



South Atlantic Bancshares, Inc. Reports Earnings of \$0.34 per Diluted Common Share For the Three Months Ended September 30, 2021

MYRTLE BEACH, S.C., October 19, 2021 /PRNewswire/ -- South Atlantic Bancshares, Inc. ("South Atlantic" or the "Company") (OTCQX: SABK), parent of South Atlantic Bank (the "Bank"), reported consolidated net income of \$8.6 million, or \$1.12 per diluted common share, for the nine months ended September 30, 2021, an increase of \$3.2 million, or \$0.41 per diluted common share, compared to the nine months ended September 30, 2020. Consolidated net income was \$2.6 million, or \$0.34 per diluted common share, for the three months ended September 30, 2021, an increase of \$634 thousand, or \$0.08 per diluted common share, compared to the three months ended September 30, 2020.

"We are very pleased with our financial performance during the third quarter of 2021. South Atlantic continued earnings improvements with good loan and deposit growth while maintaining a strong credit culture during the nine-month period ended September 30, 2021. We believe our earnings continue to perform at high levels even while experiencing margin compression. We are encouraged by the activity in our loan pipeline and believe we are well-positioned for future growth," said K. Wayne Wicker, Chairman and Chief Executive Officer of South Atlantic

Earnings Summary

Net income for the nine months ended September 30, 2021 totaled \$8.6 million, or \$1.12 per diluted common shares, compared to \$5.4 million, or \$0.71 per diluted common share, reported for the same nine months ended September 30, 2020. Net income for the three months ended September 30, 2021 totaled \$2.6 million, or \$0.34 per diluted common share, compared to \$2.0 million or \$0.26 per diluted common shares, reported for the same three months ended September 30, 2020.

Net interest income was \$26.6 million for the nine months ended September 30, 2021 compared to \$21.9 million for the nine months ended September 30, 2020, an increase of \$4.8 million, or 21.8 percent, due to \$2.3 million of accelerated Paycheck Protection Program ("PPP") fee income recognition resulting from the payoff of PPP loans that were forgiven by the Small Business Administration ("SBA") during the nine months ended September 30, 2021, as well as an increase of \$1.3 million in interest income on securities due to increased security holdings, and a \$1.2 million decrease in interest expense. Net interest income was \$8.9 million for the three months ended September 30, 2021, an increase of \$1.3 million, or 16.5 percent, compared to \$7.7 million for the three months ended September 30, 2020. This increase is primarily due to \$690 thousand of accelerated PPP fee income recognition resulting from the payoff of loans that were forgiven by the SBA during the three months ended September 30, 2021, as well as an increase of \$717 thousand in interest income on securities due to increased security holdings, and a \$224 thousand decrease in interest expense.

Noninterest income increased \$2.0 million, or 34.9 percent, to \$7.9 million for the nine months ended September 30, 2021 compared to \$5.8 million for the nine months ended September 30, 2020. This increase is primarily due to \$1.5 million increase in secondary mortgage fees and \$479 thousand increase in merchant card activity and debit card fees compared to the nine months ending September 30, 2020. Noninterest income increased \$165 thousand, or 8.3 percent, for the three months ending September 30, 2021 compared to the three months ending September 30, 2020. This increase is primarily due to a \$141 thousand increase in merchant card activity and debit card fees.

Noninterest expense increased \$2.8 million, or 14.1 percent, to \$22.9 million for the nine months ending September 30, 2021 compared to \$20.1 million for the nine months ended September 30, 2020. This increase is primarily due to salary and benefits expenses increasing \$2.0 million due to increased commissions on mortgage production, the hiring 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 markets, and increased FDIC deposit insurance costs related to the growth in deposits during the period. Noninterest expense increased \$601 thousand, or 8.4 percent, during the three months ending September 30, 2021 compared to the three months ending September 30, 2020 primarily due to a \$314 thousand increase in salaries and benefits due to mortgage commissions and personal costs related to the new Hilton Head office, \$210 thousand increase related to higher FDIC deposit insurance premiums, as well as increases in advertising and travel expenses. Our effective tax rate for the nine months ended September 30, 2021 was 19.8 percent.

Financial Performance

Dollars in Millions Except Per Share Data

Income Statement	Three Months Ended					Nine Months Ended	
	September 30, 2021	June 30, 2021	March 30, 2021	December 31, 2020	September 30, 2020	September 30, 2021	September 30, 2020
Interest Income							
Loans	\$8,029	\$8,292	\$8,684	\$8,096	\$7,735	\$25,005	\$22,850
Investments	1,396	1,119	748	734	653	3,264	1,904
Total Interest Income	\$9,425	\$9,411	\$9,432	\$8,830	\$8,388	\$28,269	\$24,754
Interest Expense	514	559	575	665	738	1,649	2,891
Net Interest Income	\$8,911	\$8,852	\$8,857	\$8,165	\$7,650	\$26,620	\$21,863
Provision for Loan Losses	111	375	285	665	165	771	1,020
Noninterest Income	2,145	2,260	3,478	2,138	1,980	7,883	5,844
Noninterest Expense	7,721	7,625	7,558	7,418	7,120	22,905	20,074
Income Before Taxes	\$3,224	\$3,112	\$4,492	\$2,220	\$2,345	\$10,827	\$6,608
Provision for Income Taxes	620	637	978	376	376	2,235	1,256
Net Income	\$2,604	\$2,475	\$3,514	\$1,844	\$1,969	\$8,592	\$5,352
Basic Earnings Per Share	\$0.34	\$0.33	\$0.47	\$0.25	\$0.26	\$1.14	\$0.71
Diluted Earnings Per Share	\$0.34	\$0.32	\$0.46	\$0.24	\$0.26	\$1.12	\$0.71
Weighted Average Shares Outstanding							
Basic	7,553,866	7,513,030	7,509,333	7,504,098	7,504,040	7,526,920	7,504,040
Diluted	7,683,857	7,633,965	7,600,275	7,561,005	7,530,222	7,641,782	7,595,944
Total Shares Outstanding	7,561,499	7,541,109	7,509,333	7,509,333	7,504,040	7,561,499	7,504,040

Noninterest Income/Expense

Dollars in Millions

Noninterest Income	Three Months Ended					Nine Months Ended	
	September 30, 2021	June 30, 2021	March 30, 2021	December 30, 2020	September 30, 2020	September 30, 2021	September 30, 2020
Service charges and fees	\$125	\$118	\$126	\$106	\$152	\$370	\$355
Securities gains, net	46	-	990	90	-	1,036	962
Secondary mortgage income	1,214	1,365	1,755	1,354	1,248	4,333	2,797
Other Income	760	777	607	588	580	2,144	1,730
Total noninterest income	\$2,145	\$2,260	\$3,478	\$2,138	\$1,980	\$7,883	\$5,844
Noninterest expense							
Salaries and employee benefits	\$4,888	\$4,847	\$4,797	\$4,572	\$4,574	\$14,532	\$12,572
Occupancy	1,043	1,092	1,121	954	967	3,257	2,825
Other Expense	1,790	1,686	1,640	1,892	1,579	5,116	4,682
Total noninterest expense	\$7,721	\$7,625	\$7,558	\$7,418	\$7,120	\$22,905	\$20,079

Balance Sheet Activity

Total assets increased \$229.2 million to \$1.2 billion as of September 30, 2021 compared to \$935.3 million as of September 30, 2020. This increase is primarily due to an increase of \$223.7 million in investment securities and an increase of \$34.7 million in total loans, partially offset by \$53.2 million in forgiveness payments on PPP loans received from the SBA during the period, thus reflecting overall loan growth of 15.1 percent year-over-year. Total loans, net of PPP loans, grew \$55.5 million, or 9.0 percent, for the nine months ended September 30, 2021. Total deposits increased \$220.0 million to \$1.0 billion as of September 30, 2021 compared to \$824.0 million as of September 30, 2020.

Total assets increased \$18.7 million from June 30, 2021 to September 30, 2021. This increase is primarily related to \$56.6 million in security purchases made during the period to offset overnight cash positions. Total loans declined \$9.6 million during the three-month period ended September 30, 2021. This decline is primarily due to the receipt of \$17.8 million in forgiveness payments from the SBA on PPP loans during the period, partially offset by loan growth of \$8.2 million during the period.

Balance Sheet

Dollars in Millions

	September 30, 2021	June 30, 2021	March 31, 2021	December 30, 2020	September 30, 2020
Cash and Cash Equivalents	\$83,753	\$142,008	\$112,694	\$40,682	\$58,494
Trading Securities	9,977	-	-	-	-
Investment Securities	298,131	220,429	148,739	125,229	113,111
Loans Held for Sale	5,631	7,807	26,559	36,676	37,141
Loans					
Loans	708,436	718,026	691,141	686,894	673,766
Less Allowance for Loan Losses	(7,606)	(7,494)	(7,109)	(6,824)	(6,243)
Loans, Net	\$700,830	\$710,532	\$684,032	\$680,070	\$667,523
OREO		-	-	-	-
Property, net of accumulated depreciation	20,274	20,350	20,371	20,313	20,328
BOLI	23,682	23,525	23,369	23,215	18,087
Goodwill	5,349	5,349	5,349	5,349	5,349
Core Deposit Intangible	692	746	802	859	919
Other Assets	16,196	15,088	14,749	14,148	14,354
Total Assets	\$1,164,515	\$1,145,834	\$1,036,664	\$946,541	\$935,306
Deposits					
Noninterest bearing	\$350,175	\$349,345	\$304,430	\$245,321	\$263,885
Interest Bearing	693,520	678,231	617,021	589,533	560,112
Total Deposits	\$1,043,695	\$1,027,576	921,451	834,854	823,997
Other Borrowings	-	14	-	-	-
Other Liabilities	16,650	15,422	16,242	13,865	15,309
Total Liabilities	\$1,060,345	\$1,043,012	\$937,693	\$848,719	\$839,306
Shareholders' Equity	\$104,170	\$102,822	\$98,971	\$97,822	\$96,000
Total Liabilities and Shareholders' Equity	\$1,164,515	\$1,145,834	\$1,036,664	\$946,541	\$935,306

Loan Portfolio and Paycheck Protection Program

The Company processed 1,013 PPP loans, totaling \$91.7 million, during phase one of the PPP. We have received forgiveness payments of \$91.6 million from the SBA for 1,011 phase one PPP loans, leaving two loans from phase one of the PPP remaining to receive forgiveness by the SBA as of September 30, 2021. The Company processed 519 PPP loans, totaling \$54.6 million, during phase two of the PPP. We have received forgiveness payments of \$16.2 million from the SBA for 172 phase two PPP loans as of September 30, 2021. We anticipate that the remainder of these PPP loans will be forgiven by the SBA or repaid by year-end 2021.

PPP Loans

<i>Dollars in Thousands</i>	<u>3Q21</u>	<u>2Q21</u>	<u>1Q21</u>	<u>4Q20</u>	<u>3Q20</u>	<u>Remaining</u>
Total PPP Loans Outstanding	\$38,470	\$56,226	\$72,457	\$76,819	\$91,664	-
Phase 1 Fee Income	-	\$477	\$1,433	\$983	\$477	-
Phase 2 Fee Income	\$691	\$560	\$ 125	-	-	\$1,310

Net Interest Margin

Net interest margin on a tax equivalent basis ("net interest margin") declined by 19 basis points to 3.63 percent for the nine months ended September 30, 2021 compared to the same nine-month period in 2020. The decline is primarily attributed to the 47 basis point decrease in the earning asset yield, partially offset by the 30 basis point decline in the cost of deposits as a result of the continued low interest rate environment.

Net interest margin declined 18 basis points to 3.38 percent for the three months ended September 30, 2021 compared to the three months ended June 30, 2021. The decline is primarily attributed to the 21 basis point decrease in the earning asset yield, partially offset by the 4 basis point decline in the cost of deposits as a result of the continued low interest rate environment.

Net Interest Margin

Dollars in Millions

	September 30, <u>2021</u>		June 30, <u>2021</u>		Three Months Ended March 31, <u>2021</u>		December 31, <u>2020</u>		September 30, <u>2020</u>	
	Average <u>Balance</u>	Yield/ <u>Rate</u>	Average <u>Balance</u>	Yield/ <u>Rate</u>	Average <u>Balance</u>	Yield/ <u>Rate</u>	Average <u>Balance</u>	Yield/ <u>Rate</u>	Average <u>Balance</u>	Yield/ <u>Rate</u>
Interest earning assets										
Loans	\$711	3.94%	\$704	3.96%	\$690	3.99%	\$681	3.99%	\$678	4.06%
Loan fees		0.51		0.70		1.00		0.62		0.40
Loans with fees	\$711	4.45%	\$704	4.65%	\$690	4.98%	\$681	4.61%	\$678	4.46%
Total interest earning assets	\$1,055	3.58%	\$1,003	3.79%	\$903	4.25%	\$875	4.04%	\$855	3.93%
Interest-bearing liabilities										
Total interest-bearing deposits	\$689	0.30%	\$640	0.35%	\$596	0.39%	\$575	0.46%	\$545	0.54%
Total interest-bearing liabilities	\$689	0.30%	\$640	0.35%	\$596	0.39%	\$575	0.46%	\$545	0.54%
Cost of funds		0.19%		0.23%		0.27%		0.32%		0.36%
Net interest margin		3.38%		3.56%		3.99%		3.74%		3.59%

We continue to see strong credit quality throughout our markets through September 30, 2021. As of September 30, 2021, we had one loan classified non-accrual totaling \$75 thousand and no loans past due greater than 90 days. Provision

expense during the nine months ended September 30, 2021 amounted to \$711 thousand compared to \$1.0 million for the nine months ended September 30, 2020. Provision expense during the three months ended September 30, 2021 amounted to \$111 thousand compared to \$165 thousand for the three months ended September 30, 2020. As of September 30, 2021, our ratio of loan loss reserve to total loans was 1.07 percent and 1.14 percent net of PPP loans.

As previously disclosed, the Bank worked 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 September 30, 2021, we had no loans with short-term modifications or payment deferrals due to the COVID-19 pandemic.

Credit Quality

	For the Periods Ended				
	September 30, <u>2021</u>	June 30, <u>2021</u>	March 31, <u>2021</u>	December 31, <u>2020</u>	September 30, <u>2020</u>
LLR to Total Loans	1.07%	1.04%	1.03%	0.99%	0.93%
LLR to Total Loans (Net PPP)	1.14%	1.13	1.16	1.11	1.07
NPAs to Avg Assets	0.00	0.00	0.03	0.02	0.03
NCOs to Total Loans	0.00	0.00	0.00	0.00	0.00
Total NPAs (thousands)	\$75	-	\$244	\$224	\$314

Performance Ratios

	For the Periods Ended				
	September 30, <u>2021</u>	June 30, <u>2021</u>	March 30, <u>2021</u>	December 31, <u>2020</u>	September 30, <u>2020</u>
ROAA	0.88%	1.10%	1.46%	0.78%	0.85%
ROAE	9.75	11.74	14.31	7.58	8.20
Efficiency	69.84	68.62	61.27	72.00	73.94
NIM	3.38	3.56	3.99	3.74	3.59
Book Value	\$13.78	\$13.63	\$13.18	\$13.03	\$12.79
Tangible Book Value	\$12.94	\$12.79	\$12.33	\$12.17	\$11.92

Capital Position

Shareholders' equity totaled \$104.2 million as of September 30, 2021, an increase of \$6.3 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 12.26 percent as of September 30, 2021. On September 30, 2021, the Bank had approximately \$17.7 million of total capital in excess of the 10.0 percent minimum regulatory threshold required to be considered a "well-capitalized" institution. In addition, the Company reported \$6.9 million in additional capital available for distribution to the Bank. During the nine months ended September 30, 2021, the Company distributed \$4.2 million of capital to the Bank. The Company reported 7,561,499 total shares outstanding at September 30, 2021.

Capital Ratios

	September 30, <u>2021</u>	June 30, <u>2021</u>	March 30, <u>2021</u>	December 31, <u>2020</u>	September 30, <u>2020</u>
Tier 1	12.26%	12.26%	12.42%	12.83%	12.73%
Leverage	8.22	8.64	9.28	9.30	9.30
CET-1	12.28	12.26	12.42	12.83	12.73
TCE	8.45	8.47	8.98	9.72	9.63
Total	13.24	13.25	13.40	13.84	13.67

Additional Data

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

Contacts: K. Wayne Wicker, Chairman & CEO, 843-839-4410
Dick Burch, EVP & CFO 843-839-4412

Member FDIC