South State Corporation

2016 Letter to Shareholders

Dear Shareholders,

This past year, South State Bank had an exciting and accomplished 2016. We benefited from the continued improvement of the United States economy and experienced even more progress in the markets we serve. These favorable conditions, combined with the unending efforts of our employees, produced another year of strong financial results.

High on the list of 2016 accomplishments is the continued strength of our team. We are attracting exceptional talent across all areas of the bank. South State employees are bound together by both a desire to serve our customers at the highest level and a commitment to each other. Our culture places a premium on integrity, commitment and, most importantly, teamwork.

The foundation of our decision-making process has always been based on the principles of soundness, profitability and growth. This approach has guided the company since its inception. We use these principles to focus on the long-term, best interests of our employees, customers and shareholders.

Soundness, Profitability and Growth

A strong financial condition can be overlooked in times of economic prosperity. We believe our conservative balance sheet, marked by considerable liquidity, high-quality assets and capital strength, is a good indicator of the company's financial condition.

Non-performing assets and loan charge-offs remain at very low levels. In 2016, we charged off only 0.06% of our non-acquired loans, and year-end non-performing assets were 0.43% of total assets. This loan quality performance is some of the best our company has ever experienced.

Our most significant investment is our loan portfolio and we are fortunate to have a loan portfolio that is diverse in size, loan type and geography. Serving approximately 620,000 individuals and businesses throughout our footprint continues to drive our portfolio's granularity and high quality.

An underpinning of our financial strength lies in the size and stability of core deposits. As interest rates begin to increase, a stable, low-cost, local deposit base is a significant advantage. Over 83% of the company's funding comes from core deposits.

A strong capital base is also an important component of a sound financial institution. South State has been able to build capital at an accelerated rate because of strong earnings and returns on equity. With a total risk-based capital ratio of over 13%, our company is well-capitalized and able to support continued expansion.

With respect to profitability, net income for the company was $101.3 million in 2016 and resulted in 1.16% return on average assets and 14.72% return on average tangible equity. Excluding non-recurring expenses, which also includes merger expenses, adjusted net income was $110.1 million, up 5.5% from a year ago. This adjusted net income resulted in adjusted return on assets of 1.26% and adjusted return on tangible equity of 15.94%. Net income per diluted share was $4.18 in 2016 and helped drive a 12.0% increase in tangible book value per share to $31.22. The company increased its annual cash dividend rate to $1.21 per share during 2016, representing a 23.5% increase from 2015.

The profitability of South State continues to place us among the best banks in the US. This performance is driven by a solid net interest margin, significant fee income and a focused effort on expense management.

South State has experienced strong growth opportunities through organic growth and additional mergers. At year-end, loans outstanding totaled $6.7 billion, which represents a growth rate of 11.2% and deposits were up $230 million to over $7.3 billion. South State's prospects for additional growth are promising as we operate in a vibrant and expanding region of the country. The success of the businesses and the in-migration of people into many of our markets is laying the foundation for continued success for our company.

Company Highlights

While we are driven by organic growth, mergers with the right partners have also contributed to our success. In January 2017, we completed the merger with Southeastern Bank Financial Corporation. This transaction added approximately $1.8 billion in assets, and approximately 50,000 customers by our entry into the attractive markets of Augusta, Georgia and Aiken, South Carolina. Southeastern has a similar culture and business model to South

State, in addition to having a great team of bankers with deep relationships within their communities. Southeastern has produced consistent results for over 28 years and we look forward to serving their customers and welcoming their employees to our team.

With the acquisition of Southeastern, South State has crossed the important financial and regulatory threshold of $10 billion in assets. Preparation for this event began several years ago and continues today. We have made significant investments in people and in the areas of risk, compliance and technology. These efforts assist us with adhering to regulatory guidance, and allow us to better serve our customers and improve the way we do business.

Corporate governance has always been a hallmark of strength for our company and continues to evolve as we grow. Recognizing potential benefits from a smaller board, we reduced the number of board directors from 21 to 14 in connection with the Southeastern merger. Seven valuable and long-serving members retired in January. We owe considerable gratitude for the service and inspiration of Luther J. Battiste, III; Herbert G. Gray; Ralph W. Norman, Jr.; Alton C. Philips; Richard W. Salmons, Jr.; B. Ed Shelley, Jr. and John W. Williamson, III, each of whom played a meaningful role in guiding our company through many years of success.

We also welcomed two new board members, Martin B. Davis and Grey B. Murray. Mr. Davis has had a distinguished career in banking and is currently the chief technology officer at Southern Company. Mr. Murray is the chief executive officer of United Brokerage Company, a regional logistics company.

We are excited about the use of technology to enhance the customer experience and influence the way we operate internally. This past year, a number of changes were made to improve our efficiency and the customer experience. Among the developments was the introduction of an online mortgage portal and the automation of our consumer lending process. Both of these advancements have resulted in greater loan volumes, enhanced customer experience and improved efficiencies.

We believe the future holds considerable promise for South State. Financial strength, a strong team and culture, and operating in some of the best markets in the US have us positioned to take advantage of new opportunities.

Thank you for your continued support and interest in South State.

Sincerely,

Robert R. Horger
Chairman

Robert R. Hill, Jr.
Chief Executive Officer

Financial Highlights:

- Earnings per share improved to $4.18, or 1.7%.
- Non-acquired loan growth was $1 billion, or 24.2%.
- Efficiency ratio was 64.2% for both 2016 and 2015.
- Net loan growth totaled $675.8 million, or 11.2%.
- OREO decreased $12.2 million to $18.3 million.
- Non-interest bearing deposits increased by $222.6 million, or 11.3%.
- Tangible book value per share rose to $31.22 per share, or 12%.
- Tangible common equity to tangible assets improved to 8.88% from 8.24%.
- Non-performing assets (NPAs) decreased $15.1 million to $38.6 million, or 28.2%.

SOUTH STATE
CORPORATION

Please read the following disclosure along with the annual shareholder letter.

Forward Looking Statement
This Report contains certain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements may address issues that involve significant risks and uncertainties. Although we believe that the expectations reflected in this discussion are reasonable, actual results may be materially different. Please refer to the Company's Annual Report on Form 10-K for the year-ended December 31, 2016 (the "Form 10-K"), for a more thorough description of the types of risks and uncertainties that may affect management's forward-looking statements. Such risks and uncertainties include, among others, risks related to the adequacy of our allowance for loan losses and the amount of loan loss provisions required in future periods; risks associated with mergers and acquisitions, including integration and implementation risks; cybersecurity risks relating to our dependence on internal computer systems and the technology of outside service providers and the potential impacts of third-party security breaches resulting from deliberate attacks or unintentional events, which could result in potential business disruptions or financial losses; regulatory change risks resulting from new laws, rules, regulations, proscribed practices or ethical standards, or from changes in regulators' application of existing laws, regulations and standards, and other risks and uncertainties discussed in the Form 10-K.

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