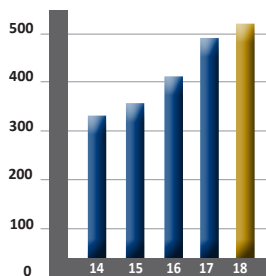
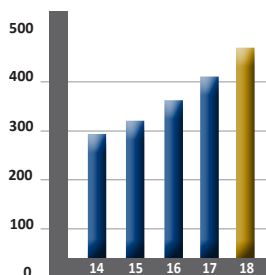


TOTAL ASSETS (MARCH 31)



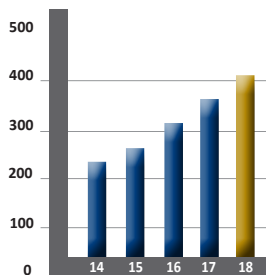
\$ IN MILLIONS

TOTAL DEPOSITS (MARCH 31)



\$ IN MILLIONS

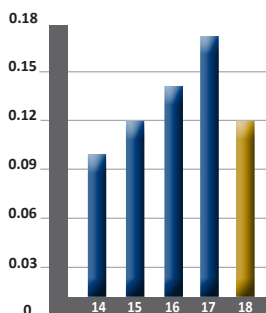
TOTAL LOANS (MARCH 31)



\$ IN MILLIONS

DILUTED EARNINGS PER SHARE

(\$, MARCH 31)



## First Quarter Shows Solid Growth

South Atlantic Bancshares, Inc. reported an increase of 16.79 percent in net income for the first quarter of 2018 when compared to the same period in 2017. Net income for the three months ended March 31, 2018 grew to \$801,345 or \$0.12 per diluted share compared to \$686,134 or \$0.17 per diluted share for the three months ended March 31, 2017.

Our improved net interest margin of 4.07 percent is an indicator of our solid performance. Our stellar credit quality reflects the effort of our bankers and the strength of the customers and markets we serve.

Noninterest income grew 12.82 percent led by our mortgage loan division, while a favorable interest rate environment resulted in a 21.40 percent increase in interest income.

Loan growth of 5.94 percent, from \$404.9 million at March 31, 2017 to \$428.9 million at March 31, 2018, lagged previous quarter results primarily due to the improved economy and the pay-off of existing loans.

The current interest rate environment has created increased competition for deposits; however, we were able to grow total deposits in all markets by 12.75 percent for the first quarter 2018 compared to the first quarter 2017.

The legal close of Atlantic Bancshares, Inc. was completed April 2. At the closing, shareholders of Atlantic Bancshares, Inc. received 0.2452 shares of South Atlantic Bancshares, Inc. (SABK) common stock for each share exchanged. The transaction is valued at \$17.10 million based on the closing price of SABK on March 30, 2018.

We are excited to establish new business relationships in Bluffton and on Hilton Head Island. The conversion of Atlantic Community Bank will take place the weekend of June 8, 2018. Both offices will open on June 11 as South Atlantic Bank. Atlantic Bancshares director Edgar Woods, president of Palmetto Grain Brokerage, LLC and of Performance AG, LLC, became a member of our board of directors on April 2. His business experience and knowledge of the community will be a positive resource as we enter these new markets.

Our stock trades on the OTCQX® Marketplace and following the first quarter, our company was added to the OTCQX Composite Index, which is a benchmark for the overall OTCQX Best Market. These indexes are market capitalization-weighted and adjusted on a quarterly basis for additions and share changes over 5%. Inclusion on these indexes increases the company's exposure in the financial markets.

We anticipate future loan growth, further increases in noninterest income, and improved efficiencies, which will help continued overall growth during 2018. We look forward to getting acquainted in our new markets. We strive to be a good corporate citizen and support the communities where we do business. None of this would be possible without the support of our shareholders. As always, thank you for your investment.

## INSIDE THIS ISSUE

...First Quarter Update...Senior Crimestoppers...Annual Meeting Held...Promotions and Additions...

# SELECTED FINANCIAL HIGHLIGHTS

	FOR THE THREE MONTHS ENDED MARCH 31, 2018	FOR THE THREE MONTHS ENDED MARCH 31, 2017	FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017
<b>YEAR END/QUARTER END BALANCES (IN THOUSANDS)</b>			
Total assets	\$ 532,777	\$ 482,811	\$ 519,129
Investment securities	34,645	43,341	36,892
Loans, net of unearned income (total loans)	428,903	404,850	436,783
Deposits	467,737	414,839	439,226
Shareholders' equity	60,733	57,183	60,646
<b>AVERAGE BALANCES (IN THOUSANDS)</b>			
Total assets	\$ 524,122	\$ 453,870	\$ 500,131
Earning assets	497,180	427,557	469,144
Investment securities	36,243	43,904	44,378
Loans, net of unearned income	429,814	376,275	409,882
Deposits	446,471	393,743	434,262
Shareholders' equity	60,887	38,391	54,144
<b>EARNINGS BREAKDOWN (IN THOUSANDS)</b>			
Total interest income	\$ 5,438	\$ 4,479	\$ 20,137
Total interest expense	589	404	1,692
Net interest income	4,849	4,076	18,444
Total noninterest income	788	698	3,114
Total noninterest expense	4,721	3,734	16,733
Provision for loan losses	50	120	915
Income before taxes	865	920	3,910
Taxes	64	234	496
Net income	801	686	3,414
Basic earnings per share	0.13	0.11	0.58
Diluted earnings per share	0.12	0.17	0.57
Common stock - basic	6,424,002	6,424,002	5,858,988
Common stock - diluted	6,515,130	6,515,130	6,040,546
<b>SELECTED % INCREASES</b>			
Total assets	10.35	15.46	16.78
Total interest earning assets	11.35	17.32	17.73
Total loans	5.94	24.86	18.37
Total deposits	12.75	14.33	14.90
Interest income	21.40	14.44	21.94
Interest expense	46.05	26.13	18.18
Noninterest income	12.82	18.70	3.61
Noninterest expense	26.43	11.60	20.62
Net income	16.79	38.08	31.12
<b>SELECTED RATIOS</b>			
Return on assets	0.62	0.61	0.68
Return on equity	5.34	7.25	6.31
Interest income to total average assets	4.21	4.00	4.29
Interest expense to total average assets	0.46	0.36	0.36
Net interest income to total average assets	3.75	3.64	3.93
Loan loss reserve to total loans	0.89	0.90	0.86
Nonperforming assets to total average assets	0.07	0.09	0.05
Net charge-offs to total average loans	0.00	0.00	0.01
Net interest margin	4.07	3.99	4.02

# ON THE BANKING FRONT

## ***Merger Finalized with Atlantic Bancshares, Inc.***

With the acquisition of Atlantic Bancshares completed April 2, the Bluffton and Hilton Head Island offices of Atlantic Community Bank will open on June 11 as South Atlantic Bank branches. We are excited about expanding into these markets and look forward to creating new business relationships.

**Robert L. McKinney**, former president and CEO of Atlantic Community Bank, will serve as regional executive for the Bluffton/Hilton Head region. Atlantic Bancshares board member **Edgar L. Woods**, president and owner of Palmetto Grain Brokerage LLC, and of Performance AG, LLC has been appointed to South Atlantic's board of directors.

McKinney is a career banker who has held leadership roles within a multi-national bank holding company and served in a number of executive management positions with community banks. A U.S. Army veteran, he completed studies in the ABA's Commercial Lending School and is a graduate of the Executive Program/Leading Strategic Change of the Darden School of Business at the University of Virginia.



*McKinney*

Woods holds a Futures, Series 3 license from the National Futures Association and has been in the agribusiness industry for nearly 40 years. He earned a B.S. degree in agricultural mechanization and business from Clemson University and has served as past chairman of the Palmetto Agribusiness Council and past president of both the South Carolina Grain Dealers association and Southeastern Feed and Grain, a group of feed and grain dealers from four southeastern states.



*Woods*

We're pleased to have these experienced businessmen join us along with the 16 staff members of Atlantic Community Bank.

South Atlantic Chairman and Chief Executive Officer K. Wayne Wicker said, "We extend a warm welcome to the Atlantic Bancshares employees, customers, and shareholders to South Atlantic Bank. I am proud of the joint effort in bringing this merger to completion. The opportunity to expand our presence and partner with a company that shares our commitment to customer service and the community positions us well for continued growth."

Atlantic Community Bank was founded in 2005 and shares similar characteristics to South Atlantic Bank, including a commitment to relationship-based banking, sound banking practices, and good corporate citizenship. The combined company will have nine offices serving coastal South Carolina's most desirable markets and assets in excess of \$600 million.



*Atlantic Community Bank's Bluffton office is located at One Sheridan Park Circle. The bank has a second office at 5A Park Lane on Hilton Head Island. South Atlantic Bank signs will be installed at both locations during the conversion weekend in June.*

## ***Annual Meeting Shares Goals for 2018***

South Atlantic Bancshares, Inc. held its Annual Meeting of Shareholders on Tuesday, April 17 at its Myrtle Beach headquarters. Chairman Wicker greeted guests and reviewed the company's 2017 highlights, including income and accomplishments, along with first quarter 2018 results and plans for the rest of the year.

At the meeting, Richard N. Burch; James Carson Benton, Jr.; Albert A. Springs, IV; and Jack L. Springs, Jr. were re-elected to the company's board of directors. Additionally, Chairman Wicker introduced Edgar L. Woods who was appointed to the board at the completion of the merger with Atlantic Bancshares, Inc. in early April.



*From left to right are: Michelle Coletta, senior vice president and retail sales manager; board member Martha Lewis, and Chairman Wicker.*

# IN OUR COMMUNITY

## ***Senior Crimestoppers Support a Win-Win***

Through a recent collaboration with CRA Partners, South Atlantic Bank is funding the Senior Crimestoppers program at Jefferson Place in Myrtle Beach and Millner Place in Georgetown. The program protects those who live and work in the facilities against theft, abuse and neglect.



*South Atlantic Bank officers, along with administrators and residents of Jefferson Place, pose for a photo during a recent presentation.*

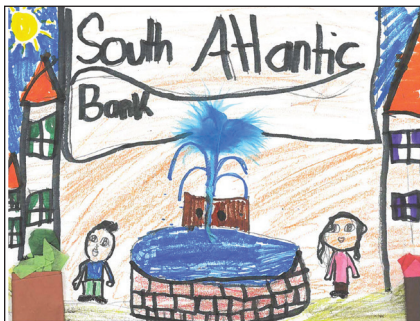
“We’re glad to sponsor the Senior Crimestoppers program and help provide information and services to seniors so they can stay safe in their communities,” said K. Wayne Wicker, South Atlantic Chairman and Chief Executive Officer.

CRA Partners is a national organization that helps banks fulfill their federally-mandated Community Reinvestment Act (CRA) requirements and earn guaranteed CRA credit on their exam by running Senior Crimestoppers, a turnkey crime prevention program for low-to moderate-income seniors. Through flexible funding options such as CRA-qualified community development loans, investments and grants, banks help ensure safe living environments for seniors in nursing homes, HUD communities and state veterans’ homes.



## ***Eighth Annual Art Contest Highlights Talent!***

Second graders from Myrtle Beach Elementary toured our main office in January and then drew pictures of the bank for our 8<sup>th</sup> annual art contest. Bank employees choose three winning drawings,



and the winners receive a cash prize. A special reception is held at the school for the winning students, and bank staff, teachers and parents attend. The school’s art program also receives a \$200 grant from the bank for art supplies. We look

*Rendition of the bank from the contest.*

forward to having the children tour the bank each year and enjoy seeing the fantastic artwork they send us!

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

**Beth Branham, Editor**  
**bbranham@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](http://SouthAtlantic.bank).

[SouthAtlantic.bank](http://SouthAtlantic.bank) > [About Us](#) > [Investor Relations](#)

**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

**Miles M. Herring**  
Franchisee and Operator  
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  
HB 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 and  
Chief Executive Officer  
South Atlantic Bank

**Edgar L. Woods**  
President  
Palmetto Grain Brokerage, LLC  
Performance AG, LLC

**Locations**

**Myrtle Beach (Headquarters)**  
630 29th Avenue North  
(P) 843.839.0100

**Charleston**  
480 East Bay Street  
(P) 843.414.5900

**Georgetown**  
1187 North Fraser Street  
(P) 843.436.6800

**Mount Pleasant**  
930 Johnnie Dodds Blvd.  
(P) 843.972.4300

**Murrells Inlet**  
11019 Tournament Blvd.  
(P) 843.848.2000

**North Myrtle Beach**  
1801 Highway 17 South  
(P) 843.848.2260

**Pawleys Island**  
10970 Ocean Highway  
(P) 843.848.2049

**Bluffton**  
One Sheridan Park Circle  
(P) 843.815.7111

**Hilton Head Island**  
5A Park Lane  
(P) 843.785.3400

[SouthAtlantic.bank](http://SouthAtlantic.bank)

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# IT'S THE PEOPLE WHO MAKE THE DIFFERENCE

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## Staff Additions and Promotions

**Beth Branham** has been promoted to vice president, director of marketing. She has more than thirteen years of communications experience and joined the bank in July 2016 as marketing coordinator.



**Amy Stubbs**, assistant vice president and deposit operations specialist, has been promoted to deposit operations manager for the bank. Amy joined the bank in 2008 with 12 years prior banking experience.

**Brittany Coaxum** has accepted the position of customer service representative at the Mount Pleasant office. She joined the bank last summer and served as teller supervisor in Mount Pleasant prior to her new role. Brittany has six years experience in customer service and teller experience.



**Amanda Cummins** has accepted the position of ebanking specialist in deposit operations. She joined the bank in September 2016 as a teller at the Myrtle Beach office. She has 11 years of banking experience working as a teller and teller supervisor.

**Kimberly West** joined the bank as assistant vice president, IT systems analyst and project manager in the Myrtle Beach office. She has served as an IT security analyst and audit and compliance/project manager for nine years.



**Hannah Ague** is a new teller at our Mount Pleasant office. She has seven years of customer service experience and is a graduate of West Ashley High School.

**Jessica DiTullio** is the new float teller/customer service representative for the Hilton Head Island and Bluffton offices that will open as South Atlantic Bank offices in June. She most recently served as a mortgage loan officer for SunTrust Bank and has 15 years of banking experience.



**Ashley Cooper**, assistant vice president and retail development officer, is now the branch manager for the East Bay office and will focus her business development efforts on Charleston. Ashley joined the bank last summer and has six years of banking experience.

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## NEXT ISSUE

*We Welcome New Locations...Dragon Boat Fundraiser Results...Mid-Year Financial Results...*