

ANNUAL
2023
REPORT

The year '2023' is rendered in a large, white, sans-serif font. It is overlaid with several horizontal, curved swooshes in shades of blue and gold, creating a sense of motion and depth.

South Atlantic Bancshares, Inc.

A thin, gold-colored swoosh graphic that mirrors the style of the swooshes in the main title, positioned below the company name.

MISSION STATEMENT

To serve, in a fair, balanced, and superior manner, the interest of shareholders, customers, employees, and the public through adherence to high standards of financial soundness, exemplary customer service, employee professionalism, business ethics, corporate citizenship, and profitability.

ABOUT US

South Atlantic Bancshares, Inc. (OTCQX: SABK) is a registered bank holding company based in Myrtle Beach, South Carolina, with \$1.6 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.

South Atlantic Bank was organized in 2007 to meet the unique financial needs of businesses and consumers in the coastal communities we serve. The Bank's founders recognized that the growing number of larger regional banks in the market had created an opportunity for a locally owned and operated community bank to succeed.

The Bank operates twelve offices in Myrtle Beach, North Myrtle Beach, Murrells Inlet, Pawleys Island, Georgetown, Mount Pleasant, Charleston, Bluffton, Beaufort, and Hilton Head Island, South Carolina. A thirteenth and newest location will open in Summerville, South Carolina, in the summer of 2024.

Services include a full range of consumer and commercial banking products, including treasury management and digital banking. The Bank also offers no-fee ATM access, checking, CD and money market accounts, merchant services, mortgage loans, remote deposit capture, and more. For additional information, visit www.SouthAtlantic.bank.



LOCATIONS

We are one of South Carolina's fastest-growing banks and successfully executing our expansion strategy into adjacent markets along the coast.

- | | |
|--|---|
| 1 North Myrtle Beach
1801 Highway 17 South | 8 Charleston
40 Calhoun Street |
| 2 Myrtle Beach (Headquarters)
630 29th Avenue North | 9 Bluffton
1 Sheridan Park Circle |
| 3 Towne Centre
3990 River Oaks Drive | 10 Hilton Head Island (Park Ln.)
5A Park Lane |
| 4 Murrells Inlet
11019 Tournament Blvd. | 11 Hilton Head Island (Main St.)
81 Main Street |
| 5 Pawleys Island
10970 Ocean Highway | 12 Beaufort
11-E Robert Smalls Parkway |
| 6 Georgetown
1187 North Fraser Street | 13 Summerville
Opening Summer 2024
2444 North Main Street |
| 7 Mount Pleasant
930 Johnnie Dodds Blvd. | |

SELECTED FINANCIAL HIGHLIGHTS

FOR THE YEARS ENDED DECEMBER 31, **2023** **2022** **2021**

For the year

Total Revenue	\$	74,137,289	53,771,591	47,825,650
Net Income		10,018,682	12,093,501	10,846,783
Book Value Per Share	\$	13.54	11.92	13.92

Per common share

Basic Earnings Per Share	\$	1.33	1.60	1.45
Diluted Earnings Per Share		1.32	1.58	1.43
Common Stock Closing Price	\$	12.75	13.60	15.44

Financial ratios (%)

Return on Average Assets		0.66	0.89	0.98
Return on Average Equity		10.44	13.40	10.56
Net Interest Margin		2.96	3.52	3.54
Efficiency Ratio		70.87	64.33	68.66

At December 31

Total Assets	\$	1,622,249,684	1,409,592,656	1,231,953,292
Total Loans		1,184,187,056	1,002,632,622	733,896,122
Allowance for Credit Loss		10,360,427	10,110,619	8,159,039
Deposits		1,294,096,537	1,216,761,844	1,082,101,913
Shareholders' Equity		102,953,920	90,538,473	105,512,148
Weighted Average Common Shares Outstanding - Basic	\$	7,548,410	7,568,717	7,492,737

	Net Income (in millions)	Total Loans (in millions)	Total Deposits (in millions)	Total Assets (in millions)
23	\$10.0	\$1,184.2	\$1,294.1	\$1,622.2
22	\$12.1	\$1,002.6	\$1,216.8	\$1,409.6
21	\$10.8	\$733.9	\$1,082.1	\$1,232.0
20	\$7.2	\$686.9	\$834.9	\$946.5
19	\$6.1	\$575.7	\$616.8	\$718.4

TO OUR SHAREHOLDERS AND FRIENDS, SOUTH ATLANTIC BANK PERFORMED WELL IN 2023 DESPITE A VERY CHALLENGING YEAR FOR THE BANKING INDUSTRY, AND WE ARE PLEASED WITH OUR RESULTS.

Consistently exceeding customer expectations has established our reputation along the South Carolina coast and guides our strong, disciplined growth.

Net income totaled \$10.0 million, or \$1.32 per diluted common share for the twelve months ended December 31, 2023. High-quality loan growth was key to our solid performance, and loan demand is high throughout our rapidly growing markets. Total loans increased by 17.8 percent in 2023. We operate in three of the statistically best metropolitan areas in the country – Myrtle Beach, Charleston, and Hilton Head Island. Our strong growth is indicative of the strength of these markets. Interest income increased \$20.4 million, or 41.7 percent, during the year ended December 31, 2023.

Total assets at year-end were \$1.6 billion, an increase of 15.1 percent. We also experienced deposit growth of \$77.3 million, or 6.4 percent. Competition for deposits was intense from bank and non-bank alternatives. Deposit growth and retention will continue to be a focus for our team during 2024.

The Federal Reserve aggressively raised interest rates throughout the year to combat inflation, which led to an increase in interest expense and higher funding costs. Although the rise in market interest rates created margin compression, we recorded two consecutive quarters of increasing net interest income in the second half of the year.

Our credit quality remains excellent and is one of our greatest strengths. Our conservative risk management approach has served us well in uncertain economic times and is the foundation of our coastal banking franchise.

The Company and its banking subsidiary's capital positions are strong with capital ratios above the regulatory threshold for well-capitalized banks. While the economic outlook for the year is unclear, we believe we are well positioned to navigate the operating environment in 2024.

We were pleased to declare a cash dividend of \$0.10

per share of common stock paid in February 2024, to shareholders of record as of February 14, 2024. This is our second consecutive cash dividend payout. The tangible book value per share at December 31, 2023, increased by \$1.64, or 14.7 percent, since December 31, 2022.

We remain focused on expense curtailment and maximizing operating efficiencies as we continue to scale our coastal banking franchise. Noninterest expenses rose primarily due to data processing costs and check fraud losses during the year.

BUILDING A COASTAL FRANCHISE

We are one of South Carolina's fastest-growing banks and rank as one of the top three community banks¹ in deposit share in three of the four metropolitan statistical areas we serve. We look to leverage our success to continue our expansion strategy.

According to the latest Census Bureau data, South Carolina is the nation's fastest-growing state, and our company is headquartered in the state's fastest-growing county. Horry County experienced an incredible 42 percent growth in population from 2010 to 2022. We believe there are significant growth opportunities for us and that expanding our scale will lead to long-term benefits in terms of efficiency and earnings.

A new branch in Beaufort, South Carolina, is currently under construction while our team works from a temporary full-service office that opened in November 2022. Our bankers there have done a great job establishing our presence in the community, and we are pleased with the results of their efforts.

We are also expanding into the rapidly growing Summerville, South Carolina, area, which is part of the Greater Charleston market. A temporary office will open mid-year at 2444 North Main Street, Summerville, while a permanent office is constructed. The area's flourishing tech sector and manufacturing growth have led to the development of large residential communities and new businesses to support the booming population. We have strong bankers in place that are longtime Summerville residents and are excited about the opportunities our new office will bring. This will be our 13th branch location and third location in the Charleston MSA.

To support our expansion efforts and improve efficiencies, we are investing in technology and

infrastructure. This includes upgrading our online and mobile banking platforms to provide a seamless customer experience across all devices, offering online account opening, investing in new branches to expand our physical footprint, as well as adding key management positions to our team including a Director of Risk Management and a Director of Digital and Treasury Services.

We believe that our expansion strategy will allow us to grow in a sustainable and profitable way, and we can capitalize on efficiencies through our investments in technology and talent while also maintaining our commitment to providing exceptional customer service.

INVESTING IN OUR TEAM

The caliber of our staff is central to our success. We have an incredible team focused on our mission to deliver tailored banking services to help our communities thrive. Their work ethic, experience, and local market knowledge have been crucial to our achievements over the past 16 years. We highly value our employees and their contributions to the Company. We are committed to investing in their growth and development and offer competitive compensation and benefits packages to attract and retain top talent. To us, our employees are our most valuable asset, and we strive to support them.

Our growth presents a need for a bench of strong talent with a full understanding of our banking environment. We established an Emerging Talent program in 2023 to identify and develop high-potential employees. Through training and development opportunities offered across our departments and branches, our associates are prepared for placement within key areas of the Bank.

The program also helps increase employee engagement and retention by providing a clear career growth and development path. Our current Emerging Talent associates have done an impressive job learning the multiple facets of banking, and we look forward to watching their careers take shape with South Atlantic Bank.

We are grateful to our shareholders. Many have been with us since the Bank was founded, and we appreciate their continued support. We remain committed to creating long-term value and are

dedicated to the growth and success of our local communities. We are excited about the opportunities that lie ahead for our coastal franchise and look forward to another successful year.



A handwritten signature in black ink that reads "K. Wayne Wicker".

K. Wayne Wicker
*Chairman of the Board,
Chief Executive Officer*

(1) Community bank defined as banks with
Total Assets <\$10.0B

Businesses that bank at South Atlantic Bank get a dedicated team of professionals committed to helping them reach their goals.

We've worked with a variety of business owners throughout our coastal community, providing them with tailor-made financial solutions that allowed them to make their businesses the best they can be.

In 2023, we spotlighted four business clients who have benefited from their relationship with us. The clients' stories were told throughout our markets in Charleston, the Lowcountry, and the Grand Strand.



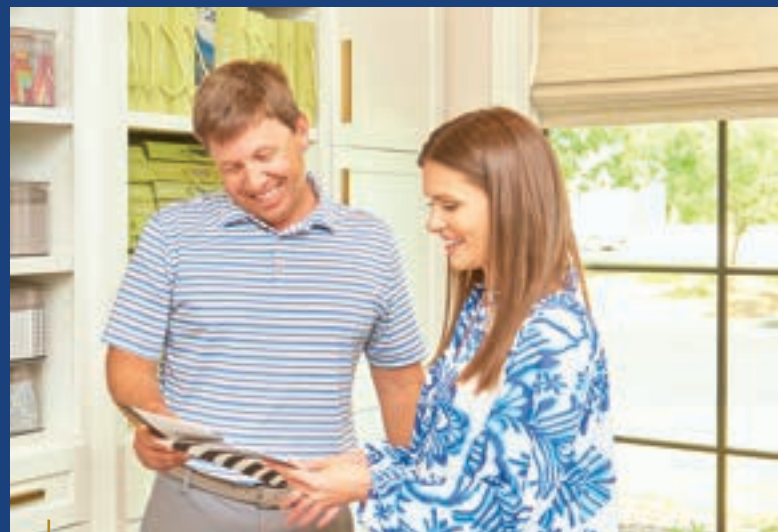
(L) Buzzy Lawson
SVP, Commercial Relationship Manager
South Atlantic Bank
(R) Candice Hudnall
President, Hamby Catering



(L) Molly Keen
SVP, Towne Centre Market Executive
South Atlantic Bank
(R) Andy Kemp
Owner, A & A Produce



(L) Mickey Thompson
Owner / President, Sportsman's Choice Marine
(R) Marc McDowell
SVP, North Strand Market Executive
South Atlantic Bank



(L) Chris Dalzell
Owner, Shoreline Construction
(R) Jessica Lindler
Interior Designer, Shoreline Construction

CUSTOMER RELATIONSHIPS

When it comes to business banking in South Carolina, there's inherent value in having a personal relationship with your business banker. At South Atlantic Bank, our bankers get to know a customer's business. They see it for themselves. They pick up the phone when a client calls and work proactively to help find financial solutions that fit.

As part of a community bank, our lending team is equipped to execute quickly because decisions are made locally. Our bankers align the lending team on the front end, so loans proceed quickly and smoothly.

Every region in the country has a unique mix of industries and culture, and South Carolina is steeped in tradition and history. Small businesses are prevalent here. Those businesses mean something to the families they belong to and the communities they thrive in. Our bankers understand the significance because they live in the community, too. They have a vested interest in seeing small business owners and the community succeed. They have the ability and authority to assess the whole picture, beyond the numbers.

Having a banker who is part of the local business ecosystem is a priceless asset. Our bankers work proactively for their customers as an economic liaison to the broader community. They help connect their customers to local vendors, suppliers, and attorneys, and help with business referrals and partnerships. Localized partnerships work to further strengthen the local economy and make the community more resilient.

We use our financial expertise and knowledge of the customer's business to suggest a path that meets short-term demand and positions the business for long-term profitability. We pride ourselves on helping local businesses succeed today and gain peace of mind for the future.

Establishing long-standing relationships with our customers is part of our culture and success. We were proud to be named one of "America's Best Regional Banks and Credit Unions 2024" by *Newsweek*.

The study analyzed over 9,000 institutions and awarded only the top 250 banks based on profitability, financial relevance, risk exposure, and overall health and stability.

TECHNOLOGY

Banking behavior is shifting as the use of digital banking services rises among customers of all ages. While personal service is paramount to the way we do business and will always be a priority, we are continually striving to improve the customer experience and create operational efficiencies by introducing new technology. During 2023, we launched several new products and services.

Digital Banking Upgrade

We were excited to overhaul our online banking services and roll out an upgraded digital banking platform in the first quarter of 2023.

The upgrade includes a new look, features, and added security with an improved desktop experience and an upgraded mobile app. Users have a consistent view of their accounts across all devices with a new responsive design. Enhanced features include strict security standards with two-factor authentication, secure messaging with a bank representative, and the capability to transfer money to and from other institutions.

Customers can make person-to-person or bill payments from any device and set up push notifications and alerts to stay informed about their accounts.

After-hours Call Center

Customer service agents are now immediately available for customer account inquiries after-hours, on weekends and holidays.

Online Account Opening

Introduced in the third quarter of 2023, personal deposit accounts can now easily be opened online through our website or mobile app. The convenient and efficient process will help convert website visitors into new customers and streamline the account opening and onboarding process for our current and new customers.

Contactless Debit Cards

New Mastercard® debit cards with contactless technology were issued to all customers in 2023. The tap-to-pay technology provides security and makes for a convenient way to pay without inserting or swiping the card, touching the terminal, entering a PIN, or signing a receipt when paying at the register.

Easier E-statements

A new document filtering feature helps streamline document viewing in digital banking. Users can select multiple accounts, document types, and date ranges to view all documents on one screen. This makes viewing statements, notices, and tax documents easier, especially for businesses with high account volumes and multiple document types enabled.

Lockbox Service

A full-feature remittance solution allows commercial customers to post payments easily, reducing labor costs and human error.

COMMUNITY

As we celebrate our 16th anniversary, we continue to support our communities through sponsorships and donations to charitable organizations. Our employees look forward to volunteering their time to teach financial literacy classes, serve on non-profit boards and participate in fundraisers and special events. We are committed to our communities and proud to give back to the place we call home.



Our Lowcountry team had a great time sponsoring the Rock N' Ribs festival on Hilton Head Island to benefit Second Helpings and the Carl Ruiz Foundation.



Carrie Harris, Director of Human Resources, goes Over the Edge to raise money for New Directions of Horry County.



Construction is underway for our new Beaufort office at 37 Robert Smalls Parkway.

LEADERSHIP

CORPORATE OFFICERS AND REGIONAL EXECUTIVES

Karen Atwood-Lowrance
Senior Vice President
Director of Construction and
Commercial Loan Support

S. Walker Avant, II
Senior Vice President
Charleston Market Executive

Candace L. Cherry
Senior Vice President
Corporate Liaison

P. Alex Clayton, Jr.
Senior Vice President
Director of Digital and
Treasury Services

Michelle A. Coletta
Senior Vice President
Director of Retail Banking

Anne B. Cote
Senior Vice President
Director of Loan Operations

Tiffany Crawford
Senior Vice President
Retail Banking Leader

Robert N. Crowe
Senior Vice President
Mortgage Loan Officer

Melissa K. Downs-High
Senior Vice President
Director of Risk Management

Charles W. Fisher, III
Senior Vice President
Commercial Relationship
Manager

Carrie S. Harris
Senior Vice President
Director of Human Resources

Hal A. Hess
Senior Vice President
Summerville Market Executive

Peter M. Insabella
Senior Vice President
Director of Mortgage Banking

Drew S. Johnson
Senior Vice President
Waccamaw Neck Market
Executive

Christian D. Kata
Senior Vice President
Beaufort Market Executive

Molly Keen
Senior Vice President
Towne Centre Market Executive

Donald G. Kyzer
Senior Vice President
Director of Corporate Services

Walter N. Lawson, III
Senior Vice President
Commercial Relationship
Manager

Danielle Martin-Ebert
Senior Vice President
Director of Mortgage Operations

Marcus G. McDowell
Senior Vice President
North Myrtle Beach
Market Executive

Bryan K. Newton
Senior Vice President
Commercial Relationship
Manager

Adam M. Paskanik
Senior Vice President
Mortgage Loan Officer

Paul E. Peeples
Senior Vice President
Myrtle Beach Market Executive

Jennifer L. Peters
Senior Vice President
Director of Internal Audit
and Compliance

Derick R. Powers
Senior Vice President
Credit Risk Officer

John W. Rowe, III
Senior Vice President
Murrells Inlet Market Executive

Allison P. Stout
Senior Vice President
Controller

Michelle A. Ward
Senior Vice President
Director of Deposit Operations

Kimberly D. West
Senior Vice President
Information Security Officer

LEADERSHIP

DIRECTORS — SOUTH ATLANTIC BANCSHARES, INC., AND SOUTH ATLANTIC BANK

James Carson Benton, Jr.
Co-Owner and Operator
C.L. Benton and Sons, Inc.

Thomas C. Brittain
Attorney at Law
Brittain Law Firm, P.A.

Tony K. Cox
Retired
Burroughs and Chapin
Company

Miles M. Herring
Commercial Real Estate
Management and Development

Martha S. Lewis
Physical Therapist

R. Scott Plyler
President
South Atlantic Bank

Albert A. Springs, IV
Co-Owner and President
H.B. Springs Company

Jack L. Springs, Jr.
Co-Owner/Broker
Century 21 Barefoot Realty

Michael C. Tawes, Sr.
Partner
Valbridge Property Advisors
Atlantic Appraisals

K. Wayne Wicker
Chairman of the Board,
Chief Executive Officer
South Atlantic Bank

Edgar L. Woods
President/Owner
Palmetto Grain Brokerage, LLC
President
Performance AG, LLC

EXECUTIVE OFFICERS

K. Wayne Wicker
Chairman of the Board,
Chief Executive Officer

R. Scott Plyler
President

C. Alec Elmore
Executive Vice President
Chief Credit Officer

Matthew H. Hobert
Executive Vice President
Chief Financial Officer

Lenwood B. Howell
Executive Vice President
South Coast Regional Executive

Travis A. Minter
Executive Vice President
Chief Operating Officer

Kenneth M. Pickens
Executive Vice President
Credit Risk Officer

Mary Jo Rogers
Executive Vice President
Chief Lending Officer

Daniel F. Siau
Executive Vice President
North Coast Regional Executive



STOCK INFORMATION

The common stock of South Atlantic Bancshares, Inc., is listed on the OTCQX[®] Best Market under the symbol SABK. To find current financial disclosures and real-time level 2 quotes for South Atlantic Bancshares, Inc., visit www.otcm Markets.com and enter the symbol SABK.

ANNUAL MEETING

The Annual Meeting of Shareholders of South Atlantic Bancshares, Inc., will take place on Tuesday, April 23, 2024, at 5:30 p.m. at the Bank's office at:

3990 River Oaks Drive
Myrtle Beach, South Carolina 29579

REGISTRAR AND TRANSFER AGENT

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Brentwood, NY 11717-0718
shareholder@broadridge.com
303.562.9275 or 888.789.8606

CORPORATE COUNSEL

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2200 Pennsylvania Avenue NW
Washington, DC 20037

INDEPENDENT ACCOUNTANTS

Elliott Davis LLC
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Columbia, SC 29201

South Atlantic Bancshares, Inc.

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Myrtle Beach, South Carolina 29577

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This document 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. 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 document. 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 document 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.

EXPECT *More*
FROM YOUR BANK

South Atlantic Bancshares, Inc.



SOUTHATLANTIC.BANK

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MYRTLE BEACH, SOUTH CAROLINA 29577
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