**	**$ 1,551,272**	**$ 1,525,413**	**$ 1,477,844**
Deposits					
Noninterest bearing	$ 293,998	$ 331,933	$ 344,011	$ 355,549	$ 343,822
Interest bearing	1,045,292	962,164	959,310	922,494	912,996
Total Deposits	$ 1,339,290	$ 1,294,097	$ 1,303,321	$ 1,278,043	$ 1,256,818
Subordinated Debt	29,673	29,642	29,611	29,580	29,550
Other Borrowings	175,000	175,000	104,000	104,900	80,000
Other Liabilities	21,120	20,557	19,414	16,304	17,031
Total Liabilities	**$ 1,565,083**	**$ 1,519,296**	**$ 1,456,346**	**$ 1,428,827**	**$ 1,383,399**
Stock with Related Surplus	$ 79,027	$ 78,978	$ 78,601	$ 78,483	$ 78,443
Retained Earnings	49,961	48,711	46,517	44,329	41,816
Accumulated Other Comprehensive Income	(24,116)	(24,735)	(30,192)	(26,226)	(25,814)
Shareholders' Equity	**$ 104,872**	**$ 102,954**	**$ 94,926**	**$ 96,586**	**$ 94,445**
Total Liabilities and Shareholders' Equity	**$ 1,669,955**	**$ 1,622,250**	**$ 1,551,272**	**$ 1,525,413**	**$ 1,477,844**

Net Interest Margin

Net interest margin, on a tax equivalent basis ("net interest margin"), decreased by 18 basis points to 2.64 percent for the three months ended March 31, 2024 when compared to the three months ended December 31, 2023. The yield on interest earning assets increased by 11 basis points during the first quarter of 2024 to 5.22 percent from 5.11 percent for the quarter ended December 31, 2023, partially offset by an increase in cost of funds by 29 basis points during the first quarter of 2024 to 2.67 percent from 2.38 percent for the quarter ended December 31, 2023.

Net Interest Margin Analysis

Dollars in Millions

	Three Months Ended									
	March 31, 2024		December 31, 2023		September 30, 2023		June 30, 2023		March 31, 2023	
	Average Balance	Yield/ Rate	Average Balance	Yield/ Rate	Average Balance	Yield/ Rate	Average Balance	Yield/ Rate	Average Balance	Yield/ Rate
Interest earning assets										
Loans	$ 1,192	5.76%	$ 1,159	5.54%	$ 1,110	5.33%	$ 1,081	5.14%	$ 1,030	5.02%
Loan fees		0.03%		0.04%		0.09%		0.09%		0.10%
Loans with fees	$ 1,192	5.79%	$ 1,159	5.58%	$ 1,110	5.42%	$ 1,081	5.23%	$ 1,030	5.12%
Total interest earning assets	$ 1,560	5.22%	$ 1,517	5.11%	$ 1,478	4.91%	$ 1,437	4.71%	$ 1,388	4.52%
Interest-bearing liabilities										
Total interest bearing deposits	$ 1,005	3.10%	$ 961	2.77%	$ 938	2.57%	$ 920	2.15%	$ 870	1.45%
Total interest bearing liabilities	$ 1,209	3.33%	$ 1,121	3.10%	$ 1,069	2.88%	$ 1,046	2.46%	$ 975	1.76%
Cost of funds		**2.67%**		**2.38%**		**2.16%**		**1.86%**		**1.29%**
Net interest margin		**2.64%**		**2.82%**		**2.83%**		**2.92%**		**3.29%**

Credit Quality

We continue to see excellent credit quality in our markets through March 31, 2024, with one loan classified as non-accrual, and one loan past due greater than 30 days as of March 31, 2024.

The Company recorded a provision for credit losses of $175 thousand during the three months ended March 31, 2024, compared to a provision of $400 thousand for the three months ended December 31, 2023 and a provision of $175 thousand for the three months ended March 31, 2023.

The Company continues to closely monitor credit quality in light of the recent events in the banking industry and the continued economic uncertainty due to the prolonged elevated interest rate environment and persistent inflationary pressures 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, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
LLR to Total Loans	0.92%	0.92%	0.92%	0.96%	0.98%
NPAs to Avg Assets	0.00%	0.00%	0.01%	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%	0.03%	0.00%	0.00%	0.00%
Total NPAs (thousands)	$ 25	$ -	$ 156	$ -	$ -

Performance Ratios

	Three Months Ended				
	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
ROAA	0.49%	0.55%	0.56%	0.67%	0.88%
ROAE	7.98%	9.98%	9.65%	11.03%	13.93%
Efficiency	75.22%	70.46%	75.32%	70.84%	67.11%
NIM	2.64%	2.82%	2.83%	2.92%	3.29%
Book Value	$ 13.79	$ 13.54	$ 12.48	$ 12.71	$ 12.43
Tangible Book Value	$ 13.05	$ 12.79	$ 11.73	$ 11.95	$ 11.66

Regulatory Capital Position

The Bank's capital position remains above the regulatory thresholds required to be deemed "well-capitalized," as shown in the table below, with a total risk-based capital ratio of 12.40 percent and leverage ratio of 8.74 percent as of March 31, 2024.

Regulatory Capital Ratios

	For the Periods Ended				
Bank Only	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Tier 1	11.52%	11.37%	11.84%	12.00%	12.12%
Leverage	8.74%	8.84%	9.11%	9.23%	9.13%
CET-1	11.52%	11.37%	11.84%	12.00%	12.12%
Total	12.40%	12.24%	12.73%	12.91%	13.05%

	For the Periods Ended				
Additional Data	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Branches	12	12	12	12	12
Employees (Full Time Equivalent)	161	163	165	170	164

Liquidity and Interest Rate Risk Management

The Company regularly pledges loans and securities to the FRB and the Federal Home Loan Bank (the "FHLB"), resulting in total net borrowing capacity with the FRB, the FHLB, and correspondent lines of credit of approximately $175.1 million. Additionally, the Company pledges portions of its investment securities portfolio to secure public funds deposits.

As part of the Company's ongoing interest rate risk management, the Company has entered into a series of pay-fixed rate, receive-floating cash flow swap transactions ("Pay-Fixed Swap Agreements"). The Pay-Fixed Swap Agreements are designed as an interest rate hedge for matched-term FHLB advances and to hedge the risk of changes in fair value of certain fixed rate loans in the Company's loan portfolio, which converts the hedged loans from a fixed rate to a synthetic floating Secured Overnight Financing Rate (SOFR). The Pay-Fixed Swap Agreements have a total notional value of $175.0 million, have stratified maturities, and have a weighted average life of just over two years.

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 $1.7 billion in total assets as of March 31, 2024. 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 locations 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: the impact on us or our customers of a decline in general economic conditions, and any regulatory responses thereto; potential recession in the United States and our market areas; the impacts related to or resulting from bank failures and any continuation of 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; the impact of changes in market interest rates, whether due to continued elevated interest rates or potential reductions in interest rates and a resulting decline in net interest income; the persistence of the current inflationary pressures, or the resurgence of elevated levels of inflation, in our market areas and the United States; the uncertain impacts of ongoing quantitative tightening and current and future monetary policies of the Board of Governors of the Federal Reserve System; the effects of declines in housing prices in the United States and our market areas; increases in unemployment rates in the United States and our market areas; declines in commercial real estate values and prices; uncertainty regarding United States fiscal debt and budget matters; cyber incidents or other failures, disruptions or breaches of our operational or security systems or infrastructure, or those of our third-party vendors or other service providers, including as a result of cyber attacks; severe weather, natural disasters, acts of war or terrorism, geopolitical instability or other external events; 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; the risks related to the development, implementation, use and management of emerging technologies, including artificial intelligence and machine learnings; potential increased regulatory requirements and costs related to the transition and physical impacts of climate change; and current or future litigation, regulatory examinations or other legal and/or regulatory actions. These forward-looking statements are based on current information and/or management's good faith belief as to future events. 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. Due to these and other possible uncertainties and risks, 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. 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. 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, 2023, 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, 2023, as contained in the Company's 2023 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, quarterly earnings reports, and other press releases. 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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