

TAKE STOCK



South Atlantic Bancshares, Inc.

First Quarter 2020

FIRST QUARTER REVIEW



The COVID-19 crisis brought unprecedented challenges to our country and to the economy during the first quarter. We are well-prepared to support our customers and their businesses during this time and through the recovery in the months ahead. Additionally, we extend our sincere gratitude to those serving on the front lines to protect and care for our communities and extend our sympathies to those affected by the virus.

We began 2020 from a strong position, having produced record results in 2019, and good loan and deposit growth during the first two months of the year. With March came the government-ordered shut down of all non-essential businesses, resulting in a dramatic loss of business to our customers in all the markets we serve, along with two Federal Reserve rate cuts totaling 150 basis points, which affected our results. Net income for the quarter ended March 31, 2020, was \$1.3 million, or \$0.17 per diluted share, compared to \$1.3 million, or \$0.17 per diluted share, reported for the quarter ended March 31, 2019.

Additional financial data includes:

- 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.

As a participating lender with the Small Business Administration, we processed 650 Payroll Protection Program (PPP) loans for our customers totaling \$75 million during the first round of program funding in mid-April. Our employees did a fantastic job, working seven days a week to help our small business owners. We closed these loans quickly and deposited the proceeds into our customers' accounts so they could fund their businesses and pay their employees.

We have a well-organized, thorough business continuity plan in place and an experienced crisis management team implementing it. We have been tested over the years during hurricane and flood recovery in our communities, which helped prepare us to move quickly and accurately in responding to this crisis. Our values and mission are unwavering. We are here to help. We now look ahead to supporting our communities on the path to recovery.

Thank you for supporting our company. We will continue to work hard for your investment.

SELECTED FINANCIAL HIGHLIGHTS

	For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019	For the Twelve Months 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 (Period over Period)			
Total assets	9.33	27.87	13.99
Total interest earning assets	8.77	24.79	11.44
Total loans	7.69	28.63	8.41
Total deposits	10.40	23.09	16.30
Interest income	6.06	39.38	20.94
Interest expense	12.73	100.50	87.52
Noninterest income	86.28	11.06	37.87
Noninterest expense	15.96	18.08	5.16
Net income	0.99	59.06	75.45
Selected Ratios			
Return on average assets	0.69	0.79	0.87
Return on average equity	5.74	6.42	7.21
Net interest income to total average assets	3.62	3.98	3.83
Efficiency	77.54	76.65	73.74
Loan loss reserve to total loans	0.92	0.83	0.91
Nonperforming assets to total average assets	0.07	0.09	0.07
Net charge-offs to total average assets	0.00	0.00	0.00
Net interest margin	3.98	4.32	4.16

SERVING OUR CUSTOMERS DURING THE COVID-19 CRISIS

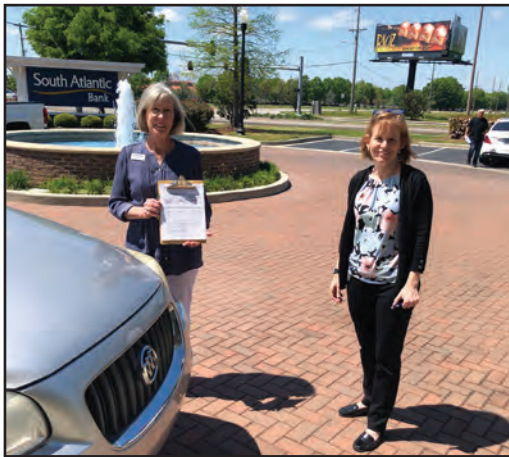
The bank's Business Continuity/Disaster Recovery Team drills for different emergencies each year. From hurricanes to fires to pandemics...the mock drills help us to hone our responses in the event of an actual crisis. These plans have been put to the test successfully in recent weeks.

Safety and Health – The safety of our staff and customers is always our priority, and during the COVID-19 crisis, our experienced crisis management team made timely decisions and prioritized safety while ensuring our customers' needs were met. To protect the community against the spread of the virus, we changed our operating conditions in mid-March. Our branches moved to drive-thru only service with lobby access restricted to appointment only. All of our branches remained open with the exception of our downtown Charleston office, which does not have a drive thru. Branch staff rotations were utilized as a health precaution to reduce exposure by limiting the number of people working in each office. For our operations departments, remote work options were implemented quickly, allowing employees to work securely and safely from home using the virtual desktop infrastructure the bank converted to last fall.



Taking care of business on Hilton Head Island...

For employees impacted by closed schools and daycare or needing time off for other COVID-related reasons, the bank incorporated the Families First Coronavirus Response Act to provide additional employee benefits.



...Car-side in Myrtle Beach...

Staff – We couldn't be prouder of our team and the work they have done to support our customers during this crisis. The long hours put in to help our communities shows remarkable dedication and work ethic. Through teamwork, we processed 650 Payroll Protection Program (PPP) loans in just 13 days. Our loan officers, loan processors, and deposit operations staff worked around the clock to support each other and ensure our customers received their much-needed PPP funds. We're also grateful to our tellers and customer service representatives for providing excellent service during these unusual circumstances.

Our mortgage team has been working overtime to meet increased loan demand. Mortgage rates hit historical lows during the first quarter and brought a wave of refinancing and home loans.

Security/Scams – While meeting our customers face-to-face was restricted, we checked in via phone and email to offer assistance. Through our website and social media channels, we provided updates on branch operations and promoted ways to bank anytime, anywhere with details about electronic banking options. We also provided assurance that the safest place for their money is in the bank, backed by FDIC insurance.

In uncertain times, cyber-criminals will try to take advantage by developing new scams around a crisis, so we worked to educate customers about online safety while providing updates on the latest IRS scam warnings regarding Economic Impact Payments and tax refund fraud so customers could be prepared.

Customer Focus – We are grateful for the long-standing relationships we have with our customers and are here to support them through this crisis and the coming economic recovery. Communication was key internally and with customers as we worked closely with customers to meet their needs while staying safe with social distancing.



...and by the front door in Charleston.

IT'S THE PEOPLE WHO MAKE THE DIFFERENCE



Rowe



Hills



Morgan



McDowell



Avant



Glover



D'Arrigo



Mayne



Voyer



Elliott



Silvestri

PROMOTIONS

John Rowe, senior vice president, commercial relationship manager, to *area executive for the Towne Centre market*. In his new role, he will be responsible for overseeing business development for our new retail location in Carolina Forest. John joined the bank in 2018. He has more than 15 years of banking experience with South State Bank and First Federal Bank. A graduate of the South Carolina Bankers School held at Lander University, he is currently attending the Graduate School of Banking held at Louisiana State University.

Caroline Hills, corporate services sales representative at the Main Office, to *assistant vice president*. She joined the bank in 2015 as a marketing assistant and moved to the corporate services department in 2016. She is a graduate of the University of South Carolina with a B.A. degree in journalism and mass communications.

Amanda Morgan to *assistant vice president, loan administration specialist, at the Bluffton office*. In thirteen combined years with Atlantic Community Bank and South Atlantic Bank, she has served as a credit analyst and loan compliance specialist.

ADDITIONS

Marc McDowell as *senior vice president, commercial relationship manager, at the North Myrtle Beach office*. Marc has more than 20 years of banking experience and most recently worked for First Palmetto Bank in Little River as senior vice president, commercial lender. He is a graduate of the University of South Carolina with a B.S. degree in finance and management.

Walker Avant as *vice president, commercial relationship manager, at the East Bay Street office*. With six years of banking experience, he most recently served Bank OZK as senior vice president, relationship manager, within the commercial real estate group. He is a graduate of North Carolina State University where he received his B.A. degree in political science.

Alex Glover as *banking officer, mortgage loan officer at the Mount Pleasant office*. Alex most recently worked for Northwestern Mutual as a financial representative. He also played professional football in Paris and Australia for two years after graduating from The Citadel with a B.S. degree in business administration.

Steve D'Arrigo as a *Bank Secrecy Act specialist at the Main Office*. Steve has more than 30 years of banking experience and most recently worked for Crescom Bank as a BSA/AML specialist. He is a graduate of Plymouth State University in New Hampshire with a B.S. degree.

Danielle Mayne as a *float teller and customer service representative at the East Bay Street office*. She brings more than three years of banking experience to her new role. Danielle is a graduate of LeTourneau University in Texas where she received a B.S. degree in business management with a concentration in marketing.

Marc Voyer as a *loan administration specialist at the East Bay Street office*. With more than 11 years of banking experience, he most recently served Bank Rhode Island in processing, underwriting, compliance, and training.

Emilee Elliott as a *float teller and customer service representative for the Grand Strand market*. She previously served Grand Strand Pediatrics as a front office receptionist and also has restaurant and hotel customer service experience. Emilee is a graduate of North Myrtle Beach High School and attended the University of South Carolina at Beaufort.

Frank Silvestri as a *courier in deposit operations*. He served the bank in a similar capacity as a contract employee for the past six years.

ABOUT SOUTH ATLANTIC BANK

South Atlantic Bancshares, Inc. (OTCQX: SABK) is a registered bank holding company based in Myrtle Beach, South Carolina, with \$744.8 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.

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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.

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