South Atlantic Bank Shareholder Newsletter
THIRD QUARTER 2014

South Atlantic Bank
People You Know & Trust.

Third Quarter Financial Snapshot

- 15th consecutive quarterly profit
- Quarterly net income of $603,026
- Total loans grow 20.7%
- Total deposits grow 7.6%
- Total assets grow 8.4%
- NIM is 3.73%
- Credit quality remains strong
- Market share improves

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Net Income Continues Upward Trend in Third Quarter

South Atlantic Bank turned in another robust financial performance in the third quarter, indicating that the growth initiatives undertaken late last year are yielding solid results.

The bank reported net income of $603,026 or $0.20 per diluted share for the three months ended September 30, 2014, a 19.4 percent increase when compared to the $504,495 or $0.17 per diluted share reported for the three months ended June 30, 2014. Net income for the nine months ended September 30, 2014 was $1,482,184 or $0.49 per diluted share, a 9.9 percent increase when compared to the $1,348,565 or $0.44 per diluted share reported for the same period a year ago.

The earnings improvement is attributed to activity in our new markets along with solid performances from our mature offices. Additionally, lines of business including mortgage lending and merchant services continue to make strong contributions to noninterest income.

We experienced pleasing loan growth of 20.7 percent, from $198.3 million at September 30, 2013 to $239.4 million at September 30, 2014, fueled by improving economic conditions in the markets we serve. During this period of loan growth, our credit quality has remained superlative with net charge-offs to total average loans of 0.06 percent and zero past dues for the period ended September 30, 2014. This is the second consecutive quarter with zero past dues.

South Atlantic Bank made strides in market share according to figures recently released by the FDIC and continues to leverage the strength of its four locations in Horry and Georgetown counties to achieve growth. We ranked eighth in the two-county area with market share of 5.22 percent. In Myrtle Beach zip code 29577, the bank achieved market share of nearly 12 percent with one location – our Myrtle Beach headquarters – good for third place out of 15 competitors. Our Murrells Inlet office ranked first in zip code 29576 and second in the city, again on the strength of one location. In just its second year of operation, our Pawleys Island office ranked fifth with market share of 11.02 percent. Our Georgetown office recently completed its first year of operation with market share of 4.13 percent. Figures will be available for the Mount Pleasant office in next year's update. We are pleased with our growing market share as it demonstrates the bank's acceptance in the communities we serve.

As announced in October, we are conducting a private placement offering for shares of our common stock to fund future growth and expansion. The per share price is $11 and the minimum investment is $11,000. If you are interested in making an additional investment in our company, please contact us for the offering materials. We expect to close the offering by the end of the year and appreciate your support.

On November 28, the bank will mark its seventh anniversary, and with it, the end of our de novo (new bank) status with the FDIC. During their first seven years of existence, newly-ensured financial institutions are subject to higher capital requirements, more frequent examinations, and constraints on expansion, particularly on new branch applications if the expansion was not included in the original business plan. The seven-year de novo period is designed to protect the FDIC insurance fund and ensure that new banks stay healthy while limiting risk. We are glad to complete our de novo period and look forward to this new time in our bank's history.

In other news during the third quarter, we expanded our Mount Pleasant loan production office to a full service location and have been pleased with the community's response to the new office. Construction of our new office in Pawleys Island is expected to be completed in late November. We are looking forward to moving in soon!

It has been a busy and productive quarter at the bank as we focus on continued growth and expansion within our geographic footprint. We hope you are pleased with the progress outlined in this report and as always, we appreciate your support.








~ GSMLs Fall Baseball Opener ~

On the Banking Front

Pawleys Island Nears Completion

Coastal Structures reports that crews have been busy at the construction site! Work currently underway includes caulking, painting, and installing the windows. The roof is complete, along with the brackets and trim details. C.L. Benton and Sons has started the site work. The storm drain and inlets have been installed and the area in front of the building (see photo) has been excavated for the underground stormwater retention system that will absorb storm/rainwater and allow it to slowly leach into the ground. Things are looking good inside as well, with trim work, doors, cabinets, and ceiling grids all being installed and painting underway. Installation of the floor finishes is next on the list. Completion of the building is expected by the end of November. It won't be long before we are moving into our brand new office!



The photo shows the excavation work being done for the underground storm water retention system, as construction nears completion at 10970 Ocean Highway in Pawleys Island.

In the Community

Fundraisers Break Record for Grand Strand Miracle Leagues

On a perfect night for baseball, the Grand Strand Miracle Leagues kicked off the fall season with music, fun, and barbecue.

During the opening ceremonies, South Atlantic Bank presented the $4,246 raised via two fundraisers: the sale of "Dress Down Fridays" for bank employees and raffle tickets for a 50-inch VIZIO SMART HDTV with Wi-Fi. GSMLs board chairman and South Atlantic Bank board member Carson Benton, along with GSMLs executive director Jennifer Averette, accepted the bank's donation. The fundraising effort was the bank's most successful yet for the GSMLs, shattering the $3,165 raised in 2013.

In other opening night highlights, GSMLs baseball player Savannah Thompson sang the national anthem while the Rolling Thunder Motorcycle Club displayed the colors. Former major league baseball star Reggie Sanders, a native of Florence, South Carolina, pitched the first inning. After the game, volunteers and participants alike enjoyed a delicious barbecue supper before calling it a night.

The GSMLs offers individuals with special needs the opportunity to participate in sports and recreational activities in a community-supported, safe, adapted, and encouraging environment. For more information, call 843.448.7712 or visit grandstrandmiracleleagues.com.



South Atlantic Bank officials present the GSMLs with a check for $4,246 at the fall opener. From left to right are: Jennifer Averette, Wayne Wicker, Scott Plyler, and Carson Benton.

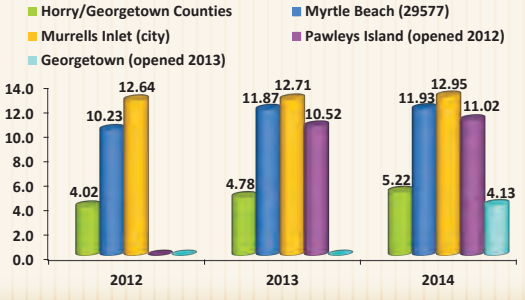
Front cover photos from left to right: 1) Miracle League buddies and baseball players smile for the camera prior to the first pitch. 2) The Rolling Thunder Motorcycle Club presents the colors during the opening ceremonies. 3) Former Major League baseball star Reggie Sanders prepares to pitch the first inning. 4) South Atlantic Bank employees Kathy George and Debbie Atkins sell t-shirts at the concession stand. 5) Customer service representative Mandy Edge sold the winning ticket in the television raffle, and presents Rogers Guilbeau, Jr. with the prize.

Selected Financial Highlights

	For the Three Months Ended September 30, 2014	For the Three Months Ended June 30, 2014	For the Three Months Ended March 31, 2014	For the Nine Months Ended September 30, 2014	For the Nine Months Ended September 30, 2013
Quarter End Balances (in thousands)					
Total assets	$ 338,097	$ 353,406	$ 330,650	$ 338,097	$ 311,874
Investment securities	71,023	71,539	67,846	71,023	77,289
Loans, net of unearned income (total loans)	239,402	245,585	232,091	239,402	198,281
Deposits	308,263	325,793	298,363	308,263	286,618
Shareholders' equity	27,937	26,740	25,653	27,937	24,196
Average Balances (in thousands)					
Total assets	$ 354,153	$ 341,452	$ 323,697	$ 339,879	$ 306,957
Earning assets	313,962	318,558	301,244	308,869	285,392
Investment securities	70,901	71,132	70,871	70,698	68,219
Loans, net of unearned income (total loans)	240,986	240,688	226,844	236,225	197,931
Deposits	325,608	308,749	287,413	307,397	281,177
Shareholders' equity	27,480	26,456	25,063	26,342	25,024
Earnings Breakdown (in thousands)					
Total interest income	$ 3,309	$ 3,292	$ 3,143	$ 9,743	$ 8,320
Total interest expense	275	321	314	910	1,003
Net interest income	3,034	2,971	2,829	8,833	7,317
Total noninterest income	505	407	283	1,196	1,505
Total noninterest expense	2,724	2,597	2,530	7,851	6,330
Provision for loan losses	75	175	150	400	530
Income before taxes	739	606	432	1,778	1,962
Taxes	136	102	57	295	613
Net income	603	504	375	1,482	1,349
Diluted earnings per share	0.20	0.17	0.12	0.49	0.44
Selected % Increases		*(Compared to previous quarter.)*		*(Year over year.)*	
Total assets	(4.33)%	6.88%	3.96%	8.41%	9.91%
Total interest earning assets	(4.86)%	7.25%	4.16%	11.37%	6.77%
Total loans	(2.52)%	5.81%	6.45%	20.74%	8.81%
Total deposits	(5.38)%	9.19%	4.50%	7.55%	10.84%
Interest income	0.52%	4.74%	5.77%	17.11%	13.35%
Interest expense	(14.31)%	2.25%	3.33%	(9.25)%	(19.14)%
Noninterest income	24.06%	43.61%	(55.80)%	(20.56)%	(3.51)%
Noninterest expense	4.92%	2.62%	(14.95)%	24.03%	12.54%
Net income	19.35%	34.65%	26.54%	9.91%	(17.37)%
Selected Ratios (year-to-date)					
Return on assets	0.68%	0.59%	0.47%	0.58%	0.59%
Return on equity	8.71%	7.65%	6.06%	7.52%	7.21%
Interest income to total average assets	3.71%	3.87%	3.94%	3.83%	3.62%
Interest expense to total average assets	0.31%	0.38%	0.39%	0.36%	0.44%
Net interest income to total average assets	3.40%	3.49%	3.54%	3.47%	3.19%
Loan loss reserve to total loans	1.11%	1.07%	1.10%	1.11%	1.27%
Nonperforming assets to total average assets	0.02%	0.21%	0.23%	0.02%	0.64%
Net charge-offs to total average loans	0.06%	0.04%	0.00%	0.06%	0.10%
Net interest margin	3.73%	3.85%	3.87%	3.81%	3.43%

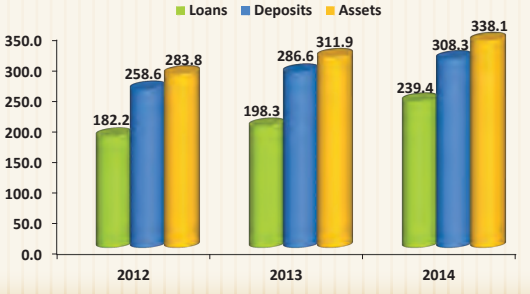
Market Share

(%, as of June 30)



Three Year Comparison

as of September 30 ($ in millions)



BOARD OF DIRECTORS

Carson Benton
Co-Owner and Operator
C.L. Benton and Sons, Inc.

Tommy Brittain
Attorney at Law
Brittain Law Firm, P.A.

Dick Burch
Executive Vice President
and Chief Financial Officer
South Atlantic Bank

Tony Cox
Executive Vice President
Real Estate
Burroughs and
Chapin Company

Miles Herring
Franchisee and Operator
Krispy Kreme Doughnuts

Martha Lewis
Senior Physical Therapist
NextStep Rehabilitation

Scott Plyler
President
South Atlantic Bank

Albert Springs
Co-Owner and President
HB Springs Company

Jay Springs
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 and Promotions



Alec Elmore joined the bank as executive vice president and chief credit officer. A veteran banker with 32 years of credit experience, Alec most recently served First Federal as senior vice president for special assets. He holds a B.S. degree from Francis Marion University and completed the ABA Stonier Graduate School of Banking held at the University of Pennsylvania.



Kathy George is a new loan operations specialist based at our Myrtle Beach office. Kathy has more than 17 years of banking experience and most recently served as a senior loan administrator for Sandhills Bank. She holds a certificate in accounting from Excel Business College in Clarksburg, West Virginia.



Mary Jo Rogers was promoted to executive vice president and Grand Strand regional executive, with responsibility for new business development and oversight of our Grand Strand locations. Mary Jo is a career banker with 28 years of experience and has been with South Atlantic Bank since its founding in 2007. She is a graduate of East Carolina University with B. A. and M.B.A degrees, and is a Certified Financial Planner®.



Candy Cherry was promoted to senior vice president. Candy is the bank's corporate liaison, working closely with executive management and the board of directors, a position she has held since the bank's founding in 2007. She has 31 years of banking experience and previously worked with Nexity Bank as vice president of loan servicing/office manager.



Melissa Downs-High was promoted to senior vice president. Melissa has served as the bank's controller since its founding in 2007. She has 25 years of experience in accounting and auditing, including positions with Anchor Bank and Beach First National Bank. A graduate of Augusta State University with a B.S. degree, she completed the South Carolina Bankers Association School of Banking held at Lander University.



Barbara Marshall was promoted to senior vice president. Barbara joined South Atlantic Bank as director of marketing in 2010. She has 30 years of banking experience and previously served as director of marketing for Anchor Bank and Beach First National Bank. She is a summa cum laude graduate of de Sales University with a B.A. degree and completed the American Bankers' Association School of Bank Marketing held at the University of Colorado in Boulder.

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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11019 Tournament Boulevard • Murrells Inlet, SC 29576 • P 843.848.2000
10593 Ocean Hwy., Waverly Place • 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