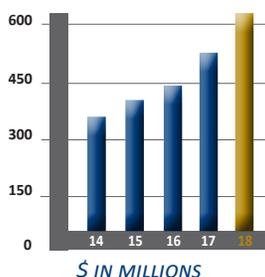


TOTAL ASSETS (DECEMBER 31)



Year-End Results Show Solid Growth

In 2018, it was rewarding to see long-term strategic plans come to fruition and the solid financial growth of South Atlantic Bancshares, Inc. continue. The completion of our first acquisition and expansion along the South Carolina coast were highlights of the year.

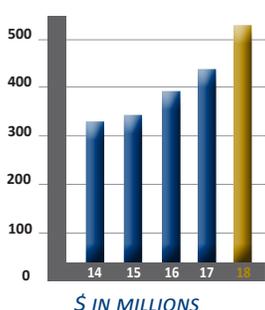
We are pleased with the progress made, as our financial performance remained strong while the Company absorbed \$1.4 million in merger expenses and sustained the impact of Hurricane Florence.

Net operating earnings (non-GAAP) for the year ended December 31, 2018 totaled \$4.8 million or \$0.78 per diluted common share. Net income for the year ended December 31, 2018 was \$3.5 million, which includes one-time charges of \$1.4 million in merger and conversion expenses from the Atlantic Bancshares acquisition booked in the second quarter of 2018, or \$0.56 per common share.

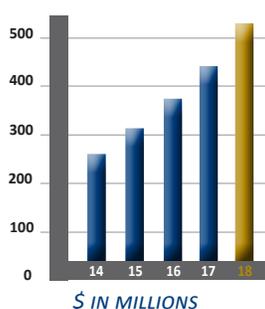
Net operating return on average assets (non-GAAP) of 0.80 percent for the year ended December 31, 2018, marks the best performance in Company history. A strong focus on asset quality continues with nonperforming assets to total assets of 0.09 percent as of December 31, 2018.

Our year-end net interest margin increased to 4.29 percent, a 27 basis point, or 7 percent climb from a year ago. This increase is attributable to careful balance sheet management in a rising interest rate environment. The Federal Open Market Committee in its latest report indicated a possible exercise in “patience” to let the previous nine rate increases work through the economy.

TOTAL DEPOSITS (DECEMBER 31)



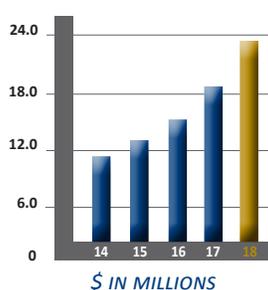
TOTAL LOANS (DECEMBER 31)



All markets contributed to organic deposit growth of 4.8 percent and organic loan growth of 7.4 percent in 2018. We experienced a 13.2 percent increase in non-interest income primarily attributed to increased card services usage and mortgage operations. We look forward to this growth accelerating as our offices are located in three of the fastest growing MSAs in the southeast and our loan officers are prepared to capitalize on new opportunities.

Our team did a tremendous job during the second and third quarter folding in the Atlantic Community Bank offices in Bluffton and on Hilton Head Island. It was a seamless fit as the staff members there share our same core values and commitment to strong customer relationships. We are very optimistic about this market, and growing our presence there will be one of our primary focus areas in 2019.

NET INTEREST INCOME
(DECEMBER 31)



We are continually focused on strengthening our infrastructure. In 2018, we hired operations staff to support our growth and invested in technology upgrades. We conducted team-building sessions along with retail product campaigns to increase our deposit base. A review of operating procedures is ongoing, which will produce a more efficient operation. We will further develop our training programs in 2019. In December, an executive management position was established to direct and manage the bank’s commercial loan portfolio and train new commercial relationship managers.

Our accomplishments in 2018 have set the stage for the year ahead. With an expanded geographic footprint and a strong, talented staff, we are poised to succeed across our coastal markets. We will continue to work hard for your investment, and thank you for your continued support.

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SELECTED FINANCIAL HIGHLIGHTS

	For the Twelve Months Ended December 31, 2018	For the Twelve Months Ended December 31, 2017	For the Twelve Months Ended December 31, 2016
Year End Balances (In Thousands)			
Total assets	\$ 632,132	\$ 519,129	\$ 444,533
Investment securities	49,993	36,892	43,633
Loans, net of unearned income (total loans)	531,959	436,783	368,991
Deposits	530,339	439,226	382,263
Shareholders' equity	80,739	60,646	37,440
Average Balances (In Thousands)			
Total assets	\$ 601,963	\$ 500,131	\$ 430,655
Earning assets	557,022	469,144	399,829
Investment securities	41,917	44,378	41,914
Loans, net of unearned income	493,348	409,882	340,892
Deposits	516,994	434,262	382,537
Shareholders' equity	72,961	54,144	37,554
Earnings Breakdown (In Thousands, except share and per share amounts)			
Total interest income	\$ 26,660	\$ 20,137	\$ 16,513
Total interest expense	2,895	1,692	1,432
Net interest income	23,765	18,444	15,081
Total noninterest income	3,525	3,114	3,005
Total noninterest expense	22,213	16,733	13,873
Provision for loan losses	710	915	615
Income before taxes	4,367	3,910	3,598
Taxes	911	496	995
Net income	3,456	3,414	2,604
Diluted earnings per share	0.56	0.57	0.60
Weighted average shares outstanding			
Common stock - basic	6,041,971	5,858,988	4,213,080
Common stock - diluted	6,173,463	6,040,546	4,360,122
Selected % Increases			
Total assets	21.77	16.78	11.07
Total interest earning assets	20.89	17.73	11.97
Total loans	21.79	18.37	17.52
Total deposits	20.74	14.90	13.31
Interest income	32.40	21.94	16.81
Interest expense	71.10	18.18	23.30
Noninterest income	13.19	3.61	14.15
Noninterest expense	32.75	20.62	13.04
Net income	1.21	31.12	16.20
Selected Ratios			
Return on assets	0.57	0.68	0.60
Return on equity	4.74	6.31	6.93
Interest income to total average assets	4.43	4.29	4.13
Interest expense to total average assets	0.48	0.36	0.36
Net interest income to total average assets	4.27	3.93	3.77
Efficiency ratio	81.40	77.62	72.37
Loan loss reserve to total loans	0.83	0.86	0.96
Nonperforming assets to total average assets	0.09	0.05	1.07
Net charge-offs to total average loans	0.00	0.01	0.00
Net interest margin	4.29	4.02	3.86

NON-GAAP FINANCIAL MEASURES

	For the Quarter Ended December 31, 2018	For the Quarter Ended December 31, 2017	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Net income*	\$ 1,361,796*	\$ 779,113	\$ 3,455,579	\$ 3,414,261
Merger and conversion expenses	–	–	1,385,288	–
Net operating earnings (non-GAAP)	–	–	4,840,867	–
Earnings Breakdown				
Net Income per share – diluted	\$ 0.18	\$ 0.13	\$ 0.56	\$ 0.58
Net operating earnings – diluted (non-GAAP)	–	–	0.78	–
Selected Ratios				
Return on average assets	0.86	0.60	0.57	0.68
Net operating return on average assets (non-GAAP)	–	–	0.80	–
Return on average stockholders' equity	6.79	5.11	4.74	6.31
Net operating return on average equity (non-GAAP)	–	–	6.64	–
Efficiency ratio	70.72	80.04	81.40	77.62
Efficiency ratio (non-GAAP)	–	–	76.32	–

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

Retail Sales Initiatives Focus on Outreach

Gab on Grissom

The Myrtle Beach office is hosting a series of women's networking events for local business owners and professionals. At the monthly events, bank staff present financial and business topics, and featured business owners provide insight into running and growing a small business.

Topics covered in the first three months of the program included funding financial growth, the latest in technology, and achieving human resource flow.

Caroline Hills, merchant sales and service representative, organized the "Gab on Grissom" program. She said, "Our guests and staff have enjoyed making new business connections and learning from the experiences of other entrepreneurs. The after-hours events are a fun and educational way to expand our relationships in the community."



Michelle Coletta, South Atlantic Bank retail sales manager, greets guests at a recent Gab on Grissom.

Business on Purpose

Our Hilton Head Island and Bluffton offices sponsored "Business on Purpose," a small business workshop in December. The event was a great way for our bankers to meet local business owners, visit with current customers, and learn about challenges small business owners face.

More than 100 people attended the event, held at Venue 1223 in Bluffton and organized by Scott Beebe of Business on Purpose and his team.

The sponsorship proved to be a tremendous opportunity to grow our brand in the community, and we look forward to sponsoring another event this spring.



Each participant at the small business workshop received a South Atlantic Bank gift bag, filled with goodies including a coffee mug, a custom coffee blend from a Bluffton business, brochures, pens, a note pad cube, and candy.

“Priceless Surprises” to Brighten a Lucky Debit Cardholder’s Winter!

South Atlantic Bank Debit

MasterCard® holders have a chance to win a \$500 statement credit during the first quarter 2019. It’s all part of MasterCard’s “Priceless Surprises” campaign, designed to drive brand favorability and incentivize MasterCard debit card usage over other cards in the customer’s wallet. The program is offered through Jack Henry and Associates, the bank’s core processor.



Cardholders are automatically entered when they use their debit card for purchases of \$10 or more. The \$500 statement credit will be awarded in early April. Additionally, one cardholder from a bank in Jack Henry’s network will win a surprise grand prize get-a-way trip.

Beth Branham, South Atlantic Bank’s director of marketing, said, “‘Priceless Surprises’ is a great way to build brand loyalty and usage of our debit MasterCard for purchases. It’s a win-win for the bank and its customers.”

For details, visit SouthAtlantic.bank.

Rogers Participates in Symposium

Mary Jo Rogers, South Atlantic Bank’s chief lending officer, was one of a four-person panel at the 2019 South Carolina Bankers Association Women in Banking Leadership Symposium in January. The discussion topics covered paths to leadership, how to support emerging leaders, opportunities for women in the banking industry, fostering innovation in a rapidly changing banking environment, and developing habits to thrive mentally and physically.

The Women in Banking Leadership Symposium helps to develop more effective leaders and bankers by providing information to broaden awareness and knowledge of key industry issues, inspiration from stories of success and experience, and networking time with peers. The session was held over two days in Columbia.

Miles Honored for Service

Liz Miles, a deposit operations specialist, was named the 2018 Spirit Award winner. The award is given annually to the employee who best exemplifies team work and quality service. Staff members are nominated by their peers for the honor.

Liz joined the bank as a teller supervisor in December 2014 and was promoted to her current position in August 2016.



Wayne Wicker, left, and Scott Plyler, right, present Liz Miles with the Spirit Award.

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

Beth Branham, Editor
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Address Changes and Additions

To update the U.S. mail and e-mail addresses on file with us, e-mail us at investorrelations@southatlantic.bank or visit the investor relations area of our website. 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.

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C.L. Benton and Sons, Inc.

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Attorney at Law
Brittain Law Firm, P.A.

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South Atlantic Bank

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Real Estate
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Martha S. Lewis
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Retired Hotelier

K. Wayne Wicker
Chairman and
Chief Executive Officer
South Atlantic Bank

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

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(P) 843.436.6800

Hilton Head Island
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Mount Pleasant
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(P) 843.972.4300

Murrells Inlet
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North Myrtle Beach
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(P) 843.848.2049

SouthAtlantic.bank



IT'S THE PEOPLE WHO MAKE THE DIFFERENCE

Promotions and Additions



Rogers



Siau



Powers



Atwood



Quante



Strickland



Crevar



Greeley

Mary Jo Rogers, executive vice president, has been promoted to the new role of chief lending officer. She will direct and manage the commercial loan portfolio for the bank, train new commercial relationship managers, and review client relationships for credit quality, structure, and pricing. Additionally, she will support each market to achieve loan and deposit growth goals with regional executives reporting to her. Mary Jo has been with South Atlantic Bank since its founding in 2007. She has 32 years of banking experience. She is a graduate of East Carolina University with B. A. and M.B.A degrees, and is a Certified Financial Planner®.

Danny Siau, senior vice president, has been promoted to Grand Strand regional executive, overseeing area executives in the North Myrtle Beach, Myrtle Beach, and South Strand offices. He will provide support in growing the loan portfolio, attracting new commercial deposits, and increasing merchant and treasury services sales. Danny joined the bank in 2013 with the opening of the Georgetown office. He has 30 years of banking experience and is a graduate of the University of South Carolina with a B.S. degree in management science.

Derick Powers has been promoted to senior vice president, credit risk officer. His responsibilities include establishing and maintaining a loan review system to include the loan portfolio, credit card portfolio, and cash management credit exposure. He oversees credit underwriting procedures and analysis. Portfolio managers will report to him. Derick joined South Atlantic in May 2017 and has 20 years of experience in the banking industry. He is a graduate of Concord University with a B.S. degree in business administration-finance and the North Carolina School of Banking Advanced Management program at the University of North Carolina, Chapel Hill.

Karen Atwood, vice president, has been named construction loan manager. In this newly-created position, she will provide administration and servicing of the bank's construction portfolio to include residential, commercial, and multi-family loans. She will be the primary contact for obtaining documentation from loan officers, borrowers, and third-party vendors throughout the construction period of the loan. She will continue to provide training and support for loan assistants. Karen joined the bank at its founding in 2007. She has 27 years of banking experience. She is a graduate of the South Carolina Bankers School and the RMA Commercial Real Estate Lending School.

Kevin Strickland joined the bank as assistant vice president and mortgage loan officer in the Pawleys Island office. Kevin brings six years of banking experience to his new role. He most recently was a branch manager and mortgage loan officer for South State Bank. A Myrtle Beach native, he graduated from Coastal Carolina University with a B.A. degree.

Jeanne Quante has been promoted to teller supervisor at the bank's Bluffton office. She joined the bank as a teller in January 2017 and has six years of banking experience. She previously worked with TD Bank and Lowcountry Bank.

Jason Crevar has joined the bank as a float teller and customer service representative at the East Bay Street office. Jason previously worked for the Ansonborough Inn. He is a graduate of College of Charleston with a B.S. degree in hospitality and tourism.

Tammy Greeley is a new teller at the North Myrtle Beach office. She has 22 years of banking experience including teller, customer service representative, and wealth management. She most recently served as a teller for BB&T.

NEXT ISSUE

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