

# South Atlantic Bank

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## PRESS RELEASE

### For Immediate Release

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### Mid-Year Earnings Grow 313 Percent at South Atlantic Bancshares, Inc.

Myrtle Beach, South Carolina, July 23, 2019 – South Atlantic Bancshares, Inc. (“South Atlantic” or the “Company”) (OTCQX: SABK), parent of South Atlantic Bank (the “Bank”), today reported net income of \$3.1 million, or \$0.41 per diluted share, for the six months ended June 30, 2019, compared to \$752 thousand, or \$0.11 per diluted share, reported for the same six-month period in 2018. Net income for the three months ended June 30, 2019 was \$1.8 million, or \$0.24 per diluted share, compared to loss of \$(49,087), net of merger and conversion expenses of \$1.4 million, or \$(0.01) per diluted share, reported for the same period a year ago. Net income increased 313.45 percent for the six months ended June 30, 2019 compared to the same six-month period in 2018.

#### Financial Highlights

- Return on average equity was 7.66 percent for the six months ended June 30, 2019, compared to 2.28% for the six months ended June 30, 2018.
- Return on average assets was 0.92 percent for the six months ended June 30, 2019, compared to 0.26 percent for the six months ended June 30, 2018.
- The net interest margin, taxable equivalent, was 4.25 percent for the six months ended June 30, 2019, a 5 basis point increase from the same six-month period in 2018.
- Total loans grew 8.04 percent, from \$512.0 million at June 30, 2018 to \$553.1 million at June 30, 2019.
- Total deposits grew 14.7 percent, from \$555.1 million at June 30, 2018 to \$636.8 million at June 30, 2019.
- Total assets grew 15.2 percent, from \$638.9 million at June 30, 2018 to \$736.1 million at June 30, 2019.
- Asset quality continues to be a highlight with non-performing assets to average total assets at 0.06 percent as of the three-month period ended June 30, 2019.

“We are pleased that the solid operating performance we demonstrated in the first quarter continued through the second quarter leading to the Company’s most profitable mid-year earnings since inception,” said Wayne Wicker, Chief Executive Officer and Chairman of the Board for South Atlantic. “Our financial performance during the first half of the year reflects a solid net interest margin, strong asset quality, increases in certain fee income categories and a controlling of overhead costs. We continue to see

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strong competition in all of our markets for both loans and deposits. Despite the competition, our team has done a good job attracting quality deposits, especially non-interest bearing deposits. We experienced modest loan growth in the second quarter; however, our loan pipeline looks promising and we expect to see increased loan growth as we continue to leverage our newer markets from our acquisition of Atlantic Bancshares, Inc. last year.”

### **Operating Results**

Net income for the six-month period ended June 30, 2019 totaled \$3.1 million, or \$0.41 per diluted common share. Net income for the six months ended June 30, 2018 was \$752 thousand, or \$0.11 per diluted common share, which included one-time charges of \$1.4 million in merger and conversion expenses in connection with the Company’s acquisition of Atlantic Bancshares, Inc.

Net income for the three-month period ended June 30, 2019 totaled \$1.8 million, or \$0.24 per diluted common share, compared to loss of \$(49,087), or \$(0.01) per diluted common share, net of merger and conversion expenses of \$1.4 million in 2018.

### **Net Interest Income and Net Interest Margin**

Net interest income to average assets was 3.91 percent for the six-month period ended June 30, 2019, compared to 3.87 percent for the same six-month period in 2018, and 3.84 percent for the three months ended June 30, 2019, compared to 3.97 percent for the same three-month period in 2018. The decline during the three-month period ended June 30, 2019 compared to the same period ended June 30, 2018 was due to increased interest expense from a comparatively higher cost of funds during the second quarter of 2019. Net interest income totaled \$13.2 million for the six-month period ended June 30, 2019, compared to \$11.1 million for the same six-month period ended June 30, 2018. Net interest margin, taxable equivalent, increased from 4.20 percent at June 30, 2018 to 4.25 percent at June 30, 2019. Net interest margin, taxable equivalent, for the three months ended June 30, 2019 decreased to 4.20 percent from 4.31 percent at June 30, 2018. Increase in net interest income is attributed primarily to increased interest income from loan growth of 8.04 percent during the six-month period ended June 30, 2019.

Net interest income and the net interest margin are affected by purchase accounting accretion and amortization entries associated with the fair value measurements recorded effective June 1, 2018. Increases in interest income on loans totaling \$185 thousand were recorded during the first six months of 2019, compared to \$0.00 for the same six-month period in 2018. Purchase loan accretion amounts vary from period to period as a result of periodic cash flow re-estimations, loan payoffs, and payment performance.

### **Noninterest Income and Expense**

Noninterest income totaled \$2.3 million for the six months ended June 30, 2019, compared to \$1.8 million for the same six-month period ended June 30, 2018. Noninterest income for the three months ended June 30, 2019 totaled \$1.5 million, compared to \$1.0 million for same three-month period ended June 30, 2018. The increase in noninterest income was primarily related to gains on sale of securities of \$349

## Mid-Year Earnings Grow 313 percent at South Atlantic Bancshares, Inc.

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thousand and an increase in merchant activity. Noninterest expense declined from \$11.6 million for the six-month period ended June 30, 2018 to \$11.4 million for the same six-month period in 2019. For the three-month period ended June 30, 2019, noninterest expense decreased \$990 thousand from \$6.8 million for the three months ended June 30, 2018 to \$5.8 million for the same three-month period in 2019.

### Loan Loss Provision

Provision for loan losses for the six-month periods ended June 30, 2019 and 2018 was \$330 thousand and \$215 thousand, respectively. This increase is due primarily to the increase in loan growth from June 30, 2018 to June 30, 2019. Provision for loan losses for the three-month periods ended June 30, 2019 and 2018 was \$165 thousand, respectively.

### Nonperforming Assets

Nonperforming assets as a percentage of average assets was 0.06 percent and 0.00 percent for the six-month periods ended June 30, 2019 and 2018, respectively. For the three-month periods ended June 30, 2019 and 2018, nonperforming assets as a percentage of average assets was 0.06 and 0.00, respectively.

### Capital Position

Shareholders' equity totaled \$84.3 million as of June 30, 2019, an increase of \$6.6 million since June 30, 2018 and an increase of \$5.0 million since December 31, 2018. The Bank's capital position remains above the minimum regulatory thresholds required to be considered "well-capitalized," with a total risk-based capital ratio of 10.75 percent at June 30, 2019. At June 30, 2019, the Bank had approximately \$4.6 million in excess of the 10.0 percent minimum regulatory threshold required to be considered a "well-capitalized" institution. In addition, the Company reported \$15.1 million in additional capital available for down streaming to the Bank. The Company reported 7,504,040 total shares outstanding at June 30, 2019.

Mr. Wicker concluded, "Our strong capital position and financial performance have positioned us to meet growth objectives and enhance shareholder value in future periods."

### About South Atlantic Bancshares, Inc.

South Atlantic Bancshares, Inc. (OTCQX: SABK) is a registered bank holding company based in Myrtle Beach, South Carolina with \$736 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 nine offices in Myrtle Beach, North Myrtle Beach, Murrells Inlet, Pawleys Island, Georgetown, Mount Pleasant, Charleston, Bluffton and Hilton Head Island, South Carolina. South Atlantic 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*, its 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](http://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 preceded by, followed by, or that include the words “may,” “could,” “should,” “would,” “believe,” “anticipate,” “estimate,” “expect,” “intend,” “plan,” “projects,” “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. 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 at December 31, 2018, and for the twelve months then ended, is unaudited. All financial data should be read in conjunction with the notes to the consolidated financial statements of the Company and South Atlantic Bank as of and for the fiscal year ended December 31, 2018, as contained in the Company’s 2018 Annual Report located on the Company’s website.

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**South Atlantic Bancshares, Inc.**  
**Selected Financial Highlights**

	For the Three Months Ended June 30, 2019	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
<b>Quarter End Balances (In Thousands)</b>				
Total assets	\$ 736,102	\$ 638,914	\$ 736,102	\$ 638,914
Investment securities	59,757	41,900	57,757	41,900
Mortgage loans held-for-sale	11,142	2,377	11,142	2,377
Loans, net of unearned income (total loans)	553,141	511,981	553,141	511,981
Goodwill	5,349	6,201	5,349	6,201
Deposit Intangible	1,249	1,603	1,249	1,603
Deposits	636,797	555,118	636,797	555,118
Shareholders' equity	84,322	77,690	84,322	77,690
Common Stock Outstanding – Period End	7,504,040	7,537,856	7,504,040	7,537,856
<b>Average Balances (In Thousands)</b>				
Total assets	\$ 705,930	\$ 626,395	\$ 679,011	\$ 575,541
Earning assets	651,345	585,396	628,822	539,041
Investment securities	52,261	39,102	51,739	37,681
Loans, net of unearned income	557,666	505,347	549,703	467,789
Deposits	607,933	548,657	577,636	497,846
Shareholders' equity	83,063	72,282	81,828	66,616
<b>Earnings Breakdown (In thousands, except share and per share amounts)</b>				
Total interest income	\$ 8,212	\$ 6,898	\$ 15,792	\$ 12,336
Total interest expense	1,446	690	2,628	1,280
Net interest income	6,766	6,207	13,164	11,056
Total noninterest income	1,473	1,028	2,348	1,816
Total noninterest expense	5,843	6,833	11,418	11,554
Provision for loan losses	165	165	330	215
Income before taxes	2,231	237	3,764	1,103
Taxes	396	286	654	350
Net income	1,836	(49)	3,110	752
Basic earnings per share	0.24	(0.01)	0.41	0.11
Diluted earnings per share	0.24	(0.01)	0.41	0.11
Common stock outstanding - basic	7,504,040	7,148,824	7,504,040	6,784,523
Common stock outstanding - diluted	7,602,487	7,286,173	7,598,627	6,926,914
<b>Selected % Increases (Period over Period)</b>				
Total assets	15.21	23.02	15.21	23.02
Total interest earning assets	12.96	25.27	12.96	25.27
Total loans	8.04	23.37	8.04	23.37
Total deposits	14.71	21.73	14.71	21.73
Interest income	19.06	37.22	28.02	29.77
Interest expense	109.48	69.55	105.35	57.85
Noninterest income	43.32	22.61	29.33	18.16
Noninterest expense	(14.49)	72.70	(1.18)	50.23
Net income	3,839.37	(105.09)	313.45	(54.41)
<b>Selected Ratios (Quarter to date)</b>				
Return on assets	1.04	(0.03)	0.92	0.26
Return on equity	8.86	(0.27)	7.66	2.28
Interest income to total average assets	4.67	4.42	4.69	4.32
Interest expense to total average assets	0.82	0.44	0.78	0.45
Net interest income to total average assets	3.84	3.97	3.91	3.87
Loan loss reserve to total loans	0.86	0.78	0.86	0.78
Nonperforming assets to total average assets	0.06	0.00	0.06	0.00
Net charge-offs to total average loans	0.00	0.00	0.00	0.00
Net interest margin (taxable equivalent)	4.20	4.31	4.25	4.20