

Dear Shareholders,

We are through the first half of the year, and our second quarter of 2018 is in the books. I am pleased to report continued good momentum and operating results for our company.

We achieved a number of new milestones along the way as we continue to grow the company both at attractive rates better than the industry standard and in a fundamentally sound fashion. Our balance sheet ended the quarter at \$1.82 billion, which reflects 12 percent growth over the past twelve months. Likewise gross loans and deposits each increased 13 percent over the same period and stood at \$1.35 billion and \$1.46 billion, respectively, as of June 30, 2018. Off balance sheet, total assets under management and committed assets in our wealth management business ended the second quarter at \$671.3 million, which was 9 percent higher than one year ago.

Turning to operating results, our company posted attractive growth of income as well as attractive relative returns on invested capital. For the second quarter, Seaside National Bank & Trust (SNBT) earned \$4.54 million after tax, which was a 13 percent sequential quarter improvement from the first quarter of this year and a 48 percent improvement over the same quarter, one year ago. Likewise, on a consolidated basis, Three Shores Bancorporation (TSB) netted \$4.37 million for the quarter, which was 48 percent higher than the one year ago comparison.

For the first half of 2018, TSB's consolidated net after-tax earnings were \$8.20 million, which reflects a 55 percent improvement from the first half of 2017. Pretax return on assets (ROA) improved from 1.05 percent to 1.30 percent, and pretax return on equity (ROE) improved from 13.95 percent to 17.31 percent in a year-to-year comparison. After taxes, ROA was .95 percent and ROE was 12.51 percent, which both exhibited a 44 percent improvement of returns on invested capital over the prior year comparison.

Our strong positive operating leverage continues to drive down our overall efficiency ratio, now into the 50s. Another way of explaining this is that for the first half of the year we grew total revenue by 11 percent and held expenses flat to slightly down, resulting in an 11 times multiple of revenue growth over expense growth.

Our operating plan for the remainder of the year ascends as we have routinely budgeted in this fashion, so we have challenges before us. I have great faith and confidence in our professionals here—we have demonstrated an ability to overcome hurdles in all market conditions. I thank you for your continued support as we endeavor to build the value of your Three Shores shares.

I sincerely hope this letter find you and your loved ones in good health and spirit.

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**  
**SECOND QUARTER 2018**

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

<b>Balance Sheet-At Period End:</b>	<b>At June 30, 2018</b>	<b>At March 31, 2018</b>	<b>At Dec 31, 2017</b>	<b>At June 30, 2017</b>
Cash and cash equivalents	\$53,195	\$63,984	\$48,814	\$44,107
Securities	\$395,843	\$378,673	\$374,933	\$360,977
Loans, net of Allowance	\$1,334,386	\$1,247,646	\$1,272,271	\$1,180,179
All other assets	\$38,109	\$36,805	\$36,364	\$37,426
<b>Total assets</b>	<b>\$1,821,533</b>	<b>\$1,727,108</b>	<b>\$1,732,382</b>	<b>\$1,622,689</b>
Deposit accounts	\$1,462,626	\$1,420,221	\$1,388,668	\$1,294,600
Borrowings	\$213,588	\$165,426	\$206,239	\$192,807
All other liabilities	\$11,412	\$11,854	\$9,208	\$10,005
Stockholders' equity	\$133,907	\$129,607	\$128,267	\$125,277
<b>Total liabilities and equity</b>	<b>\$1,821,533</b>	<b>\$1,727,108</b>	<b>\$1,732,382</b>	<b>\$1,622,689</b>
<b>Assets Under Management</b>	<b>\$671,322</b>	<b>\$647,151</b>	<b>\$639,555</b>	<b>\$616,811</b>

**Balance Sheet Ratios and Other Data:**

Tier 1 Leverage Ratio-Seaside	7.88%	7.78%	7.61%	7.57%
Tier 1 Leverage Ratio-Three Shores	7.67%	7.56%	7.40%	7.36%
Total Risk-Based Capital ratio-Seaside	11.05%	11.52%	10.96%	11.33%
Total Risk-Based Capital ratio-Three Shores	10.80%	11.24%	10.71%	11.07%
Texas Ratio* (NPA's/ALLR + Equity)	2.14%	0.88%	4.10%	4.87%
Nonperforming Assets*/Total Assets	0.17%	0.07%	0.33%	0.41%
Allowance for loan losses to Total Loans	0.99%	1.01%	1.05%	1.06%
Total number of banking offices	14	15	15	15
Total shares outstanding (common & preferred)	24,010,996	23,985,634	23,718,735	23,695,235
Tangible book value per share (excludes intangible assets)	\$5.39	\$5.22	\$5.22	\$5.12

\* excludes government-backed NPA's

<b>Income Statement-For the Period:</b>	<b>2<sup>nd</sup> Qtr 2018</b>	<b>2<sup>nd</sup> Qtr 2017</b>	<b>Year-to-date 2018</b>	<b>Year-to-date 2017</b>
Total interest income	\$17,891	\$14,624	\$34,801	\$28,242
Total interest expense	\$4,916	\$2,528	\$9,031	\$4,784
Net interest income	\$12,975	\$12,096	\$25,770	\$23,458
Provision for loan losses	\$670	\$435	\$670	\$570
Net interest income after provision	\$12,305	\$11,661	\$25,100	\$22,888
Noninterest income	\$2,449	\$2,089	\$4,512	\$3,855
Noninterest expenses	\$8,663	\$8,845	\$17,881	\$17,913
Earnings before income taxes	\$6,091	\$4,905	\$11,731	\$8,830
Income taxes	\$1,546	\$1,825	\$3,166	\$3,272
Net earnings - Seaside	\$4,545	\$3,080	\$8,565	\$5,558
Three Shores net operating expense	\$172	\$132	\$364	\$273
Net earnings - Consolidated	\$4,373	\$2,948	\$8,201	\$5,285

**Income Statement Ratios and Other Data:**

Return on average assets (1)	1.00%	0.74%	0.95%	0.66%
Return on average equity (1)	13.28%	9.64%	12.51%	8.78%
Basic Earnings Per Share	\$0.18	\$0.13	\$0.34	\$0.23
Yield on Interest-earning assets	4.17%	3.73%	4.09%	3.61%
Cost of Funds	1.24%	0.71%	1.16%	0.67%
Net Interest Margin (1)	3.00%	3.07%	3.01%	2.98%
Noninterest expenses to average assets (1)	2.02%	2.24%	2.11%	2.28%
Efficiency Ratio	56.89%	63.67%	60.46%	67.03%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.32	1.07	1.31	1.07

(1) Annualized