

# Merger of South State Corporation and Southeastern Bank Financial Corporation

June 17, 2016



# Forward Looking Statements

Statements included in this communication which are not historical in nature are intended to be, and are hereby identified as, forward looking statements for purposes of the safe harbor provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words “may,” “will,” “anticipate,” “should,” “would,” “believe,” “contemplate,” “expect,” “estimate,” “continue,” “may,” and “intend,” as well as other similar words and expressions of the future, are intended to identify forward looking statements. South State Corporation (“SSB”) cautions readers that forward looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from anticipated results. Such risks and uncertainties, include, among others, the following possibilities: the occurrence of any event, change or other circumstances that could give rise to right of one or both of the parties to terminate the definitive merger agreement between SSB and Southeastern Bank Financial Corporation (“SBFC”); the outcome of any legal proceedings that may be instituted against SSB or SBFC; the failure to obtain necessary regulatory approvals (and the risk that such approvals may result in the imposition of conditions that could adversely affect the combined company or the expected benefits of the transaction), and shareholder approvals or to satisfy any of the other conditions to the transaction on a timely basis or at all; the possibility that the anticipated benefits of the transaction are not realized when expected or at all, including as a result of the impact of, or problems arising from, the integration of the two companies or as a result of the strength of the economy and competitive factors in the areas where SSB and SBFC do business; the possibility that the transaction may be more expensive to complete than anticipated, including as a result of unexpected factors or events; diversion of management’s attention from ongoing business operations and opportunities; potential adverse reactions or changes to business or employee relationships, including those resulting from the announcement or completion of the transaction; SSB’s ability to complete the acquisition and integration of SBFC successfully; credit risk associated with an obligor’s failure to meet the terms of any contract with the bank or otherwise fail to perform as agreed; interest risk involving the effect of a change in interest rates on both the bank’s earnings and the market value of the portfolio equity; liquidity risk affecting the bank’s ability to meet its obligations when they come due; price risk focusing on changes in market factors that may affect the value of traded instruments in “mark-to-market” portfolios; transaction risk arising from problems with service or product delivery; compliance risk involving risk to earnings or capital resulting from violations of or nonconformance with laws, rules, regulations, prescribed practices, or ethical standards; strategic risk resulting from adverse business decisions or improper implementation of business decisions; reputation risk that adversely affects earnings or capital arising from negative public opinion; terrorist activities risk that results in loss of consumer confidence and economic disruptions; cybersecurity risk related to SSB’s dependence on internal computer systems and the technology of outside service providers, as well as the potential impacts of third-party security breaches, subjects the company to potential business disruptions or financial losses resulting from deliberate attacks or unintentional events; economic downturn risk resulting changes in the credit markets, greater than expected noninterest expenses, excessive loan losses and other factors and the implementation of federal spending cuts currently scheduled to go into effect; and other factors that may affect future results of SSB and SBFC. Additional factors that could cause results to differ materially from those described above can be found in SSB’s Annual Report on Form 10-K for the year ended December 31, 2015 and in its subsequent Quarterly Reports on Form 10-Q, including for the quarter ended March 31, 2016, each of which is on file with the Securities and Exchange Commission (the “SEC”) and available in the “Investor Relations” section of SSB’s website, <http://www.southstatebank.com>, under the heading “SEC Filings” and in other documents SSB files with the SEC, and in SBFC’s Annual Report on Form 10-K for the year ended December 31, 2015 and in its subsequent Quarterly Reports on Form 10-Q, including for the quarter ended March 31, 2016, each of which is on file with the SEC and in other documents SBFC files with the SEC.

All forward-looking statements speak only as of the date they are made and are based on information available at that time. Neither SSB nor SBFC assumes any obligation to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements were made or to reflect the occurrence of unanticipated events except as required by federal securities laws. As forward-looking statements involve significant risks and uncertainties, caution should be exercised against placing undue reliance on such statements.

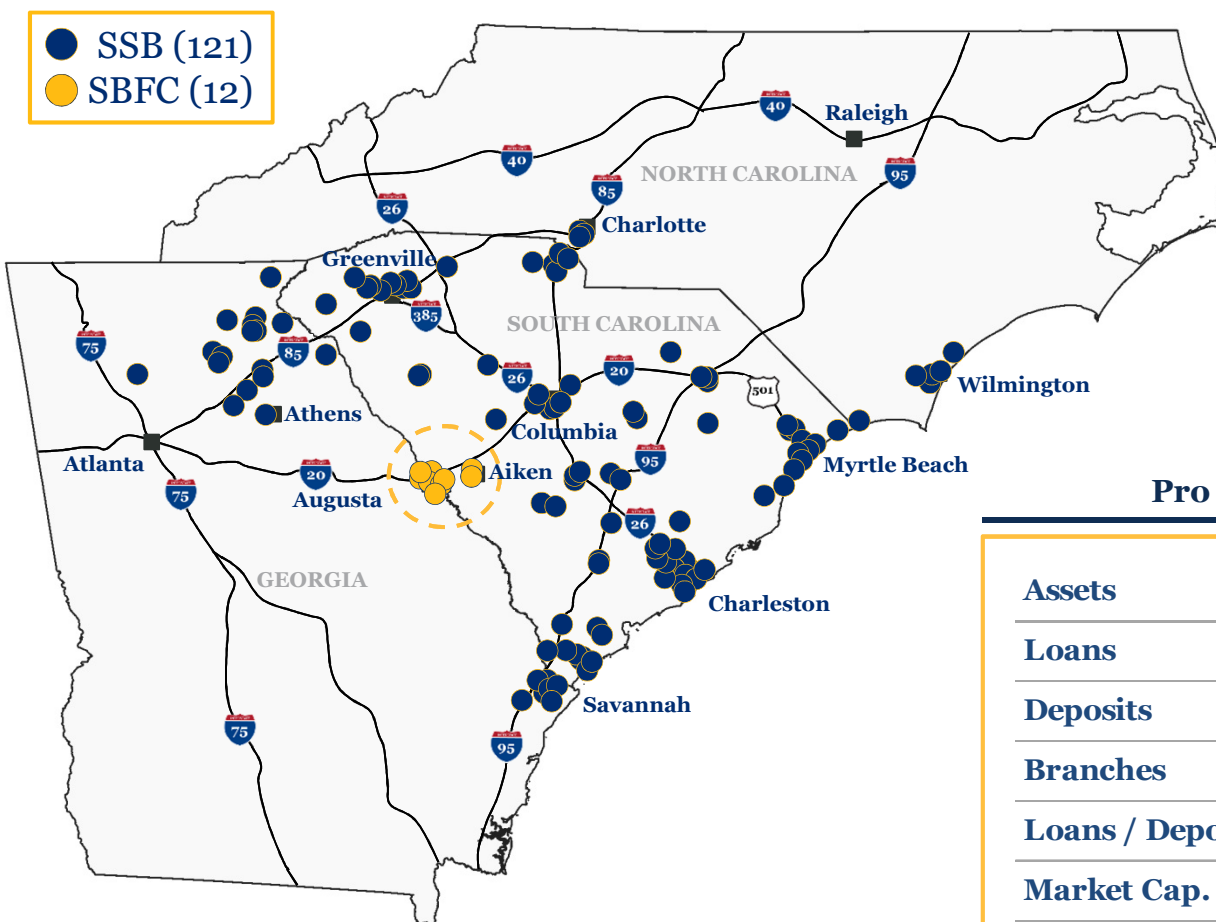
## IMPORTANT ADDITIONAL INFORMATION

In connection with the proposed transaction between SSB and SBFC, SSB will file with the SEC a Registration Statement on Form S-4 that will include a Joint Proxy Statement of SSB and SBFC and a Prospectus of SSB, as well as other relevant documents concerning the proposed transaction. The proposed transaction involving SSB and SBFC will be submitted to SBFC’s shareholders and SSB’s shareholders for their consideration. This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. **SHAREHOLDERS OF SSB AND SHAREHOLDERS OF SBFC ARE URGED TO READ THE REGISTRATION STATEMENT AND THE JOINT PROXY STATEMENT/PROSPECTUS REGARDING THE TRANSACTION WHEN IT BECOMES AVAILABLE AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THOSE DOCUMENTS, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.** Shareholders will be able to obtain a free copy of the definitive joint proxy statement/prospectus, as well as other filings containing information about SSB and SBFC, without charge, at the SEC’s website (<http://www.sec.gov>). Copies of the joint proxy statement/prospectus and the filings with the SEC that will be incorporated by reference in the joint proxy statement/prospectus can also be obtained, without charge, by directing a request to South State Corporation, 520 Gervais Street, Columbia, South Carolina 29201, Attention: John C. Pollok, Senior Executive Vice President, CFO and COO, (800) 277-2175 or to Southeastern Bank Financial Corporation, 4487 Columbia Road, Martinez, Georgia 30907, Attention: Darrell R. Rains, Executive Vice President and Chief Financial Officer, (706) 738-1378.

## PARTICIPANTS IN THE SOLICITATION

SSB, SBFC, and certain of their respective directors, executive officers and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding SSB’s directors and executive officers is available in its definitive proxy statement, which was filed with the SEC on March 4, 2016, and certain of its Current Reports on Form 8-K. Information regarding SBFC’s directors and executive officers is available in its definitive proxy statement, which was filed with SEC on March 30, 2016, and certain of its Current Reports on Form 8-K. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the joint proxy statement/prospectus and other relevant materials filed with the SEC. Free copies of this document may be obtained as described in the preceding paragraph.

# Strategic Market Expansion



## Pro Forma Highlights

Assets	\$10.5 bn
Loans	7.2
Deposits	8.7
Branches	133
Loans / Deposits	83 %
Market Cap.	\$2.0 bn
Employees	2,385

See endnotes (1)

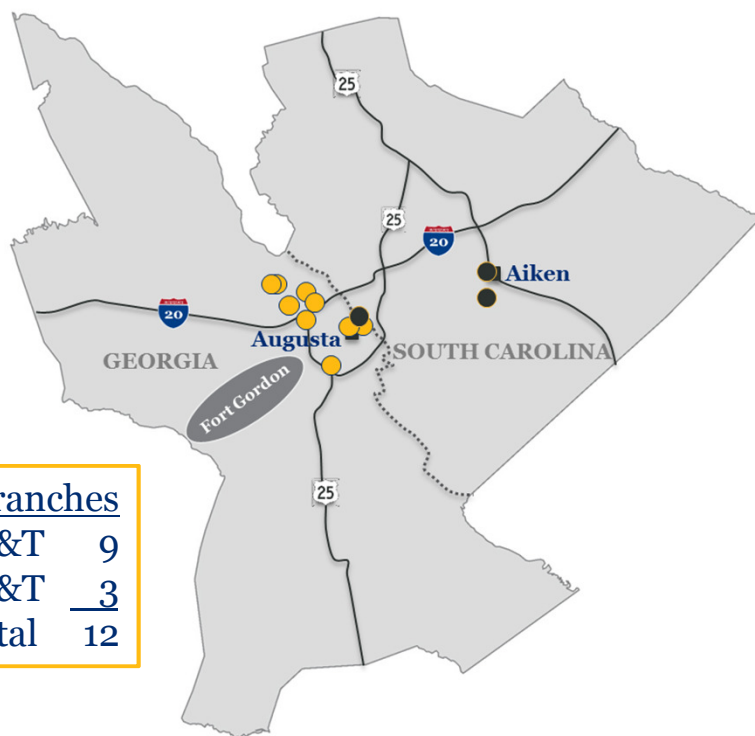
# Transaction Terms

Buyer	South State Corporation (NASDAQ: SSB)
Seller	Southeastern Bank Financial Corporation (OTCQB: SBFC)
Fixed Exchange Ratio	0.7307 shares of SSB common stock for each share of SBFC common stock
Implied Price per Share	\$49.45
Aggregate Transaction Value	\$334.9 million
Consideration	100% Stock
Price/Tangible Book Multiple	187%
Price/LTM Earnings	16.8x
Ownership Split	83% SSB / 17% SBFC
Board Representation	1 director to be appointed to SSB's Board of Directors
Required Approvals	Regulatory and shareholder approvals
Expected Closing	1 <sup>st</sup> Quarter 2017
Management Retention	Executive leadership commitment

See endnotes (2)

# A Stronghold in the Augusta Market

## Augusta –Richmond County, GA-SC MSA



### Bank Branches

● GB&T	9
● SB&T	3
<b>Total</b>	<b>12</b>

- 2<sup>nd</sup> largest MSA in Georgia
- Strong core funding
- Closely held institution with deep local ties
- #1 community bank in Augusta by deposits

## Augusta MSA Deposit Market Share

Rank	Institution	Deposits (\$mm)	Market Share	Branches
1	Wells Fargo & Co.	\$1,617	20.4 %	20
2	<b>SBFC</b>	<b>1,541</b>	<b>19.5</b>	<b>12</b>
3	Bank of America Corp.	813	10.3	9
4	SunTrust Banks Inc.	712	9.0	8
5	Security Federal Corp.	603	7.6	11
6	Regions Financial Corp.	523	6.6	15
7	First Citizens BancShares Inc.	506	6.4	13
8	State Bank Financial Corp.	433	5.5	7
9	Queensborough Co.	359	4.5	10
10	Synovus Financial Corp.	172	2.2	2

## SBFC Highlights

Assets:	\$1.9 billion
Loans:	1.0
Deposits:	1.6
# Customers:	48,000

See endnotes (3)

# Transaction Rationale

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## Soundness

- Compatible culture with like-minded employees and managers
- Comprehensive due diligence process and loan portfolio review
- Low risk pro forma loan concentration levels

## Profitability

- Low single-digit EPS accretion
- Offsets impact of crossing \$10.0 billion in assets
- Minimal initial tangible book value dilution

## Growth

- Entrance into the desirable Augusta market with #2 deposit share
- Enhances Georgia / South Carolina border franchise
- Superior bank that has grown consistently and organically for ~ 30 years

# Crossing \$10 Billion in Assets

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- We are continuing with other initiatives to help offset this lost revenue independent of this merger
- Accelerates our growth over \$10 billion

	Over \$10 Billion	Durbin Impact
Through organic growth -	Mid- 2018	Q3 2019
With this transaction closing -	Q1 2017	Q3 2018

- Estimate of lost interchange revenue:
  - About 14 cents per transaction
  - After-tax impact ~ \$7.6 million annualized, beginning 3<sup>rd</sup> quarter 2018
- Other implications:
  - DFAST – well underway with some expenses already in run rate
  - Change in calculation of our FDIC insurance premiums

# Transaction Assumptions

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## Assumptions

- Overall credit mark of \$28 million
  - Comprehensive review process
  - ~50% total loan balances reviewed
  - 100% of loans >\$500K reviewed
- Cost savings ~ 35%
  - 75% realized in 2017
  - 100% realized annually thereafter
- Assumes one-time after-tax merger related expenses ~\$28 million
- Includes full Durbin impact
- Core Deposit Intangible ~ 1.5%
- No revenue synergies assumed
- Projected close in 1<sup>st</sup> Quarter 2017



# Financial Impact

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## Financial Impact

- Low single-digit EPS accretion
- Less than 1% TBV dilution
- < 3 years estimated TBV earnback

## Pro Forma Capital Ratios at Close

Tangible Common Equity/  
Tangible Assets: ~8.5%

Total Capital Ratio: ~13%

# Lines of Business

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## Wealth Management

### ***Combined Strength:***

- Assets Under Management & Care: \$4.6 billion
- Revenues of over \$23 million
- Team of over 100 members
- Competitive platform of integrated Wealth Management solutions
  - Retail Investment Services
  - Registered Investment Advisory Firm
  - Corporate Retirement Planning
  - Trust and Asset Management

## Mortgage Banking

### ***Exceptional Opportunities:***

- Mortgage Market Share
  - #1 in Augusta MSA - SBFC
  - #2 in South Carolina - SSB
- Platform of fully integrated Mortgage Banking products
- Sell Direct: Ability to deal directly with FNMA, FHMLC & GNMA

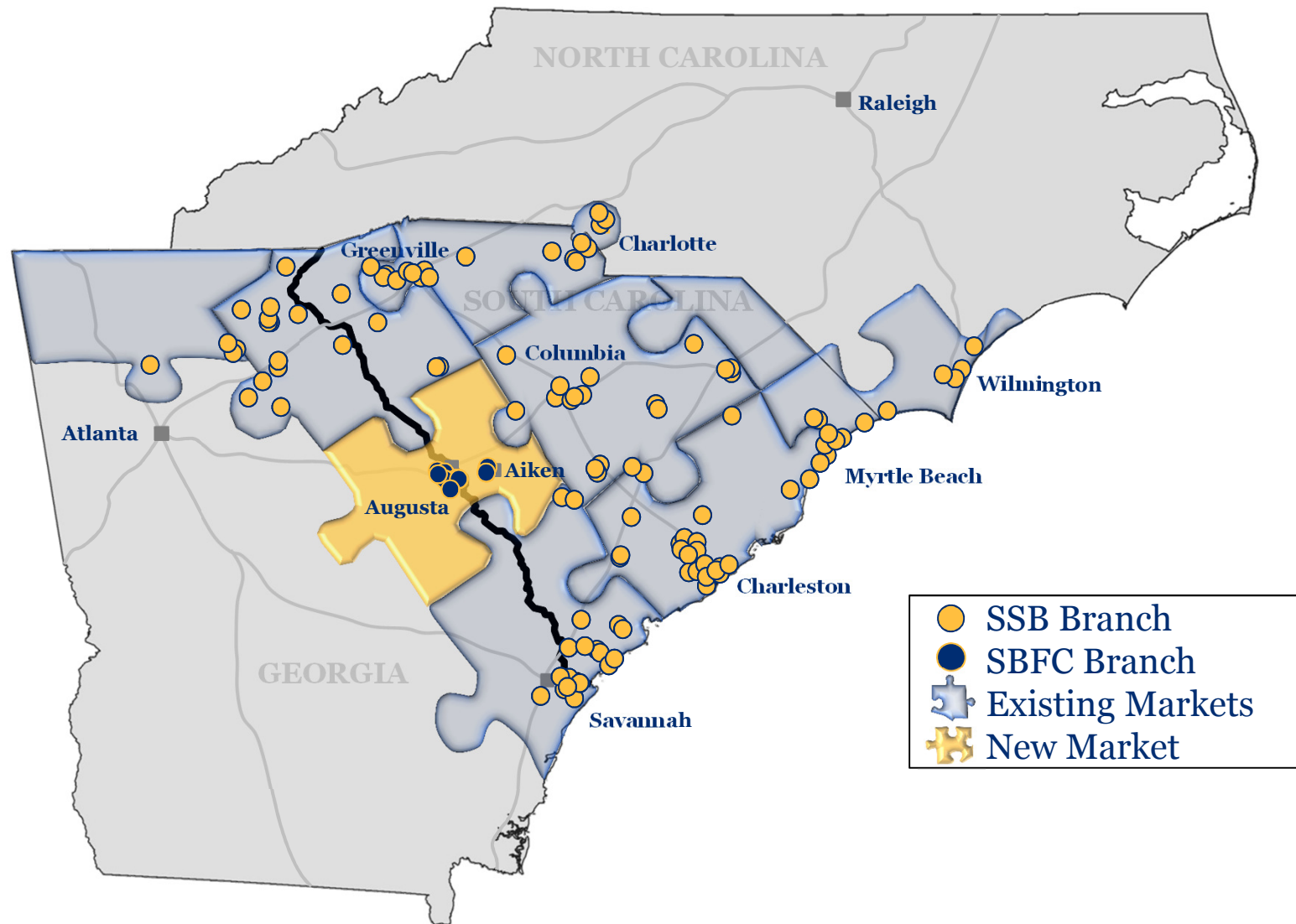
See endnotes (4)

# Summary

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- Natural expansion into attractive, adjacent market
- Similar cultures will benefit shareholders, communities, customers and employees
- Company has grown organically for ~ 30 years
- Offsets impact of crossing \$10 billion
- Positions the Company for further growth and acquisitions
- Continuing expansion of a high-performing banking franchise

# Another Piece of the Puzzle



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# Appendix

# Southeastern Bank Financial Corporation

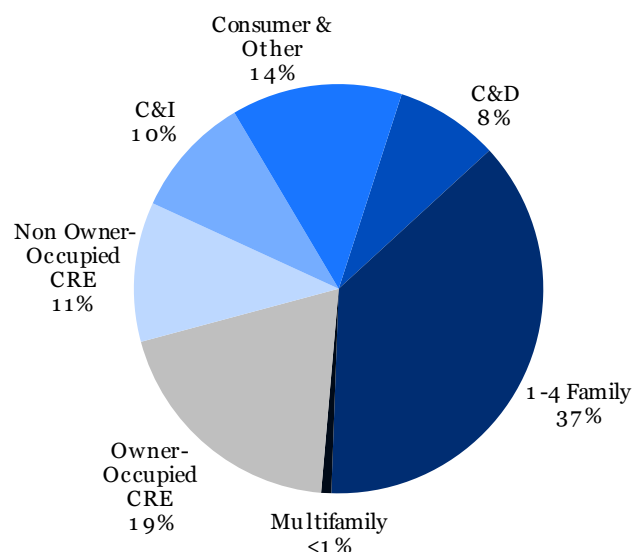
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Headquarters	Augusta, GA
Bank Subsidiary	Georgia Bank & Trust <i>SC branches operate as Southern Bank &amp; Trust (DBA)</i>
Founded	1989
Ticker	SBFC (OTCQB)
Branches	12
Total Assets	\$ 1,877 million
Total Loans	1,048
Total Deposits	1,569
Loans / Deposits	66.9 %
TCE / TA	9.49
NPA's / Assets	0.84
Net Interest Margin	3.23
Efficiency Ratio	62.4

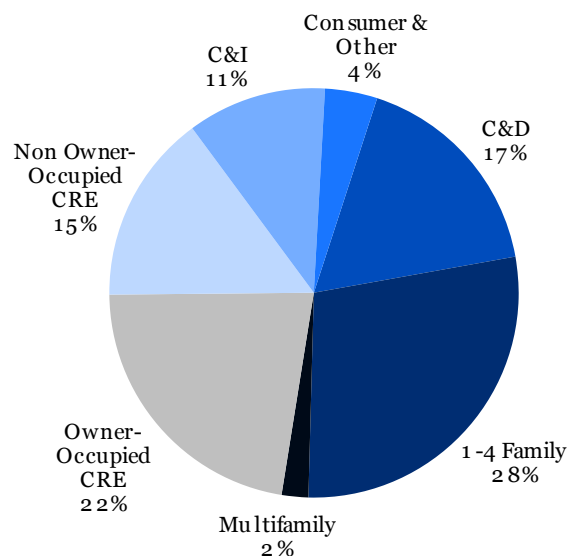
See endnotes (5)

# Combined Loan Composition

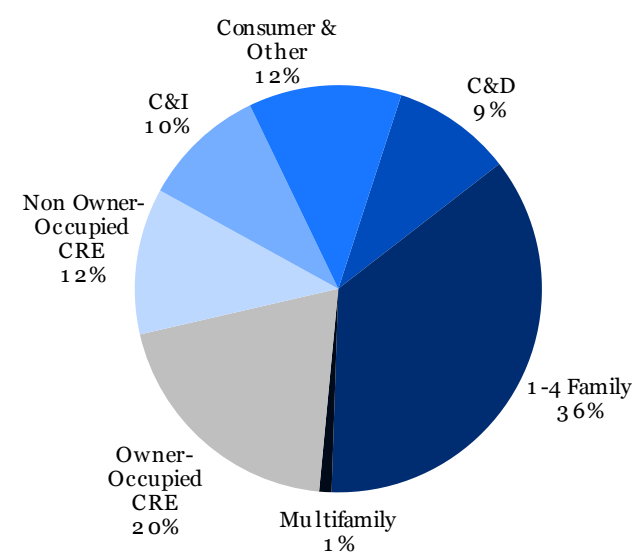
## SSB



## SBFC



## Pro Forma



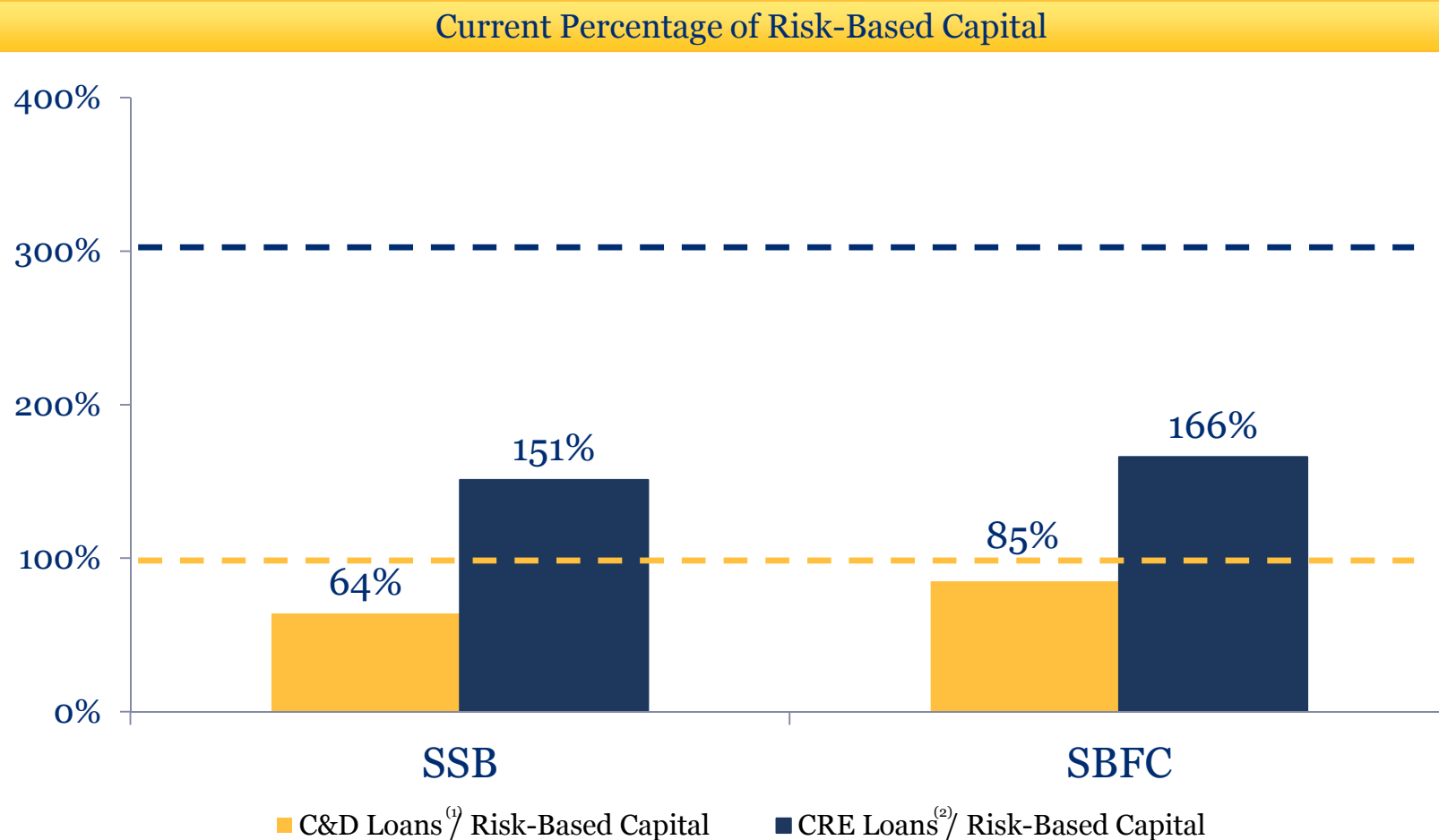
Loan Portfolio	Amount	% of Total
C&D	\$507,496	8.2 %
1-4 Family	2,318,426	37.4
Multifamily	49,291	0.8
Owner-Occupied CRE	1,207,550	19.5
Non Owner-Occupied CRE	685,768	11.1
C&I	596,759	9.6
Consumer & Other	837,863	13.5
<b>Gross Loans &amp; Leases</b>	<b>\$6,203,153</b>	<b>100.0 %</b>

Loan Portfolio	Amount	% of Total
C&D	\$180,093	17.2 %
1-4 Family	296,213	28.3
Multifamily	22,090	2.1
Owner-Occupied CRE	233,952	22.3
Non Owner-Occupied CRE	157,579	15.0
C&I	115,225	11.0
Consumer & Other	43,372	4.1
<b>Gross Loans &amp; Leases</b>	<b>\$1,048,524</b>	<b>100.0 %</b>

Loan Portfolio	Amount	% of Total
C&D	\$687,589	9.5 %
1-4 Family	2,614,639	36.1
Multifamily	71,381	1.0
Owner-Occupied CRE	1,441,502	19.9
Non Owner-Occupied CRE	843,347	11.6
C&I	711,984	9.8
Consumer & Other	881,235	12.2
<b>Gross Loans &amp; Leases</b>	<b>\$7,251,677</b>	<b>100.0 %</b>

See endnotes (6)

# C&D and CRE Concentration Levels

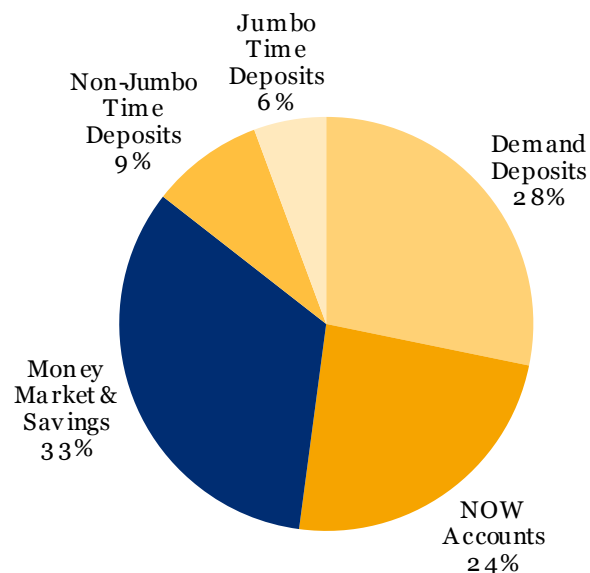


See endnotes (7)

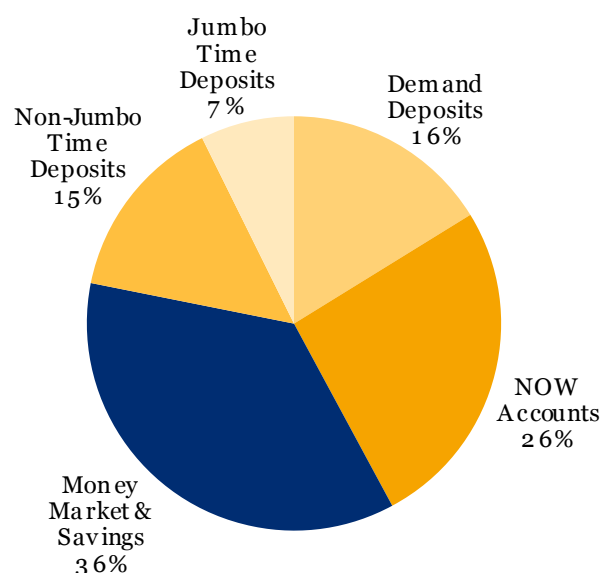


# Combined Deposit Composition

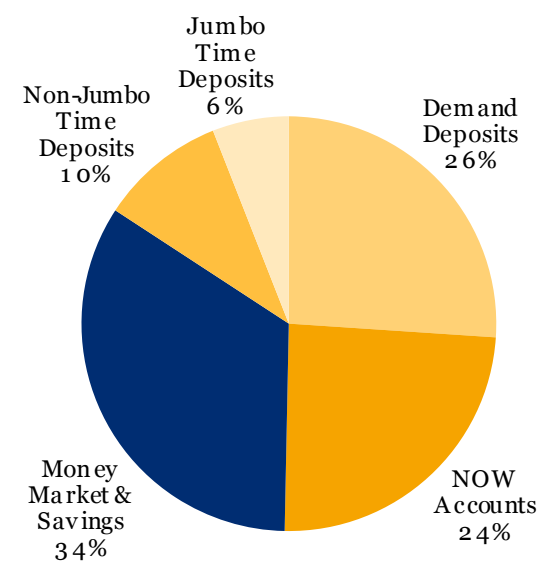
## SSB



## SBFC



## Pro Forma



Deposit Composition	Amount	% of Total
Demand Deposits	\$2,020,632	28.2 %
NOW Accounts	1,711,391	23.9 %
Money Market & Savings	2,393,794	33.4 %
Non-Jumbo Time Deposits	630,842	8.8 %
Jumbo Time Deposits	405,289	5.7 %
<b>Total Deposits</b>	<b>\$7,161,948</b>	<b>100.0 %</b>

Deposit Composition	Amount	% of Total
Demand Deposits	\$254,356	16.2 %
NOW Accounts	406,553	25.9 %
Money Market & Savings	564,568	36.0 %
Non-Jumbo Time Deposits	228,031	14.5 %
Jumbo Time Deposits	114,945	7.3 %
<b>Total Deposits</b>	<b>\$1,568,453</b>	<b>100.0 %</b>

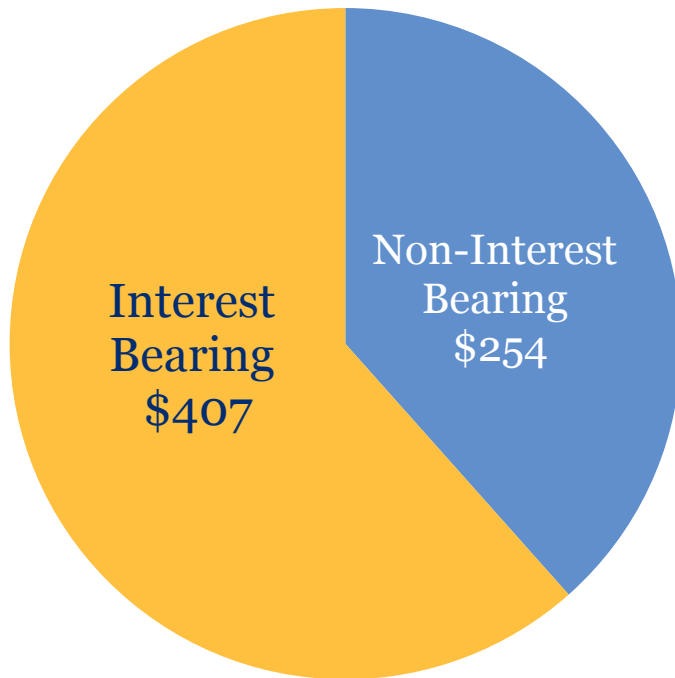
Deposit Composition	Amount	% of Total
Demand Deposits	\$2,274,988	26.1 %
NOW Accounts	2,117,944	24.3 %
Money Market & Savings	2,958,362	33.9 %
Non-Jumbo Time Deposits	858,873	9.8 %
Jumbo Time Deposits	520,234	6.0 %
<b>Total Deposits</b>	<b>\$8,730,401</b>	<b>100.0 %</b>

See endnotes (8)

# Transaction Deposit Mix

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## Southeastern Bank Financial Corporation



Account Balance  
in Millions

Checking Accounts	~ 38,000
Online Banking	~ 25,000 users
Bill Pay users	~ 20,000 users
Mobile Banking	~ 15,000 users

See endnotes (9)

# Market Highlights: Augusta

## Augusta, GA Market Overview

- Augusta is the second largest MSA in Georgia with a population of more than 500,000
- Major economic sectors include science & discovery, manufacturing, defense, higher education and health services
- Home to Fort Gordon, which serves as the U.S. Army base for Cyber Command – expected to grow by 2,500 personnel by 2019
- A low cost of living and strong labor force combine to facilitate consistent business growth
  - Recent Job Growth was 3.6% compared to 3.1% nationwide

## Highlight Demographics <sup>(1)</sup>

	SBFC	SSB	U.S
Total Population (000s)	512	6,671	322,403
Projected Population Growth	4.0%	5.6%	3.7%
Projected Household Income Growth	4.9%	6.3%	7.8%
Projected 2021 Household Income	\$50,091	\$51,842	\$59,867

## Major Area Employers



A Textron Company



COVIDIEN



See endnotes (10)

# Investor Contacts

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**Robert R. Hill, Jr.**

Chief Executive Officer

**John C. Pollok**

Senior Executive Vice President

Chief Financial Officer / Chief Operating Officer

**James C. Mabry IV**

Executive Vice President

Investor Relations and Mergers & Acquisitions

**R. Daniel Blanton**

Chief Executive Officer

**Ronald L. Thigpen**

President & Chief Operating Officer

**Darrell R. Rains**

Executive Vice President

Chief Financial Officer

520 Gervais Street  
Columbia, South Carolina 29201  
800-277-2175  
[www.southstatebank.com](http://www.southstatebank.com)

3530 Wheeler Road  
Augusta, Georgia 30909  
706-738-6990  
[www.georgiabankandtrust.com](http://www.georgiabankandtrust.com)

# Endnotes

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1. Source: SNL Financial. Financial data as of or for the three months ended 3/31/2016, exclude purchase accounting adjustments.
2. Terms are based off of SSB's closing stock price on 6/15/16. Price/TBV based upon SBFC's tangible book value per share of \$26.39 as of 3/31/16. Price/LTM earnings based upon net income of \$19.9 million for the twelve months ended 3/31/16.
3. Source: SNL Financial. Deposit data as of 6/30/15; financial data as of or for the three months ended 3/31/16.
4. Wealth Management financial data is proforma as of 3/31/16.
5. Source: SNL Financial. Financial data as of 3/31/16. Community bank defined as institutions with less than \$25 billion in total assets.
6. Source: SNL Financial. Data as of or for the three months ended 3/31/16.
7. Source: SNL Financial. Data as of 3/31/16. (1) Includes 1-4 family residential construction loans, other construction loans, all land development loans and other land loans. (2) Includes loans securitized by multi-family properties, loans secured by other non-farm, non residential properties (non-owner occupied), and loans to finance CRE.
8. Source: SNL Financial. Data as of or for the three months ended 3/31/16. Jumbo time deposits defined as time deposits greater than \$100,000.
9. Financial data as of 3/31/16. Transaction accounts are identified as Demand Deposits (Non-interest bearing ) and NOW Accounts (Interest Bearing)
10. Source: Augusta Metro Chamber, Augusta Economic Development Authority; Augusta Chronicle. (1) Projected figures represent expected growth from 2016-2021; demographic statistics deposit weighted by county.