

TAKE STOCK



South Atlantic Bancshares, Inc.

Fourth Quarter 2020

FOURTH QUARTER REVIEW

Despite the hardships of 2020, the Company produced another year of record results. The Paycheck Protection Program (PPP) loans coupled with tremendous mortgage business contributed to the Company's performance. Our success would not have been possible without the incredible commitment of our team and their dedication to serving our customers. Our crucial role in supporting our local economies has never been more important than in these extraordinary times.

The Company reported net income of \$7.2 million, or \$0.95 per diluted common share, for the year ended December 31, 2020, compared to \$6.1 million, or \$0.80 per diluted common share, reported for the year ended December 31, 2019. Net income for the three months ended December 31, 2020, totaled \$1.8 million, or \$0.24 per diluted common share, compared to \$1.3 million or \$0.17 per diluted common share, reported for the three months ended December 31, 2019.

Additional financial data includes:

- Return on average equity was 7.69 percent for the year ended December 31, 2020, compared to 7.21 percent for the year ended December 31, 2019.
- Return on average assets was 0.83 percent for the year ended December 31, 2020, compared to 0.87 percent for the year ended December 31, 2019.
- The net interest margin, on a tax-equivalent basis, was 3.79 percent for the year ended December 31, 2020, a 37-basis point decline from 4.16 percent for the year ended December 31, 2019.
- Total loans grew 19.3 percent from \$575.7 million at December 31, 2019, to \$686.9 million at December 31, 2020.
- Total deposits grew 35.4 percent from \$616.8 million at December 31, 2019, to \$834.9 million at December 31, 2020.
- Total assets grew 31.8 percent from \$718.4 million at December 31, 2019, to \$946.5 million at December 31, 2020.
- Mortgage Origination Impact: Secondary fee income was \$4.2 million for the year ended December 31, 2020, compared to \$1.9 million for the year ended December 31, 2019.
- For the year ended December 31, 2020, the Company recognized \$1.3 million of the \$3.8 million in estimated fees generated by originating PPP loans. The Company expects the remaining balance to be recognized over the next three quarters.
- Asset quality continues to be strong with non-performing assets to average total assets at 0.03 percent as of December 31, 2020, compared to 0.08 percent reported as of December 31, 2019.

During the fourth quarter of 2020, net income attributable to the Company's participation in the Small Business Administration's PPP was \$898 thousand. A new round of PPP was signed into law in December 2020, and we will continue to be a strong participating lender in the program.

Additional loan growth occurred during the fourth quarter, and our loan pipeline is improving as we head into the new year. Deposits continue to increase each quarter due to new relationships and current customers moving funds to a safer environment.

We will open an additional office on Hilton Head Island in February in response to 100 percent deposit growth at our first Hilton Head office and the progress our team is making in the market.

As we close out the year in a strong position, we are cautiously optimistic about 2021, contingent on the economic challenges of the pandemic. We will continue to work hard for your investment and for the communities we serve. As always, thank you for your support.

SELECTED FINANCIAL HIGHLIGHTS

	Quarter Ended				Year Ended		
	December 31	September 30	June 30	March 31	December 31	December 31	December 31
	2020	2020	2020	2020	2019	2020	2019
Earnings Breakdown (in thousands, except share and per share amounts)							
Total interest income	\$ 8,830	\$ 8,388	\$ 8,327	\$ 8,039	\$ 8,042	\$ 33,584	\$ 32,244
Total interest expense	665	738	821	1,332	1,379	3,557	5,429
Net interest income	8,165	7,650	7,506	6,706	6,663	30,028	26,815
Total noninterest income	2,138	1,980	2,234	1,630	1,131	7,982	4,859
Total noninterest expense	7,418	7,120	6,494	6,464	5,871	27,497	23,358
Provision for loan losses	665	165	610	245	315	1,685	810
Income before taxes	2,220	2,345	2,636	1,627	1,608	8,827	7,506
Taxes	376	376	540	340	342	1,631	1,440
Net income	1,844	1,969	2,096	1,287	1,266	7,196	6,066
Diluted earnings per share	0.24	0.26	0.28	0.17	0.17	0.95	0.80
Common stock period end actual shares	7,509,333	7,504,040	7,504,040	7,504,040	7,504,040	7,509,333	7,504,040
Weighted average shares outstanding							
Common stock – basic	7,504,098	7,504,040	7,504,040	7,504,040	7,504,040	7,504,055	7,504,040
Common stock – diluted	7,561,005	7,530,222	7,529,952	7,588,124	7,603,468	7,552,776	7,601,903
Balance Sheet (in thousands)							
Total assets	\$ 946,541	\$ 935,306	\$ 923,918	\$ 744,843	\$ 718,402	\$ 946,541	\$ 718,402
Investment securities	125,229	113,111	85,513	73,402	76,399	125,229	76,399
Mortgage loans held-for-sale	36,676	37,141	13,119	8,437	4,904	36,676	4,904
Loans	686,894	673,766	680,265	594,133	575,721	686,894	575,721
Allowance for loan losses	(6,824)	(6,243)	(6,100)	(5,490)	(5,237)	(6,824)	(5,237)
Goodwill	5,349	5,349	5,349	5,349	5,349	5,349	5,349
Deposit intangible	859	919	981	1,045	1,111	859	1,111
Deposits	834,854	823,996	815,010	635,631	616,807	834,854	616,807
Shareholders' equity	97,822	96,001	93,541	90,071	88,406	97,822	88,406
Selected Ratios (%)							
Return on average assets	0.78	0.85	1.00	0.69	0.70	0.83	0.87
Return on average equity	7.58	8.20	9.19	5.74	5.74	7.69	7.21
Net interest income to total average assets	3.45	3.30	3.59	3.62	3.70	3.48	3.83
Efficiency ratio	72.00	73.94	66.68	77.54	75.33	72.34	73.74
Loan loss reserve to total loans	0.99	0.93	0.90	0.92	0.91	0.99	0.91
Nonperforming assets to total average assets	0.02	0.03	0.04	0.07	0.07	0.03	0.08
Net charge-offs to total average loans	0.05	0.01	0.00	(0.01)	(0.01)	0.02	0.00
Net interest margin	3.74	3.59	3.93	3.98	4.03	3.79	4.16
Holding Company Capital Ratios							
Total risk-based capital	13.84	13.67	13.63	14.23	14.63	13.84	14.63
Tier 1 risk-based capital	12.83	12.73	12.70	13.33	13.73	12.83	13.73
Leverage ratio	9.30	9.30	9.98	10.95	11.26	9.30	11.26
Common equity tier 1 ratio	12.83	12.73	12.70	13.33	13.73	12.83	13.73
Tangible common equity	9.72	9.63	9.47	11.29	11.47	9.72	11.47
Average Balances (in thousands)							
Total assets	942,248	922,732	839,809	745,609	714,442	862,982	700,692
Earning assets	878,944	859,381	774,202	682,017	660,346	799,022	648,191
Investment securities	122,124	100,765	77,172	72,684	73,594	93,286	60,611
Loans	681,191	678,222	662,651	583,497	565,184	651,545	553,036
Deposits	830,220	812,283	727,021	640,492	611,566	752,880	599,031
Shareholders' equity	96,804	95,510	91,691	90,150	87,415	93,553	84,186

SECOND OFFICE TO DEBUT ON HILTON HEAD ISLAND

We are excited to announce the opening of our second Hilton Head Island location in mid-February. The new office is ideally located at 81 Main Street, surrounded by professional and medical offices with prominent neighborhoods close by.

The office has a spacious lobby with a free-standing teller pod, making the deposit and transaction process more efficient. There are two drive-thru lanes and a drive-up ATM.

South Atlantic Bank entered the Hilton Head market in June 2018, and has been successful in building business relationships and establishing its reputation as a strong bank on the island. Our commercial lenders and retail staff are in place, ready to expand our presence in this highly desirable market. We look forward to what our team will accomplish at this new location.



ANNOUNCING NEW REGISTRAR AND TRANSFER AGENT

Broadridge Shareholder Services is now the Company's registrar and transfer agent and oversees our shareholder management, replacing Direct Transfer. Broadridge is a leading provider of registrar, stock transfer, and record keeping services with more than 35 years of experience in the industry. As transfer agent, Broadridge will assist in the mailing of our upcoming Annual Meeting materials and proxy tabulation. When you receive the mailing in March, please vote your shares online, by phone, or U.S. mail. Your participation is important. Our Annual Meeting is scheduled for Tuesday, April 20, at 5:30 p.m.



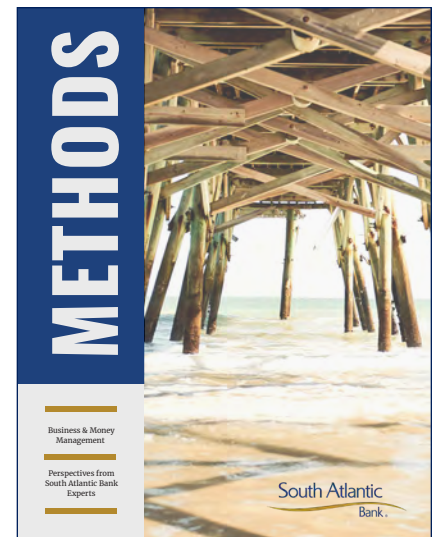
Broadridge

2021 MARKETING INITIATIVES UNDERWAY

Our marketing plans for 2021 will promote the Bank's brand through digital advertising, commercials, print advertising, and social media, using these channels to drive traffic to our website. The website will be a key vehicle for users to learn about financial products and services, along with the benefits of banking with a community bank that is locally owned and operated.

Incorporating new technology, we plan to streamline the account opening process, enhance our customer onboarding process, and promote products tailored to individual financial needs. Data and analytics will help us grow customer relationships and provide customers with specific products to help reach their personal and business financial goals.

Our website will feature financial educational content to help users make informed decisions. From topics like business planning, wealth management, qualifying for a loan, and ways to save for college tuition and retirement, our banking specialists will share their expertise to help customers manage their finances effectively.



WEST RECEIVES SPIRIT AWARD



Kimberly West, assistant vice president, IT systems analyst and project manager, was awarded the Bank's 2020 Spirit Award. She was nominated by her coworkers for her tireless work ethic and positive attitude. The award has been presented annually since the Bank's founding to the employee who best exemplifies teamwork and quality service.

Kimberly recently graduated from the Bank Technology Management School and the Bank Technology Security School offered by the Graduate School of Banking at the University of Wisconsin-Madison. She studied bank technology management and security as well as the business of banking and IT's role in enhancing bottom line results. She joined the Bank in 2018 and has more than 15 years of IT experience.

IT'S THE PEOPLE WHO MAKE THE DIFFERENCE



Bartlette



Rodríguez



Simpson



Powers



Cashion



Roy



Miller



Birge



Sullivan



Siau



Martin-Ebert

ADDITIONS

Tracey Bartlette as a *mortgage loan processor at Towne Centre*. She previously served as a branch manager for Sistar Mortgage Corporation and has 10 years of mortgage processing experience.

Orían Rodríguez as a *teller at the Bluffton office*. He previously served as a teller with Wells Fargo and has customer service experience in the health care and restaurant industries. He is also fluent in Spanish.

Nicole Simpson as a *loan operations specialist at Towne Centre*. She previously served as a senior loan servicer for Webster Bank in New Britain, Connecticut and has more than three years of banking experience.

Blakely Powers as a *travel relationship banker for the Grand Strand area*. She has customer service experience in the restaurant, hotel, and retail industries. She is a graduate of St. James High School and is attending Horry-Georgetown Technical College.

Danielle Cashion as a *mortgage loan processor at Towne Centre*. She previously served as a mortgage loan officer for BB&T and has five years of banking experience. She attended Ball State University.

Julie Roy as a *teller at the Main Office*. She previously served as chief of strategic communications and community affairs for the South Carolina Department of Motor Vehicles. She has a B.A. degree in communications from Marist College (Poughkeepsie, New York).

MOVES

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

Leah Birge to *branch manager and retail business development officer at the Main Office*. Leah joined the bank in August 2019 as the East Bay branch manager. She previously worked with Pinnacle Financial Partners as a financial specialist and has 11 years of banking experience. She attended Savannah Technical College.

Ted Sullivan to *branch manager at the East Bay Street office*, in addition to his duties as retail and small business development officer at East Bay. Ted joined the bank in March 2019 as vice president, retail and small business development officer at East Bay. He previously worked with Pinnacle Financial Partners as a branch manager and has 11 years of banking experience. He is a graduate of the University of South Carolina with a B.S. degree in political science.

PROMOTIONS

Danny Siau to *executive vice president*. Danny joined the bank in 2013 with the opening of the Georgetown office as senior vice president, Georgetown city executive and was promoted to Grand Strand regional executive in 2018. He has more than 30 years of banking experience and is graduate of the University of South Carolina with a B.S. degree in management science.

Danielle Martin-Ebert to *vice president and mortgage loan underwriter*. She joined the bank in 2014 as a mortgage loan processor and was promoted to assistant vice president and mortgage processing manager in 2019. She has 22 years of mortgage experience.

ABOUT SOUTH ATLANTIC BANK

South Atlantic Bancshares, Inc. (OTCQX: SABK) is a registered bank holding company based in Myrtle Beach, South Carolina with \$947 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, other than information as of December 31, 2019. 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.

