South Atlantic Bank Quarterly Newsletter
2014 FOURTH QUARTER

South Atlantic Bank
People You Know & Trust.

Fourth Quarter Financial Snapshot

- Fourth consecutive yearly profit
- Net income grows 21.9%
- Total assets grow 14.2%
- Total loans increase 20.4%
- Total deposits grow 14.4%
- NIM at 3.79%
- Net charge-offs to average total assets of 0.07%
- Third consecutive quarter with no past dues

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South Atlantic Bank Finishes the Year Strong!

South Atlantic Bank completed its seventh year with achievements in profitability and expansion.

The bank reported net income of $2,004,218 or $0.65 per diluted share for the year ended December 31, 2014, a 21.9 percent increase compared to the $1,644,650 or $0.53 per diluted share reported for the year ended December 31, 2013. At year-end 2014, the bank marked its fourth consecutive yearly profit.

The bank's performance in 2014 can be attributed to expansion of its geographic footprint to new markets, along with improving economic conditions and the strong efforts put forth by our staff in delivering South Atlantic Bank's brand of exemplary customer service.

Signs of a rebounding economy are evidenced by growth in new construction starts and home sales in the markets we serve, particularly in Murrells Inlet and Pawleys Island. Loan demand has been steady and competition for quality credits is heating up.

Total loans grew 20.4 percent, from the $218.2 million reported at December 31, 2013 to $262.6 million at December 31, 2014. During this period of pleasing loan growth, our credit quality has remained strong with net charge-offs to total average assets of 0.07 percent, which compares favorably to state and national figures. The bank has now recorded three consecutive quarters with zero past dues, a significant accomplishment based on a portfolio in excess of $260 million.

We also experienced double digit growth in deposits, up 14.4 percent, from $285.5 million reported at December 31, 2013, to $326.6 million at December 31, 2014. This growth underscores our bank's acceptance in the community and the trust customers have placed in us to handle their financial needs.

In other news, we completed the first phase of a private placement offering for shares of our common stock in late 2014, which has further bolstered our already strong capital ratios. The second phase of the offering continued into the first quarter of 2015. Proceeds from the raise will be used for general corporate purposes and to support the growth and capital position of the bank. We truly appreciate the investment of all shareholders in our bank.

It has been a successful year for expansion, as we moved into our new Pawleys Island office, converted our Mount Pleasant loan production office to a full service branch, and announced plans for a new office in North Myrtle Beach. This office is our sixth overall and opened in late February 2015.

During the year, we further developed our infrastructure by filling key positions in retail sales, credit administration, and compliance. Additionally, we implemented a management training program to develop the talent existing within the bank to take on new roles as we grow.

It will soon be time for our Annual Meeting of Shareholders, which will take place on April 21 at 5:30 p.m. at our Myrtle Beach headquarters. We hope to see you there and will mail your proxy materials to you in the next few weeks.

We hope you are pleased with the financial performance and progress achieved in 2014. We are building something very special here at South Atlantic Bank and we are glad you are a part of it. If we can be of service to you, please do not hesitate to call on us.





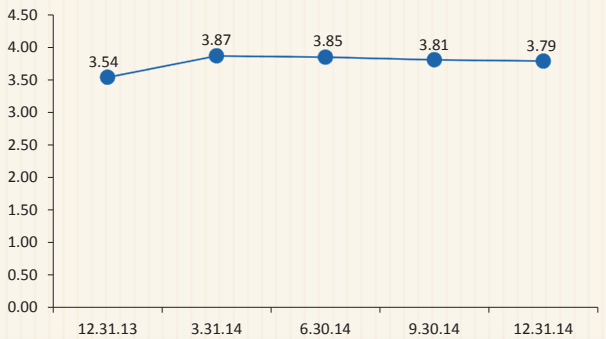


~Branch Anniversary Celebrations~

Selected Financial Highlights

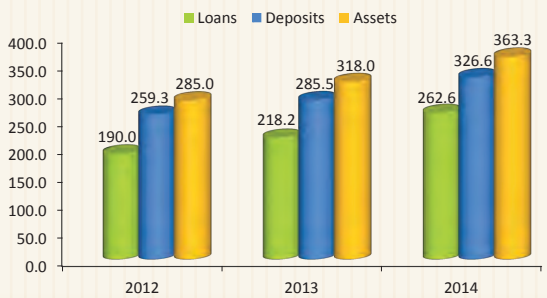
	For the Twelve Months Ended December 31, 2014	For the Nine Months Ended September 30, 2014	For the Six Months Ended June 30, 2014	For the Three Months Ended March 31, 2014	For the Twelve Months Ended December 31, 2013
Quarter End Balances (in thousands)					
Total assets	$ 363,348	$ 338,097	$ 353,406	$ 330,650	$ 318,057
Investment securities	52,607	71,023	71,539	67,846	73,727
Loans, net of unearned income (total loans)	262,646	239,402	245,585	232,091	218,174
Deposits	326,594	308,263	325,793	298,363	285,519
Shareholders' equity	32,242	27,937	26,740	25,653	24,141
Average Balances (in thousands)					
Total assets	$ 341,288	$ 339,879	$ 332,623	$ 323,697	$ 307,746
Earning assets	318,590	308,869	309,948	301,025	281,908
Investment securities	67,306	70,698	71,002	70,871	69,880
Loans, net of unearned income (total loans)	239,797	236,225	233,804	226,844	199,817
Deposits	308,929	307,397	298,140	287,413	281,306
Shareholders' equity	26,925	26,342	25,763	25,063	24,904
Earnings Breakdown (in thousands)					
Total interest income	$ 13,012	$ 9,743	$ 6,434	$ 3,143	$ 11,291
Total interest expense	1,188	910	635	314	1,311
Net interest income	11,825	8,833	5,799	2,829	9,980
Total noninterest income	1,705	1,196	709	297	2,146
Total noninterest expense	10,618	7,851	5,146	2,544	9,305
Provision for loan losses	475	400	325	150	730
Income before taxes	2,437	1,778	1,038	432	2,092
Taxes	433	295	159	57	447
Net income	2,004	1,482	879	375	1,645
Diluted earnings per share	0.65	0.48	0.28	0.12	0.53
Selected % Increases (year-to-date)					
Total assets	14.24%	8.41%	8.34%	11.85%	11.60%
Total interest earning assets	14.04%	11.37%	8.99%	11.98%	11.93%
Total loans	20.38%	20.74%	21.16%	17.26%	14.84%
Total deposits	14.39%	7.55%	8.08%	10.62%	10.10%
Interest income	15.24%	17.11%	16.96%	17.15%	12.89%
Interest expense	(9.40)%	(9.25)%	(6.85)%	(4.89)%	(19.09)%
Noninterest income	(20.54)%	(20.56)%	(34.99)%	(19.50)%	(20.62)%
Noninterest expense	14.11%	24.03%	24.87%	30.52%	15.40%
Net income	21.90%	9.91%	1.74%	1.50%	23.50%
Selected Ratios (year-to-date)					
Return on assets	0.55%	0.58%	0.53%	0.47%	0.53%
Return on equity	7.44%	7.52%	6.88%	6.08%	6.60%
Interest income to total average assets	3.81%	3.83%	3.90%	3.94%	3.67%
Interest expense to total average assets	0.35%	0.36%	0.38%	0.39%	0.43%
Net interest income to total average assets	3.46%	3.47%	3.52%	3.54%	3.24%
Loan loss reserve to total loans	1.00%	1.11%	1.07%	1.10%	1.10%
Nonperforming assets to total average assets	0.13%	0.09%	0.21%	0.23%	0.13%
Net charge-offs to total average assets	0.07%	0.04%	0.03%	0.00%	0.21%
Net interest margin	3.79%	3.81%	3.85%	3.87%	3.54%

Net Interest Margin *(%)*



Three Year Comparison

as of December 31 ($ in millions)



On the Banking Front

Bank Celebrates Pawleys Island Grand Opening

Our new office received rave reviews during Grand Opening festivities in Pawleys Island on January 29.

The day began with a ribbon cutting ceremony at 9 a.m. 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 Drew S. Johnson, senior vice president and Waccamaw Neck regional executive, along with Georgetown County Chamber of Commerce chairman Jeff Smith, were on hand to greet customers and welcome them to the bank's new home. Radio Station EASY 105.9/100.7 delivered a live remote during the ribbon cutting with radio personality Jim Morgan.

The new office is centrally located on 1.15 acres at the corner of Ocean Highway and Lachicotte Road. Built by Georgetown-based Coastal Structures and designed by ESD Architecture of Charlotte, the 4,000 square-foot facility is a one-story version of the bank's Myrtle Beach and Murrells Inlet locations, complete with the pulley-operated ceiling fans, deep porticos, and louvered storm shutters. Customer amenities include a drive-up automated teller machine (ATM) and a comfortable reception area with free Wi-Fi and hot coffee.

Visitors to the office saw how it uses technology to enhance the customer's banking experience. For example, a user-friendly kiosk will allow customers to learn about the bank's products and services, including online and mobile banking. At the teller line, a cash recycler streamlines the processing of deposits for faster, more efficient service. Additionally, customers are able to access their safe deposit boxes without assistance from branch personnel via a new biometric access system. To gain entry to the safe deposit room, the customer enters a personal code and places his hand on the reader, then uses his key to open the box. The overall branch design emphasizes efficient, convenient service.

The day concluded with a gala reception for guests, catered by local restaurant Bistro 217.



A view of the new office at dusk.



Staff members are all smiles as they pose for publicity photos shortly after move-in day. From left to right are: Diane McLean, Angie Shultz, Donna Murphy, Drew Johnson, Kelly Byrd, and Janis Cottingham.



With a snip, the ribbon is cut! From left to right are: Wayne Wicker, Scott Plyler, and Drew Johnson, all from South Atlantic Bank, and Jeff Smith of the Georgetown County Chamber of Commerce.



Guests enjoy the evening reception inside the new office.

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.**

New Business Checking Product Debuts

A new middle-tier business checking account has joined South Atlantic Bank's product line up. The new account, called Business 500 Checking, bridges the gap between our Free Small Business and Business Analysis Checking Accounts and was developed based on feedback from our customers. Business 500 is designed for customers who have more items than our free account allows, but not enough activity to warrant a full analysis account.

"We're pleased to serve the middle-market small business customer," said Mary Jo Rogers, executive vice president and Grand Strand regional executive. "With this new account, we can remain competitive within our local market while still providing the exemplary customer service we are known for," she said.

The new account allows 500 items at no charge per statement cycle, and charges $0.25 per item over 500, starting with item 501. The per-item fee is charged regardless of account balance. If the customer maintains a $1,500 minimum daily balance or a $3,000 average daily balance, the $10 monthly maintenance fee is not charged.

Diane McLean, a teller at the Pawleys Island office, won the contest to name the new product, with her suggestion for "Business 500." She received a South Atlantic Bank cooler as a prize.

Two Employees Complete Inaugural Management Training Program

New Retail Sales Market Leader to Guide Program

In May 2014, South Atlantic Bank launched a management training program to help develop the talent needed to staff our growing bank. In the six-month program, participants spend two weeks of each month working in the various departments of the bank to learn all facets of banking. Attendance at the South Carolina Bankers Association School of Banking is also part of the curriculum.





Mandy Edge and Leah Rodriguez, customer service representatives at the Myrtle Beach and Murrells Inlet offices, respectively, were the first students enrolled, and they recently completed the program. Both have since taken on additional responsibilities at their offices, with Mandy now serving as banking officer and assistant manager at the Myrtle Beach office and Leah as banking officer and assistant manager at the Murrells Inlet office.

Mandy joined our bank as a teller at the bank's Myrtle Beach headquarters in January 2012 and was promoted to customer service representative in June 2013. A native of Little River, she is a graduate of the University of South Carolina, where she earned a bachelor of music degree.

Leah was named a teller at our Myrtle Beach headquarters in February 2012 and was promoted to customer service representative at the Murrells Inlet office in December 2012. A native of Conway, she holds a B.A. degree from Coastal Carolina University.



Additionally, Denise Brown joined the bank in December as a senior vice president with dual responsibilities within the bank. She will serve as branch manager at the Murrells Inlet office, while also working as the retail market sales leader. In this role, she will continue to build the bank's sale culture and also guide the management training program. Denise brings more than 20 years of experience to her new role and most recently served BB&T as a vice president and market leader. She holds a B.A. degree from Western Kentucky University and has resided in Murrells Inlet for 20 years.

Brown said, "The management training program is a great way to develop talented bankers and build a culture of success at the bank. I look forward to working with the new trainees in 2015."

On the Banking Front

North Myrtle Beach Office Opens its Doors!

In late February, South Atlantic Bank opened its sixth office overall and first on the North Strand. John L. Breeden, III and Allison Cabaniss, both career bankers with nearly 35 years of combined experience, are leading the bank's team in the North Myrtle Beach market.

After announcing its intentions in December of last year, the bank received approval for the new location from the FDIC and the South Carolina State Board of Financial Institutions. Renovations to the former bank building at 1801 Highway 17 South were completed and new signs touting the bank's presence were installed.

South Atlantic Bank chairman of the board and chief executive officer K. Wayne Wicker said, "We are pleased to serve the residents and businesses of North Myrtle Beach from our new office, which is centrally located in the heart of Crescent Beach. This prime location on Highway 17 provides convenient access from all points in the city. Additionally, customers will find the high-tech products usually offered only by much larger banks, along with the community bank service our bank is known for, at the new office.

"I am also pleased to welcome John Breeden and Allison Cabaniss to our staff. These veteran bankers have long-standing ties to the North Myrtle Beach community and solid banking experience. They are a great fit for our bank because they understand our community banking philosophy of strong credit quality, sound banking practices, and exemplary customer service. They share our commitment to community and our passion for banking," Wicker said.

Breeden will serve as senior vice president/ North Strand regional executive. He began his career as a business banking officer with Coastal Federal Bank (now BB&T) in 2001and most recently served Coastal Carolina National Bank as vice president and city executive. He is a graduate of Charleston Southern University with a B.S. degree and completed the South Carolina Bankers Association School of Banking.



John Breeden and Allison Cabaniss are seen in a photo outside the North Myrtle Beach Park & Sports Complex, which was featured in a recent ad promoting the bank's presence in North Myrtle Beach.

Breeden and his family reside in North Myrtle Beach.

Cabaniss will serve as vice president/retail business development officer. She began her banking career with Anchor Bank (now TD Bank) in 1995 and most recently served Coastal Carolina National Bank as assistant vice president and branch manager. She is a graduate of Coastal Carolina University with a B.A. degree and completed the South Carolina Bankers Association School of Banking. She resides with her family in Little River.



South Atlantic Bank's sixth office is located at 1801 Highway 17 South in the Crescent Beach section of North Myrtle Beach.

BOARD OF DIRECTORS

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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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and Chief Financial Officer
South Atlantic Bank

Tony Cox
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Martha Lewis
Senior Physical Therapist
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Scott Plyler
President
South Atlantic Bank

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, Promotions, and Commendations



Elizabeth Miles is the new teller supervisor at our Myrtle Beach headquarters. Liz brings 16 years of business experience to her new post and most recently served as a relationship banker at BB&T. She attended Ashford University working toward an accounting degree. A native of Pittsburgh, Pennsylvania, she has resided in the Grand Strand area for 16 years.



Kelly Byrd has been named a teller at the Pawleys Island office. Her 14 years of business experience include four years with Bank of America as a teller and personal banker. She is a native of Leonardtown, Maryland, and resides in Murrells Inlet. Kelly has attended Horry-Georgetown Technical College and Coastal Carolina University.



Meaghan Patterson is a new teller at the Mount Pleasant office. She is a recent graduate of the State University of New York at Pottsdam with a B. A. degree in English and speech communication. Meaghan has previous sales and teller experience and recently relocated to Mount Pleasant from Malone, New York.



Karla Marion has been promoted to customer service representative at our Myrtle Beach headquarters. Karla joined our bank as a teller in 2012 and was promoted to teller supervisor in January 2014. She has six years of business experience, including roles as a customer advisor for HTC and a customer service representative for SouthCoast Community Bank in Charleston.



Carol Vaci has been promoted to loan assistant at our Myrtle Beach headquarters. Carol joined South Atlantic Bank as a teller in August 2011 and was promoted to customer service representative in 2012. She previously served Wachovia Bank from 1988 to 2011. A native of Alexander, New York, she has resided in Myrtle Beach for 29 years. She holds a B.A. degree in recreation administration from the State University of New York at Cortland. Carol was the bank's 2013 Spirit Award recipient.



Alison Van Wagner has been promoted to customer service representative at our Murrells Inlet office. Alison joined the bank as a teller at the Murrells Inlet office in January 2014. Prior to joining South Atlantic Bank, Alison served First Federal as a personal banker. She is a graduate of Coastal Carolina University with a B.A. degree in communications. Alison hails from Athens, Tennessee, and has resided in Myrtle Beach for seven years.



Richard Fleagle, a member of our courier staff, received the bank's 2014 Spirit Award. 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. Richard joined South Atlantic Bank in June 2012, after nearly 11 years with Plantation Federal. He retired from Pepsi-Cola's management team in Harrisburg, Pennsylvania before moving to the Grand Strand.

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