



ANDERSON  
BROTHERS BANK

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To our Customers, Employees and Communities,

This is a brief summary of Anderson Brothers Bank activities and accomplishments in 2016.

"The fish are jumpin' and the cotton is high!" This famous line describes the range of opportunities for expanding our footprint, increasing our market penetration and enhancing our operations like never before; and, we've never been better prepared to capitalize on these opportunities!

In early 2016, Betty Byrd announced her retirement as V. P. Branch Administration at yearend. In her 44 year career, Betty had become our go-to leader for our 21 branches and Deposit Operations. Not only would her retirement create a void in our leadership, but it came at a time of emerging challenges requiring greater resources and new approaches to manage them. Fortunately, our bank is rich in talent with strong ideas for meeting these challenges and with their help and guidance we restructured the bank to optimize our position for the future.

Ben Franklin once said "If you need something done, ask a busy person." So, we asked two of our busiest to take on additional responsibilities. Dividing Betty's job in two, Rusty Richardson, our then Chief Credit Administrator, assumed executive leadership for Deposit Operations as Chief Operating Officer. Rusty's leadership and administrative talent are cornerstones of our bank. Now two of our most important departments, Credit Administration and Deposit Operations, are led by our best administrative talent and leader.

The other half of Betty's responsibilities were assigned to Tamra Cannon who has proven her ability in creating and leading our successful Business Services department over the years. Her efforts have differentiated us from our competitors and played a large role in growing our commercial checking accounts by 48% in 2016. Tamra accepted the challenge of creating and leading another new department to facilitate our ambitious branch expansion plans and take our employee training to the next level. As Chief Retail Officer, Tamra has assembled a team of experienced bankers that give our branches and employees the essential support and training to serve our customers and expand our footprint to new markets.

Our IT Department is a master of managing multiple projects on time and within budget but none quite the scale of their new IT center in Mullins. Under Chief Technology Officer Stephanie Byrd's leadership, this department has grown in all ways possible, including staff, industry certifications, software solutions, hardware devices and in contributing to the achievement of our strategic plan. In 2016 we purchased an existing building in Mullins and renovations are currently underway. We anticipate moving into this new state-of-the-art 6,000 square foot IT center in June 2017.

Our long-term strategic objective is to grow to \$1 billion in total assets by 2024. This goal can only be accomplished by expanding geographically with new branches and by relying heavily on Horry County for the largest portion of our growth. Bryan Lenertz,

Vice President Horry County Executive, came on board in 2012 to lead our effort in becoming a leading community bank in Horry County. We're off to a successful start as assets in Horry County have doubled since 2012. In March of this year, we opened our newest branch in the Market Common District of Myrtle Beach. The distinctive architecture and design of this facility is Bryan's work and is a reflection of our confidence in his leadership and optimism for our future in Market Common. We will continue to expand our Myrtle Beach presence with a new branch on Robert Grissom Parkway later this year.

The successful execution of our Horry County plan is best illustrated in our Conway Church Street office. In 2017, this office will become our first \$100,000,000 branch under City Executive Richard Carroll's leadership and shows no sign of slowing down.

Marion County Executive Johnny Floyd has targeted Dillon County to expand our footprint. Last fall we opened a new office in Latta and plan to expand to Dillon in the coming months. The Latta team has exceeded our expectations in all ways but mainly in becoming an integral part of the community. It's a great home for a community bank!

We are enjoying resurgence in Florence County as loans have increased an impressive 35%! Regional Executive Randy Altman is leading an effort to increase our automobile and real estate lending at our Florence branches on South Cashua Drive and Second Loop Road.

In the second quarter, we will be opening a branch in Summerville. Paul Lee has been with us for three years and has developed an impressive portfolio of indirect automobile loans working out of his home and car! Paul has convinced us that this market is right for a consumer focused bank and that he and his team are the ones to make it happen. We think so, too.

Through our partnership with over 150 automobile dealerships in South Carolina, we are able to provide financing for automobile purchases. In 2016, under the leadership of Micky Watts, SVP Indirect Lending, we commenced a process of upgrading our loan origination and servicing solutions. The Defi Loan Origination System and Shaw Collection System are recognized as the standards in this industry and reflect our commitment to excellence in servicing this market.

Anderson Brothers Bank is something of an outlier in our practice of community banking. This is illustrated by comparing our level of consumer loans with that of our peers. Our consumer loan portfolio accounts for 36% of our total loan portfolio while, according to FDIC data, our peers' consumer loan portfolios only account for 3% of their total loan portfolio. In fact, in 2015 Anderson Brothers Bank was the largest consumer auto lender in South Carolina among all SC chartered banks. We believe our strong consumer lending is an indication of the higher level of service Anderson Brothers Bank provides to our communities.

Banks enjoy two huge advantages over nearly all other business entities. First, we are funded by low cost, stable deposits for which we are subject to close regulatory scrutiny

and must pay a premium for our FDIC deposit insurance. Second, we are able to use high levels of financial leverage, requiring only one dollar of equity to support \$10 of earning assets. This leverage provides for higher returns on equity than otherwise possible. We believe these advantages should benefit not just bank stockholders and prime borrowers but the entire creditworthy community. Many years ago, we promoted ourselves as "Everybody's Bank in a great big way." It seems we still are, and proud to be so.

Financially, the big story is reflected on our balance sheet. Total assets grew nearly 20%, an increase of almost \$100 million. Interestingly, and fortunately, this increase was primarily fueled by an increase in low cost, service driven transaction accounts as opposed to rate driven time deposits. Transaction accounts increased by \$72 million which funded our impressive loan growth of the same amount.

In 1933, Anderson Brothers Bank opened with the mission of helping families and businesses in the community. Today, we not only provide financial services to our markets but also serve as a cheerful community booster in our participation, leadership and giving. Among other initiatives, Anderson Brothers Bank employees made financial education presentations to local school children, organized Blood Drives in cooperation with the American Red Cross, and visited shut-ins during the Christmas season. We donated over \$300,000 in 2016 to local non-profit organizations, charities and community events throughout the Pee Dee and Coastal regions. In May 2016, we donated a 12,000 square foot building in Mullins to Marion County for use by the Marion County Animal Shelter.

Heartfelt thanks to our employees, customers and communities for the continued support and efforts in making 2016 a great year!

Sincerely,



David E. Anderson  
President and CEO

May 10, 2017