



South Atlantic Bancshares, Inc. Reports Record Earnings of \$0.47 per Diluted Common Share for the Three Months Ended September 30, 2022

MYRTLE BEACH, S.C., October 18, 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 \$3.6 million, or \$0.47 per diluted common share, for the quarter ended September 30, 2022, an increase of \$1.0 million, or \$0.13 per diluted common share, compared to the quarter ended September 30, 2021.

Third Quarter 2022 Financial Highlights:

- **Net income for the third quarter of 2022 totaled \$3.6 million, a 44.7 percent increase over the second quarter of 2022 and a 39.4 percent increase over the third quarter of 2021.**
- **Loan interest income, excluding fees, for the third quarter of 2022 increased \$3.1 million, or 43.9 percent when compared to the same period in 2021.**
- **Total assets as of September 30, 2022 equaled \$1.4 billion, an 11.5 percent increase year-to-date and 17.9 percent increase year-over-year.**
- **Total loans, excluding provision for loan losses, increased to \$948.0 million at September 30, 2022, a 29.2 percent increase year-to-date and 33.8 percent increase year-over-year.**
- **Total deposits equaled \$1.2 billion at September 30, 2022, a 14.3 percent increase year-to-date and 18.5 percent increase year-over-year.**

Commenting on the Company's results, K. Wayne Wicker, the Company's Chairman and Chief Executive Officer, remarked, "We are very pleased with our third quarter 2022 financial results. Our team continues to execute our strategy from both a growth and profitability standpoint. We realized strong loan growth, expanded net interest margin, and continued to meaningfully grow core banking income during the third quarter of 2022. While we continue to monitor our credit metrics closely, economic activity in our markets remains high. Despite the uncertain economic outlook in the United States due to persistent inflation and the continued rising interest rate environment, we remain optimistic on the ability of our market areas to provide continued sustainable growth in future periods."

Earnings Summary

Net interest income was \$12.3 million for the three months ended September 30, 2022 compared to \$8.9 million for the three months ended September 30, 2021, an increase of \$3.4 million, or 38.1 percent. This growth during the period was primarily due to an increase of \$2.6 million in loan interest income resulting from increased loan volume and yield on the loan portfolio. Interest income on investments for the three months ended September 30, 2022 increased \$1.2 million as a result of securities purchased in late 2021. Interest expense for the three months ended September 30, 2022 increased \$363 thousand, driven by interest expense related to the Company's outstanding subordinated debt, which was issued in the fourth quarter of 2021.

Noninterest income declined \$947 thousand, or 44.2 percent, to \$1.2 million for the three months ended September 30, 2022 compared to \$2.1 million for the three months ended September 30, 2021, primarily due to a \$911 thousand decrease in secondary mortgage fees. The decline in secondary mortgage fees is reflective of the industry-wide slow down driven by the rapidly rising rate environment.

Noninterest expense increased \$833 thousand, or 10.8 percent, to \$8.6 million for the three months ended September 30, 2022 compared to \$7.7 million for the three months ended September 30, 2021. This increase in noninterest expense during the three months ended September 30, 2022 was primarily due to salary and benefits expenses increasing by \$336

thousand due to the hiring of additional seasoned commercial lenders, retention incentives for staff, and overhead costs to support our operations and growth initiatives.

Net interest income was \$32.1 million for the nine months ended September 30, 2022 compared to \$26.6 million for the nine months ended September 30, 2021, an increase of \$5.5 million, or 20.7 percent. The increase during the period was primarily due to an increase of \$2.9 million in loan interest income from increased loan volume and yield on the loan portfolio, as well as a \$3.4 million increase in interest income on investments. Interest income increases for the nine months ended September 30, 2022 were partially offset by an increase in interest expense of \$755 thousand, driven primarily by interest expense on the Company's outstanding subordinated debt. Net interest income for the nine months ended September 30, 2022 increased despite a \$2.3 million decrease in loan fees when compared to the same period last year. The decrease in loan fees was attributable to a decrease in fees received from the Small Business Administration ("SBA") related to the Paycheck Protection Program (the "PPP"), as core loan fees were consistent with the prior period.

Noninterest income declined \$4.0 million, or 51.1 percent, to \$3.9 million for the nine months ended September 30, 2022 compared to \$7.9 million for the nine months ended September 30, 2021, primarily due to a \$2.6 million decrease in secondary mortgage fees and \$1.8 million decrease in gains on the sale of securities.

Noninterest expense increased \$2.1 million, or 9.3 percent, to \$25.0 million for the nine months ended September 30, 2022 compared to \$22.9 million for the nine months ended September 30, 2021. This increase in noninterest expense during the nine months ended September 30, 2022 was primarily due to an increase in salary and benefits expense of \$1.2 million from the hiring of additional seasoned bankers to support our initiatives for strategic growth.

Financial Performance

Dollars in Thousands Except Per Share Data

	Three Months Ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Interest Income					
Loans	\$ 10,589	\$ 9,065	\$ 8,231	\$ 8,020	\$ 8,029
Investments	2,598	2,208	1,832	1,698	1,396
Total Interest Income	\$ 13,187	\$ 11,273	\$ 10,063	\$ 9,718	\$ 9,425
Interest Expense	877	787	740	550	514
Net Interest Income	\$ 12,310	\$ 10,486	\$ 9,323	\$ 9,168	\$ 8,911
Provision for Loan Losses	650	325	75	553	111
Noninterest Income	1,198	1,494	1,163	1,956	2,145
Noninterest Expense	8,554	8,467	8,003	7,818	7,721
Income Before Taxes	\$ 4,304	\$ 3,188	\$ 2,408	\$ 2,753	\$ 3,224
Provision for Income Taxes	675	680	402	499	620
Net Income	\$ 3,629	\$ 2,508	\$ 2,006	\$ 2,254	\$ 2,604
Basic Earnings Per Share	\$ 0.48	\$ 0.33	\$ 0.26	\$ 0.30	\$ 0.34
Diluted Earnings Per Share	\$ 0.47	\$ 0.33	\$ 0.26	\$ 0.29	\$ 0.34
Weighted Average Shares Outstanding					
Basic	7,588,505	7,586,465	7,580,618	7,573,020	7,553,866
Diluted	7,701,507	7,702,831	7,707,204	7,694,569	7,683,857
Total Shares Outstanding	7,592,520	7,592,520	7,591,915	7,577,805	7,561,499

Noninterest Income/Expense

Dollars in Thousands

	Three Months Ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Noninterest Income					
Service charges and fees	\$ 138	\$ 145	\$ 134	\$ 131	\$ 125
Securities gains, net	(71)	(110)	(545)	86	46
Secondary mortgage income	303	614	804	1,014	1,214
Other income	828	845	770	725	760
Total noninterest income	\$ 1,198	\$ 1,494	\$ 1,163	\$ 1,956	\$ 2,145
Noninterest expense					
Salaries and employee benefits	\$ 5,223	\$ 5,357	\$ 5,161	\$ 4,767	\$ 4,888
Occupancy	1,074	1,100	1,042	1,257	1,043
Other expense	2,257	2,010	1,800	1,794	1,790
Total noninterest expense	\$ 8,554	\$ 8,467	\$ 8,003	\$ 7,818	\$ 7,721

Balance Sheet Activity

Total assets increased \$141.6 million to \$1.4 billion as of September 30, 2022, compared to \$1.2 billion as of December 31, 2021. This increase in total assets during the nine months ended September 30, 2022 was driven primarily by an increase in net loans of \$213.1 million, partially offset by a reduction in mortgage loans held for sale of \$8.9 million and decline in cash and cash equivalents of \$64.0 million. Net loans grew 29.4 percent in the nine months ended September 30, 2022 compared to 3.1 percent for the nine months ended September 30, 2021. Total deposits increased \$154.3 million in the nine months ended September 30, 2022, of which \$53.8 million was noninterest bearing, compared to an increase of \$208.8 million in the nine months ended September 30, 2021.

Balance Sheets

Dollars in Thousands

	For the Periods Ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Cash and Cash Equivalents	\$ 31,397	\$ 118,495	\$ 108,901	\$ 95,378	\$ 83,753
Trading Securities	-	-	9,510	10,055	9,977
Investment Securities	321,496	330,436	338,293	324,176	298,131
Loans Held for Sale	766	2,156	3,840	9,692	5,631
Loans					
Loans	948,031	887,712	772,978	733,896	708,436
Less Allowance for Loan Losses	(9,210)	(8,560)	(8,235)	(8,159)	(7,606)
Loans, Net	\$ 938,821	\$ 879,152	\$ 764,743	\$ 725,737	\$ 700,830
OREO			-	-	-
Property, net of accumulated depreciation	\$ 19,332	\$ 19,371	\$ 19,550	\$ 19,772	\$ 20,274
BOLI	29,324	24,143	23,990	23,839	23,682
Goodwill	5,349	5,349	5,349	5,349	5,349
Core Deposit Intangible	496	542	590	640	692
Other Assets	26,480	24,040	21,366	17,315	16,196
Total Assets	\$ 1,373,461	\$ 1,403,684	\$ 1,296,132	\$ 1,231,953	\$ 1,164,515
Deposits					
Noninterest bearing	\$ 400,321	\$ 408,474	\$ 356,345	\$ 346,525	\$ 350,175
Interest bearing	836,060	858,491	799,866	735,577	693,520
Total Deposits	\$ 1,236,381	\$ 1,266,965	\$ 1,156,211	\$ 1,082,102	\$ 1,043,695
Other Borrowings	-	-	-	-	-
Other Liabilities	48,840	46,790	45,438	44,339	16,650
Total Liabilities	\$ 1,285,221	\$ 1,313,755	\$ 1,201,649	\$ 1,126,441	\$ 1,060,345
Shareholders' Equity	\$ 88,240	\$ 89,929	\$ 94,483	\$ 105,512	\$ 104,170
Total Liabilities and Shareholders' Equity	\$ 1,373,461	\$ 1,403,684	\$ 1,296,132	\$ 1,231,953	\$ 1,164,515

PPP Loans

The Company participated in both phases of the PPP and processed an aggregate of 1,532 PPP loans, totaling \$146.3 million. As of the second quarter of 2022, all PPP loans originated by the Bank have been forgiven by the SBA or otherwise paid off, and the Bank has accreted to earnings all remaining PPP-related SBA fees. In addition, the Bank successfully converted 375 of its PPP loan borrowers without existing banking relationships into full-service deposit and loan relationship customers.

Net Interest Margin

Net interest margin, on a tax equivalent basis ("net interest margin"), increased by 25 basis points to 3.63 percent for the three months ended September 30, 2022, compared to 3.38 percent for the three months ended September 30, 2021. The increase is primarily attributable to a 30 basis point increase in yields on total interest earning assets during the period. Cost of funds increased by 8 basis points to 0.27 percent for the three months ended September 30, 2022 compared to 0.19 percent for the three months ended September 30, 2021.

Net Interest Margin Analysis

Dollars in Millions

	Three Months Ended									
	September 30, 2022		June 30, 2022		March 31, 2022		December 31, 2021		September 30, 2021	
	Average Balance	Yield/Rate	Average Balance	Yield/Rate	Average Balance	Yield/Rate	Average Balance	Yield/Rate	Average Balance	Yield/Rate
Interest earning assets										
Loans	\$ 920	4.39%	\$ 822	4.11%	\$ 751	4.00%	\$ 719	3.97%	\$ 711	3.94%
Loan fees		0.17%		0.29%		0.42%		0.42%		0.51%
Loans with fees	\$ 920	4.56%	\$ 822	4.40%	\$ 751	4.42%	\$ 719	4.40%	\$ 711	4.45%
Total interest earning assets	\$ 1,357	3.88%	\$ 1,232	3.69%	\$ 1,157	3.54%	\$ 1,105	3.52%	\$ 1,055	3.58%
Interest-bearing liabilities										
Total interest bearing deposits	\$ 851	0.28%	\$ 825	0.25%	\$ 750	0.25%	\$ 741	0.27%	\$ 689	0.30%
Total interest bearing liabilities	\$ 881	0.39%	\$ 855	0.37%	\$ 779	0.38%	\$ 747	0.29%	\$ 689	0.30%
Cost of funds		0.27%		0.26%		0.27%		0.20%		0.19%
Net interest margin		3.63%		3.43%		3.29%		3.32%		3.38%

Credit Quality

We continue to see solid credit quality throughout our markets through September 30, 2022, with no loans classified as non-accrual, and one loan totaling \$13.3 thousand past due greater than 30 days as of September 30, 2022. Provision expense during the three months ended September 30, 2022 was \$650 thousand compared to \$620 thousand for the three months ended September 30, 2021.

Credit Quality Analysis

	For the Periods Ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
LLR to Total Loans	0.97%	0.96%	1.07%	1.11%	1.07%
LLR to Total Loans (Net PPP)	0.97%	0.96%	1.08%	1.15%	1.14%
NPAs to Avg Assets	0.00%	0.00%	0.00%	0.01%	0.01%
NCOs to Total Loans	0.00%	0.00%	0.00%	0.00%	0.00%
Past Due > 30 Days to Total Loans	0.00%	0.00%	0.01%	0.00%	0.04%
Total NPAs (thousands)	\$ -	\$ -	\$ -	\$ 75	\$ 75

Performance Ratios

	For the Periods Ended			
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
ROAA	0.81%	0.70%	0.65%	0.74%
ROAE	10.52%	9.16%	7.94%	8.61%
Efficiency	67.79%	70.80%	72.06%	70.28%
NIM	3.63%	3.43%	3.29%	3.32%
Book Value	\$ 11.62	\$ 11.84	\$ 12.45	\$ 13.92
Tangible Book Value	\$ 10.84	\$ 11.04	\$ 11.63	\$ 13.10

Capital Position

Shareholders' equity totaled \$88.2 million as of September 30, 2022, a decrease of \$17.3 million from December 31, 2021, driven by a \$25.6 million adjustment for unrealized losses in the Bank's available-for-sale securities portfolio since December 31, 2021, partially offset by \$8.1 million in year-to-date earnings. The \$25.6 million adjustment for unrealized losses during the period resulted from a decrease in the market value of securities in the Bank's available-for-sale securities portfolio, which is attributed to the Federal Open Market Committee of the Board of Governors of the Federal Reserve System repeatedly raising their target benchmark interest rate in the first nine months of 2022, resulting in subsequent prime rate increases of 300 basis points between March and September of 2022, and further resulting in a significant increase in market interest rates during the period. At this time, the Company expects the current rising interest rate environment to continue in light of the uncertain inflationary outlook in the United States. Generally, the Bank classifies its debt securities held in the Bank's securities portfolio as available-for-sale. During the nine months ended September 30, 2022, the Bank reclassified a portion of its securities portfolio to held to maturity to mitigate the effects of the current rising interest rate environment. The Bank anticipates these securities will mature at par. The Bank remains above the regulatory thresholds to be considered "well-capitalized," with a total risk-based capital ratio of 11.59 percent as of September 30, 2022. The Company reported 7,592,520 total shares outstanding as of September 30, 2022. The increase of 14,715 shares outstanding during the nine months ended September 30, 2022 is due to the exercise of options granted.

Capital Ratios

Bank Only	For the Periods Ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Tier 1	10.74%	10.81%	11.61%	12.01%	11.30%
Leverage	8.18%	8.37%	8.35%	8.38%	7.63%
CET-1	10.74%	10.81%	11.61%	12.01%	11.30%
Total	11.59%	11.63%	12.53%	12.99%	12.27%

Additional Data	For the Periods Ended				
	June 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Branches	12	12	11	11	11
Employees (Full Time Equivalent)	152	153	150	150	149

About South Atlantic Bancshares, Inc.

South Atlantic Bancshares, Inc. (OTCQX: SABK) is a registered bank holding company based in Myrtle Beach, South Carolina with approximately \$1.4 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, Hilton Head Island and Beaufort, 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 regarding the persistence of the current inflationary environment in the U.S. economy, statements regarding fluctuations in market interest rates, 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 good faith 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, 2021, 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, 2021, as contained in the Company's 2021 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/stock/SABK/overview).

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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