



Personal Business Community

2017 ANNUAL REPORT

SERVICE

trust People

loans

deposits

coastal

Value

South Atlantic Bancshares, Inc.

Myrtle Beach, South Carolina

business

About South Atlantic Bank

South Atlantic Bank was organized in 2007 to meet the unique financial needs of businesses and consumers in the coastal communities we serve. The bank's founders recognized that the growing number of regional banks in the market created an opportunity for a locally owned and operated community bank to succeed. South Atlantic Bank opened its first office in Myrtle Beach in November

2007, and since then added locations in Murrells Inlet, Pawleys Island, Georgetown, North Myrtle Beach, Mount Pleasant, and Charleston. The bank's product menu includes personal and business checking, savings, and money market accounts, along with residential mortgages, commercial loans, and lines of credit. In 2017, South Atlantic Financial Group was formed to offer customers access to non-traditional banking services. The bank also offers a wide variety of technologically advanced products including its mobile banking app, South Atlantic Bank goMobile. Its officers and employees are focused on establishing customer relationships through quality service and convenience with a high level of personal attention. South Atlantic Bank is a South Carolina chartered bank that is fully insured by the FDIC. Its community banking philosophy strongly emphasizes credit quality, sound banking practices, and exemplary customer service as a model for success.

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.

Stock Information

The common stock of South Atlantic Bancshares, Inc. is listed on the OTCQX® Best Market under the symbol SABK. To find current financial disclosures and real-time level 2 quotes for South Atlantic Bancshares, Inc., visit www.otcm Markets.com and enter the symbol SABK. As of December 31, 2017, there were 642 shareholders of record.

Annual Meeting

The Annual Meeting of Shareholders of South Atlantic Bancshares, Inc. will take place on Tuesday, April 17, 2018, at 5:30 p.m. at the bank's headquarters at 630 29th Avenue North, Myrtle Beach, South Carolina 29577.

Locations

Registrar/Transfer Agent

Direct Transfer LLC
500 Perimeter Park Drive, Suite D
Morrisville, North Carolina 27560
transfer@issuereirect.com
919.744.2722

Corporate Counsel

Hunton & Williams LLP
2200 Pennsylvania Avenue, NW
Washington, DC 20037

Independent Accountants

Elliott Davis LLC
1901 Main Street, Suite 900
Columbia, South Carolina 29201

Myrtle Beach

630 29th Avenue North
843.839.0100

North Myrtle Beach

1801 Highway 17 South
843.848.2260

Murrells Inlet

11019 Tournament Boulevard
843.848.2000

Pawleys Island

10970 Ocean Highway
843.848.2049

Georgetown

1187 North Fraser Street
843.436.6800

Mount Pleasant

930 Johnnie Dodds Boulevard
843.972.4300

Charleston

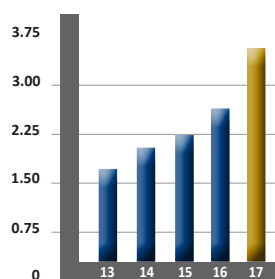
480 East Bay Street, Suite F
843.414.5900

Member FDIC | Equal Housing Lender 

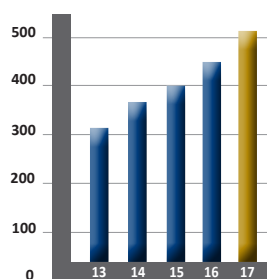
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SELECTED FINANCIAL HIGHLIGHTS

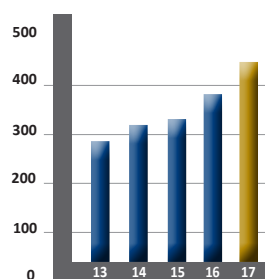
	FOR THE YEAR ENDED 2017	FOR THE YEAR ENDED 2016	FOR THE YEAR ENDED 2015	FOR THE YEAR ENDED 2014	FOR THE YEAR ENDED 2013
YEAR-END BALANCES (IN THOUSANDS)					
Total assets	\$ 519,129	\$ 444,533	\$ 400,218	\$ 363,348	\$ 318,057
Investment securities	36,892	43,633	52,784	52,607	73,727
Loans, net of unearned income (total loans)	436,783	368,991	313,988	262,646	218,174
Deposits	439,226	382,263	337,362	326,594	285,519
Shareholders' equity	60,646	37,440	35,645	32,242	24,141
AVERAGE BALANCES (IN THOUSANDS)					
Total assets	\$ 500,131	\$ 430,655	\$ 374,291	\$ 341,288	\$ 307,746
Earning assets	469,144	399,829	348,172	318,590	281,908
Investment securities	44,378	41,914	51,238	67,306	69,880
Loans, net of unearned income	409,882	340,892	279,810	239,797	199,817
Deposits	434,262	382,537	335,849	308,929	281,306
Shareholders' equity	54,144	37,554	33,961	26,925	24,904
EARNINGS BREAKDOWN (IN THOUSANDS)					
Total interest income	\$ 20,137	\$ 16,513	\$ 14,137	\$ 13,012	\$ 11,291
Total interest expense	1,692	1,432	1,161	1,188	1,311
Net interest income	18,444	15,081	12,976	11,825	9,980
Total noninterest income	3,114	3,005	2,633	1,705	1,996
Total noninterest expense	16,733	13,873	12,272	10,618	9,154
Provision for loan losses	915	615	230	475	730
Income before taxes	3,910	3,598	3,106	2,437	2,092
Taxes	496	995	865	433	447
Net income	3,414	2,604	2,241	2,004	1,645
Diluted earnings per share	0.57	0.60	0.63	0.59	0.53
Number of diluted shares	6,040,546	4,360,122	3,584,887	3,408,122	3,075,164
SELECTED % INCREASES					
Total assets	16.78	11.07	10.15	14.24	11.60
Total interest earning assets	17.73	11.97	10.27	14.62	11.93
Total loans	18.37	17.52	19.55	20.38	14.84
Total deposits	14.90	13.31	3.30	14.39	10.10
Interest income	21.94	16.81	8.64	15.24	12.89
Interest expense	18.18	23.30	(2.21)	(9.40)	(19.09)
Noninterest income	3.61	14.15	54.37	(14.54)	(26.19)
Noninterest expense	20.62	13.04	15.58	15.99	13.54
Net income	31.12	16.20	11.81	21.86	(35.81)
SELECTED RATIOS					
Return on average assets	0.68	0.60	0.60	0.59	0.53
Return on average equity	6.31	6.93	6.60	7.44	6.60
Interest income to total average assets	4.29	4.13	4.06	3.81	3.67
Interest expense to total average assets	0.36	0.36	0.33	0.35	0.43
Net interest income to total average assets	3.93	3.77	3.73	3.46	3.24
Loan loss reserve to total loans	0.86	0.96	0.90	1.00	1.10
Nonperforming assets to total average assets	0.05	1.07	1.13	1.35	11.42
Net charge-offs to total average assets	0.01	0.00	0.00	0.01	0.03
Net interest margin	4.02	3.86	3.80	3.79	3.56



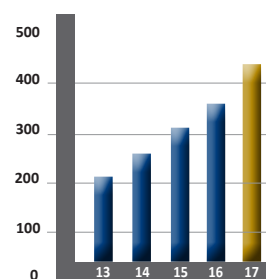
NET INCOME
(\$ IN MILLIONS)



TOTAL ASSETS
(\$ IN MILLIONS)



TOTAL DEPOSITS
(\$ IN MILLIONS)



TOTAL LOANS
(\$ IN MILLIONS)

TO OUR SHAREHOLDERS AND FRIENDS

I am pleased to report our earnings in 2017 represent the best financial performance in the Company's 10-year history.



The Year in Review

Double-digit growth across the balance sheet crowned our many achievements as we expanded in new markets, added a wealth management line of business, and announced our first acquisition.

Net income increased 31.1 percent to \$3,414,260 or \$0.57 per diluted share compared to \$2,603,928 or \$0.60 per diluted share at year-end 2016. Our net interest margin increased 16 basis points to 4.02 percent, a notable accomplishment in a low interest rate environment.

This strong performance results from commercial loan growth in each of our markets. The mortgage loan department also had a record year with growth in loan volume, closed loans, and fee income supporting the increase in net income.

The Company succeeded in posting record earnings while absorbing the overhead costs of our franchise expansion at the same time. During the third quarter, the construction of our Mount Pleasant office was completed and our East Bay Street office opened. Thirteen new employees were added in the Charleston market. Talented bankers were hired and hit the ground running to establish South Atlantic as a premier community bank in the market.

In the Grand Strand market, credit analysts and operations specialists were added to help with increased loan demand. Non-interest expense increased with salaries, employee benefits, and occupancy expenses as expected and in line with our growth.

Total loans grew 18.4 percent, and credit quality remained impressive with net charge-offs to total average assets of just 0.01 percent. Deposits showed a double-digit increase providing stable funding and indicating customer loyalty and growth.

We met our 2017 goal of passing the \$500 million mark in assets during the second quarter. As a result of the bank's strong performance, our Board of Directors authorized the third 10 percent stock dividend in the Company's history to coincide with the Bank's 10-year anniversary and to celebrate the progress made in the past decade.

Market Expansion & Strategic Planning

We completed a \$20 million capital raise in the first quarter. The additional funding provides a solid foundation for our growth and expansion plans. Great opportunities lie ahead for us in the markets we serve. Our offices are located in two of the fastest-growing Metropolitan Statistical Areas in the country. The thriving economic conditions along the South Carolina coast are spurring business development and delivering quality loan opportunities.

We were ready when a downtown Charleston location became available and moved quickly to open our East Bay Street office in August. In December, a definitive agreement to acquire Atlantic Community Bank was announced. Pending Atlantic shareholder and regulatory approval, the merger is expected to be completed by April 30, with conversion to the South Atlantic Bank brand complete in early June. The addition of two offices in Bluffton and Hilton Head Island will spread our geographic footprint south along the coast and increase our asset size to more than \$600 million.

Another facet of our growth initiative was the addition of a wealth management division. The Company formed the South Atlantic Financial Group (SAFG) in alliance with Affluence Financial Group, a Charleston based wealth management and financial services company that readily fits our culture. Through SAFG, South Atlantic Bank customers now have access to a wide array of financial products and services. Not only will our customers benefit from the new alliance, but SAFG also provides additional revenue stream and is a logical next step as we expand our services menu.

Our achievements would not be possible without our dedicated employees. The professional development of our staff members is a key to our continued success. A senior management position was added to implement new sales, service, and training processes at the branch level. A streamlined approach will empower our employees to build stronger customer relationships and create efficiencies among our offices.

Looking Ahead

In the year ahead, I am hopeful that Congress will ease the regulatory burdens on community banks and offer much needed relief from strict regulations levied in 2010. Tax reform will benefit the banking industry by spurring new business investment.

We are here to support our customers and foster their financial endeavors. By investing in the people and technology that keeps us competitive, we can offer the superior service and innovative solutions to make banking as easy as possible.

If the Federal Reserve raises interest rates as expected in 2018, deposit-gathering pressure will continue throughout the industry. Rising rates will heighten competition, making it harder to gain deposits. Community banks will face challenges as pricing changes put pressure on the net interest margin. We will focus on ways to manage these risks and sustain strong results.

Thank you for your support and confidence in our Company. We will keep cultivating the success of the past 10 years and carry it forward. We are well positioned to compete in our growing markets and are excited by the prospects they offer.



K. Wayne Wicker
Chairman of the Board
Chief Executive Officer

COMMUNITY BANKING FOR THE 21ST CENTURY

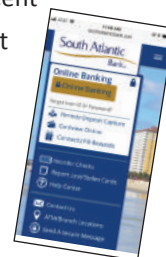
Our inherent value as a community bank is in knowing our customers and providing trusted service. Our employees make the difference. From front-line bankers to behind-the-scene specialists, our team works together to deliver superior customer service. When combined with the right banking technology, we deliver modern community banking that is completely customer-centered to our coastal markets.

We support our customers and expand our business relationships with them as they pursue new projects. Our Merchant Services team provides business owners with state-of-the-art Clover Payment credit and debit card processing systems. These point-of-sale systems offer virtual payment solutions via countertop and portable terminals, making it easier than ever to operate a business as an established merchant or a first-time business owner. Our team provides the security and local service our customers expect.

As we expand the services available to our customers, we are proud to offer investment options and wealth management solutions through the South Atlantic Financial Group.* Financial products include life and disability income insurance, annuities and investment products. Our alliance with the Affluence Financial Group in Charleston provides seasoned financial service representatives ready to solve the complex financial issues facing business owners, families and individuals. The close-knit team uses a holistic approach and focuses not only on asset growth, but also on asset protection and risk management for their clients.

Technology continues to change the way customers access their accounts. Mobile banking is an integral part of the banking mix providing convenience and reliability. Our goMobile app has seen a 76 percent increase in users since 2016 as customers seek remote deposit capture and immediate account access. We launched Apple Pay®, a quick and secure way to make purchases via contactless payment, in early 2017.

Our redesigned website is mobile friendly and provides easy access for product and service information, and most importantly, online banking. Our website is a vital connection between customers and their accounts.



Our employees are engaged not only at work but also in the community. They serve by volunteering on boards locally and at the state level. In our branches, we support local charities through employee dress down days and fundraisers. Over the years, we've raised more than \$20,000 for the Grand Strand Miracle Leagues, an organization that provides people with special needs the opportunity to play sports.

We are pleased to celebrate 10 years in business and all that we've accomplished in that time. From one office and 13 employees to seven offices and 97 employees, we are proud of our past and excited about our future in South Carolina's growing coastal communities.

***Investment products offered through South Atlantic Financial Group are: NOT A DEPOSIT • NOT FDIC-INSURED • NOT GUARANTEED BY A BANK • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY • MAY GO DOWN IN VALUE**

A DECADE OF SERVICE

November 28, 2007

South Atlantic Bank opens its doors for the first time with an office in Myrtle Beach and 13 employees.



December 31, 2011

Four years after its founding, the Company has its first profitable year with net income of \$1.15MM.



January 14, 2009

Assets cross the \$100MM mark.

December 18, 2012

A 10 percent stock dividend is paid to shareholders.



December 15, 2008

Our first branch opens in a modular unit at Tournament Boulevard and Highway 17 Bypass in Murrells Inlet; we begin building a permanent facility.

January 19, 2010

Our new headquarters building at 29th Avenue North and Grissom Parkway welcomes its first customers.

June 11, 2012

A third office, a branch in Pawleys Island, opens. Later in June, our goMobile app launches.

October 8, 2013

A loan production office in Mount Pleasant opens and becomes full service in August 2014.

September 16, 2013

The Georgetown office officially opens for business.



December 2015

Assets cross the \$400MM mark.

September 12, 2017

Our regional headquarters in Mount Pleasant opens.



November 28, 2017

10th Anniversary!
7 Locations! 97 Employees!



February 23, 2015

The North Myrtle Beach office opens its doors for the first time.



August 14, 2017

The East Bay Street office opens as a full service branch.



October 2017

South Atlantic Financial Group forms.

December 13, 2017

Announces definitive merger agreement with Atlantic Bancshares, Inc.

OFFICERS

Executive Officers

K. Wayne Wicker
Chairman
Chief Executive Officer

R. Scott Plyler
President

Richard N. Burch
Executive Vice President
Chief Financial Officer

C. Alec Elmore
Executive Vice President
Chief Credit Officer

Travis A. Minter
Executive Vice President
Director of Mortgage Loans

Kenneth M. Pickens
Executive Vice President
Charleston Regional Executive

Mary Jo Rogers
Executive Vice President
Grand Strand Regional Executive

Accounting

Melissa K. Downs-High
Senior Vice President
Controller

Kathy M. Doane
Assistant Vice President
Senior Financial Accountant

Administration

Candace L. Cherry
Senior Vice President
Corporate Liaison

Compliance

Tanya W. Slavin
Vice President
Director of Compliance

Credit Risk

David C. Mann
Senior Vice President
Credit Risk Officer

John W. Channell
Vice President
Portfolio Manager

Derick R. Powers
Vice President
Portfolio Manager

Deposit Operations

Tiffany P. Suggs
Senior Vice President
Director of Branch and Deposit Operations

Yolonda F. Bryant
Assistant Vice President
Deposit Operations Specialist

Amy B. Stubbs
Assistant Vice President
Deposit Operations Specialist

Michelle A. Ward
Assistant Vice President
Deposit Operations Specialist

Human Resources

Carrie S. Harris
Senior Vice President
Director of Human Resources

Loan Operations

Anne B. Cote
Senior Vice President
Director of Loan Operations

Deborah B. Atkins
Vice President
Assistant Director of Loan Operations

Karen M. Atwood
Vice President
Loan Platform Manager

Shirley Y. Kulcsar
Assistant Vice President
Loan Administration Specialist/
Loan Processor

Sharon B. Vane
Banking Officer
Loan Operations Specialist

Marketing

Beth W. Branham
Vice President
Director of Marketing

Merchant Services

Donald G. Kyzer
Senior Vice President
Director of Merchant Card Services

LaRae M. Kornahrens
Vice President
Merchant and Treasury Services

Caroline S. Hills
Banking Officer
Merchant Sales and Service Representative

Mortgage Services

Susan O. Burton
Senior Vice President
Mortgage Loan Operations Manager

Robert N. Crowe
Vice President
Mortgage Loan Officer

Peter M. Insabella
Vice President
Mortgage Loan Officer

Leah Mazurkiewicz
Vice President
Mortgage Loan Officer

Adam M. Paskanik
Vice President
Mortgage Loan Officer

Donna L. Spitzer
Vice President
Mortgage Processor/Underwriter

Danielle Martin-Ebert
Banking Officer
Mortgage Loan Processor

Brandon H. Roach
Banking Officer
Mortgage Loan Officer

Retail Sales

Michelle A. Coletta
Senior Vice President
Retail Sales Manager

Branch Personnel

Myrtle Beach

Paul E. Peeples
Senior Vice President
Myrtle Beach Regional Executive

Alison N. Van Wagner
Assistant Vice President
Branch Manager

Katie M. Petersen
Banking Officer
Assistant Branch Manager

Murrells Inlet

W. David Rhodes, IV
Senior Vice President
South Strand Regional Executive

Denise F. Brown
Vice President
Branch Manager

Kelly L. Byrd
Banking Officer
Assistant Branch Manager

North Myrtle Beach

John L. Breedon, III
Senior Vice President
North Strand Regional Executive

Allison A. Cabaniss
Vice President
Branch Manager

Juanita B. Gore
Banking Officer
Assistant Branch Manager

Pawleys Island

Drew S. Johnson
Senior Vice President
Waccamaw Neck Regional Executive

Donna M. Murphy
Vice President
Branch Manager

Lynn B. Carmon
Assistant Vice President
Loan Assistant

Georgetown

Daniel F. Siau
Senior Vice President
Georgetown City Regional Executive

Mary I. Lee
Vice President
Branch Manager

Yvette F. Morgan
Assistant Vice President
Loan Assistant

Charleston

Kurt S. Seguer
Senior Vice President
City Executive

A. Stephenson Humphreys, III
Senior Vice President
Commercial Relationship Manager

Ashley R. Cooper
Assistant Vice President
Branch Manager

Christy P. Chumney
Assistant Vice President
Loan Assistant

Julie A. Garrett
Assistant Vice President
Loan Assistant

Mount Pleasant

Brian J. Michel
Senior Vice President
Commercial Relationship Manager

J. Eric Wooten
Vice President
Commercial Relationship Manager

Hayden S. DeWitt
Assistant Vice President
Branch Manager

Jessica L. Clendenin
Banking Officer
Assistant Branch Manager

Cari L. Henderson
Banking Officer
Customer Service Representative

BOARD OF DIRECTORS



Front row seated from left to right: R. Scott Plyler; Martha S. Lewis; and Richard N. Burch. Back row from left to right: James Carson Benton, Jr.; Albert A. Springs, IV; Zeb M. Thomas, Jr.; Miles M. Herring; K. Wayne Wicker; Tony K. Cox; Jack L. Springs, Jr.; Thomas C. Brittain; and Michael C. Tawes, Sr.

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
Chief Financial Officer
South Atlantic Bank

Tony K. Cox
Executive Vice President, Real Estate
Burroughs and Chapin Company

Miles M. Herring
Franchisee and Owner
Krispy Kreme Doughnuts

Martha S. Lewis
Physical Therapist
NextStep Rehabilitation

R. Scott Plyler
President
South Atlantic Bank

Albert A. Springs, IV
Co-Owner and President
H.B. Springs Company

Jack L. Springs, Jr.
Co-Owner/Broker
Century 21 Barefoot Realty

Michael C. Tawes, Sr.
Partner
Valbridge Property Advisors
Atlantic Appraisals

Zeb M. Thomas, Jr.
Retired Hotelier

K. Wayne Wicker
Chairman of the Board
Chief Executive Officer
South Atlantic Bank

Personal Business Community

South Atlantic Bancshares, Inc.



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MYRTLE BEACH, SOUTH CAROLINA 29577
SOUTHATLANTIC.BANK
843.839.0100

*Myrtle Beach • North Myrtle Beach • Murrells Inlet • Pawleys Island
Georgetown • Mount Pleasant • Charleston*

SERVICE

trust People

loans deposits

coastal Value

business