South Atlantic Bancshares, Inc. Reports Earnings of 95 cents per Diluted Common Share For the Year Ended December 31, 2020

Myrtle Beach, South Carolina, January 26, 2021 **–** South Atlantic Bancshares, Inc. ("South Atlantic" or the "Company") (OTCQX: SABK), parent of South Atlantic Bank (the "Bank"), today reported net income of $7.2 million, or $0.95 per diluted common share, for the year ended December 31, 2020, compared to $6.1 million, or $0.80 per diluted common share, reported for the year ended December 31, 2019. Net income for the three months ended December 31, 2020 totaled $1.8 million, or $0.24 per diluted common share, compared to $1.3 million or $0.17 per diluted common shares, reported for the three months ended December 31, 2019. During the fourth quarter of 2020, net income attributable to the Company's participation in the Small Business Administration ("SBA") Paycheck Protection Program ("PPP"), created under the Coronavirus Aid, Relief, and Economic Security Act, was $898 thousand.

Financial Highlights

- Return on average equity was 7.69 percent for the year ended December 31, 2020, compared to 7.21 percent for the year ended December 31, 2019.
- Return on average assets was 0.83 percent for the year ended December 31, 2020, compared to 0.87 percent for the year ended December 31, 2019.
- The net interest margin, on a tax-equivalent basis, was 3.79 percent for the year ended December 31, 2020, a 37-basis point decline from 4.16 percent for the year ended December 31, 2019.
- Total loans grew 19.3 percent from $575.7 million at December 31, 2019 to $686.9 million at December 31, 2020.
- Total deposits grew 35.4 percent from $616.8 million at December 31, 2019 to $834.9 million at December 31, 2020.
- Total assets grew 31.8 percent from $718.4 million at December 31, 2019 to $946.5 million at December 31, 2020.
- Mortgage Origination Impact: Secondary fee income was $4.2 million for the year ended December 31, 2020 compared to $1.9 million for the year ended December 31, 2019.
- For the year ended December 31, 2020, the Company recognized $1.3 million of the $3.8 million in estimated fees generated by originating PPP loans. The Company expects the remaining balance will be recognized over the next three quarters.
- Asset quality continues to be strong with non-performing assets to average total assets at 0.03 percent as of December 31, 2020 compared to 0.08 percent reported as of December 31, 2019.

The continued effects of the ongoing novel coronavirus (COVID-19) pandemic, including restrictions on social and economic activity designed to reduce and control the spread of COVID-19, continue to cause a loss of business for many of our customers and the effects continue to be felt throughout the markets we serve. Safeguards issued by state and local governmental authorities in light of the ongoing COVID-19 pandemic continue to create difficult operating environments for businesses in our market areas, especially in the hospitality industries. These measures, although necessary, will delay the efforts of businesses in our market areas to work toward normal operations until it is safe to do so.

Wayne Wicker, Chief Executive Officer and Chairman of the Board of South Atlantic, said, "We as a Company met the challenges presented by the ongoing COVID-19 pandemic and its ensuing economic pressures. As we reported previously, we were a strong participating lender in the SBA's PPP, processing 1,013 loans totaling approximately $91.7 million during April and May of 2020. Our Company will again be a strong participating lender in the new round of the PPP signed into law in December 2020. In addition, we responded to the needs of our borrowers by granting short-term loan modifications to those who were unable to meet their contractual payment obligations because of the COVID-19 pandemic. We are glad to report that $61.5 million, or 91.6 percent, of the loans previously granted loan modifications or deferrals have returned to making contractual interest and principal payments. The remaining $5.7 million in loans that continue to have loan modifications or deferrals are anticipated to meet contractual payments at the end of the deferral periods. Our financial performance in 2020 reflects limited loan growth (exclusive of the PPP loans that we originated) through the first nine months of 2020 due to accelerated or early loan payoffs; however, the fourth quarter of 2020 has shown positive increases in our loan portfolio with an improving pipeline. Deposits have continued to grow each period as we have obtained new relationships and current customers have moved funds to a safer environment. The reductions in the federal funds rate by the Board of Governors of the Federal Reserve System (the "Federal Reserve") and the governmental restrictions on non-essential businesses to help stop the spread of the COVID-19 pandemic continue to contribute to reduced financial ratios compared to the year ended December 31, 2019. Nevertheless, we believe we have positioned our balance sheet for growth when the effects of the COVID-19 pandemic wane."

Operating Results

Net income for the year ended December 31, 2020 totaled $7.2 million, or $0.95 per diluted common share, compared to $6.1 million, or $0.80 per diluted common share, reported for the year ended December 31, 2019. Net income for the three months ended December 31, 2020 totaled $1.8 million, or $0.24 per diluted common share, compared to $1.3 million or $0.17 per diluted common share, reported for the three months ended December 31, 2019.

PPP Loans

Beginning in the fourth quarter of 2020, the Company began to receive PPP loan forgiveness payments from the SBA. As of December 31, 2020, we have received forgiveness payments for 178 PPP loans totaling $17.8 million, or 19.4 percent, which is reflected in the table below.

The Economic Aid Act, signed into law on December 27, 2020, authorized an additional $284.5 billion in new PPP funding and extends the authority of lenders to make PPP loans through March 31, 2021. Under the revised terms of the PPP, loans may be made to first time borrowers as well as certain businesses that previously received a PPP loan and experienced a significant reduction in revenue. The Company intends to participate in the new round of the PPP by offering first and second draw loans.

As of 12/31/2020

($'s in millions)

					Forgiveness Received	
Loan Size	# of Loans	$ of Loans	SBA Fee %	$ fee	# of Loans	$ of Loans
<350K	966	$ 58.0	5.00%	$ 2.9	167	$ 9.80
$350 K - $2.0 MM	45	$ 29.0	3.00%	$ 0.87	11	$ 8.00
>$2.0 MM	2	$ 4.7	1.00%	$.047	0	$ -
Total	1,013	$ 91.7	4.31%	$ 3.8	178	$ 17.8

Net Interest Income

Net interest income increased $3.2 million, or 12.0 percent, to $30.0 million for the year ended December 31, 2020, compared to $26.8 million for the year ended December 31, 2019, and increased $1.5 million, or 22.5 percent, to $8.2 million for the three months ended December 31, 2020, compared to $6.7 million for the same three-month period in 2019. The increase during the year ended December 31, 2020 compared to the same period in 2019 resulted from a 22.9 percent increase in interest-earning average asset balances due primarily to increased interest income from loan growth of 19.3 percent for the year ended December 31, 2020. Net interest income to average assets was 3.48 percent for the year ended December 31, 2020, compared to 3.83 percent for the same period in 2019, and was 3.44 percent for the three months ended December 31, 2020, compared to 3.70 percent for the same three-month period in 2019. The decline during the year ended December 31, 2020 compared to the same period in 2019 is due primarily to a 22.9 percent increase in average assets and a 17.9 percent decline in our earning asset yield.

Net Interest Margin

Net interest margin, on a tax-equivalent basis ("net interest margin"), decreased 37 basis points on a year-over-year comparison (and decreased 39 basis points excluding PPP loans) from 4.16 percent at December 31, 2019 to 3.79 percent at December 31, 2020. The decrease in net interest margin is primarily the result of the 150-basis point cut in the federal funds rate by the Federal Reserve in March 2020, resulting in a 108 basis point drop in loan yield year-over-year from December 31, 2019 to December 31, 2020. The cost of deposits declined from 89 basis points at December 31, 2019 to 31 basis points at December 31, 2020. We may continue to experience margin compression due to the sustained decline in loan yields, slower cost of deposit declines, higher levels of liquidity related to the COVID-19 pandemic and possible interest reversals. Offsets to our net interest margin compression are our lower cost on deposits, increased non-interest bearing deposits and the impact of our participation in the SBA's PPP.

Net interest income and net interest margin are affected by purchase accounting accretion and amortization entries associated with the fair value measurements recorded effective June 1, 2018. Interest income on loans totaling $348 thousand were recorded for the year ended December 31, 2020, compared to $429 thousand for the year ended December 31, 2019. Purchase loan accretion amounts vary from period to period as a result of periodic cash flow re-estimations, loan payoffs, and payment performance.

Cost of Deposits

The cost of deposits was 89 basis points as of December 31, 2019 and 31 basis points as of December 31, 2020. Our cost of deposits was reduced significantly to offset the decline in loan yields primarily due to the 150-basis point cut in the federal funds rate by the Federal Reserve in March 2020.

Margin Analysis

	Average Yield and Rate			Interest Income/Expense		
	MTD Actual Dec 2020	MTD Actual Dec 2019	Change	MTD Actual Dec 2020	MTD Actual Dec 2019	Change
Earning Assets						
Loans	3.99	5.07	-1.08	2,316,242	2,453,161	-136,920
Loan fees	0.8	0.1	0.7	462,161	48,973	413,188
Loans with fees	4.78	5.17	-0.39	2,778,403	2,502,134	276,269
Mortgage held for sale	2.82	3.52	-0.7	92,417	17,260	75,157
Federal funds sold	0.11	1.69	-1.58	1,438	9,563	-8,125
Deposits with banks	0.23	0.81	-0.58	3,588	2,864	724
Investment - taxable	2.36	2.94	-0.58	180,334	158,391	21,943
Investment - tax-exempt	3.24	4.17	-0.93	60,167	26,886	33,281
Total Earning Assets	**4.21**	**4.86**	**-0.65**	**3,116,347**	**2,717,099**	**399,248**
Interest bearing liabilities						
Interest bearing demand	0.11	0.31	-0.2	9,534	18,755	-9,221
Savings and Money Market	0.28	0.99	-0.71	82,558	215,420	-132,862
Time deposits - Retail	1.27	2.11	-0.84	104,018	214,082	-110,064
Time Deposits - Wholesale	0.75	2.14	-1.39	20,871	17,703	3,168
Total interest bearing deposits	0.44	1.2	-0.76	216,980	465,960	-248,979
Other borrowings	0	2.48	-2.48	0	568	-568
Total borrowed funds	0	2.48	-2.48	0	568	-568
Total interest-bearing liabilities	**0.44**	**1.2**	**-0.76**	**216,980**	**466,527**	**-249,547**
Net interest rate spread	**3.77**	**3.66**	**0.11**	**2,899,366**	**2,250,572**	**648,795**
Effect of NIBD	-0.13	-0.31	0.18			
Cost of funds	0.31	0.89	-0.58			
Net interest margin	**3.92**	**4.03**	**-0.11**			

Noninterest Income and Expense

Noninterest income totaled $8.0 million for the year ended December 31, 2020, compared to $4.9 million for the year ended December 31, 2019. Noninterest income for the three months ended December 31, 2020 totaled $2.1 million, compared to $1.1 million for the three months ended December 31, 2019. The increase in noninterest income during the year ended December 31, 2020 was primarily related to increased mortgage origination resulting in fee income of $4.2 million and gains on the restructure of the Company's investment portfolio totaling $1.0 million for the year ended December 31, 2020 compared to $1.9 million and $409 thousand, respectively, for the year ended December 31, 2019. For the year ended December 31, 2020, noninterest expense increased $4.1 million to $27.5 million, compared to $23.4 million for the year ended December 31, 2019. For the three months ended December 31, 2020, noninterest expense increased $1.5 million to $7.4 million, compared to $5.9 million for the three months ended December 31, 2019. The increase in noninterest expense for the year ended December 31, 2020 compared to the same period in 2019 is primarily related to increases in compensation, including commissions paid for mortgage origination, benefits and occupancy related to the COVID-19 pandemic and an expansion of our market presence during the period. Expense control measures continue to be implemented by the Company where feasible. However, ongoing costs of working remotely and the deep cleaning of offices due to the COVID-19 pandemic continue to offset some of the Company's expense control measures.

Loan Loss Provision

Our provision for loan losses for the years ended December 31, 2020 and 2019 was $1.7 million and $810 thousand, respectively. This increase in the provision for loan losses for the year ended December 31, 2020 is due primarily to the increase in loan growth from December 31, 2019 to December 31, 2020, in addition to management's estimation of the anticipated economic impact of the COVID-19 pandemic. For the three months ended December 31, 2020, the provision for loan losses was $665 thousand, compared to $315 thousand for the same period in 2019. The provision for the three months ended December 31, 2020 consisted of $1.5 million in general factor increases primarily related to the potential impact of the ongoing COVID-19 pandemic on credit risk, among other factors.

We continue to closely monitor our loan portfolio and may make provision adjustments based on modeling and loan portfolio performance. The allowance for loan and lease losses at December 31, 2020 was $6.8 million, or 0.99 percent of total loans (or 1.11 percent, excluding PPP loans), compared to $5.2 million, or 0.91 percent of total loans at December 31, 2019.

In addition, we have granted loan modifications or deferrals to certain borrowers on a short-term basis of three to year. As of June 30, 2020, we had granted short-term modifications or payment deferrals for 90 loans totaling $67.2 million, or 11 percent of our total loan portfolio. As of December 31, 2020, the number of loans granted short-term modifications or payment deferrals decreased to 5 loans totaling $5.7 million, or 0.92 percent of our total loan portfolio, excluding PPP loans. As of December 31, 2020, modifications of principal payments only make up $4.6 million of loans, or 0.75 percent of total loans outstanding, excluding PPP loans, while $1 million of loans, or 0.16 percent of total loans outstanding, excluding PPP loans, are interest and principal deferrals. The remaining loans that continue to have loan modifications or deferrals are anticipated to meet contractual payments at the end of their respective deferral periods.

The following table shows the number and amount of loans provided with short-term modifications and is organized by NCIAS sector code:

	Deferrals and Modifications						
		6/30/2020	6/30/2020	9/30/2020	9/30/2020	12/31/2020	12/31/2020
SECTOR	**DESCRIPTION**	**# OF LOANS**	**$ DOLLAR**	**# OF LOANS**	**$ DOLLAR**	**# of Loans**	**$ Dollars**
23	Construction	4	$ 1,357	0	$ -	0	$ -
45-45	Retail Trade	6	$ 1,025	0	$ -	0	$ -
48-49	Transportation and Warehousing	5	$ 1,290	1	$ 483	0	$ -
52	Finance and Insurance	3	$ 1,024	0	$ -	0	$ -
53	Real Estate and Rental and Leasing	40	$ 9,914	8	$ 10,852	2	$ 1,721
62	Health Care and Social Assistance	3	$ 1,164	0	$ -	0	$ -
71	Arts, Entertainment and Recreation	6	$ 2,240	2	$ 784	1	$ 363
72	Accomodation and Food Service	8	$ 13,978	3	$ 5,250	1	$ 2,920
82	Religious Organizations	0	$ -	0	$ -	1	$ 649
	Consumer	15	$ 5,186	0	$ -	0	$ -
	TOTAL	**90**	**$ 67,178**	**14**	**$ 17,369**	**5**	**$ 5,653**

Nonperforming Assets

Nonperforming assets as a percentage of total assets was 0.03 percent as of December 31, 2020, compared to 0.08 percent as of December 31, 2019.

Capital Position

Shareholders' equity totaled $97.8 million as of December 31, 2020, an increase of $9.4 million from December 31, 2019. 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 12.05 percent at December 31, 2020. At December 31, 2020, the Bank had approximately $14.2 million in excess of the 10.0 percent minimum regulatory threshold required to be considered a "well-capitalized" institution. In addition, the Company reported $10.8 million in additional capital available for contribution to the Bank. During the year ended December 31, 2020, the Company contributed $3.5 million to the Bank to maintain a minimum 8.0 percent leverage ratio. This capital contribution was the result of increased average assets due primarily to the $91.7 million in PPP loans originated by the Bank during the year ended December 31, 2020. The Company reported a total of 7,509,333 total common stock outstanding at December 31, 2020.

SELECTED FINANCIAL HIGHLIGHTS

	Quarter Ended					Year Ended	
	December 31 **2020**	September 30 **2020**	June 30 **2020**	March 31 **2020**	December 31 **2019**	December 31 **2020**	December 31 **2019**
Earnings Breakdown (In Thousands, except share and per share amounts)							
Total interest income	8,830	8,388	8,327	8,039	8,042	33,584	32,244
Total interest expense	665	738	821	1,332	1,379	3,557	5,429
Net interest income	8,165	7,650	7,506	6,706	6,663	30,028	26,815
Total noninterest income	2,138	1,980	2,234	1,630	1,131	7,982	4,859
Total noninterest expense	7,418	7,120	6,494	6,464	5,871	27,497	23,358
Provision for loan losses	665	165	610	245	315	1,685	810
Income before taxes	2,220	2,345	2,636	1,627	1,608	8,827	7,506
Taxes	376	376	540	340	342	1,631	1,440
Net income	1,844	1,969	2,096	1,287	1,266	7,196	6,066
Diluted earnings per share	0.24	0.26	0.28	0.17	0.17	0.95	0.80
Common Stock period end	7,509,333	7,504,040	7,504,040	7,504,040	7,504,040	7,509,333	7,504,040
Weighted average shares o/s							
Common stock - basic	7,504,098	7,504,040	7,504,040	7,504,040	7,504,040	7,504,055	7,504,040
Common stock - diluted	7,561,005	7,530,222	7,529,952	7,588,124	7,603,468	7,552,776	7,601,903
Balance Sheet (In Thousands)							
Total Assets	946,541	935,306	923,918	744,843	718,402	946,541	718,402
Investment securities	125,229	113,111	85,513	73,402	76,399	125,229	76,399
Mortgage loans held-for-sale	36,676	37,141	13,119	8,437	4,904	36,676	4,904
Loans	686,894	673,766	680,265	594,133	575,721	686,894	575,721
Allowance for loan losses	(6,824)	(6,243)	(6,100)	(5,490)	(5,237)	(6,824)	(5,237)
Goodwill	5,349	5,349	5,349	5,349	5,349	5,349	5,349
Deposit intangible	859	919	981	1,045	1,111	859	1,111
Deposits	834,854	823,996	815,010	635,631	616,807	834,854	616,807
Shareholders' equity	97,822	96,001	93,541	90,071	88,406	97,822	88,406
Selected Ratios (%)							
Return on average assets	0.78	0.85	1.00	0.69	0.70	0.83	0.87
Return on average equity	7.58	8.20	9.19	5.74	5.74	7.69	7.21
Net interest income to total AA	3.45	3.30	3.59	3.62	3.70	3.48	3.83
Efficiency ratio	72.00	73.94	66.68	77.54	75.33	72.34	73.74
Loan loss reserve to total loans	0.99	0.93	0.90	0.92	0.91	0.99	0.91
Nonperforming assets to total AA	0.02	0.03	0.04	0.07	0.07	0.03	0.08
Net charge-offs to total average loans	0.05	0.01	0.00	(0.01)	(0.01)	0.02	0.00
Net interest margin	3.74	3.59	3.93	3.98	4.03	3.79	4.16
Holding Company Capital Ratios							
Total risk-based capital ratio	13.84	13.67	13.63	14.23	14.63	13.84	14.63
Tier 1 risk-based capital ratio	12.83	12.73	12.70	13.33	13.73	12.83	13.73
Leverage ratio	9.30	9.30	9.98	10.95	11.26	9.30	11.26
Common equity tier 1 ratio	12.83	12.73	12.70	13.33	13.73	12.83	13.73
Tangible common equity	9.72	9.63	9.47	11.29	11.47	9.72	11.47
Average Balances (In Thousands)							
Total assets	942,248	922,732	839,809	745,609	714,442	862,982	700,692
Earning assets	878,944	859,381	774,202	682,017	660,346	799,022	648,191
Investment securities	122,124	100,765	77,172	72,684	73,594	93,286	60,611
Loans, net of unearned income	681,191	678,222	662,651	583,497	565,184	651,545	553,036
Deposits	830,220	812,283	727,021	640,492	611,566	752,880	599,031
Shareholders' equity	96,804	95,510	91,691	90,150	87,415	93,553	84,186

About South Atlantic Bancshares, Inc.

South Atlantic Bancshares, Inc. (OTCQX: SABK) is a registered bank holding company based in Myrtle Beach, South Carolina with $947 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 ten 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, 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 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 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, 2019 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, 2019, as contained in the Company's 2019 Annual Report located on the Company's website.

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