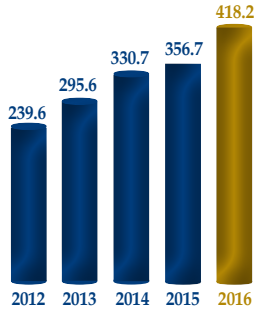
South Atlantic Bank®

Take Stock

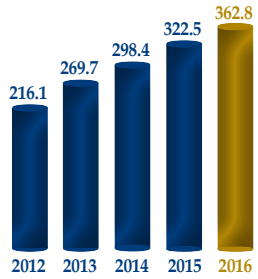
First Quarter 2016

Total Assets *(March 31)*



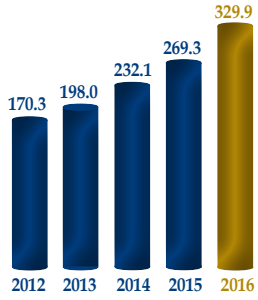
$ in millions

Total Deposits *(March 31)*



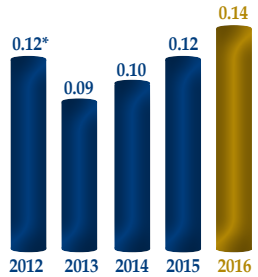
$ in millions

Total Loans *(March 31)*



$ in millions

Diluted Earnings per Share *(March 31)*



**Pre-tax EPS. Company became fully taxable in 2013.*

First Quarter Sets the Stage for 2016

Solid loan growth, an improved net interest margin, and increased mortgage loan volume drove our financial performance for the first three months of year, resulting in the company's 21st consecutive profitable quarter.

Net income grew three percent for the three months ended March 31, 2016, to $496,913 or $0.14 per diluted share, up from $482,504 or $0.12 per diluted share reported for the same period a year ago. The company achieved earnings growth while absorbing the full effect of the expansion to North Myrtle Beach during the first quarter.

Excluding securities gains, pre-tax net income grew 51.6 percent year over year, clearly demonstrating the underlying strength of the company's results. When excluding securities gains, noninterest income increased 21.7 percent year over year.

Loan growth of 22.5 percent, from $269.3 million at March 31, 2015, to $329.9 million at March 31, 2016, contributed substantially to earnings, fueling a nearly 16 percent increase in net interest income. The company experienced solid growth throughout its geographic footprint and especially in the Mount Pleasant market. Loan demand has picked up in recent months and our lending officers are pursuing opportunities.

As is appropriate due to greater volume in the loan portfolio, the company increased its provision for loan losses. As always, our credit quality remains strong with no net charge-offs and a nonperforming assets to average total assets ratio of just 0.10 percent. These figures lead our peer group banks and are especially good for a portfolio of nearly $330 million.

The net interest margin was 4.0 percent for the first quarter as the company reached and sustained this mark for the first time in its history. Increased loan volume, along with the 25 basis point rate hike put in place by the Federal Reserve last December, helped to improve this ratio. The net interest margin is the principal driver of a bank's profitability and this number is definitely headed in the right direction.

Total deposits grew 12.5 percent, from $322.5 million reported at March 31, 2015, to $362.8 million at March 31, 2016. Additionally, core deposits continued to grow, comprising nearly thirty-three percent of total deposits at the end of the quarter.

Our mortgage loan area reported its strongest quarter in the bank's history, reaching highs for both earnings and volume. The expansion of this area completed about 18 months ago is now yielding solid results.

In other banking news, we have received all the necessary approvals to begin construction on our new building in Mount Pleasant. We expect to break ground on Johnnie Dodds Boulevard during the second quarter with completion later in 2017. Until then, banking operations will continue at our current location on Queensborough Boulevard. A new advertising campaign touting our abilities and upcoming new location will make its debut later in the second quarter.

Our achievements during the first quarter have certainly set the stage for a promising year. As always, we appreciate your investment in our company. If we can be of service to you, or if you have any questions, please do not hesitate to call on us.

Inside this Issue

...Selected Financial Highlights...School and Community News...Advertising and Products...Additions and Promotions...

Selected Financial Highlights

	For the Three Months Ended March 31, 2016	For the Three Months Ended March 31, 2015	For the Twelve Months Ended December 31, 2015
Year End/Quarter End Balances (in thousands)			
Total assets	$ 418,159	$ 356,736	$ 400,218
Investment securities	41,572	51,386	51,820
Loans, net of unearned income (total loans)	329,890	269,310	313,988
Deposits	362,831	322,482	337,362
Shareholders' equity	36,499	33,679	35,645
Average Balances (in thousands)			
Total assets	$ 397,820	$ 352,383	$ 374,291
Earning assets	371,181	327,515	348,172
Investment securities	44,709	51,987	51,238
Loans, net of unearned income	317,514	264,121	279,810
Deposits	339,263	314,232	335,849
Shareholders' equity	36,329	32,582	33,961
Earnings Breakdown (in thousands)			
Total interest income	$ 3,914	$ 3,369	$ 14,137
Total interest expense	320	266	1,161
Net interest income	3,594	3,103	12,976
Total noninterest income	588	688	2,633
Total noninterest expense	3,346	3,028	12,272
Provision for loan losses	150	100	230
Income before taxes	687	663	3,106
Taxes	190	181	865
Net income	497	483	2,241
Diluted earnings per share	0.14	0.12	0.63
Selected % Increases (year over year)			
Total assets	17.22%	7.89%	10.15%
Total interest earning assets	16.43%	7.44%	9.09%
Total loans	22.49%	15.87%	19.55%
Total deposits	12.51%	8.08%	3.30%
Interest income	16.20%	7.18%	9.00%
Interest expense	20.49%	(15.43)%	(2.00)%
Noninterest income	(14.55)%	142.85%	54.37%
Noninterest expense	10.49%	19.68%	15.58%
Net income	2.98%	28.80%	11.80%
Selected Ratios (year-to-date)			
Return on assets	0.50%	0.56%	0.59%
Return on equity	5.50%	6.01%	6.60%
Interest income to total average assets	3.96%	3.88%	3.78%
Interest expense to total average assets	0.32%	0.31%	0.31%
Net interest income to total average assets	3.63%	3.57%	3.47%
Loan loss reserve to total loans	0.92%	1.02%	0.90%
Nonperforming assets to total average assets	0.10%	0.12%	0.11%
Net charge-offs to total average loans	0.00%	0.00%	0.00%
Net interest margin	4.02%	3.90%	3.80%

School and Community News

Bank Funds Scholarship. South Atlantic Bank has created an annual scholarship for a student attending Horry-Georgetown Technical College. The award will be given to the second-semester freshman who best exemplifies commitment to academic excellence and service to the community. The winning student will be a resident of Horry or Georgetown county, a graduate of a high school in the two-county area, and have a grade point average of 3.25 or higher.

"We are pleased to partner with Horry-Georgetown Technical College in offering the award," said Barbara Marshall, senior vice president and director of marketing for the bank. "With this scholarship, South Atlantic Bank is helping to advance educational oppportunity, which is vital to continued growth and success along the Grand Strand."

For more information about the college and the scholarship, please visit the school's website at www.hgtc.edu.



Students Learn About Banking. South Atlantic Bank played host to Myrtle Beach Elementary School and Myrtle Beach Girl Scout Troop #95 in recent weeks. The magic of the coin and dollar bill counters mesmerized the younger children and they learned that banks help customers and the community at large. They're convinced that bankers are the coolest people in the world! Each child received a piggy bank as a gift at the end of tour and then visited the teller station where the tellers dropped a quarter in each bank. The school used the "Savings with Mandy and Randy" curriculum provided by the bank in preparation for its visits.

Girls from grades 9 through 12 comprised Troop 95. They learned about the importance of establishing good savings and credit habits, which will serve them well when they enter the workforce or further their education. The girls left with a lot of basic banking knowledge, including the "How to do Your Banking" curriculum and a small tote bag filled with South Atlantic Bank logo items.

At left, teller Savannah Richard explains that the phrase "We Just Love Having Jumping Green Frogs" can help students remember the faces on our currency. Students took home a handout of the information to share with their families and teachers.

American Red Cross Heroes Campaign. For the sixth consecutive year, South Atlantic Bank served as a Hero for the American Red Cross. Bank employees raised more than $1,531 which will help support a family of four in a disaster such as fire or flood. The dress down days, which allow bankers to wear jeans and South Atlantic Bank shirts on Friday, are the most popular fundraiser, with everyone enjoying the casual days while helping a great cause.

Race for the Inlet. South Atlantic Bank again showed its support for the Murrells Inlet community as a title sponsor of this year's Race for the Inlet. A Murrells Inlet 2020 activity, the event raises much needed funds that are used to make this historic fishing village a better place to live and work. More than 500 runners braved threatening skies to run the 8K or 5K, and then enjoyed breakfast at the race's conclusion. South Atlantic Bank was well-represented, with more than 10 runners on its team and employee volunteers who helped hand out our bottled water at the finish line. Events such as Race for the Inlet help to keep the bank's name in the community spotlight.



Above, members of the South Atlantic Bank team and volunteers pose before the race begins. The team began the race in the rain but skies cleared for a very successful event.

Advertising and Product Updates

New TV Spots air in Grand Strand Market. Three new television spots that focus on bank products began to air in the Grand Strand market late in the first quarter. Appearing on Time Warner and HTC cable, the new ads feature Caroline Springs, marketing assistant, and tout our Premier Checking account, Business Checking accounts, and mortgage services. After several years of image advertising to establish the bank's brand as a community banking leader, the new ads focus on our products as yet another reason to bank with us. New TV ads are currently being developed for the Mount Pleasant market to run late in the second quarter.



Above, Caroline Springs and Bogey Marshall in a scene from our new mortgage ad.

***go*Mobile gets Remote Deposit Function.** Our *go*Mobile deposit app became even better with the addition of *go*Mobile Deposit. This new function allows consumer and small business customers to make deposits to their South Atlantic Bank checking, money market, or savings accounts from their smartphone. It's free to users, but businesses that deposit more than 25 items per month are required to use our traditional Remote Deposit Capture service.

To enroll, customers can complete an application at their local branch. Once approved, the set up is finished within two days. If the customer is not already a *go*Mobile user, he or she needs to download the app which is available from the Apple or Android app store. Customers will receive an email confirming their enrollment along with a copy of the South Atlantic Bank *go*Mobile Deposit User Guide. For more information, visit your branch or our website, SouthAtlantic.bank and click on the video library.



A copy of the South Atlantic Bank goMobile Deposit User Guide.

It's the People Who Make the Difference

Staff Additions and Promotions



Carrie Harris has joined the bank as a senior vice president, filling a newly-created position as director of human resources. She has more than 20 years of experience including 17 years with Anchor Bank as a staffing manager and Carolina First/TD Bank as a regional human resources manager and recruiter. Carrie is a graduate of the University of Northern Iowa with a B. A. degree in management with an emphasis in human resource management and a minor in psychology. In the community, she is a member of the Coastal Carolina Organization of Human Resources. A native Iowan, Carrie came to Myrtle Beach 17 years ago.



Alison Van Wagner has been promoted to the rank of banking officer and now serves as assistant branch manager at the Myrtle Beach headquarters. Alison joined the bank as a teller at the Murrells Inlet office in January 2014 and was promoted to customer service representative later that year. Prior to her work at South Atlantic Bank, she served as a personal banker at First Federal. Alison is a graduate of Coastal Carolina University with a B.A. degree in communications and has lived in Myrtle Beach for the past nine years.



Kelly Byrd is now a customer service representative at the bank's Murrells Inlet office. She joined South Atlantic Bank in December 2014 as a teller and customer service representative at our Pawleys Island office. Kelly has more than 12 years of business experience, including a three-year stint at Bank of America. She has attended Horry-Georgetown Technical College and Coastal Carolina University. A Maryland native, Kelly relocated to Murrells Inlet from Virginia Beach in 2008.



Kaela Rogers is the new customer service representative at our Pawleys Island office. Kaela most recently worked with Broadway Grand Prix as the assistant director of sales. She is a graduate of Florence-Darlington Technical Institute with an associate degree in marketing. A lifelong resident of Pawleys Island, Kaela brings communication and leadership skills to her new position.



Ann Jackson has joined the bank as a mortgage closer. Ann previously worked as a compliance analyst with Freddie Mac in Virginia before relocating to Myrtle Beach. She has extensive experience in loan processing, having served with Aurora Loan Services, a subsidiary of Lehman Brothers Bank, and Chevy Chase Bank, both located in Maryland. As a Marylander, Ann attended Hagerstown Community College and is now a resident of the Myrtle Beach area.

Editor's note: At South Atlantic Bank, we endeavor to provide opportunities for our employees to advance their careers through our job posting system. As positions become open, employees are encouraged to apply to fill these roles, which in turn creates more opportunity for other employees to move within the company. Additionally, it helps to create employees who are well-versed in all areas of the bank and who are always learning. Occasionally, new roles are created due to the bank's overall growth and expansion.

Next Issue

...EMV-Chipped Debit Cards are Here!...More Debit Card Safety News...Customer Appreciation Days...Progress in Mount Pleasant...

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

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Address Changes and Additions

To update the U.S. mail and e-mail addresses that you have on file with us, please visit the Investor Relations section of our website, SouthAtlantic.bank.

SouthAtlantic.bank > Who We Are > Investor Relations

Click on the link for the form, follow the directions provided, and and return the form to us. 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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Retired Hotelier

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