

# TAKE STOCK

Third Quarter 2019

*South Atlantic Bancshares, Inc.*





# Third Quarter Review

Our strong performance continued through the third quarter, making the first nine months of 2019 the most profitable in the Company's history.

Net income for the nine months ended September 30, 2019, was \$4.8 million or \$0.63 per diluted share, compared to \$2.1 million, or \$0.29 per diluted share for the same nine-month period in 2018, representing a 129.3 percent increase year over year.

Net income for the three months ended September 30, 2019, was \$1.7 million, or \$0.22 per diluted share, compared to \$1.3 million or \$0.18 per diluted share, reported for the same period a year ago, representing a 26 percent increase when compared to the third quarter ended September 30, 2018.

Competition is strong in all of our markets for both loans and deposits, but our team has done a good job securing quality deposits, especially non-interest bearing deposits, and loans. Local market knowledge and local decision-making are key in maintaining our asset quality and keeping the quality of our loan portfolio pristine with non-performing assets to average total assets of just 0.07 for the three months ended September 30, 2019.

Noninterest income totaled \$3.7 million for the nine months ended September 30, 2019, an increase of 38.8 compared to the same period a year ago, and totaled \$1.4 million for the three months ended September 30, 2019, a 58.5 percent increase compared to the three months ended September 30, 2018.

Mortgage production has increased in all of our markets. Lower interest rates are driving an increase in refinancing, and we expect this trend to continue. Merchant services activity also helped grow noninterest income during the third quarter as our coastal communities enjoyed a successful summer tourist season.

Additionally, we have a healthy loan pipeline in place which will support our performance as we approach year end. We are enthusiastic about the potential for growth in the Bluffton and Hilton Head Island markets and look forward to their contributions in the fourth quarter.

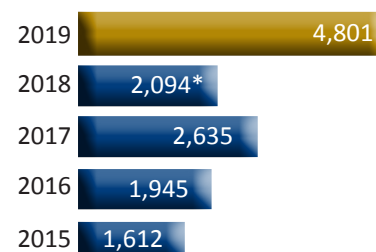
The opening of our 10th branch at our Towne Centre location in the Carolina Forest area of Myrtle Beach is scheduled for late 2019. We are excited about the innovative branch design and the full-service retail approach being implemented there to optimize customer relationships.

Hurricane Dorian disrupted business along the South Carolina coast in September. Our business continuity plan was well executed, and our dedicated staff had our offices up and running immediately following the storm so we could serve our customers.

As we continue to grow, we remain focused on the fundamentals: asset quality management, expense control, and creating efficiencies. We will keep leveraging our regions and are positioned well to take advantage of opportunities.

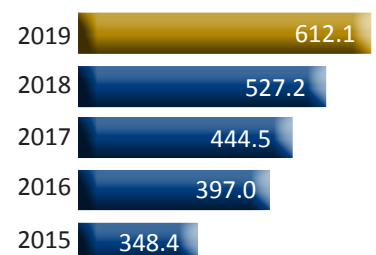
We are proud of what we have accomplished and look forward to the months ahead as we finish the year strong. As always, we appreciate your support.

*NET INCOME  
SEPTEMBER 30, 2019  
(\$ IN THOUSANDS)*

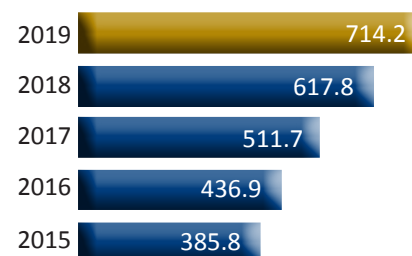


*\*2018 NET INCOME INCLUDES MERGER AND CONVERSION EXPENSES TOTALING \$1,385,288.*

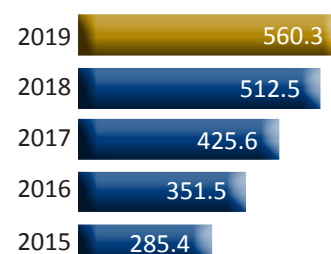
*TOTAL DEPOSITS  
SEPTEMBER 30, 2019  
(\$ IN MILLIONS)*



*TOTAL ASSETS  
SEPTEMBER 30, 2019  
(\$ IN MILLIONS)*



*TOTAL LOANS  
SEPTEMBER 30, 2019  
(\$ IN MILLIONS)*



# Selected Financial Highlights

	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
<b>Year End/Quarter End Balances (in thousands)</b>				
Total assets	\$ 714,172	\$ 617,816	\$ 714,172	\$ 617,816
Investment securities	72,299	47,246	72,299	47,246
Mortgage loans held-for-sale	17,242	1,879	17,242	1,879
Loans, net of unearned income (total loans)	560,286	512,464	560,286	512,464
Goodwill	5,349	6,075	5,349	6,075
Deposit intangible	1,179	1,472	1,179	1,472
Deposits	612,058	527,188	612,058	527,188
Shareholders' equity	86,462	78,647	86,462	78,647
Common stock outstanding – period end	7,504,040	7,503,435	7,504,040	7,503,435
<b>Average Balances (in thousands)</b>				
Total assets	\$ 729,599	\$ 629,830	\$ 696,059	\$ 593,836
Earning assets	676,427	586,686	644,865	555,097
Investment securities	67,364	43,705	57,005	39,711
Loans, net of unearned income	564,288	513,232	554,618	483,103
Deposits	628,588	544,028	594,807	513,409
Shareholders' equity	85,718	78,725	83,139	70,697
<b>Earnings Breakdown (in thousands, except share and per share amounts)</b>				
Total interest income	\$ 8,410	\$ 7,063	\$ 24,202	\$ 19,399
Total interest expense	1,422	687	4,050	1,966
Net interest income	6,988	6,377	20,152	17,433
Total noninterest income	1,380	871	3,728	2,686
Total noninterest expense	6,069	5,588	17,487	17,142
Provision for loan losses	165	110	495	325
Income before taxes	2,134	1,549	5,898	2,652
Taxes	444	208	1,098	558
Net income	1,690	1,342	4,801	2,094
Basic earnings per share	0.23	0.18	0.64	0.30
Diluted earnings per share	0.22	0.18	0.63	0.29
Common stock outstanding – basic	7,504,040	7,492,867	7,504,040	7,025,813
Common stock outstanding – diluted	7,595,944	7,619,266	7,591,626	7,163,148
<b>Selected % Increases</b> (Period over Period)				
Total assets	15.60	20.73	15.60	20.73
Total interest earning assets	12.44	19.51	12.44	19.51
Total loans	9.33	20.40	9.33	20.40
Total deposits	16.10	18.60	16.10	18.60
Interest income	19.06	34.41	24.76	31.42
Interest expense	107.07	67.67	105.95	61.15
Noninterest income	58.47	4.19	38.77	13.24
Noninterest expense	8.60	23.52	2.01	40.34
Net income	26.00	36.18	129.27	(20.54)
<b>Selected Ratios</b> (Period over Period)				
Return on assets	0.92	0.85	0.92	0.47
Return on equity	7.82	6.76	7.72	3.96
Interest income to total average assets	4.57	4.45	4.65	4.37
Interest expense to total average assets	0.77	0.43	0.78	0.44
Net interest income to total average assets	3.80	4.02	3.87	3.92
Loan loss reserve to total loans	0.75	0.55	0.72	0.60
Nonperforming assets to total average assets	0.07	0.02	0.08	0.02
Net charge-offs to total average loans	0.00	0.00	0.00	0.00
Net interest (taxable equivalent)	4.13	4.37	4.21	4.26

## We're Getting Social!

South Atlantic Bank successfully launched its company Facebook page this September! This platform will serve as a marketing and communications tool to promote the bank's community involvement and brand awareness to existing and potential customers. To help our page gain exposure, please like and share it with your customers, family and friends.



The marketing department is responsible for the look and content of the Bank's social media pages. News about community outreach efforts, festivals, fundraisers, and the many events we sponsor will be posted. Additionally, social media will be used as a customer service tool, with a work flow in place to handle customer concerns and questions. Marketing director Beth Branham said, "Social media is a major communications channel and our customers expect us to be available to them via this platform as part of our overall commitment to technologically advanced products and services."



The bank expects to add LinkedIn and Instagram to its presence at a later date.



## Market Share Numbers Hold Steady

Deposit market share data from the FDIC as of June 30, 2019, indicates continued steady performance for South Atlantic, with a particularly strong showing in the South Strand market. Key take-aways from the data are as follows:

- In the state of South Carolina, South Atlantic Bank ranks 21st out of 76 competitors, many with a statewide presence. The bank has accomplished this strong showing based on its nine locations along the coast.
- The Myrtle Beach market held steady in its rankings.
- Murrells Inlet continues to dominate, with a first place ranking within its zip code, Pawleys Island moved up to second place in its market, and combined the two locations claimed a second place ranking for zip codes 29576 and 29585.
- Georgetown moved up to third place in the city.
- Together, the Georgetown, Pawleys Island, and Murrells Inlet offices claimed second place for the zip codes 29440, 29585, and 29576.

We are also seeing progress in our newer markets, including Charleston, Bluffton, and Hilton Head Island.

## Towne Centre Office Coming Soon!

Work is underway on our Towne Centre facility which will serve as South Atlantic Bank's 10th branch. This facility will be a full-service, high-touch retail office providing personal, commercial, and mortgage services to the Carolina Forest community. The target opening date is late fourth quarter 2019. Our operations center has been housed at the Towne Centre building since May 2019.

As the banking industry continues to evolve utilizing online and digital channels, we need to incorporate these features in our branch design and retail strategy to remain competitive. Moreover, the staffing model we utilize will play a significant role in our success and will focus on hiring relationship bankers. This new role allows us to optimize productivity and deliver a consultative, full-service approach to customers' needs. Relationship bankers will be cross-trained and proficient in conducting teller transactions, new account opening procedures, and educating customers on the products and services offered at South Atlantic Bank. Our relationship bankers will be able to meet one-on-one with customers to discuss their banking needs, process transactions from our teller pods, or open new accounts from one of several areas within the branch.

Our Towne Centre branch design will provide an increased focus on delivering a broad range of services and an innovative approach to building relationships with customers.



*Interior design for the new Towne Centre office.*



# IT'S THE PEOPLE WHO MAKE THE DIFFERENCE

## Additions and Promotions



*Birge*



*Windham*



*Kwiatkowski*



*Cross*



*Powers*



*Murphy*



*Slider*

**Leah Birge** has joined the bank as assistant vice president and branch manager at the East Bay office. She brings more than 10 years of banking experience to her new post and most recently served Pinnacle Financial Partners in Mount Pleasant as a financial specialist. Leah attended Savannah Technical College.

**Stephen Windham** has joined the bank as banking officer and mortgage loan officer at the East Bay office. He most recently worked for Enterprise Holdings as a branch manager. He is a graduate of The Citadel where he received a B.S. degree in business administration.

**Bobbi Kwiatkowski** is a new mortgage loan processor at the Towne Centre office. Bobbi has more than 12 years of banking experience. She most recently worked at Sandhills Bank as loan administrator/loan processor.

**Rebecca Cross** has joined the bank as a mortgage loan closer at the Towne Centre office. She has more than 15 years of banking experience and most recently worked for Sandhills Bank as a mortgage loan processor. Rebecca is a graduate of the West Virginia Institute of Technology with a B.S degree in accounting.

**Sherry Powers** is a new teller at the Murrells Inlet office. She most recently worked for Wyndham Destinations as a sales representative with responsibility for sales leadership and management.

**Lindsay Murphy**, teller supervisor, has been promoted to customer service representative at the North Myrtle Beach office. She came to the bank in 2016 in North Myrtle Beach as a teller. Prior to joining South Atlantic, she had six years of banking experience working a head teller and assistant branch manager. She earned a B.A. degree in music with a minor in communications from Wingate University.

**Joanna Slider** has been named to the new position of human resources coordinator at the Main Office. She joined the bank in August 2016 and most recently served as a card service specialist. In her new role, she will assist with several human resources-related activities, including recruiting, interviewing, record-keeping, and data entry. She has more than 20 years of banking experience and is currently pursuing a B.S. degree online through Charleston Southern University, majoring in human resource management.

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## Another Successful Fundraiser for the GSML!

This year, our employee team raised more than \$2,900 for the Grand Strand Miracle Leagues (GSML). It was our 10th consecutive year sponsoring the league's fall baseball opener. While Hurricane Dorian forced this first game to be cancelled, we participated in the games the following weekend. South Atlantic employees were on hand to present our "big check" during the opening ceremonies, helped the players on the field, and manned the concession stand. Special thanks also go out to our caring customers who contributed to our fundraiser and helped to make this event a success.

The Miracle Leagues organization provides people with special needs the opportunity to play sports and offers baseball, soccer and golf leagues. Their motto is simple: Everyone plays. Everyone crosses home plate. Everyone wins!



*Team members work at the concession stand.*

# CORPORATE INFORMATION

## 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 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 then ended, 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.

## About South Atlantic Bancshares, Inc.

South Atlantic Bancshares, Inc., (OTCQX: SABK), is a registered bank holding company based in Myrtle Beach, South Carolina with \$709 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, Bluffton and Hilton Head Island, 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 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](http://www.SouthAtlantic.bank).

## Mission Statement

To serve, in a fair, balanced, and superior manner, the interest of shareholders, customers, employees, and the public through adherence to high standards of financial soundness, exemplary customer service, employee professionalism, business ethics, corporate citizenship, and profitability.

## Registrar and Transfer Agent

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**Thomas C. Brittain**  
Attorney at Law  
Brittain Law Firm, P.A.

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and Chief Financial Officer  
South Atlantic Bank

**Tony K. Cox**  
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**Take Stock** is published quarterly for the shareholders and friends of South Atlantic Bancshares, Inc.

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## Address Changes and Additions

To update the U.S. mail and e-mail addresses on file with us, e-mail us at [investorrelations@southatlantic.bank](mailto:investorrelations@southatlantic.bank) or visit the investor relations area of our website. Your information will be updated upon receipt.

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