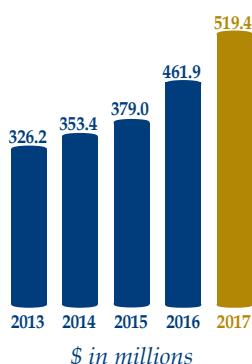
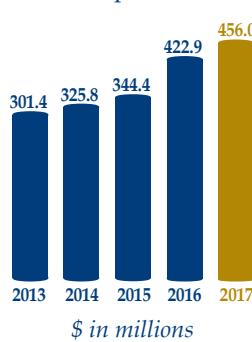


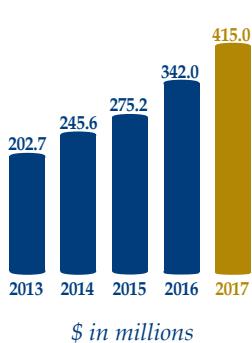
Total Assets (June 30)



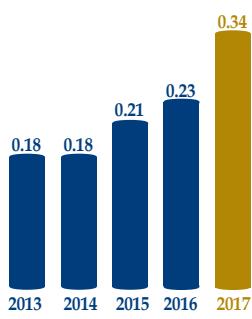
Total Deposits (June 30)



Total Loans (June 30)



Diluted Earnings per Share
(\$, June 30)



Mid-Year Financials Show Solid Gains

At the mid-point of our 10th Anniversary Year, South Atlantic Bancshares, Inc. continues to improve profitability for its shareholders while delivering quality banking services to its customers.

The Company reported net income of \$1,650,071 or \$0.34 per diluted share for the six months ended June 30, 2017, compared to \$1,129,668 or \$0.23 per diluted share reported for the same period a year ago. Net income for the three months ended June 30, 2017 was \$963,937 or \$0.17 per diluted share, compared to \$632,756 or \$0.11 for the same period a year ago. The net income figures represent a 46.1 percent increase for the six months ended June 30, 2017, and a 52.3 percent increase for the three months ended June 30, 2017, when compared to the same periods last year.

Double digit growth in the loan portfolio has been a primary driver behind the Company's financial success. Total loans grew more than 21 percent, from \$342.0 million at June 30, 2016 to \$415.0 million at June 30, 2017, fueling a 19.1 percent increase in net interest income. Additionally, the mortgage loan department, with robust growth in loan volume, closed loans, and fee income, contributed to a nearly 16 percent increase in noninterest income. Better economic conditions across the markets the Company serves have sparked business expansion and new projects, along with real estate sales of new and second home purchases. Our loan officers are working hard to capitalize on these positives to build and expand customer relationships.

During the second quarter, the Company reduced its impaired loan classification by three loans totaling \$2.9 million. This occurred through the sale of one loan totaling \$2.4 million, a payoff in full for one loan totaling \$401,499, and a principal reduction of one loan, reducing its balance to \$182,243 and removing it from impaired status. The Company's credit quality remains strong, with nonperforming assets to average total assets of just 0.03 percent for the six months ended June 30, 2017.

In the third quarter 2017, the Company will open two locations in the greater Charleston area. Construction is nearly complete on its regional headquarters in Mount Pleasant with the finishing touches underway now and a new office on East Bay Street is being readied for its debut. In preparation for the new locations, several talented bankers have been added to the team in the region and are busy learning South Atlantic Bank's core values and systems. We have a great group in place to open these offices. They will be ready to hit the ground running and establish the Company as a premier community bank in this market. A grand opening will be planned for early in the fourth quarter.

The Company also marked a milestone when it crossed the \$500 million mark in asset size for the first time in its history during the second quarter. Total assets grew 12.2 percent to \$519.3 million at June 30, 2017 from \$462.9 million at June 30, 2016, reflecting the Company's significant growth.

As we prepare for the year's second half, we hope you are pleased with the strides the Company has made. This success would not be possible without the support of our shareholders and we will continue to work hard for your investment.

Inside this Issue

...Selected Financial Highlights...Charleston Region Update...Grand Strand Miracle Leagues Fundraiser...Eclipse Glasses

Selected Financial Highlights

| | For the Three Months Ended June 30, 2017 | For the Three Months Ended June 30, 2016 | For the Six Months Ended June 30, 2017 | For the Six Months Ended June 30, 2016 |
|--|--|--|--|--|
| Quarter End Balances (In Thousands) | | | | |
| Total assets | \$ 519,339 | \$ 462,869 | \$ 519,339 | \$ 462,869 |
| Investment securities | 45,174 | 33,402 | 45,174 | 33,402 |
| Loans, net of unearned income (total loans) | 414,987 | 342,001 | 414,987 | 342,001 |
| Deposits | 456,026 | 423,954 | 456,026 | 423,954 |
| Shareholders' equity | 58,799 | 37,981 | 58,799 | 37,981 |
| Average Balances (In Thousands) | | | | |
| Total assets | \$ 504,314 | \$ 429,306 | \$ 479,231 | \$ 413,563 |
| Earning assets | 470,541 | 401,559 | 446,706 | 385,858 |
| Investment securities | 44,291 | 38,459 | 44,099 | 41,584 |
| Loans, net of unearned income | 410,916 | 338,397 | 393,692 | 327,955 |
| Deposits | 443,022 | 384,758 | 418,519 | 362,011 |
| Shareholders' equity | 58,174 | 37,191 | 48,337 | 36,760 |
| Earnings Breakdown (In Thousands) | | | | |
| Total interest income | \$ 5,027 | \$ 4,064 | \$ 9,506 | \$ 7,979 |
| Total interest expense | 407 | 369 | 811 | 689 |
| Net interest income | 4,620 | 3,696 | 8,695 | 7,290 |
| Total noninterest income | 838 | 741 | 1,537 | 1,329 |
| Total noninterest expense | 3,957 | 3,408 | 7,691 | 6,754 |
| Provision for loan losses | 165 | 170 | 285 | 320 |
| Income before taxes | 1,336 | 858 | 2,256 | 1,545 |
| Taxes | 372 | 226 | 606 | 415 |
| Net income | 964 | 633 | 1,650 | 1,130 |
| Diluted earnings per share | 0.17 | 0.11 | 0.34 | 0.23 |
| Weighted average shares outstanding – diluted | 5,649,749 | 5,649,749 | 4,899,383 | 4,899,383 |
| Selected % Increases | | | | |
| | | (Year over Year) | | |
| Total assets | 12.20 | 22.17 | 12.20 | 22.17 |
| Total interest earning assets | 11.79 | 20.52 | 11.79 | 20.52 |
| Total loans | 21.34 | 24.29 | 21.34 | 24.29 |
| Total deposits | 7.56 | 23.09 | 7.56 | 23.09 |
| Interest income | 23.68 | 17.36 | 19.15 | 16.79 |
| Interest expense | 10.43 | 29.32 | 17.72 | 25.06 |
| Noninterest income | 13.16 | 14.33 | 15.61 | (0.55) |
| Noninterest expense | 16.09 | 11.36 | 13.87 | 10.93 |
| Net income | 52.34 | 18.31 | 46.07 | 11.04 |
| Selected Ratios | | | | |
| Return on assets | 0.77 | 0.59 | 0.69 | 0.55 |
| Return on equity | 6.65 | 6.82 | 6.90 | 6.18 |
| Interest income to total average assets | 4.00 | 3.81 | 4.00 | 3.88 |
| Interest expense to total average assets | 0.32 | 0.35 | 0.34 | 0.33 |
| Net interest income to total average assets | 3.67 | 3.46 | 3.66 | 3.54 |
| Loan loss reserve to total loans | 0.75 | 0.93 | 0.75 | 0.93 |
| Nonperforming assets to total average assets | 0.02 | 0.12 | 0.03 | 0.13 |
| Net charge-offs to total average loans | 0.14 | (0.01) | 0.14 | (0.01) |
| Net interest margin | 4.01 | 3.82 | 4.00 | 3.93 |

On the Banking Front

Charleston Footprint Taking Shape

In addition to the regional headquarters in Mount Pleasant, the bank will soon open a new office at 480 East Bay Street in Charleston. The branch will first serve as a loan production office and will become full service later in 2017. We are excited to add a downtown location as part of our Charleston regional growth plan.

Kurt Seguer, senior vice president, serves as Charleston city executive. He joined South Atlantic Bank in October 2013 and has 20 years of banking experience. Steve Humphreys, a new senior vice president and commercial relationship officer, and Peter Insabella, vice president and mortgage loan officer, are also based at East Bay Street.

"We're excited to expand in the Charleston market. The opportunities here are important to our growth strategy. With the surge in bank mergers creating large, impersonal institutions, we offer customers a great alternative – the personalized service only a community bank can provide," said K. Wayne Wicker, chairman of the board and chief executive officer.



Credit Card Skimmers a Growing Problem

Be Alert at the Gas Pump and ATM



The skimmer fits over the legitimate card reader to capture data.

Skimmers are also being placed on bank ATMs so use caution at ATMs as well. South Atlantic Bank ATMs are checked for skimmers and tampering as part of the daily branch security inspection.

A number of credit card skimmers have been found along the South Carolina coast in recent months, particularly at gas pumps. Before you swipe your card at a gas pump or in-store reader, inspect the reader and make sure it is securely attached. If it is loose or removable, don't use it and report it.

The skimmers function as false credit card portals attached to the front or top of the legitimate card scanner. Other skimmers may use cameras to capture your information so an easy step to avoid having your PIN stolen is to cover your hand typing in the PIN with your other hand. Thieves also use secondary keypads to cover the actual keypad. It's best to use the "credit card" option if possible to avoid entering your PIN.

Heading out on Vacay? Here's a Tip!

Summertime's calling, but before you leave town, call us with a travel notification. Your debit card is monitored closely and watched for unusual activity such as out-of-state transactions. If you're traveling more than 50 miles from home, call your branch with the dates and locations of travel to prevent any problems.

Sometimes areas of the state or country are blocked from card use because of fraudulent activity. If we know your plans, we can prepare you for this. Notification can also be made through our website, but for road trips, it's helpful to call us so we know the states you'll be driving through to get to your destination.

For credit card travel notification, please call 1-800-944-2726.



In the Community

Bank Recognizes Local Heroes

The bank is the title sponsor of the WBTW News 13 Local Hero of the Month award. Each month, a South Atlantic banker will introduce the winner and present the award on the *News Now* show at 9 a.m. as part of the station's "Positively Carolina" programming.

The award recognizes exemplary citizens in the community for their support and involvement and is a perfect fit for a good corporate citizen like South Atlantic Bank. Viewers are asked to submit Local Hero nominations via the WBTW website.



*Caroline Hills, merchant services sales representative, presents the Local Hero award to Conway native David Floyd in June. Floyd was honored for his service as an active member of Special Operations Wounded Warriors (SOWW), a non-profit providing assistance to the wounded special operations community. Floyd was a U.S. Army Ranger in the lengthy Somalia firefight that was the basis for the movie *Blackhawk Down*.*

See the Eclipse Through our Glasses!

On Monday, August 21, we will experience a total solar eclipse for the first time on the U.S. mainland since 1979. Areas from Pawleys Island to Charleston are in the "path of totality" and will see the sun disappear briefly behind the moon, turning daylight into twilight.

We have free eclipse glasses for our customers*, so stop by an office and pick up a pair to protect your eyes while you watch. It's something you won't want to miss! To see what the effect will be like where you are, go to the simulator at Google and UC- Berkeley's site: eclipsemega.movie and type in your address.



**While supplies last.*

Play Ball! Fall Games Just Around the Corner

We're proud to support the Grand Strand Miracle Leagues by sponsoring their Fall Baseball Opener on September 7th. The Miracle Leagues organization offers people with special needs the opportunity to play sports in a community-oriented safe and adapted environment.

Last year, our employees raised more than \$7,000 for the organization! To make a contribution, please visit your South Atlantic Bank office. For more information about the Grand Strand Miracle Leagues, visit grandstrandmiracleleague.com.

It's the People Who Make the Difference

New Staff Members Announced

During a busy second quarter, the bank added personnel in the mortgage and credit risk areas, and rounded out the team to lead our expanded Charleston region.



Crowe

Rob Crowe is a new vice president and mortgage loan officer at our Myrtle Beach headquarters. He has five years of banking experience and most recently worked as a vice president and mortgage lender for Crescom Bank. He is a graduate of Coastal Carolina University with a B.A. degree in history.



Powers

Derick Powers has joined the bank as a vice president and portfolio manager, also in Myrtle Beach. Derick brings 18 years of banking experience to his new post. He most recently served BNC Bank as a vice president and commercial relationship manager. A graduate of Concord University with a degree in business administration, he also completed the North Carolina School of Banking Advanced Management Program at the University of North Carolina at Chapel Hill.



Humphreys

Steve Humphreys is a senior vice president and commercial relationship manager for the new East Bay Street office. He has 27 years of banking experience. Prior to joining South Atlantic Bank, he served United Community/Tidelands Bank as senior vice president and senior construction lender. He graduated from Denison University with a B.A. degree in history and geology.



Kornahrens

LaRae Kornahrens serves as vice president and merchant services sales representative, also at the East Bay Street office. She has more than 20 years of merchant services experience in the Charleston area, most recently as a builders services representative for David Weekley Homes. LaRae holds an A.S. degree in marketing and management from Trident Technical College.



DeWitt

Hayden DeWitt is assistant vice president and branch manager at our East Bay Street office. He has four years of banking experience and prior to joining South Atlantic Bank, served as a branch manager at United Community Bank in Mount Pleasant. He is a graduate of the University of South Carolina with a B.A. degree in criminology and criminal justice.



Kajouras

Jill Kajouras serves as a customer service representative at East Bay Street. She most recently was a financial services representative at First Citizens Bank in Mount Pleasant. A graduate of Boston's Emerson College, she has experience in investment management and on the NYSE floor as a wire trader.



Barbour

Stephanie Barbour is a teller at East Bay Street. Prior to joining the bank, she was a teller at First Citizens Bank & Trust. She is a graduate of Virginia College in Charleston with a certificate in medical billing and coding.



Garrett

Julie Garrett is an assistant vice president and loan assistant at the bank's new Mount Pleasant regional headquarters building. She has more than 10 years of banking experience. Prior to joining South Atlantic Bank, she served as a commercial loan assistant at Park Sterling Bank in Mount Pleasant. Julie graduated from the Roper School of Nursing.



Cooper

Ashley Cooper will travel between the East Bay and Mount Pleasant locations as an assistant vice president and retail business development officer. Ashley previously worked with RBC Centura Bank in Florence as a private and executive banker and has six years of banking experience. She attended the College of Charleston.



Coaxum

Brittany Coaxum and **Elizabeth Gross** have been added to the teller staff at Mount Pleasant.

Brittany most recently worked for Verizon as a senior financial services representative and has six years experience in customer service. She has a B.A. degree in communications from Charleston Southern University.

Prior to joining South Atlantic Bank, **Elizabeth** served as a teller at Park Sterling Bank in Mount Pleasant. Elizabeth holds a B.A. degree in early childhood education from North Greenville University and has taught at the preschool and elementary school levels.



Gross

Next Issue

Financial News...Charleston Region Grand Opening...Grand Strand Miracle Leagues Wrapup...

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

Barbara Marshall, Editor
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 > About Us > 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

James Carson Benton, Jr.

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

R. Scott Plyler

President
South Atlantic Bank

Thomas C. Brittain

Attorney at Law
Brittain Law Firm, P.A.

Albert A. Springs, IV

Co-Owner and President
HB Springs Company

Richard N. Burch

Executive Vice President
and Chief Financial Officer
South Atlantic Bank

Jack L. Springs, Jr.

Co-Owner/Broker
Century 21 Barefoot Realty

Tony K. Cox

Executive Vice President
Real Estate
Burroughs and Chapin Company

Michael C. Tawes, Sr.

Partner
Valbridge Property Advisors
Atlantic Appraisals

Miles M. Herring

Franchisee and Operator
Krispy Kreme Doughnuts

Zeb M. Thomas, Jr.

Retired Hotelier

Martha S. Lewis

Senior Physical Therapist
NextStep Rehabilitation

K. Wayne Wicker

Chairman and
Chief Executive Officer
South Atlantic Bank

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(P) 843.848.2000

Charleston

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(P) 843.414.5900

North Myrtle Beach

1801 Highway 17 South
(P) 843.848.2260

Georgetown

1187 North Fraser Street
(P) 843.436.6800

Pawleys Island

10970 Ocean Highway
(P) 843.848.2049

Mount Pleasant

930 Johnnie Dodds Blvd.
(P) 843.972.4300

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