

South Atlantic Bank

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PRESS RELEASE

For Immediate Release

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South Atlantic Bancshares, Inc. Reports Earnings of 29 cents per Diluted Common Share For First Six Months of 2018

MYRTLE BEACH, SC, July 25, 2018 /PRNewswire/ -- South Atlantic Bancshares, Inc. ("South Atlantic") (OTCQX:SABK), announced today the results of its operations for the second quarter ended June 30, 2018. Highlights include:

- Net operating return on average assets (non-GAAP) of 0.75 percent for the six months ending June 30, 2018, the best performance in company history.
- Net interest margin, taxable equivalent, of 4.20 percent, a 20 basis point, or 5 percent, increase from a year ago.
- Asset quality continues to be a highlight with nonperforming assets to total assets of 0.00 percent.

South Atlantic also completed its acquisition of \$82.4 million Atlantic Bancshares, Inc. during the second quarter.

- Total loans grew 23.37 percent, to \$511.9 million at June 30, 2018 from \$415.0 million at June 30, 2017, primarily due to the acquisition of Atlantic Bancshares.
- Total deposits grew 21.7 percent, to \$555.1 million at June 30, 2018 from \$456.0 million at June 30, 2017, reflecting that South Atlantic has been successful at retaining Atlantic Bancshares deposits to date.
- Total assets grew 23.0 percent to \$638.9 million at June 30, 2018 from \$519.3 million at June 30, 2017, primarily due to the acquisition of Atlantic Bancshares.

K. Wayne Wicker, Chairman and Chief Executive Officer, stated: "It was a productive first six months as we excelled in our return on average assets and earnings per share. We achieved these milestones through growing loans by more than 23 percent in the past year while maintaining a very strong net interest margin. Demand deposits also increased significantly across all markets. Our team has done a great job integrating the Atlantic Bancshares, Inc. acquisition. The combination of the two banks with complementary business lines strengthens our coastal South Carolina franchise. As an organization, we continue to improve on our efficiencies as we capture further economies of scale, even while absorbing the one-time merger and conversion related costs."

2Q 2018 Financial Highlights

Net operating earnings (non-GAAP) for the six months ended June 30, 2018 totaled \$2.1 million or \$0.29 per diluted common share. Net income for the six months ending June 30, 2018 was \$752 thousand, which includes one-time charges of \$1.4 million in merger and conversion expenses, or \$0.10 per common share. Net income for the six months ending June 30, 2017 was \$1.6 million or \$0.34 per common share.

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Net operating earnings (non-GAAP) for the three months ended June 30, 2018 totaled \$1.3 million compared to \$963 thousand in 2017. For the quarter, net operating earnings diluted (non-GAAP) per common share was \$0.17, compared to \$0.17 in 2017. Net income for the quarter was \$(48,853) or (0.01) per diluted share, which includes one-time charges of \$1.4 million in merger and conversion expenses, compared to \$963 thousand a year ago.

Non-GAAP Financial Measures

	For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Net Income*	\$ (48,853)	\$ 963,937	\$ 752,259	\$ 1,650,071
Merger and Conversion Expenses	1,385,288	-	1,385,288	-
Net operating earnings (non-GAAP)	1,336,435	-	2,137,547	-
Earnings Breakdown				
Net Income per share – diluted	(0.01)	0.17	0.10	0.34
Net operating earnings – diluted (non-GAAP)	0.17	-	0.29	-
Selected Ratios				
Return on average assets	(0.03)	0.77	0.26	0.69
Net operating return on average assets (non-GAAP)	0.86	-	0.75	-
Return on average stockholders' equity	(0.27)	6.65	2.28	6.88
Net operating return on average equity (non-GAAP)	7.42	-	6.47	-
Efficiency ratio	94.44	72.49	89.76	75.16
Efficiency ratio (non-GAAP)	75.29	-	79.00	-

* Net income includes merger and conversion expenses totaling \$1,385,288.

Net Interest Income and Net Interest Margin

Net interest income to average assets was 3.87 percent and 3.66 percent for the six months ended June 30, 2018 and 2017, respectively. Net interest income totaled \$11.1 million in the first six months of 2018 compared to \$8.7 million for the same period in 2017. Net interest margin, taxable equivalent, increased from 4.00 percent for the six months ending June 30, 2017 to 4.20 percent for the same period in 2018. Increases in net interest income and net interest margin are attributed to loan growth and interest rate increases during the period.

Net interest income to average assets of 3.97 percent for the quarter increased from 3.67 percent in the second quarter of 2017. Net interest income for the second quarter totaled \$6.2 million and \$4.6 million in 2018 and 2017, respectively. Net interest margin, taxable equivalent, increased from 4.01 percent in the second quarter of 2017 to 4.31 percent in the second quarter of 2018. Improvements in net interest income and net interest margin for the quarter are attributed to increases in the yield on earning assets.

Noninterest Income and Expense

Noninterest income totaled \$1.8 million and \$1.5 million for the first six months in 2018 and 2017, respectively. Noninterest income for the second quarter of 2018 totaled \$1.0 million and \$838 thousand for 2018 and 2017, respectively. The increases in noninterest income were related to an increase in mortgage operations income.

Noninterest expense was up during the first six months of 2018 at \$11.6 million from \$7.7 million in 2017. For the quarter, noninterest expense totaled \$6.8 million compared to \$4.0 million in 2018 and 2017, respectively. These increases are attributed to the merger & conversion expenses and completion of Charleston market headquarters.

The effective income tax rate for the quarter was 21.6 percent for 2018 as compared to 37.0 percent in 2017. The lower rate primarily reflects the benefit from a reduction of the US federal corporate income tax rate by the Tax Cuts and Jobs Act. The effective tax rate for the first six months of 2018 was 21.6 percent as compared to 18.4 percent for the full year of 2017. The company received a tax benefit of a tax reduction from a deferred tax liability at year end 2017.

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Loan Loss Provision

Provision for loan losses for the six months ended June 30, 2018 and 2017, respectively, was \$215 thousand and \$285 thousand. The decrease in provision is primarily a reflection of the company's excellent asset quality and treatment of the reserve related to the merger. Provision for loan losses for the quarter totaled \$165 thousand and \$165 thousand for 2018 and 2017, respectively. The allowance for loan losses and leases at June 30, 2018 was \$4.0 million or 0.78 percent of total loans as compared to \$3.1 million or 0.75 percent of total loans at June 30, 2017.

Nonperforming Assets

Nonperforming assets as a percentage of average assets was 0.00 percent and 0.03 for the six months ending June 30, 2018 and 2017, respectively. For the second quarter, nonperforming assets as a percentage of average assets was 0.00 and 0.02 for 2018 and 2017, respectively. In addition to the allowance, there were \$1.7 million additional discounts on \$59.1 million of loans acquired with the purchase of Atlantic Bancshares, Inc. as of June 30, 2018.

About South Atlantic Bancshares, Inc.

South Atlantic Bancshares, Inc., (OTCQX: SABK) is a registered bank holding company based in Myrtle Beach, South Carolina with \$638.9 million in 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 nine offices in Myrtle Beach, North Myrtle Beach, Murrells Inlet, Pawleys Island, Georgetown, Mount Pleasant, Charleston, Hilton Head Island, and Bluffton, South Carolina. South Atlantic 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*, its mobile banking app. The bank also offers online banking, checking, CD, and money market accounts, merchant services, mortgage loans, remote deposit capture, and more. Recruiting the best people, delivering exceptional client service, strategic branching and a disciplined approach to lending have contributed to South Atlantic Bank's success. For more information, visit www.Southatlantic.bank

Non-GAAP Financial Matters

Statements included in this press release include non-GAAP financial measures and should be read along with the accompanying tables, which provide a reconciliation of non-GAAP financial measures to GAAP financial measures. South Atlantic management uses several non-GAAP financial measures, including (i) net operating earnings available to common shareholders; and (ii) net operating return on average assets, in its analysis of the company's performance. Net operating earnings available to common shareholders excludes the following from net income available to common shareholders: merger and conversion expenses.

Management believes that non-GAAP financial measures provide additional useful information that allows readers to evaluate the ongoing performance of the company and provide meaningful comparisons to its peers. Non-GAAP financial measures should not be considered as an alternative to any measure of performance or financial condition as promulgated under GAAP, and investors should consider South Atlantic's performance and financial condition as reported under GAAP and all other relevant information when assessing the performance or financial condition of the company. Non-GAAP financial measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of the results or financial condition as reported under GAAP.

Cautionary Statement Regarding Forward-Looking Statements

This press release contains, among other things, certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, statements preceded by, followed by, or that include the words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," "projects," "outlook" or similar expressions, including statements related to the integration of Atlantic

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Bancshares. 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). 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. 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. 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 at December 31, 2017, and for the twelve months then ended, is unaudited. All financial data should be read in conjunction with the notes to the consolidated financial statements of the company and South Atlantic Bank as of and for the fiscal year ended December 31, 2017, as contained in the company's 2017 Annual Report located on the company's website.

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South Atlantic Bancshares, Inc.
Selected Financial Highlights

	For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Year End/Quarter End Balances (In Thousands)				
Total assets	\$ 638,914	\$ 519,339	\$ 638,914	\$ 519,339
Investment securities	41,900	45,174	41,900	45,174
Loans, net of unearned income (total loans)	511,981	414,987	511,981	414,987
Deposits	555,118	456,026	555,118	456,026
Shareholders' equity	77,690	58,799	77,690	58,799
Average Balances (In Thousands)				
Total assets	\$ 626,395	\$ 504,314	\$ 575,541	\$ 479,231
Earning assets	585,396	470,541	539,041	446,706
Investment securities	39,102	44,291	37,681	44,099
Loans, net of unearned income	505,347	410,916	467,789	393,692
Deposits	548,657	443,022	497,846	418,519
Shareholders' equity	72,282	58,174	66,616	48,337
Earnings Breakdown (In Thousands)				
	(Year over Year)			
Total interest income	\$ 6,898	\$ 5,027	\$ 12,336	\$ 9,506
Total interest expense	690	407	1,280	811
Net interest income	6,207	4,620	11,056	8,695
Total noninterest income	1,028	838	1,816	1,537
Total noninterest expense	6,833	3,957	11,554	7,691
Provision for loan losses	165	165	215	285
Income before taxes	237	1,336	1,103	2,256
Taxes	286	372	350	606
Net income	(49)	964	752	1,650
Diluted earnings per share	(0.01)	0.17	0.10	0.34
Weighted average shares outstanding				
Basic	7,525,488	5,463,976	7,126,581	4,679,220
Diluted	7,663,137	5,649,749	7,269,156	4,899,383
Selected % Increases				
	(Year over Year)			
Total assets	23.02	12.20	23.02	12.20
Total interest earning assets	25.27	11.79	25.27	11.79
Total loans	23.37	21.34	23.37	21.34
Total deposits	21.73	7.56	21.73	7.56
Interest income	37.22	23.68	29.77	19.15
Interest expense	69.55	10.43	57.85	17.72
Noninterest income	22.61	13.16	18.16	15.61
Noninterest expense	72.70	16.09	50.23	13.87
Net income	(105.07)	52.34	(54.41)	46.07
Selected Ratios				
Return on assets	(0.03)	0.77	0.26	0.69
Return on equity	(0.27)	6.65	2.28	6.88
Interest income to total average assets	4.42	4.00	4.32	4.00
Interest expense to total average assets	0.44	0.32	0.45	0.34
Net interest income to total average assets	3.97	3.67	3.87	3.66
Efficiency Ratio	94.44	72.49	89.76	75.16
Loan loss reserve to total loans	0.78	0.75	0.78	0.75
Nonperforming assets to total average assets	0.00	0.02	0.00	0.03
Net charge-offs to total average loans	0.00	0.14	0.00	0.14
Net interest margin	4.31	4.01	4.20	4.00