



South Atlantic Bancshares, Inc. Reports Earnings of \$0.33 per Diluted Common Share For the Three Months Ended June 30, 2022

MYRTLE BEACH, S.C., July 19, 2022 /PRNewswire/ -- South Atlantic Bancshares, Inc. ("South Atlantic" or the "Company") (OTCQX: SABK), parent of South Atlantic Bank (the "Bank"), reported consolidated net income of \$2.5 million, or \$0.33 per diluted common share, for the quarter ended June 30, 2022, an increase of \$33 thousand, or \$0.01 per diluted common share, compared to the quarter ended June 30, 2021.

Second Quarter 2022 Financial Highlights:

- **Net income for the second quarter of 2022 totaled \$2.5 million, a 25.0 percent increase over the first quarter of 2022 and a 1.3 percent increase over the second quarter of 2021.**
- **Loan interest income, excluding fees, for the second quarter of 2022 increased \$1.5 million, or 21.2 percent when compared to the same period in 2021.**
- **Total assets as of June 30, 2022 equaled \$1.4 billion, a 13.9 percent increase year-to-date and 22.5 percent increase year-over-year.**
- **Net loans increased to \$879.2 million at June 30, 2022, a 21.1 percent increase year-to-date and 23.7 percent increase year-over-year.**
- **Total deposits increased to \$1.3 billion at June 30, 2022, a 17.1 percent increase year-to-date and 23.3 percent increase year-over-year.**

"South Atlantic Bank has had a strong start to 2022. Financial performance during the second quarter of 2022 exceeded our expectations, and our results during the period are a testament to the investment in our team and technology. We believe these second quarter 2022 results, along with strength in our loan pipeline, have us well-positioned for the second half of 2022," said K. Wayne Wicker, Chairman and Chief Executive Officer of South Atlantic.

The Company's subordinated debt issuance of \$30.0 million in December 2021, which occurred prior to the market interest rate increases experienced in the first and second quarter of 2022, has provided the Company with a capital source positioning the Bank for future growth. Despite the Federal Open Market Committee of the Board of Governors of the Federal Reserve System repeatedly raising their target benchmark interest rate in the first six months of 2022, resulting in subsequent prime rate increases of 150 basis point between March and June of 2022, the Company believes that the Bank's balance sheet is well suited to navigate the current rising rate environment, which is expected to continue in light of the uncertain inflationary outlook in the United States and our market areas.

Earnings Summary

Net interest income was \$10.5 million for the three months ended June 30, 2022 compared to \$8.9 million for the three months ended June 30, 2021, an increase of \$1.6 million, or 18.5 percent, primarily due to an increase of \$1.1 million in interest income on securities from increased securities holdings and an increase of \$773 thousand in loan interest income, partially offset by an increase in interest expense of \$228 thousand driven by interest expense on the Company's outstanding subordinated debt.

Noninterest income declined \$766 thousand, or 33.9 percent, to \$1.5 million for the three months ended June 30, 2022 compared to \$2.3 million for the three months ended June 30, 2021, primarily due to a \$751 thousand decrease in secondary mortgage fees.

Noninterest expense increased \$842 thousand, or 11.0 percent, to \$8.5 million for the three months ended June 30, 2022 compared to \$7.6 million for the three months ended June 30, 2021. This increase in noninterest expense during the three months ended June 30, 2022 is primarily due to salary and benefits expenses increasing by \$510 thousand due to the hiring of seasoned commercial lenders and overhead costs to support our operations and growth initiatives.

Financial Performance

Dollars in Thousands Except Per Share Data

	Three Months Ended				
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Interest Income					
Loans	\$ 9,065	\$ 8,231	\$ 8,020	\$ 8,029	\$ 8,292
Investments	2,208	1,832	1,698	1,396	1,119
Total Interest Income	\$ 11,273	\$ 10,063	\$ 9,718	\$ 9,425	\$ 9,411
Interest Expense	787	740	550	514	559
Net Interest Income	\$ 10,486	\$ 9,323	\$ 9,168	\$ 8,911	\$ 8,852
Provision for Loan Losses	325	75	553	111	375
Noninterest Income	1,494	1,163	1,956	2,145	2,260
Noninterest Expense	8,467	8,003	7,818	7,721	7,625
Income Before Taxes	\$ 3,188	\$ 2,408	\$ 2,753	\$ 3,224	\$ 3,112
Provision for Income Taxes	680	402	499	620	637
Net Income	\$ 2,508	\$ 2,006	\$ 2,254	\$ 2,604	\$ 2,475
Basic Earnings Per Share	\$ 0.33	\$ 0.26	\$ 0.30	\$ 0.34	\$ 0.33
Diluted Earnings Per Share	\$ 0.33	\$ 0.26	\$ 0.29	\$ 0.34	\$ 0.32
Weighted Average Shares Outstanding					
Basic	7,586,465	7,580,618	7,573,020	7,553,866	7,513,030
Diluted	7,702,831	7,707,204	7,694,569	7,683,857	7,633,965
Total Shares Outstanding	7,592,520	7,591,915	7,577,805	7,577,805	7,541,109

Noninterest Income/Expense

Dollars in Thousands

	Three Months Ended				
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Noninterest Income					
Service charges and fees	\$ 145	\$ 134	\$ 131	\$ 125	\$ 118
Securities gains, net	(110)	(545)	86	46	-
Secondary mortgage income	614	804	1,014	1,214	1,365
Other income	845	770	725	760	777
Total noninterest income	\$ 1,494	\$ 1,163	\$ 1,956	\$ 2,145	\$ 2,260
Noninterest expense					
Salaries and employee benefits	\$ 5,357	\$ 5,161	\$ 4,767	\$ 4,888	\$ 4,847
Occupancy	1,100	1,042	1,257	1,043	1,092
Other expense	2,010	1,800	1,794	1,790	1,686
Total noninterest expense	\$ 8,467	\$ 8,003	\$ 7,818	\$ 7,721	\$ 7,625

Balance Sheet Activity

Total assets increased \$171.7 million to \$1.4 billion as of June 30, 2022, compared to \$1.2 billion as of December 31, 2021. This increase in total assets during the six months ended June 30, 2022 was driven primarily by an increase in net loans of \$153.4 million and an increase in cash and cash equivalents of \$23.1 million, partially offset by a reduction in mortgage loans held for sale of \$7.5 million. Net loans grew 21.1 percent in the six months ended June 30, 2022 compared to 4.5 percent for the six months ended June 30, 2021. Total deposits increased \$184.9 million in the six months ended June 30, 2022, of which \$62.0 million was noninterest bearing, compared to an increase of \$192.7 million in the six months ended June 30, 2021.

Balance Sheets

Dollars in Thousands

	For the Periods Ended				
	June 30, 2022	March 31, 2022	December 31, 2021	June 30, 2021	December 31, 2020
Cash and Cash Equivalents	\$ 118,495	\$ 108,901	\$ 95,378	\$ 142,008	\$ 40,682
Trading Securities	-	9,510	10,055	-	-
Investment Securities	330,397	338,293	324,176	220,429	125,229
Loans Held for Sale	2,156	3,840	9,692	7,807	36,676
Loans					
Loans	887,712	772,978	733,896	718,026	686,894
Less Allowance for Loan Losses	(8,560)	(8,235)	(8,159)	(7,494)	(6,824)
Loans, Net	\$ 879,152	\$ 764,743	\$ 725,737	\$ 710,532	\$ 680,070
OREO	-	-	-	-	-
Property, net of accumulated depreciation	\$ 19,371	\$ 19,550	\$ 19,772	\$ 20,350	\$ 20,313
BOLI	24,143	23,990	23,839	23,525	23,215
Goodwill	5,349	5,349	5,349	5,349	5,349
Core Deposit Intangible	542	590	640	746	859
Other Assets	24,040	21,366	17,315	15,088	14,148
Total Assets	\$ 1,403,645	\$ 1,296,132	\$ 1,231,953	\$ 1,145,834	\$ 946,541
Deposits					
Noninterest bearing	\$ 408,474	\$ 356,345	\$ 346,525	\$ 349,345	\$ 245,321
Interest bearing	858,491	799,866	735,577	678,231	589,533
Total Deposits	\$ 1,266,965	\$ 1,156,211	\$ 1,082,102	\$ 1,027,576	\$ 834,854
Other Borrowings	-	-	-	14	-
Other Liabilities	46,790	45,438	44,339	15,422	13,865
Total Liabilities	\$ 1,313,755	\$ 1,201,649	\$ 1,126,441	\$ 1,043,012	\$ 848,719
Shareholders' Equity	\$ 89,890	\$ 94,483	\$ 105,512	\$ 102,822	\$ 97,822
Total Liabilities and Shareholders' Equity	\$ 1,403,645	\$ 1,296,132	\$ 1,231,953	\$ 1,145,834	\$ 946,541

PPP Loans

The Company participated in both phases of the Paycheck Protection Program (the "PPP") and processed an aggregate of 1,532 PPP loans, totaling \$146.3 million, during both phases of the PPP. As of June 30, 2022, all PPP loans originated by the Bank have been subsequently forgiven by the Small Business Administration (the "SBA") or otherwise paid off. The Bank successfully converted 375 of those PPP loan borrowers without existing banking relationships into full-service deposit and loan relationship customers.

PPP Loans

Dollars in Thousands

	For the Periods Ended				
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Total PPP Loans Outstanding	\$ -	\$ 10,178	\$ 24,414	\$ 38,470	\$ 56,226
Phase 1 Fee Income	\$ -	\$ -	\$ -	\$ -	\$ 477
Phase 2 Fee Income	\$ 235	\$ 536	\$ 538	\$ 687	\$ 560

Net Interest Margin

Net interest margin, on a tax equivalent basis ("net interest margin"), decreased by 13 basis points to 3.43 percent for the three months ended June 30, 2022, compared to 3.56 percent for the three months ended June 30, 2021. The decrease is primarily attributable to the 10 basis point reduction in yields on total interest earning assets during the period, including a 25 basis point reduction in loan yields including fees income during the period. Cost of funds increased by 3 basis points to 0.26 percent for the three months ended June 30, 2022 compared to 0.23 percent for the three months ended June 30, 2021.

Net Interest Margin Analysis

Dollars in Millions

	Three Months Ended									
	June 30, 2022		March 31, 2022		December 31, 2021		September 30, 2021		June 30, 2021	
	Average Balance	Yield/ Rate	Average Balance	Yield/ Rate	Average Balance	Yield/ Rate	Average Balance	Yield/ Rate	Average Balance	Yield/ Rate
Interest earning assets										
Loans	\$ 822	4.11%	\$ 751	4.00%	\$ 719	3.97%	\$ 711	3.94%	\$ 704	3.96%
Loan fees		0.29%		0.42%		0.42%		0.51%		0.70%
Loans with fees	\$ 822	4.40%	\$ 751	4.42%	\$ 719	4.40%	\$ 711	4.45%	\$ 704	4.65%
Total interest earning assets	\$ 1,232	3.69%	\$ 1,157	3.54%	\$ 1,105	3.52%	\$ 1,055	3.58%	\$ 1,003	3.79%
Interest-bearing liabilities										
Total interest bearing deposits	\$ 825	0.25%	\$ 750	0.25%	\$ 741	0.27%	\$ 689	0.30%	\$ 640	0.35%
Total interest bearing liabilities	\$ 855	0.37%	\$ 779	0.38%	\$ 747	0.29%	\$ 689	0.30%	\$ 640	0.35%
Cost of funds		0.26%		0.27%		0.20%		0.19%		0.23%
Net interest margin		3.43%		3.29%		3.32%		3.38%		3.56%

Credit Quality

We continue to see solid credit quality throughout our markets through June 30, 2022, with no loans classified as non-accrual and no loans past due greater than 90 days as of June 30, 2022. At June 30, 2022, there was one loan past due greater than 30 days totaling \$31 thousand, or 0.003 percent of the net loan portfolio. Provision expense during the three months ended June 30, 2022 was \$325 thousand compared to \$375 thousand for the three months ended June 30, 2021.

As previously disclosed, the Bank worked closely with borrowers who were unable to meet their contractual obligations due to the effects of the COVID-19 pandemic by offering loan modifications or payment deferrals to certain borrowers on a short-term basis. As of June 30, 2022, there were no loans with short-term modifications or payment deferrals due to the COVID-19 pandemic.

Credit Quality Analysis

	For the Periods Ended				
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
LLR to Total Loans	0.96%	1.07%	1.11%	1.07%	1.04%
LLR to Total Loans (Net PPP)	0.96%	1.08%	1.15%	1.14%	1.13%
NPAs to Avg Assets	0.00%	0.00%	0.01%	0.01%	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%	0.01%	0.00%	0.04%	0.04%
Total NPAs (thousands)	\$ -	\$ -	\$ 75	\$ 75	\$ -

Performance Ratios

	For the Periods Ended				
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
ROAA	0.70%	0.65%	0.74%	0.88%	1.10%
ROAE	9.16%	7.94%	8.61%	9.75%	11.74%
Efficiency	70.80%	72.06%	70.28%	69.84%	68.62%
NIM	3.43%	3.29%	3.32%	3.38%	3.56%
Book Value	\$ 11.84	\$ 12.45	\$ 13.92	\$ 13.78	\$ 13.63
Tangible Book Value	\$ 11.03	\$ 11.63	\$ 13.10	\$ 12.94	\$ 12.79

Capital Position

Shareholders' equity totaled \$89.9 million as of June 30, 2022, a decrease of \$15.6 million from December 31, 2021, driven by a \$20.7 million adjustment for unrealized losses in the Bank's available-for-sale securities portfolio since December 31, 2021, partially offset by \$4.5 million in year-to-date earnings. The \$20.7 million adjustment for unrealized losses during the period resulted from a decrease in the market value of securities in the Bank's available-for-sale securities portfolio, which is attributed to a significant increase in market interest rates during the period. Generally, the Bank classifies its debt securities held in the Bank's securities portfolio as available-for-sale. During the six months ended June 30, 2022, the Bank reclassified a portion of its securities portfolio to held to maturity in order to help mitigate the effects of the current rising interest rate environment and the Bank anticipates they will mature at par. 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 11.34 percent as of June 30, 2022. The Company reported 7,592,520 total shares outstanding as of June 30, 2022. The increase of 14,715 shares outstanding during the six months ended June 30, 2022 is due to the exercise of options granted.

Capital Ratios

Bank Only	For the Periods Ended				
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Tier 1	10.54%	11.61%	12.01%	11.30%	11.28%
Leverage	8.35%	8.35%	8.38%	7.63%	7.99%
CET-1	10.54%	11.61%	12.01%	11.30%	11.28%
Total	11.34%	12.53%	12.99%	12.27%	12.27%

Additional Data	For the Periods Ended				
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Branches	12	11	11	11	10
Employees (Full Time Equivalent)	153	150	150	149	146

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 \$1.4 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, 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 regarding the effects of the ongoing COVID-19 pandemic (or any current or future variant thereof), 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 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. 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, 2021, 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, 2021, as contained in the Company's 2021 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/SABK).

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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