South Atlantic Bank

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PRESS RELEASE

For Immediate Release

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South Atlantic Bancshares, Inc. Reports Earnings of 71 cents per Diluted Common Share For the Nine Months Ended September 30, 2020

Myrtle Beach, South Carolina, October 20, 2020 – South Atlantic Bancshares, Inc. ("South Atlantic" or the "Company") (OTCQX: SABK), parent of South Atlantic Bank (the "Bank"), today reported net income of $5.4 million, or $0.71 per diluted common share, for the nine months ended September 30, 2020, compared to $4.8 million, or $0.63 per diluted common share, reported for the same nine months ended September 30, 2019. Net income for the three months ended September 30, 2020 totaled $2.0 million, or $0.26 per diluted common share, compared to $1.7 million or $0.22 per diluted common shares, reported for the same three months ended September 30, 2019. During the quarter, net income attributable to the Company's participation in the Small Business Administration ("SBA") Paycheck Protection Program ("PPP"), created under the Coronavirus Aid, Relief, and Economic Security Act, was $435 thousand.

Financial Highlights

- Return on average equity was 7.73 percent for the nine months ended September 30, 2020, compared to 7.72 percent for the nine months ended September 30, 2019.
- Return on average assets was 0.85 percent for the nine months ended September 30, 2020, compared to 0.92 percent for the nine months ended September 30, 2019.
- The net interest margin, on a tax-equivalent basis, was 3.82 percent for the nine months ended September 30, 2020, a 39-basis point decline from 4.21 percent for the nine months ended September 30, 2019.
- Total loans grew 20.3 percent from $560.3 million at September 30, 2019 to $673.8 million at September 30, 2020.
- Total deposits grew 34.6 percent from $612.1 million at September 30, 2019 to $824.0 million at September 30, 2020.
- Total assets grew 31.0 percent from $714.2 million at September 30, 2019 to $935.3 million at September 30, 2020.
- Mortgage Origination Impact: Secondary fee income was $2.8 million for the nine months ended September 30, 2020 compared to $1.4 million for the same period ended September 31, 2019.
- As previously disclosed, 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 nine months ended

September 30, 2020, the Company recognized $925 thousand of the $3.8 million in estimated fees generated by originating PPP loans. The Company continues to expect that the majority of the remaining balance will be recognized over the next several quarters.

- Asset quality continues to be strong with non-performing assets to average total assets at 0.04 percent as of September 30, 2020 compared to 0.09 percent reported as of December 31, 2019.

State and local governments have implemented certain emergency measure and mitigation efforts in response to the ongoing novel coronavirus (COVID-19) pandemic, including restrictions on social and economic activity designed to reduce and control the spread of COVID-19. These state and local governmental orders continue to cause a loss of business for many of our customers and the effects continue to be felt throughout the markets we serve. The number of cases per day declined during the third quarter resulting in a number of revisions to state and local governmental orders related to COVID-19 that allowed businesses to move a step closer to normal operations. Safeguards issued by state and local governmental authorities in light of the ongoing COVID-19 pandemic continue to create difficult operating environments for businesses, especially in the hospitality industries. These measures, although necessary, will delay the efforts of businesses to work toward normal operations until it is safe to do so.

Wayne Wicker, Chief Executive Officer and Chairman of the Board of South Atlantic, said, “During the first nine months of the year, our Company met the challenges presented by the ongoing COVID-19 pandemic and its ensuing economic pressures. As we previously reported, 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 were unable to meet their contractual payment obligations because of the COVID-19 pandemic. We are glad to report that $49.8 million, or 74.1 percent, of the loans previously granted loan modifications or deferrals have returned to making contractual interest and principal payments. The remaining $17.4 million in loans that continue to have loan modifications or deferrals are anticipated to meet contractual payments at the end of the deferral periods. Our financial performance thus far in 2020 reflects limited loan growth (exclusive of the PPP loans that we originated) due to accelerated or early loan payoffs; however, we are seeing our loan pipeline improve and expect improved loan growth during the fourth quarter. Deposits have continued to grow each period as we have obtained new relationships and current customers move funds to a safer environment. 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 continue to contribute to reduced financial ratios compared to last year. We remain cautiously optimistic that our balance sheet is well-positioned for growth when the effects of the COVID-19 pandemic wane.”

Operating Results

Net income for the nine months ended September 30, 2020 totaled $5.4 million, or $0.71 per diluted common share, compared to $4.8 million, or $0.63 per diluted common share, reported for the same nine months ended September 30, 2019. Net income for the three months ended September 30, 2020 totaled $2.0 million, or $0.26 per diluted common share, compared to $1.7 million or $0.22 per diluted common share, reported for the same three months ended September 30, 2019.

PPP Loans

As previously reported, 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 PPP. 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.

In October, the SBA and the U.S. Department of theTreasury ("Treasury") released a simpler loan forgiveness application for PPP loans with principal amount of $50,000 or less. This new guidance from the SBA and Treasury affects approximately 600 of the 1,013 PPP loans that we originated.

As of 9/30/2020 ($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 $1.7 million, or 8.5 percent, to $21.9 million for the nine months ended September 30, 2020, compared to $20.2 million for the nine months ended September 30, 2019, and increased $662 thousand, or 9.5 percent, to $7.7 million for the three months ended September 30, 2020, compared to $7.0 million for the same three-month period in 2019. The increase during the nine-month period ended September 30, 2020 compared to the same nine-month period in 2019 resulted from a 17.7 percent increase in interest-earning average asset balances due primarily from the increased interest income from loan growth of 20.3 percent for the nine months ended September 30, 2020. Net interest income to average assets was 3.49 percent for the nine months ended September 30, 2020, compared to 3.87 percent for the same nine-month period in 2019, and was 3.30 percent for the three months ended September 30, 2020, compared to 3.80 percent for the same three-month period in 2019. The decline during the nine-month period ended September 30, 2020 is due primarily to a 20.2 percent increase in average assets and a 14.5 percent decline in our earning asset yield compared to the same nine-month period in 2019.

Net Interest Margin

Net interest margin, on a tax-equivalent basis ("net interest margin"), decreased 39 basis points on a year to date comparison (and decreased 36 basis points excluding PPP loans) from 4.21 percent at September 30, 2019 to 3.82 percent at September 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 83 basis point drop in loan yield year-over-year from September 30, 2019 to September 30, 2020. The cost of deposits declined from 90 basis points at September 30, 2019 to 53 basis points for the nine months ended as of September 30, 2020. We may continue to experience 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. 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 June 1, 2018. Interest income on loans totaling $267 thousand were recorded during the nine months ended September 30, 2020, compared to $327 thousand in the nine months ended September 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.

Cost of Deposits

The cost of deposits was 90 basis points as of December 31, 2019 and 34 basis points as of September 30, 2020. Our cost of deposits was reduced significantly to offset the decline in loan yields primarily due to the 150-basis point cut in the federal funds rate by the Federal Reserve in March 2020.

Margin Analysis

	Average Yield and Rate			Effect on Operating Earnings			Average Funds			Interest Income/Expense		
	YTD Actual Sep 2020	YTD Actual Sep 2019	Change	Volume	Rate	Days	YTD Actual Sep 2020	YTD Actual Sep 2019	Change	YTD Actual Sep 2020	YTD Actual Sep 2019	Change
Earning Assets												
Loans	4.39	5.22	-0.83	3,046,896	-3,471,899	78,499	641,591,097	548,942,756	92,648,341	21,096,188	21,442,693	-346,505
Loan fees	0.31	0.15	0.16	857,221	0	0	0	0	0	1,491,748	634,527	857,221
Loans with fees	4.7	5.38	-0.68	3,904,117	-3,471,899	78,499	641,591,097	548,942,756	92,648,341	22,587,936	22,077,220	510,716
Mortgage loans held for sale	2.67	3.63	-0.96	157,092	-49,784	0	13,057,355	5,675,127	7,382,228	261,704	154,396	107,308
Federal funds sold	0.39	2.5	-2.11	-18,311	-199,863	929	12,511,023	13,559,484	-1,048,461	36,375	253,620	-217,245
Deposits with banks	0.53	2.36	-1.83	28,192	-291,644	1,273	21,423,525	19,682,666	1,740,859	85,470	347,650	-262,179
Investment securities - taxable	2.91	3.4	-0.49	645,826	-215,641	0	63,787,715	37,613,315	26,174,400	1,390,734	960,548	430,186
Investment securities - tax-exempt	3.98	3.86	0.12	-33,638	17,173	0	16,840,416	18,071,085	-1,230,669	392,059	408,525	-16,465
Total Earning Assets	**4.32**	**5.05**	**-0.73**	**4,683,278**	**-4,211,658**	**80,701**	**769,211,131**	**643,544,434**	**125,666,697**	**24,754,278**	**24,201,958**	**552,320**
Interest bearing liabilities												
Interest bearing demand	0.17	0.28	-0.11	26,465	-62,615	506	80,903,625	65,974,122	14,929,503	102,916	138,560	-35,644
Savings and Money Market	0.5	1.11	-0.61	294,207	-1,284,683	7,618	289,531,762	248,783,113	40,748,649	1,090,363	2,073,220	-982,857
Time deposits - Retail	1.76	2.11	-0.35	179,391	-274,141	5,945	116,278,814	103,000,704	13,278,109	1,535,168	1,623,973	-88,804
Time Deposits - Wholesale	1.2	1.75	-0.55	80,387	-47,494	434	16,873,716	9,061,520	7,812,196	151,711	118,384	33,327
Total interest bearing deposits	0.76	1.24	-0.48	580,450	-1,668,933	14,503	503,587,917	426,819,460	76,768,457	2,880,158	3,954,137	-1,073,979
Federal home Loan Bank advances	0.2	2.37	-2.17	-34,554	-50,586	321	1,824,817	4,871,795	-3,046,977	2,833	87,653	-84,819
Other borrowings	1.46	2.91	-1.45	1,533	-1,321	30	771,847	376,216	395,631	8,419	8,177	242
Total borrowed funds	0.58	2.41	-1.83	-33,021	-51,907	351	2,596,664	5,248,011	-2,651,347	11,252	95,830	-84,578
Total interest-bearing liabilities	**0.76**	**1.25**	**-0.49**	**547,429**	**-1,720,840**	**14,854**	**506,184,581**	**432,067,471**	**74,117,110**	**2,891,410**	**4,049,967**	**-1,158,556**
Net interest rate spread	**3.55**	**3.8**	**-0.24**	**4,135,849**	**-2,490,818**	**65,847**				**21,862,868**	**20,151,992**	**1,710,876**
Effect of non-interest bearing deposits	-0.23	-0.35	0.12				223,323,415	167,987,714	55,335,701			
Cost of funds	0.53	0.9	-0.37									
Net interest margin	**3.82**	**4.21**	**-0.39**									

Noninterest Income and Expense

Noninterest income totaled $5.8 million for the nine months ended September 30, 2020, compared to $3.7 million for the nine months ended September 30, 2019. Noninterest income for the three months ended September 30, 2020 totaled $2.0 million, compared to $1.4 million for the same three-month period ended September 30, 2019. The increase in noninterest income was primarily related to increased mortgage origination resulting in fee income of $2.8 million and gains on the restructure of the Company's investment portfolio totaling $962 thousand for the nine-month period ended September 30, 2020 compared to $1.4 million and $409 thousand, respectively. For the nine months ended September 30, 2020, noninterest expense increased $2.6 million to $20.1 million, compared to $17.5 million for the nine months ended September 30, 2019. For the three months ended September 30, 2020, noninterest expense increased $1.1 million to $7.1 million, compared to $6.1 million for the three months ended September 30, 2019. The increase in noninterest expense for the nine-month period ended September 30, 2020 compared to the same nine-month period in 2019 is primarily related to increases in compensation, benefits and occupancy related to the COVID-19 pandemic and an expansion of our market presence during the period. Expense control measures are being implemented by the Company where feasible. However, ongoing costs of working remotely and the deep cleaning of offices due to the ongoing COVID-19 pandemic continue to offset some of the Company's expense control measures.

Loan Loss Provision

Our provision for loan losses for the nine months ended September 30, 2020 and 2019 was $1.0 million and $495 thousand, respectively. This increase in the provision for loan losses is due primarily to the increase in loan growth from September 30, 2019 to September 30, 2020, in addition to the anticipated economic impact of the COVID-19 pandemic. For the three months ended September 30, 2020 and 2019, the provision for loan losses was $165 thousand, respectively. The provision for the three months ended September 30, 2020 consisted of $522 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 may make provision adjustments based on modeling and loan portfolio performance. The allowance for loan and lease losses at September 30, 2020 was $6.2 million, or 0.93 percent of total loans (or 1.07 percent, excluding PPP loans), compared to $4.9 million, or 0.88 percent of total loans at September 30, 2019.

In addition, we have granted loan modifications or deferrals to certain borrowers on a short-term basis of three to nine months. As of June 30, 2020, we had granted short-term modifications or payment deferrals for 90 loans totaling $67.2 million, or 11 percent of our total loan portfolio. As of September 30, 2020, the number of loans granted short-term modifications or payment deferrals decreased to 14 loans totaling $17.4 million, or 3.0 percent of our total loan prtfolio, excluding PPP loans. As of September 30, 2020, modifications of principal payments only make up $16.4 million of loans, or 2.8 percent of total loans outstanding, excluding PPP loans, while $1 million of loans, or 0.17 percent of total loans outstanding, excluding PPP loans, are interest and principal deferrals. The remaining loans that continue to have loan modifications or feferrals are anticpated to meet contractual payments at the end of the deferral periods.

The following table shows the number and amount of loans provided with short-term modifications and is organized by NCIAS sector code:

	Deferrals and Modifications						
		6/30/2020	6/30/2020		9/30/2020	9/30/2020	
SECTOR	**DESCRIPTION**	**# OF LOANS**	**DOLLAR AMOUNT**		**# OF LOANS**	**DOLLAR AMOUNT**	
23	Construction	4	$	1,357	0	$	-
45-45	Retail Trade	6	$	1,025	0	$	-
48-49	Transportation and Warehousing	5	$	1,290	1	$	483
52	Finance and Insurance	3	$	1,024	0	$	-
53	Real Estate and Rental and Leasing	40	$	39,914	8	$	10,852
62	Health Care and Social Assistance	3	$	1,164	0	$	-
71	Arts, Entertainment and Recreation	6	$	2,240	2	$	784
72	Accomodation and Food Service	8	$	13,978	3	$	5,250
	Consumer	15	$	5,186	0	$	-
	TOTAL	**90**	**$**	**67,178**	**14**	**$**	**17,369**

Nonperforming Assets

Nonperforming assets as a percentage of total assets was 0.04 percent for the nine months ended September 30, 2020, compared to 0.09 percent as of December 31, 2019. For the three-month periods ended September 30, 2020 and 2019, nonperforming assets as a percentage of average assets was 0.03 percent and 0.07 percent, respectively

Capital Position

Shareholders' equity totaled $96.0 million as of September 30, 2020, an increase of $7.6 million since December 31, 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 11.98 percent at

September 30, 2020. At September 30, 2020, the Bank had approximately $13.1 million in excess of the 10.0 percent minimum regulatory threshold required to be considered a "well-capitalized" institution. In addition, the Company reported $10.8 million in additional capital available for contribution to the Bank. During the three months ended September 30, 2020, the Company contributed $3.5 million to the Bank to maintain an 8.0 percent leverage ratio. This capital contribution was the result of increased average assets due primarily from the $91.7 million in PPP loans orginated by the Bank during the nine-month period ended September 30, 2020. The Company reported a total of 7,504,040 total common stock outstanding at September 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 $937 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 **September 30, 2020**	For the Three Months Ended **September 30, 2019**	For the Nine Months Ended **September 30, 2020**	For the Nine Months Ended **September 30, 2019**
Quarter End/Year End Balances (In Thousands)				
Total Assets	$ 935,306	$ 714,172	$ 935,306	$ 714,172
Investment securities	113,111	72,299	113,111	72,299
Mortgage loans held-for-sale	37,141	17,242	37,141	17,242
Loans, net of unearned income (total loans)	673,766	560,286	673,766	560,286
Allowance for loan losses	(6,243)	(4,914)	(6,243)	(4,914)
Goodwill	5,349	5,349	5,349	5,349
Deposit intangible	919	1,179	919	1,179
Deposits	823,996	612,058	823,996	612,058
Shareholders' equity	96,001	86,462	96,001	86,462
Average Balances (In Thousands)				
Total assets	$ 922,732	$ 729,599	$ 836,367	$ 696,059
Earning assets	836,654	676,427	759,129	644,865
Investment securities	100,765	67,364	83,603	57,005
Loans, net of unearned income	678,222	564,288	641,591	554,618
Deposits	812,283	628,588	726,911	594,807
Shareholders' equity	95,510	85,718	92,462	83,139
Earnings Breakdown (In Thousands, except share and per share amounts)				
Total interest income	$ 8,388	$ 8,410	$ 24,754	$ 24,202
Total interest expense	738	1,422	2,891	4,050
Net interest income	7,650	6,988	21,863	20,152
Total noninterest income	1,980	1,380	5,844	3,728
Total noninterest expense	7,120	6,069	20,079	17,487
Provision for loan losses	165	165	1,020	495
Income before taxes	2,345	2,134	6,608	5,898
Taxes	376	444	1,256	1,098
Net income	1,969	1,690	5,352	4,801
Diluted earnings per share	0.26	0.22	0.71	0.63
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	7,530,222	7,595,944	7,549,811	7,591,626
Selected % Increases	*(Period over Period)*			
Total assets	30.96 %	15.60 %	30.96 %	15.60 %
Total interest earning assets	32.40	14.85	32.40	14.85
Total loans	20.25	9.33	20.25	9.33
Total deposits	34.63	16.10	34.63	16.10
Interest income	(0.26)	19.06	2.28	24.76
Interest expense	(48.09)	107.07	(28.61)	105.95
Noninterest income	43.52	58.47	56.75	38.77
Noninterest expense	17.33	8.60	14.82	2.01
Net income	16.50	26.00	11.49	129.27
Selected Ratios				
Return on average assets	0.85 %	0.92 %	0.85 %	0.92 %
Return on average equity	8.20	7.82	7.73	7.72
Net interest income to total average assets	3.30	3.80	3.49	3.87
Efficiency ratio	73.94	72.53	72.47	73.23
Loan loss reserve to total loans	0.93	0.88	0.93	0.88
Nonperforming assets to total assets	0.03	0.07	0.04	0.08
Net charge-offs to total average loans	(0.00)	0.00	0.00	0.00
Net interest margin	3.59	4.13	3.82	4.21