South Atlantic Bank
People You Know & Trust.

First Quarter Financial Snapshot

- String of consecutive quarterly profits continues
- Net income of $482,504
- Total assets grow 7.9%
- Total loans grow 15.8%
- Total deposits grow 8.1%
- NIM improves to 3.90%
- No net charge-offs
- Noninterest income

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Continued Earnings Improvement Reported for First Quarter

South Atlantic Bancshares, Inc. achieved solid performance for the first quarter of 2015. The three-month period was highlighted by growth in earnings, the opening of two new offices, and the completion of a successful capital raise.

Net income in the first quarter of 2015 rose to $482,504 or $0.14 per diluted share, from $374,662 or $0.11 per diluted share in the first quarter of 2014. This represents an increase of 28.8 percent in earnings year-over-year. The company now has a string of 17 consecutive quarterly profits dating back to the first quarter of 2011.

Several factors contributed to the growth in earnings, including an improved earning asset yield, increased loan volume, and gains on the sale of securities due to recent market movements. Our net interest margin improved to 3.90 percent for the first quarter and at March 31, climbed to 4.00 percent.

Total loans grew 15.8 percent, to 268.7 million at March 31, 2015 from $232.1 million at March 31, 2014. An improving economy is fueling new projects in our markets and our loan officers are working diligently to develop these loan opportunities.

During this period of loan growth, our credit quality has remained stellar. In the first quarter, we had no net charge-offs and it was our fourth consecutive quarter with zero past dues. These statistics visibly demonstrate our credit quality, and are impressive for a portfolio of more than $260 million.

Our merchant services and mortgage lines of business continue to show improvement in producing other fee income. During the first quarter, we opened 13 new merchant accounts, which not only helps our bottom line, but also solidifies the customer's relationship with us. The mortgage loan area has steadily increased the number of loans sold in the secondary market, and the number of loans made for a home purchase rather than a refinance. These numbers demonstrate that the expanded department is succeeding in growing the business and increasing the referrals received from builders and realtors.

During the first quarter, the company concluded the second and final phase of the private placement offering of its common stock. Proceeds from the raise will be used for general corporate purposes and to support the growth and capital position of the bank.

We marked the grand openings of our permanent office in Pawleys Island and our newest location in North Myrtle Beach with ribbon cuttings and receptions. Both offices have been well-received in the community and we are looking forward to further establishing our brand in these markets.

We also secured land to build a permanent office in Mount Pleasant. The 1.36 acre parcel is a premium location on Johnnie Dodds Boulevard and just a few minutes from our current office. The bank has had a presence in the market since October 2013, when our current full service location first opened as a loan production office. We plan to build an 8,000 square-foot, two-story facility to house a full-service branch on the first floor, with space for tenants on the second floor. Groundbreaking will take place later in 2015, and construction is expected to be completed in 2016.

Our year is off to a good start, and we hope you are pleased with the progress outlined in this newsletter. As always, we appreciate your support.







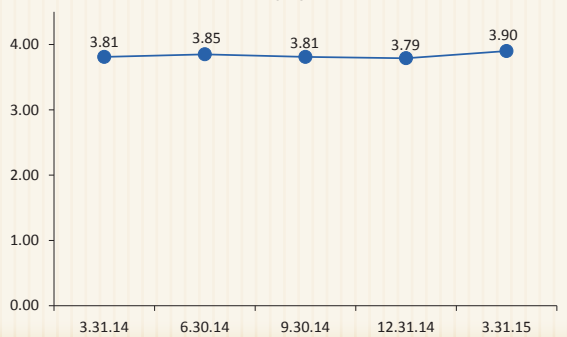

~North Myrtle Beach Grand Opening~

Selected Financial Highlights

	For the Three Months Ended March 31, 2015	For the Twelve Months Ended December 31, 2014	For the Three Months Ended March 31, 2014
Year End/Quarter End Balances (in thousands)			
Total assets	$ 356,736	$ 363,348	$ 330,650
Investment securities	51,386	52,607	67,846
Loans, net of unearned income (total loans)	268,736	262,286	232,091
Deposits	322,482	326,594	298,363
Shareholders' equity	33,679	32,242	25,653
Average Balances (in thousands)			
Total assets	$ 352,383	$ 341,288	$ 323,700
Earning assets	327,515	318,590	301,453
Investment securities	51,987	67,306	70,871
Loans, net of unearned income (total loans)	264,121	239,797	226,844
Deposits	314,232	308,929	287,417
Shareholders' equity	32,582	26,925	25,063
Earnings Breakdown (in thousands)			
Total interest income	$ 3,369	$ 13,012	$ 3,143
Total interest expense	266	1,188	314
Net interest income	3,103	11,825	2,829
Total noninterest income	688	1,705	283
Total noninterest expense	3,028	10,618	2,530
Provision for loan losses	100	475	150
Income before taxes	663	2,437	432
Taxes	181	433	57
Net income	483	2,004	375
Selected % Increases (year over year)			
Total assets	7.89%	11.61%	11.85%
Total interest earning assets	7.51%	11.93%	11.96%
Total loans	15.79%	14.85%	17.26%
Total deposits	8.08%	10.10%	10.62%
Interest income	7.18%	12.89%	17.15%
Interest expense	(15.43)%	(19.08)%	(4.89)%
Noninterest income	142.85%	(24.15)%	(16.99)%
Noninterest expense	19.68%	14.55%	31.69%
Selected Ratios (year-to-date)			
Return on assets	0.56%	0.59%	0.47%
Return on equity	6.01%	7.44%	6.06%
Interest income to total average assets	3.88%	3.67%	3.94%
Interest expense to total average assets	0.31%	0.43%	0.39%
Net interest income to total average assets	3.57%	3.24%	3.54%
Loan loss reserve to total loans	1.02%	1.00%	1.10%
Nonperforming assets to total average assets	0.12%	0.13%	0.23%
Net charge-offs to total average loans	0.00%	0.07%	0.00%
Net interest margin	3.90%	3.79%	3.81%

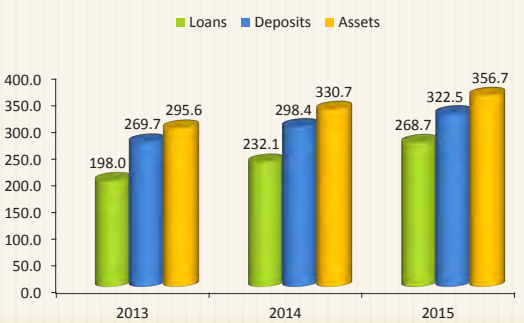
Net Interest Margin

(%)



Three Year Comparison

as of March 31 ($ in millions)



Ribbon Cutting and Reception Highlight Grand Opening!

We celebrated the opening of our sixth location and first in North Myrtle Beach with special events on Thursday, April 9.

Bank officials, including K. Wayne Wicker, chairman and chief executive officer; R. Scott Plyler, president; Richard N. Burch, executive vice president and chief financial officer; and John L. Breeden, III, senior vice president and North Strand regional executive, greeted customers and welcomed them to the bank's newest office. North Myrtle Beach Chamber of Commerce chairman and chief executive officer Marc Jordan addressed guests and added his congratulations on the bank's entry into the market. North Myrtle Beach Mayor Marilyn Hatley also attended the event, welcoming South Atlantic Bank to the community.

The new location is a former bank building that was recently renovated to model the South Atlantic Bank presence, featuring a comfortable reception area with free Wi-Fi, hot coffee, and endless Krispy Kreme Doughnuts. Additionally, a drive-up automated teller machine (ATM) is available for customer convenience. The overall branch design emphasizes easy, efficient service.



Bank and chamber officials, along with other special guests, cut the ribbon at our North Myrtle Beach office. The new branch is a former bank building located at 1801 Highway 17 South in the heart of the Crescent Beach section of North Myrtle Beach. See the front page of this newsletter for more photos.

A Community Involvement Pictorial

In addition to all the excitement in our banking world including branch openings, special honors, achievements, and providing stellar service, we also found time to help in our community. In the first quarter, we hosted second and third graders from nearby Myrtle Beach Elementary School, sponsored the Race for the Inlet benefitting Murrells Inlet 2020, and raised more than $1,400 for the American Red Cross in its Heroes campaign. Community support is a key component of our mission statement and we are pleased to be a part of these special organizations.





At left: The South Atlantic Bank team poses for a pre-race photo. More than 450 runners participated in this fundraiser for Murrells Inlet 2020.

Below: Caroline Springs (left) and Candy Cherry celebrate our fundraising efforts for the American Red Cross Heroes Campaign. Candy won the 50-50 drawing – just one of several fundraisers for the campaign.





Above: Tour guide Mary Jo Rogers discusses the vault with a rapt audience of third graders.

At right: Karla Marion answers questions about careers in banking as she conducts a tour for students.

E-Mail Address Changes and Additions

To update the e-mail address you have on file with us, please visit the Investor Relations section of our website. It's easy to find: **SouthAtlanticBank.com > Who We Are > Investor Relations.**

Simply click on the link for the form, follow the directions provided, and we will update your records upon receipt. **You may also use this form to provide us with your e-mail address if you haven't already done so, or would like to update your U.S. Mail address.**

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C.L. Benton and Sons, Inc.

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Miles Herring
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Krispy Kreme Doughnuts

Martha Lewis
Senior Physical Therapist
NextStep Rehabilitation

Scott Plyler
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Albert Springs
Co-Owner and President
HB Springs Company

Jay Springs
Co-Owner/Broker
Century 21 Barefoot Realty

Zeb Thomas, Jr.
President
The Dayton House

Wayne Wicker
Chairman and
Chief Executive Officer
South Atlantic Bank

Our Mission is 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.

It's the People Who Make the Difference

Staff Additions



Michelle Ward is a new deposit operations specialist and Bank Secrecy Act assistant, based at our Myrtle Beach headquarters. Michelle has 17 years of banking experience. She began her career with BB&T in 1997 as a teller supervisor and most recently served as their area operations consultant based in Florence. She holds a B.A. degree from Francis Marion University and an M.A. degree from Webster University. A native of Loris, Michelle now resides in Conway.



Stacy Johnson is a new teller at our Myrtle Beach headquarters. She has nine years of banking experience. She most recently worked with Bank of America in Myrtle Beach as a sales and service specialist. She previously served TD Bank in Cherry Hill, New Jersey as a head teller. Originally from New Jersey, Stacy is now a resident of Carolina Forest.



Kelcie Russell serves as a float teller for our Myrtle Beach, North Myrtle Beach, Murrells Inlet, and Pawleys Island offices. She previously worked with M.B. Kahn Construction of Columbia and Orangeburg Cable in Conway. A recent graduate of East Tennessee University with a B.S. degree, Kelcie also attended the University of South Carolina. She is a native of Pawleys Island who now resides in Carolina Forest.



Caroline Springs has joined the bank as a marketing assistant, based at the bank's Myrtle Beach headquarters. A recent graduate of the University of South Carolina with a B.A. degree, Caroline brings experience in video production and development to her new role. She graduated with honors and involvement in multiple leadership organizations. Caroline is a life-long resident of Myrtle Beach.



Juanita Gore is the assistant branch manager and customer service representative at our North Myrtle Beach office. She has 16 years of banking experience with the Army and Air Force Exchange Service (AAFES), Anchor Bank, Carolina First, and TD Bank where she most recently worked in customer service. She holds an A.A. degree from Harold Washington College, and B.S. and M.B.A. degrees from the University of Phoenix. Juanita resides in Longs.



Carrie Barwick is the teller supervisor at the North Myrtle Beach office, bringing 10 years of experience to her new role. She most recently served TD Bank in a similar capacity. A Myrtle Beach native, she is a graduate of Myrtle Beach High School and the Grand Strand is her home.



Shelley Krzyzaniak is a teller at the North Myrtle Beach office. She is a recent graduate of the University of South Carolina with a B.S. degree. She is an honors graduate with experience in leadership roles. Shelley is a Myrtle Beach native who returned to her home town after college.

630 29th Avenue North ● Myrtle Beach, SC 29577 ● P 843.839.0100
1801 Highway 17 South ● North Myrtle Beach, SC 29582 ● P 843.848.2260
11019 Tournament Boulevard ● Murrells Inlet, SC 29576 ● P 843.848.2000
10970 Ocean Highway ● Pawleys Island, SC 29585 ● P 843.848.2049
1187 North Fraser Street ● Georgetown, SC 29440 ● P 843.436.6800
1127 Queensborough Blvd. ● Mt. Pleasant, SC 29464 ● P 843.972.4300