



South Atlantic Bancshares, Inc. Reports Earnings of \$0.32 per Diluted Common Share For the Three Months Ended June 30, 2021

MYRTLE BEACH, S.C., July 20, 2021 /PRNewswire/ -- South Atlantic Bancshares, Inc. ("South Atlantic" or the "Company") (OTCQX: SABK), parent of South Atlantic Bank (the "Bank"), reported consolidated net income of \$2.5 million, or \$0.32 per diluted common share, for the three months ended June 30, 2021, a decrease of \$1.0 million, or \$0.14 per diluted common share, compared to the first quarter of 2021. Consolidated net income was \$6.0 million, or \$0.79 per diluted common share, for the six months ended June 30, 2021, an increase of \$2.6 million, or \$0.34 per diluted common share, compared to the six months ended June 30, 2020.

"I am pleased with our second quarter results," said K. Wayne Wicker, Chairman and Chief Executive Officer of South Atlantic. "Our deposits grew to over \$1 billion in the second quarter and we assisted customers with additional Phase 2 Paycheck Protection Program (PPP) loans. Economic activity in our region is strong as most COVID-19 restrictions have been eliminated and we are seeing increased demand for loans as businesses recover from the pandemic. We are optimistic about the second half of the year."

Balance Sheet Growth

Total assets increased to \$1.1 billion during the second quarter of 2021 primarily due to increases to cash and investment securities and loans. Cash and investment securities increased by \$29.3 million and \$71.7 million, respectively, in the second quarter of 2021 compared to the first quarter of 2021 and \$49.8 million compared to June 30, 2020. Total loans increased by \$26.9 million with non-PPP loans constituting the majority of loan production for the second quarter of 2021. Total loans increased by \$37.8 million compared to June 30, 2020. Total deposits increased by \$106.1 million during the three months ended June 30, 2021, including an increase of \$44.9 million in noninterest bearing deposits. Compared to June 30, 2020, total deposits increased by \$212.6 million.

Paycheck Protection Program

As part of the first phase of the PPP, we processed 1,013 PPP loans totaling \$91.7 million. Of these, 956 PPP loans, or \$81.2 million, have been granted forgiveness payments by the Small Business Administration (the "SBA"). We anticipate that we will receive forgiveness payments from the SBA for the remaining phase one PPP loans by the end of 2021.

The Economic Aid Act, signed into law on December 27, 2020, authorized an additional \$284.5 billion in new PPP loan funding and extends the authority of lenders to make PPP loans through March 31, 2021. The PPP Extension Act of 2021 was subsequently signed into law on March 30, 2021 and extended the PPP application deadline to May 31, 2021. We processed 519 PPP loans totaling \$54.6 million as part of the second phase of the PPP. As of June 30, 2021, 67 phase 2 PPP loans \$8.9 million have been forgiven by the SBA. We anticipate the remainder of these PPP loans will be forgiven by the end of the second quarter 2022.

Operating Performance

Net income decreased by \$1.0 million during the second quarter of 2021 as a result of lower noninterest income. Net interest income decreased slightly in the second quarter of 2021 with decreases in both interest income and interest expense. Noninterest income decreased by \$1.2 million in the second quarter of 2021 compared to the first quarter of 2021, primarily due to reductions in secondary mortgage income and gain on the restructure of the investment portfolio.

Financial Performance

Dollars in Millions Except Per Share Data

Income Statement	Three Months Ended					Six Months Ended	
	June 30, 2021	March 30, 2021	December 31, 2020	September 30, 2020	June 30, 2020	June 30, 2021	June 30, 2020
Interest Income							
Loans	\$8,292	\$8,684	\$8,096	\$7,735	\$7,686	\$16,976	\$15,115
Investments	1,119	748	734	653	641	1,867	1,251
Total Interest Income	\$9,411	\$9,432	\$8,830	\$8,388	\$8,327	\$18,843	16,366
Interest Expense	559	575	665	738	821	1,134	2,153
Net Interest Income	\$8,852	\$8,857	\$8,165	\$7,650	\$7,506	\$17,709	\$14,213
Provision for Loan Losses	375	285	665	165	610	660	855
Noninterest Income	2,260	3,478	2,138	1,980	2,234	5,738	3,863
Noninterest Expense	7,625	7,558	7,418	7,120	6,494	15,183	12,958
Income Before Taxes	\$3,112	\$4,492	\$2,220	\$2,345	\$2,636	\$7,604	4,263
Provision for Income Taxes	637	978	376	376	540	1,615	880
Net Income	\$2,475	\$3,514	\$1,844	\$1,969	\$2,096	\$5,989	\$3,383
Basic Earnings Per Share	\$0.33	\$0.47	\$0.25	\$0.26	\$0.28	\$0.80	\$0.45
Diluted Earnings Per Share	\$0.32	\$0.46	\$0.24	\$0.26	\$0.28	\$0.79	\$0.45
Weighted Average Shares Outstanding							
Basic	7,513,030	7,509,333	7,504,098	7,504,040	7,504,040	7,513,030	7,504,040
Diluted	7,633,965	7,600,275	7,561,005	7,530,222	7,529,952	7,620,012	7,558,972
Total Shares Outstanding	7,541,109	7,509,333	7,509,333	7,504,040	7,504,040	7,541,109	7,504,040

Operating Results

The Company reported consolidated net income of \$2.5 million, or \$0.32 per diluted common share, for the three months ended June 30, 2021, a decrease of \$1.0 million, or \$0.14 per diluted common share, compared to the first quarter of 2021. Consolidated net income was \$6.0 million, or \$0.79 per diluted common share, for the six months ended June 30, 2021, an increase of \$2.6 million, or \$0.34 per diluted common share, compared to the six months ended June 30, 2020. Net interest income decreased slightly in the second quarter of 2021 compared to the first quarter of 2021 due to a decrease in net interest margin offset by an increase in interest earning assets. For the six months ended June 30, 2021, net interest income increased by \$3.5 million compared to the six months ended June 30, 2020. Noninterest income decreased by \$1.2 million in the second quarter of 2021 compared to the first quarter of 2021, attributable to reductions in gains on sales of securities and secondary mortgage income. For the six months ended June 30, 2021, noninterest income increased by \$1.9 million and noninterest expense increased by \$2.2 million compared to the six months ended June 30, 2020.

Net Interest Margin

Dollars in Millions

	June 30, 2021		March 31, 2021		Three Months Ended December 31, 2020		September 30, 2020		June 30, 2020	
	Average Balance	Yield/ Rate	Average Balance	Yield/ Rate	Average Balance	Yield/ Rate	Average Balance	Yield/ Rate	Average Balance	Yield/ Rate
Interest earning assets										
Loans	\$704	3.96%	\$690	3.99%	\$681	3.99%	\$678	4.06%	\$663	4.24%
Loan fees		0.70		1.00		0.62		0.40		0.38
Loans with fees	\$704	4.65%	\$690	4.98%	\$681	4.61%	\$678	4.46%	\$663	4.62%
Total Interest earning assets	\$1,003	3.79%	\$903	4.25%	\$875	4.04%	\$855	3.93%	\$772	4.36%
Interest-bearing liabilities										
Total interest bearing deposits	\$640	0.35%	\$596	0.39%	\$575	0.46%	\$545	0.54%	\$487	0.67%
Total interest bearing liabilities	\$640	0.35%	\$596	0.39%	\$575	0.46%	\$545	0.54%	\$494	0.67%
Cost of funds		0.23%		0.27%		0.32%		0.36%		0.45%
Net interest margin		3.56%		3.99%		3.74%		3.59%		3.93%

Net Interest Margin decreased by 43 basis points in the second quarter of 2021 compared to the first quarter of 2021 primarily due to decreases in loan yields stemming from fee income generated by PPP loan forgiveness by the SBA. We may continue to experience net interest margin reduction due to declining in loan yields, slower cost of deposit declines and higher levels of liquidity related to the COVID-19 pandemic.

Our cost of funds decreased by 4 basis points in the second quarter of 2021 compared to the first quarter of 2021 and has decreased 22 basis points since June 30, 2020. We remain vigilant in managing our cost of funds and continue to take advantage of the current rate environment to supply low-cost funding for our Company.

Noninterest Income/Expense

Dollars in Millions

	June 30, 2021	March 30, 2021	Three Months Ended		June 30, 2020	Six Months Ended	
			December 30, 2020	September 30, 2020		June 30, 2021	June 30, 2020
Noninterest income							
Service charges and fees	\$118	\$126	\$106	\$152	\$89	\$244	\$203
Securities gains, net	-	990	90	-	430	990	962
Secondary mortgage income	1,365	1,755	1,354	1,248	1,080	3,120	1,549
Other Income	777	607	588	580	635	1,384	1,149
Total noninterest income	\$2,260	\$3,478	\$2,138	\$1,980	\$2,234	\$5,738	\$3,863
Noninterest expense							
Salaries and employee benefits	\$4,847	\$4,797	\$4,572	\$4,574	\$4,039	9,644	7,998
Occupancy	1,092	1,121	954	967	915	2,213	1,858
Other	1,686	1,640	1,892	1,579	1,540	3,326	3,102
Total noninterest expense	\$7,625	\$7,558	\$7,418	\$7,120	\$6,494	\$15,183	\$12,958

Noninterest income decreased by \$1.2 million in the second quarter of 2021 compared to the first quarter of 2021. For the three months ended June 30, 2021, the Company did not realize gains related to the restructure of the investment portfolio compared to a gain of \$990,000 recorded for the three months ended June 30, 2021. Secondary mortgage income decreased by \$390,000 in the second quarter of 2021 compared to the first quarter of 2021 due to reduced demand for mortgages in our markets. Noninterest expense increased less than one percent in the second quarter of 2021 compared to the first quarter of 2021.

Balance Sheet

Dollars in Millions

	June 30, <u>2021</u>	March 31, <u>2021</u>	December 30, <u>2020</u>	September 30, <u>2020</u>	June 30, <u>2020</u>
Cash and Cash Equivalents	\$142,008	\$112,694	\$40,682	\$58,494	\$92,176
Investment Securities	220,429	148,739	125,229	113,111	85,513
Loans Held for Sale	7,807	26,559	36,676	37,141	13,119
Loans					
Loans	718,026	691,141	686,894	673,766	680,265
Less Allowance for Loan losses	(7,494)	(7,109)	(6,824)	(6,243)	(6,100)
Loans, Net	710,532	684,032	680,070	667,523	674,165
OREO	-	-	-	-	-
Property, net of accumulated depreciation	20,350	20,371	20,313	20,328	20,447
BOLI	23,525	23,369	23,215	18,087	17,959
Goodwill	5,349	5,349	5,349	5,349	5,349
Core Deposit Intangible	746	802	859	919	981
Other Assets	15,088	14,749	14,148	14,354	14,209
Total Assets	\$1,145,834	\$1,036,664	\$946,541	\$935,306	\$923,918
Deposits					
Noninterest bearing	\$349,345	\$304,430	\$245,321	\$263,885	\$275,155
Interest Bearing	\$678,231	617,021	589,533	560,112	539,855
Total Deposits	\$1,027,576	921,451	834,854	823,997	815,010
Other Borrowings	14	-	-	-	-
Other Liabilities	15,422	16,242	13,865	15,309	15,368
Total Liabilities	\$1,043,012	\$937,693	\$848,719	\$839,306	\$830,378
Shareholders' Equity	\$102,822	\$98,971	\$97,822	\$96,000	\$93,540
Total Liabilities and Shareholders' Equity	\$1,145,834	\$1,036,664	\$946,541	\$935,306	\$923,918

Total assets increased by \$109.2 million in the second quarter of 2021 to \$1.1 billion. Compared to June 30, 2020, total assets increased by \$222.9 million. Cash and cash equivalents increased by \$29.3 million in the second quarter of 2021 from March 31, 2021. During the three months ended June 30, 2021, investment securities increased by \$71.7 million while total loans increased by \$26.9 million. Total loans increased by \$37.8 million compared to June 30, 2020. We continue to see customers utilize funds to pay down existing loans which has tempered loan growth despite quality loan production. Total deposits grew by \$106.1 million in the second quarter of 2021 to \$1.0 billion. Compared to June 30, 2020, deposits increased \$212.6 million. Deposit growth has been fueled by paydowns associated with PPP loan forgiveness by the SBA as well as seasonal deposit growth. We anticipate this trend to continue as additional PPP loans are expected to be forgiven by the SBA by the second quarter of 2022.

PPP Loans

Dollars in Millions

	Production		Forgiveness		Outstanding as of June 30, 2021	
	# of Loans	\$ of Loans	# of Loans	\$ of Loans	# of Loans	\$ of Loans
Phase 1	1,013	\$91.7	956	\$81.2	57	\$10.5
Phase 2	519	54.6	67	8.9	452	45.7
Dollars in Thousands	<u>2Q21</u>	<u>1Q21</u>	<u>4Q20</u>	<u>3Q20</u>	<u>2Q20</u>	<u>Remaining</u>
Phase 1 Fee Income	\$477	\$1,433	\$983	\$477	\$447	-
Phase 2 Fee Income	\$560	\$125	-	-	-	\$2,000

Credit Quality

	Three Months Ended					Six Months Ended	
	June 30, <u>2021</u>	March 31, <u>2021</u>	December 31, <u>2020</u>	September 30, <u>2020</u>	June 30, <u>2020</u>	June 30, <u>2021</u>	June 30, <u>2020</u>
LLR to Total Loans	1.04%	1.03%	0.99%	0.93%	0.90%	1.04%	0.90%
NPAs to Avg Assets	0.00	0.03	0.02	0.03	0.04	0.00	0.04
NCOs to Total Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total NPAs (thousands)	-	\$244	\$224	\$314	\$314	-	\$314

We continue to see strong credit quality throughout our markets. We had no nonperforming assets in the second quarter. Currently, there are no loans past due greater than 90 days. We recorded a provision expense of \$375,000 during the second quarter of 2021, which consisted of general factor increases primarily related to the potential impact of the COVID-19 pandemic on credit risk, among other factors. The provision during the second quarter of 2021 resulted in a slight increase in the ratio of the allowance for loan losses to total loans.

Throughout the COVID-19 pandemic, the Bank worked with borrowers who were unable to meet their contractual obligations due to the effects of the COVID-19 pandemic by offering loan modifications or payment deferrals to certain borrowers on a short-term basis. As of June 30, 2021, we had no loans with short-term modifications or payment deferrals due to the COVID-19 pandemic.

Performance Ratios

	Three Months Ended					Six Months Ended	
	June 30, <u>2021</u>	March 30, <u>2021</u>	December 31, <u>2020</u>	September 30, <u>2020</u>	June 30, <u>2020</u>	June 30, <u>2021</u>	June 30, <u>2020</u>
ROAA	1.10%	1.46%	0.78%	0.85%	1.00%	1.17%	0.86%
ROAE	11.74	14.31	7.58	8.20	9.19	12.01	7.48
Efficiency	68.62	61.27	72.00	73.94	66.68	64.76	71.69
NIM	3.56	3.99	3.74	3.59	3.93	3.76	3.95
Book Value	\$13.63	\$13.18	\$13.03	\$12.79	\$12.47		
Tangible Book Value	\$12.79	\$12.33	\$12.17	\$11.92	\$11.58		

Capital Ratios

	June 30, <u>2021</u>	March 30, <u>2021</u>	December 31, <u>2020</u>	September 30, <u>2020</u>	June 30, <u>2020</u>
Tier 1	12.26%	12.42%	12.83%	12.73%	12.70%
Leverage	8.64	9.28	9.30	9.30	9.98
CET-1	12.26	12.42	12.83	12.73	12.70
TCE	8.47	8.98	9.72	9.63	9.47
Total	13.25	13.40	13.84	13.67	13.63

Additional Data

	June 30, <u>2021</u>	March 30, <u>2021</u>	December 31, <u>2020</u>	September 30, <u>2020</u>	June 30, <u>2020</u>
Branches	11	11	10	10	10
Employees (Full Time Equivalent)	149	146	137	135	133

About South Atlantic Bancshares, Inc.

South Atlantic Bancshares, Inc. (OTCQX: SABK) is a registered bank holding company based in Myrtle Beach, South Carolina with \$1.1 billion 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 eleven 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, certificates of deposit 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 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 and readers are cautioned not to place undue reliance on the forward-looking statements contained in this press release. 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, other than information as of December 31, 2020, 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, 2020, as contained in the Company's 2020 Annual Report located on the Company's website.

Available Information

The Company maintains an Internet web site at www.southatlantic.bank/about-us/investor-relations. The Company makes available, free of charge, on its web site the Company's annual meeting materials, annual reports, and quarterly earnings reports. In addition, the OTC Markets Group maintains an Internet site that contains reports, proxy and information statements, and other information regarding the Company (at www.otcmarkets.com/SABK).

The Company routinely posts important information for investors on its web site (under www.southatlantic.bank and, more specifically, under the Investor Relations tab at www.southatlantic.bank/about-us/investor-relations/). The Company intends to use its web site as a means of disclosing material non-public information and for complying with its disclosure obligations under the OTC Markets Group OTCQX Rules for U.S. Banks. Accordingly, investors should monitor the Company's web site, in addition to following the Company's press releases, OTC filings, public conference calls, presentations and webcasts.

The information contained on, or that may be accessed through, the Company's web site is not incorporated by reference into, and is not a part of, this press release.

Contacts: K. Wayne Wicker, Chairman & CEO, 843-839-4410
Dick Burch, EVP & CFO 843-839-4412

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