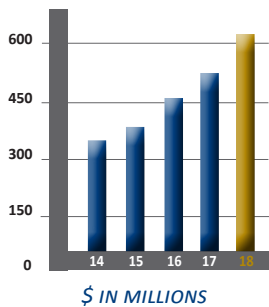


TOTAL ASSETS (JUNE 30)



## Completion of Acquisition Highlights Mid-Year Report

At mid-year, South Atlantic Bancshares is pleased to report solid growth and profitability with a return on average assets of 0.75 and earnings per diluted common share of \$0.29 cents, excluding merger-related expenses (non-GAAP)\*.

During the second quarter, we completed the acquisition of Atlantic Bancshares, Inc. and absorbed one-time merger and conversion-related charges of \$1.4 million. Net operating earnings, excluding merger-related charges, for the six months ended June 30, 2018 totaled \$2.1 million or \$0.29 per common share. Net income for the six months ending June 30, 2018, was \$752 thousand, which includes merger and conversion expenses, or \$0.10 per common share compared to \$1.6 million or \$0.34 per common share on June 30, 2017.

Net operating earnings, excluding merger and conversion-related charges, for the three months ended June 30, 2018 totaled \$1.3 million or \$0.17 per diluted share compared to \$963 thousand or \$0.17 per diluted share in 2017. Net income for the quarter was \$(48,853) or (0.01) per diluted share, which includes one-time charges in merger and conversion expenses of \$1.4 million, compared to \$963 thousand a year ago\*.

The acquisition of Atlantic Bancshares, Inc., with assets of \$82.4 million, was completed April 2, 2018. Their offices in Bluffton and on Hilton Head Island opened as South Atlantic Bank on June 11. Our team has done a great job throughout the conversion process, and our extended footprint and lending team should produce positive growth as we begin the second half of 2018 with merger-related expenses behind us.

We are excited about the opportunities in our new market. The entire coast of South Carolina is booming, and amongst the unprecedented growth, the town of Bluffton stands out, with double-digit population growth in 2017 and a 68 percent increase in population since 2010. Our experienced bankers there have long-standing ties to the community and are eager to offer clients our expanded menu of products and services.

Our net interest margin climbed to 4.20 percent, a 20-basis point or 5 percent increase from a year ago, as a result of loan growth and interest rate increases. Our asset quality continues to be a highlight with nonperforming assets to total assets of 0.00 percent.

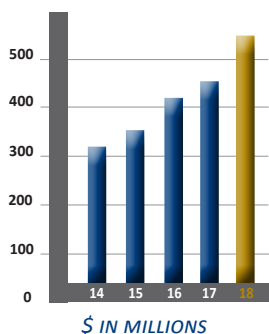
Total deposits grew 21.7 percent to \$555.1 million at June 30, 2018 from \$456.0 million at June 30, 2017, reflecting our success in retaining the customers of Atlantic Bancshares. Demand deposits increased across all markets.

We surpassed the \$600 million mark in total assets for the first time during the second quarter, primarily due to the acquisition. Total assets increased 23 percent to \$638.9 at June 30, 2018, compared to \$519.3 million at June 30, 2017.

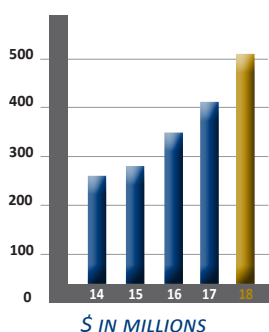
Our continued success would not be possible without your support. Thank you, as always, for your interest in South Atlantic Bancshares. We look forward to serving you.

*\*See the non-GAAP analysis on page 3 for more information.*

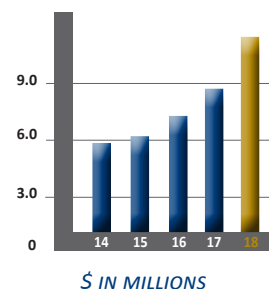
TOTAL DEPOSITS (JUNE 30)



TOTAL LOANS (JUNE 30)



NET INTEREST INCOME (JUNE 30)



## INSIDE THIS ISSUE

*...Selected Financial Highlights...Boys and Girls Club Groundbreaking...First in her Class!...Promotions and Additions...*

# SELECTED FINANCIAL HIGHLIGHTS

	For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
<b>Quarter End Balances (In Thousands)</b>				
Total assets	\$ 638,914	\$ 519,339	\$ 638,914	\$ 519,339
Investment securities	41,900	45,174	41,900	45,174
Loans, net of unearned income (total loans)	511,981	414,987	511,981	414,987
Deposits	555,118	456,026	555,118	456,026
Shareholders' equity	77,690	58,799	77,690	58,799
<b>Average Balances (In Thousands)</b>				
Total assets	\$ 626,395	\$ 504,314	\$ 575,541	\$ 479,231
Earning assets	585,396	470,541	539,041	446,706
Investment securities	39,102	44,291	37,681	44,099
Loans, net of unearned income	505,347	410,916	467,789	393,692
Deposits	548,657	443,022	497,846	418,519
Shareholders' equity	72,282	58,174	66,616	48,337
<b>Earnings Breakdown (In Thousands)</b>				
Total interest income	\$ 6,898	\$ 5,027	\$ 12,336	\$ 9,506
Total interest expense	690	407	1,280	811
Net interest income	6,207	4,620	11,056	8,695
Total noninterest income	1,028	838	1,816	1,537
Total noninterest expense	6,833	3,957	11,554	7,691
Provision for loan losses	165	165	215	285
Income before taxes	237	1,336	1,103	2,256
Taxes	286	372	350	606
Net income	(49)	964	752	1,650
Diluted earnings per share	(0.01)	0.17	0.10	0.34
Weighted average shares outstanding				
Common stock - basic	7,525,488	5,463,976	7,126,581	4,679,220
Common stock - diluted	7,663,137	5,649,749	7,269,156	4,899,383
<b>Selected % Increases</b>				
Total assets	23.02	12.20	23.02	12.20
Total interest earning assets	25.27	11.79	25.27	11.79
Total loans	23.37	21.34	23.37	21.34
Total deposits	21.73	7.56	21.73	7.56
Interest income	37.22	23.68	29.77	19.15
Interest expense	69.55	10.43	57.85	17.72
Noninterest income	22.61	13.16	18.16	15.61
Noninterest expense	72.70	16.09	50.23	13.87
Net income	(105.07)	52.34	(54.41)	46.07
<b>Selected Ratios</b>				
Return on assets	(0.03)	0.77	0.26	0.69
Return on equity	(0.27)	6.65	2.28	6.88
Interest income to total average assets	4.42	4.00	4.32	4.00
Interest expense to total average assets	0.44	0.32	0.45	0.34
Net interest income to total average assets	3.97	3.67	3.87	3.66
Efficiency ratio	94.44	72.49	89.76	75.16
Loan loss reserve to total loans	0.78	0.75	0.78	0.75
Nonperforming assets to total average assets	0.00	0.02	0.00	0.03
Net charge-offs to total average loans	0.00	0.14	0.00	0.14
Net interest margin	4.31	4.01	4.20	4.00

# NON-GAAP FINANCIAL MEASURES

	For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Net income*	\$ (48,853)	\$ 963,937	\$ 752,259	\$ 1,650,071
Merger and conversion expenses	1,385,288	—	1,385,288	—
Net operating earnings (non-GAAP)	1,336,435	—	2,137,547	—
<b>Earnings Breakdown</b>				
Net Income per share – diluted	\$ (0.01)	\$ 0.17	\$ 0.10	\$ 0.34
Net operating earnings – diluted (non-GAAP)	0.17	—	0.29	—
<b>Selected Ratios</b>				
Return on average assets	(0.03)	0.77	0.26	0.69
Net operating return on average assets (non-GAAP)	0.86	—	0.75	—
Return on average stockholders' equity	(0.27)	6.65	2.28	6.88
Net operating return on average equity (non-GAAP)	7.42	—	6.47	—
Efficiency ratio	94.44	72.49	89.76	75.16
Efficiency ratio (non-GAAP)	75.29	—	79.00	—

\*Net income includes merger and conversion expenses totaling \$1,385,288.

## ON THE BANKING FRONT

### Bluffton and Hilton Head Island Offices Open

Our two new offices opened June 11 following the acquisition of Atlantic Community Bank. Located at 1 Sheridan Park Circle in Bluffton and 5A Park Lane on Hilton Head Island, the new locations bring our coastal franchise to nine offices. The two banks shared a community banking philosophy that emphasizes exemplary customer service and commitment to the community, helping the merger to be well received in the market.



New signs were installed at both offices during the conversion weekend. Shown here is the Bluffton office at 1 Sheridan Park Circle.

### Bankers Earn Service Awards

Five of our bankers received awards from the South Carolina Bankers Association for completing 35 years of service in the banking industry. Honorees are Dick Burch, executive vice president, chief financial officer; Alec Elmore, executive vice president, chief credit officer; and Ken Pickens, executive vice president, Charleston regional executive; David Mann, senior vice president, credit risk officer; and Dee Vostatek, customer service representative, Pawleys Island. These bankers have seen much change over the years, with the most noteworthy being the impact of technology on communications, operations, and our products and services.

Working first as an examiner for the South Carolina State Board of Financial Institutions (SCSBFI) and later in bank management, Dick Burch said, "We started in banking in 1982, and we were using manual typewriters, ledger sheets, and calculators. When I worked for SCSBFI, we would race to see who could add up a stack of checks the fastest using the 10-key calculator. Six years later, at an Aiken-based financial institution, I was the only person with a PC."

Ken Pickens, who began his banking career in the management training program at the former First National Bank of South Carolina, added, "There were no such things as internet banking, e-mails, voicemails, or remote deposit capture. Certificates of deposit were actual pieces of paper. Documents weren't imaged so everything was kept in file folders."

Alec Elmore also completed the management training program offered at his first job with Bankers Trust of South Carolina. He said, "The way banks train has changed, with more online options available. It's imperative to the industry's success to maintain a focus on training opportunities for tomorrow's bankers."

While a lot has changed over the years, all five bankers agree: Banking is still very much a people business requiring great customer service across all channels to be successful.



Three veteran bankers display service awards. From left to right are David Mann, Alec Elmore, and Dick Burch. Missing from photo are Ken Pickens and Dee Vostatek.

## Wicker Appointed to SCSBFI

The South Carolina General Assembly has appointed Wayne Wicker, chairman of the board and chief executive officer, to a four-year term on the South Carolina State Board of Financial Institutions (SCSBFI). His term began on June 30, 2018.



*Wicker*

The State Board of Financial Institutions is made up of 11 board members including the State Treasurer, who serves as chairman. The board is responsible for the supervision, licensing, and examination of all State chartered banks, savings and loan associations, savings banks, credit unions, trust companies, development corporations, consumer finance companies, deferred presentment companies, and regular check cashing companies.

## IN OUR COMMUNITIES

### GSML Annual Fundraiser Underway

Help us as we support the Grand Strand Miracle Leagues (GSML) with our annual fundraiser in support of the baseball Fall Opener.

The GSML is a non-profit organization that provides those with special needs the opportunity to play sports. In addition to baseball, GSML sporting activities include soccer and golf, along with the All-Star Park, an all-access playground. To donate, please visit any of our Grand Strand offices.

### Boys & Girls Club Breaks Ground at Building Site

South Atlantic Bank hosted the groundbreaking ceremony for the Boys & Girls Club of the Grand Strand's new facility in early May. The building will be located at 900 Dunbar Street in Myrtle Beach and includes educational space, a media center, a technology lab, and a gymnasium. Major contributors include NBA player and Myrtle Beach native Ramon Sessions, Burroughs and Chapin, the Chapin Foundation, the City of Myrtle Beach, Horry County, the Brittain Family, Carolina Radiology, the Joe Moglia Foundation, Sharon and Michael Clayton, Anna Grace Jordan, The Gunter Family, LS3P, and Castles Engineering. South Atlantic Bank is providing financing for the facility and is a sponsor of the Boys and Girls Club.



*Boys and Girls Club administrators, representatives from Burroughs and Chapin, the City of Myrtle Beach, South Atlantic Bank, and major donors participate in the groundbreaking, wearing their South Atlantic Bank hard hats.*

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

**Beth Branham, Editor**  
**bbranham@southatlantic.bank**

**Address Changes and Additions**

**To update the U.S. mail and e-mail addresses 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)**  
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**Bluffton**  
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(P) 843.815.7111

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

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

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

**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

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





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# IT'S THE PEOPLE WHO MAKE THE DIFFERENCE

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## Staff Commendations, Additions, and Promotions



*Van Wagner*



*Clark*



*Gross*



*Planty*



*Armitage*



*Kakie*



*Tomasko*



*Stewart*



*Richard*



*Newton*



*Boyd*

**Alison Van Wagner**, assistant vice president and branch manager at our Myrtle Beach headquarters, received an award for achieving the highest grade point average in her class at the South Carolina Bankers School (SCBS) graduation in July. SCBS is a three-year program that serves as a stepping stone to graduate banking schools. Alison was awarded a scholarship for her first year at the Graduate School of Banking at Louisiana State University.

**Melissa Clark**, float teller and customer service representative for the Grand Strand, has accepted the position of teller at the Myrtle Beach office. She joined the bank in March 2017. She has 30 years of accounting and bookkeeping experience.

**Libby Gross**, teller at the East Bay Street office, is now the new customer service representative there. She joined the bank as a teller in the summer of 2017 and previously worked as a teller with Park Sterling Bank.

**Tamera Planty** has joined the bank as card services specialist. She previously worked for Horry County State Bank as a compliance specialist and as an electronic banking specialist. She has 18 years of banking experience.

**Kim Armitage** has joined the bank as a float teller for the Grand Strand. She previously served as branch manager for Lafayette Ambassador Bank and has 29 years of banking and customer service experience.

**Nicole Kakie** has joined the bank as teller supervisor at the Mount Pleasant office. She has three years of banking experience and previously served as a card service specialist and customer care representative for South State Bank.

**Zack Tomasko** has joined the bank as a mortgage loan processor. He previously worked for NewDay, USA in Fulton, Maryland as a senior loan processor and has two years of experience in the financial industry.

**Jannean Stewart** has joined the bank as a mortgage closer. She has 12 years' experience in the financial industry and most recently worked for The Federal Savings Bank, New York City as a senior closing analyst.

**Andy Richard** has joined the bank as vice president, commercial relationship manager at the Bluffton office. He has 13 years of experience in the financial industry and most recently served as vice president, commercial lender with CoastalStates Bank in Bluffton.

**Bryan Newton** has joined the bank as senior vice president, commercial relationship manager, at the Bluffton office. He has nearly 40 years of experience in the financial industry and most recently served as area executive and senior vice president at First South Bank in Bluffton.

**Kimberly Boyd** has joined the bank as a teller at the Myrtle Beach office. She has three years experience in the financial industry and previously worked as a personal banker for SunTrust Bank in Florida. She also has more than 10 years of commercial sales and customer service experience in the security industry.

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## NEXT ISSUE

*...Grand Strand Miracle League Update...Branch Update/Market Share...Financial News...*

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