

TAKE STOCK



South Atlantic Bancshares, Inc.

Third Quarter 2020

THIRD QUARTER REVIEW

Our Company delivered a solid performance during the first nine months of the year as we navigated the economic uncertainty brought on by the COVID-19 pandemic. We have worked hard to help our customers and to provide our communities with financial support during a challenging time for our bank and our country.

For the nine months ended September 30, 2020, net income was \$5.4 million, or \$0.71 per diluted common share, compared to \$4.8 million, or \$0.63 per diluted common share, reported for the nine months ended September 30, 2019. Net income for the three months ended September 30, 2020, totaled \$2.0 million, or \$0.26 per diluted common share, compared to \$1.7 million or \$0.22 per diluted common share, reported for the three months ended September 30, 2019.

Additional financial highlights follow:

- Return on average equity was 7.73 percent for the nine months ended September 30, 2020, compared to 7.72 percent for the nine months ended September 30, 2019.
- Return on average assets was 0.85 percent for the nine months ended September 30, 2020, compared to 0.92 percent for the nine months ended September 30, 2019.
- The net interest margin, on a tax-equivalent basis, was 3.82 percent for the nine months ended September 30, 2020, a 39-basis point decline from 4.21 percent for the nine months ended September 30, 2019.
- Total loans grew 20.3 percent to \$673.8 million at September 30, 2020, from \$560.3 million at September 30, 2019. Total deposits grew 34.6 percent to \$824.0 million at September 30, 2020, from \$612.1 million at September 30, 2019.
- Total assets grew 31.0 percent to \$935.3 million at September 30, 2020, from \$714.2 million at September 30, 2019.
- Mortgage Origination Impact: Secondary fee income was \$2.8 million for the nine months ended September 30, 2020, compared to \$1.4 million for the period ended September 30, 2019.
- As previously disclosed, the Company originated 1,013 loans under the Paycheck Protection Program (PPP), totaling \$91.7 million and generating estimated total fee income of \$3.8 million. During the nine months ended September 30, 2020, the Company recognized \$925 thousand of the \$3.8 million in estimated fees generated by originating PPP loans. The Company continues to expect that the majority of the remaining balance will be recognized over the next several quarters.
- Asset quality continues to be strong with non-performing assets to total assets of 0.04 percent as of September 30, 2020, compared to 0.09 percent reported as of December 31, 2019.

Our earnings reflect record revenue from our mortgage operations, with increased refinancing activity due to the low interest rate environment along with new loans for a large influx of homebuyers to the coastal markets we serve. Fortunately for our coastal economies, we are seeing an extended tourist season this fall which is helping boost local businesses. Our loan pipeline is improving as our local economy continues to emerge from pandemic restrictions and we are optimistic about additional loan growth in the fourth quarter.

Deposit market share data recently released by the FDIC shows each of our offices remains consistent in the rankings or has increased its market share. Deposits have continued to grow each quarter as we have established new customer relationships, and existing customers have moved funds to more stable investment vehicles such as savings and money market accounts, during this period of volatility.

As we move towards the end of the year, we will continue to work hard for your investment. As always, thank you for your support. Please do not hesitate to reach out to us if we can be of service to you.

SELECTED FINANCIAL HIGHLIGHTS

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Quarter End Balances (In Thousands)				
Total assets	\$ 935,306	\$ 714,172	\$ 935,306	\$ 714,172
Investment securities	113,111	72,299	113,111	72,299
Mortgage loans held-for-sale	37,141	17,242	37,141	17,242
Loans, net of unearned income	673,766	560,286	673,766	560,286
Allowance for loan losses	(6,243)	(4,914)	(6,243)	(4,914)
Goodwill	5,349	5,349	5,349	5,349
Deposit intangible	919	1,179	919	1,179
Deposits	823,996	612,058	823,996	612,058
Shareholders' equity	96,001	86,462	96,001	86,462
Average Balances (In Thousands)				
Total assets	\$ 922,732	\$ 729,599	\$ 836,367	\$ 696,059
Earning assets	836,654	676,427	759,129	644,865
Investment securities	100,765	67,364	83,603	57,005
Loans, net of unearned income	678,222	564,288	641,591	554,618
Deposits	812,283	628,588	726,911	594,807
Shareholders' equity	95,510	85,718	92,462	83,139
Earnings Breakdown (In Thousands, Except Share and per Share Amounts)				
Total interest income	\$ 8,388	\$ 8,410	\$ 24,754	\$ 24,202
Total interest expense	738	1,422	2,891	4,050
Net interest income	7,650	6,988	21,863	20,152
Total noninterest income	1,980	1,380	5,844	3,728
Total noninterest expense	7,210	6,069	20,079	17,487
Provision for loan losses	165	165	1,020	495
Income before taxes	2,345	2,134	6,608	5,898
Taxes	376	444	1,256	1,098
Net income	1,969	1,690	5,352	4,801
Diluted earnings per share	0.26	0.22	0.71	0.63
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	7,530,222	7,595,944	7,549,811	7,591,626
Selected % Increases (Period over Period)				
Total assets	30.96	15.60	30.96	15.60
Total interest earning assets	32.40	14.85	32.40	14.85
Total loans	20.25	9.33	20.25	9.33
Total deposits	34.63	16.10	34.63	16.10
Interest income	(0.26)	19.06	2.28	24.76
Interest expense	(48.09)	107.07	(28.61)	105.95
Noninterest income	43.52	58.47	56.75	38.77
Noninterest expense	17.33	8.60	14.82	2.01
Net income	16.50	26.00	11.49	129.27
Selected Ratios				
Return on average assets	0.85	0.92	0.85	0.92
Return on average equity	8.20	7.82	7.73	7.72
Net interest income to total average assets	3.30	3.80	3.49	3.87
Efficiency ratio	73.94	72.53	72.47	73.23
Loan loss reserve to total loans	0.93	0.88	0.93	0.88
Nonperforming assets to total assets	0.03	0.07	0.04	0.08
Net charge-offs to total average assets	0.00	0.00	0.00	0.00
Net interest margin	3.59	4.13	3.82	4.21

CHAIRMAN WICKER APPOINTED TO ABA MEMBERSHIP COUNCIL

The American Bankers Association's (ABA) Board of Directors has appointed K. Wayne Wicker, South Atlantic Bank chairman of the board and chief executive officer, to its Membership Council. Membership Council representatives support the ABA in maintaining a solid national membership base, as well as helping to shape banking policy.

"A strong banking industry plays a critical role in our nation's economy," Wicker said. "This appointment gives me the opportunity to represent South Carolina and advocate for the state's continued success. I am honored to help the ABA with its important work."



Wicker

Wicker joins a team of more than 50 prominent bankers representing nearly every state across the nation on the Membership Council.

ANTI-PHISHING CAMPAIGN UNDERWAY

During October, South Atlantic Bank joined the American Bankers Association and banks across the nation in launching a first-of-its-kind, industry-wide campaign to educate consumers about the persistent threat of phishing scams. The FTC estimates that consumers lost \$1.9 billion by falling for emails, texts, and calls from scammers pretending to be a bank and through other fraud in 2019. The ongoing pandemic has only increased this threat.

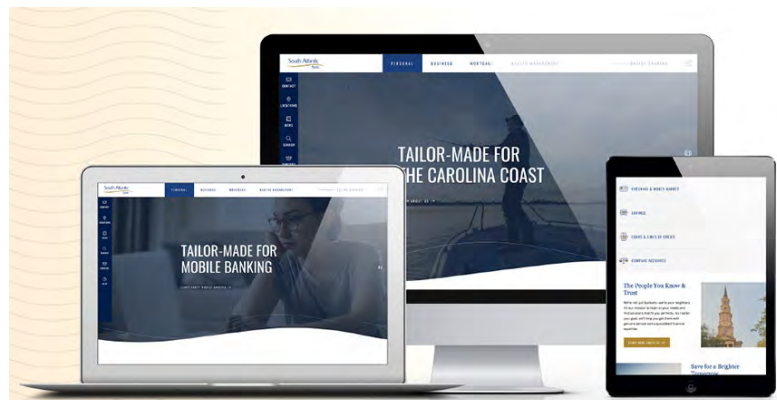
The #BanksNeverAskThat campaign uses attention-grabbing humor and other engaging content to empower consumers to identify bogus bank communications that ask for sensitive information like passwords and social security numbers. Visit <http://www.banksneveraskthat.com/> for more information about phishing scams.



WEBSITE LAUNCHED IN EARLY OCTOBER

Our brand new website took flight on October 6, providing an updated digital experience for desktop and mobile users. The new site is tailor-made for customers to easily complete online banking transactions and find information about our product and services.

You can access our earnings releases, annual reports, and stock information, along with a form to submit your email address to receive South Atlantic Bancshares news electronically, on our Investor Relations page.



Do your banking via tablet, PC, or cell phone!



To help keep our customers and employees safe during the COVID-19 outbreak, our offices offered drive-thru only service throughout the spring and summer months. With safety measures in place, our lobbies reopened in early October. All locations are following their respective county's guidelines for mask requirements and social distancing. We are so glad to see our customers in person once again!

The bank's Crisis Management Team continues to proactively monitor local and national COVID-19 information and is prepared to make adjustments to our response plan as needed.

IT'S THE PEOPLE WHO MAKE THE DIFFERENCE



Peters



Dolyniuk



Howenstine



Manning



Miller



Stafford



Hills



Roark

ADDITIONS

Jennifer Peters as *senior vice president, director of internal audit and compliance* for the bank and the holding company, based at the East Bay Street office. Jennifer has more than 17 years of financial experience and most recently worked for CresCom Bank in Charleston as a vice president, internal audit manager. She is a certified internal auditor and holds a B.S. degree in business administration with an emphasis in finance from Youngstown State University in Ohio.

Randy Dolyniuk as *senior vice president, commercial team leader at the Hilton Head office*. He most recently served as the managing director and principal with Classic Southern Financial Group. Randy has more than 30 years of experience in the banking industry, having worked with Coastal States Bank, Carolina First, Anchor Bank, and Atlantic Savings Bank, known today as Wells Fargo. He holds a B.B.A. degree with an emphasis in finance from the University of Georgia and completed the Bank Executive Leadership Program at the University of Virginia's Darden School of Business.

John Howenstine as a *mortgage loan processing assistant at the Towne Centre office*. John most recently worked for US Foods as a territory manager in Myrtle Beach and previously served as an insurance agent with Bankers Life. He is a graduate of Coastal Carolina University with a B.S. degree in business administration.

Lydon Manning as a *portfolio manager at the Main Office*. Lydon previously served as a portfolio manager assistant at United Community Bank. He graduated from Wofford College with a B.S. degree in business economics and biology.

Bryn Miller as a *teller at the Murrells Inlet office*. A Minnesota native, Bryn previously worked as a realtor with Servion Realty before relocating to South Carolina. She holds an A.A. degree from Central Lakes College in Brainerd, Minnesota.

PROMOTIONS

Caitlynn Stafford to *customer service representative at the Bluffton Office*. Caitlyn joined the bank in January 2019 as a teller in the Bluffton Office. A graduate of Bluffton High School, she has many years of experience in retail management and customer service.

MOVES

Caroline Hills, to *digital marketing manager*. In this new role, she is responsible for social media, email marketing, website content management, digital advertising, video production, and assists with special events and sponsorships. Caroline joined the bank in 2015 as a marketing assistant, moved to the corporate services department in 2016, and was promoted to assistant vice president in 2020. Caroline is a graduate of the University of South Carolina with a B.A. degree in journalism and mass communications.

Alison Van Wagner Roark to *mortgage loan officer at the Towne Centre office*. Alison joined the bank in January 2014 as a teller in the Murrells Inlet office. She was a customer service representative there before being promoted to assistant branch manager of the Main Office in January 2016 and branch manager there in December 2017. She was named an assistant vice president in January 2018. Alison is a graduate of Coastal Carolina University with a B.A. degree in communications.

ABOUT SOUTH ATLANTIC BANK

South Atlantic Bancshares, Inc. (OTCQX: SABK) is a registered bank holding company based in Myrtle Beach, South Carolina with \$937 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 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.

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

