

Dear Shareholders,

The year 2018 has kicked off with a new set of market conditions. For individuals and corporations, the sweeping tax legislation that passed at the end of 2017 has led to a period of reassessment and adjustment from prior strategies. Rising short interest rates and the return of market volatility in the equity markets, after a remarkably stable period, has compounded the issue. Geopolitical risk remains elevated, and the regulatory front continues to evolve. Fortunately, our Florida economic markets remain healthy, and the prognosis for continued growth over the next year is positive.

Seaside National Bank & Trust (SNBT) and Three Shores Bancorporation (TSB) completed the first quarter of 2018 with sound results and continued progress. As of March 31, 2018, TSB had total assets of \$1.73 billion, which was \$103 million higher than one year ago. Gross loans outstanding stood at \$1.26 billion, or 10 percent higher than a year ago, with total deposits of \$1.42 billion. This reflects a 6 percent growth over the same period. Off the balance sheet, assets under advisement in our wealth management business ended the quarter at just over \$647 million, which was 7 percent greater than the first quarter of 2017.

The changes in our balance sheet reflect our clients' adjustment to current market conditions. As short-term interest rates rise and the variable cost of borrowing increases, we have noted that many of our clients who have carried excess liquidity have chosen to pay down debt. Our line usage is at an all-time low, but the capacity to utilize these revolving commitments in the future remains. We have committed lines in excess of \$900 million that have less than 50 percent utilization at the moment. Credit quality remains pristine, with total non-performing assets of 7 basis points, excluding totally insured government backed assets. Our Texas Ratio was less than 1 percent as of March 31, 2018. TSB earned consolidated net after-tax \$3.83 million, compared to \$2.34 million for the same period, or a 64 percent improvement over the prior year's results.

From an operating standpoint, SNBT earned a pre-tax net of \$5.64 million for the first quarter compared to \$3.92 million for the first quarter of 2017 — a 44 percent year-over-year improvement. TSB earned consolidated net after-tax \$3.83 million, compared to \$2.34 million for the same period, or a 64 percent improvement over the prior year's results. Our efficiency ratio improved 10 percent over the past year and is now running in the high 50s percent range on a current run rate basis, and 62 percent on a 12-month lagging basis. We produced strong positive operating leverage over the past year of over 8 times — that's to say we grew revenue in excess of 13 percent and held expense growth to 1.6 percent, which has allowed us to achieve pre-tax ROA of 1.26 percent and .89 percent after tax. Similarly, return on equity improved to 16.77 percent pre-tax and 11.88 percent after tax for the first quarter of this year.

Another operating trend of note is that we de-emphasized residential lending beginning a year ago. Of course, we still offer a robust product set as a convenience to our clients and an efficient digital offering that is assisted by a Residential Lending Advisor, but we are not actively soliciting this type of business externally. We have chosen to focus on our recurring revenue businesses of asset management, fiduciary services and insurance offerings. As a result, the mix of our fee income has changed to reflect this. Total noninterest income increased over the past year by nearly 17 percent, with mortgage banking income declining, but trust and brokerage income up 15 percent and insurance premiums up 24 percent from prior year comparisons.

The professionals at our company remain committed to delivering excellent client service, providing active community engagement, and building superior value for our shareholders. Thank you for your continued support. We all wish you good health and a happy spirit.

Kind Regards,



Gideon Haymaker  
Founder & Chief Executive Officer

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

*At March 31, 2018 & 2017 and December 31, 2017*  
*For the Quarters ended March 31, 2018 & 2017*  
*(\$ in thousands, except per share figures)*

<b>Balance Sheet-At Period End:</b>	<b>At March 31, 2018</b>	<b>At Dec 31, 2017</b>	<b>At March 31, 2017</b>
Cash and cash equivalents	\$63,984	\$48,814	\$81,706
Securities	\$378,673	\$374,933	\$366,321
Loans, net of Allowance	\$1,247,646	\$1,272,271	\$1,137,681
All other assets	\$36,805	\$36,364	\$38,396
<b>Total assets</b>	<b>\$1,727,108</b>	<b>\$1,732,382</b>	<b>\$1,624,104</b>
Deposit accounts	\$1,420,221	\$1,388,668	\$1,334,902
Borrowings	\$165,426	\$206,239	\$153,453
All other liabilities	\$11,854	\$9,208	\$16,352
Stockholders' equity	\$129,607	\$128,267	\$119,397
<b>Total liabilities and equity</b>	<b>\$1,727,108</b>	<b>\$1,732,382</b>	<b>\$1,624,104</b>
<b>Assets Under Management</b>	<b>\$647,151</b>	<b>\$639,555</b>	<b>\$605,449</b>

**Balance Sheet Ratios and Other Data:**

Tier 1 Leverage Ratio-Seaside	7.78%	7.61%	7.39%
Tier 1 Leverage Ratio-Three Shores	7.56%	7.40%	7.18%
Total Risk-Based Capital ratio-Seaside	11.52%	10.96%	11.34%
Total Risk-Based Capital ratio-Three Shores	11.24%	10.71%	11.08%
Texas Ratio* (NPA's/ALLR + Equity)	0.88%	4.10%	9.16%
Nonperforming Assets*/Total Assets	0.07%	0.33%	0.74%
Allowance for loan losses to Total Loans	1.01%	1.05%	1.08%
Total number of banking offices	15	15	15
Total shares outstanding (common & preferred)	23,985,634	23,718,735	23,711,771
Tangible book value per share (excludes intangible assets)	\$5.22	\$5.22	\$4.87

\* excludes government-backed NPA's

<b>Income Statement-For the Period:</b>	<b>1<sup>st</sup> Qtr 2018</b>	<b>1<sup>st</sup> Qtr 2017</b>
Total interest income	\$16,910	\$13,618
Total interest expense	\$4,115	\$2,256
Net interest income	\$12,795	\$11,362
Provision for loan losses	\$0	\$135
Net interest income after provision	\$12,795	\$11,227
Noninterest income	\$2,063	\$1,766
Noninterest expenses	\$9,218	\$9,068
Earnings before income taxes	\$5,640	\$3,925
Income taxes	\$1,620	\$1,447
Net earnings - Seaside	\$4,020	\$2,478
Three Shores net operating expense	\$192	\$141
Net earnings - Consolidated	\$3,828	\$2,337

**Income Statement Ratios and Other Data:**

Return on average assets (1)	0.89%	0.59%
Return on average equity (1)	11.88%	7.96%
Basic Earnings Per Share	\$0.16	\$0.10
Yield on Interest-earning assets	4.01%	3.49%
Cost of Funds	1.07%	0.64%
Net Interest Margin (1)	3.02%	2.89%
Noninterest expenses to average assets (1)	2.19%	2.32%
Efficiency Ratio	63.59%	69.67%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.31	1.32

(1) Annualized