



## THIRD QUARTER HIGHLIGHTS

It was a busy and productive third quarter at South Atlantic Bank with many achievements to note:

- **Gains in Market Share** – In Murrells Inlet, market share jumped from 5.69% in 2009 to 9.73% in 2010, while in Myrtle Beach, market share grew from 3.34% in 2009 to 4.02% in 2010.
- **Operating Profitability** – We sustained the progress of May and June when we made our first operating profit, with three more months of operating profit during the third quarter.
- **Total Assets** – Ended September 30, 2010, at \$195.1 million compared to our budget of \$200.3 million.
- **Controlled Balance Sheet Growth** – Loans totaled \$153.2 million compared to our budget of \$153.3 million while deposits ended the quarter at \$173.3 million compared to our budget of \$178.1 million.
- **Staff Additions** – We welcomed two new employees to the South Atlantic Bank family.
- **Community Events** – Being a good corporate citizen is an important part of our mission at South Atlantic Bank and this quarter was no different as we supported several special events.

## Progress Continues at South Atlantic Bank

During the third quarter, South Atlantic Bank made progress on its goals of controlled balance sheet growth, improvement in the net interest margin, and overall profitability, while posting strong increases in market share.

As we all know, economic conditions have been unsettled for some time. While we are seeing some easing of difficulties in recent months, the markets we serve continue to struggle with declining real estate values. The problems in the housing markets have affected both consumers and businesses, and like many banks, we have not been immune to loan issues. While our overall credit quality remains strong, as nonperforming loans represent 0.015% of the total loan portfolio, we continue to strengthen our loan loss position to ensure that we have reserved adequately for any losses inherent in the portfolio.

Despite the current state of the economy, we were able to achieve loan growth of \$4.29 million during the third quarter by capitalizing on quality loan opportunities. This level of growth is slower than in previous quarters, but we are not willing to sacrifice credit quality to force growth in the loan portfolio. To remain strong, we will rely on our traditional standards for loans and credit quality.

We continued our trend of deposit growth during the third quarter. Deposits grew 0.53% and reflect an improved deposit mix, with 14.45% of our total deposits in noninterest bearing or low cost accounts. This careful management of the deposit mix along with controlled loan growth has helped our net interest margin improve to 3.13%, as of September 30, 2010.

Strong balance sheet management combined with careful monitoring of noninterest expense will move us toward profitability. We have been able to grow our bank with minimal increases to head count which means that we are effectively leveraging our staff capability and our locations to build a stronger, and ultimately profitable bank. For the third quarter, the bank posted an operating profit, excluding the loan loss reserve, of \$67,684. Overall, our net loss (including the loan loss reserve) was \$149,188 for the quarter and we expect to make additional progress toward profitability during the fourth quarter.

In other news, we will celebrate two anniversaries in November – the third anniversary of South Atlantic Bank and the second anniversary of our Murrells Inlet office. You are cordially invited to attend both celebrations, to be held on November 12 and 19, respectively.

As we look forward to 2011, we are making much progress at South Atlantic Bank and there is a lot of excitement in the air. We are glad you are making the journey with us and we appreciate your support. ∞



~South Atlantic Bankers in the Community ~

# Selected Financial Highlights

		For the Nine Months Ended September 30, 2010	For the Six Months Ended June 30, 2010	For the Three Months Ended March 31, 2010	For the Years Ended 2009	For the Years Ended 2008
<b>Year End/Quarter End Balances (in thousands)</b>						
Total assets	\$	195,080	194,255	182,964	164,009	96,679
Investment securities		23,020	17,803	21,883	23,705	9,554
Loans, net of unearned income (Total Loans)		153,172	148,887	133,990	121,145	73,615
Deposits		173,304	172,386	161,104	142,080	72,421
Shareholders' equity		21,466	21,507	21,613	21,759	24,127

<b>Average Balances (in thousands)</b>						
Total assets	\$	185,316	178,753	173,251	139,919	96,378
Earning assets		170,490	163,863	158,294	130,277	89,634
Investment securities		20,690	20,946	23,109	20,076	7,434
Loans, net of unearned income		140,116	134,513	127,975	96,978	71,897
Deposits		163,347	156,824	151,395	116,705	71,046
Shareholders' equity		21,663	21,704	21,793	22,900	24,211

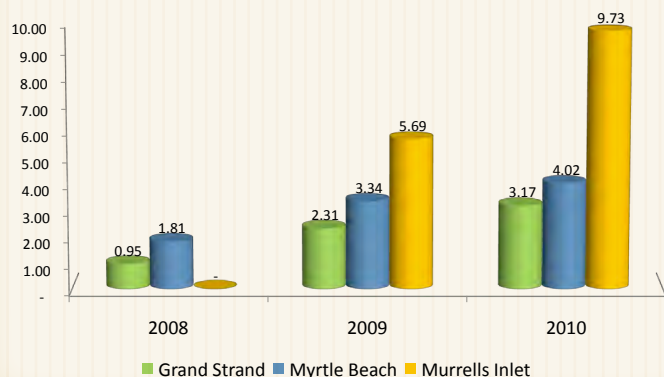
<b>Earnings Breakdown (in thousands)</b>						
Total interest income	\$	5,819	3,738	1,784	5,587	3,228
Total interest expense		2,163	1,431	689	2,749	1,526
Net interest income		3,656	2,307	1,095	2,838	1,701
Total noninterest income		361	206	67	522	140
Total noninterest expense		4,178	2,742	1,352	4,933	3,915
Net loss		(746,102)	(596,914)	(378,629)	(2,256,526)	(2,917,037)

<b>Selected % Increases (Linked Quarter)</b>						
Total assets		0.42%	6.17%	11.56 %	69.64%	197.19%
Total interest earning assets		0.68%	6.99%	11.85 %	66.83%	996.01%
Total loans		2.88%	11.12%	10.60 %	64.57%	1,057.62%
Total deposits		0.53%	7.00%	13.39 %	96.19%	1,142.65%
Interest income		3.43%	9.46%	6.94 %	73.10%	593.68%
Interest expense		(0.65)%	7.61%	0.06 %	80.12%	7,357.51%
Noninterest income		7.76%	107.16%	(12.15)%	272.28%	9,331.62%
Noninterest expense		1.69%	2.75%	2.42 %	25.98%	220.15%

<b>Selected Ratios</b>						
Interest income to total average assets		4.20%	4.18%	4.12 %	3.99%	3.35%
Interest expense to total average assets		1.56%	1.60%	1.59 %	3.53%	4.06%
Net interest income to total average assets		2.64%	2.58%	2.53 %	2.03%	1.77%
Loan loss reserve to total loans		1.41%	1.32%	1.33 %	1.32%	1.25%

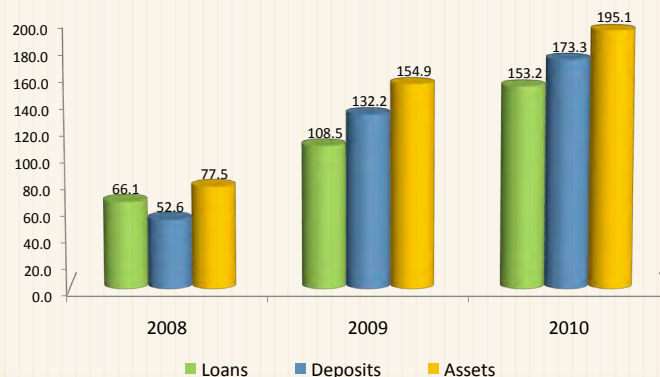
## DEPOSIT MARKET SHARE

as of June 30 (%)



## THREE YEAR COMPARISON

as of September 30<sup>th</sup> (in \$ millions)



# News & Updates

## Community Events Keep South Atlantic Bankers Busy!



Our bank participated in two very special events in September that have a lasting impact on our communities.

On September 9th, we sponsored the Fall Opener and Barbecue for the Grand Strand Miracle League. The Miracle League provides the opportunity for people of all ages who have mental and physical disabilities to play baseball in a fun and relaxed atmosphere. League rules give each player one at bat per inning. All players are safe on the bases and all score runs before the inning is over. Volunteers from South Atlantic Bank were on hand to help set up, work with players in the field, serve the delicious barbecue dinner, and tidy up at the game's end. The bank, its customers and employees donated a grand total of \$1,500 to the Miracle League in a check presented during the opening ceremony.

A team of South Atlantic Bankers also went to work at the United Way of Horry County's Day of Caring on September 24. Fran Kopnick, Melissa Downs-High, Jewell Singleton, and Amy Stubbs manned the canteen, serving breakfast and lunch to the more than 290 volunteers assisting with this year's project. The Day of Caring is the largest one-day local volunteer effort for United Way of Horry County as volunteers from businesses, organizations, and the community work together on a large scale project with county-wide impact. This year's Day of Caring project helped Horry County with the Palmetto Adventure Land (PAL) Playground in Carolina Forest.



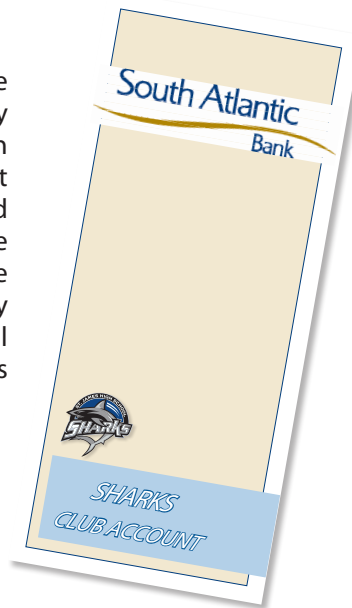
In other United Way news, South Atlantic Bank again served as a pacesetter company for this year's fund drive in Horry County. Pacesetter companies are those firms who complete their employee pledge drive and corporate pledge in advance of the campaign's kickoff, thus providing strong leadership and setting a wonderful example for others.



## Sharks Club Account Surfaces at St. James High School

South Atlantic Bank has introduced the Sharks Club account for students at St. James High School in Murrells Inlet. The program offers two accounts to choose from and both come with custom checks and a Sharks Club Debit MasterCard®. The Debit MasterCard can be used anywhere MasterCard is accepted for purchases and at ATMs for cash withdrawals. Best of all, the South Atlantic Bank Debit MasterCard provides unlimited no-fee ATM withdrawals.

The Shark Club program mirrors the Seahawk Club Account currently offered at Myrtle Beach High School. Both accounts are a great way for students to learn good money management skills before heading off to college or into the work world. The bank benefits by creating customer loyalty that will grow into relationships as the years go by.



**You're Invited!**

## Anniversary Cookouts

**3rd Anniversary of the Bank**  
November 12 from 11 a.m. to 2 p.m.

**2nd Anniversary of the Murrells Inlet Office**  
November 19 from 11 a.m. to 2 p.m.

*Join us for hotdogs and hamburgers with all the trimmings, and clam chowder as we celebrate the anniversaries!*

**ENTER DRAWING TO WIN A PATIO HEATER**  
*No purchase necessary. Must be 18 years or older to enter. Families and employees of South Atlantic Bank are not eligible.*



## BOARD OF DIRECTORS

**Carson Benton**  
Co-Owner and Operator  
CL Benton and Sons, Inc.

**Tommy Brittain**  
Trial Lawyer and Partner  
The Brittain Law Firm, P.A.

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

**Tony Cox**  
Chief Real Estate Officer  
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Chapin Company

**Miles Herring**  
Franchisee and Operator  
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**Martha Lewis**  
President  
Atlantic Physical Therapy

**Scott Plyler**  
President  
South Atlantic Bank

**Albert Springs**  
Partner  
HB Springs Company

**Jay Springs**  
Co-owner and  
Vice President  
Century 21 Barefoot Realty

**Zeb Thomas, Jr.**  
Vice President  
The Dayton House

**Wayne Wicker**  
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 That Make the Difference

### New Additions to our South Atlantic Bank Family



**Barbara W. Marshall**  
*Vice President and Director of Marketing*

Barbara Marshall brings more than 25 years of experience to her new role as South Atlantic Bank, where she will be responsible for all phases of marketing, including advertising, public relations, and corporate communications.

Marshall worked in public relations and advertising for two Pennsylvania banks before relocating to South Carolina in 1991. She joined Anchor Bank (now Carolina First) in 1992 as assistant vice president and director of marketing, and was promoted to vice president in 1995. She next served Beach First National Bank (now BNC Bank) as vice president and director of marketing from 2001 to 2010. A summa cum laude graduate of Allentown College (Center Valley, Pennsylvania, now de Sales University) with a B.A. degree, she has also completed the American Bankers' Association School of Bank Marketing held at the University of Colorado in Boulder. ☞



**Shannon Sutley**  
*Teller*

Shannon Sutley has more than 15 years of experience in the business and banking industries and works at our Murrells Inlet office on the corner of Tournament Boulevard and Highway 17 Bypass.

She is a native of Meriden, Connecticut, and has resided along the Grand Strand for 21 years. She began her banking career with NationsBank (now Bank of America) in 1993 and served Carolina First prior to joining South Atlantic Bank. She is a graduate of Socastee High School. ☞

## Welcome to South Atlantic Bank!

### Doug Arseneau – Senior Vice President and South Strand Regional Manager



At South Atlantic Bank, I play a dual role as regional manager for our South Strand market and manager of the residential mortgage loan department. While both jobs are different, I enjoy the daily challenges a dual role presents. What makes it work so well is that I can rely on the superb team of bankers assembled here at South Atlantic Bank for support. Everyone is very knowledgeable and always willing to help.

As one of four Citadel graduates working for South Atlantic Bank and a resident of the Myrtle Beach area since 1993, I understand what it means to live and work here in our community. With nearly 20 years of banking experience, I've learned that to be a good banker, you need to be a good listener. I make sure I understand what my customers really want or need. In turn, I make sure they understand the banking or mortgage products they are using. After all, I am a banker every day of the week, but customers may only require one or two mortgage loans during their lifetime, so it is vital that the product match their needs and expectations.

If I can be of service to you, your friends, or family, please do not hesitate to contact me. I will be glad to assist you in finding the products and services that are right for you. ☞

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