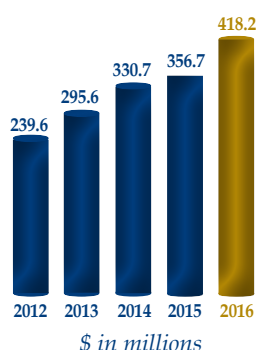
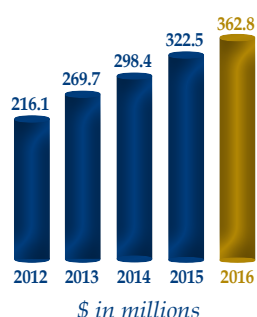


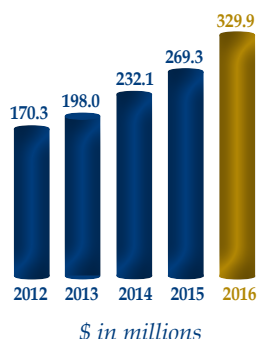
Total Assets (March 31)



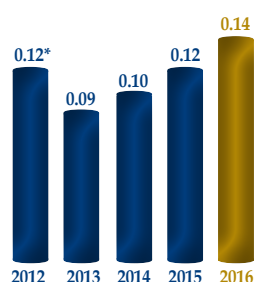
Total Deposits (March 31)



Total Loans (March 31)



Diluted Earnings per Share
(March 31)



*Pre-tax EPS. Company became fully taxable in 2013.

First Quarter Sets the Stage for 2016

Solid loan growth, an improved net interest margin, and increased mortgage loan volume drove our financial performance for the first three months of year, resulting in the company's 21st consecutive profitable quarter.

Net income grew three percent for the three months ended March 31, 2016, to \$496,913 or \$0.14 per diluted share, up from \$482,504 or \$0.12 per diluted share reported for the same period a year ago. The company achieved earnings growth while absorbing the full effect of the expansion to North Myrtle Beach during the first quarter.

Excluding securities gains, pre-tax net income grew 51.6 percent year over year, clearly demonstrating the underlying strength of the company's results. When excluding securities gains, noninterest income increased 21.7 percent year over year.

Loan growth of 22.5 percent, from \$269.3 million at March 31, 2015, to \$329.9 million at March 31, 2016, contributed substantially to earnings, fueling a nearly 16 percent increase in net interest income. The company experienced solid growth throughout its geographic footprint and especially in the Mount Pleasant market. Loan demand has picked up in recent months and our lending officers are pursuing opportunities.

As is appropriate due to greater volume in the loan portfolio, the company increased its provision for loan losses. As always, our credit quality remains strong with no net charge-offs and a nonperforming assets to average total assets ratio of just 0.10 percent. These figures lead our peer group banks and are especially good for a portfolio of nearly \$330 million.

The net interest margin was 4.0 percent for the first quarter as the company reached and sustained this mark for the first time in its history. Increased loan volume, along with the 25 basis point rate hike put in place by the Federal Reserve last December, helped to improve this ratio. The net interest margin is the principal driver of a bank's profitability and this number is definitely headed in the right direction.

Total deposits grew 12.5 percent, from \$322.5 million reported at March 31, 2015, to \$362.8 million at March 31, 2016. Additionally, core deposits continued to grow, comprising nearly thirty-three percent of total deposits at the end of the quarter.

Our mortgage loan area reported its strongest quarter in the bank's history, reaching highs for both earnings and volume. The expansion of this area completed about 18 months ago is now yielding solid results.

In other banking news, we have received all the necessary approvals to begin construction on our new building in Mount Pleasant. We expect to break ground on Johnnie Dodds Boulevard during the second quarter with completion later in 2017. Until then, banking operations will continue at our current location on Queensborough Boulevard. A new advertising campaign touting our abilities and upcoming new location will make its debut later in the second quarter.

Our achievements during the first quarter have certainly set the stage for a promising year. As always, we appreciate your investment in our company. If we can be of service to you, or if you have any questions, please do not hesitate to call on us.

Inside this Issue

...Selected Financial Highlights...School and Community News...Advertising and Products...Additions and Promotions...

Selected Financial Highlights

	For the Three Months Ended March 31, 2016	For the Three Months Ended March 31, 2015	For the Twelve Months Ended December 31, 2015
Year End/Quarter End Balances (in thousands)			
Total assets	\$ 418,159	\$ 356,736	\$ 400,218
Investment securities	41,572	51,386	51,820
Loans, net of unearned income (total loans)	329,890	269,310	313,988
Deposits	362,831	322,482	337,362
Shareholders' equity	36,499	33,679	35,645
Average Balances (in thousands)			
Total assets	\$ 397,820	\$ 352,383	\$ 374,291
Earning assets	371,181	327,515	348,172
Investment securities	44,709	51,987	51,238
Loans, net of unearned income	317,514	264,121	279,810
Deposits	339,263	314,232	335,849
Shareholders' equity	36,329	32,582	33,961
Earnings Breakdown (in thousands)			
Total interest income	\$ 3,914	\$ 3,369	\$ 14,137
Total interest expense	320	266	1,161
Net interest income	3,594	3,103	12,976
Total noninterest income	588	688	2,633
Total noninterest expense	3,346	3,028	12,272
Provision for loan losses	150	100	230
Income before taxes	687	663	3,106
Taxes	190	181	865
Net income	497	483	2,241
Diluted earnings per share	0.14	0.12	0.63
Selected % Increases (year over year)			
Total assets	17.22%	7.89%	10.15%
Total interest earning assets	16.43%	7.44%	9.09%
Total loans	22.49%	15.87%	19.55%
Total deposits	12.51%	8.08%	3.30%
Interest income	16.20%	7.18%	9.00%
Interest expense	20.49%	(15.43)%	(2.00)%
Noninterest income	(14.55)%	142.85%	54.37%
Noninterest expense	10.49%	19.68%	15.58%
Net income	2.98%	28.80%	11.80%
Selected Ratios (year-to-date)			
Return on assets	0.50%	0.56%	0.59%
Return on equity	5.50%	6.01%	6.60%
Interest income to total average assets	3.96%	3.88%	3.78%
Interest expense to total average assets	0.32%	0.31%	0.31%
Net interest income to total average assets	3.63%	3.57%	3.47%
Loan loss reserve to total loans	0.92%	1.02%	0.90%
Nonperforming assets to total average assets	0.10%	0.12%	0.11%
Net charge-offs to total average loans	0.00%	0.00%	0.00%
Net interest margin	4.02%	3.90%	3.80%

School and Community News

Bank Funds Scholarship. South Atlantic Bank has created an annual scholarship for a student attending Horry-Georgetown Technical College. The award will be given to the second-semester freshman who best exemplifies commitment to academic excellence and service to the community. The winning student will be a resident of Horry or Georgetown county, a graduate of a high school in the two-county area, and have a grade point average of 3.25 or higher.

"We are pleased to partner with Horry-Georgetown Technical College in offering the award," said Barbara Marshall, senior vice president and director of marketing for the bank. "With this scholarship, South Atlantic Bank is helping to advance educational opportunity, which is vital to continued growth and success along the Grand Strand."

For more information about the college and the scholarship, please visit the school's website at www.hgtc.edu.



Students Learn About Banking. South Atlantic Bank played host to Myrtle Beach Elementary School and Myrtle Beach Girl Scout Troop #95 in recent weeks. The magic of the coin and dollar bill counters mesmerized the younger children and they learned that banks help customers and the community at large. They're convinced that bankers are the coolest people in the world! Each child received a piggy bank as a gift at the end of tour and then visited the teller station where the tellers dropped a quarter in each bank. The school used the "Savings with Mandy and Randy" curriculum provided by the bank in preparation for its visits.

Girls from grades 9 through 12 comprised Troop 95. They learned about the importance of establishing good savings and credit habits, which will serve them well when they enter the workforce or further their education. The girls left with a lot of basic banking knowledge, including the "How to do Your Banking" curriculum and a small tote bag filled with South Atlantic Bank logo items.

At left, teller Savannah Richard explains that the phrase "We Just Love Having Jumping Green Frogs" can help students remember the faces on our currency. Students took home a handout of the information to share with their families and teachers.

American Red Cross Heroes Campaign. For the sixth consecutive year, South Atlantic Bank served as a Hero for the American Red Cross. Bank employees raised more than \$1,531 which will help support a family of four in a disaster such as fire or flood. The dress down days, which allow bankers to wear jeans and South Atlantic Bank shirts on Friday, are the most popular fundraiser, with everyone enjoying the casual days while helping a great cause.

Race for the Inlet. South Atlantic Bank again showed its support for the Murrells Inlet community as a title sponsor of this year's Race for the Inlet. A Murrells Inlet 2020 activity, the event raises much needed funds that are used to make this historic fishing village a better place to live and work. More than 500 runners braved threatening skies to run the 8K or 5K, and then enjoyed breakfast at the race's conclusion. South Atlantic Bank was well-represented, with more than 10 runners on its team and employee volunteers who helped hand out our bottled water at the finish line. Events such as Race for the Inlet help to keep the bank's name in the community spotlight.



Above, members of the South Atlantic Bank team and volunteers pose before the race begins. The team began the race in the rain but skies cleared for a very successful event.

Advertising and Product Updates

New TV Spots air in Grand Strand Market. Three new television spots that focus on bank products began to air in the Grand Strand market late in the first quarter. Appearing on Time Warner and HTC cable, the new ads feature Caroline Springs, marketing assistant, and tout our Premier Checking account, Business Checking accounts, and mortgage services. After several years of image advertising to establish the bank's brand as a community banking leader, the new ads focus on our products as yet another reason to bank with us. New TV ads are currently being developed for the Mount Pleasant market to run late in the second quarter.



Above, Caroline Springs and Bogey Marshall in a scene from our new mortgage ad.

goMobile gets Remote Deposit Function. Our goMobile deposit app became even better with the addition of goMobile Deposit. This new function allows consumer and small business customers to make deposits to their South Atlantic Bank checking, money market, or savings accounts from their smartphone. It's free to users, but businesses that deposit more than 25 items per month are required to use our traditional Remote Deposit Capture service.

To enroll, customers can complete an application at their local branch. Once approved, the set up is finished within two days. If the customer is not already a goMobile user, he or she needs to download the app which is available from the Apple or Android app store. Customers will receive an email confirming their enrollment along with a copy of the South Atlantic Bank goMobile Deposit User Guide. For more information, visit your branch or our website, SouthAtlantic.bank and click on the video library.



A copy of the South Atlantic Bank goMobile Deposit User Guide.

It's the People Who Make the Difference

Staff Additions and Promotions



Carrie Harris has joined the bank as a senior vice president, filling a newly-created position as director of human resources. She has more than 20 years of experience including 17 years with Anchor Bank as a staffing manager and Carolina First/TD Bank as a regional human resources manager and recruiter. Carrie is a graduate of the University of Northern Iowa with a B. A. degree in management with an emphasis in human resource management and a minor in psychology. In the community, she is a member of the Coastal Carolina Organization of Human Resources. A native Iowan, Carrie came to Myrtle Beach 17 years ago.

Alison Van Wagner has been promoted to the rank of banking officer and now serves as assistant branch manager at the Myrtle Beach headquarters. Alison joined the bank as a teller at the Murrells Inlet office in January 2014 and was promoted to customer service representative later that year. Prior to her work at South Atlantic Bank, she served as a personal banker at First Federal. Alison is a graduate of Coastal Carolina University with a B.A. degree in communications and has lived in Myrtle Beach for the past nine years.



Kelly Byrd is now a customer service representative at the bank's Murrells Inlet office. She joined South Atlantic Bank in December 2014 as a teller and customer service representative at our Pawleys Island office. Kelly has more than 12 years of business experience, including a three-year stint at Bank of America. She has attended Horry-Georgetown Technical College and Coastal Carolina University. A Maryland native, Kelly relocated to Murrells Inlet from Virginia Beach in 2008.

Kaela Rogers is the new customer service representative at our Pawleys Island office. Kaela most recently worked with Broadway Grand Prix as the assistant director of sales. She is a graduate of Florence-Darlington Technical Institute with an associate degree in marketing. A lifelong resident of Pawleys Island, Kaela brings communication and leadership skills to her new position.



Ann Jackson has joined the bank as a mortgage closer. Ann previously worked as a compliance analyst with Freddie Mac in Virginia before relocating to Myrtle Beach. She has extensive experience in loan processing, having served with Aurora Loan Services, a subsidiary of Lehman Brothers Bank, and Chevy Chase Bank, both located in Maryland. As a Marylander, Ann attended Hagerstown Community College and is now a resident of the Myrtle Beach area.

Editor's note: At South Atlantic Bank, we endeavor to provide opportunities for our employees to advance their careers through our job posting system. As positions become open, employees are encouraged to apply to fill these roles, which in turn creates more opportunity for other employees to move within the company. Additionally, it helps to create employees who are well-versed in all areas of the bank and who are always learning. Occasionally, new roles are created due to the bank's overall growth and expansion.

Next Issue

...EMV-Chipped Debit Cards are Here!...More Debit Card Safety News...Customer Appreciation Days...Progress in Mount Pleasant...

Take Stock is published quarterly for the shareholders and friends of South Atlantic Bancshares, Inc. Send correspondence to:

Barbara Marshall, Editor
South Atlantic Bank
630 29th Avenue North
Myrtle Beach, SC 29577

bmarshall@southatlantic.bank

Address Changes and Additions

To update the U.S. mail and e-mail addresses that you have on file with us, please visit the Investor Relations section of our website, SouthAtlantic.bank.

SouthAtlantic.bank > Who We Are > Investor Relations

Click on the link for the form, follow the directions provided, and return the form to us. Your information will be updated upon receipt.

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.

Directors

Carson Benton

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

Tommy Brittain

Attorney at Law
Brittain Law Firm, P.A.

Dick Burch

Executive Vice President
and Chief Financial Officer
South Atlantic Bank

Tony Cox

Executive Vice President
Real Estate
Burroughs and Chapin Company

Miles Herring

Franchisee and Operator
Krispy Kreme Doughnuts

Martha Lewis

Senior Physical Therapist
NextStep Rehabilitation

Scott Plyler

President
South Atlantic Bank

Albert Springs

Co-Owner and President
HB Springs Company

Jay Springs

Co-Owner/Broker
Century 21 Barefoot Realty

Zeb Thomas, Jr.

Retired Hotelier

Wayne Wicker

Chairman and
Chief Executive Officer
South Atlantic Bank

Locations

Myrtle Beach

630 29th Avenue North
(P) 843.839.0100

North Myrtle Beach

1801 Highway 17 South
(P) 843.848.2260

Mount Pleasant

1127 Queensborough Blvd., Ste.105
(P) 843.972.4300

Murrells Inlet

11019 Tournament Blvd.
(P) 843.848.2000

Pawleys Island

10970 Ocean Highway
(P) 843.848.2049

Georgetown

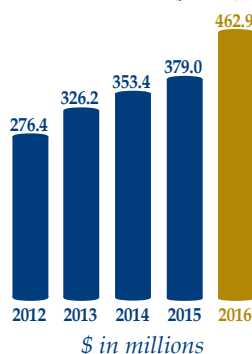
1187 North Fraser Street
(P) 843.436.6800



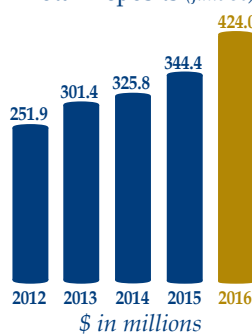
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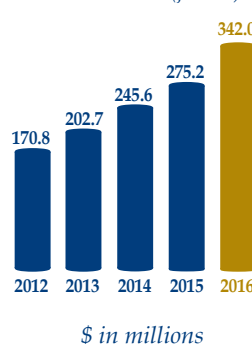
Total Assets (June 30)



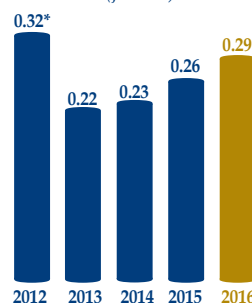
Total Deposits (June 30)



Total Loans (June 30)



Diluted Earnings per Share
(June 30)



*Pre-tax EPS. Company became fully taxable in 2013.

Progress Continues at Year's Mid-Point

With six months of the year now on the books, South Atlantic Bancshares' financial performance remains solid, with double digit growth in the balance sheet and improving profitability.

The company reported net income of \$1,129,668 or \$0.29 per diluted share for the six months ended June 30, 2016, compared to \$1,017,339 or \$0.26 per diluted share reported for the same period a year ago. Net income for the three months ended June 30, 2016 was \$632,756 or \$0.16 per diluted share compared to \$534,836 or \$0.14 for the same period a year ago. The net income figures represent an 11.0 percent increase for the six months ended June 30, 2016, and an 18.3 percent increase for the three months ended June 30, 2015, when compared to the same periods last year.

Total loans grew 24.3 percent, to \$342.0 million at June 30, 2016 from \$275.2 million at June 30, 2015, making a substantial contribution to our financial performance. Additionally, the bank is meeting the aggressive budget goals for loan growth which were set at the beginning of the year. All the more impressive is the knowledge that our loan production comes in the wake of increased and somewhat heated competition in the markets we serve. The provision for loan losses was increased to cover growth in the loan portfolio, even as credit quality remains strong, with net charge-offs to total average loans of just 0.01 percent.

The current low interest rate environment continues to keep pressure on the net interest margin. Year-to-date, the margin has declined ten basis points to 3.92 percent, from the 4.02 percent reported at March 31, 2016. With the prospect of future Federal Reserve rate hikes uncertain due to global economic conditions, we expect the low interest rate environment to prevail through the last half of the year and possibly into 2017. To achieve continued growth, our loan officers will pursue all opportunities for quality credits.

The bank also achieved significant gains in total deposits, with growth of 23.1 percent, from \$344.4 million reported at June 30, 2015, to \$424.0 million at June 30, 2016. Total assets improved 22.2 percent, from \$379.0 million at June 30, 2015 to \$462.9 million at June 30, 2016.

In other banking news, site work is underway for our permanent location in Mount Pleasant. Coinciding with the building activity is a new advertising campaign to create further awareness of the bank and its brand in the area. We are pleased to expand our presence in this dynamic market and look forward to seeing the new building take shape. When you are in the Mount Pleasant area, be sure to drive by Johnnie Dodds Boulevard to see the progress first-hand.

Additionally, we are pleased to advise shareholders that a Morningstar Report for South Atlantic Bancshares is now available at otcmarts.com/stock/SABK/profile. To access the report, click on the Morningstar logo on our profile page. The listing on the OTCQX market has helped to improve the stock's visibility and shareholder access to information.

We hope you are pleased with the progress achieved during the year's first half. Be assured that we are working hard for your investment. If we can be of service to you, or if you have any questions, please do not hesitate to call on us.

Inside this Issue

...Selected Financial Highlights...Mount Pleasant Construction Underway...NetTeller's New Look...Additions and Promotions...

Selected Financial Highlights

	For the Three Months Ended June 30, 2016	For the Three Months Ended June 30, 2015	For the Six Months Ended June 30, 2016	For the Six Months Ended June 30, 2015
Year End/Quarter End Balances (in thousands)				
Total assets	\$ 462,905	\$ 378,887	\$ 462,905	\$ 378,887
Investment securities	33,402	49,161	33,402	49,161
Loans, net of unearned income (total loans)	342,001	275,174	342,001	275,174
Deposits	423,954	344,432	423,954	344,432
Shareholders' equity	37,981	33,506	37,981	33,506
Average Balances (in thousands)				
Total assets	\$ 429,306	\$ 366,315	\$ 413,563	\$ 359,385
Earning assets	401,559	339,632	385,858	328,152
Investment securities	38,459	50,966	41,584	51,473
Loans, net of unearned income (total loans)	338,397	275,488	327,955	269,836
Deposits	384,758	331,663	362,011	322,996
Shareholders' equity	37,191	33,904	36,760	33,246
Earnings Breakdown (in thousands)				
Total interest income	\$ 4,064	\$ 3,463	\$ 7,979	\$ 6,832
Total interest expense	369	285	689	551
Net interest income	3,696	3,178	7,290	6,281
Total noninterest income	741	648	1,329	1,336
Total noninterest expense	3,408	3,061	6,754	6,089
Provision for loan losses	170	65	320	165
Income before taxes	858	701	1,545	1,364
Taxes	226	166	415	346
Net income	633	535	1,130	1,017
Diluted earnings per share	0.16	0.14	0.29	0.26
Selected % Increases (Year over year.)				
Total assets	22.17%	7.21%	22.17%	7.21%
Total interest earning assets	20.05%	6.93%	20.05%	6.93%
Total loans	24.29%	12.05%	24.29%	12.05%
Total deposits	23.09%	5.72%	23.09%	5.72%
Interest income	17.36%	5.21%	16.79%	6.17%
Interest expense	29.32%	(11.18)%	25.06%	(13.28)%
Noninterest income	14.33%	59.19%	(0.55)%	93.53%
Noninterest expense	11.36%	17.87%	10.93%	18.76%
Net income	18.31%	6.01%	11.04%	15.72%
Selected Ratios (year-to-date)				
Return on assets	0.59%	0.59%	0.55%	0.57%
Return on equity	6.82%	6.33%	6.18%	6.17%
Interest income to total average assets	3.81%	3.84%	3.88%	3.84%
Interest expense to total average assets	0.35%	0.32%	0.33%	0.31%
Net interest income to total average assets	3.46%	3.53%	3.54%	3.53%
Loan loss reserve to total loans	0.93%	1.01%	0.93%	1.01%
Nonperforming assets to total average assets	0.12%	0.13%	0.13%	0.13%
Net charge-offs to total average loans	0.01%	0.00%	0.01%	0.00%
Net interest margin	3.81%	3.80%	3.92%	3.85%

Activity Stirs at Johnnie Dodds Boulevard!

It's official! Construction on South Atlantic Bank's new permanent location in Mount Pleasant is now underway.

Crews have been at the site since early July, working on clearing and grading the lot in preparation for additional site work. By late August, the footers and layout forms will be poured and the in-ground plumbing and electrical work will begin. Construction will continue into next year with occupancy expected in late spring, barring any weather or other unforeseen issues.

ESD Architecture of Charlotte designed the building and Coastal Structures of Georgetown is the general contractor. The building site is a 1.36 acre parcel in front of the Queensborough Shopping Center that the bank has leased from an affiliate of Charleston-based Jupiter Holdings, LLC.

Chairman of the board and chief executive officer K. Wayne Wicker stated, "We're pleased to begin construction on this project which has been about a year in the making. It will be exciting to see the building take shape in the weeks and months to come. The new office will serve as the bank's headquarters in the market and is being built to accommodate our future growth. Our team has done an excellent job in establishing the bank's presence and reputation and we are looking forward to great things from them when we make the move to Johnnie Dodds Boulevard."

The new building will resemble the bank's Myrtle Beach and Murrells Inlet offices, including pulley-operated ceiling fans, deep porticos, and louvered storm shutters. The 8,000 square-foot, two-story facility will house a full-service branch on the first floor, with space on the second floor to be leased to tenants.

The overall branch design emphasizes easy, convenient service with drive-thru lanes, a drive-up automated teller machine (ATM), and a comfortable reception area with free Wi-Fi and hot coffee. Other amenities include a user-friendly kiosk where customers can learn about the bank's products and services, and an open-ended, freestanding workstation (called a teller pod) to streamline the processing of deposits for faster, more efficient service. Additionally, customers will be able to access their safe deposit boxes without assistance from bank personnel via a biometric access system that has been used successfully at the bank's other locations.

South Atlantic Bank has had a presence in the market since October 2013, when it opened a loan production office at 1127 Queensborough Boulevard. That location became full-service in August 2014, upon receipt of approvals from the FDIC and the South Carolina State Board of Financial Institutions. The current office is just minutes from the building site and will close when the new office opens.

Marketing Campaign Makes its Debut

In late June, South Atlantic Bank launched a major marketing campaign to position itself as the community bank of choice for small to medium businesses and consumers in the Mount Pleasant market. Recent merger activity in which two community banks were acquired by out of state rivals and the area's stellar economic growth, along with the commencement of construction of the new office, inspired the content.

Elements of the campaign include television commercials and web takeovers via Comcast Cable, print ads in *Mount Pleasant Magazine*, the *Moultrie News* and the *Charleston Regional Business Journal*, along with Citadel Radio spots.

Additionally, the bank will be a major sponsor of The Citadel sports this year, with a promotional package that spans the football, basketball, and baseball seasons. Included are full page ads in the football and basketball programs, digital content, signage at McAlister Field House and Johnson-Hagood Stadium, and more.

Take Stock will feature periodic updates on progress at the construction site in future issues.



Artist's rendering of South Atlantic Bank's Mount Pleasant headquarters. The design uses a southern coastal color palette, with shades of brown, cream, and mossy green, and includes a brick veneer of rusty red and browns.



At left: A scene from one of the Mount Pleasant television ads featuring commercial lender Brian Michel.

At right: A preview of the bank's sports marketing package with The Citadel.



It's the People Who Make the Difference



Caroline Springs has been promoted to merchant services and sales representative, based at the bank's Myrtle Beach headquarters. In her new role, she is a banking officer responsible for customer service and sales calls. She joined the bank as a marketing assistant in February 2015 and played an integral role in the development of the bank's new television campaigns. An honors graduate of the University of South Carolina with a B.A. degree in journalism and mass communication, Caroline is a life-long resident of Myrtle Beach.

Rose Mary Hanna has been promoted to teller supervisor at the Murrells Inlet office. She joined South Atlantic Bank in March 2014 as a teller at our Myrtle Beach headquarters and transferred to Murrells Inlet in January 2015. Rose Mary has 20 years of teller experience including supervisory experience at another area bank. She is a native of Greenville, North Carolina, and has resided in Murrells Inlet for seventeen years.



Beth Branham is a new banking officer, taking on the role of marketing assistant. She has more than ten years of communications experience and began her banking career with Anchor Bank. Most recently, she worked for Leapforce, Inc., a search engine evaluation firm. Beth graduated from Presbyterian College with a B.S. degree in business and holds an M.A. degree in communications from the University of South Carolina. A native of Greenville, South Carolina, she is a resident of Murrells Inlet.



Young Artists Honored at Reception

Four second-graders at Myrtle Beach Elementary School won awards in the bank's 6th Annual Art Contest held this past spring. Students toured the bank and then drew pictures of their experiences. Bank employees then selected four winners from all the artwork submitted.

From left to right are: Caroline Springs, South Atlantic Bank; Paula Bryan, Myrtle Beach Elementary School art teacher; winners Nathan Windon and Tehila Cohen; Michelle Greene-Graham, Myrtle Beach Elementary School principal; and Michelle Coletta and Mary Jo Rogers, South Atlantic Bank.

Don't Miss These Special Events!

Now Through September 8 — Raffle Fundraiser for the Grand Strand Miracle Leagues. This year, we are giving away a YETI® Tundra 65-Quart Cooler to a lucky winner! See the flyer included with this newsletter, or visit your South Atlantic Bank office or SouthAtlantic.bank for details. Please help us support this important organization.

Customer Appreciation Days — Pawleys Island on September 23; North Myrtle Beach on September 30; Georgetown on October 7, Murrells Inlet on October 21; and Myrtle Beach on October 28. Each event will take place from 11 a.m. to 2 p.m. and feature delicious food along with a prize drawing! Mark your calendars now!

Next Issue

...Mount Pleasant Construction Update...Customer Appreciation Days...Grand Strand Miracle League Wrap-Up...

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Barbara Marshall, Editor
South Atlantic Bank
630 29th Avenue North
Myrtle Beach, SC 29577

bmarshall@southatlantic.bank

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To update the U.S. mail and e-mail addresses that you have on file with us, please visit the Investor Relations section of our website, SouthAtlantic.bank.

SouthAtlantic.bank > Who We Are > Investor Relations

Click on the link for the form, follow the directions provided, and return the form to us. Your information will be updated upon receipt.

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.

Directors

Carson Benton

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

Tommy Brittain

Attorney at Law
Brittain Law Firm, P.A.

Dick Burch

Executive Vice President
and Chief Financial Officer
South Atlantic Bank

Tony Cox

Executive Vice President
Real Estate
Burroughs and Chapin Company

Miles Herring

Franchisee and Operator
Krispy Kreme Doughnuts

Martha Lewis

Senior Physical Therapist
NextStep Rehabilitation

Scott Plyler

President
South Atlantic Bank

Albert Springs

Co-Owner and President
HB Springs Company

Jay Springs

Co-Owner/Broker
Century 21 Barefoot Realty

Zeb Thomas, Jr.

Retired Hotelier

Wayne Wicker

Chairman and
Chief Executive Officer
South Atlantic Bank

Locations

Myrtle Beach

630 29th Avenue North
(P) 843.839.0100

North Myrtle Beach

1801 Highway 17 South
(P) 843.848.2260

Mount Pleasant

1127 Queensborough Blvd., Ste.105
(P) 843.972.4300

Murrells Inlet

11019 Tournament Blvd.
(P) 843.848.2000

Pawleys Island

10970 Ocean Highway
(P) 843.848.2049

Georgetown

1187 North Fraser Street
(P) 843.436.6800



SouthAtlantic.bank



goMobile Upgrades are a Hit!

Recent updates to our goMobile banking app have made it easier than ever to do all your banking using just your smartphone. Now you can:

- Enroll your personal checking account(s) in goMobile Deposit right from your phone without having to visit the bank.
- View details of your transactions including actual check images and deposit sets.
- View your statement from your phone.
- Save some time with the new “Remember Me” feature that automatically fills in your user ID, so you only need to enter your password when you log on.
- Log onto your account using your fingerprint! This upgrade is available only on Apple products (iPhone and iPad) that have biometric access.

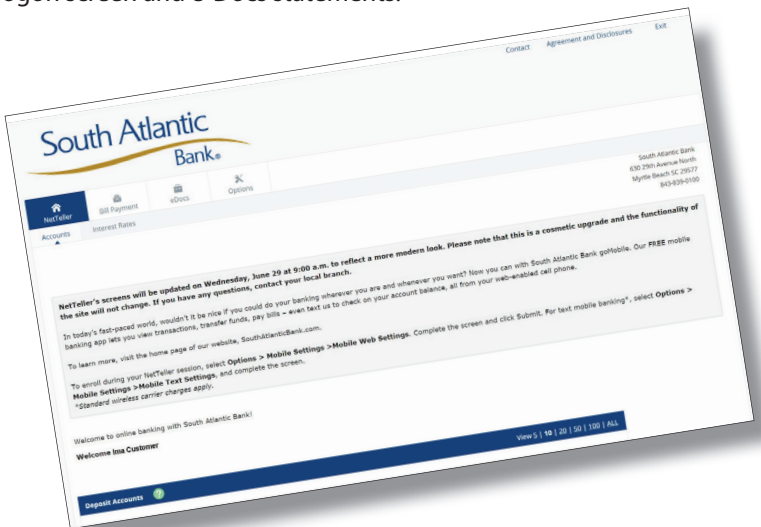
To learn more, visit our website, SouthAtlantic.bank.

NetTeller Online Banking gets a Make-Over!

It's out with the old and in with the NEW as our NetTeller Online Banking service has a fresh new look! The update made its debut in late June after a two-week preview period for employees.

Primarily a user interface or cosmetic change, the update uses icons in place of the old “tabs” for the various functions. It's a more modern look similar to our goMobile banking app. The only change to the user experience is a new hover option available over the sub-menus.

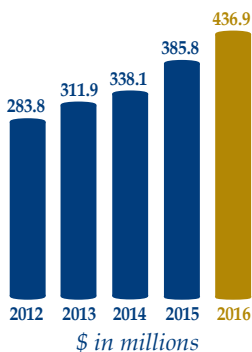
The preview period gave our employees time to become familiar with the changes so they would be ready to assist customers. Notification of the update was provided – electronically, of course – through our website, our *Of Interest* e-newsletter, and messages on the NetTeller logon screen and e-Docs statements.



Above: The new NetTeller Online Banking “Welcome Screen.” Note the use of icons in place of the tabs, and the brighter, easy-to-navigate screen.

In other NetTeller news, users will no longer be able to access the online banking service via Internet Explorer 8 or Internet Explorer 7. Microsoft no longer supports these older browsers and continued use could leave computers open to viruses, spyware, and other issues. Customers using these browsers have been advised to upgrade to newer versions.

Total Assets (September 30)



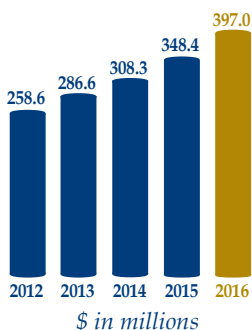
Momentum Rolls in Third Quarter

In a third quarter filled with achievements, South Atlantic Bancshares recorded the best financial performance of its nine-year history.

Net income for the three months ended September 30, 2016 was \$815,653 or \$0.21 per diluted share, compared to the \$595,015 or \$0.15 per diluted share reported for the same period a year ago. These figures represent a 37.1 percent increase in net income when compared to last year's third quarter.

Net income for the nine months ended September 30, 2016, was \$1,945,321 or \$0.49 per diluted share, compared to \$1,612,354 or \$0.42 per diluted share for the nine months ended September 30, 2015. Year over year, net income rose 20.7 percent.

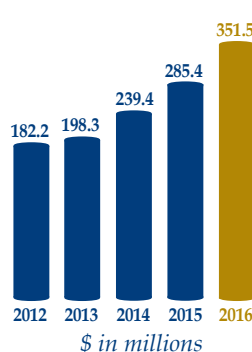
Total Deposits (September 30)



The company's historic performance in the third quarter is attributed to growth throughout its geographic footprint. Our established branches and our newer locations have performed well. The mortgage area contributed to the company's success, helping fuel improvement in noninterest income with increased activity in new construction and in refinancing. Expense control is a factor as well, as we have managed our growth conservatively.

Both total loans and total deposits recorded double digit growth. Total loans rose 23.2 percent, from \$285.4 million at September 30, 2015 to \$351.5 million at September 30, 2016, which helped to offset seasonal pay downs. Total deposits increased 13.9 percent, from \$348.4 million at September 30, 2015 to \$397.0 million at September 30, 2016.

Total Loans (September 30)



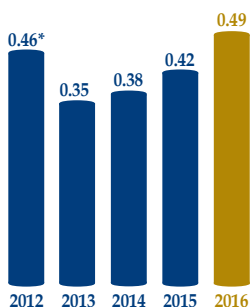
Despite growth in the loan portfolio and in core deposits, pressure will remain on the net interest margin for some time into the future, due to the low interest rate environment and increased competition. The Federal Reserve stood pat on a rate hike at its September meeting, leaving open the possibility for a change in December, but at this point in time, it is not a certainty.

In other banking news, deposit market share data recently released by the FDIC shows that South Atlantic Bank has made significant gains in the markets it serves. On the strength of five locations along the Grand Strand, the bank now ranks seventh in deposit market share for Horry and Georgetown counties, out of a total of 23 financial institutions. In Myrtle Beach zip code 29577, the bank ranks third overall. Numbers in the South Strand are equally as positive, with a first place ranking in Murrells Inlet, third place in Pawleys Island, and outstanding gains in Georgetown. Additionally, our presence in the Mount Pleasant market is gaining traction with a strong team leading the way. The Charleston/Mount Pleasant market is one of the fastest growing regions in the country and we are excited about its potential for the bank. Construction is well underway on the new building that will serve as our headquarters in the region and we will keep you posted on our progress.

Our employees are to be commended for their efforts to help the bank and its customers during Hurricane Matthew. We followed our established plan for disaster recovery and business continuity and were able to re-open on the first business day after the storm moved on, demonstrating that our preparations paid off.

As the year draws to a close, we hope you are pleased with the progress outlined in this update. As always, we appreciate your support and will continue to work hard for your investment.

Diluted Earnings per Share
(September 30)



*Pre-tax EPS. Company became fully taxable in 2013.

Inside this Issue

...Selected Financial Highlights...Grand Strand Miracle Leagues Fundraiser a Success...Mount Pleasant Progress...Additions and Promotions...

Selected Financial Highlights

	For the Three Months Ended September 30, 2016	For the Three Months Ended September 30, 2015	For the Nine Months Ended September 30, 2016	For the Nine Months Ended September 30, 2015
Year End/Quarter End Balances (In Thousands)				
Total assets	\$ 436,881	\$ 385,780	\$ 436,881	\$ 385,780
Investment securities	45,282	49,481	45,282	49,481
Loans, net of unearned income (total loans)	351,499	285,364	351,499	285,364
Deposits	396,985	348,414	396,985	348,414
Shareholders' equity	38,330	34,635	38,330	34,635
Average Balances (In Thousands)				
Total assets	\$ 455,675	\$ 389,895	\$ 427,703	\$ 369,667
Earning assets	422,539	346,608	394,244	331,588
Investment securities	40,648	50,203	41,269	51,045
Loans, net of unearned income (total loans)	346,691	280,638	334,246	273,476
Deposits	416,033	354,494	380,149	333,611
Shareholders' equity	38,449	34,216	37,327	33,573
Earnings Breakdown (In Thousands)				
Total interest income	\$ 4,215	\$ 3,586	\$ 12,193	\$ 10,418
Total interest expense	378	309	1,066	860
Net interest income	3,837	3,277	11,127	9,558
Total noninterest income	1,002	618	2,331	1,954
Total noninterest expense	3,562	3,086	10,316	9,175
Provision for loan losses	175	–	495	165
Income before taxes	1,102	809	2,647	2,173
Taxes	286	214	702	560
Net income	816	595	1,945	1,612
Diluted earnings per share	0.21	0.15	0.49	0.42
Selected % Increases (Year over Year)				
Total assets	13.25%	14.10%	13.25%	14.10%
Total interest earning assets	12.67%	12.91%	12.67%	12.91%
Total loans	23.18%	19.20%	23.18%	19.20%
Total deposits	13.94%	13.02%	13.94%	13.02%
Interest income	17.51%	8.40%	17.04%	6.93%
Interest expense	22.07%	12.43%	23.99%	(5.51)%
Noninterest income	62.18%	22.35%	19.29%	63.46%
Noninterest expense	15.43%	13.28%	12.44%	16.86%
Net income	37.08%	(1.33)%	20.65%	8.78%
Selected Ratios (Year-to-Date)				
Return on assets	0.71%	0.61%	0.61%	0.58%
Return on equity	8.44%	6.90%	6.96%	6.42%
Interest income to total average assets	3.67%	3.65%	3.81%	3.77%
Interest expense to total average assets	0.33%	0.31%	0.33%	0.31%
Net interest income to total average assets	3.34%	3.33%	3.48%	3.46%
Loan loss reserve to total loans	0.97%	1.00%	0.97%	1.00%
Nonperforming assets to total average assets	0.11%	0.14%	0.12%	0.15%
Net charge-offs to total average loans	(0.02)%	(0.01)%	(0.02)%	(0.01)%
Net interest margin	3.67%	3.64%	3.83%	3.78%

Bankers Hit it out of the Park for the Grand Strand Miracle Leagues

South Atlantic Bank set a new record for the Grand Strand Miracle Leagues' (GSML) Fall Baseball Opener, raising \$7,116 in support of the organization. The bank became a sponsor in 2009, and each year, its donation to the organization has grown progressively, thanks to the efforts of our employees and customers alike.

Bank employees raised money throughout the summer with Dress Down Fridays and collected donations from customers in all of our offices. Employees also volunteered at the Fall Opener, serving the barbecue supper to the players and their families, helping on the field as buddies to the players, and selling t-shirts.

The event took place Thursday, September 8, at the James C. Benton Miracle League Field in Myrtle Beach.



Carson Benton, chairman of the GSML board, congratulates South Atlantic Bank President Scott Plyler on the fundraising effort as Dick Burch, the bank's chief financial officer, looks on.

South Atlantic Bank officials including Scott Plyler and Dick Burch were on hand to present the fundraising proceeds to GSML Board Chairman Carson Benton and Executive Director Jennifer Averette in ceremonies preceding the game.

The Miracle Leagues organization was founded in 2001 to provide people with special needs the opportunity to play baseball. The rules are simple: Everyone plays. Everyone crosses home plate. Everyone wins! The organization expanded in 2011 to include soccer, and in 2013 added the All-Star Park, an all access playground, and golf in 2015.

For more information about the Miracles Leagues, visit their website: <http://grandstrandmiracleleagues.com>.



A member of the Coastal Carolina baseball team helps the players navigate the basepaths during the game. Spectators and players alike enjoyed a delicious barbecue supper after the game.

Progress in Mount Pleasant

Our construction site on Johnnie Dodds Boulevard is busy with activity! During the third quarter, site work continued for the new office with the sediment pond and storm water drainage system now in place. Many of the in-ground items including electricity and plumbing are in place. In October, the concrete was poured for the elevator and first floor, which means that we will see the building "go vertical" very soon with framing to start later in the month.



The lot was cleared in July in preparation for the site work. Barring any weather or unforeseen issues, we should complete and occupy the new facility in summer 2017.

In other Mount Pleasant news, **Eric Wooten** has joined the staff as a vice president and commercial relationship manager. He has 37 years of banking experience and most recently served CommunityOne Bank in Mount Pleasant as a commercial lender. Prior to joining CommunityOne, he worked at First Federal as the director of commercial credit risk management. A graduate of The Citadel, Eric holds B.S. degree and M.B.A. degrees. A past chairman of the South Carolina Bankers Association credit committee, he is currently treasurer of The Citadel Alumni Association and has served on its board of trustees.



Another view of the lot, with site prep underway. Onlookers will soon see the frame take shape.

It's the People Who Make the Difference

Staff Promotions and Additions

Stacy Johnson was promoted to teller supervisor at the bank's Myrtle Beach headquarters. She has more than 13 years of banking experience and was named a teller in Myrtle Beach in January 2015. Prior to joining South Atlantic Bank, she served as a sales and service specialist with Bank of America in Myrtle Beach. A native of New Jersey, Stacy now resides in the Myrtle Beach area.



Liz Miles was promoted to the deposit operations department as a specialist. Liz joined South Atlantic Bank as a teller supervisor at our Myrtle Beach headquarters in December 2014. She has 17 years of business experience, including several years of service as a relationship banker with BB&T. She attended Ashford University, working toward a degree in accounting. A native of Pittsburgh, Liz has resided in the Grand Strand area for 18 years.

Page Moore is a new teller at the bank's Murrells Inlet office. Her five years of business experience include two years as a teller for BB&T. She also has experience in the hotel and restaurant lines of business. A long-time resident of Myrtle Beach, Page graduated from Myrtle Beach High School and holds an A.A.S. degree from Horry-Georgetown Technical College in culinary arts.



Savannah Richard is a new teller at our Myrtle Beach headquarters. She originally joined South Atlantic Bank in October 2015 as a float teller for the Grand Strand locations, traveling to branches as staffing needs dictated. She is a graduate of the University of South Carolina with a B.A. degree in psychology. A life-long resident of the Grand Strand, Savannah now resides in North Myrtle Beach.

Kathy Bougher transferred to the bank's Pawleys Island office to serve as a part-time teller. She joined South Atlantic Bank in April 2013 in a similar position at the Murrells Inlet office. Kathy has ten years of teller experience and attended Catawba College in Salisbury, North Carolina. A native of Annapolis, Maryland, she has resided in Pawleys Island for the past 11 years.



Joanna Slider is a new specialist in the loan operations department. She began her banking career 20 years ago in New York as a teller and advanced to roles in internet banking and loan operations. She relocated to South Carolina in 2008 and has worked in electronic banking and card services for two area financial institutions. She resides in Myrtle Beach.

Kelly Riegel joined our Murrells Inlet staff as a part-time teller. She has 11 years of banking experience as a teller and assistant branch manager. Prior to relocating to Murrells Inlet in summer 2016, she worked as an administrative assistant at a Baltimore, Maryland-based accounting firm. She is a graduate of Harford Community College with an A.A degree in office administration.



Next Issue

...Year-End Financials...Customer Appreciation Days...Mount Pleasant Progress...Additions and Promotions...

Recent Happenings



September 11th Remembered — Michelle Coletta, vice president and retail business development officer, sets up a patriotic wreath in the Myrtle Beach office on September 9. Each year, South Atlantic Bank remembers the victims of the September 11th terrorist attacks in New York City, Washington, and Shanksville, Pennsylvania by placing wreaths in each of its six locations. At the end of the business day, the wreaths are donated to local veterans' groups or nursing homes.

Banker Addresses Seminar — Paul Peeples, senior vice president, commercial lending, spoke to a gathering of Tradd Commercial real estate agents on September 12. He reviewed the many lending options available for commercial real estate including the SBA 504 loan program and USDA Business and Industry loans, along with traditional bank lending products.



Take Stock is published quarterly for the shareholders and friends of South Atlantic Bancshares, Inc. Send correspondence to:

Barbara Marshall, Editor
South Atlantic Bank
630 29th Avenue North
Myrtle Beach, SC 29577

bmarshall@southatlantic.bank

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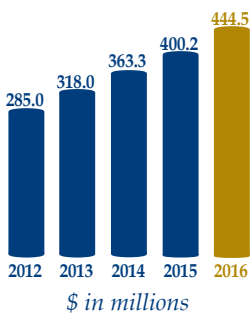
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Total Assets (December 31)

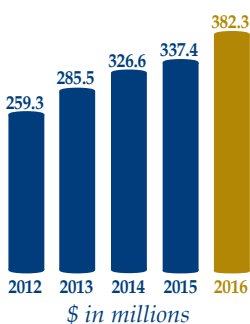


It's Six Consecutive Profitable Years for South Atlantic Bancshares!

In 2016, South Atlantic Bancshares recorded its best yearly financial performance in the company's nine-year history and its sixth consecutive yearly profit. The company's dominant performance is attributed to double digit growth in the loan portfolio, increased mortgage loan activity, and growth in our established branches and newer locations.

Net income for the year ended December 31, 2016, was \$2,603,928 or \$0.66 per diluted share, compared to \$2,240,816 or \$0.57 per diluted share for the same period a year ago. These figures represent a 16.2 percent increase in net income year over year.

Total Deposits (December 31)

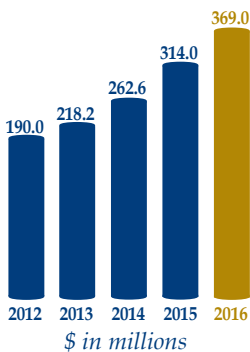


Total loans grew 17.5 percent in 2016, from \$314.0 million at December 31, 2015, to \$369.0 million at December 31, 2016. The improving economy has fueled loan demand, especially in the South Strand and Mount Pleasant markets, with new projects and expansion efforts underway. Throughout all our markets, our loan officers are pursuing good opportunities while providing the exemplary service that sets South Atlantic Bank apart from the competition. During this period of loan growth, credit quality remains strong, with no net charge-offs in 2016.

The company's expanded mortgage loan department also contributed to our success, with double digit growth in loan volume, closed loans, and fee income. The low-rate environment has kept interest in refinancing strong, while better economic conditions have helped stimulate new and second home purchases.

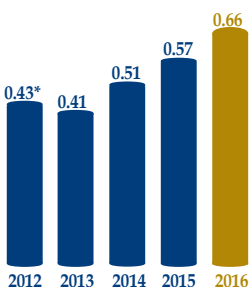
Noninterest expense grew 13.0 percent in 2016, a figure which is in line with our budget and overall growth. We are building our staff in Mount Pleasant in anticipation of our expanded presence and further developing our infrastructure by adding roles in compliance and credit risk. New positions are carefully considered and added only when a particular skill set is needed to support the company's growth goals. Natural attrition also helps create openings and opportunities for our employees to advance.

Total Loans (December 31)



Since December 2015, the Federal Reserve has raised the Fed Funds rate twice, most recently at its December 2016 meeting. Future rate hikes will be contingent upon how quickly and fully the economy grows and the risk of increased inflation. New policies that could drive economic change are also possible with a new administration in place in Washington. While rate hikes can play a small role in improving the company's net interest margin, it will take careful deposit mix management to keep the margin moving in the right direction. At year-end 2016, the net interest margin was 3.85 percent, an improvement of five basis points from the prior year.

Diluted Earnings per Share
(\$, December 31)



*Company became fully taxable in 2013.

The company is preparing for a significant accounting change with the implementation of a new standard from the Financial Accounting Standards Board. Known as "Current Expected Credit Loss Accounting" or CECL, the standard becomes effective in 2021. It requires the projected amount of future losses over the life of the loan to be taken from income when the loan is booked, and applies to all existing loans in the portfolio. One step that has already been taken is to increase the loan loss reserve. The American Bankers Association considers CECL one of the biggest changes to bank accounting in the past 40 years. Expect it to be a topic of discussion in the financial media in the months and years ahead.

There is good news from our Charleston operations. Michael C. Tawes, Sr., a Charleston businessman and native, has been appointed to our board of directors. His knowledge and expertise will be helpful as we expand our base of operations in this dynamic market. Additionally, good progress has been made at the building site, and we anticipate a mid-summer opening, contingent upon possible weather delays.

We are entering our 10th anniversary year with a strong sense of optimism and excitement. We hope you are pleased with this update on your company and as always, we appreciate your continued support.

Inside this Issue

...Selected Financial Highlights...Good News from Mount Pleasant...Additions, Promotions, and Commendations...

Selected Financial Highlights

	For the Twelve Months Ended December 31, 2016	For the Twelve Months Ended December 31, 2015	For the Twelve Months Ended December 31, 2014
Year-to-Date Balances (In Thousands)			
Total assets	\$ 444,533	\$ 400,218	\$ 363,348
Investment securities	43,633	52,784	52,607
Loans, net of unearned income (total loans)	368,991	313,988	262,646
Deposits	382,263	337,362	326,594
Shareholders' equity	37,440	35,645	32,242
Average Balances (In Thousands)			
Total assets	\$ 430,655	\$ 374,291	\$ 341,288
Earning assets	399,829	348,172	318,590
Investment securities	41,914	51,238	67,306
Loans, net of unearned income	340,892	279,810	239,797
Deposits	382,537	335,849	308,929
Shareholders' equity	37,554	33,961	26,925
Earnings Breakdown (In Thousands)			
Total interest income	\$ 16,513	\$ 14,137	\$ 13,012
Total interest expense	1,432	1,161	1,188
Net interest income	15,081	12,976	11,825
Total noninterest income	3,005	2,633	1,705
Total noninterest expense	13,873	12,272	10,618
Provision for loan losses	615	230	475
Income before taxes	3,598	3,106	2,437
Taxes	995	865	433
Net income	2,604	2,241	2,004
Diluted earnings per share	0.66	0.57	0.51
Selected % Increases			
	Year Over Year		
Total assets	11.07%	10.15%	14.24%
Total interest earning assets	11.97%	10.27%	14.62%
Total loans	17.52%	19.55%	20.38%
Total deposits	13.31%	3.30%	14.39%
Interest income	16.81%	8.64%	15.24%
Interest expense	23.30%	(2.21)%	(9.40)%
Noninterest income	14.15%	54.37%	(14.54)%
Noninterest expense	13.04%	15.58%	15.99%
Net income	16.20%	11.81%	21.86%
Selected Ratios			
	Year Over Year		
Return on assets	0.60%	0.60%	0.59%
Return on equity	6.93%	6.60%	7.44%
Interest income to total average assets	4.13%	4.06%	3.81%
Interest expense to total average assets	0.36%	0.33%	0.35%
Net interest income to total average assets	3.77%	3.73%	3.46%
Loan loss reserve to total loans	0.96%	0.90%	1.00%
Nonperforming assets to total average assets	1.07%	1.13%	1.35%
Net charge-offs to total average assets	0.00%	0.00%	0.01%
Net interest margin	3.85%	3.80%	3.79%

Momentum Building in Charleston

Activity Buzzing on Johnnie Dodds Boulevard

The landscape changes every day at the site of our Charleston regional headquarters located in Mount Pleasant. The first floor of the building is now “in the dry” meaning that it is under roof, while trusses for the second floor are currently being installed. Additionally, the first floor has been wrapped in plywood and sealed. Soon the second level will be in the dry and additional site work will be completed.

Barring any weather delays, we expect to complete construction of the 8,000 square foot facility in mid to late summer 2017.



October 2016...



November 2016...



December 2016...



January 2017...

Tawes Appointed to Board of Directors; Pickens Named Executive Vice President

Charleston businessman Michael C. Tawes, Sr. has been appointed to the board of directors of the holding company and the bank.

Michael is a native of the Lowcountry and a partner with Valbridge Property Advisors and Atlantic Appraisals. A graduate of the University of South Carolina with a B.S. degree in business management, he is a Certified General Real Estate Appraiser in South Carolina. He is a member of the Charleston Trident Area Board of Realtors and the Appraisal Institute.



Tawes

Additionally, Kenneth M. Pickens has been promoted to the rank of executive vice president. He joined South Atlantic Bank in October 2013 as regional executive for Mount Pleasant, charged with establishing the bank's presence in the market. Today, he oversees our banking operations in the Lowcountry and has been instrumental in the planning for the new regional headquarters.



Pickens

Ken is a career banker with more than 30 years of experience including service as a regional senior vice president and senior credit officer with a local community bank and with a regional bank in downtown Charleston. He is an honor graduate of The Citadel with B.S. and M.B.A. degrees, and completed the Stonier Graduate School of Banking at Georgetown University. He serves on the Board of the South Carolina Bankers Association Economic Developers Council and the Charleston Area Alumni Citadel Club.

In announcing news of the appointments, South Atlantic Bank chairman and chief executive officer K. Wayne Wicker said, “Michael’s business experience and knowledge of the market will be of great assistance to the board as we explore new opportunities in Charleston and Mount Pleasant. Ken has provided great leadership, assembling a strong team and making progress from our current location on Queensborough Boulevard. With Michael and Ken, we have the right people in place to be successful in this exciting market.”

Insabella Honored by Mount Pleasant Magazine

Peter Insabella, vice president and mortgage loan officer, was honored by *Mount Pleasant Magazine* in its recent “Best of 2017” campaign. Peter took second place in the “Best Place to Get a Mortgage” and “Best Mortgage Loan Officer” categories. This recognition is quite an honor for Peter as the sole loan officer for a bank that’s been in the market for just three years! A Charleston resident, he graduated from the University of South Carolina with a B.S. degree in business administration and finance, and has 13 years of mortgage experience.



Insabella

ConnectUP Replaces RewardsNOW

South Atlantic Bank credit card customers are enjoying ConnectUP, the new program that has replaced RewardsNOW. Like its predecessor, ConnectUP allows customers to earn 1 point for each dollar spent using a South Atlantic Bank personal platinum or business platinum card.



Points expire 5 years after they originally were issued and can be redeemed for great merchandise such as electronics, housewares, toys, gift cards and more!

Best of all, the travel program has been simplified, making it very easy to redeem rewards points.

- The \$50 travel rebates (certificates) have been eliminated.
- Access to airfare, car rentals, cruises, hotel accommodations, and more can be found all in one place at the ConnectUP link on our website.
- NO MORE TRAVEL RESTRICTIONS! Blackout dates, along with advance notice, round trip flight, and Saturday night stays requirements – are ALL GONE!

To visit the ConnectUP site, click on the link on our home page.

Apple Pay on its Way!

South Atlantic Bank will soon offer customers another way to pay at grocery stores, shops, restaurants, and hotels, online and more, with the introduction of Apple Pay. This payment system allows customers to store their credit cards in the Wallet on their iPhones (6 or higher). At checkout, a special chip in the phone, called a near-field communication chip, communicates with the merchant's reader to send the payment. Because the Wallet is accessed via "Touch ID," the store cards are safe and secure. Watch for this exciting new service later in the first quarter 2017.

Annual Report Mailing Set for March

In preparation for the Annual Meeting of Shareholders, the 2016 Annual Report Package will be mailed to shareholders on or around March 20. The package includes the following elements:

- Notice of the Annual Meeting of Shareholders and Proxy Statement
- 2016 Annual Report
- Proxy Card

Online voting will again be available and can take place after you receive your shareholder package. Be sure to review this important information about your company and mark your calendars now for the meeting, to be held on April 18, 2017, at the company's Myrtle Beach headquarters.

It's the People Who Make the Difference

Staff Additions, Promotions, and Commendations



Minter

Travis Minter has been promoted to executive vice president and will continue to serve as director of mortgage banking. Prior to joining South Atlantic Bank in 2013, he led CresCom Bank's mortgage division. Travis is a graduate of Virginia Tech with a B.S. degree.

Yolonda Bryant and **Amy Stubbs** were promoted to assistant vice president. Both serve as deposit operations specialists.

Yolonda joined the bank when it opened in 2007. She has 20 years of local banking experience and previously served in deposit operations at the former Beach First National Bank. She is a graduate of North Myrtle Beach High School.

Amy joined the bank in 2008. A graduate of Georgetown High School, she has 19 years of banking experience in our community, including several years at the former Beach First National Bank.

Sharon Vane has been promoted to banking officer in loan operations. She joined the bank in 2014 as a loan servicing specialist. She has more than 25 years of business experience, with 17 years in banking. She previously worked with BNC Bank in Myrtle Beach as a loan review specialist and loan operations assistant.



Vane

Page Moore is the new teller supervisor at the Murrells Inlet office. She began her service to the bank in August 2016 as a teller. She has five years of business experience including two years as a teller for BB&T. A long-time resident of Myrtle Beach, she graduated from Myrtle Beach High School and holds an A.A.S. degree from Horry-Georgetown Technical College in culinary arts.

Tanya Slavin is the bank's compliance officer, holding the rank of vice president. She brings 20 years of banking experience to her new post and most recently served as assistant vice president and compliance specialist with Tideland Bank in Mount Pleasant. A graduate of Coastal Carolina University with a B.A. degree in sociology, Tanya also holds an M.A. degree in human resources development and management from Webster University.

Lindsay Murphy is a new teller at the bank's North Myrtle Beach location. She has five years of banking experience and previously served as a teller at Horry County State Bank. She is a graduate of Wingate University with a B.A. degree in music and a minor in communications.

Amanda Cummins serves as a teller at the bank's Myrtle Beach location. Amanda has 10 years of banking experience working as a teller supervisor and teller with Bank of America in Myrtle Beach. She graduated from Knoch High School in Saxonsburg, Pennsylvania.

Ellie Stinson is the new part-time teller at the Murrells Inlet office. She brings 14 years of banking experience including several years of service as the BSA/Security officer for Maryland-based Community Bank of the Chesapeake. Ellie graduated from Springbrook High School in White Oak, Maryland.

Katie Petersen joined the bank as a teller at the Myrtle Beach headquarters. She combines banking and retail experience with three years as a teller and customer service representative at Wells Fargo in North Myrtle Beach, along with eight years as a sales force trainer at Bed, Bath & Beyond in Grand Rapids, Michigan. Katie graduated from Northwood University in Michigan with a B.S. degree in marketing and management.

Yvette Morgan, a loan specialist in the Georgetown office, is the 2016 Spirit Award winner. The award is given annually to the employee who is most dedicated to team work and quality service. Staff members are nominated by their peers for the honor. Yvette joined the bank in 2013 to prepare for the opening of our full-service Georgetown office.



Bryant



Stubbs



Slavin



Cummins



Stinson



Murphy



Petersen



Morgan

Next Issue

...First Quarter Financial Results...Special Events...Mount Pleasant Progress...Additions and Promotions...

Take Stock is published quarterly for the shareholders and friends of South Atlantic Bancshares, Inc. Send correspondence to:

Barbara Marshall, Editor

South Atlantic Bank

630 29th Avenue North

Myrtle Beach, SC 29577

bmarshall@southatlantic.bank

Address Changes and Additions

To update the U.S. mail and e-mail addresses that you have on file with us, please visit the Investor Relations section of our website, **SouthAtlantic.bank**.

SouthAtlantic.bank > Who We Are > Investor Relations

Click on the link for the form, follow the directions provided, and and return the form to us. Your information will be updated upon receipt.

Stock Information

The common stock of South Atlantic Bancshares, Inc. is listed on the OTCQX® Best Market under the symbol SABK.

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.

Directors

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
and Chief Financial Officer
South Atlantic Bank

Tony K. Cox

Executive Vice President
Real Estate
Burroughs and Chapin Company

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Martha S. Lewis

Senior Physical Therapist
NextStep Rehabilitation

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Michael C. Tawes, Sr.

Partner
Valbridge Property Advisors
Atlantic Appraisals

Zeb M. Thomas, Jr.

Retired Hotelier

K. Wayne Wicker

Chairman and
Chief Executive Officer
South Atlantic Bank

Locations

Myrtle Beach

630 29th Avenue North
(P) 843.839.0100

North Myrtle Beach

1801 Highway 17 South
(P) 843.848.2260

Mount Pleasant

1127 Queensborough Blvd., Ste.105
(P) 843.972.4300

Murrells Inlet

11019 Tournament Blvd.
(P) 843.848.2000

Pawleys Island

10970 Ocean Highway
(P) 843.848.2049

Georgetown

1187 North Fraser Street
(P) 843.436.6800

SouthAtlantic.bank