South State Corporation

2017 Letter to Shareholders

Dear Shareholders,

It is a pleasure to report to you the significant accomplishments your company experienced in 2017. This year included meaningful strategic developments that will have a long-term impact on South State.

In 2017, we closed two acquisitions that moved us over $10 billion in assets and further enhanced the company's position in the markets we serve. In January, we completed the merger with Southeastern Bank Financial Corporation, and in November the Park Sterling Corporation acquisition was consummated. These mergers, along with gains in existing markets, have helped separate us from the competition and create a company that is both high performing and unique.

Through this expansion, South State has created a bank that has a strong presence in the Carolinas, Georgia and Virginia. These markets include five of the fastest growing metropolitan areas in the Southeast. In the counties where we operate, our market share has grown from less than 1% to more than 6% in the last decade, and we now rank fourth behind only the largest banks in the United States.

Our company is uniquely positioned in fast-growing economies with a culture based on integrity and teamwork. This combination gives South State a competitive advantage in serving customers and attracting outstanding team members, while driving a high level of financial performance.

Soundness, Profitability and Growth

The guiding principles – soundness, profitability, and growth – have been at the core of our continued progress and success since the company's inception.

Soundness

Soundness is the foundation upon which we manage our company, striving to prudently manage risk, while generating attractive returns. We seek to maintain a sound balance sheet that has sufficient capital and ample liquidity, avoids excess concentration in any one loan category, and results in low levels of problem assets and charge-offs.

The total risk-based capital ratio at year-end stood at 13%, with common equity comprising 89% of total capital. Strong returns have also allowed us to build capital at an accelerated rate.

Together, capital and strong core funding support our lending efforts. We have a stable deposit base that has approximately 700,000 accounts with an average size of $16,500. This large number of banking relationships is unique for a bank of our size. It speaks to our long history, the companies we have acquired and the level of trust our communities have in the South State brand and team. With a loan-to-deposit ratio at year-end of 92%, we have the liquidity to meet customers' demands.

The diversification of loan categories is an important tool in managing a sound balance sheet. We diversify in two primary ways: the size of our loans and the concentration of loan purpose. South State has been disciplined in managing loan concentrations, and we remain well below the recommended regulatory levels for commercial real estate. In addition, much like our deposit base, South State has a diverse and granular loan portfolio. The unique position we hold in our markets allows us to serve large companies, individuals and small businesses. This balance of our customer base creates diversity with a large number of borrowers who have an average loan size of only $125,000.

Net loan charge-offs for 2017 were only .04% of non-acquired loans. Problem assets, as measured by total non-performing assets to total assets, represented only .25% of total loans outstanding at year-end. Our strong asset quality results reflect the strong effort of our teams, our solid customer base and the strength of the economies where we operate.

Profitability

Profitability results remained attractive in 2017. Diluted earnings per share (EPS) in 2017 was $2.93, compared to $4.18 in 2016, which was a 29.9% decline. EPS adjusted for items associated with our two mergers and the one-time tax adjustment related to the recent tax reform act rose 6.6%, from $4.55 in 2016 to $4.85 in 2017. Return on average assets totaled 0.77% in 2017, compared to 1.16% in 2016. Adjusted returns on average assets and average tangible equity were 1.28% and 15.5%, respectively, for 2017.

The Tax Cut and Jobs act should have a positive effect on our levels of profitability in future periods. Specifically, it will have an impact on reducing our tax rate, ultimately benefitting our shareholders, customers and employees. In addition, in mid-2018, the Durbin amendment goes into effect, with an annual impact of $17 million.

Growth

The growth of our company in 2017 remained very strong, with an asset growth of $5.6 billion, or 62.5% to approximately $14.5 billion at year-end. While most of this increase was a result of the acquisitions, this did not distract our team from our preferred strategy—organic growth. Excluding the impact of Park Sterling, annualized loan growth was approximately 8%, and we made very nice progress in all four of our lines of business.

Over the past three years, our stock is up 30%, and dividends have increased 61%. Since 2002, our growth in dividends per share and tangible book value has averaged 10% per year.

Our Future

Today we sit as a well-positioned, strongly capitalized and highly profitable company. In 2018, our focus is on the execution and integration of Park Sterling, continuing to attract strong talent to our team, improving efficiency and elevating our lines of business to ensure growth.

Our unique culture, team and market position cause us to be optimistic about the future. We can now shift our focus from crossing the $10 billion threshold to enhancing services for our employees, customers and communities. We see significant opportunity to expand relationships and leverage technology to improve the customer experience, efficiency and productivity. It is an exciting time to be at South State!

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

Sincerely,

Robert R. Horger
Chairman

Robert R. Hill, Jr.
Chief Executive Officer

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, 2017 (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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