

2019 ANNUAL REPORT



South Atlantic Bancshares, Inc.

Building on our Strengths

ABOUT SOUTH ATLANTIC BANK



South Atlantic Bancshares, Inc. (OTCQX: SABK) is a registered bank holding company based in Myrtle Beach, South Carolina, with \$718 million in total assets. The Company is the Parent of South Atlantic Bank, a full service financial institution spanning the entire coastal area of South Carolina that 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, along with mortgage and treasury management, and 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.

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.

Stock Information | The common stock of South Atlantic Bancshares, Inc. is listed on the OTCQX® Best Market under the symbol SABK. To find current financial disclosures and real-time level 2 quotes for South Atlantic Bancshares, Inc., visit www.otcm Markets.com and enter the symbol SABK. As of December 31, 2019, there were 585 shareholders of record.

Annual Meeting | The Annual Meeting of Shareholders of South Atlantic Bancshares, Inc. will take place on Tuesday, April 21, 2020, at 5:30 p.m. at the bank's office at 3990 River Oaks Drive, Myrtle Beach, South Carolina 29579.

Registrar and Transfer Agent | Direct Transfer LLC | 1 Glenwood Avenue, Suite 1001 | Raleigh, North Carolina 27603 | transfer@issuerdirect.com | 919.744.2722

Corporate Counsel | Hunton Andrews Kurth LLP | 2200 Pennsylvania Avenue, NW | Washington, DC 20037

Independent Accountants | Elliott Davis LLC | 1901 Main Street, Suite 900 | Columbia, South Carolina 29201

Cautionary Statement Regarding Forward-Looking Statements | This document 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 Parent'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 Parent's control). These risks, uncertainties and other factors may cause the actual results, performance, and achievements of the Parent to be materially different from the anticipated future results, performance or achievements expressed in, or implied by, the forward-looking statements. Although the Parent believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove to be inaccurate. Therefore, the Parent 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 Parent or any person that the future events, plans, or expectations contemplated by the Parent will be achieved and readers are cautioned not to place undue reliance on the forward-looking statements contained in this document. All subsequent written and oral forward-looking statements attributable to the Parent 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 document are made as of the date hereof, and the Parent 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.

SELECTED FINANCIAL HIGHLIGHTS

<i>At or for the year ended December 31,</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
Year-End Balances (In Thousands)					
Total assets	\$ 718,402	\$ 630,216	\$ 518,404	\$ 444,533	\$ 400,218
Investment securities	76,962	49,993	36,892	43,633	52,784
Mortgage loans held-for-sale	4,904	924	1,865	1,529	4,949
Loans, net of unearned income	575,721	531,035	434,918	367,462	309,039
Deposits	616,807	530,339	439,226	382,263	337,362
Shareholders' equity	88,406	79,336	60,142	36,819	35,645
Average Balances (In Thousands)					
Total assets	\$ 700,692	\$ 602,870	\$ 500,131	\$ 430,655	\$ 374,291
Earning assets	648,909	557,022	469,144	399,829	348,172
Investment securities	61,328	41,917	44,378	41,914	51,238
Loans, net of unearned income	559,161	493,348	409,882	340,892	279,810
Deposits	599,031	516,994	434,262	382,537	335,849
Shareholders' equity	84,186	72,957	54,220	37,554	33,961
Earnings Breakdown (In Thousands, Except Share and per Share Amounts)					
Total interest income	\$ 32,244	\$ 26,660	\$ 20,137	\$ 16,513	\$ 14,137
Total interest expense	5,429	2,895	1,692	1,432	1,161
Net interest income	26,815	23,765	18,444	15,081	12,976
Total noninterest income	4,859	3,525	3,114	3,005	2,633
Total noninterest expense	23,358	22,211	17,048	13,873	12,272
Provision for loan losses	810	710	915	615	230
Income before taxes	7,506	4,369	3,595	3,598	3,106
Taxes	1,440	912	379	995	865
Net income	6,066	3,457	3,216	2,604	2,241
Diluted earnings per share	0.80	0.47	0.53	0.60	0.63
Common stock period end actual shares	7,504,040	7,504,040	6,423,797	3,831,322	3,829,672
Weighted average shares outstanding					
Common stock - basic	7,504,040	7,176,015	5,809,334	4,213,080	3,457,666
Common stock - diluted	7,601,903	7,307,507	6,019,480	4,360,122	3,584,887
Selected % Increases					
Total assets	13.99	21.57	16.62	11.07	10.15
Total interest earning assets	11.44	20.89	17.73	11.97	10.27
Total loans	8.41	22.10	18.36	18.90	17.66
Total deposits	16.30	20.74	14.90	13.31	3.30
Interest income	20.94	32.40	21.94	16.81	8.64
Interest expense	87.52	71.10	18.18	23.30	(2.21)
Noninterest income	37.87	13.19	3.61	14.15	54.37
Noninterest expense	5.16	30.28	22.89	13.04	15.58
Net income	75.45	7.51	23.50	16.20	11.81
Selected Ratios					
Return on average assets	0.87	0.57	0.64	0.60	0.60
Return on average equity	7.21	4.74	5.93	6.93	6.60
Interest income to total average assets	4.60	4.42	4.03	3.83	4.06
Interest expense to total average assets	0.77	0.48	0.34	0.33	0.33
Net interest income to total average assets	3.83	3.94	3.69	3.50	3.47
Efficiency	73.74	81.39	79.08	76.70	78.63
Loan loss reserve to total loans	0.91	0.83	0.86	0.96	0.92
Nonperforming assets to total average assets	0.07	0.09	0.01	0.09	0.11
Net charge-offs to total average assets	0.00	0.01	0.14	(0.02)	0.01
Net interest margin	4.16	4.29	4.02	3.85	3.80

TO OUR SHAREHOLDERS AND FRIENDS

We are pleased with our outstanding performance in 2019 and proud to reflect on another successful year highlighted by record results, along with the opening of a new operations center and our 10th location. Our achievements are a testament to our long-term planning and vision for the Company and commitment to shareholder value.

YEAR IN REVIEW

We produced record growth again in 2019, reaching \$718.4 million in assets, a 14.0 percent increase from year-end 2018.

For our five Grand Strand offices, 2019 was the best year we have ever reported, which is impressive considering that we have been open for business in Myrtle Beach for more than 12 years. Our Grand Strand team generated \$20.4 million in net loan growth and achieved exceptional deposit gathering. The Charleston market, which is fiercely competitive, had a good year, and we are proud of what our team in the region accomplished. Our year-end results are all the more impressive as we established our presence in Bluffton and on Hilton Head Island, proving our 2018 acquisition of Atlantic Community Bank to be accretive to earnings. We are pleased with the opportunities these markets present.

Growth was primarily organic in all markets. We opened a new office in January 2020 in the Carolina Forest area of the Myrtle Beach market. This area is projected to have the highest percentage of population increase in Horry County in coming years, as growth moves inland. We are excited by the opportunities and have a motivated team in place. The retail branch has an innovative, modern design and shares the building with our operations center that opened in May 2019. It is a sign of our commitment to continued growth and the Company's future expansion along the Carolina coast.



STRENGTH IN OUR NUMBERS

We produced double-digit earnings growth driven by overall strong performance with a 75.5 percent increase in net income for the year ended December 31, 2019, earning \$6.1 million, or \$0.80 per diluted share compared to \$3.5 million or \$0.47 per diluted share one year ago.

Return on average equity was 7.21 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.

Interest income increased 20.9 percent in 2019 due to consistently strong loan growth in all of our offices and higher interest-earning average asset balances. Total loans grew 8.4 percent for the year. We are realizing the benefits that come from many years of careful balance sheet management and focus on loan quality. The Company had non-performing assets to total average assets of 0.07 percent as of December 31, 2019.

Total deposits grew 16.3 percent for the year and is a measurement of customer loyalty, tied to the superior customer service we strive to provide each customer.

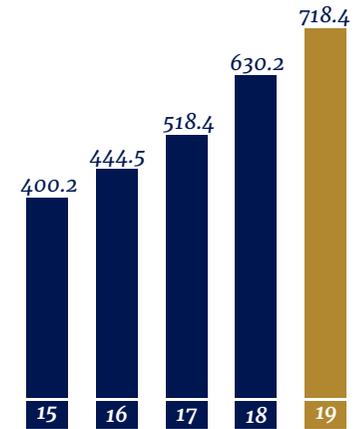
Noninterest income increased 37.9 percent for the year. Our mortgage business produced strong results spurred by three Federal Reserve Bank interest rate cuts in 2019 and increased construction activity across all of our markets. Our Corporate Services group, which includes merchant and cash management services, contributed to the increase by providing quality local customer service.

MORE MARKETING AND SALES MUSCLE

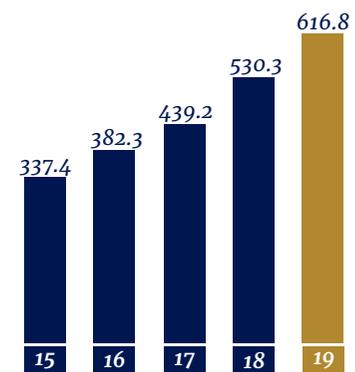
We explored new avenues of marketing this year, adding digital advertising and social media to promote our brand. Digital advertising was used in all markets and generated immediate results with an increase in new visits to our website. Our presence on social media helps us connect with our communities and customers and promotes the Company's involvement in local events and fundraisers. In 2020, we plan to increase our presence on social media by adding new platforms and will continue digital advertising to tie in with our new website.

Our new website, which is projected to launch in May, will feature a clean, sophisticated look with easy navigation, online banking access, and online account opening tools. Through digital advertising and site algorithms, we can enhance the customer experience by supplying specific product information based on their visits to the site.

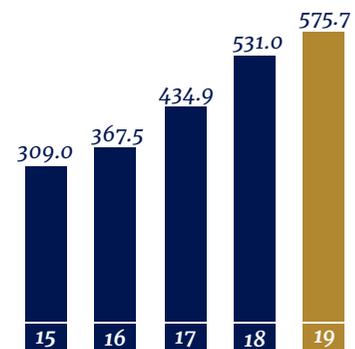
We use our marketing tools, including printed materials and digital components, to educate customers on products and financial services and to enhance the onboarding process. These tools are beneficial to team members in our Corporate Services division as they expand customer relationships by introducing the Company's technology and services that help make running a business easier.



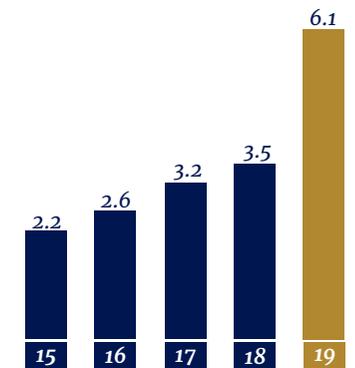
TOTAL ASSETS
(\$ IN MILLIONS)



TOTAL DEPOSITS
(\$ IN MILLIONS)



TOTAL LOANS
(\$ IN MILLIONS)



NET INCOME
(\$ IN MILLIONS)

GROWTH AND EXPANSION

We are enthusiastic about new business opportunities as our retail and commercial customers benefit from the positive effects of the significant growth in our communities. Our Company is growing along with the markets we serve and is headquartered in the second fastest growing Metropolitan Statistical Area (MSA) in the country.

The banking landscape is changing in South Carolina with the number of state-chartered banks decreasing by half since the recession of 2007–2009. Mergers of the two largest banks headquartered in South Carolina were recently announced, creating opportunity for our Company. Our advertising tagline “People You Know and Trust” has always been more than a slogan to our team, and now it is even more meaningful as these mergers decrease community bank options for businesses and consumers. As a locally owned and operated community bank, we are well-positioned to benefit from consolidation taking place in our markets. Merger and acquisition activity has increased because organic growth can be difficult to achieve, but we have been, and will continue to look for opportunities accretive and beneficial to our Company.

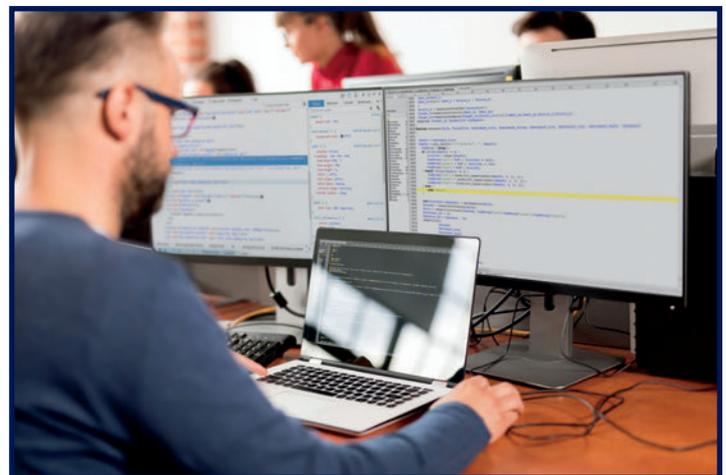


TECHNOLOGY AND INFRASTRUCTURE

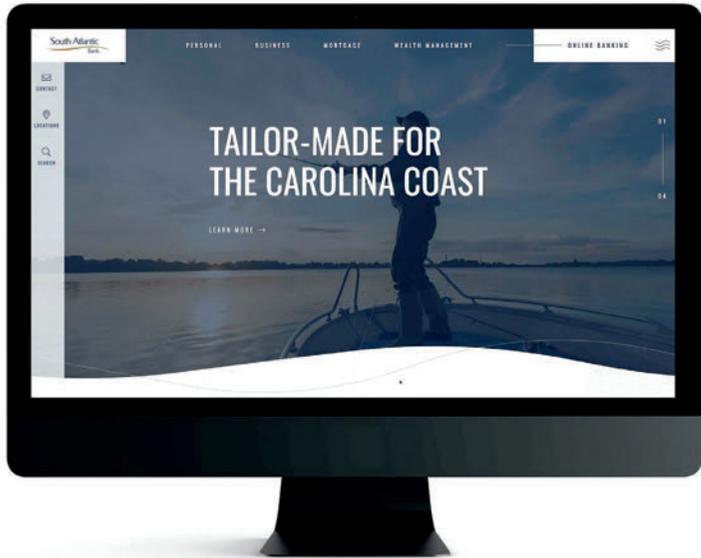
Technology continues to change the way customers bank. We strive to improve the customer experience and delivery channels by providing the technology for people to bank when and where they choose. Our *goMobile* app and online banking provide convenient access to accounts with options for remote deposit and bill pay.

Internally, our computer systems were converted to a virtual desktop infrastructure last fall, which strengthened our security and disaster recovery plans and provided end-user efficiency at all of our offices. Investment in technology is imperative to support our growth and to heighten customer information security.

A training program was developed for employees along with additional opportunities for professional development. Teamwork drives results and educating our team members across product lines will help create new business. We have good alignment across our teams with a focus on our core values and mission.



BANKING IN A DIGITAL WORLD...



Customer expectations today include immediate access to account information and the ability to transfer funds. We make the banking experience as easy and convenient as possible through the best use of technology available. Technology enhances customer relationships while providing effective services.

Our Corporate Services provide products to make managing a business more efficient with quick online access to account information and improved workflow. Banking in a secure online environment with digital access to payments, deposits, transfers, and account management helps to make a business run more efficiently.

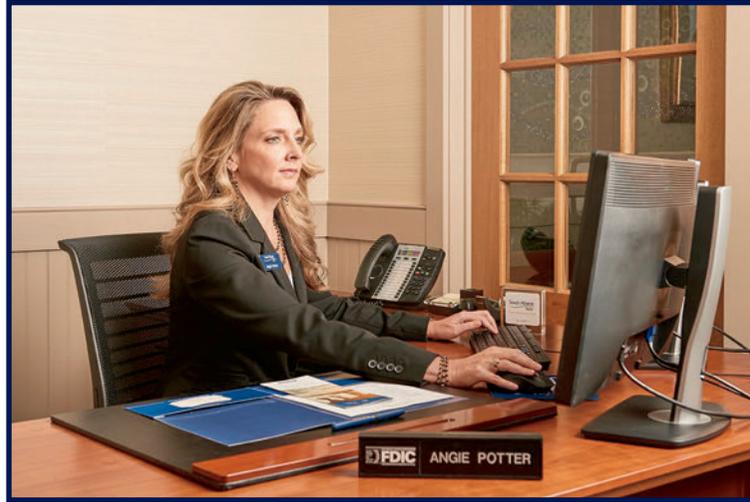
Our new website will offer a streamlined experience to discover our account offerings and services for personal and commercial banking needs. Along with easy access to online banking and account opening, users will find helpful information to broaden their financial knowledge. We educate consumers and small business customers regarding the best type of account, loan, mortgage, or savings strategy for their individual needs.

...WITH A PERSONAL TOUCH

Today's banking relationships are built through digital channels, hard work, and superior service. What differentiates us is communication and the relationships built through years of collaboration. We know our customers, understand their business, and help them make the best financial decisions.

Taking care of our customers and expanding the breadth of the relationship by providing tailored services and products is a key source to our growth. Our bankers have long-standing ties to the community and make informed local decisions keeping our asset quality pristine and helping independent business owners succeed.





Our mortgage department realized a 36.2 percent increase in fee income in 2019 resulting not only from the growth in our markets but also from the desire of consumers to do business with people they know and trust.

Our employees are our most valuable asset. We would not be successful without their dedication to our customers. The South Atlantic family is made up of experienced bankers who share a commitment to our corporate values and vision for the Bank. Our growth provides opportunities for our employees to advance in their careers within all areas of the Bank.

It is our duty as a responsible corporate citizen to support the charitable organizations in the communities we call home. Each of our offices is proud to support local special events, fundraisers and schools. Our bankers are active in the community, serve on nonprofit boards, volunteer at shelters and schools, and assist with community projects and financial literacy initiatives. We encourage community service and implemented paid volunteer hours for all employees in 2019.

DIRECTOR THOMAS RETIRES

Mr. Zeb Thomas, Jr. retired from our board of directors in December 2019. A Myrtle Beach native and life-long hotelier, he was an organizer and founding director of the Bank and the Company. He was instrumental in establishing our company and supporting our efforts through the years. He will be missed, and we thank him for his guidance, business expertise and thoughtful leadership.

Our board of directors plays an important role in our success. As advocates for our shareholders, our experienced board guides our strategic planning and provides oversight as we work towards our long-term goals. They are supportive and committed to the growth of the company, and we are fortunate to have their counsel.



A NEW DECADE BEGINS

We expect our outstanding financial performance to continue in 2020. We will leverage this strength and the solid foundation we have built through a loyal customer base. We are true community bankers. Our core deposit base sets us apart and is a cornerstone for the Bank. It is a measurement of customer loyalty, tied to our long-term success and boosted by the tailored services and products we provide our customers. We have worked hard to acquire and retain core funds since the inception of the Bank. We have great partners, lenders, support staff, board of directors, and limitless opportunity.

With unprecedented growth across the region, we will continue to develop our team and build on our history of achievements. Our conservative expansion strategy along the South Carolina coast has proven successful, and we are enthusiastic about prospects in all of our markets.

WE WILL CONTINUE TO EXECUTE. WE WILL NOT STAND STILL.

We hope you are pleased with the progress detailed in this *Report* and we will continue to work hard for your investment. Thank you for your support.

A handwritten signature in black ink that reads "K. Wayne Wicker". The signature is fluid and cursive, with a long horizontal stroke at the end.

K. Wayne Wicker
Chairman of the Board
Chief Executive Officer

Directors

James Carson Benton, Jr.
Co-Owner and Operator
C.L. Benton and Sons, Inc.

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

Richard N. Burch
Executive Vice President
Chief Financial Officer
South Atlantic Bank

Tony K. Cox
Executive Vice President
Real Estate
Burroughs and Chapin
Company

Miles M. Herring
Franchisee and Owner
Krispy Kreme Doughnuts

Martha S. Lewis
Retired Physical Therapist

R. Scott Plyler
President
South Atlantic Bank

Albert A. Springs, IV
Co-Owner and President
H.B. Springs Company

Jack L. Springs, Jr.
Co-Owner/Broker
Century 21 Barefoot Realty

Michael C. Tawes, Sr.
Partner
Valbridge Property Advisors
Atlantic Appraisals

K. Wayne Wicker
Chairman of the Board
Chief Executive Officer
South Atlantic Bank

Edgar L. Woods
President/Owner
Palmetto Grain Brokerage, LLC
President
Performance AG, LLC

Executive Officers

K. Wayne Wicker
Chairman
Chief Executive Officer

R. Scott Plyler
President

Richard N. Burch
Executive Vice President
Chief Financial Officer

C. Alec Elmore
Executive Vice President
Chief Credit Officer

Robert L. McKinney
Executive Vice President
Bluffton/Hilton Head Island
Regional Executive

Travis A. Minter
Executive Vice President
Chief Banking Officer

Kenneth M. Pickens
Executive Vice President
Charleston Regional Executive

Mary Jo Rogers
Executive Vice President
Chief Lending Officer

Corporate Officers and Regional Executives

Accounting

Melissa K. Downs-High
Senior Vice President
Controller

Michelle M. Pennell
Senior Vice President
Director of Finance

Gina A. Burch
Vice President
Assistant Controller

Administration

Candace L. Cherry
Senior Vice President
Corporate Liaison

Compliance

Tanya W. Slavin
Vice President
Director of Compliance

Credit Risk

Derick R. Powers
Senior Vice President
Credit Risk Officer

Tammie Y. Goodballet
Vice President
Portfolio Manager

Jordan P. Ovcharov
Vice President
Portfolio Manager

Deposit Operations

Tiffany P. Suggs
Senior Vice President
Director of Deposit Operations

Human Resources

Carrie S. Harris
Senior Vice President
Director of Human Resources

Loan Operations

Anne B. Cote
Senior Vice President
Director of Loan Operations

Deborah B. Atkins
Vice President
Assistant Director of Loan
Operations

Karen M. Atwood
Vice President
Construction Loan Manager

Marketing

Beth W. Branham
Vice President
Director of Marketing

Corporate Services

Donald G. Kyzer
Senior Vice President
Director of Corporate
Services

LaRae M. Kornahrens
Vice President
Corporate Services

Mortgage Services

Susan O. Burton
Senior Vice President
Mortgage Loan Operations
Manager

Peter M. Insabella
Senior Vice President
Mortgage Sales Manager

Robert N. Crowe
Vice President
Mortgage Loan Officer

Adam M. Paskanik
Vice President
Mortgage Loan Officer

Donna L. Spitzer
Vice President
Mortgage Processor/
Underwriter

Retail Sales

Michelle A. Coletta
Senior Vice President
Retail Sales Manager

Branch Network

Grand Strand

Daniel F. Siau
Senior Vice President
Grand Strand Regional
Executive

Myrtle Beach

Paul E. Peeples
Senior Vice President
Myrtle Beach Regional
Executive

Charles W. Fisher
Senior Vice President
Commercial Relationship
Manager

Alison N. Van Wagner
Assistant Vice President
Branch Manager

Towne Centre

John W. Rowe, III
Senior Vice President
Towne Centre Regional
Executive

Katie M. Peterson
Assistant Vice President
Branch Manager

Murrells Inlet

W. David Rhodes, IV
Senior Vice President
South Strand Regional
Executive

Denise F. Brown
Vice President
Branch Manager

North Myrtle Beach

John L. Breeden, III
Senior Vice President
North Strand Regional
Executive

Allison L. Cabaniss
Vice President
Branch Manager

Pawleys Island

Drew S. Johnson
Senior Vice President
Waccamaw Neck Regional
Executive

Donna M. Murphy
Vice President
Branch Manager

Georgetown

Mary I. Lee
Vice President
Branch Manager

Charleston

Theodore R. Sullivan
Vice President
Business Development
Officer

S. Walker Avant, II
Vice President
Commercial Relationship
Manager

Leah M. Birge
Assistant Vice President
Branch Manager

Mount Pleasant

Walter N. Lawson
Senior Vice President
Commercial Relationship
Manager

Hayden S. DeWitt
Assistant Vice President
Branch Manager

Bluffton

Bryan K. Newton
Senior Vice President
Commercial Relationship
Manager

Andrew R. Richard
Vice President
Commercial Relationship
Manager

Mollie J. Sandman
Assistant Vice President
Branch Manager

Hilton Head Island

E. Ansley Goodman
Vice President
Retail Banking Leader
Branch Manager

Susan M. Sherry
Vice President
Commercial Relationship
Manager

Locations...Locations...Locations



Myrtle Beach

630 29th Avenue North
843.839.0100

North Myrtle Beach

1801 Highway 17 South
843.848.2260

Towne Centre

3990 River Oaks Drive
843.839.5446

Murrells Inlet

11019 Tournament Blvd.
843.848.2000

Georgetown

1187 North Fraser Street
843.436.6800

Pawleys Island

10970 Ocean Highway
843.848.2049

Mount Pleasant

930 Johnnie Dodds Blvd.
843.972.4300

Charleston

480 East Bay Street
843.414.5900

Bluffton

One Sheridan Park Circle
843.815.7111

Hilton Head Island

5A Park Lane
843.785.3400

SouthAtlantic.bank



South Atlantic Bancshares, Inc.



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