



South Atlantic Bancshares, Inc. Reports Earnings of \$1.42 per Diluted Common Share For the Year Ended December 31, 2021

MYRTLE BEACH, S.C., January 19, 2022 /PRNewswire/ -- South Atlantic Bancshares, Inc. ("South Atlantic" or the "Company") (OTCQX: SABK), parent of South Atlantic Bank (the "Bank"), reported consolidated net income of \$10.8 million, or \$1.42 per diluted common share, for the twelve months ended December 31, 2021, an increase of \$3.7 million, or \$0.46 per diluted common share, compared to the twelve months ended December 31, 2020. Consolidated net income was \$2.3 million, or \$0.29 per diluted common share, for the three months ended December 31, 2021, an increase of \$411 thousand, or \$0.05 per diluted common share, compared to the three months ended December 31, 2020.

"We are very pleased with our financial performance for the year ended 2021. Our earnings improvements continued through the fourth quarter of 2021, reflecting higher than anticipated loan growth and deposit growth, while maintaining a strong credit culture. We believe our earnings will continue to improve into 2022 with solid balance sheet growth, though we expect to continue to experience some net interest margin compression in the current low interest rate environment. We are encouraged by the activity in our loan pipeline and believe we are well-positioned for future growth in all of our markets," said K. Wayne Wicker, Chairman and Chief Executive Officer of South Atlantic

Earnings Summary

Net income for the twelve months ended December 31, 2021 totaled \$10.8 million, or \$1.42 per diluted common shares, compared to \$7.2 million, or \$0.96 per diluted common share, reported for the same twelve months ended December 31, 2020. Net income for the three months ended December 31, 2021 totaled \$2.3 million, or \$0.29 per diluted common share, compared to \$1.8 million or \$0.24 per diluted common shares, reported for the same three months ended December 31, 2020.

Net interest income was \$35.8 million for the twelve months ended December 31, 2021 compared to \$30.0 million for the twelve months ended December 31, 2020, an increase of \$5.8 million, or 19.2 percent, primarily due to the recognition of \$3.8 million of Paycheck Protection Program ("PPP") fee income resulting from PPP loans that were forgiven by the Small Business Administration ("SBA") or otherwise repaid during the twelve months ended December 31, 2021, as well as an increase of \$2.3 million in interest income for the twelve months ended December 31, 2021 on securities due to increased securities holdings, and a \$1.4 million decrease in interest expense for the twelve months ended December 31, 2021. Net interest income was \$9.2 million for the three months ended December 31, 2021, an increase of \$1.0 million, or 12.3 percent, compared to \$8.2 million for the three months ended December 31, 2020. This increase during the three months ended December 31, 2021 is primarily due to an increase of \$931 thousand in interest income on securities due to increased securities holdings and a \$115 thousand decrease in interest expense, partially offset by a decline of \$445 thousand of PPP fee income resulting from PPP loans that were forgiven by the SBA or otherwise repaid during the period compared to the three months ended December 31, 2020.

Discount accretion included in the net interest income was \$307 thousand for the twelve months ended December 31, 2021 compared to \$349 thousand for the same period in 2020. For the three months ended December 31, 2021, accretion was \$74 thousand compared to \$82 thousand for the same period in 2020.

Noninterest income increased \$1.9 million, or 23.3 percent, to \$9.8 million for the twelve months ended December 31, 2021 compared to \$8.0 million for the twelve months ended December 31, 2020. This increase in noninterest income during the twelve months ended December 31, 2021 is primarily due to a \$1.2 million increase in secondary mortgage fees and a \$579 thousand increase in merchant card activity and debit card fees compared to the twelve months ending

December 31, 2020. Noninterest income declined \$182 thousand, or 8.5 percent, for the three months ending December 31, 2021 compared to the three months ending December 31, 2020. This decline in noninterest income during the three months ended December 31, 2021 is primarily due to a \$340 thousand decrease in secondary mortgage fees compared to the three months ended December 31, 2020.

Noninterest expense increased \$3.2 million, or 11.7 percent, to \$30.7 million for the twelve months ending December 31, 2021 compared to \$27.5 million for the twelve months ended December 31, 2020. This increase in noninterest expense during the twelve months ended December 31, 2021 is primarily due to salary and benefits expenses increasing by \$2.2 million due to increased commissions on mortgage production, the hiring of six full time equivalent employees related to opening of the Bank's eleventh branch office on Hilton Head Island, South Carolina, the hiring of support personnel due to the Bank's growth in all of its markets, and increased FDIC deposit insurance costs related to the growth in deposits during the period. Noninterest expense increased \$399 thousand, or 5.4 percent, during the three months ending December 31, 2021 compared to the three months ending December 31, 2020 primarily due to a \$194 thousand increase in salaries and benefits due to mortgage commissions and personal costs related to the Bank's new Hilton Head Island branch office, and a \$303 thousand increase in occupancy costs related to depreciation acceleration on furniture, fixtures and equipment. Our effective tax rate for the twelve months ended December 31, 2021 was 19.8 percent compared to 17.6 percent for the twelve months ended December 31, 2020. This increase can be attributed to a reduction in non-taxable income on securities in 2021 compared to 2020.

Financial Performance

Dollars in Millions Except Per Share Data

Income Statement	Three Months Ended					Twelve Months Ended	
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Interest Income							
Loans	\$8,020	\$8,029	\$8,292	\$8,684	\$8,096	\$33,024	\$30,945
Investments	1,698	1,396	1,119	748	734	4,962	2,639
Total Interest Income	\$9,718	\$9,425	\$9,411	\$9,432	\$8,830	\$37,986	\$33,584
Interest Expense	550	514	559	575	665	2,198	3,556
Net Interest Income	\$9,168	\$8,911	\$8,852	\$8,857	\$8,165	\$35,788	\$30,028
Provision for Loan Losses	553	111	375	285	665	1,324	1,685
Noninterest Income	1,956	2,145	2,260	3,478	2,138	9,839	7,981
Noninterest Expense	7,818	7,721	7,625	7,558	7,418	30,722	27,497
Income Before Taxes	\$2,753	\$3,224	\$3,112	\$4,492	\$2,220	\$13,581	\$8,827
Provision for Income Taxes	499	620	637	978	376	2,734	1,631
Net Income	\$2,254	\$2,604	\$2,475	\$3,514	\$1,844	\$10,847	\$7,196
Basic Earnings Per Share	\$0.30	\$0.34	\$0.33	\$0.47	\$0.25	\$1.44	\$0.96
Diluted Earnings Per Share	\$0.29	\$0.34	\$0.32	\$0.46	\$0.24	\$1.42	\$0.96
Weighted Average Shares Outstanding							
Basic	7,573,020	7,553,866	7,513,030	7,509,333	7,504,098	7,538,584	7,478,203
Diluted	7,694,569	7,683,857	7,633,965	7,600,275	7,561,005	7,652,888	7,526,804
Total Shares Outstanding	7,577,805	7,561,499	7,541,109	7,509,333	7,509,333	7,577,805	7,509,333

Noninterest Income/Expense

Dollars in Millions

Noninterest Income	Three Months Ended					Twelve Months Ended	
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Service charges and fees	\$131	\$125	\$118	\$126	\$106	\$501	\$460
Securities gains, net	86	46	-	990	90	1,122	1,052
Secondary mortgage income	1,014	1,214	1,365	1,755	1,354	5,347	4,151
Other Income	725	760	777	607	588	2,869	2,318
Total noninterest income	\$1,956	\$2,145	\$2,260	\$3,478	\$2,138	\$9,839	\$7,982
Noninterest expense							
Salaries and employee benefits	\$4,767	\$4,888	\$4,847	\$4,797	\$4,572	\$19,299	\$17,144
Occupancy	1,257	1,043	1,092	1,121	954	4,514	3,779
Other Expense	1,794	1,790	1,686	1,640	1,892	6,910	6,574
Total noninterest expense	\$7,818	\$7,721	\$7,625	\$7,558	\$7,418	\$30,722	\$27,497

Balance Sheet Activity

Total assets increased \$285.4 million to \$1.2 billion as of December 31, 2021 compared to \$946.5 million as of December 31, 2020. This increase in total assets during the twelve months ended December 31, 2021 is primarily due to an increase of \$209.0 million in investment securities and an increase of \$95.0 million in total loans, partially offset by the forgiveness of \$48.0 million of PPP loans by the SBA during the period, thus reflecting overall loan growth of 13.8 percent year-over-year. Total loans, net of PPP loans, grew \$47.0 million, or 6.8 percent, for the twelve months ended December 31, 2021. Total deposits increased \$247.2 million to \$1.1 billion as of December 31, 2021 compared to \$834.8 million as of December 31, 2020.

Total assets increased \$67.4 million from September 30, 2021 to December 31, 2021. This increase in total assets during the three months ended December 31, 2021 is primarily related to \$26.1 million in securities purchases made during the period to offset overnight cash positions and total loans increased \$39.5 million, partially offset by the forgiveness of \$14.0 million of PPP loans by the SBA during the three-month period ended December 31, 2021. Total deposits increased \$38.4 million during the three-month period ended December 31, 2021 compared to a decrease of \$4.5 million during the three-month period ended December 31, 2020.

Balance Sheet

Dollars in Millions

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Cash and Cash Equivalents	\$95,378	\$83,753	\$142,008	\$112,694	\$40,682
Trading Securities	10,055	9,977	-	-	-
Investment Securities	324,176	298,131	220,429	148,739	125,229
Loans Held for Sale	9,692	5,631	7,807	26,559	36,676
Loans					
Loans	733,896	708,436	718,026	691,141	686,894
Less Allowance for Loan Losses	(8,159)	(7,606)	(7,494)	(7,109)	(6,824)
Loans, Net	\$725,737	\$700,830	\$710,532	\$684,032	\$680,070
OREO	-	-	-	-	-
Property, net of accumulated depreciation	19,772	20,274	20,350	20,371	20,313
BOLI	23,839	23,682	23,525	23,369	23,215
Goodwill	5,349	5,349	5,349	5,349	5,349
Core Deposit Intangible	640	692	746	802	859
Other Assets	17,315	16,196	15,088	14,749	14,148
Total Assets	\$1,231,953	\$1,164,515	\$1,145,834	\$1,036,664	\$946,541

Deposits					
Noninterest bearing	\$346,525	\$350,175	\$349,345	\$304,430	\$245,321
Interest Bearing	735,577	693,520	678,231	617,021	589,533
Total Deposits	\$1,082,102	\$1,043,695	1,027,576	921,451	834,854
Other Borrowings	-	-	14	-	-
Other Liabilities	44,339	16,650	15,422	16,242	13,865
Total Liabilities	\$1,126,441	\$1,060,345	\$1,043,012	\$937,693	\$848,719
Shareholders' Equity	\$105,512	\$104,170	\$102,822	\$98,971	\$97,822
Total Liabilities and Shareholders' Equity	\$1,231,953	\$1,164,515	\$1,145,834	\$1,036,664	\$946,541

PPP Loans

The Company processed 1,013 PPP loans, totaling \$91.7 million, during phase one of the PPP, which began in April 2020 and ended in August 2020. We have received forgiveness payments of \$91.7 million from the SBA for all 1,013 phase one PPP loans, leaving no outstanding loans from phase one of the PPP as of December 31, 2021. The Company processed an additional 519 PPP loans, totaling \$54.6 million, during phase two of the PPP, which began in January 2021 and ended in May 2021. We have received forgiveness payments of \$30.2 million from the SBA for 237 phase two PPP loans as of December 31, 2021. We anticipate that the remaining 287 phase two PPP loans will be forgiven by the SBA or otherwise repaid by mid-year 2022.

PPP Loans

<i>Dollars in Thousands</i>	<u>4Q21</u>	<u>3Q21</u>	<u>2Q21</u>	<u>1Q21</u>	<u>4Q20</u>	<u>Remaining</u>
Total PPP Loans Outstanding	\$24,414	\$38,470	\$56,226	\$72,457	\$76,819	-
Phase 1 Fee Income	-	-	\$477	\$1,433	\$983	-
Phase 2 Fee Income	\$538	\$687	\$560	\$125	-	\$772

Net Interest Margin

Net interest margin, on a tax equivalent basis ("net interest margin"), declined by 25 basis points to 3.54 percent for the twelve months ended December 31, 2021 compared to the same twelve-month period in 2020. The decline in net interest margin during the twelve months ended December 31, 2021 is primarily attributed to the 48 basis point decrease in the earning asset yield, partially offset by the 25 basis point decline in the cost of deposits as a result of the continued low interest rate environment.

Net interest margin declined 6 basis points to 3.32 percent for the three months ended December 31, 2021 compared to the three months ended September 30, 2021. The decline is primarily attributed to the 6 basis point decrease in the earning asset yield and the 1 basis point increase in the cost of deposits.

Net Interest Margin Analysis

Dollars in Millions

	December 31, 2021		September 30, 2021		Three Months Ended June 30, 2021		March 31, 2021		December 31, 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	\$719	3.97%	\$711	3.94%	\$704	3.96%	\$690	3.99%	\$681	3.99%
Loan fees		0.42		0.51		0.70		1.00		0.62
Loans with fees	\$719	4.40%	\$711	4.45%	\$704	4.65%	\$690	4.98%	\$681	4.61%
Total interest earning assets	\$1,105	3.52%	\$1,055	3.58%	\$1,003	3.79%	\$903	4.25%	\$875	4.04
Interest-bearing liabilities										
Total interest-bearing deposits	\$741	0.27%	\$689	0.30%	\$640	0.35%	\$596	0.39%	\$575	0.46%
Total interest-bearing liabilities	\$741	0.29%	\$689	0.30%	\$640	0.35%	\$596	0.39%	\$575	0.46%
Cost of funds		0.20%		0.19%		0.23%		0.27%		0.32%
Net interest margin		3.32%		3.38%		3.56%		3.99%		3.74%

Dollars in Millions

	December 31, 2021		Twelve months Ended December 31, 2020	
	Average Balance	Yield/ Rate	Average Balance	Yield/ Rate
Interest earning assets				
Loans	\$706	3.97%	\$651	4.29%
Loan fees		0.65		0.39
Loans with fees	\$706	4.61%	\$651	4.68%
Total interest earning assets	\$1,017	3.76%	\$796	4.24%
Interest-bearing liabilities				
Total interest-bearing deposits	\$667	0.32%	\$521	0.68%
Total interest-bearing liabilities	\$667	0.33%	\$523	0.68%
Cost of funds		0.22%		0.47%
Net interest margin		3.54%		3.79%

Credit Quality

We continue to see strong credit quality throughout our markets through December 31, 2021. As of December 31, 2021, we had one loan classified as non-accrual totaling \$75 thousand and no loans past due greater than 90 days. Provision expense during the twelve months ended December 31, 2021 was \$1.3 million compared to \$1.7 million for the twelve months ended December 31, 2020. Provision expense during the three months ended December 31, 2021 was \$553 thousand compared to \$665 thousand for the three months ended December 31, 2020. As of December 31, 2021, our ratio of loan loss reserve to total loans was 1.11 percent, and 1.15 percent net of PPP loans.

As previously disclosed, the Bank worked closely 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 December 31, 2021, we had no loans with short-term modifications or payment deferrals due to the COVID-19 pandemic.

Credit Quality Analysis

For the Periods Ended

	December 31, <u>2021</u>	September 30, <u>2021</u>	June 30, <u>2021</u>	March 31, <u>2021</u>	December 31, <u>2020</u>
LLR to Total Loans	1.11%	1.07%	1.04%	1.03%	0.99%
LLR to Total Loans (Net PPP)	1.15%	1.14	1.13	1.16	1.11
NPAs to Avg Assets	0.01	0.01	0.00	0.03	0.02
NCOs to Total Loans	0.00	0.00	0.00	0.00	0.05
Total NPAs (thousands)	\$75	\$75	-	\$244	\$224

Performance Ratios

For the Periods Ended

	December 31, <u>2021</u>	September 30, <u>2021</u>	June 30, <u>2021</u>	March 31, <u>2021</u>	December 31, <u>2020</u>
ROAA	0.74%	0.88%	1.10%	1.46%	0.78%
ROAE	8.61	9.75	11.74	14.31	7.58
Efficiency	70.28	69.84	68.62	61.27	72.0
NIM	3.32	3.38	3.56	3.99	3.74
Book Value	\$13.92	\$13.78	\$13.63	\$13.18	\$13.03
Tangible Book Value	\$13.10	\$12.94	\$12.79	\$12.33	\$12.17

Capital Position

Shareholders' equity totaled \$105.5 million as of December 31, 2021, an increase of \$7.7 million since December 31, 2020. 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 12.99 percent as of December 31, 2021. In addition, as of December 31, 2021, the Company reported \$26.9 million in additional capital available for contribution to the Bank, of which \$20 million remains from the Company's previously announced issuance in December 2021 of subordinated notes due 2031. During the twelve months ended December 31, 2021, the Company contributed \$14.2 million of capital to the Bank. The

Company reported 7,577,805 total shares outstanding as of December 31, 2021. This increase of 68,472 shares is due to exercise of options granted to employees.

On December 31, 2021, the Bank had approximately \$25.0 million of total capital in excess of the 10.0 percent minimum regulatory threshold required to be considered a "well-capitalized" institution.

Capital Ratios

	December 31, <u>2021</u>	September 30, <u>2021</u>	June 30, <u>2021</u>	March 31, <u>2021</u>	December 31, <u>2020</u>
BANK ONLY					
Tier 1	12.01%	11.30%	11.28%	11.41%	11.16%
Leverage	8.38	7.63	7.997	8.18	8.08
CET-1	12.01	11.30	11.28	11.41	11.16
Total	12.99	12.27	12.27	12.44	12.18

Additional Data

	December 31, <u>2021</u>	September 30, <u>2021</u>	June 30, <u>2021</u>	March 31, <u>2021</u>	December 31, <u>2020</u>
Branches	11	11	11	10	10
Employees (Full Time Equivalent)	150	149	146	137	135

About South Atlantic Bancshares, Inc.

South Atlantic Bancshares, Inc. (OTCQX: SABK) is a registered bank holding company based in Myrtle Beach, South Carolina with \$1.2 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 (or any current or future variant thereof), 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.

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