

TAKE STOCK



South Atlantic Bancshares, Inc.

Second Quarter 2020

MID-YEAR REVIEW

We commend our team's steadfast commitment to meeting our customers' financial needs during these uncertain times. At every level of the Company, our team members quickly adapted to a new operating environment. Through their dedicated service, we achieved solid loan and deposit growth during the first six months of the year despite the economic impact of the COVID-19 crisis.

For the six months ended June 30, 2020, net income was \$3.4 million, or \$0.45 per diluted share, compared to \$3.1 million, or \$0.41 per diluted share, reported for the same six months ended June 30, 2019. Net income for the three months ended June 30, 2020, totaled \$2.1 million, or \$0.28 per diluted common share, compared to \$1.8 million or \$0.24 per diluted shares, reported for the same six months ended June 30, 2019.

Additional financial data includes:

- Return on average equity was 7.48 percent for the six months ended June 30, 2020, compared to 7.66 percent for the six months ended June 30, 2019.
- Return on average assets was 0.86 percent for the six months ended June 30, 2020, compared to 0.92 percent for the six months ended June 30, 2019.
- The net interest margin, taxable equivalent, was 3.95 percent for the six months ended June 30, 2020, a 30-basis point decline from 4.25 percent for the six months ended June 30, 2019.
- Total loans grew 22.98 percent from \$553.1 million at June 30, 2019, to \$680.3 million at June 30, 2020.
- Total deposits grew 27.99 percent from \$636.8 million at June 30, 2019, to \$815.0 million at June 30, 2020.
- Total assets grew 25.51 percent from \$736.1 million at June 30, 2019, to \$923.9 million at June 30, 2020.
- Asset quality continues to be pristine with non-performing assets to average total assets at 0.04 percent as of June 30, 2020, compared to 0.06 percent reported for the same six months ended June 30, 2019.

Our lenders and operations staff originated and processed 1,013 Paycheck Protection Program (PPP) loans totaling \$91.7 million dollars during April and May. We are proud of the remarkable teamwork and effort put forth to close these loans quickly, and we will continue to work tirelessly to support our customers and our communities.

While our asset quality is excellent, we have increased our provision for loan losses to prepare for the possible long-term economic effects of the pandemic. As our customers struggle with the loss of business from the pandemic, we have provided necessary relief to qualified borrowers with short-term loan modifications or deferrals.

Our new Towne Centre office that opened in January is performing well, exceeding growth goals with new business and PPP loans. Across our footprint, we are focused on deposit and loan growth goals for the second half of the year. Our team members are working to expand existing banking relationships with our retail, mortgage and business customers as well as with new prospects from the PPP process. Additionally, our mortgage team produced great results as historically low interest rates continue to fuel refinancing activity along with lending for new and existing home purchases.

As we navigate through these unprecedented times toward recovery, our team remains focused on providing our customers with superior service and banking products, delivered safely and conveniently. If we can be of service to you, please do not hesitate to contact us. As always, we appreciate your continued support and will continue to work hard for your investment.

SELECTED FINANCIAL HIGHLIGHTS

	For the Three Months Ended June 30, 2020	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Quarter End Balances (In Thousands)				
Total assets	\$ 923,918	\$ 736,102	\$ 923,918	\$ 736,102
Investment securities	85,513	59,757	85,513	59,757
Mortgage loans held-for-sale	13,119	11,142	13,119	11,142
Loans	680,265	553,141	680,265	553,141
Allowance for loan losses	(6,100)	(4,740)	(6,100)	(4,740)
Goodwill	5,349	5,349	5,349	5,349
Deposit intangible	981	1,249	981	1,249
Deposits	815,010	636,797	815,010	636,797
Shareholders' equity	93,541	84,322	93,541	84,322
Average Balances (In Thousands)				
Total assets	\$ 839,809	\$ 705,930	\$ 792,709	\$ 679,011
Earning assets	762,293	646,355	719,941	625,081
Investment securities	77,172	51,688	74,928	50,865
Loans, net of unearned income	662,651	553,248	623,074	546,836
Deposits	727,021	607,933	683,757	577,636
Shareholders' equity	91,691	83,063	90,920	81,828
Earnings Breakdown (In Thousands, Except Share and per Share Amounts)				
Total interest income	\$ 8,327	\$ 8,212	\$ 16,366	\$ 15,792
Total interest expense	821	1,446	2,153	2,628
Net interest income	7,506	6,766	14,213	13,164
Total noninterest income	2,234	1,473	3,864	2,348
Total noninterest expense	6,494	5,843	12,958	11,418
Provision for loan losses	610	165	855	330
Income before taxes	2,636	2,231	4,263	3,764
Taxes	540	396	880	654
Net income	2,096	1,836	3,383	3,110
Diluted earnings per share	0.28	0.24	0.45	0.41
Common stock period end actual shares	7,504,040	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	7,504,040
Common stock – diluted	7,529,952	7,602,487	7,558,972	7,598,627
Selected % Increases (Period over Period)				
Total assets	25.51	15.21	25.51	15.21
Total interest earning assets	26.45	14.38	26.45	14.38
Total loans	22.98	8.04	22.98	8.04
Total deposits	27.99	14.71	27.99	14.71
Interest income	1.40	19.06	3.63	28.02
Interest expense	(43.22)	109.48	(18.06)	105.35
Noninterest income	51.61	43.32	64.53	29.33
Noninterest expense	11.14	(14.49)	13.49	(1.18)
Net income	14.16	3,839.37	8.76	313.45
Selected Ratios				
Return on average assets	1.00	1.04	0.86	0.92
Return on average equity	9.19	8.86	7.48	7.66
Net interest income to total average assets	3.59	3.84	3.61	3.91
Efficiency	66.68	70.92	71.69	73.61
Loan loss reserve to total loans	0.90	0.86	0.90	0.86
Nonperforming assets to total average assets	0.04	0.06	0.04	0.06
Net charge-offs to total average assets	(0.00)	0.00	(0.00)	0.00
Net interest margin	3.93	4.20	3.95	4.25

PPP LOANS HELP BUSINESSES THROUGH PANDEMIC SHUTDOWN

A talented workforce using robust technology performed to perfection as South Atlantic Bank launched the Payroll Protection Program (PPP) for its business customers.

Designed to help small business owners pay their employees after the COVID-19 pandemic forced the shutdown of non-essential businesses, the PPP was a component of the Coronavirus Relief Act which became law in late March. The Small Business Administration (SBA) served as the administrator for the loans and bankers had just a few days to prepare to offer the loans as the program started during the first week of April.

It was no small task to pull together the teams needed to develop and implement the process for the loans. South Atlantic was already well into implementing safeguards to protect employees and customers, with up to 50% of the operations staff working remotely using the virtual desktop infrastructure the bank converted to last year. Teller transactions took place solely through the drive-through, while new accounts and customer service were handled via appointment to minimize contact.

But dedication to customer service and technology across all departments of the bank would win the day.

“It turns out that the process was much like an electronic conveyer belt moving the loans through the various steps from application to underwriting to processing to delivery,” said Anne B. Cote, senior vice president and director of loan operations. “As each stage was completed, the loan folder would be passed along electronically to the next person who needed to work on it. It was contactless up to the point when the customer’s signature was needed for the final document,” she said.

Many of the loans were closed within 24 hours as the teams worked around the clock to complete them.

When one team finished its work, another started on the next step. There was a great deal of PPP loan activity across the country, and during business hours the SBA site would sometimes slow down due to heavy traffic. Team members took to working at night when the site was less busy to complete this stage of the loan. The phrase “Bankers’ Hours” took on a whole new meaning.

Evenings, Saturdays, and even Sundays were not off-limits as employees were willing to work as much as needed to keep the loans moving along. Grand Strand commercial lender Paul Peeples kept customers apprised of their loan’s progress from application through approval, often touching base on Sundays, which pleasantly surprised his customers. He noted, “One of my customers laughed, saying that he had never received a call from a banker on a Sunday!”

The pandemic also changed where loan applications and closings typically take place. Mary Jo Rogers, the bank’s chief lending officer, reported taking an application at 10:30 at night from the bank’s cleaning service owner who was there to check on the cleaning quality. “I also made a loan to a doctor who was my first client when I started my career 30 years ago. The bank closed this loan and many others outdoors on the tailgate of a pick-up truck,” she said.

Dr. Michael Munn of Ross and Munn Orthodontics had this to say about the bank’s efforts: “From the first day I became a client at South Atlantic Bank, it struck me how much they really cared. This is especially true in this time of crisis and I am very proud that SAB has my back. John Rowe, my banker, and his team worked around the clock to get our PPP loan processed and funded which enabled confidence that we can weather this storm and still take good care of our employees even while having to close during the pandemic.”

Through June 4, the bank funded 1,013 loans for a total of \$91.7 million, sometimes completing 100 loans a day.

These loans helped employers to pay their employees during the height of the shutdown, helping families to survive during a tough time. Most of the borrowers had or established a relationship with South Atlantic, and the bank has had good success in converting prospects to clients.

But what comes next for businesses with PPP loans? The program specifies that as long as the business kept their employees on the payroll and maintained their salary levels, the SBA will forgive the loan. So far, a few businesses have indicated that they want to file for forgiveness, and the bank anticipates more borrowers may begin to request forgiveness in August and September. Currently, Congress is debating several plans for the loan forgiveness phase with details expected later this summer.

According to K. Wayne Wicker, chief executive officer and chairman, the bank’s participation in the program shows its overwhelming support for its communities. “It was a true win-win for the bank as we provided access to a valuable service to our customers and prospects who saw first-hand how the entire South Atlantic Bank team works together in a crisis.”

IT'S THE PEOPLE WHO MAKE THE DIFFERENCE



Jackson



Vaci



Vostatek



Johnson



Brennan



Kling



Miller

PROMOTIONS

Ann Jackson, mortgage loan closer, to *assistant vice president*. Ann joined the bank's mortgage operations team in 2016 and previously worked as a compliance analyst with Freddie Mac in Virginia. Her prior loan experience includes service at Aurora Loan Services, a subsidiary of Lehman Brothers Bank, and Chevy Chase Bank, both located in Maryland. She attended Hagerstown Community College.

Carol Vaci, loan administration specialist, to *banking officer*. Carol joined the bank in 2011 as a teller and was promoted to customer service representative at the Main Office, before moving into her current role in loan operations. She is a graduate of the State University of New York with a B.A. degree in recreation administration.

Dee Vostatek, teller, to *teller supervisor at the Pawleys Island office*. Dee joined the bank in 2018 and has served as a teller and customer service representation at the Pawleys Island office. She has more than 30 years of banking experience in branch management and loan operations.

Jessica Johnson, customer service representative, to *banking officer and assistant branch manager at the Pawleys Island office*. Jessica has more than 11 years of banking experience and joined the bank in 2019. She previously worked for South State Bank in Pawleys Island where she served as head teller. A graduate of the University of South Carolina at Aiken with a degree in business administration, Jessica also completed Leadership Georgetown, Class of XXVI.

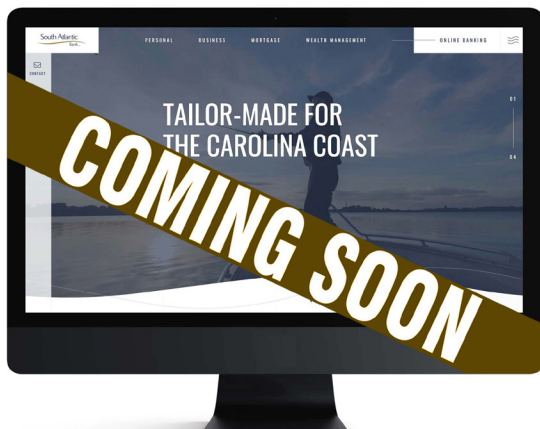
ADDITIONS

Alisa Brennan as a *travel relationship banker for the Grand Strand area*. She previously worked as an escrow officer at Crescent Title, LLC. A graduate of Tulane University with a B.A. degree in health and wellness, Alisa is a paralegal and a licensed realtor.

Janice Kling as a *teller at the Main Office*. She most recently worked for Lowe's Home Improvement as a head cashier. She was an owner of The Yum Yum Shop in Garden City Beach for five years.

Ashley Miller as a *relationship banker at the Pawleys Island office*. Ashley has five years of banking experience and previously worked for BB&T in Carolina Forest as a branch banker.

NEW WEBSITE ON ITS WAY



Watch for our redesigned website launching soon!

Featuring an all new look and feel with easy access to online banking and product and service information, the new site is tailor-made for users to do their banking anytime, from anywhere. In today's environment, more customers are seeking digital solutions for their banking needs than ever before, increasing traffic to the website for online banking services. The updated site makes it easy for customers to access online banking, while offering helpful information to broaden their financial knowledge.

Stay tuned for the official launch date!

ABOUT SOUTH ATLANTIC BANK

South Atlantic Bancshares, Inc. (OTCQX: SABK) is a registered bank holding company based in Myrtle Beach, South Carolina, with \$924 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.

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 regarding the effects of the ongoing COVID-19 pandemic, 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 document. 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 document 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.

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 | Direct Transfer LLC | 1 Glenwood Avenue, Suite 1001 | Raleigh, North Carolina 27603 | transfer@issuereirect.com | 919.744.2722

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

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

Beth Branham, Editor | bbranham@southatlantic.bank

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 or visit the investor relations area of our website. Your information will be updated upon receipt.

