

South Atlantic



Bank

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PRESS RELEASE

For Immediate Release

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**South Atlantic Bancshares, Inc. Reports Earnings of 17 cents per Diluted Common Share
For the Quarter Ended March 31, 2020**

Myrtle Beach, South Carolina, April 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 \$1.3 million, or \$0.17 per diluted share, for the quarter ended March 31, 2020, compared to \$1.3 million, or \$0.17 per diluted share, reported for the quarter ended March 31, 2019. Net income for the quarter ended March 31, 2020 totaled \$1.3 million, or \$0.17 per diluted common share, which was the same as the quarter ended March 31, 2019.

Financial Highlights

- Return on average equity was 5.74 percent for the quarter ended March 31, 2020, compared to 6.42 percent for the quarter ended March 31, 2019.
- Return on average assets was 0.69 percent for the quarter ended March 31, 2020, compared to 0.79 percent for the quarter ended March 31, 2019.
- The net interest margin, taxable equivalent, was 3.98 percent for the quarter ended March 31, 2020, a 34 basis point decline from the quarter ended March 31, 2019.
- Total loans grew 7.7 percent quarter-over-quarter, from \$551.7 million at March 31, 2019 to \$594.1 million at March 31, 2020.
- Total deposits grew 10.4 percent quarter-over-quarter, from \$575.8 million at March 31, 2019 to \$635.6 million at March 31, 2020.
- Total assets grew 9.3 percent quarter-over-quarter, from \$681.3 million at March 31, 2019 to \$744.8 million at March 31, 2020.
- Asset quality continues to be pristine with non-performing assets to average total assets at 0.07 percent as of March 31, 2020.

The impact of the COVID-19 pandemic has caused a dramatic loss of business to many of our customers in our markets due to South Carolina Governor Henry McMaster’s executive orders limiting movements outside the home and permitting only certain “essential businesses” to remain open.

“Our company was poised to continue the financial performance of 2019 into fiscal year 2020, reporting very good loan and deposit growth during the first two months of the first quarter of 2020. Due to the large cuts to the federal funds rate by the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and the closing of non-essential businesses to help stop the spread of the COVID-19 pandemic, our financial indicators are reflecting lower numbers compared to March 31, 2019. However, we were a

participating lender of the Small Business Administration (“SBA”) Payroll Protection Program (“PPP”) and we will continue to work with our customers who are participating in the PPP to support their employees and business operations. If additional funds are dedicated to the PPP by Congress, we intend to work with those customers who have not yet participated in the PPP. We developed and implemented an efficient process to allow our customers to apply, get approval from the SBA and get these PPP loans closed quickly so the proceeds are in our customers’ accounts. To date, we have processed over 650 PPP loan applications totaling approximately \$75 million. We have also responded to the needs of many of our borrowers by granting short-term loan modifications to borrowers who are or may be unable to meet their contractual payment obligations because of the effects of COVID-19. Looking forward, we believe our Company is positioned to rebound once our customers can reopen for business and Governor McMaster lifts the executive orders limiting activities in the State of South Carolina,” said Wayne Wicker, Chief Executive Officer and Chairman of the Board for South Atlantic.

Operating Results

Net income for the quarter ended March 31, 2020 totaled \$1.3 million, or \$0.17 per diluted common share. Net income for the quarter ended March 31, 2019 was \$1.3 million, or \$0.17 per diluted common share.

Net Interest Income and Net Interest Margin

Net interest income increased \$309 thousand to \$6.7 million for the quarter ended March 31, 2020, compared to \$6.4 million for the quarter ended March 31, 2019. The increase resulted from a 12.8 percent increase in interest-earning average asset balances due primarily from the increased interest income from loan growth of 8.0 percent for the quarter ended March 31, 2020. Net interest margin, taxable equivalent (“net interest margin”), decreased 34 basis points from 4.32 percent at March 31, 2019 to 3.98 percent at March 31, 2020. The decrease in net interest margin is primarily the result of the 150 basis point cut in federal funds rates by the Federal Reserve in March 2020, thus resulting in a 22 basis point drop in loan yield for the quarter ended March 31, 2020. Net interest income to average assets was 3.62 percent for the quarter ended March 31, 2020, compared to 3.98 percent for the same quarterly period in 2019. The decline is due primarily to a 14.4 percent increase in average assets and the decline in our earning asset yield compared to the same quarterly period in 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. Interest income on loans totaling \$93 thousand were recorded during the quarter ended March 31, 2020, compared to \$72 thousand in the quarter ended March 31, 2019. Purchase loan accretion amounts vary from period to period as a result of periodic cash flow re-estimations, loan payoffs, and payment performance.

Margin Analysis Compare

	Average Yield and Rate		Average Funds		Interest Income/Expense	
	QTD Actual Mar 2020	QTD Actual Mar 2019	QTD Actual Mar 2020	QTD Actual Mar 2019	QTD Actual Mar 2020	QTD Actual Mar 2019
	Earning Assets		Mortgage loans held for sale		Federal funds sold	
Loans	4.96	5.18	583,497,415	540,352,366	7,196,675	6,907,082
Loan fees	0.13	0.13	0	0	187,584	166,861
Loans with fees	5.09	5.31	583,497,415	540,352,366	7,384,259	7,073,943
Mortgage loans held for sale	4.04	4.3	4,428,871	1,298,817	44,712	13,962
Federal funds sold	1.52	2.59	6,914,421	5,577,763	26,136	35,635

Deposits with banks	1.22	1.44	14,492,342	7,607,274	43,890	27,035
Investment securities - taxable	3.03	3.83	62,340,474	25,821,739	472,160	247,207
Investment securities - tax-exempt	4.36	3.75	7,916,989	24,870,984	67,387	181,703
Total Earning Assets	4.77	5.11	679,590,512	605,528,944	8,038,544	7,579,485
Interest bearing liabilities						
Interest bearing demand	0.28	0.25	82,653,212	64,905,642	57,723	40,766
Savings and Money Market	0.88	0.99	259,210,855	228,485,224	564,658	558,710
Time deposits - Retail	2.05	1.93	126,380,591	91,036,453	645,619	434,165
Time Deposits - Wholesale	2.26	1.87	10,017,403	11,675,942	56,312	53,711
Total interest bearing deposits	1.11	1.11	478,262,061	396,103,261	1,324,311	1,087,351
Federal home Loan Bank advances	0	2.37	0	14,577,778	0	86,378
Other borrowings	2.22	2.9	1,409,033	1,103,922	7,792	7,902
Total borrowed funds	2.22	2.41	1,409,033	15,681,700	7,792	94,280
Total interest-bearing liabilities	1.12	1.16	479,671,094	411,784,961	1,332,104	1,181,631
Net interest rate spread	3.65	3.94			6,706,441	6,397,854
Effect of non-interest bearing deposits	-0.29	-0.31	162,230,396	150,900,579		
Cost of funds	0.83	0.85				
Net interest margin	3.98	4.32				

Noninterest Income and Expense

Noninterest income totaled \$1.6 million for the quarter ended March 31, 2020, compared to \$875 thousand for the quarter ended March 31, 2019. The increase in noninterest income was primarily related to increased mortgage production and gains on the restructure of the investment portfolio. For the quarter ended March 31, 2020, noninterest expense increased \$889 thousand to \$6.5 million, compared to \$5.6 million for the quarter ended March 31, 2019. The increase in noninterest expense for the quarter is related to increases in compensation, benefits and occupancy as we expanded our market presence during 2019. Expense control measures are being implemented where feasible; however, additional costs of working remote and the deep cleaning of offices may be offsetting these control measures.

Loan Loss Provision

Provision for loan losses for the quarters ended March 31, 2020 and 2019 was \$245 thousand and \$165 thousand, respectively. This increase in provision for loan losses is due primarily to the increase in loan growth from March 31, 2019 to March 31, 2020, in addition to our anticipated economic impact of the COVID-19 pandemic. The allowance for loan and lease losses at March 31, 2020 was \$5.5 million, or 0.92 percent of total loans, compared to \$4.6 million, or 0.83 percent of total loans at March 31, 2019.

Nonperforming Assets

Nonperforming assets as a percentage of average assets was 0.07 percent for the quarter ended March 31, 2020 compared to 0.09% for the same quarter 2019.

Capital Position

Shareholders' equity totaled \$90.1 million as of March 31, 2020, an increase of \$8.3 million since March 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 11.66 percent at March 31, 2020. At March 31, 2019, the Bank had approximately \$10.1 million in excess of the 10.0 percent minimum regulatory threshold required to be considered a "well-capitalized" institution. In addition, the Company

reported \$14.3 million in additional capital available for distribution to the Bank. The Company reported 7,504,040 total shares outstanding at March 31, 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 \$812 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 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 March 31, 2020	For the Three Months Ended March 31, 2019	For the Year Ended December 31, 2019	
Quarter End/Year End Balances (In Thousands)				
Total Assets	\$ 744,843	\$ 681,264	\$ 718,402	
Investment securities	73,402	51,073	76,962	
Mortgage loans held-for-sale	8,437	750	4,904	
Loans, net of unearned income (total loans)	594,133	551,687	575,721	
Allowance for loan losses	(5,490)	(4,576)	(5,237)	
Goodwill	5,349	5,349	5,349	
Deposit intangible	1,045	1,322	1,111	
Deposits	635,631	575,751	616,807	
Shareholders' equity	90,071	81,739	88,406	
Average Balances (In Thousands)				
Total assets	\$ 745,609	\$ 651,792	\$ 700,692	
Earning assets	682,014	604,870	648,909	
Investment securities	72,684	50,033	61,328	
Loans, net of unearned income	587,923	541,651	559,161	
Deposits	640,492	547,004	599,031	
Shareholders' equity	90,150	80,580	84,186	
Earnings Breakdown (In Thousands, except share and per share amounts)				
Total interest income	\$ 8,039	\$ 7,579	\$ 32,244	
Total interest expense	1,332	1,182	5,429	
Net interest income	6,706	6,398	26,815	
Total noninterest income	1,630	875	4,859	
Total noninterest expense	6,464	5,575	23,358	
Provision for loan losses	245	165	810	
Income before taxes	1,627	1,533	7,506	
Taxes	340	258	1,440	
Net income	1,287	1,275	6,066	
Diluted earnings per share	0.17	0.17	0.80	
Common Stock period end actual shares	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	
Common stock - diluted	7,588,124	7,594,539	7,601,903	
Selected % Increases				
		<i>(Period over Period)</i>		
Total assets	9.33	%	27.87	%
Total interest earning assets	8.77		24.79	
Total loans	7.69		28.63	
Total deposits	10.40		23.09	
Interest income	6.06		39.38	
Interest expense	12.73		100.50	
Noninterest income	86.28		11.06	
Noninterest expense	15.96		18.08	
Net income	0.99		59.06	
			75.45	
Selected Ratios				
Return on assets	0.69	%	0.79	%
Return on equity	5.74		6.42	
Net interest income to total average assets	3.62		3.98	
Efficiency ratio	77.54		76.65	
Loan loss reserve to total loans	0.92		0.83	
Nonperforming assets to total average assets	0.07		0.09	
Net charge-offs to total average loans	0.00		0.00	
Net interest margin	3.98		4.32	
			4.16	