South State Corporation

2018 Letter to Shareholders

Dear Shareholders,

It is our pleasure to report the progress that was made in 2018 building your company. It was a year of record earnings, solid returns on assets and equity, and a year of transition. After a decade of mergers, integrations and rapid growth, we shifted from building through mergers and acquisitions to ensuring we are well-positioned for continued soundness, profitability and organic growth.

In 2018, the 13% improvement in adjusted earnings per share allowed for a dividend increase of $0.06 per share, or 4.5%, and a repurchase of one million shares of common stock. It was also a year where our stock price declined. Overall, bank stocks were down about 24%, and South State declined 31%. In addition, we experienced revenue headwinds with the impact of the Durbin amendment. This revenue decline was partially offset by lower income tax expense (adjusted) resulting from the Tax Cuts and Jobs Act of 2017. Despite the equity market volatility, we continue to be pleased with the outlook for continuing to create value for our shareholders in the years ahead.

With significant growth and change in our bank the past few years, 2018 was a *New Season* for South State. To provide more clarity and visibility, and to introduce our view of what a new season means today and in the future, we held an investor day in December 2018 in New York. For 84 years, South State has been a high-performing, unique company. Our growth, crossing $10 billion in assets, new bank regulations, rising interest rates and some economic uncertainty made our story a little less clear than in the past. Our goal in this letter is to provide you additional clarity around South State in 2018 and our path forward.

Two important strategic initiatives were underway at the beginning of 2018 – T2 and the Park Sterling integration. T2, our technology transformation initiative, was an important step in establishing a foundation to execute our technology roadmap. The purpose of this effort was to focus on areas where technology can drive revenue, make us more efficient and add value to our customers. The other portion of this effort was to shift our focus from technology and processes that did not add value to the bank or the customer. Implementing our technology roadmap, along with further developing our delivery channels, will be critical to the future success of South State, and we made great strides in building these in 2018.

In April, we completed the integration with Park Sterling Bank. We are pleased to say this combination met financial expectations, and, more importantly, has been a great cultural fit for our company. We were fortunate to add significant talent with this merger and have continued to add to our team throughout the year, as well. One of the primary drivers for the merger was to enhance our presence in Charlotte and Raleigh, North Carolina, and Richmond, Virginia, and elevate our commercial platform with improved treasury and capital markets offerings. Customer retention was excellent, and this merger improved South State in many ways.

At a leadership meeting early in the year, one of our Division Presidents said, "South State has the opportunity to harness the power of a $15 billion bank." Much of 2018 has been about doing just that. All of our lines of business have good size and scale. In wealth and commercial, we're focused on recruiting key talent, particularly in our growth markets, where we can continue to take advantage of our unique position to compete with the larger banks. In addition, we are focused on implementing our digital roadmap, which includes offering more robust technology and delivering services faster and more conveniently to our customers.

Another critical element to harnessing this 'power' is leadership. In 2018, we reported several important leadership changes. Greg Lapointe was named President of South State Bank, and Jack Goettee was named President of South State Bank for Georgia and South Carolina. Both have been executive leaders in our company for over 10 years and have been instrumental in building South State. Jonathan Kivett was named Chief Credit Officer and has been with the bank since 2006. He was one of the architects of our strong credit culture and will continue to lead that legacy. John Windley, CEO of South State Bank, and Joe Burns, chief credit officer, announced 2019 retirements after almost two decades with the bank. We are fortunate to have a deep bench in so many areas of our bank to fill critical leadership positions.

In 2018, we laid the ground work for the future of South State. A decade ago we had less than 1% market share in the markets we serve; today we have just under 7%. With the recent BB&T and SunTrust merger announcement, our position just got stronger, placing us fifth in market share.* We have great density and depth, serving more than 700,000 customers in markets with a combined population of 11.7 million people and 200,000 businesses. We are the alternative to the large banks in our markets and see opportunities daily where this point of differentiation creates value for our customers and our bank. It is a position that has taken decades to build and would be difficult to replicate.

Soundness, Profitability and Growth

Now, we would like to turn to our 2018 financial performance based on the guiding principles for our success – soundness, profitability and growth.

Soundness

We place a high importance on building a sound bank. Having a strong balance sheet, excellent core funding, and a simple business model allows us to be opportunistic and perform well in good economic times and bad. The soundness of our company shows up in a number of ways financially. We have high levels of capital, good liquidity, a diverse and granular loan and deposit base, strong asset quality, and a high reliance on core deposit funding.

Asset quality remains a strength of your company. For the year, we had net loan charge-offs totaling $125,000 in non-acquired loans. This performance is a reflection of a consistent and disciplined credit culture that has been in place for decades.

Capital adequacy is another core measurement of soundness. At year-end, South State's total capital ratio had risen to 13.56%. This level of capital gives us flexibility as we consider ways to deploy and manage shareholders' equity.

Profitability

Profitability remained at attractive levels in 2018 and was driven by good expense management, 4% loan growth and the reduced income tax expense from the Tax Cuts & Jobs Act of 2018. Diluted earnings per share (EPS) were $4.86 compared to $2.93 in 2017. EPS, adjusted for items associated with the recent Park Sterling merger, were $5.50, an increase of 13.4% above 2017. Return on average assets and tangible equity equaled 1.23% and 14.93%, respectively, for 2018. Adjusted return on average assets was 1.39% and return on tangible equity was 16.76%. Tangible book value per share rose to $36.30 per share in 2018, an 8.0% increase from $33.61 in 2017.

To further improve profitability, we are focused on increasing efficiencies and continuing to effectively manage our expenses. We actively evaluate our processes, branch footprint and teams, and execute on our digital strategy to ensure we are serving customers in the most convenient, efficient and cost effective way.

Growth

We experienced slower balance sheet growth this year as we digested recent mergers, repositioned the balance sheet for future growth and felt the effects of slower industry growth. Our long-term outlook for organic growth is good. We operate in high-growth markets and have experienced and talented teams. Technology enhancements, like our best-in-class treasury platform, has afforded us the opportunity to add new clients in 2018 and build off of that momentum in 2019.

We also see opportunity in the digital space as consumers are embracing digital channels. Today, approximately 10% of our consumer checking accounts and loans originate through our digital channels. Almost 80% of the checking accounts coming through the digital channels are new customers to South State. While these channels are new, we feel good about the progress made and the opportunity for increased growth as we address the shift in customer preferences and behaviors, and make it easier for them to bank with us. Finally, growth depends on being in the right markets. The projected population growth for most of our major markets is more than double the national average and speaks to our positive outlook and long-term opportunity for South State.

Our Future

The banking industry has undergone, and will continue to undergo, meaningful change as we leverage technology to enhance the customer experience and see opportunities brought about by continual industry consolidation and disruption. For the first time in a number of years, we do not have a merger or integration underway, which provides the opportunity for us to focus on making your company better.

Our current position affords us an opportunity to grow what has been built over decades. With strong markets, great teams and competitive products, we are well-positioned to compete with the larger banks and make a meaningful long-term impact across our footprint.

We are excited about what lies ahead and thank you for your ongoing support and interest in South State.

Sincerely,

Robert R. Horger
Chairman

Robert R. Hill, Jr.
Chief Executive Officer

*Source: S&P Global Market Intelligence. Deposit Data as of 6/30/18. Includes combined counties of operation for SSB; excludes money center or super regional branches with greater than $1.0 Billion in deposits. Deposit data pro forma for any announced transactions. Dollars in billions.

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, 2018 ("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; 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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