South Atlantic Bancshares, Inc.



2021 ANNUAL REPORT



ABOUT SOUTH ATLANTIC BANK

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.

The Bank operates eleven 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 treasury management and the goMobile banking app.

The Bank also offers online banking, 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***.

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.

SELECTED FINANCIAL HIGHLIGHTS

FOR THE YEARS ENDED DECEMBER 31,	2021	2020	2019
For the year			
Total Revenue	47,825,650	41,566,307	37,103,082
Net income	10,846,783	7,196,051	6,066,157
Book value per share	13.92	13.03	11.78
Per common share			
Basic earnings per share	1.45	0.96	0.81
Diluted earnings per share	1.43	0.96	0.80
Common stock closing price	15.44	12.25	12.60
Financial ratios (%)			
Return on average assets	0.98	0.83	0.87
Return on average equity	10.56	7.69	7.21
Net interest margin	3.54	3.79	4.16
Efficiency ratio	67.33	72.34	73.74
At December 31			
Total Assets	1,231,953,292	946,540,599	718,402,209
Total Loans	733,896,122	686,893,923	575,721,370
Allowance for Loan Loss	8,159,039	6,823,767	5,237,127
Deposits	1,082,101,913	834,853,859	616,806,816
Shareholders' equity	105,512,148	97,821,730	88,406,274
Weighted average common shares outstanding - basic	7,492,737	7,478,203	7,458,380

TO OUR SHAREHOLDERS AND FRIENDS:



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

At South Atlantic Bank, we consider ourselves uniquely equipped to serve the coastal communities that we are fortunate enough to call home. Adhering to our mission statement and fundamental values, our main focus of 2021 was to take care of our customers. The uncertainties of the pandemic magnified the integral role we have in helping the economic success of our communities, and our team was proud to quickly respond to the financial needs of our customers. Our performance exceeded our expectations and proved to be the most successful in our 14-year history.

Strong earnings growth was driven by mortgage fees and our participation in the Small Business Administration's Paycheck Protection Program (PPP). Consolidated net income totaled $10.8 million, or $1.43 per diluted common share, for the twelve months ended December 31, 2021, an increase of $3.7 million, or $0.47 per diluted common share, compared to the twelve months ended December 31, 2020.

We achieved growth across the balance sheet and surpassed the benchmark of $1 billion in assets. 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.

During phase two of the PPP program, which began in January 2021 and ended in May 2021, we processed 519 PPP loans totaling $54.6 million. These loans continued to drive growth in assets, earnings and new customers. Total loans, net of PPP loans, grew $47.0 million, or 6.8 percent, for the twelve months ended December 31, 2021.

Total deposit growth resulted from both organic growth and the PPP and increased $247.2 million to $1.1 billion as of December 31, 2021, compared to $834.9 million as of December 31, 2020.

Excellent credit quality was realized throughout our markets in 2021. Asset quality remained strong with non-performing assets to average total assets at 0.01 percent as of December 31, 2021 compared to 0.02 reported as of December 31, 2020.

We are encouraged with the activity in our loan pipeline as we begin 2022. All the markets we serve are thriving as the tourism industry recovers and population numbers along the coast reach new levels.

Noninterest income increased 23 percent for the twelve months ended December 31, 2021. This increase is primarily due to $1.2 million increase in secondary mortgage fees and a $579 thousand increase in merchant card activities and debit card fees.

Our record earnings and growth provide solid support for our stock performance, and we continued to see improvement in our stock price. The Company's Board of Directors authorized a common stock repurchase program in May 2021 allowing the repurchase of up to five percent of the Company's outstanding shares of common stock.

We opened a second office on Hilton Head Island in February 2021 and announced our expansion into Beaufort, SC, with the opening of a loan production office in November 2021. A full-service Beaufort office is planned to open in the latter half of 2022 and will be our 12th location. The Company completed a $30.0 million capital raise in December 2021, that provides us with opportunities to strategically grow the bank in 2022 and 2023.

I am proud of what our team has achieved during these challenging times. By exceeding our goals, we are motivated to move ahead and set new records. We are poised to take advantage of the growth in our markets through the strength of our earnings and the talent we have in place.

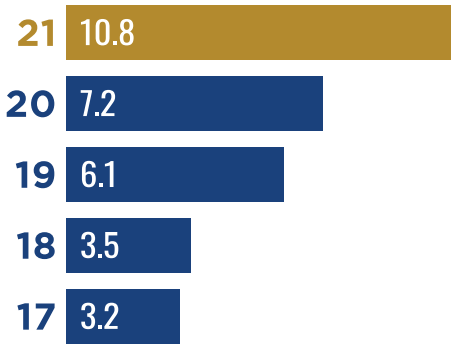
Thank you for your confidence and support.
We will continue to work hard for your investment.



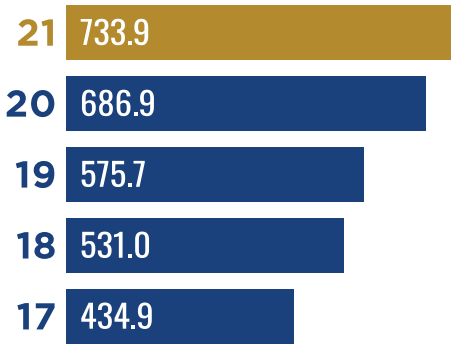
K. Wayne Wicker

Chairman of the Board
Chief Executive Officer

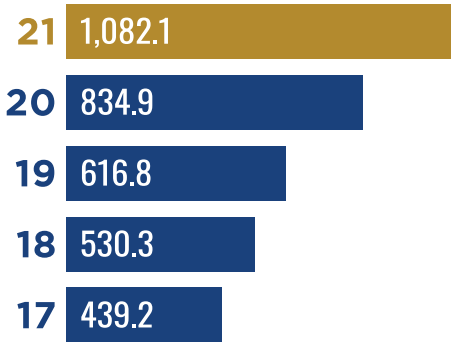
Net Income
($ in millions)



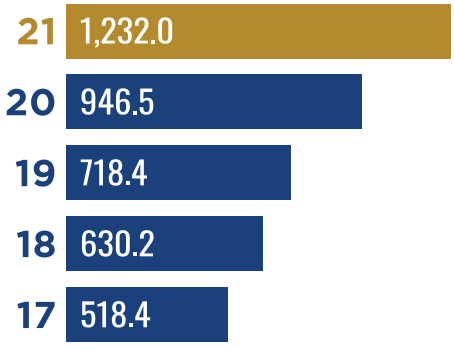
Total Loans
($ in millions)



Total Deposits
($ in millions)



Total Assets
($ in millions)



LOCATIONS & GROWTH

Our roots are firmly planted on the Carolina Coast, and we're passionate about the communities in which we work, raise our families and support our neighbors. We see ourselves uniquely positioned to provide quality banking services to the booming markets where we do business. The coasts' rapid expansion generates attractive prospects that identify with our brand and share our core initiatives.

We remain a market leader on the Grand Strand (North Coast) and are focused on further establishing our presence in the Low Country (South Coast). In 2021, we added a second location on Hilton Head Island and expanded into the City of Beaufort with the opening of a loan production office. In 2022, we plan to open a full-service branch in Beaufort which is home to strong healthcare, hospitality, and tourism industries and three military installations.

We have added experienced local bankers to our leadership team on the South Coast and look forward to strengthening our bank by cultivating personal relationships and touting our local decision making, which are key to our success.

Through the uncertainty of the pandemic, having long-standing financial relationships with our customers has been instrumental in providing the help needed. We know their business, we know our communities, and we stand ready to respond and help in any way we can. As regional banks become larger, our commitment to our customers as a community bank sets us apart from the competition and is fundamental to our growth.

With our recent $30 million capital raise and more than $1 billion in assets, we have the strength to pursue future opportunities as they become available in 2022. Operating in some of the fastest growing areas in the country brings great opportunities for us. Horry County was the fastest-growing county in South Carolina in the past decade with population rising 30 percent. Charleston is now the state's largest city and Beaufort County has double-digit growth led by development in Bluffton. Household income levels are also rapidly rising in South Carolina coastal counties. When the bank was formed in 2007, we did not imagine the unprecedented growth rate of the markets we serve but are proud to have grown along with our communities and support their prosperity.

We will continue providing tailor-made products and services as we embrace what makes our coastal markets unique and look to expand our geographical footprint.





1 **North Myrtle Beach**
1801 Highway 17 South
843.848.2260

2 **Myrtle Beach (Headquarters)**
630 29th Avenue North
843.839.0100

3 **Towne Centre**
3990 River Oaks Drive
843.839.5446

4 **Murrells Inlet**
11019 Tournament Blvd.
843.848.2000

5 **Pawleys Island**
10970 Ocean Highway
843.848.2049

6 **Georgetown**
1187 North Fraser Street
843.436.6800

7 **Mount Pleasant**
930 Johnnie Dodds Blvd.
843.972.4300

8 **Charleston**
480 East Bay Street
843.414.5900

9 **Bluffton**
1 Sheridan Park Circle
843.815.7111

10 **Hilton Head Island (Park Ln.)**
5A Park Lane
843.785.3400

11 **Hilton Head Island (Main St.)**
81 Main Street
843.548.1004

12 **Beaufort**
Coming Soon

COMMITMENT TO COMMUNITY

A pillar of our bank, community outreach is essential to our foundation. We understand the intrinsic value of giving back to the coastal communities where we reside, and the prosperity that yields from that growth and development.

Our contributions take many forms, including sponsoring local events, raising funds for, or donating to, charitable organizations and providing paid volunteer hours to our employees. In 2021, we were particularly proud to support the Second Chance Community Outreach organization in the Low Country which promotes economic growth and job creation in underserved communities.



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Mary Jo Rogers, Executive Vice President, Chief Lending Officer, presents a check from a bank fundraiser to the Grand Strand Miracle League's Executive Director Jennifer Averette.

TECHNOLOGY

As our organization continues to grow along the Carolina Coast, so does our ability to serve our customers. We've made investments to advance our technology to offer enhanced products and services that meet customers' needs faster and more efficiently. The pandemic brought rapid changes to the way our customers prefer to bank. With the spread of COVID-19, the use of online banking increased dramatically and a secure portal was added to our website to allow personal banking applications to be submitted remotely. In 2021, the Office of Project Management was created to support and plan new products, services and software for the bank.

Internally, system enhancements have helped streamline the account opening process, and onboarding customers through new software in 2022 will provide our team with a full view of the customer relationship, furthering our ability to offer tailor-made products and services that best fit their financial needs.



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The bank's Deposit Operations team adopted children from the Salvation Army Angel Tree and donated gifts at Christmas.

LEADERSHIP

CORPORATE OFFICERS AND REGIONAL EXECUTIVES

S. Walker Avant, III
Senior Vice President
Commercial Relationship Manager

Candace L. Cherry
Senior Vice President
Corporate Liaison

Michelle A. Coletta
Senior Vice President
Retail Sales Manager

Anne B. Cote
Senior Vice President
Director of Loan Operations

Robert N. Crowe
Senior Vice President
Mortgage Loan Officer

Randy K. Dolyniuk
Senior Vice President
Lowcountry Regional Executive

Melissa K. Downs-High
Senior Vice President
Controller

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

Carrie S. Harris
Senior Vice President
Director of Human Resources

Peter M. Insabella
Senior Vice President
Mortgage Sales Manager

Drew S. Johnson
Senior Vice President
Waccamaw Neck Market Executive

Christian D. Kata
Senior Vice President
Commercial Relationship Manager

Donald G. Kyzer
Senior Vice President
Director of Corporate Services

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

Karen M. Lowrance
Senior Vice President
Construction Loan Manager

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

W. David Rhodes
Senior Vice President
South Strand Market Executive

John W. Rowe, III
Senior Vice President
Towne Centre Market Executive

Susan M. Sherry
Senior Vice President
Commercial Relationship Manager

Tiffany P. Suggs
Senior Vice President
Director of Project Management

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.

Richard N. Burch
Executive Vice President
Chief Financial Officer
Chief Operating Officer
Information Security Officer
South Atlantic Bank

Tony K. Cox
Executive Vice President
Real Estate
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

Richard N. Burch
Executive Vice President
Chief Financial Officer
Chief Operating Officer
Information Security Officer

C. Alec Elmore
Executive Vice President
Chief Credit Officer

Lenwood B. Howell
Executive Vice President
South Coast Regional Executive

Robert L. McKinney
Executive Vice President
Commercial Relationship Manager

Travis A. Minter
Executive Vice President
Chief Banking 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.otcmarkets.com and enter the symbol SABK. As of December 31, 2021, there were 536 shareholders of record.

ANNUAL MEETING

The Annual Meeting of Shareholders of South Atlantic Bancshares, Inc. will take place on Tuesday, April 19, 2022, 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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P.O. Box 1342
Brentwood, NY 11717-0718
shareholder@broadridge.com
303.562.9275 or 888.789.8606

CORPORATE COUNSEL

Hunton Andrews Kurth LLP
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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/company/south-atlantic-bank

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.

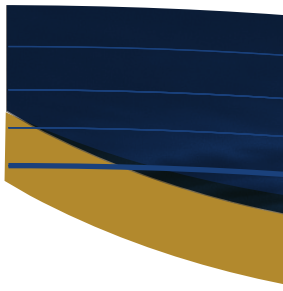
TAILOR-MADE
FOR THE CAROLINA COAST.
TAILOR-MADE FOR YOU.



South Atlantic Bancshares, Inc.

SOUTHATLANTIC.BANK

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MEMBER FDIC
EQUAL HOUSING LENDER