



South Atlantic Bancshares, Inc. Reports Earnings of \$0.26 per Diluted Common Share For the Three Months Ended March 31, 2022

MYRTLE BEACH, S.C., April 19, 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 \$2.0 million, or \$0.26 per diluted common share, for the three months ended March 31, 2022, a decrease of \$1.5 million, or \$0.20 per diluted common share, compared to the three months ended March 31, 2021.

"We are very pleased with our financial performance during the first quarter of 2022. We achieved 7.5 percent loan growth during the quarter, net of Paycheck Protection Program ("PPP") loans, which continue to be forgiven by the Small Business Administration ("SBA"). We continue to see a strong loan pipeline developing for 2022. We believe our investments in hiring seasoned lenders are making an immediate impact in all of our markets. Our core earnings, defined as net of mortgage and PPP fees, continue to improve, even though we are reflecting lower earnings per share during the first quarter of 2022 due to an expected reduction in PPP fees and reduced secondary mortgage fees. We are encouraged by the activity in our loan pipeline and believe we are well-positioned for the remainder of 2022 in all of our markets," said K. Wayne Wicker, Chairman and Chief Executive Officer of South Atlantic

Earnings Summary

Net interest income was \$9.3 million for the three months ended March 31, 2022 compared to \$8.9 million for the three months ended March 31, 2021, an increase of \$466 thousand, or 5.3 percent, primarily due to an increase of \$1.1 million in interest income on securities due to increased securities holdings, partially offset by a reduction in interest and fee income on loans of \$453 thousand, as a large portion of PPP-related SBA fee income was realized in the first quarter of 2021 as PPP loans were forgiven by the SBA, and an increase in interest expense driven by a larger deposit portfolio.

Discount accretion included in the net interest income was \$60 thousand for the three months ended March 31, 2022 compared to \$75 thousand for the same period in 2021.

Noninterest income declined \$2.3 million, or 66.5 percent, to \$1.2 million for the three months ended March 31, 2022 compared to \$3.5 million for the three months ended March 31, 2021. This decline in noninterest income during the three months ended March 31, 2022 is primarily due to a \$1.5 million decrease in gains on the sale of securities and a \$951 thousand decrease in secondary mortgage fees.

Noninterest expense increased \$445 thousand, or 5.9 percent, to \$8.0 million for the three months ending March 31, 2022 compared to \$7.6 million for the three months ended March 31, 2021. This increase in noninterest expense during the three months ended March 31, 2022 is primarily due to salary and benefits expenses increasing by \$364 thousand due to the hiring of seasoned commercial lenders and overhead costs to support our operations.

Financial Performance

Dollars in Thousands Except Per Share Data

	Three Months Ended					
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Interest Income						
Loans	\$ 8,231	\$ 8,020	\$ 8,029	\$ 8,292	\$ 8,684	\$ 8,096
Investments	1,832	1,698	1,396	1,119	748	734
Total Interest Income	\$ 10,063	\$ 9,718	\$ 9,425	\$ 9,411	\$ 9,432	\$ 8,830
Interest Expense	740	550	514	559	575	665
Net Interest Income	\$ 9,323	\$ 9,168	\$ 8,911	\$ 8,852	\$ 8,857	\$ 8,165
Provision for Loan Losses	75	553	111	375	285	665
Noninterest Income	1,163	1,956	2,145	2,260	3,478	2,138
Noninterest Expense	8,003	7,818	7,721	7,625	7,558	7,418
Income Before Taxes	\$ 2,408	\$ 2,753	\$ 3,224	\$ 3,112	\$ 4,492	\$ 2,220
Provision for Income Taxes	402	499	620	637	978	376
Net Income	\$ 2,006	\$ 2,254	\$ 2,604	\$ 2,475	\$ 3,514	\$ 1,844
Basic Earnings Per Share	\$ 0.26	\$ 0.30	\$ 0.34	\$ 0.33	\$ 0.47	\$ 0.25
Diluted Earnings Per Share	\$ 0.26	\$ 0.29	\$ 0.34	\$ 0.32	\$ 0.46	\$ 0.24
Weighted Average Shares Outstanding						
Basic	7,580,618	7,573,020	7,553,866	7,513,030	7,509,333	7,504,098
Diluted	7,707,204	7,694,569	7,683,857	7,633,965	7,600,275	7,561,005
Total Shares Outstanding	7,591,915	7,577,805	7,577,805	7,541,109	7,509,333	7,509,333

Noninterest Income/Expense

Dollars in Thousands

	Three Months Ended				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Noninterest Income					
Service charges and fees	\$ 134	\$ 131	\$ 125	\$ 118	\$ 126
Securities gains, net	(545)	86	46	-	990
Secondary mortgage income	804	1,014	1,214	1,365	1,755
Other income	770	725	760	777	607
Total noninterest income	\$ 1,163	\$ 1,956	\$ 2,145	\$ 2,260	\$ 3,478
Noninterest expense					
Salaries and employee benefits	\$ 5,161	\$ 4,767	\$ 4,888	\$ 4,847	\$ 4,797
Occupancy	1,042	1,257	1,043	1,092	1,121
Other expense	1,800	1,794	1,790	1,686	1,640
Total noninterest expense	\$ 8,003	\$ 7,818	\$ 7,721	\$ 7,625	\$ 7,558

Balance Sheet Activity

Total assets increased \$64.2 million to \$1.3 billion as of March 31, 2022, compared to \$1.2 billion as of December 31, 2021. This increase in total assets during the three months ended March 31, 2022 was driven primarily by an increase in net loans of \$39.0 million and an increase in investment securities of \$13.6 million, offset by a reduction in mortgage loans held for sale of \$5.9 million. Total loans, net of \$14.2 million in paydowns and payoffs of PPP loans, grew 5.3 percent over the quarter ended March 31, 2022 compared to 1 percent for the quarter ended March 31, 2021. Total deposits increased

\$74.1 million in the quarter ended March 31, 2022, of which \$9.8 million was noninterest bearing, compared to an increase of \$86.6 million in the three months ended March 31, 2021.

Balance Sheets

Dollars in Thousands

	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Cash and Cash Equivalents	\$ 108,901	\$ 95,378	\$ 83,753	\$ 142,008	\$ 112,694	\$ 40,682
Trading Securities	9,510	10,055	9,977	-	-	-
Investment Securities	338,293	324,176	298,131	220,429	148,739	125,229
Loans Held for Sale	3,840	9,692	5,631	7,807	26,559	36,676
Loans						
Loans	772,978	733,896	708,436	718,026	691,141	686,894
Less Allowance for Loan Losses	(8,235)	(8,159)	(7,606)	(7,494)	(7,109)	(6,824)
Loans, Net	\$ 764,743	\$ 725,737	\$ 700,830	\$ 710,532	\$ 684,032	\$ 680,070
OREO	-	-	-	-	-	-
Property, net of accumulated depreciation	\$ 19,550	\$ 19,772	\$ 20,274	\$ 20,350	\$ 20,371	\$ 20,313
BOLI	23,990	23,839	23,682	23,525	23,369	23,215
Goodwill	5,349	5,349	5,349	5,349	5,349	5,349
Core Deposit Intangible	590	640	692	746	802	859
Other Assets	21,366	17,315	16,196	15,088	14,749	14,148
Total Assets	\$ 1,296,132	\$ 1,231,953	\$ 1,164,515	\$ 1,145,834	\$ 1,036,664	\$ 946,541
Deposits						
Noninterest bearing	\$ 356,345	\$ 346,525	\$ 350,175	\$ 349,345	\$ 304,430	\$ 245,321
Interest bearing	799,866	735,577	693,520	678,231	617,021	589,533
Total Deposits	\$ 1,156,211	\$ 1,082,102	\$ 1,043,695	\$ 1,027,576	\$ 921,451	\$ 834,854
Other Borrowings	-	-	-	14	-	-
Other Liabilities	45,438	44,339	16,650	15,422	16,242	13,865
Total Liabilities	\$ 1,201,649	\$ 1,126,441	\$ 1,060,345	\$ 1,043,012	\$ 937,693	\$ 848,719
Shareholders' Equity	\$ 94,483	\$ 105,512	\$ 104,170	\$ 102,822	\$ 98,971	\$ 97,822
Total Liabilities and Shareholders' Equity	\$ 1,296,132	\$ 1,231,953	\$ 1,164,515	\$ 1,145,834	\$ 1,036,664	\$ 946,541

PPP Loans

The Company processed 1,013 PPP loans, totaling \$91.7 million, during phase one of the PPP, which began in April 2020 and ended in August 2020. We have received forgiveness payments of \$91.7 million from the SBA for all 1,013 phase one PPP loans, leaving no outstanding loans from phase one of the PPP as of December 31, 2021. The Company processed an additional 519 PPP loans, totaling \$54.6 million, during phase two of the PPP, which began in January 2021 and ended in May 2021. We have received forgiveness payments of \$44.4 million from the SBA for phase two PPP loans as of March 31, 2022. We anticipate that the remaining phase two PPP loans will be forgiven by the SBA or otherwise repaid by mid-year 2022.

PPP Loans

Dollars in Thousands

	For the Periods Ended						
	March 31, 2021	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	Remaining
Total PPP Loans Outstanding	\$ 10,178	\$ 24,414	\$ 38,470	\$ 56,226	\$ 72,457	\$ 76,819	\$ -
Phase 1 Fee Income	\$ -	\$ -	\$ -	\$ 477	\$ 1,433	\$ 983	\$ -
Phase 2 Fee Income	\$ 536	\$ 538	\$ 687	\$ 560	\$ 125	\$ -	\$ 236

Net Interest Margin

Net interest margin, on a tax equivalent basis ("net interest margin"), declined by 3 basis points to 3.29 percent for the three months ended March 31, 2022, compared to 3.32 percent for the three months ended December 31, 2021. The decline is attributable primarily to the 7 basis point increase in overall cost of funds, offset by the increase in yield on earning assets by 2 basis points and decrease in rates on interest-bearing deposits by 2 basis points.

Net Interest Margin Analysis

Dollars in Millions

	Three Months Ended									
	March 31, 2022		December 31, 2021		September 30, 2021		June 30, 2021		March 31, 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	\$ 751	4.00%	\$ 719	3.97%	\$ 711	3.94%	\$ 704	3.96%	\$ 690	3.99%
Loan fees		0.42%		0.42%		0.51%		0.70%		1.00%
Loans with fees	\$ 751	4.42%	\$ 719	4.40%	\$ 711	4.45%	\$ 704	4.65%	\$ 690	4.98%
Total Interest earning assets	\$ 1,157	3.54%	\$ 1,105	3.52%	\$ 1,055	3.58%	\$ 1,003	3.79%	\$ 903	4.25%
Interest-bearing liabilities										
Total interest bearing deposits	\$ 750	0.25%	\$ 741	0.27%	\$ 689	0.30%	\$ 640	0.35%	\$ 596	0.39%
Total interest bearing liabilities	\$ 779	0.38%	\$ 747	0.29%	\$ 689	0.30%	\$ 640	0.35%	\$ 596	0.39%
Cost of funds		0.27%		0.20%		0.19%		0.23%		0.27%
Net interest margin		3.29%		3.32%		3.38%		3.56%		3.99%

Credit Quality

We continue to see strong credit quality throughout our markets through March 31, 2022. As of March 31, 2022, there are no loans classified as non-accrual and no loans past due greater than 90 days. Provision expense during the three months ended March 31, 2022 was \$75 thousand compared to \$575 thousand for the three months ended March 31, 2021.

As previously disclosed, the Bank worked closely 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 March 31, 2022, there are no loans with short-term modifications or payment deferrals due to the COVID-19 pandemic.

Credit Quality Analysis

	For the Periods Ended				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
LLR to Total Loans	1.07%	1.11%	1.07%	1.04%	1.03%
LLR to Total Loans (Net PPP)	1.08%	1.15%	1.14%	1.13%	1.16%
NPAs to Avg Assets	0.00%	0.01%	0.01%	0.00%	3.00%
NCOs to Total Loans	0.00%	0.00%	0.00%	0.00%	0.00%
Total NPAs (thousands)	\$ -	\$ 75	\$ 75	\$ -	\$ 244

Performance Ratios

	For the Periods Ended				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
ROAA	0.65%	0.74%	0.88%	1.10%	1.46%
ROAE	7.94%	8.61%	9.75%	11.74%	14.31%
Efficiency	72.06%	70.28%	69.84%	68.62%	61.27%
NIM	3.29%	3.32%	3.38%	3.56%	3.99%
Book Value	\$ 12.45	\$ 13.92	\$ 13.78	\$ 13.63	\$ 13.18
Tangible Book Value	\$ 11.63	\$ 13.10	\$ 12.94	\$ 12.79	\$ 12.33

Capital Position

Shareholders' equity totaled \$94.5 million as of March 31, 2022, a decrease of \$11.0 million from December 31, 2021, driven by a \$13.5 million adjustment for unrealized losses in the Bank's available-for-sale securities portfolio since December 31, 2021, partially offset by \$2.0 million in year-to-date earnings. The \$13.5 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 a significant increase in market interest rates during the period. Generally, the Bank classifies its debt securities held in the Bank's securities portfolio as available-for-sale. During the period, the Bank reclassified a portion of its securities portfolio to held to maturity in order to help mitigate the effects of the rising interest rate environment and the Bank anticipates they will mature at par. 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 12.73 percent as of March 31, 2022. The Company reported 7,591,915 total shares outstanding as of March 31, 2022. This increase of 14,110 shares is due to exercise of options granted.

Capital Ratios

Bank Only	For the Periods Ended				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Tier 1	11.78%	12.01%	11.30%	11.28%	11.41%
Leverage	8.34%	8.38%	7.63%	7.99%	8.18%
CET-1	11.78%	12.01%	11.30%	11.28%	11.41%
Total	12.73%	12.99%	12.27%	12.27%	12.44%

Additional Data	For the Periods Ended				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Branches	11	11	11	10	10
Employees (Full Time Equivalent)	150	150	149	146	137

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 \$1.3 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 (or any current or future variant thereof), 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, 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/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.

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