

Dear Shareholders,

Our company successfully completed the fourth quarter of 2018 closing out the full year on trend. I would describe the last quarter as one of “staying on the grind.” Equity market volatility increased dramatically, the yield curve flattened and the Fed signaled new uncertainty regarding the pace of future interest rate increases. At Seaside, we continued our work on a long list of internal processes, operating systems and risk management enhancements and improvements, all of which are important to supporting our future growth.

As of this writing, the U.S. labor market continued to demonstrate evidence of strength by adding jobs in December at the fastest pace since February, and wages surged despite weak manufacturing data from the United States, Europe and China. While lower energy prices continue to subdue inflation, the data suggests the real economy maintained strong momentum at the end of 2018 even as financial markets sank.

Three Shores Bancorporation (TSB) ended the fourth quarter of 2018 at \$1.88 billion of total assets, which was flat from the prior quarter, but nine percent higher than the same period one year ago. Total gross loans were \$1.38 billion at year end, up one percent from the third quarter and nine percent from a year ago. Total deposits ended the fourth quarter at \$1.55 billion, which was down three percent from the third quarter, but up twelve percent from the end of 2017. The cause for the decline of deposit balances was directly attributed to our moving a substantial sum of deposits off balance sheet to a repurchase agreement structure as is part of our product offering for select corporate clients. The market value of assets under management took a beating during the fourth quarter, as the equity market fell precipitously, ending December 31 at \$661 million versus \$700 million at the end of the prior quarter. As a result, year-over-year growth of AUM was negatively impacted to three percent.

Our credit metrics remain stable and very attractive with a nonperforming assets to total assets ratio of .06 percent and a Texas ratio below 1 percent. Our tangible book value per share ended the year 2018 at \$5.87 compared to \$5.22 at the end of 2017, which represents growth of more than twelve percent.

Turning to the income statement, TSB earned consolidated net income after tax of \$4.57 million for the fourth quarter and \$17.17 million for the full year of 2018. Excluding the favorable impact of lower tax rates enacted at the end of 2017, we improved earnings 36 percent year over year on a core run rate basis and 84 percent when taking into account the lower tax rate handed to us. Relative earnings improved slightly comparing the fourth quarter of 2018 to the fourth quarter of 2017 (before the new tax law): 12.95 percent return on equity versus 12.88 percent, respectively. For the full year of 2018, return on equity was 12.48 percent compared to 10.39 percent for 2017. Our return on average assets continues to hover around 1 percent, and our overall efficiency ratio remains in the high 50th percentile.

Overall, the majority of our performance metrics continue to outperform the industry and the state averages, but we have a lot of work to do to place us in the elite category for many of them. Achieving and maintaining that elite status remains our goal at Seaside and Three Shores. For us to improve further it will take full engagement of all of our professionals and additional scale. We are highly confident that we will achieve both.

I hope this letter finds you and your family in good health and spirits. Thank you for your continued support.

Kind Regards,

A handwritten signature in cursive script, appearing to read "Gideon T. Haymaker".

Gideon T. Haymaker

THREE SHORES BANCORPORATION, INC.
SELECTED CONSOLIDATED FINANCIAL DATA
FOURTH QUARTER 2018

*At December 31, 2018, September 30, 2018 and December 31, 2017 and 2016;
and for the quarters and year-to-date periods ended December 31, 2018 & 2017
(\$ in thousands, except per share figures)*

Balance Sheet-At Period End:	At Dec 31, 2018	At Sept 30, 2018	At Dec 31, 2017	At Dec 31, 2016
Cash and cash equivalents	\$44,456	\$61,968	\$48,814	\$41,463
Securities	\$418,638	\$412,364	\$374,933	\$375,595
Loans, net of Allowance	\$1,382,739	\$1,370,498	\$1,272,271	\$1,125,939
All other assets	\$36,856	\$38,452	\$36,364	\$39,711
Total assets	\$1,882,689	\$1,883,282	\$1,732,382	\$1,582,708
Deposit accounts	\$1,552,630	\$1,596,666	\$1,388,668	\$1,279,132
Borrowings	\$170,280	\$138,235	\$206,239	\$173,847
All other liabilities	\$14,690	\$11,487	\$9,208	\$14,186
Stockholders' equity	\$145,089	\$136,894	\$128,267	\$115,543
Total liabilities and equity	\$1,882,689	\$1,883,282	\$1,732,382	\$1,582,708
Assets Under Management	\$661,417	\$700,019	\$639,555	\$570,621

Balance Sheet Ratios and Other Data:

Tier 1 Leverage Ratio-Seaside	7.86%	7.64%	7.61%	7.48%
Tier 1 Leverage Ratio-Three Shores	7.64%	7.43%	7.40%	7.26%
Total Risk-Based Capital ratio-Seaside	11.26%	11.02%	10.96%	11.40%
Total Risk-Based Capital ratio-Three Shores	11.00%	10.77%	10.71%	11.14%
Texas Ratio* (NPA's/ALLR + Equity)	0.67%	0.69%	4.10%	7.38%
Nonperforming Assets*/Total Assets	0.06%	0.05%	0.33%	0.60%
Allowance for loan losses to Total Loans	1.00%	0.98%	1.05%	1.07%
Total number of banking offices	14	14	15	15
Total shares outstanding (common & preferred)	24,008,872	24,007,612	23,718,735	23,366,897
Tangible book value per share (excludes intangible assets)	\$5.87	\$5.53	\$5.22	\$4.77

* excludes government-backed NPA's

Income Statement-For the Period:	4th Qtr 2018	4th Qtr 2017	Year-to-date 2018	Year-to-date 2017
Total interest income	\$20,071	\$16,426	\$73,915	\$59,855
Total interest expense	\$6,695	\$3,397	\$21,776	\$11,039
Net interest income	\$13,376	\$13,029	\$52,139	\$48,816
Provision for loan losses	\$295	\$0	\$1,499	\$666
Net interest income after provision	\$13,081	\$13,029	\$50,640	\$48,150
Noninterest income	\$2,020	\$2,000	\$8,947	\$7,588
Noninterest expenses	\$8,853	\$8,481	\$35,801	\$34,923
Earnings before income taxes	\$6,248	\$6,548	\$23,786	\$20,815
Income taxes	\$1,504	\$2,281	\$5,883	\$7,598
Net earnings - Seaside	\$4,744	\$4,267	\$17,903	\$13,217
Three Shores net operating expense	\$178	\$134	\$731	\$545
Net earnings - Consolidated	\$4,566	\$4,133	\$17,172	\$12,672
Impact of new tax law	\$0	\$3,324	\$0	\$3,324
Net earnings - Consolidated after new tax law	\$4,566	\$809	\$17,172	\$9,348

Income Statement Ratios and Other Data:

Return on average assets (1) - before new tax law	0.97%	0.98%	0.95%	0.78%
Return on average assets (1) - after new tax law	0.97%	0.19%	0.95%	0.57%
Return on average equity (1) - before new tax law	12.95%	12.88%	12.48%	10.39%
Return on average equity (1) - after new tax law	12.95%	2.52%	12.48%	7.67%
Basic Earnings Per Share - before new tax law	\$0.19	\$0.18	\$0.72	\$0.54
Basic Earnings Per Share - after new tax law	\$0.19	\$0.04	\$0.72	\$0.40
Yield on Interest-earning assets	4.32%	3.97%	4.17%	3.75%
Cost of Funds	1.56%	0.90%	1.34%	0.76%
Net Interest Margin (1)	2.86%	3.13%	2.92%	3.04%
Noninterest expenses to average assets (1)	2.02%	2.04%	2.02%	2.18%
Efficiency Ratio	58.83%	57.65%	59.99%	63.28%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.29	1.33	1.30	1.33

(1) Annualized