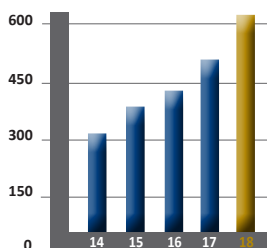
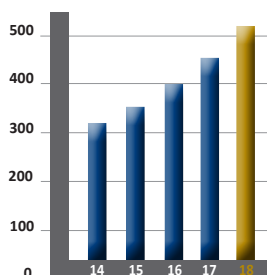


TOTAL ASSETS (SEPTEMBER 30)



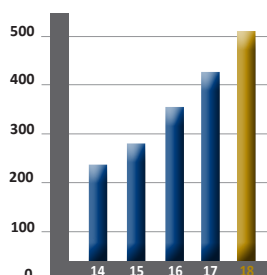
\$ IN MILLIONS

TOTAL DEPOSITS (SEPTEMBER 30)



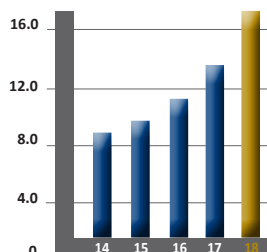
\$ IN MILLIONS

TOTAL LOANS (SEPTEMBER 30)



\$ IN MILLIONS

NET INTEREST INCOME
(SEPTEMBER 30)



\$ IN MILLIONS

Robust Performance Continues as Busy and Productive 2018 Winds Down

It's been an exciting nine months for us as we completed our first acquisition and entered a new market with tremendous growth opportunities. Our team in Bluffton and Hilton Head made the transition smoothly, and we're proud to have a group of talented and motivated bankers working hard to establish our presence there.

South Atlantic Bancshares reported earnings of \$0.49 per diluted share, excluding merger-related expenses, for the nine months ended September 30, 2018. Net income for the nine months ended September 30, 2018 was \$2.1 million, which includes one-time charges of \$1.4 million in merger and conversion expenses booked in the second quarter of 2018, or \$0.29 per common share.

The net operating return on average assets (Non-GAAP) of \$0.78 for the nine months ended September 30, 2018, marks the best performance in company history.

Total loans grew 20.4 percent to \$512.5 million primarily due to the acquisition of Atlantic Bancshares during the second quarter of 2018. Organic loan growth increased 9.6 percent for the nine months ended September 30, 2018, compared to the same period a year ago. Asset quality remains a highlight with nonperforming assets to total assets of 0.02 percent.

Our mortgage operations continue to grow and contributed to a 9.6 percent increase in noninterest income at September 30, 2018, compared to the same period a year ago. We are currently expanding our mortgage team and adding mortgage lenders in each of our branches.

Our net interest margin ended the third quarter at 4.26 percent, a 26 basis point or seven percent increase from a year ago. Continued rate hikes by the Federal Reserve contributed to the increase. Another rate hike is expected in December as the Fed strives to offset any possible inflation.

Across all markets, we are attracting new business and developing our customer relationships. Retail sales initiatives put in place this year have added energy and excitement at our branches and with our customers.

The impact of Hurricane Florence made September a trying month for our communities and employees. The uncertainty of the storm's path and the devastating flooding that followed disrupted lives and businesses. To help with storm relief efforts, we held fundraisers in our offices for the American Red Cross and contributed to the "Battle of the Waterway," an effort in the Grand Strand area to help feed displaced students and families and assist with cleanup following the flood waters.

We are pleased with our progress in 2018 and look forward to a strong fourth quarter. As always, we appreciate your investment in our company and thank you for your support.

INSIDE THIS ISSUE

...Grand Strand Miracle League Update...Promotions and Additions...Financial Highlights

SELECTED FINANCIAL HIGHLIGHTS

	For the Three Months Ended September 30, 2018	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2018	For the Nine Months Ended September 30, 2017
Quarter End Balances (In Thousands)				
Total assets	\$ 617,816	\$ 511,719	\$ 617,816	\$ 511,719
Investment securities	47,246	44,395	47,246	44,395
Loans, net of unearned income (total loans)	512,464	425,642	512,464	425,642
Deposits	527,188	444,494	527,188	444,494
Shareholders' equity	78,647	59,860	78,647	59,860
Average Balances (In Thousands)				
Total assets	\$ 629,830	\$ 524,132	\$ 593,836	\$ 494,363
Earning assets	586,686	490,421	555,097	461,384
Investment securities	43,705	45,137	39,711	44,449
Loans, net of unearned income	513,232	419,321	483,103	402,328
Deposits	544,028	459,606	513,409	432,365
Shareholders' equity	78,725	59,584	70,697	52,127
Earnings Breakdown (In Thousands)				
Total interest income	\$ 7,063	\$ 5,255	\$ 19,399	\$ 14,761
Total interest expense	687	410	1,966	1,220
Net interest income	6,377	4,846	17,433	13,541
Total noninterest income	871	836	2,686	2,372
Total noninterest expense	5,588	4,524	17,142	12,215
Provision for loan losses	110	165	325	450
Income before taxes	1,549	992	2,652	3,248
Taxes	208	7	558	613
Net income	1,342	985	2,094	2,635
Diluted earnings per share	0.18	0.18	0.29	0.52
Weighted average shares outstanding				
Common stock - basic	7,503,258	5,463,976	7,025,813	4,943,680
Common stock - diluted	7,629,922	5,534,132	7,163,148	5,113,276
Selected % Increases				
Total assets	20.73	17.13	20.73	17.13
Total interest earning assets	19.51	19.52	19.51	19.52
Total loans	20.40	21.09	20.40	21.09
Total deposits	18.60	11.97	18.60	11.97
Interest income	34.41	24.69	31.42	21.06
Interest expense	67.67	8.47	61.15	14.44
Noninterest income	4.19	(16.61)	13.24	1.76
Noninterest expense	23.52	27.01	40.34	18.41
Net income	36.18	20.77	(20.54)	35.46
Selected Ratios				
Return on assets	0.85	0.75	0.47	0.71
Return on equity	6.76	6.56	3.96	6.76
Interest income to total average assets	4.45	3.98	4.37	3.99
Interest expense to total average assets	0.43	0.31	0.44	0.33
Net interest income to total average assets	4.02	3.67	3.92	3.66
Efficiency ratio	77.11	79.63	85.20	76.76
Loan loss reserve to total loans	0.80	0.77	0.80	0.77
Nonperforming assets to total average assets	0.02	0.02	0.02	0.02
Net charge-offs to total average loans	0.00	0.13	0.00	0.14
Net interest margin	4.37	3.99	4.26	4.00

NON-GAAP FINANCIAL MEASURES

	For the Three Months Ended September 30, 2018	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2018	For the Nine Months Ended September 30, 2017
Net income*	\$ 1,341,525	\$ 985,078	\$ 2,093,784	\$ 2,635,149
Merger and conversion expenses	—	—	1,385,288	—
Net operating earnings (non-GAAP)	—	—	3,479,072	—
Earnings Breakdown				
Net Income per share – diluted	\$ 0.18	\$ 0.18	\$ 0.29	\$ 0.52
Net operating earnings – diluted (non-GAAP)	—	—	0.49	—
Selected Ratios				
Return on average assets	0.85	0.75	0.47	0.71
Net operating return on average assets (non-GAAP)	—	—	0.78	—
Return on average stockholders' equity	6.76	6.56	3.96	6.76
Net operating return on average equity (non-GAAP)	—	—	6.58	—
Efficiency ratio	77.11	79.63	85.20	76.76
Efficiency ratio (non-GAAP)	—	—	78.32	—

ON THE BANKING FRONT

Retail Banking in the Bag!

This year, branch administration has focused on streamlining our sales and service processes across all markets. Well-defined goals have been established and our retail lenders are motivated and intent on success.

Weekly team meetings are held for sales updates, training, and communication among all offices. Newly installed technology and web cams allow for everyone to participate with no travel time.

A fun retail sales initiative, **Project Bank Bag**, began this summer. The branches competed to see who could give away the most South Atlantic Bank currency bags to new and existing retail customers. Results and photos are shared at the weekly meetings. It's been a success in generating excitement and energy with customers and branch managers. We enjoy visiting with our customers as they come in to make their business deposits, and **Project Bank Bag** is an initiative that readily fits our sales culture.

Michelle Coletta, senior vice president, serves as retail sales manager. She recently celebrated her 10-year anniversary with the bank and has used her experience to implement a pro-active sales process by engaging employees in branch training, setting measurable goals, and monitoring results.

Retail training will continue to be a primary focus in 2019. Product knowledge and operational training for branch staff will add value to customer relationships. Supporting clients with additional services tailored to their needs will help make running their businesses easier.



Employees across our branch network participated in Project Bank Bag with new and existing customers.

Banking Officials Meet with U.S. Rep. Rice

South Atlantic Bank was the setting for a meeting with bank president Scott Plyler, South Carolina Bankers Association chief executive Fred Green, and Tom Rice, U.S. representative to Congress for South Carolina’s seventh congressional district. Green and Plyler thanked the Congressman for his service and received an update on current issues in Congress related to the South Carolina coast.



From left to right are: Fred Green, Congressman Rice, and Scott Plyler. The trio recently met at our Myrtle Beach headquarters to discuss issues relevant to the South Carolina coast.

IN OUR COMMUNITIES

Another Successful GSML Fall Opener!

On a beautiful night for baseball, more than 175 players, families, and fans came out for the Grand Strand Miracle League (GSML) Fall Opener! Our South Atlantic Bank family worked together through the summer to raise \$4,443 for this year’s event.



Carol Vaci and Scott Plyler of South Atlantic Bank present a check for fundraising proceeds at the Fall Opener on September 6 at the James C. Benton Miracle League Field in Myrtle Beach. In addition to raising money, our employees also helped out at the game.

We are in our 10th year in support of the program, which provides the opportunity for individuals with special needs to play sports, including baseball, soccer, and golf. Facilities include an ADA approved, adapted baseball field and the All-Star Park, which is an all-access playground to optimize fitness and foster interaction. For more information, visit GrandStrandMiracleLeague.com.

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.

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.

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C.L. Benton and Sons, Inc.

Thomas C. Brittain
Attorney at Law
Brittain Law Firm, P.A.

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and Chief Financial Officer
South Atlantic Bank

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South Atlantic Bank

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

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Bluffton
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(P) 843.815.7111

Charleston
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(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
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(P) 843.848.2000

North Myrtle Beach
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(P) 843.848.2260

Pawleys Island
10970 Ocean Highway
(P) 843.848.2049

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IT'S THE PEOPLE WHO MAKE THE DIFFERENCE

Promotions and Additions



Murphy



Rowe



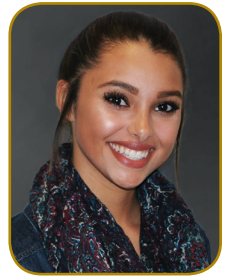
Sanboeuf



Rosafort



Bullock



Wheeler

Lindsay Murphy has been promoted to teller supervisor at the North Myrtle Beach office. She joined the bank in 2016 and served as a teller at the North Myrtle Beach office. Prior to joining the South Atlantic Bank family, she had five years of banking experience working as a head teller and assistant branch manager. Lindsay is a graduate of Wingate University with a bachelor's degree in music and a minor in communications.

John Rowe is a new senior vice president and commercial relationship manager at the Myrtle Beach office. John has more than 13 years of banking experience with South State Bank. During that time, he led the growth and development of the retail locations in Horry and Georgetown counties. Most recently, he served as a senior vice president and commercial loan officer. He is a graduate of the South Carolina Bankers School at Lander University, and he also attended Coastal Carolina University majoring in business management.

Noah Sanboeuf will serve as a mortgage loan officer in the North Myrtle Beach office. He has 24 years of experience in the mortgage industry as a sales manager and lender. He most recently worked for Caliber Home Loans and previously served as regional sales manager for Tidewater Mortgage Services in North Myrtle Beach.

Maggie Rosafort has joined the bank as a mortgage loan officer assistant working with Rob Crowe in the Myrtle Beach office. Maggie has two years of experience in the mortgage industry and most recently worked for Guild Mortgage Company in Myrtle Beach as a loan processing assistant. She is a graduate of Kozminski University in Warsaw, Poland, majoring in financial and commercial law.

Shannon Bullock has joined the bank as a loan operations specialist in the Myrtle Beach office. She has seven years of banking experience with BB&T and most recently worked as a branch banker in their Myrtle Beach office. She also worked as a loan specialist and return specialist for BB&T in Wilson, North Carolina.

Alexis Wheeler is serving as an intern in the marketing department for the fall term. She is a senior at Coastal Carolina University, majoring in communications with a minor in marketing. Alexis graduated from Myrtle Beach High School and helps the bank with community sponsorships, special events, fundraisers, and promotional items.

Ad Campaign Supports New Offices

An ad campaign featuring our employees and focusing on our community bank commitment is now running in the Bluffton and Hilton Head Island markets. Ads will run through the end of the year in specialty publications and other media.

We're Your Community Bank in the Lowcountry.

At South Atlantic Bank, you'll work with experienced bankers who share your love of the Lowcountry...in a setting where technology is used to enhance customer relationships, not replace them...and decisions are made locally. Call, click, or stop by today.

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Scott Sherry | Commercial Lending | Hilton Head Island | 843.815.8813 | NMBS 0007009
Ryan Newton | Commercial Lending | Bluffton | 843.815.8310 | NMBS 0211108

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Ashley Goodness | Retail Banking | Bluffton and Hilton Head Island | 843.797.0100
Rob McElwain | Regional Executive | Bluffton and Hilton Head Island | 843.815.8816 | NMBS 0009006
Scott Sherry | Commercial Lending | Hilton Head Island | 843.815.8813 | NMBS 0007009

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NEXT ISSUE

...Year-End Financial Update...In-Branch Community Bank Sales Initiatives