

South Atlantic Bank

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PRESS RELEASE

For Immediate Release

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South Atlantic Bancshares, Inc. Reports Earnings of 80 cents per Diluted Common Share For Year Ended December 31, 2019

Myrtle Beach, South Carolina, January 21, 2020 – South Atlantic Bancshares, Inc. (“South Atlantic” or the “Company”) (OTCQX: SABK), parent of South Atlantic Bank (the “Bank”), today reported net income of \$6.1 million, or \$0.80 per diluted share, for the year ended December 31, 2019, compared to \$3.5 million, or \$0.47 per diluted share, reported for the year ended December 31, 2018. Net income for the quarter ended December 31, 2019 was \$1.3 million, or \$0.17 per diluted share, compared to \$1.4 million, or \$0.18 per diluted share, reported for the same quarter in 2018. Net income increased 75.5 percent for the year ended December 31, 2019 compared to the year ended December 31, 2018.

Financial Highlights

- Return on average equity was 7.20 percent for the year ended December 31, 2019, compared to 4.74 percent for the year ended December 31, 2018.
- Return on average assets was 0.87 percent for the year ended December 31, 2019, compared to 0.57 percent for the year ended December 31, 2018.
- The net interest margin, taxable equivalent, was 4.16 percent for the year ended December 31, 2019, a 13 basis point decline from the year ended December 31, 2018.
- Total loans grew 8.4 percent year-over-year, from \$531.0 million at December 31, 2018 to \$575.7 million at December 31, 2019.
- Total deposits grew 16.3 percent year-over-year, from \$530.3 million at December 31, 2018 to \$616.8 million at December 31, 2019.
- Total assets grew 14.0 percent year-over-year, from \$630.2 million at December 31, 2018 to \$718.4 million at December 31, 2019.
- Asset quality continues to be pristine with non-performing assets to average total assets at 0.07 percent as of December 31, 2019.

“We are pleased to report our outstanding 2019 results and expect our consistently strong financial performance to continue in 2020. All of our branches contributed to our double-digit earnings growth. The markets in our geographic footprint rank among the fastest growing in the country, and our tenth location recently opened to serve the expanding Myrtle Beach community,” said Wayne Wicker, Chief Executive Officer and Chairman of the Board for South Atlantic.

Operating Results

Net income for the year ended December 31, 2019 totaled \$6.1 million, or \$0.80 per diluted common share. Net income for the year ended December 31, 2018 was \$3.5 million, or \$0.47 per diluted common share.

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Net Interest Income and Net Interest Margin

Net interest income increased \$3.1 million to \$26.8 million for the year ended December 31, 2019, compared to \$23.8 million for the year ended December 31, 2018. This increase resulted primarily from higher interest-earning average asset balances and increased interest income from loan growth of 8.4 percent for the year ended December 31, 2019. Net interest margin, taxable equivalent (“net interest margin”), decreased 13 basis points from 4.29 percent at December 31, 2018 to 4.16 percent at December 31, 2019. Net interest margin for the quarter ended December 31, 2019 decreased to 4.03 percent from 4.37 percent at December 31, 2018. These decreases in net interest margin are the result of higher cost of funds during the periods. Net interest income to average assets was 3.83 percent for the year ended December 31, 2019, compared to 3.94 percent for the same period in 2018, and 3.70 percent for the quarter ended December 31, 2019, compared to 4.01 percent for the same period in 2018. These declines are due primarily to increased interest expense from a comparatively higher cost of funds during 2019.

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 September 1, 2018. Increases in interest income on loans totaling \$429 thousand were recorded during the year ended December 31, 2019, compared to \$382 thousand in the year ended December 31, 2018. Purchase loan accretion amounts vary from period to period as a result of periodic cash flow re-estimations, loan payoffs, and payment performance.

Noninterest Income and Expense

Noninterest income totaled \$4.9 million for the year ended December 31, 2019, compared to \$3.5 million for the year ended December 31, 2018. Noninterest income for the quarter ended December 31, 2019 totaled \$1.1 million, compared to \$838 thousand for the quarter ended December 31, 2018. The increase in noninterest income was primarily related to increased mortgage production and gains on the restructure of the investment portfolio. Noninterest expense increased \$1.1 million from \$22.2 million for year ended December 31, 2018 to \$23.4 million for the year ended December 31, 2019. For the quarter ended December 31, 2019, noninterest expense increased \$803 thousand from \$5.1 million for the quarter ended December 31, 2018 to \$5.9 million for the same quarter in 2019. The increase in noninterest expense for both the quarter and year related primarily to increases in compensation, benefits and occupancy as we continue to expand our markets.

Loan Loss Provision

Provision for loan losses for the years ended December 31, 2019 and 2018 was \$810 thousand and \$710 thousand, respectively. This increase in provision for loan losses is due primarily to the increase in loan growth from December 31, 2018 to December 31, 2019. Provision for loan losses for the three-month periods ended December 31, 2019 and 2018 was \$315 thousand and \$385 thousand, respectively. The allowance for loan and lease losses at December 31, 2019 was \$5.2 million, or 0.91 percent of total loans, compared to \$4.4 million, or 0.83 percent of total loans at December 31, 2018.

Nonperforming Assets

Nonperforming assets as a percentage of average assets was 0.07 percent and 0.09 percent for the years ended December 31, 2019 and 2018, respectively. For the three-month periods ended December 31, 2019 and 2018, nonperforming assets as a percentage of average assets was 0.07 and 0.09, respectively.

Capital Position

Shareholders' equity totaled \$88.4 million as of December 31, 2019, an increase of \$9.1 million since December 31, 2018. 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 10.41 percent at December 31, 2019. At December 31, 2019, the Bank had approximately \$2.7 million in excess of the 10.0 percent minimum regulatory threshold required to be considered a "well-capitalized" institution. In addition, the Company reported \$15.8 million in additional capital available for distribution to the Bank. The Company reported 7,504,040 total shares outstanding at December 31, 2019.

About South Atlantic Bancshares, Inc.

South Atlantic Bancshares, Inc. (OTCQX: SABK) is a registered bank holding company based in Myrtle Beach, South Carolina with \$725 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 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, other than information at December 31, 2018 and for the twelve months ended December 31, 2018, 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, 2018, as contained in the Company's 2018 Annual Report located on the Company's website.

Member FDIC

SELECTED FINANCIAL HIGHLIGHTS

	For the Three Months Ended December 31, 2019	For the Three Months Ended December 31, 2018	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Quarter End/Year End Balances (In Thousands)				
Total Assets	\$ 718,402	\$ 630,216	\$ 718,402	\$ 630,216
Investment securities	76,399	49,993	76,399	49,993
Mortgage loans held-for-sale	4,904	924	4,904	924
Loans, net of unearned income (total loans)	575,721	531,035	575,721	531,035
Allowance for loan losses	(5,237)	(4,400)	(5,237)	(4,400)
Goodwill	5,349	5,349	5,349	5,349
Deposit Intangible	1,111	1,396	1,111	1,396
Deposits	616,807	530,339	616,807	530,339
Shareholders' equity	88,406	79,336	88,406	79,336
Common Stock period end actual shares	7,504,040	7,504,040	7,504,040	7,504,040
Average Balances (In Thousands)				
Total Assets	\$ 714,442	\$ 626,068	\$ 700,692	\$ 602,870
Earning assets	653,453	581,615	642,785	557,022
Investment securities	74,158	48,463	61,328	41,917
Loans, net of unearned income	565,184	522,730	553,036	491,812
Deposits	611,566	527,627	599,031	516,993
Shareholders' equity	87,415	79,664	84,240	72,957
Earnings Breakdown (In Thousands, except share and per share amounts)				
Total interest income	\$ 8,042	\$ 7,261	\$ 32,244	\$ 26,660
Total interest expense	1,379	929	5,429	2,895
Net interest income	6,663	6,332	26,815	23,765
Total noninterest income	1,131	838	4,859	3,525
Total noninterest expense	5,871	5,068	23,358	22,211
Provision for loan losses	315	385	810	710
Income before taxes	1,608	1,717	7,506	4,369
Taxes	342	353	1,440	912
Net income	1,266	1,364	6,066	3,457
Diluted earnings per share	0.17	0.18	0.80	0.47
Weighted average shares outstanding				
Common stock - basic	7,504,040	7,504,040	7,504,040	7,176,015
Common stock - diluted	7,603,468	7,616,976	7,601,903	7,307,507
Selected % Increases				
	<i>(Period over Period)</i>			
Total assets	13.99 %	21.57 %	13.99 %	21.57 %
Total interest earning assets	10.52	20.89	10.52	20.89
Total loans	8.41	22.10	8.41	22.10
Total deposits	16.30	20.74	16.30	20.74
Interest income	10.75	35.09	20.94	32.40
Interest expense	48.50	96.85	87.52	71.10
Noninterest income	34.99	(6.34)	37.87	13.19
Noninterest expense	15.84	12.18	5.16	30.28
Net income	(7.19)	46.24	75.45	7.51
Selected Ratios				
Return on assets	0.70 %	0.86 %	0.87 %	0.57 %
Return on equity	5.74	6.79	7.20	4.74
Net interest income to total average assets	3.70	4.01	3.83	3.94
Efficiency ratio	75.33	70.68	73.74	81.39
Loan loss reserve to total loans	0.91	0.83	0.91	0.83
Nonperforming assets to total average assets	0.07	0.09	0.07	0.09
Net charge-offs to total average loans	(0.01)	0.06	(0.00)	0.01
Net interest margin	4.03	4.37	4.16	4.29