

South Atlantic Bank

630 29TH AVENUE NORTH • MYRTLE BEACH, SC 29577 • 843.839.0100

PRESS RELEASE

For Immediate Release

Financial Contact: Dick Burch, EVP & CFO 843-839-4412

Media Contact: Beth Branham, Vice President and Director of Marketing
843.848.2030

Third Quarter Earnings Reflect Continued Growth

Myrtle Beach, South Carolina, October 15, 2019 – South Atlantic Bancshares, Inc. (“South Atlantic” or the “Company”) (OTCQX: SABK), parent of South Atlantic Bank (the “Bank”), today reported net income of \$4.8 million, or \$0.63 per diluted share, for the nine months ended September 30, 2019, compared to \$2.1 million, or \$0.29 per diluted share, reported for the same nine-month period in 2018. Net income for the three months ended September 30, 2019 was \$1.7 million, or \$0.22 per diluted share, compared to \$1.3 million or \$0.18 per diluted share, reported for the same three-month period in 2018. Net income increased 129.3 percent for the nine months ended September 30, 2019 compared to the same nine-month period in 2018.

Financial Highlights

- Return on average equity was 7.72 percent for the nine months ended September 30, 2019, compared to 3.96 percent for the nine months ended September 30, 2018.
- Return on average assets was 0.92 percent for the nine months ended September 30, 2019, compared to 0.47 percent for the nine months ended September 30, 2018.
- The net interest margin, taxable equivalent, was 4.21 percent for the nine months ended September 30, 2019, a 5 basis point decline from the same nine-month period in 2018.
- Total loans grew 9.3 percent year-over-year, from \$512.5 million at September 30, 2018 to \$560.3 million at September 30, 2019.
- Total deposits grew 16.1 percent year-over-year, from \$527.2 million at September 30, 2018 to \$612.1 million at September 30, 2019.
- Total assets grew 15.6 percent year-over-year, from \$617.8 million at September 30, 2018 to \$714.2 million at September 30, 2019.
- Asset quality continues to be pristine with non-performing assets to average total assets at 0.07 percent as of the three-month period ended September 30, 2019.

“We are pleased with our continued solid operating performance through the third quarter, making year-to-date earnings the most profitable three quarters in our bank’s history,” said Wayne Wicker, Chief Executive Officer and Chairman of the Board for South Atlantic. “Our financial performance during the nine-month period reflects a solid net interest margin, pristine credit quality, an increase in mortgage production and a controlling of overhead costs. We continue to see strong competition in all of our markets for all banking services. Despite the competition, our team continues to do a good job attracting quality deposits, especially non-interest bearing deposits.

Third Quarter Earnings Reflect Continued Growth

Page 2

While loan growth was modest in the quarter, our loan pipeline looks promising and we expect to see increased loan growth as we continue to leverage our markets.”

Operating Results

Net income for the nine-month period ended September 30, 2019 totaled \$4.8 million, or \$0.63 per diluted common share. Net income for the nine months ended September 30, 2018 was \$2.1 million, or \$0.29 per diluted common share.

Net income for the three-month period ended September 30, 2019 totaled \$1.7 million, or \$0.22 per diluted common share, compared to \$1.3 million, or \$0.18 per diluted common share, for the same period a year ago.

Net Interest Income and Net Interest Margin

Net interest income increased \$2.7 million to \$20.1 million for the nine-month period ended September 30, 2019, compared to \$17.4 million for the same nine-month period ended September 30, 2018. This increase resulted from a higher net interest margin and higher average asset balances. Increases in net interest income is attributed primarily to increased interest income from loan growth of 9.3 percent during the nine-month period ended September 30, 2019. Net interest margin, taxable equivalent, decreased 5 basis points from 4.26 percent at September 30, 2018 to 4.21 percent at September 30, 2019. Net interest margin, taxable equivalent, for the three months ended September 30, 2019 decreased to 4.13 percent from 4.37 percent at September 30, 2018. These decreases in net interest margin are the result of higher cost of funds during the periods. Net interest income to average assets was 3.87 percent for the nine-month period ended September 30, 2019, compared to 3.92 percent for the same nine-month period in 2018, and 3.80 percent for the three months ended September 30, 2019, compared to 4.02 percent for the same three-month period in 2018. These declines are due to increased interest expense from a comparatively higher cost of funds during the nine-month period.

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 September 1, 2018. Increases in interest income on loans totaling \$327 thousand were recorded during the first nine months of 2019, compared to \$0.00 for the same nine-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 \$3.7 million for the nine months ended September 30, 2019, compared to \$2.7 million for the same nine-month period ended September 30, 2018. Noninterest income for the three months ended September 30, 2019 totaled \$1.4 million, compared to \$871 thousand for same three-month period ended September 30, 2018. The increase in noninterest income was primarily related to increased mortgage production and gains on the restructure of the investment portfolio. Noninterest expense increased \$345 thousand from \$17.1 million for the nine-month period ended September 30, 2018 to \$17.5 million for the same nine-month period in 2019. For the three-month period ended September 30, 2019, noninterest expense increased \$481 thousand from \$5.6 million for the three months ended September 30, 2018 to \$6.1 million for the same three-month period in 2019. The increase in noninterest expense for both the three- and nine-month periods related primarily to increases in compensation, benefits and occupancy as we continue to expand our markets.

Third Quarter Earnings Reflect Continued Growth

Page 3

Loan Loss Provision

Provision for loan losses for the nine-month periods ended September 30, 2019 and 2018 was \$495 thousand and \$325 thousand, respectively. This increase is due primarily to the increase in loan growth from September 30, 2018 to September 30, 2019. Provision for loan losses for the three-month periods ended September 30, 2019 and 2018 was \$165 thousand and \$110 thousand, respectively.

Nonperforming Assets

Nonperforming assets as a percentage of average assets was 0.08 percent and 0.02 percent for the nine-month periods ended September 30, 2019 and 2018, respectively. For the three-month periods ended September 30, 2019 and 2018, nonperforming assets as a percentage of average assets was 0.07 and 0.02, respectively.

Capital Position

Shareholders' equity totaled \$86.5 million as of September 30, 2019, an increase of \$7.8 million since September 30, 2018 and an increase of \$7.1 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 10.47 percent at September 30, 2019. At September 30, 2019, the Bank had approximately \$3.0 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 September 30, 2019.

About South Atlantic Bancshares, Inc.

South Atlantic Bancshares, Inc. (OTCQX: SABK) is a registered bank holding company based in Myrtle Beach, South Carolina with \$709 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. 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*, 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.

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," "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

Third Quarter Earnings Reflect Continued Growth

Page 4

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 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 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 the 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.

Member FDIC

South Atlantic Bancshares, Inc.

	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Quarter End Balances (In Thousands)				
Total assets	\$ 714,172	\$ 617,816	\$ 714,172	\$ 617,816
Investment securities	72,299	47,246	72,299	47,246
Mortgage loans held-for-sale	17,242	1,879	17,242	1,879
Loans, net of unearned income (total loans)	560,286	512,464	560,286	512,464
Goodwill	5,349	6,075	5,349	6,075
Deposit Intangible	1,179	1,472	1,179	1,472
Deposits	612,058	527,188	612,058	527,188
Shareholders' equity	86,462	78,647	86,462	78,647
Common Stock Outstanding – Period End	7,504,040	7,503,435	7,504,040	7,503,435
Average Balances (In Thousands)				
Total assets	\$ 729,599	\$ 629,830	\$ 696,059	\$ 593,836
Earning assets	676,427	586,686	644,865	555,097
Investment securities	67,364	43,705	57,005	39,711
Loans, net of unearned income	564,288	513,232	554,618	483,103
Deposits	628,588	544,028	594,807	513,409
Shareholders' equity	85,718	78,725	83,139	70,697
Earnings Breakdown (In thousands, except share and per share amounts)				
Total interest income	\$ 8,410	\$ 7,063	\$ 24,202	\$ 19,399
Total interest expense	1,422	687	4,050	1,966
Net interest income	6,988	6,377	20,152	17,433
Total noninterest income	1,380	871	3,728	2,686
Total noninterest expense	6,069	5,588	17,487	17,142
Provision for loan losses	165	110	495	325
Income before taxes	2,134	1,549	5,898	2,652
Taxes	444	208	1,098	558
Net income	1,690	1,342	4,801	2,094
Basic earnings per share	0.23	0.18	0.64	0.30
Diluted earnings per share	0.22	0.18	0.63	0.29
Common stock outstanding - basic	7,504,040	7,492,867	7,504,040	7,025,813
Common stock outstanding - diluted	7,595,944	7,619,266	7,591,626	7,163,148
Selected % Increases (Period over Period)				
Total assets	15.60	20.73	15.60	20.73
Total interest earning assets	12.44	19.51	12.44	19.51
Total loans	9.33	20.40	9.33	20.40
Total deposits	16.10	18.60	16.10	18.60
Interest income	19.06	34.41	24.76	31.42
Interest expense	107.07	67.67	105.95	61.15
Noninterest income	58.47	4.19	38.77	13.24
Noninterest expense	8.60	23.52	2.01	40.34
Net income	26.00	36.18	129.27	(20.54)
Selected Ratios (Quarter to date)				
Return on assets	0.92	0.85	0.92	0.47
Return on equity	7.82	6.76	7.72	3.96
Interest income to total average assets	4.57	4.45	4.65	4.37
Interest expense to total average assets	0.77	0.43	0.78	0.44
Net interest income to total average assets	3.80	4.02	3.87	3.92
Loan loss reserve to total loans	0.75	0.55	0.72	0.60
Nonperforming assets to total average assets	0.07	0.02	0.08	0.02
Net charge-offs to total average loans	0.00	0.00	0.00	0.00
Net interest margin (taxable equivalent)	4.13	4.37	4.21	4.26