

SOUTH STATE Corp  
Form DEF 14A  
March 06, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934 (Amendment No.        )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

SOUTH STATE CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5)

Edgar Filing: SOUTH STATE Corp - Form DEF 14A

Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

---

SOUTH STATE CORPORATION

520 Gervais Street

Columbia, South Carolina 29201

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To be held April 20, 2017

TO THE SHAREHOLDERS:

Notice is hereby given that the Annual Meeting of the Shareholders (the "Annual Meeting") of South State Corporation, a South Carolina corporation (the "Company"), will be held at the Company's headquarters in the Orangeburg Conference Room on the second floor, 520 Gervais Street, Columbia, South Carolina at 2:00 p.m., on April 20, 2017, for the following purposes:

- (1) To elect four directors to serve three-year terms and one director to serve a two-year term (Board of Directors unanimously recommends that you vote "FOR" this proposal);
  - (2) To conduct an advisory vote on the compensation of the Company's named executive officers (this is a non-binding, advisory vote; the Board of Directors unanimously recommends that you vote "FOR" this proposal);
  - (3) To conduct an advisory vote on the frequency of future advisory votes on compensation of the Company's named executive officers (this is a non-binding, advisory vote; the Board of Directors unanimously recommends that you vote "FOR" the option of "ANNUALLY" in this proposal);
  - (4) To consider a proposal to approve the 2012 Omnibus Stock and Performance Plan, as amended and restated, to re-approve the performance goals under the Plan and include a limit on non-employee director equity compensation payable under the Plan (the Board of Directors unanimously recommends that you vote "FOR" this proposal);
  - (5) To ratify, as an advisory, non-binding vote, the appointment of Dixon Hughes Goodman LLP, Certified Public Accountants, as independent registered public accounting firm for the Company for the fiscal year ending December 31, 2017 (Board of Directors unanimously recommends that you vote "FOR" this proposal); and
  - (6) To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.
- Only record holders of Common Stock of the Company at the close of business on February 21, 2017, are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

You are cordially invited and urged to attend the Annual Meeting in person. Whether or not you plan to attend the Annual Meeting in person, you are requested to promptly vote by telephone, internet, or by mail on the proposals presented, following the instructions on the Proxy Card for whichever voting method you prefer. If you vote by mail, please complete, date, sign, and promptly return the enclosed proxy in the enclosed self-addressed, postage-paid envelope. If you need assistance in completing your proxy, please call the Company at 800-277-2175. If you are a record shareholder, attend the meeting, and desire to revoke your proxy and vote in person, you may do so. In any event, a proxy may be revoked by a record shareholder at any time before it is exercised.

By Order of the Board of Directors

William C. Bochette, III

Secretary

Columbia, South Carolina

March 6, 2017

---

SOUTH STATE CORPORATION

520 Gervais Street

Columbia, South Carolina 29201

PROXY STATEMENT

FOR THE ANNUAL MEETING OF SHAREHOLDERS

to be Held April 20, 2017

This Proxy Statement is furnished to shareholders of South State Corporation, a South Carolina corporation (herein, unless the context otherwise requires, together with its subsidiaries, the “Company”), in connection with the solicitation of proxies by the Company’s Board of Directors for use at the 2017 Annual Meeting of Shareholders to be held at the Company’s headquarters in the Orangeburg Conference Room on the second floor, 520 Gervais Street, Columbia, South Carolina at 2:00 p.m., on April 20, 2017 or any adjournment thereof (the “Annual Meeting”), for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. Directions to the Company’s headquarters may be obtained by contacting Linda Auten at 803-231-5037.

Solicitation of proxies may be made in person or by mail, telephone or other means by directors, officers and regular employees of the Company. The Company may also request banking institutions, brokerage firms, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the common stock, par value \$2.50 per share (the “Common Stock”), of the Company held of record by such persons, and the Company will reimburse the reasonable forwarding expenses. The cost of solicitation of proxies will be paid by the Company. This Proxy Statement was first mailed to shareholders on or about March 9, 2017.

The Company’s principal executive offices are located at 520 Gervais Street, Columbia, South Carolina 29201. The Company’s mailing address is P.O. Box 1030, Columbia, South Carolina 29202, and its telephone number is 800-277-2175.

ANNUAL REPORT

The Annual Report to Shareholders (which includes the Company’s Annual Report on Form 10-K containing, among other things, the Company’s fiscal year ended December 31, 2016 financial statements) accompanies this proxy statement. Such Annual Report to Shareholders does not form any part of the material for the solicitation of proxies.

REVOCAION OF PROXY

Any record shareholder returning the accompanying proxy may revoke such proxy at any time prior to its exercise (a) by giving written notice to the Company of such revocation, (b) by voting in person at the meeting, or (c) by executing and delivering to the Company a later dated proxy. Attendance at the Annual Meeting will not in itself constitute revocation of a proxy. Any written notice or proxy revoking a proxy should be sent to South State Corporation, P.O. Box 1030, Columbia, South Carolina 29202, Attention: William C. Bochette, III. Written notice of revocation or delivery of a later dated proxy will be effective upon receipt thereof by the Company.

QUORUM AND VOTING

The Company's only voting security is its Common Stock, each share of which entitles the holder thereof to one vote on each matter to come before the Annual Meeting. At the close of business on February 21, 2017 (the "Record Date"), the Company had issued and outstanding 29,230,734 shares of Common Stock, which were held of record by approximately 18,000 persons. Only shareholders of record at the close of business on the Record Date are entitled to notice of and to vote on matters that come before the Annual Meeting. Notwithstanding the Record Date specified above, the Company's stock transfer books will not be closed and shares of the Common Stock may be transferred subsequent to the Record Date. However, all votes must be cast in the names of holders of record on the Record Date.

The presence in person or by proxy of the holders of a majority of the outstanding shares of Common Stock entitled to vote at the Annual Meeting is necessary to constitute a quorum at the Annual Meeting. If a share is represented for any purpose at the Annual Meeting by the presence of the registered owner or a person holding a valid proxy for the registered owner, it is deemed to be present for the purposes of establishing a quorum. Therefore, valid proxies which are marked "Abstain" or "Withhold" or as to which no vote is marked, including proxies submitted by brokers who are the record owners of shares but who lack the power to vote such shares (so-called "broker non-votes"), will be included in determining the number of votes present or represented at the Annual Meeting. If a quorum is not present or represented at the Annual Meeting, the shareholders entitled to vote, present in person or represented by proxy, have the power to adjourn the Annual Meeting from time to time until a quorum is present or represented. If any such adjournment is for a period of less than 30 days, no notice, other than an announcement at the Annual Meeting, is required to be given of the adjournment. If the adjournment is for 30 days or more, notice of the adjourned Annual Meeting will be given in accordance with the

Company's Bylaws. Directors, officers and regular employees of the Company may solicit proxies for the reconvened Annual Meeting in person or by mail, telephone or other means. At any such reconvened Annual Meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the Annual Meeting as originally noticed. Once a quorum has been established, it will not be destroyed by the departure of shares prior to the adjournment of the Annual Meeting.

Provided a quorum is established at the Annual Meeting, directors will be elected by a majority of the votes cast at the Annual Meeting. Shareholders of the Company do not have cumulative voting rights.

All other matters to be considered and acted upon at the Annual Meeting require that the number of shares of Common Stock voted in favor of the matter exceed the number of shares of Common Stock voted against the matter, provided a quorum has been established. Abstentions, broker non-votes and the failure to return a signed proxy will have no effect on the outcome of such matters.

Brokers are members of the New York Stock Exchange (the "NYSE") which allows its member-brokers to vote shares held by them for their customers on matters the NYSE determines are routine, even though the brokers have not received voting instructions from their customers. If the NYSE does not consider a matter routine, then your broker is prohibited from voting your shares on the matter unless you have given voting instructions on that matter to your broker. Because the NYSE does not consider Proposals No. 1, 2, 3 and 4 to be routine matters, it is important that you provide instructions to your bank or broker if your shares are held in street name so that your vote with respect to each of these matters is counted. If you do not give your bank or broker voting instructions with respect to Proposals No. 1, 2, 3 and 4, your bank or broker may not vote on these matters.

#### IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

FOR THE SHAREHOLDER MEETING TO BE HELD ON April 20, 2017

This Proxy Statement and the Company's 2016 Annual Report to Shareholders (which includes its 2016 Annual Report on Form 10-K) are available at <http://www.envisionreports.com/SSB>.

#### ACTIONS TO BE TAKEN BY THE PROXIES

Each proxy, unless the shareholder otherwise specifies therein, will be voted according to the recommendations of the Board of Directors as follows:

- Proposal One: FOR the election of the persons named in this Proxy Statement as the Board of Directors' nominees for election to the Board of Directors; and
- Proposal Two: FOR the approval of the compensation of the Company's named executive officers as disclosed in this proxy statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the compensation discussion and analysis, the compensation tables and any related material disclosed in this proxy statement; and
- Proposal Three: FOR the frequency of future advisory votes to approve the compensation of the Company's named executive officers to be "ANNUALLY"; and
- Proposal Four: FOR the approval of the proposal to adopt the 2012 Omnibus Stock and Performance Plan, as amended and restated, to re-approve the performance goals under the Plan and include a limit on non-employee director equity compensation payable under the Plan; and
- Proposal Five: FOR the ratification of the appointment of Dixon Hughes Goodman LLP as independent registered public accounting firm for the fiscal year ending December 31, 2017.

In each case where the shareholder has appropriately specified how the proxy is to be voted, it will be voted in accordance with his or her specifications. As to any other matter of business that may be brought before the Annual Meeting, a vote may be cast pursuant to the accompanying proxy in accordance with the best judgment of the persons voting the same. However, the Board of Directors does not know of any such other business.

#### SHAREHOLDER PROPOSALS AND COMMUNICATIONS

Any shareholder of the Company desiring to include a proposal pursuant to Rule 14a-8 under the Securities Exchange Act of 1934 (the Exchange Act) in the Company's 2018 proxy statement for action at the 2018 Annual Meeting of Shareholders must deliver the proposal to the executive offices of the Company no later than November 9, 2017, unless the date of the 2017 Annual Meeting of Shareholders is more than 30 days before or after April 21, 2018, in which case the proposal must be received a reasonable time before we begin to print and send our proxy materials. Only proper proposals that are timely received and in compliance with Rule 14a-8 will be included in the Company's 2018 proxy statement.



Under our Bylaws, shareholder proposals not intended for inclusion in the Company’s 2018 proxy statement pursuant to Rule 14a-8 but intended to be raised at the 2018 Annual Meeting of Shareholders, including nominations for election of director(s) other than the Board’s nominees, must be received no earlier than 120 days and no later than 90 days prior to the first anniversary of the 2017 Annual Meeting of Shareholders and must comply with the procedural, informational and other requirements outlined in our Bylaws. To be timely for the 2018 Annual Meeting of Shareholders, a shareholder proposal must be delivered to the Secretary of the Company, P.O. Box 1030, Columbia, South Carolina 29202, no earlier than December 21, 2017 and no later than January 20, 2018.

The Company does not have a formal process by which shareholders may communicate with the Board of Directors. Historically, however, the chairman of the Board or the Governance Committee has undertaken responsibility for responding to questions and concerns expressed by shareholders. In the view of the Board of Directors, this approach has been sufficient to ensure that questions and concerns raised by shareholders are adequately addressed. Any shareholder desiring to communicate with the Board may do so by writing to the Secretary of the Company at P.O. Box 1030, Columbia, South Carolina 29202.

#### BENEFICIAL OWNERSHIP OF CERTAIN PARTIES

The following table sets forth the number and percentage of outstanding shares that exceed 5% beneficial ownership (determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934) by any single person or group, as known by the Company:

Title of Class	Name and Address of Beneficial Owner	Amount of Beneficial Ownership	Percent of Shares Outstand
Common Stock	BlackRock, Inc. 55 East 52nd Street, New York, NY 10055	1,777,137	(1) 6.1
Common Stock	The Vanguard Group 100 Vanguard Boulevard, Malvern, PA 19355	1,797,347	(2) 6.1

- 
- (1) Beneficial ownership of BlackRock, Inc. is based on its Schedule 13G/A filed with the U.S. Securities and Exchange Commission (“SEC”) on January 26, 2017. BlackRock, Inc. reported that it has sole power to vote or to direct the vote of 1,692,356 shares of Common Stock and sole power to dispose or direct the disposition of 1,777,137 shares of Common Stock.
  - (2) Beneficial ownership of The Vanguard Group is based on its Schedule 13G filed with the SEC on February 13, 2017. The Vanguard Group reported that it has sole power to vote or to direct the vote of 28,449 shares of Common Stock, shared power to dispose or direct the disposition of 29,832 shares of Common Stock, and sole power to dispose or direct the disposition of 1,767,515 shares of Common Stock.

## BENEFICIAL OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth, as of February 21, 2017, the number and percentage of outstanding shares of Common Stock beneficially owned by (i) each director and nominee for director of the Company, (ii) each executive officer named in the Summary Compensation Table, and (iii) all executive officers and directors of the Company as a group. Unless otherwise indicated, the mailing address for each beneficial owner is care of South State Corporation, P.O. Box 1030, Columbia, South Carolina 29202.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Percent of Shares Outstanding
	Common Shares Beneficially Owned (1)	Common Shares Subject to a Right to Acquire (2)	
Jimmy E. Addison (6)	13,269	—	* %
Paula Harper Bethea	12,507	—	* %
Renee R. Brooks (4) (6)	10,858	4,093	* %
Joseph E. Burns (4) (5) (6)	37,366	23,989	* %
Martin B. Davis (6)	400	—	* %
Robert H. Demere, Jr. (3)(5) (6)	93,695	—	* %
M. Oswald Fogle (6)	23,935	500	* %
Cynthia A. Hartley (6)	6,823	—	* %
Robert R. Hill, Jr. (3)(4) (6)	98,533	55,624	* %
Robert R. Horger (3) (4) (6)	102,145	22,091	* %
Thomas J. Johnson	21,190	—	* %
Grey B. Murray (6)	3,020	—	* %
John C. Pollok (3) (4) (6)	67,082	41,099	* %
James W. Roquemore (3) (5) (6)	44,178	500	* %
Thomas E. Suggs (6)	15,205	—	* %
Kevin P. Walker (6)	11,026	—	* %
John F. Windley (4) (6)	27,707	26,914	* %
All directors and executive officers as a group (19 persons) (4) (6)	635,727	177,639	2.78 %

\* Represents less than 1%.

- (1) As reported to the Company by the directors, nominees and executive officers.
- (2) Based on the number of shares of Common Stock acquirable by directors and executive officers through vested stock options within 60 days of the Record Date of February 21, 2017.
- (3) Excludes shares of Common Stock owned by or for the benefit of family members of the following directors and executive officers, each of whom disclaims beneficial ownership of such shares: Mr. Pollok, 666 shares; Mr. Horger, 377 shares; Mr. Demere, 1,325 shares and Mr. Roquemore, 5,587 shares; and all directors and executive officers as a group, 7,955 shares.
- (4) Includes shares of Common Stock held as of December 31, 2016 by the Company under the Company's 401(K) Employee Savings Plan, as follows: Mrs. Brooks, 3,807 shares; Mr. Horger, 1,816 shares; Mr. Pollok, 7,723 shares; Mr. Windley, 2,758 shares; and all directors and executive officers as a group, 22,303 shares.
- (5) For Mr. Demere, includes 52,257 shares of Common Stock owned by Colonial Group, Inc., of which Mr. Demere is President and Chief Executive Officer. For Mr. Roquemore, includes 9,426 shares owned by Patten Seed Company, of which Mr. Roquemore is a 29% owner and management affiliate. For Mr. Burns, includes 2,137 shares owned by J.E. Burns Holdings, Inc., of which Mr. Burns is an 86% owner and has the ability to direct the voting and disposition of the shares.
- (6) Includes unvested shares of restricted stock, as to which the executive officers and directors have full voting privileges. The shares are as follows: Mrs. Brooks, 1,396 shares; Mr. Burns, 2,635 shares; Mr. Hill, 16,973 shares;

Mr. Horger, 1,230 shares; Mr. Pollok, 14,834 shares; and all directors and executive officers as a group, 38,971 shares.

PROPOSAL NO. 1: ELECTION OF DIRECTORS

The Articles of Incorporation of the Company provide for a maximum of twenty directors; to be divided into three classes with each director serving a three-year term, with the classes as equal in number as possible. The Board of Directors has currently established the number of directors at fourteen.

Robert R. Hill, Jr., Paula Harper Bethea, Martin B. Davis, Thomas J. Johnson, and Grey B. Murray, all of whom currently are directors of the Company and whose terms expire at the Annual Meeting, have been nominated by the Board of Directors for re-election by the shareholders. If re-elected, Mrs. Bethea and Messrs. Hill and Johnson will serve as directors of the Company for a three-year term, expiring at the 2020 Annual Meeting of Shareholders of the Company.

Martin B. Davis was appointed to the Board of Directors effective May 13, 2016. Under South Carolina law, Mr. Davis' term expires at the Annual Meeting, and we ask that you re-elect Mr. Davis to our Board of Directors. If re-elected, Mr. Davis will serve as director of the Company for a three-year term, expiring at the 2020 Annual Shareholders Meeting of the Company.

Grey B. Murray was appointed to the Board of Directors effective January 3, 2017. Under South Carolina law, Mr. Murray's term expires at the Annual Meeting, and we ask that you re-elect Mr. Murray to our Board of Directors. If re-elected, Mr. Murray will serve as director of the Company for a two-year term, expiring at the 2019 Annual Shareholders Meeting of the Company.

Under our current Bylaws, in the event that a director attains age 72 during his or her term of office, he or she shall serve only until the next shareholders' meeting after his or her 72nd birthday. As a result, M. Oswald Fogle will retire effective as of the Annual Meeting. The Board of Directors has determined not to fill the vacancy caused by Mr. Fogle's retirement at this time. Therefore, following the Annual Meeting, the Board will be reduced to thirteen directors. Mr. Fogle served as a director of the Company since 2001. The Company appreciates Mr. Fogle's contribution to the Company during his service as a director.

The Board of Directors unanimously recommends that shareholders vote "FOR" the director nominees.

Edgar Filing: SOUTH STATE Corp - Form DEF 14A

The table below sets forth for each director his or her name, age, when first elected and current term expiration, business experience for at least the past five years, and the qualifications that led to the conclusion that the individual should serve as a director.

Name	Age	First Elected Director	Current Term Expires	Nominee for New Term	Business Experience for the Past Five Years and Director Qualifications
Robert R. Horger	66	1991	2019		Chairman of the Company and its wholly-owned banking subsidiary, South State Bank (sometimes also referred to herein as the "Bank"), since 1998. He also has served as Vice Chairman of the Company and the Bank, from 1994 to 1998. Mr. Horger has been an attorney with Horger, Barnwell and Reid in Orangeburg, South Carolina, since 1975. During his tenure as Chairman, Mr. Horger has developed knowledge of the Company's business, history, organization, and executive management which, together with his personal understanding of many of the markets that we serve, has enhanced his ability to lead the Board of Directors through the current challenging economic climate. Mr. Horger's legal training and experience enhance his ability to understand the Company's regulatory framework.
Robert R. Hill, Jr.	50	1996	2017		Chief Executive Officer of the Company since July 26, 2013. Prior to that time, Mr. Hill served as President and Chief Executive Officer of the Company from November 6, 2004 to July 26, 2013. Prior to that time, Mr. Hill served as President and Chief Operating Officer of South State Bank, from 1999 to November 6, 2004. Mr. Hill joined the Company in 1995. He was appointed to serve on the Federal Reserve Board of Directors in December 2010. Mr. Hill brings to the board an intimate understanding of the Company's business and organization, as well as substantial leadership ability, banking industry expertise, and management experience.
John C. Pollok	51	2012	2018		Chief Financial Officer and Chief Operating Officer of the Company since March 21, 2012. Mr. Pollok previously served as the Chief Operating Officer of the Company and the Bank from January 4, 2010 until March 21, 2012. Prior to that time, Mr. Pollok served as the Chief Financial Officer and Chief Operating Officer of the Company and the Bank from February 15, 2007 until January 3, 2010. Mr. Pollok brings to the board an overall institutional knowledge of the Company's business, banking industry expertise, and leadership experience.

Operating

Officer

South  
State

Bank

Employee

Jimmy E. Addison      56      2007      2019

Chief Financial Officer of SCANA Corporation, the holding company of South Carolina Electric and Gas Company and other utility-related concerns, since 2006. President of SCANA Energy since 2014. He also serves as a member of the board (past president) for the Business Partnership Foundation of the Darla Moore School of Business at the University of South Carolina. Mr. Addison is also a licensed CPA and previously worked for an international accounting firm. His leadership experience, knowledge of financial reporting requirements of public companies, and business and personal ties to many of the Bank's market areas enhance his ability to contribute as a director.

Edgar Filing: SOUTH STATE Corp - Form DEF 14A

Paula Harper Bethea Vice Chairman	61	2013	2017	Vice-Chairman of the Board of Directors of the Company and the Bank since 2013. Mrs. Bethea is currently President of Strategic Synergies LLC and President of Dillon Property Holdings LLC. Mrs. Bethea was formerly the Executive Director of the South Carolina Education Lottery and was one of nine South Carolinians chosen in 2001 to establish the Lottery. Prior to this position, Mrs. Bethea was with the McNair Law Firm from 2006 to 2009 where she served as Director of External Relations. Mrs. Bethea served on the board of directors of former First Financial Holdings, Inc. of Charleston, South Carolina ("FFHI") from 1996 until FFHI merged with the Company in 2013. Her business and personal experience in certain of the communities that the Bank serves provides her with an appreciation of markets that we serve, and her leadership experiences provide her with insights regarding organizational behavior and management.
Martin B. Davis	53	2016	2017	Martin Davis is executive vice president of Southern Company Services and chief information officer of Southern Company. Mr. Davis has spent nearly 30 years leading complex technology organizations in highly regulated environments. Mr. Davis serves on the board of trustees at Winston-Salem State University and on the American Heart Association's Mid-Atlantic region board of directors. He has been recognized as one of the "50 Most Important African-Americans in Technology" by U.S. Black Engineers & Information Technology magazine and one of the "75 Most Powerful African-Americans in Corporate America" by Black Enterprise. Mr. Davis' technology-related experience provides him with useful insight regarding this area of increasing strategic importance to bank marketing and operations.
Robert H. Demere, Jr.	68	2012	2016	President, Chief Executive Officer and director of Colonial Group, Inc., a petroleum marketing company located in Savannah, Georgia. Mr. Demere has been employed by Colonial Group, Inc. since 1974. As President of Colonial Group, Inc., Mr. Demere has attained valuable experience in raising equity in the capital markets. Prior to working for Colonial, Mr. Demere worked as a stockbroker for Robinson-Humphrey Company. Mr. Demere served on the board of directors of Savannah Bancorp Inc. from 1989 until its acquisition by the Company in 2012. His business and personal experience in certain of the communities that the Bank serves also provides him with an appreciation of and useful insight regarding certain markets that we serve.
M. Oswald Fogle	72	2001	2018	An Industrial Consultant since 2011. Mr. Fogle served as plant manager of Roseburg Forest Products Co. manufacturing facility in Orangeburg, South Carolina, a company engaged in the lamination of boards and general warehousing, since 2007. Prior to that time, Mr. Fogle served as President and Chief Executive Officer of Decolam, Inc. from 1987 to 2007. As a result of his leadership experience, Mr. Fogle brings to the board useful knowledge of management, marketing, operations, and human resource issues. His business and personal experience in the communities that the Bank serves provides him with a useful appreciation of markets that we serve.

Edgar Filing: SOUTH STATE Corp - Form DEF 14A

Cynthia A. Hartley	68	2011	2018	Cynthia A. Hartley retired in 2011 as Senior Vice President of Human Resources with Sonoco Products Company in Hartsville, SC. Mrs. Hartley served as the Chairman of the Board of Trustees for Coker College in Hartsville, SC. Mrs. Hartley was first elected to the Board of Directors of the Company in May of 2011. Her leadership experience, knowledge of human resource matters, and business and personal ties with many of the Bank's market areas enhance her ability to contribute as a director.
Thomas J. Johnson	66	2013	2017	Thomas J. Johnson is President, Chief Executive Officer, and Owner of F&J Associates, a company that owns and operates automobile dealerships in the southeastern United States and the U.S. Virgin Islands. He serves on the Board of Directors of the South Carolina Automobile Dealers Association, the Board of Visitors of the Coastal Carolina University School of Business and the South Carolina Business Resources Board. Mr. Johnson served on the board of directors of FFHI from 1998 until FFHI merged with the Company in 2013. Mr. Johnson's extensive business experience and knowledge of markets that we serve enhance his ability to contribute as a director.
Grey B. Murray	50	2017	2017	Grey Murray, former Georgia Bank & Trust board member, currently serves as President of United Brokerage Company, Inc., headquartered in Augusta, Georgia. Mr. Murray serves as a Commissioner on the Augusta Aviation Commission and is a graduate of Leadership Georgia. An active member of the community, Mr. Murray has served on the board of directors of the American Heart Association, University Health Care Foundation, Augusta Country Club, Secession Golf Club, St. Paul's Building Authority, Exchange Club of Augusta, Georgia Movers Association, and Augusta Preparatory Day School (past Chairman of the Board). Mr. Murray's extensive business experience and knowledge of markets that we serve enhance his ability to contribute as a director.
James W. Roquemore	62	1994	2019	Chief Executive Officer of Patten Seed Company, Inc. of Lakeland, Georgia, and General Manager of Super-Sod/Carolina, a company that produces and markets turf, grass, sod and seed, since 1997. As the chief executive officer of a company, Mr. Roquemore has experience with management, marketing, operations, and human resource matters. His business and personal experience in certain of the communities that the Bank serves also provides him with an appreciation of markets that we serve. Moreover, during his tenure as a director he has developed knowledge of the Company's business, history, organization, and executive management which, together with the relationships that he has developed, enhance his leadership and consensus-building ability.



Thomas E. Suggs	67	2001	2018	President and Chief Executive Officer of HUB Carolinas, a region of HUB International, 8th largest insurance broker in the world. Mr. Suggs has over 21 years of experience in the insurance industry and 25 years of banking experience. As the chief executive officer of the region, Mr. Suggs has experience with management, marketing, operations, and human resource matters, and his experience with the banking industry also provides him with certain insights. His business and personal experience in certain of the communities that the Bank serves also provides him with an appreciation of markets that we serve.
Kevin P. Walker	66	2010	2018	Kevin P. Walker, CPA/ABV, CFE, is a founding partner of GreerWalker LLP in Charlotte, North Carolina. GreerWalker LLP is the largest certified public accounting firm founded and headquartered in Charlotte and currently employs approximately 115 people. Mr. Walker is also a member of the American Institute of Certified Public Accountants, the North Carolina Association of Certified Public Accountants, the Financial Consulting Group, the Association of Certified Fraud Examiners, and the American Arbitration Association Panel of Arbitrators. Mr. Walker was first elected to the Board of Directors of the Company in October 2010. Mr. Walker's leadership experience, accounting knowledge and business and personal experience in certain of the Company's markets enhance his ability to contribute as a director.

#### FAMILY RELATIONSHIPS

There are no family relationships among any of the directors and executive officers of the Company.

#### THE BOARD OF DIRECTORS AND COMMITTEES

During 2016, the Board of Directors of the Company held eight meetings. All directors attended at least 85% of the aggregate of (a) the total number of meetings of the Board of Directors held during the period for which he or she served as a director, and (b) the total number of meetings held by all committees of the Board of Directors of the Company on which he or she served.

There is no formal policy regarding attendance at annual shareholder meetings; however, such attendance has always been strongly encouraged. All of the directors attended the 2016 Annual Shareholders Meeting.

The Board of Directors has adopted a Code of Ethics that is applicable to, among other persons, the Company's chief executive officer, chief financial officer, principal accounting officer and all managers reporting to these individuals who are responsible for accounting and financial reporting. The Code of Ethics is located on the Company's website at <https://www.southstatebank.com/> under Investor Relations. We will disclose any future amendments to, or waivers from, provisions of these ethics policies and standards on our website promptly as practicable, as and to the extent required under NASDAQ Stock Market listing standards and applicable SEC rules.

The Board of Directors of the Company maintains executive, audit, compensation, governance, risk, and wealth management and trust committees. The composition and frequency of meetings for these committees during 2016 were as follows:

	Independent Under NASDAQ Requirements	Committees of the Board of Directors					Risk	Wealth Management and Trust
		Executive	Audit	Compensation	Governance			
	(2)	(10 meetings)	(10 meetings)	(7 meetings)	(8 meetings)	(4 meetings)	(4 meetings)	
Robert R. Berger	No	Chair						
Robert R. Hill, Jr.	No							
John C. Illok	No							
Sammy E. Addison	Yes				Chair			
Walter J. Mattiste, III	Yes							
Paula Harper	Yes							
Debra	Yes							
Martin B. Davis	Yes							
Robert H. Emere Jr.	Yes							
Robert Oswald	Yes					Chair		
Robert G. Ray (1)	Yes							
Synthia A. Bartley	Yes			Chair				
Thomas J. Johnson	Yes							
Ralph W. Norman, Jr.	Yes							
Robert C. Phillips (1)	Yes							
James W. Boquemore	Yes							
Richard W. Almons, Jr.	Yes							
Ed								
Robert L. Kelley, Jr.	Yes							
Thomas E. Ggs	Yes							
Kevin P. Walker	Yes		Chair					
	Yes						Chair	

John W.  
Williamson,  
(1)

- (1) As previously announced, these directors retired from the Board effective January 3, 2017 in connection with the closing of the merger with Southeastern Bank Financial Corporation.
- (2) All directors other than Robert R. Horger, Robert R. Hill, Jr., and John C. Pollok meet the independence requirements of The NASDAQ Stock Market. Therefore, under these requirements, a majority of the members of the Company's Board of Directors is independent.

The Board of Directors of the Company maintains executive, audit, compensation, governance, and risk committees. The composition for these committees for the year 2017 is as follows:

Name	Independent Under NASDAQ Requirements (3)	Committees of the Board of Directors				
		Executive	Audit	Compensation	Governance	Risk
Robert R. Horger	No	Chair				
Robert R. Hill, Jr.	No					
John C. Pollok	No					
Jimmy E. Addison	Yes				Chair	
Paula Harper Bethea	Yes					
Martin B. Davis	Yes					Chair (2)
Robert H. Demere Jr.	Yes					
M. Oswald Fogle	Yes					Chair (2)
Cynthia A. Hartley	Yes			Chair		
Thomas J. Johnson	Yes					
Grey B. Murray (1)	Yes					
James W. Roquemore	Yes					
Thomas E. Suggs	Yes					
Kevin P. Walker	Yes		Chair			

- (1) Grey B. Murray was appointed to the Board of Directors, on January 3, 2017, effective with the consummation of the merger with Southeastern Bank Financial Corporation.
- (2) As noted above, Mr. Fogle will retire from the Board of Directors effective as of the Annual Meeting. Effective upon Mr. Fogle's retirement from the Board of Directors. Mr. Davis will assume the roles of the Chair of the Risk Committee and the Trust Committee.
- (3) All directors other than Robert R. Horger, Robert R. Hill, Jr., and John C. Pollok meet the independence requirements of The NASDAQ Stock Market. Therefore, under these requirements, a majority of the members of the Company's Board of Directors is independent. The functions of these committees are as follows:  
Executive Committee—The Board of Directors of the Company may, by resolution adopted by a majority of its members, delegate to the executive committee the power, with certain exceptions, to exercise the authority of the Board of Directors in the management of the affairs and property of the Company. The Executive Committee has the authority to recommend and approve new policies and to review and approve present policies or policy updates and changes. The Executive Committee charter can be found on the Company's website at <https://www.southstatebank.com/> under Investor Relations.

Audit Committee—The Board of Directors has determined that all members of the Audit Committee are independent directors under the independence requirements of The NASDAQ Stock Market. The Board of Directors has also determined that Kevin P. Walker is an "Audit Committee financial expert" for purposes of the rules and regulations of the SEC adopted pursuant to the Sarbanes Oxley Act of 2002. The primary function of the Audit Committee is to assist the Board of Directors of the Company in overseeing (i) the Company's accounting and financial reporting processes generally, (ii) the audits of the Company's financial statements and (iii) the Company's systems of internal controls regarding finance and accounting. In such role, the Audit Committee reviews the qualifications, performance, effectiveness and independence of the Company's independent accountants and has the authority to appoint, evaluate and, where appropriate, replace the Company's independent accountants. The Audit Committee also oversees the Company's internal audit department and consults with management regarding the internal audit process and the effectiveness and reliability of the Company's internal accounting controls. The Board of Directors has adopted a charter for the Audit Committee, a copy of which is located on the Company's website at <https://www.southstatebank.com/> under Investor Relations.

Compensation Committee—The Board of Directors has determined that all members of the Compensation Committee are independent directors under the independence requirements of The NASDAQ Stock Market applicable to directors who do not serve on the Audit Committee. The Compensation Committee, among other functions, has overall responsibility for evaluating, and approving or recommending to the Board for approval, the director and officer compensation plans, policies and programs of the Company. The full Board of Directors is then responsible for approving or disapproving compensation paid to the CEO and each of the other executive officers of the Company. The committee, which currently consists of five independent directors, is required to be made up of no fewer than three independent directors who are recommended by the Chairman of the Board of Directors and approved by the Board. The Compensation Committee's processes and procedures for considering and determining executive compensation are described below under "Compensation Discussion and Analysis." The Compensation Committee charter can be found on the Company's website at <https://www.southstatebank.com/> under Investor Relations.

Governance Committee—The Board of Directors has determined that all members of the Governance Committee are independent directors under the independence requirements of The NASDAQ Stock Market applicable to directors who do not serve on the Audit Committee. The Governance Committee identifies and recommends individuals qualified to become Board members, reviews the corporate governance practices employed by the Company and recommends changes thereto, and assists the Board in its periodic review of the Board's performance. The Governance Committee charter can be found on the Company's website at <https://www.southstatebank.com/> under

Investor Relations.

The Governance Committee acts as the nominating committee for the purpose of recommending to the Board of Directors nominees for election to the Board. The Governance Committee has not established any specific, minimum qualifications that must be met for a person to be nominated to serve as a director, and the Governance Committee has not identified any specific qualities or skills that it believes are necessary to be nominated as a director. The Governance Committee charter provides that potential candidates for the Board are to be reviewed by the Governance Committee and that candidates are selected based on a number of criteria, including a proposed nominee's independence, age, skills, occupation, diversity, experience and any other factors beneficial to the Company in the context of the needs of the Board. The Governance Committee has not adopted a formal policy with regard to the consideration of diversity in identifying director nominees. In determining whether to recommend a director nominee, Governance Committee members consider and discuss diversity, among other factors, with a view toward the needs of the Board of Directors as a whole. The Governance Committee members generally conceptualize diversity expansively to include, without limitation, concepts such as race, gender, national origin, differences of viewpoint, professional experience, education, skill and other qualities or attributes that contribute to Board heterogeneity when identifying and recommending director nominees. The Governance Committee believes that the inclusion of

diversity as one of many factors considered in selecting director nominees is consistent with the Committee's goal of creating a Board of Directors that best serves the needs of the Company and the interest of its shareholders.

The Governance Committee has performed a review of the experience, qualifications, attributes and skills of the Board's current membership, including the director nominees for election to the Board of Directors and the other members of the Board, and believes that the current members of the Board, including the director nominees, as a whole possess a variety of complementary skills and characteristics, including the following:

- successful business or professional experience;
- various areas of expertise or experience, which are desirable to the Company's current business, such as general management, planning, legal, marketing, technology, banking and financial services;
- personal characteristics such as character, integrity and accountability, as well as sound business judgment and personal reputation;
- willingness and ability to commit the necessary time to fully discharge the responsibilities of Board membership to the affairs of the Company;
- leadership and consensus building skills; and
- commitment to the success of the Company.

Each individual director has qualifications and skills that the Governance Committee believes, together as a whole, create a strong, well-balanced Board. The experiences and qualifications of our directors are found in the table on pages 6-9.

The Governance Committee will consider director nominees identified by its members, other directors, officers and employees of the Company and other persons, including shareholders of the Company. The Governance Committee will consider nominees for director recommended by a shareholder if the shareholder provides the committee with the information described in Paragraph 7 under the caption "Committee Authority and Responsibilities" of the Governance Committee's charter.

The required information regarding a director nominee is also discussed in general terms within the first paragraph of the "Shareholder Proposals and Communications" section on page 2 of this proxy statement.

**Risk Committee**—The Risk Committee of the Board of Directors of the Company provides assistance to the Board of Directors in fulfilling its responsibility to the Company and its shareholders by striving to identify, assess, and monitor key business risks that may impact the Company's operations and results. The charter for this committee can be found at <https://www.southstatebank.com/> under Investors Relations.

While the Risk Committee oversees and reviews the Company's risk functions to monitor key business risks, management is ultimately responsible for designing, implementing, and maintaining an effective risk management program to identify, plan for, and respond to the Company's material risks. The Risk Committee charter acknowledges that the Audit Committee of the Board is primarily responsible for certain risks, including accounting and financial reporting. Although the Risk Committee does not have primary responsibility for the risks which are subject to the jurisdiction of the Audit Committee, it is anticipated that on occasion certain results from audit functions will be reviewed by the Risk Committee.

**Code of Ethics**—The Board of Directors of the Company and the Board of Directors of the bank have adopted a Code of Ethics to provide ethical guidelines for the activities of agents, attorneys, directors, officers, and employees of the Company and its subsidiaries. The Code of Ethics will promote, train, and encourage adherence in business and personal affairs to a high ethical standard and will also help to maintain the Company as an institution that serves the public with honesty, integrity and fair-dealing. The Code of Ethics is designed to comply with the Sarbanes-Oxley Act of 2002, and certain other laws that provide guidelines in connection with possible breaches of fiduciary duty, dishonest efforts to undermine financial institution transactions and the intent to corrupt or reward a Company employee or other Company representative. A copy of the Code of Ethics can be found on the Company's website at

<https://www.southstatebank.com/> under Investor Relations.

Board of Directors' Corporate Governance Guidelines—The Board of Directors of the Company and the Board of Directors of the bank have each adopted certain guidelines governing the qualifications, conduct and operation of the Board. Among other things, these guidelines outline the duties and responsibilities of each director, and establish certain minimum requirements for director training. Each director is required to read, review and sign the corporate governance guidelines on an annual basis. A copy of these guidelines can be found on the Company's website at <https://www.southstatebank.com/> under Investor Relations.

## Board Leadership Structure and Role in Risk Oversight

We are focused on the Company's corporate governance practices and value independent Board oversight as an essential component of strong corporate performance to enhance shareholder value. Our commitment to independent oversight is demonstrated by the fact that, except for three directors (our Chief Executive Officer, our Chief Financial Officer and Chief Operating Officer, and our Chairman of the Board) all of our directors are independent. In addition, all of the members of our Board's Audit, Compensation, Risk and Governance Committees are deemed independent based on a Board evaluation.

See the discussion entitled Certain Relationships and Related Transactions on page 57 for additional information concerning Board independence.

Our Board believes that it is preferable for Mr. Horger to serve as Chairman of the Board because of his strong institutional knowledge of the Company's business, history, industry, markets, organization and executive management gained in his 20 years of experience in a leadership position on the Board. We believe it is the Chief Executive Officer's responsibility to manage the Company and the Chairman's responsibility to guide the Board as the Board provides leadership to our executive management. As directors continue to have more oversight responsibility than ever before, we believe it is beneficial to have separate individuals in the role of Chairman and Chief Executive Officer. Traditionally, the Company has maintained the separateness of the roles of the Chairman and the Chief Executive Officer. In making its decision to continue to have a separate individual as Chairman, the Board considered the time and attention that Mr. Hill is required to devote to managing the day-to-day operations of the Company. We believe that this Board leadership structure is appropriate in maximizing the effectiveness of Board oversight and in providing perspective to our business that is independent from executive management.

The Board of Directors oversees risk through the various Board standing committees, principally the Audit Committee and the Risk Committee, which report directly to the Board. Our Audit Committee is primarily responsible for overseeing the Company's accounting and financial reporting risk management processes on behalf of the full Board of Directors. The Audit Committee focuses on financial reporting risk and oversight of the internal audit process. It receives reports from management at least quarterly regarding the Company's assessment of risks and the adequacy and effectiveness of internal control systems, and also reviews credit and market risk (including liquidity and interest rate risk), and operational risk (including compliance and legal risk). Our Chief Credit Officer and Chief Financial Officer meet with the Audit Committee on a quarterly basis in executive sessions to discuss any potential risks or control issues involving management. Our Chief Risk Officer and Director of Risk Management meets with the Risk Committee each quarter to identify, assess, and monitor key business risks that may impact the Company's operations and results.

Each of the Board's standing committees, as described above, is involved to varying extents in the following:

- determining risk appetites, policies and limits
- monitoring and assessing exposures, trends and the effectiveness of risk management;
- reporting to the Board of Directors; and
- promoting a sound risk management culture.

The full Board of Directors focuses on the risks that it believes to be the most significant facing the Company and the Company's general risk management strategy. The full Board of Directors also seeks to ensure that risks undertaken by the Company are consistent with the Board of Directors' approved risk management strategies. While the Board of Directors oversees the Company's risk management, management is responsible for the day-to-day risk management processes. We believe this division of responsibility is the most effective approach for addressing the risks facing our Company and that our Board leadership structure supports this approach.



We recognize that different Board leadership structures may be appropriate for companies in different situations. We will continue to reexamine our corporate governance policies and leadership structures on an ongoing basis in an effort to ensure that they continue to meet the Company's needs.

PROPOSAL NO. 2: ADVISORY VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION

The Securities and Exchange Commission rules adopted under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) require the Company to provide shareholders with the opportunity to vote to approve, on a non-binding, advisory basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with the compensation disclosure rules of the Securities and Exchange Commission.

As described in greater detail under the heading “Compensation Discussion and Analysis,” the Company seeks to align the interests of our named executive officers with the interests of our shareholders. The Company's compensation programs are designed to reward our named executive officers for the achievement of strategic and operational goals and the achievement of increased shareholder value, while at the same time avoiding the encouragement of unnecessary or excessive risk-taking. The Company believes its compensation policies and procedures are competitive, focused on pay for performance principles and strongly aligned with the interest of the Company's shareholders. The Company also believes that both it and its shareholders benefit from responsive corporate governance policies and constructive and consistent dialogue. The proposal described below, commonly known as a “Say-on-Pay” proposal, gives you as a shareholder the opportunity to express your views regarding the compensation of the named executive officers by voting to approve or not approve such compensation as described in this Proxy Statement.

This vote is advisory, which means that it is not binding on the Company, the Board of Directors or the Compensation Committee. The vote on this resolution is not intended to address any specific element of compensation, but rather relates to the overall compensation of our named executive officers, as described in this proxy statement in accordance with the compensation disclosure rules of the Securities and Exchange Commission.

The Board of Directors asks our shareholders to vote in favor of the following resolution at the Annual Meeting:

“RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed in the Company's Proxy Statement for the 2017 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables and any related material disclosed in the proxy statement, is hereby APPROVED.”

The Board of Directors unanimously recommends that shareholders vote FOR the approval of the resolution related to compensation of named executive officers.



PROPOSAL NO. 3: ADVISORY, NON-BINDING VOTE ON THE FREQUENCY OF AN ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Securities and Exchange Commission rules adopted under the Dodd-Frank Act require that, at least once every six calendar years, the Company provide shareholders with the opportunity to vote, on a non-binding, advisory basis, for their preference as to how frequently the Company should conduct an advisory Say-on-Pay vote. Shareholders may indicate whether they would prefer that the Company conduct future Say-on-Pay votes every year, every other year, or every three years. Shareholders also may abstain from casting a vote on this proposal.

The Board of Directors has determined that a Say-on-Pay vote that occurs once every year is the most appropriate alternative for the Company and, therefore, the Board of Directors recommends that you vote in favor of conducting a Say-on-Pay vote every year. The Board of Directors believes that a Say-on-Pay vote occurring every year allows our shareholders to provide timely input regarding the compensation of the Company's named executive officers and is consistent with the Company's efforts to engage in an ongoing dialogue with shareholders on executive compensation and corporate governance matters.

This vote is advisory, which means that it is not binding on the Company, the Board of Directors or the Compensation Committee. The Company recognizes that the shareholders may have different views as to the best approach and looks forward to hearing from the shareholders as to their preferences on the frequency of the Say-on-Pay vote. The Board of Directors and the Compensation Committee will carefully review the outcome of the frequency vote; however, when considering the frequency of future Say-on-Pay votes, the Board of Directors may decide that it is in the Company's and the shareholders' long-term best interest to hold a Say-on-Pay vote more or less frequently than the frequency receiving the most votes cast by our shareholders.

The proxy card provides shareholders with the opportunity to choose among four options (holding the Say-on-Pay vote every year, every other year, or every three years, or abstain from voting). Shareholders are not being asked to approve or disapprove the recommendation of the Board of Directors.

The Board of Directors unanimously recommends that shareholders vote FOR the option of "ANNUALLY" as the preferred frequency for Say-on-Pay votes.

PROPOSAL NO. 4: TO APPROVE THE 2012 OMNIBUS STOCK AND PERFORMANCE PLAN, AS AMENDED AND RESTATED

The Company's 2012 Omnibus Stock and Performance Plan (the "2012 Plan") was adopted by the Board of Directors on March 16, 2012 and subsequently approved by the shareholders of the Company on April 24, 2012. We are asking our shareholders to approve the 2012 Plan, as amended and restated, a copy of which is included in this Proxy Statement as Appendix A (the "A&R 2012 Plan"), in order to re-approve the material terms of the performance goals that relate to awards granted under the 2012 Plan that are intended to qualify as "performance-based compensation" under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") and to approve an amendment to the 2012 Plan to include a limit on equity compensation payable under the 2012 Plan to our non-employee directors as described below. Other than the amendment to include a limit on equity compensation payable under the 2012 Plan to our non-employee directors described below under "Limits on Director Compensation," the terms of the A&R 2012 Plan are identical in all material respects to the terms of the 2012 Plan that shareholders approved on April 24, 2012. We are not asking shareholders to approve an increase in the number of shares available under the 2012 Plan or any change to the 2012 Plan other than to include a limit on equity compensation payable under the 2012 Plan to our non-employee directors. The following discussion should be reviewed along with, and is qualified in its entirety by reference to, the full text of the A&R 2012 Plan.

BACKGROUND FOR THE PROPOSAL

**Section 162(m) Re-approval of Performance Goals.** The 2012 Plan is intended to allow awards under the 2012 Plan to qualify as tax-deductible performance-based compensation under Section 162(m) of the Code. Section 162(m) generally places a \$1 million annual limit on a company's tax deduction for compensation paid to certain senior executives (sometimes referred to as "covered employees"), other than compensation that satisfies the applicable requirements for a performance-based compensation exception. The Company's covered employees include its Chief Executive Officer and each of its other three most highly-paid executive officers, other than the Chief Financial Officer. A performance-based award made under the 2012 Plan is eligible for this performance-based compensation exception provided that certain Section 162(m) requirements are met. One of these requirements relates to shareholder approval (and, in certain cases, re-approval) of the material terms of the performance goals underlying the performance-based award.

The performance goals in the 2012 Plan were originally approved by shareholders in 2012. In order for certain performance-based awards that may be made in the future under the 2012 Plan to be eligible for the performance-based compensation exception under Section 162(m), among other things Section 162(m) requires re-approval of those performance goals after five years if the compensation committee has retained discretion to vary the targets under the performance goals from year to year. The Compensation Committee has retained discretion to vary the targets under the performance goals from year to year. Accordingly, the Company is seeking re-approval of the performance goals included in the 2012 Plan in order to preserve the Company's ability to grant certain awards in the future that qualify as tax-deductible performance-based compensation under Section 162(m).

**Limits on Director Compensation.** As described in "Director Compensation" on page 55, our non-employee directors currently receive compensation in the form of equity grants under the 2012 Plan and cash fees. We are asking our shareholders to approve the A&R 2012 Plan which will limit the grant-date fair value of equity grants that can be made to individual non-employee directors under the 2012 Plan to \$200,000 per calendar year; provided, however, that the limitation described in this sentence shall be determined without regard to awards granted to a non-employee director in a capacity other than as a non-employee director of the Company. We believe this amendment is appropriate in order to ensure that the equity compensation that our non-employee directors receive is within limits

that our shareholders have had an opportunity to review and approve. However, if the A&R 2012 Plan is not approved by shareholders, the proposed limits on director compensation contained in the A&R 2012 Plan will not be effective, but directors would continue to be eligible to receive equity-based compensation under the 2012 Plan or a successor equity compensation plan, as well as cash compensation for their service as directors.

## MATERIAL TERMS OF THE PERFORMANCE GOALS

**Eligible Participants.** The directors, officers, and employees of the Company and its subsidiaries are eligible to receive awards under the 2012 Plan. The Compensation Committee will determine who participates in the 2012 Plan. As of February 21, 2017, there were approximately 22 directors, officers, and employees eligible to participate in the 2012 Plan, with these same individuals holding outstanding awards.

**Plan and Individual Award Limits.** The 2012 Plan provides that the aggregate number of shares of the Company's common stock that may be subject to awards under the 2012 Plan cannot exceed 1,684,000, of which no more than 817,476 shares may be subject to full-value awards (i.e., awards other than stock options and stock appreciation rights ("SARs")), in each case subject to adjustment in certain circumstances to prevent dilution or enlargement as set forth in Article XI of the 2012 Plan. No participant may be granted, in each case during any calendar year, performance-based awards intended to qualify under Section 162(m) (other than stock options and SARs) covering in excess of 100,000 shares or stock options and SARs covering in excess of 200,000 shares. The maximum number of shares that may be granted pursuant to incentive stock options is 1,684,000. The maximum value of the property that may be paid to a participant pursuant to a performance unit in any year is \$2.5 million. In addition, the maximum value of cash awards that may be paid or payable to any participant in any calendar year is \$2.5 million. The A&R 2012 Plan also limits the grant-date fair value of equity grants that may be made to individual non-employee directors under the 2012 Plan to \$200,000 per calendar year.

**Performance Goals.** Under the 2012 Plan, the vesting or payment of performance-based awards will be subject to the satisfaction of certain performance goals. The performance goals applicable to a particular award will be determined by the Compensation Committee at the time of grant. To the extent an award is intended to qualify for the performance-based exemption from the \$1 million deduction limit under Section 162(m) of the Code, as described below, the performance goals will be based on the attainment of specified levels of one or more of the following measures: stock price, earnings (including earnings before taxes, earnings before interest and taxes or earnings before interest, taxes, depreciation and amortization), prescribed rating, earnings per share, return on equity, return on assets or operating assets, percentage of non-performing assets, asset quality, level of classified assets, net interest margin, loan portfolio growth, efficiency ratio, deposit portfolio growth, liquidity, market share, objective customer service measures or indices, economic value added, shareholder value added, embedded value added, combined ratio, pre- or after-tax income, net income, cash flow (before or after dividends), cash flow per share (before or after dividends), gross margin, risk-based capital, revenues, revenue growth, return on capital (including return on total capital or return on invested capital), cash flow return on investment, cost control, gross profit, operating profit, cash generation, unit volume, sales, asset quality, cost saving levels, market-spending efficiency, core non-interest income or change in working capital, in each case with respect to the Company or any one or more subsidiaries, divisions, business units or business segments thereof, either in absolute terms or relative to the performance of one or more other companies (including an index covering multiple companies).

## ADDITIONAL SUMMARY OF DESCRIPTION OF THE 2012 PLAN

**General.** Awards granted under the 2012 Plan may be in the form of non-qualified stock options, incentive stock options, SARs, restricted stock, restricted stock units, performance units, cash awards, other stock-based awards or any combination of those awards. The 2012 Plan provides that awards may be made under the 2012 Plan for ten years following the adoption of the 2012 Plan by the Company's Board of Directors, which occurred on March 16, 2012. The purpose of the 2012 Plan is to help the Company attract and retain directors, officers, and employees, to motivate these persons by means of appropriate incentives to achieve the goals of the Company, and to provide incentive compensation opportunities that are competitive with those of similar companies.

Administration. The 2012 Plan will be administered by the Compensation Committee or such other committee as the Board of Directors may designate (the “committee”). The committee is intended to consist entirely of two or more “outside directors” within the meaning of Section 162(m) and who are “non-employee directors” as defined in Rule 16b-3 under the Securities Exchange Act of 1934 (the “Exchange Act”). The committee can make rules and regulations and establish such procedures for the administration of the 2012 Plan as it deems appropriate. Any determination made by the committee under the 2012 Plan will be made in the sole discretion of the committee and such determinations will be final and binding on all persons.



**Available Shares.** The 2012 Plan initially reserved 1,684,000 shares of our common stock for the issuance of awards, of which 1,126,101 shares remained available as of February 21, 2017. Shares underlying awards that expire or are forfeited or terminated without being exercised or awards that are settled for cash will again be available for the grant of additional awards within the limits provided by the 2012 Plan. Shares withheld by or delivered to the Company to satisfy the exercise price of options or SARs or tax withholding obligations with respect to any award granted under the 2012 Plan will nonetheless be deemed to have been issued under the 2012 Plan.

**Stock Options.** Subject to the terms and provisions of the 2012 Plan, options to purchase shares of Company common stock may be granted to eligible individuals at any time and from time to time as determined by the committee. An option may be granted with or without a related SAR. Options may be granted as incentive stock options, which are intended to qualify for favorable treatment to the recipient under Federal tax law, or as non-qualified stock options, which do not qualify for this favorable tax treatment. Subject to the limits provided in the 2012 Plan, the committee determines the number of options granted to each recipient. Each option grant will be evidenced by a stock option agreement that specifies the option exercise price, whether the options are intended to be incentive stock options or non-qualified stock options, the duration of the options, the number of shares to which the options pertain, the vesting terms and such additional limitations, terms and conditions as the committee may determine.

The committee determines the exercise price for each option granted, except that the option exercise price may not be less than 100 percent of the fair market value of a share of Company common stock on the date of grant. As of February 21, 2017, the fair market value (as that term is defined under the 2012 Plan) of a share of Company common stock was \$91.00. All options granted under the 2012 Plan will expire no later than ten years from the date of grant. The methods of exercising an option granted under the 2012 Plan is set forth in the 2012 Plan. Stock options are nontransferable except by will or by the laws of descent and distribution. The granting of an option does not accord the recipient the rights of a shareholder, and such rights accrue only after the exercise of an option and the registration of shares of Company common stock in the recipient's name.

**Stock Appreciation Rights.** A SAR will entitle the holder to receive, with respect to each share of Company common stock covered by the SAR, the amount by which the fair market value of one share of Company common stock at the time of exercise exceeds the fair market value of one share of Company common stock on the date of grant. A SAR may be granted with or without a related option. The exercise price of a SAR shall not be less than 100% of the fair market value of a share of Company common stock on the date of grant.

Each SAR will be evidenced by an award agreement that specifies the exercise price (or base price), the number of shares to which the SAR pertains and such additional limitations, terms and conditions as the committee may determine. The Company may make payment of the amount to which the participant exercising SARs is entitled by delivering shares of Company common stock, cash or a combination of common stock and cash as set forth in the award agreement relating to the SARs. The method of exercising a SAR granted under the 2012 Plan is set forth in the 2012 Plan. SARs are not transferable except by will or the laws of descent and distribution. Each SAR will be evidenced by an award agreement that specifies the date and terms of the award and such additional limitations, terms and conditions as the committee may determine.

**Restricted Stock.** The 2012 Plan provides for the award of shares of Company common stock that are subject to forfeiture and restrictions on transferability as set forth in the 2012 Plan and as may be otherwise determined by the committee. Each grant of restricted stock will be evidenced by an award agreement that specifies the number of shares of restricted stock and such additional limitations, terms and conditions as the committee may determine. Except for these restrictions and any others imposed by the committee, upon the grant of restricted stock, the recipient will have rights of a shareholder with respect to the restricted stock, including the right to vote the restricted stock and to receive all dividends and other distributions paid or made with respect to the restricted stock (which dividends relating to restricted stock subject to performance vesting conditions will only vest upon the vesting of the restricted stock relating to such dividends). During the restriction period set by the committee, the recipient may not sell, transfer, pledge, exchange or otherwise encumber the restricted stock.

**Restricted Stock Units.** The 2012 Plan authorizes the committee to grant restricted stock units and deferred share rights. Restricted stock units and deferred share rights are not shares of Company common stock and do not entitle the recipients to the rights of a shareholder. Each grant of restricted stock units will be evidenced by an award agreement that specifies the number of restricted stock units and such additional limitations, terms and conditions as the committee may determine. Restricted stock units granted under the 2012 Plan may or may not be subject to performance conditions.

The recipient may not sell, transfer, pledge or otherwise encumber restricted stock units granted under the 2012 Plan prior to their vesting. Restricted stock units will be settled in cash or shares of Company common stock, in an amount based on the fair market value of Company common stock on the settlement date.

**Performance Units.** The 2012 Plan provides for the award of performance units that may be valued by reference to a designated amount of cash, share of Company common stock or other property other than shares of Company common stock. The payment of the value of a performance unit is conditioned upon the achievement of performance goals set by the committee in granting the performance unit and may be paid in cash, shares of Company common stock, other property or a combination thereof. The maximum value of the property that may be paid to a participant pursuant to a performance unit in any year is \$2.5 million.

**Cash Awards.** The 2012 Plan provides for the award of cash awards on such terms and conditions determined by the committee, including, without limitation, performance goals that must be satisfied and the applicable performance period. The maximum value of cash awards that may be paid or payable to any participant in any calendar year is \$2.5 million.

**Other Stock-Based Awards.** The 2012 Plan also provides for the award of shares of Company common stock and other awards that are valued by reference to Company common stock, including unrestricted stock, dividend equivalents and convertible debentures.

**Change of Control.** Unless otherwise determined by the committee, immediately prior to consummation of a change of control (as defined below), (i) all outstanding options and SARs will become fully vested and exercisable and (ii) all restrictions on any restricted stock, restricted stock units, cash awards or other stock-based awards that are not subject to performance goals will lapse, and these awards will become free of all restrictions and become fully vested and transferable to the full extent of the original grant and (iii) all restrictions on any restricted stock, restricted stock units, cash awards or other stock-based awards that are subject to performance goals will lapse, and these awards will become free of all restrictions and become fully vested and transferable, in each case, to the extent set forth in the applicable award agreement. The committee will, in its sole and absolute discretion, establish such terms and conditions as may be required to permit a participant to exercise an option or SAR that will terminate in connection with a change of control. Under the 2012 Plan, a “change of control” will be deemed to have taken place if:

- any person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than certain customary exceptions) acquires 30% or more of the combined voting power of the Company's then outstanding stock;
- any merger or consolidation of the Company (other than certain transactions that do not result in a substantial change in proportional ownership of the Company);
- during any period of two consecutive years there is a change in the majority of the incumbent members of the Company's Board of Directors (other than through election or nomination for election was approved by a vote of at

least two-thirds of the directors then still in office who are incumbent directors); or

- shareholder approval of the complete liquidation or an agreement for the sale of all or substantially all of the Company's assets.

Amendment. The Company's Board of Directors or the committee may amend, alter, or discontinue the 2012 Plan, but no amendment, alteration or discontinuation will be made that materially impairs the rights of a participant with respect to a previously granted award without such participant's consent, except such an amendment made to comply with applicable law, including without limitation Section 409A of the Code, stock exchange rules, or accounting rules. In addition, no such amendment will be made without the approval of the Company's shareholders (a) if the amendment would permit the Company to reprice any outstanding options or SARs, (b) to the extent such approval is required (1) by applicable law or the listing standards of the applicable stock exchange as in effect as of the date hereof or (2) under applicable law or the listing standards of the applicable stock exchange as may be required after the date hereof, (c) to the extent such amendment would materially increase the benefits accruing to participants under the 2012 Plan, (d) materially increase the number of securities which may be issued under the 2012 Plan or (e) materially modify the requirements for participation in the 2012 Plan. No amendment will be made if the amendment would disqualify the applicable awards under the 2012 Plan from the exemption provided by Rule 16b-3 of the Exchange Act.

Federal Income Tax Consequences. The following is a summary of certain federal income tax consequences of awards made under the 2012 Plan based upon the laws in effect on the date hereof. The discussion is general in nature and does not take into account a number of considerations which may apply in light of the circumstances of a particular participant under the 2012 Plan. The income tax consequences under applicable state and local tax laws may not be the same as under federal income tax laws.

- **Non-Qualified Stock Options.** A participant will not recognize taxable income at the time of grant of a non-qualified stock option, and the Company will not be entitled to a tax deduction at such time. A participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) upon exercise of a non-qualified stock option equal to the excess of the fair market value of the shares purchased over their exercise price, and the Company generally will be entitled to a corresponding deduction.
- **Incentive Stock Options.** A participant will not recognize taxable income at the time of grant of an incentive stock option. A participant will not recognize taxable income (except for purposes of the alternative minimum tax) upon exercise of an incentive stock option. If the shares acquired by exercise of an incentive stock option are held for the longer of two years from the date the option was granted and one year from the date the shares were transferred, any gain or loss arising from a subsequent disposition of such shares will be taxed as long-term capital gain or loss, and the Company will not be entitled to any deduction. If, however, such shares are disposed of within such two- or one-year periods, then in the year of such disposition the participant will recognize compensation taxable as ordinary income equal to the excess of the lesser of the amount realized upon such disposition and the fair market value of such shares on the date of exercise over the exercise price, and the Company generally will be entitled to a corresponding deduction. The excess of the amount realized through the disposition date over the fair market value of the stock on the exercise date will be treated as capital gain.
- **SARs.** A participant will not recognize taxable income at the time of grant of a SAR, and the Company will not be entitled to a tax deduction at such time. Upon exercise, a participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) equal to the fair market value of any shares delivered and for the amount of cash paid by the Company, and the Company will generally be entitled to a corresponding deduction.
- **Restricted Stock.** A participant will not recognize taxable income at the time of grant of shares of restricted stock, and the Company will not be entitled to a tax deduction at such time, unless the participant makes an election under Section 83(b) of the Code to be taxed at the time of grant. If such election is made, the participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) at the time of grant equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. If such election is not made, the participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) at the time the restrictions lapse in an amount equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. The Company is entitled to a corresponding deduction at the time the ordinary income is recognized by the participant, except to the extent the deduction limits of Section 162(m) apply. In addition, a participant receiving dividends with respect to restricted stock for which the above-described election has not been made and prior to the time the restrictions lapse will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee), rather than dividend income. The Company will be entitled to a corresponding deduction, except to the extent the deduction limits of Section 162(m) apply.

- **Restricted Stock Units.** A participant will not recognize taxable income at the time of grant of a restricted stock unit, and the Company will not be entitled to a tax deduction at such time. A participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) at the time of settlement of the award equal to the fair market value of any shares delivered and the amount of cash paid by the Company, and the Company will be entitled to a corresponding deduction, except to the extent the deduction limits of Section 162(m) apply.
- **Performance Units.** A participant will not recognize taxable income at the time of grant of performance units, and the Company will not be entitled to a tax deduction at such time. A participant will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) at the time of settlement of the award equal to the fair market value of any shares or property delivered and the amount of cash

paid by the Company, and the Company will be entitled to a corresponding deduction, except to the extent the deduction limits of Section 162(m) apply.

· Section 162(m) Limitations. As explained above, Section 162(m) generally places a \$1 million annual limit on a company's tax deduction for compensation paid to certain senior executives, other than compensation that satisfies the applicable requirements for a performance-based compensation exception. The 2012 Plan is designed so that options and SARs qualify for this exemption, and it also permits the committee to grant other awards designed to qualify for this exception. However, the committee reserves the right to grant awards that do not qualify for this exception, and, in some cases, the exception may cease to be available for some or all awards that otherwise so qualify. In addition, due to the complexity of the Section 162(m) regulations, elements of compensation that the Company believes are deductible may ultimately not be deductible. Thus, it is possible that Section 162(m) may disallow compensation deductions that would otherwise be available to the Company.

## PLAN BENEFITS

The Company currently is not able to estimate the number or terms of grants and awards that may be made under the 2012 Plan. However, the number of options granted by the Company during 2016 under the 2012 Plan and the number of restricted share awards granted by the Company during 2016 under the 2012 Plan are as follows:

Name and Position	Number of Shares Covered by Stock Options	Shares of Restricted Stock
Robert R. Hill, Jr..... Chief Executive Officer	10,113	14,511
John C. Pollok..... Senior Executive Vice President, Chief Financial Officer and Chief Operating Officer	5,910	8,480
John F. Windley..... President of South State Bank	2,640	3,788
Joseph E. Burns..... Senior Executive Vice President and Chief Credit Officer	2,462	3,533
Renee R. Brooks..... Senior Executive Vice President, Chief Administration Officer and Chief Risk Officer	2,443	3,505
Robert R. Horger..... Chairman of the Board of Directors	1,078	427
All non-employee directors as a group.....	—	10,198
All employees (including executive officers) as a group.....	25,682	114,543

In addition, each nominee for director at the Annual Meeting other than Robert R. Horger was granted between 400 to 666 restricted share awards under the 2012 Plan during 2016. No options or restricted share awards were granted during 2016 to any associate of any director, nominee for director or executive officer. Except as shown in the table above, no other person received more than five percent of the total number of options and restricted share awards awarded during 2016.





The following table sets forth information about the Company’s outstanding equity compensation plans as of December 31, 2016:

Plan Category	A Number of securities to be issued upon exercise of outstanding options, warrants and rights	B Weighted average exercise price of outstanding options, warrants and rights	C Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column “A”)
Equity compensation plans approved by security holders	246,535	\$ 42.53	1,273,330
Equity compensation plans not approved by security holders	None	n/a	n/a
Total.....	246,535	\$ 42.53	1,273,330

Included within the 1,273,330 number of securities available for future issuance in the table above are a total of 102,322 shares remaining from the authorized total of 363,825 under the Company’s Employee Stock Purchase Plan. All securities totals for the outstanding and remaining available for future issuance amounts described in this item have been adjusted to give effect to stock dividends paid on March 23, 2007, January 1, 2005 and December 6, 2002.

certain interests of directors

In considering the recommendation of our Board of Directors with respect to the approval of the A&R 2012 Plan, shareholders should be aware that members of our Board of Directors have certain interests, which may present them with conflicts of interest in connection with this proposal. As discussed above, directors are eligible to receive awards under the 2012 Plan. For more information about the compensation we pay to our directors, see “Director Compensation” on page 55. Our Board of Directors recognizes that approval of this proposal may benefit our directors and their successors.

The Board of Directors unanimously recommends that you vote “FOR” the approval of the 2012 Omnibus Stock and Performance Plan, as amended and restated, to re-approve the performance goals under the Plan and include a limit on non-employee director equity compensation payable under the Plan.

PROPOSAL NO. 5: RATIFICATION OF APPOINTMENT OF INDEPENDENT

REGISTERED PUBLIC ACCOUNTING FIRM

Although the Company is not required to seek shareholder ratification of the selection of its accountants, the Company believes obtaining shareholder ratification is desirable. If the shareholders do not ratify the appointment of Dixon Hughes Goodman LLP, the Audit Committee will re-evaluate the engagement of the Company's independent auditors. Even if the shareholders do ratify the appointment, the Audit Committee has the discretion to appoint a different independent registered public accounting firm at any time during the year if the Audit Committee believes that such a change would be in the best interest of the Company and its shareholders.

The Board unanimously recommends that shareholders vote FOR the ratification of the appointment of Dixon Hughes Goodman LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2017.

If a quorum is present, the number of shares of Common Stock voted in favor of this proposal must exceed the number of shares voted against it for approval of this proposal.

## EXECUTIVE COMPENSATION

## COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion & Analysis explains our 2016 executive compensation programs and decisions with respect to our executive officers and, in particular, our Named Executive Officers, or which we sometimes refer to herein as our “NEOs”. In this discussion, we explain, among other things, our compensation philosophy and program, factors considered by the Compensation Committee in making compensation decisions and additional details about our compensation program and practices. The following discussion is organized into four parts:

1. Executive Summary
2. South State Executive Compensation Process (page 28)
3. Components of Executive Compensation (page 32)
4. Other Aspects of South State’s Executive Compensation Program (page 35)

## Part 1 – Executive Summary

The Compensation Committee seeks to provide compensation arrangements for the Company’s executive officers that are designed to retain and attract talented executives who can perform at a high level and manage the Company in the shareholders’ best interest. Among other things, these compensation arrangements are intended to align executive compensation with the Company’s performance, both on a short-term basis and a long-term basis. This is accomplished through incentive compensation that is based primarily on the Company’s performance and secondarily on individual contributions. Our Named Executive Officers for 2016 were:

Name	Title	Years of Service at South State
Robert R. Hill, Jr.	Chief Executive Officer	21
John C. Pollok	Senior Executive Vice President, Chief Financial Officer, and Chief Operating Officer	21
John F. Windley	President of South State Bank and Chief Banking Officer	15
Joseph E. Burns	Senior Executive Vice President, Chief Credit Officer	16
Renee R. Brooks	Senior Executive Vice President, Chief Administrative Officer and Chief Risk Officer	21

When setting specific goals and objectives, the Compensation Committee considers the principles of Soundness, Profitability and Growth which are the cornerstone on which our culture is built.

We believe these principles have enabled the Company to be well-positioned to take advantage of strategic growth opportunities, deliver outstanding returns to our shareholders, and become the largest bank holding company headquartered in South Carolina.

The Company believes that key 2016 measures of soundness, profitability and growth include the following:

#### Soundness

- Total nonperforming assets declined by 28.2% to \$38.6 million.
- Non-acquired loan net charge-offs decreased to 0.06% in 2016 from 0.09% in 2015.
- Other real estate owned (OREO) decreased by \$12.2 million, or 40.1%, from \$30.5 million at December 31, 2015 to \$18.3 million at December 31, 2016.

#### Profitability

- Diluted earnings per common share (EPS) increased 1.7% to \$4.18 per share in 2016 from \$4.11 per share in 2015. Tangible book value per share grew \$3.34, or 12.0%, in 2016, and dividends paid on common stock per share increased by \$0.23 per share, or 23.5%, in 2016.
- Adjusted EPS - Diluted\* increased 5.6% to \$4.55 per share in 2016 from \$4.31 per share in 2015. We believe that it is important to examine the results of our performance on an adjusted basis as well as a GAAP basis due to a number of non-recurring items that impact our GAAP financials. Adjusted performance results give insight into how performance on our core ongoing business changes from year to year by excluding non-recurring items. For example, during 2016, the Company incurred non-recurring items relative to ongoing branch consolidation, early termination of our loss share agreements with the FDIC, and expenses related to the merger with Southeastern Bank Financial Corporation. These expenses totalled \$8.9 million, net of tax, or \$0.37 per diluted share in 2016. In 2015, the Company incurred branch consolidation and branch acquisition expenses totalling \$4.6 million, net of tax, or \$0.19 per diluted share.
- Return on average assets totalled 1.16% in 2016 compared to 1.21% in 2015. Adjusted return on average assets totalled 1.26% in 2016 compared to 1.27% in 2015.
- Adjusted return on average tangible equity\* decreased to 14.72% in 2016 from 15.97% in 2015.
  
- Our performance in 2016 on return on average assets and return on average tangible equity continues to strong relative to our peers, in spite of the fact that both represent a slight decrease from our 2016 performance. The following chart illustrates that performance relative to our peers.

\* Adjusted EPS – Diluted and Return on average tangible equity are non-GAAP financial measures. See page 38 in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 for the non-GAAP to GAAP reconciliation and other relevant information.

## Growth

- Non-acquired loan growth in all categories totalled \$1.0 billion, or 24.2%, in 2016.
- Organic core deposit growth was 8.3% during 2016; demand deposit growth was \$230.0 million in 2016.
- In 2016, we announced the planned merger with Southeastern Bank Financial Corporation, and laid significant groundwork for successful closing of the merger and integration of the two companies. The merger with Southeastern Bank Financial closed successfully on January 3rd, 2017.
- Shareholder value returns continued to meet those of the Southeast Bank Index and significantly exceed those of the NASDAQ Composite Index for the five year period (as shown in the following chart):

Returns are shown on a total return basis, assuming the reinvestment of dividends and a beginning stock index value of \$100 per share. The value of the Company's stock as shown in the graph is based on published prices for transactions in the Company's stock.

Total Return Performance

Index	Period Ending					
	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
South State Corporation NASDAQ Composite Index	100.00	141.27	237.22	242.59	263.72	326.05
SNL Southeast Bank Index	100.00	117.45	164.57	188.84	201.98	219.89
	100.00	166.11	225.10	253.52	249.57	331.30

Key 2016 Compensation Decisions by the Compensation Committee

The Compensation Committee made the following key compensation decisions during 2016:

- Continued the Executive Incentive Plan with goals and opportunity levels that reflected South State's size in 2016. This plan has both short-term and long-term components designed to align incentive compensation with the strategic focus of the Company.
- o Continued the Long-Term Incentive Plan with three-year performance vesting conditions that are intended to provide alignment with increased shareholder value and long-term performance. The 2016-2018 goals for restricted stock units (which we refer to as "RSUs") were split between cumulative adjusted EPS growth (67%) and adjusted return on average tangible equity (ROATE) (33%).
- o Maintained a short-term annual cash bonus component based on annual financial and performance goals and objectives.
- o Maintained a stock option component that rewards executives for individual performance with stock option grants.
- o In addition to the performance goals referenced above, the following specified minimum "performance triggers," which are intended to encourage soundness, must also be achieved for the annual cash bonus to be earned and the restricted stock units to vest.
  - § Aggregate net income must be sufficient to cover aggregate dividends
  - § A composite regulatory rating equal to or better than the previous year's rating must be achieved
- Increased the base salaries for each of our NEOs by 2.75% for 2016.
- Focused on performance-based compensation and, therefore, variable compensation opportunities that are subject to attaining specific performance metrics. Consistent with the Compensation Committee's compensation philosophy, a significant portion of NEO total compensation is in the form of incentive, or "at-

risk” compensation, which will vary annually based on the performance of the Company. The chart below shows the average pay mix for the CEO and the average of our other NEOs compared to recent peer practices.

- Awarded NEOs cash incentives at maximum level based on results for the year as set forth under the annual cash bonus component of the 2016 Executive Incentive Plan.

In summary, the Committee concluded that the 2016 performance-based compensation, together with 2016 base salary levels, were well aligned with the Company’s performance and the individual’s contribution for the year.

## Part 2 – South State Executive Compensation Process

### Compensation Philosophy

In 2016, the Compensation Committee reviewed and validated its compensation philosophy with the assistance of the Compensation Committee’s independent compensation consultant. The purpose of the review was to ensure that compensation decisions made by the Compensation Committee and the Board of Directors were consistent with this philosophy. The fundamental philosophy of the Company’s compensation program is to offer competitive compensation opportunities for executive officers that (i) align compensation with the performance of the Company on both a short-term and long-term basis, and (ii) are based on both the Company’s performance and the individual’s contribution. The compensation structure is designed to retain and reward executive officers who are capable of leading the Company in achieving its business objectives. The philosophy is to also consider applicable rules and regulations and current peer group compensation in determining compensation levels.

The Compensation Committee considers this philosophy as it develops its incentive plans. Cash incentives for 2016 were designed to reward executives for achieving annual financial and performance goals based on soundness and profitability. The performance objectives of the 2016 annual cash incentive plan reflect this focus. Equity grants are designed to reward our NEOs for achievement of business objectives that benefit shareholders and support the retention of a talented management team over time. The Compensation Committee has determined that the 60th percentile (or the 75th percentile for CFO/COO due to his dual role with the Company) for targeted total compensation is appropriate in light of the fact that four of the five NEOs do not participate in supplemental retirement benefit arrangements or certain other special benefits that are prevalent among financial institutions in our peer group. The Company’s compensation peer group is explained on page 31.

### Role of the Compensation Committee

The Compensation Committee is responsible for the design, implementation and administration of the compensation programs for the executive officers and directors of the Company. The Compensation Committee keeps the full Board of Directors apprised of the decisions and activities of the Compensation Committee. When appropriate, the



Compensation Committee makes recommendations to the Board of Directors on items that require approval by the full Board of Directors.

The Compensation Committee seeks to increase shareholder value by rewarding performance with cost-effective compensation and striving to attract and retain talented executives through adherence to the following compensation objectives:

- The Company's compensation programs are designed to reward NEOs based on key standards that reflect the Company's culture, including its strategic focus on soundness, profitability and growth, as well as its emphasis on ethics, execution of strategic goals, the ability to inspire and motivate, and sound corporate governance.
- The Compensation Committee's philosophy is to provide competitive compensation to attract and retain key management to ensure a balance of soundness, profitability and growth while providing long-term value for the shareholders of the Company.
- The Compensation Committee seeks to reward executives consistent with the Company's culture of being a meritocracy in regard to compensation for all employees.
- The Compensation Committee annually reviews and approves corporate goals and objectives utilized in either annual cash or long-term incentive plans.
- The Compensation Committee evaluates and recommends to the Board of Directors for its approval the director and executive officer compensation plans, policies and programs of the Company.
- The Compensation Committee reviews and considers the results of any shareholder advisory vote on executive compensation and takes into consideration the result of such advisory votes in relation to the Company's executive compensation policies and procedures.
- The Compensation Committee annually reviews the incentive compensation arrangements to ensure that they are appropriate to the business plans of the Company and reviews the risks arising from such incentive plans to determine any material adverse impact to the Company.

The Compensation Committee is comprised of six independent directors and met seven times in 2016. The Compensation Committee is supported in its work by the Director of Human Resources, her staff, and an executive compensation consultant, as described below.

The Compensation Committee may receive recommendations from the chairman of the Board of Directors with respect to the CEO's performance in light of goals and objectives relevant to the compensation of our CEO. The CEO reviews the performance of the other NEOs with the Compensation Committee and makes recommendations to the Compensation Committee about the total compensation of the other NEOs. The CEO does not participate in, and is not present during, deliberations or approvals by the Compensation Committee or the Board of Directors with respect

to his own compensation.

The Compensation Committee reviews and approves the equity compensation of the NEOs annually. The Compensation Committee makes decisions based on the Company's philosophy of providing a competitive base salary (relative to the peer group) complemented with significant performance-based incentives. After reviewing all of the compensation arrangements discussed below, along with corporate and individual performance, the Compensation Committee believes that the measurement tools, compensation levels and the design of the Company's executive compensation program are appropriate and motivate the NEOs to lead the Company in the best interests of its shareholders.

The primary goals of the Compensation Committee in 2016 were consistent with its established philosophy. The Compensation Committee seeks to provide compensation arrangements for executive officers that are designed to retain, attract, and motivate talented executives who can perform at a high level and manage the company in the shareholders' best interest. The NEO compensation arrangements are designed to align compensation with the performance of the Company both on a short-term and long-term basis and are based both on the Company's performance and the individual's contribution. The Compensation Committee considered the Company's financial performance throughout its decision-making process in 2016.

## Compensation Consultant

During 2016, the Compensation Committee engaged the services of McLagan, an Aon Hewitt compensation consulting company, to provide independent compensation consulting services for both directors and executive management of the Company. McLagan reports directly to the Compensation Committee. The Compensation Committee has the sole authority to hire consultants and set the engagements and the related fees of those consultants.

The following consulting services were provided to the Compensation Committee in 2016:

- " Provided education to the Board of Directors regarding banking industry compensation trends
- " Revised the Company's compensation peer group of publicly-traded financial institutions (the peer group is described below)
- " Reviewed the competitiveness of the compensation elements currently offered by the Company to its top executives, including base salary, annual incentive or bonus, long-term incentives (stock options and restricted stock), all other compensation, and changes in retirement benefits as compared to that of the customized peer group
- " Reviewed the competitiveness of the Company's director compensation elements as compared to that of the customized peer group
- " Recommended and made observations regarding the potential alignment of the Company's executive compensation practices with the Company's overall business strategy and culture relative to the market as defined by the peer group. This included a review of the current performance based programs with respect to the annual cash incentives and annual equity grants and making recommendations for the 2016 and 2017 fiscal year plans
- " Assisted the Company in its preparation of compensation disclosures as required under Regulation S-K with respect to this proxy statement including this CD&A and associated tables and disclosures included herein by reference
- " Assisted the Company in its evaluation of a potential proposal to have a shareholder vote regarding an amendment to the 2012 Plan that would, among other things, limit non-employee director equity compensation
- " Reviewed the performance measures under the 2012 Plan and consulted regarding re-approval of such measures by the Company's shareholders pursuant to Section 162(m) of the Internal Revenue Code.

## Compensation Committee's Relationship with its Independent Compensation Consultant

The Compensation Committee considered the independence of McLagan in light of applicable SEC rules and NASDAQ listing standards. The Compensation Committee requested and received a report from McLagan addressing the independence of McLagan and its senior advisors. The following factors were considered: (1) services other than compensation consulting provided to us by McLagan; (2) fees paid by us as a percentage of McLagan's total revenue; (3) policies or procedures maintained by McLagan that are designed to prevent a conflict of interest; (4) any business or personal relationships between the senior advisors of McLagan and a member of the Compensation Committee; (5) any stock of the Company owned by the senior advisors of McLagan; and (6) any business or personal relationships between our executive officers and the senior advisors of McLagan. The Compensation Committee discussed these considerations and concluded that the work performed by McLagan and McLagan's senior advisors involved in the engagements did not raise any conflict of interest.

## Compensation Benchmarking and Compensation Committee Functions

Each year, with assistance from McLagan, the Compensation Committee reviews the compensation practices of the Company's peers in order to assess the competitiveness of the compensation arrangements of our NEOs. Although benchmarking is an active tool used to measure compensation structures among peers, it is only one of the tools used by the Compensation Committee to determine total compensation. Benchmarking is used by the Compensation Committee primarily to ascertain competitive total compensation levels (including base salary, equity awards, cash incentives, etc.) with comparable institutions. The Compensation Committee uses this data as a reference point, establishes competitive base salaries, and then addresses pay-for-performance (meritocracy) as discussed further in the sections below on cash incentives and long-term retention. Peer performance, market factors, Company performance and personal performance are all factors that the Compensation Committee considers when establishing total compensation, including incentives.

This practice is in line with the Company's meritocracy philosophy of pay. The Compensation Committee, at its discretion, may determine that it is in the best interest of the Company to negotiate total compensation packages that deviate from regular compensation and incentive levels in order to attract and retain specific talent.

The Compensation Committee reviews the composition of the peer group annually at a minimum and may change it as a result of mergers, changes to banks within the group, or changes within the Company. The 2016 compensation peer group was selected based on certain current market criteria, including the following:

- " National banks with total assets from \$7.5 billion to \$16.5 billion
- " No thrifts
- " Bank must have branch locations
- " Satisfactory Performance Measures (positive profitability, three-year asset growth greater than 12.5%)
- " Commercial loan portfolio less than 85% of total loan portfolio

The Compensation Committee reviewed a group of 27 peers with median assets, including pending acquisitions, of \$9.7 billion (median actual assets of \$9.3 billion), defined as of December 31, 2015. The specific members of this peer group are as follows:

Banc of California Inc. (BANC)	First Financial Bancorp (FFBC)	Old National Bancorp (ONB)
BancorpSouth Inc. (BXS)	First Midwest Bankcorp Inc. (FMBI)	Pinnacle Financial Partners (PNFP)
Bank of Hawaii Corp. (BOH)	First Interstate BancSys. (FIBK)	Renasant Corp. (RNST)
Bank of the Ozarks Inc. (OZRK)	Glacier Bancorp Inc. (GBCI)	Simmons First National Corp. (SFNC)
Banner Corp. (BANR)	Heartland Fin'l USA (HTLF)	Trustmark Corp. (TRMK)
Berkshire Hills Bancorp (BHLB)	Hilltop Holdings Inc. (HTH)	Union Bankshares Corp. (UBSH)
Cathay General BankCorp (CATY)	Home BancShares Inc. (HOMB)	United Bankshares Inc. (UBSI)
Chemical Financial Corp. (CHFC)	Legacy Texas Fin'l Group Inc. (LTXB)	United Community Banks Inc. (UCBI)
Community Bank System (CBU)	NBT Bancorp Inc. (NBTB)	WesBanco Inc. (WSBC)

When making compensation determinations for the Company's NEOs, the Compensation Committee focuses on total compensation that is generally competitive with the 60th percentile of the market at target levels of performance and up to the 75th to 80th percentiles for superior performance. In their most recent assessment of our compensation program, McLagan determined that our 2015 NEO compensation was at the 73rd percentile of the peer group due in part to our strong corporate performance in 2015, with individuals ranging from the 70th to 77th percentiles. Our NEOs' 2016 target compensation was positioned at the 58th percentile of the peer group, with individual positioning ranging from the 38th to 69th percentiles.

Part 3 – Components of Executive Compensation

The following table summarizes the components of compensation paid or awarded to our Named Executive Officers who appear in the “Summary Compensation Table” below.

Compensation Component	What the Component Rewards	Key Features
Base Salary	Reflects the scope of leadership and responsibility, individual achievement toward the objectives of their respective position and their relative value in the industry.	The Compensation Committee approved increases for the CEO and the four other NEOs in January 2016 to make them competitive with the market as determined by the compensation peer group. Actual positioning within the peer group reflects each executive’s performance, among other things.
Performance-Based Annual Cash Incentive	Focuses executives on achieving annual financial and performance goals and objectives based on Soundness and Profitability.	The opportunity for performance-based annual cash incentive compensation was based upon financial and performance goals and objectives. The Compensation Committee established the weighting for the performance goals with 25% based on soundness and 75% based on profitability with each goal having threshold, target and maximum levels. Performance goals for 2016 were achieved at 100% of maximum levels.
2016 Long-Term Incentive Plan - 75% Restricted Stock Units and 25% Stock Options	Rewards the achievement of superior three-year cumulative adjusted EPS growth (67%) and adjusted return on tangible equity performance (33%).	The 2016 Long-Term Incentive Plan consists of 75% RSU grants and 25% Stock Options at target performance levels. The RSU awards are designed to measure relative performance over three-year cycles. Each year begins a new three-year cycle. RSUs are both performance and time (three years) vested.
Benefits and Perquisites	Helps keep the Company competitive in attracting and retaining employees.	Stock Options are granted based upon both corporate and individual performance objectives that are non-formulaic. The Compensation Committee believes that its employee benefits are generally in line with benefits provided by the Company’s peer group and consistent with industry standards.

The key elements of compensation for the NEOs are base salary, annual and long-term incentives, and benefits, which are discussed below in greater detail.

- **Base Salary** – Base salaries are determined based on historical and anticipated individual contribution and performance toward accomplishing the Company’s stated objectives. Base salaries are also reviewed in the context of comparability with the key executives of the Company’s peer group. We believe that the annual base salary levels for the NEOs helps us to retain qualified executives and provides income stability that lessens potential pressures for the NEOs to take risks to achieve performance measures under incentive compensation arrangements. Effective January 1, 2016, the CEO, along with the other NEOs, received a merit increase to base salary as a reflection of 2015 performance and to maintain competitiveness with peer group. As a result, the CEO and each of the other four NEOs received a 2.75% base salary increase.
- **2016 Executive Performance Plan** – In 2016, the Executive Performance Plan was approved to include both an Annual Plan and the three-year Long Term Incentive Plan. The Executive Performance Plan is designed to establish reasonable goals and objectives measured on an annual basis as well as to develop long-term goals that align the interests of the NEOs with those of the Company’s shareholders. The purposes of the Executive Performance Plan include (1) aligning executive compensation with the Company’s performance, (2) attracting and retaining key officers and employees of outstanding ability, (3) strengthening the Company’s capability to develop, maintain, and direct a competent management team, (4) providing an effective means for selected key officers and employees to acquire and maintain ownership of Company stock, and (5) providing incentive compensation opportunities competitive with those of other major corporations.



The 2016 Executive Performance Plan is composed of cash, restricted stock units and stock option components.

- 2016 Annual Incentive Plan (Cash): At target performance levels, the 2016 Executive Performance Plan is weighted 50% in the form of an annual cash incentive bonus under the 2016 Annual Incentive Plan. The amount of cash that may be earned is based upon financial and regulatory performance goals/objectives for 2016.
- 2016 Long-Term Incentive Plan (Equity): At target performance levels, the 2016 Executive Performance Plan is weighted 50% in the form of equity. The equity component is made up of both restricted stock units and stock options as follows:
  - a. Restricted Stock Units: Of the equity granted, at target performance levels 75% may be earned in the form of restricted stock units. All of the restricted stock units vest based upon achievement of three-year performance goals. Restricted stock units are subject to both performance and time vesting conditions (3 years).
  - b. Stock Options: The remaining 25% of the equity granted at target performance levels may be earned in the form of stock options. Stock options are granted based upon the achievement of individual performance objectives. Stock options vest ratably (25% per year) over four years.

2016 Annual Incentive Plan

Cash incentive opportunities as a percentage of salary for each of the applicable NEOs and results under the 2016 Annual Incentive Plan are displayed below:

Name*	Position	Total Opportunity as a % of Salary (Cash)			Actual	
		Thresh	Target	Max	Earned	
Robert R. Hill, Jr.	CEO	55	% 110	% 165	% 165	%
John C. Pollok	Sr. EVP, COO, CFO	45	% 90	% 135	% 135	%
John F. Windley	President of South State Bank, CBO	30	% 60	% 90	% 90	%
Joseph E. Burns	Sr. EVP, CCO	30	% 60	% 90	% 90	%
Renee R. Brooks	Sr. EVP, CAO, CRO	30	% 60	% 90	% 90	%

The primary objectives of the 2016 Annual Incentive Plan were to enhance shareholder value by focusing on operating earnings, growth, and soundness. Accordingly, subject to the conditions and limits described below, the Compensation Committee was allowed under the 2016 Annual Incentive Plan to determine the actual cash bonus amounts based on the following performance goals, weighted 25% for soundness and 75% for profitability.

**Soundness:** This component was based on achieving the specified asset quality test, which is defined as receiving a regulatory rating for asset quality of at least the previous year's rating or better. We believe it is important to include a measurement of soundness in our annual incentive plan in order to ensure that soundness is not sacrificed at the expense of growth or profitability, and that appropriate focus is placed on continuing to improve credit-related issues.

**Profitability:** This measure was based on adjusted earnings per share ("Adjusted EPS"). Since growth in Adjusted EPS is a key component in building shareholder value, this element was weighted at 75% of the total cash incentive opportunity. Emphasis on this performance metric aligns the interests of the executive with those of the shareholder. Adjusted Earnings is a non-GAAP measure which excludes the after-tax effect of gains on acquisitions, OTTI (Other

Than Temporarily Impaired Items), and merger and branding-related expense. Ultimately, the Compensation Committee determines the final Adjusted Earnings performance used in calculating incentive results, and exercised its authority to exclude certain revenue or expenses that it deems to be non-recurring. For 2016, the Company's diluted GAAP EPS was \$4.18. The calculated Adjusted EPS used in connection with the annual incentive plan was \$4.55, which excluded the after-tax impact of \$81,000 in securities gains, \$2.9 million in FDIC LSA Early Termination expense, and \$6.0 million in branch consolidation and acquisition expense.

The goals and the actual results of the 2016 Executive Incentive Plan are outlined in the table below:

	Soundness (25%) 2016 Asset Quality	Profitability (75%) 2016 Adjusted EPS
Threshold	See Below*	4.19
Target		4.34
Maximum		4.54
Actual	Achieved	4.55

\* Asset Quality must receive a regulatory rating equal to or better than the previous year.

The 2016 Annual Incentive Plan was implemented under the 2012 Omnibus Stock and Performance Plan, which allows the Compensation Committee to structure awards to “covered employees” to meet the “qualified performance-based compensation” exception under Section 162(m) of the internal revenue code (the “tax code”). For 2016, the Compensation Committee approved an aggregate incentive pool under the Annual Incentive Plan equal to 15% of pre-tax net income, and set maximum incentive pool allotments for each of the participants. In addition, incentive payments under the 2016 Annual Incentive Plan were limited to the amounts shown in the maximum column in the table above and were subject to the following “minimum performance triggers”: a) net income sufficient to fully cover the cash dividends paid to the Company’s shareholders, and b) a composite regulatory rating equal to or better than the Company’s rating in the previous year. Both of the minimum performance triggers were achieved for 2016.

#### 2016 Long-Term Incentive Plan

2016 Long-Term Incentive Plan opportunities as a percentage of salary for each of the NEOs are displayed below:

Name*	Position	Restricted Stock Units					
		as a % of Salary			Stock Options as a % of Salary		
		Thresh	Target	Max	Thresh	Target	Max
Robert R. Hill, Jr.	CEO	41.25 %	82.5 %	123.75 %	13.75 %	27.50 %	41.25 %
John C. Pollok	Sr. EVP, COO, CFO	33.75 %	67.5 %	101.25 %	11.25 %	22.50 %	33.75 %
John F. Windley	President of South State Bank, CBO	22.5 %	45.0 %	67.5 %	7.5 %	15.0 %	22.5 %
Joseph E. Burns	Sr. EVP, CCO	22.5 %	45.0 %	67.5 %	7.5 %	15.0 %	22.5 %
Renee R. Brooks	Sr. EVP, CAO, CRO	22.5 %	45.0 %	67.5 %	7.5 %	15.0 %	22.5 %

#### Long-Term Incentive Plan Performance Goals

The restricted stock units (RSUs) granted in 2016 vest based on the attainment of the following pre-established performance goals over the three-year period ending December 31, 2018:

	Goal Weighting
Performance Goal	(% of RSU Target Award)
3-Year Cumulative Adjusted EPS Growth	67%
3-Year Return on Average Tangible Equity	33%

The RSUs will vest based upon the performance on the goals above during the three years ending December 31, 2018. The grants are reported in the “Summary Compensation Table” on page 40 at target level, in accordance with SEC reporting rules. RSUs are intended to meet the “qualified performance-based compensation” exception from the \$1 million deduction limitation of Section 162(m) of the tax code. Vesting of the RSUs is subject to achievement of the minimum "performance triggers" as of December 31, 2018.

#### Individual Performance-Based Goals

Under the 2016 Long-Term Incentive Plan, 25% of the value of the equity grants (at target levels) was determined based on non-formulaic individual performance objectives for the stock option component. The individual performance objectives were based on implementation of actions to achieve long-term growth and profitability such as completion and successful integration of acquisitions, improvement in credit practices and

measurements and other practices related to risk management, team building, and leadership development, succession planning and continuing to build upon Company culture.

The Compensation Committee granted Incentive Stock Options in 2017 under the 2016 Long-Term Incentive Plan at the maximum level in recognition of our NEOs' 2016 individual contributions. Specifically, Mr. Hill received 9,036 stock options, while the other NEOs received between 2,183 and 5,281 stock options in recognition of their 2016 contributions. As required by SEC disclosure rules, the stock options granted in 2017 will be reported in the compensation tables included in our 2018 proxy statement, in spite of the fact that we consider them to be part of our 2016 executive compensation plan.

#### Results of 2014 Long-Term Incentive Plan Which Ended in 2016

On January 1, 2014, the Committee granted performance-vesting RSUs to each of our NEOs. The vesting of 67% of these RSUs was dependent on achieving pre-determined levels of cumulative Adjusted EPS, with the remaining 33% vesting based on cumulative average adjusted ROATE. Both objectives are measured over the three-year performance period from January 1, 2014 through December 31, 2016.

Target performance over the three-year period represented 37.7% growth in cumulative adjusted EPS and 15.66% cumulative average adjusted ROATE. Actual performance represented 102.9% growth in cumulative adjusted EPS, which was greater than maximum performance under the plan, and cumulative average ROATE was 16.41%, which was above the maximum performance guidelines under the plan. As a result, all of the RSUs granted as part of the 2014 plan vested at maximum on December 31, 2016. The RSUs that have been earned and have vested are shown in the Option Exercises and Stock Vested table on page 44.

#### Part 4 – Other Aspects of South State's Executive Compensation Program

##### Benefits

During 2016, the Company maintained various employee benefit plans that constitute a portion of the total compensation package available to the NEOs and all eligible employees of the Company. These plans consist of the following:

**Employees' Pension Plan** – The NEOs are participants in a non-contributory defined pension plan which covers substantially all employees of the Company hired before January 1, 2006. Pension benefits are paid based upon age of the employee and years of service with the Company. The Plan was frozen in July 2009, and no further benefits are being accrued. See the Pension Benefits table and the accompanying footnotes and narrative for more information.

Retirement Savings Plan – 401(k) – Each of the NEOs are participants in a defined contribution plan which in 2016 permitted employees to contribute a portion of their compensation, on a tax-deferred basis, up to certain IRS compensation deferral amount limits applicable to a tax-qualified retirement plan. The Company matched 100% up to 6% of participants' deferrals (4% Safe Harbour, 1% discretionary and an additional 1% discretionary at year-end).

See the table in footnote 7 of the Summary Compensation Table.

Health Care – The NEOs are eligible to receive medical and dental coverage that is provided to all eligible employees.

Other Welfare Benefits – The NEOs receive sick leave, vacation and other benefits available to all eligible employees of the Company.

The employee benefits for the NEOs discussed in the subsection above are determined by the same criteria applicable to all Company employees. These benefits help keep the Company competitive in attracting and retaining employees. The Company believes that its employee benefits are generally competitive with benefits provided by the Peer Group and consistent with industry standards.

Supplemental Executive Retirement Plan – The Company provides a non-qualified supplemental executive retirement plan (a "SERP") for Mr. Windley, and certain other executives who are not NEOs.

The Company elects to offer this type of incentive as a way to retain executives over the long term and to provide a partial offset to shortfalls in the percentage of income provided for retirement by its qualified retirement plans.

**Deferred Compensation Plan** We make available to selected members of our senior management group, including all NEOs and/or other selected employees who are highly compensated, the opportunity to elect to defer current compensation for retirement income or other future financial needs. The plan is a nonqualified deferred compensation plan that is designed to be exempt from certain ERISA requirements as a plan that covers a select group of management and certain other highly compensated employees. Each year participants can choose to have their compensation for the upcoming year reduced by a certain whole percentage amount ranging between 5% and 80% or by a specific dollar amount (in all cases, subject to a minimum value established by the Company). In addition, the Company may make matching or partially-matching contributions for participant deferrals. The Company may also make discretionary contributions for any or all participant(s). Both of these types of employer contributions would be subject to certain vesting requirements. There are also forfeiture provisions, which can result from unvested amounts existing at terminations or from materially incorrect earnings that are subsequently adjusted or corrected. Deferrals may be held by a trustee in a grantor (rabbi) trust and may be invested in funds that mirror deemed investments selected by the participants and offered pursuant to the plan. Such a trust would not isolate assets for the benefit of the participants. Consequently, distributions made under the plan will be made from the general assets of the bank which could be subject to claims of its creditors. Amounts deferred under the plan will generally be subject to income taxes payable by the participant in the year in which received (end of the deferral period), but these deferred amounts are subject to employment taxes in the year of deferral. In 2016, Mr. Hill and Mr. Windley elected to participate. No employer contributions have been made to this plan in 2016 or in the past.

See the discussion entitled Deferred Compensation Plan for additional information.

**Perquisites** – The Company also provides limited perquisites to NEOs that are not available to all employees. Some examples of these include Company-owned automobiles, automobile allowances and club and membership dues. The values of these items are presented in the Summary Compensation Table under the heading All Other Compensation. The value attributable to any personal use of Company-owned automobiles is considered compensation to the executive and represents the aggregate incremental cost to the Company associated with that personal use. The Company and the Board of Directors believe that the use of each of these perquisites is helpful for the proper performance of the NEOs' duties.

#### Role of Shareholder Say on Pay Vote

As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, we held a triennial advisory vote on the compensation of our executive officers (the "Say on Pay Proposal") at our 2014 annual shareholders meeting. At the 2014 annual shareholders meeting, 83.49% of the votes cast on the Say on Pay proposal were cast in support of the compensation of the Company's named executive officers. While the 2014 shareholder vote reflected strong support for our executive compensation programs, the Compensation Committee, Board of Directors and executive management has evaluated compensation programs each year to ensure the plans have continued to align the interest of the executives with those of the Company's shareholders and continued to strengthen the linkage of pay to

performance.

At the Annual Meeting, we are submitting a Say on Pay Proposal and a Say on Frequency Proposal for shareholders to vote on. See Proposal No. 2 for more information on the Say on Pay Proposal and Proposal No. 3 for more information on the Say on Frequency Proposal.

#### Clawback Policy

The Compensation Committee is committed to adopting a formal clawback provision for adjustment or recovery of incentive awards or payments in the event the performance measures upon which they are based are restated or otherwise adjusted in a manner that would reduce the size of an award or payment. The Compensation Committee intends to fully comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act regarding this issue once rulemaking has been completed with respect to these provisions. Until formal guidance is available, the Compensation Committee will



seek to address any situation that may arise and determine the proper and appropriate course of action in fairness to shareholders and NEO award recipients.

### Share Ownership Guidelines

The Company's stock ownership guidelines call for NEOs to own equity representing a multiple of their salary and to retain this equity throughout their tenure with the Company. The specific share ownership guidelines are:

- Chief Executive Officer – three times salary
- Other NEOs – two times salary

The Company's NEOs have five years from being named a NEO to comply with the stock ownership guidelines. As of the end of our fiscal year, all NEOs have exceeded their required ownership levels. Beneficially owned shares include shares held by a named executive officer, directly or indirectly, and unvested shares of restricted stock, as to which the executive officers have full voting privileges, but exclude vested and unexercised stock options. Until the stock ownership guidelines are achieved, the sale of shares of the Company's common stock is restricted.

### Equity Grant Practices

To address volatility concerns, the 30-day moving average of the Company's stock was utilized to determine the number of restricted stock shares and restricted stock units to be issued under the Executive Performance Plan for 2016. The 30-day average is defined as the 30 trading days immediately preceding the last business day of the prior month. Stock option values were determined based upon Black Scholes Valuation methodology as of the last day of the preceding quarter. This value was divided into the dollar amount of options that an executive was to receive to quantify the number of options granted to an executive. The calculated number of shares or stock options is issued with an exercise price equal to the stock price on the date of the grant.

### Employment and Non-Competition Agreements

The purpose of these agreements is to attract and retain highly qualified executive officers, recognizing that termination and change in control protections are commonly provided at comparable financial institutions with which we compete for executive talent. In addition, the Compensation Committee believes change in control protections enhance the impartiality and objectivity of the NEOs in the event of a change in control transaction and better ensure that shareholder interests are protected. Finally, these agreements include non-competition provisions that further protect the company should the NEO elect to pursue other employment opportunities. Each of our NEOs has an employment agreement. The agreements provide for the following:

- Term of Employment. The employment agreements for Messrs. Hill, Pollok, Windley, and Burns and Mrs. Brooks have a term of employment of three years from the effective date of the agreement. On each anniversary date of the effective date of the agreement, the term of the agreement is automatically extended for an additional year unless at least 60 days prior to the anniversary date either party gives the other party written notice of non-renewal.
- Reimbursement of Expenses. The Company will reimburse the executive all reasonable travel and other business related expenses incurred in performing duties under the agreement.
- Vacation and Sick Leave. The Company will provide vacation and sick leave to the executive in accordance with policies and procedures established from time to time.
- Employee Benefit Plans. The executive is entitled to participate in the employee benefit plans presently in effect or as these plans may be modified or added from time to time.
  - Incentive Bonus Plans. The executive is entitled to participate in the incentive bonus plans, applicable to his or her employment position, in accordance with policies and procedures established from time to time.
- Fringe Benefits. The Company will reimburse the executive for the cost of attending required meetings and conventions and will cover membership dues to an approved country club. In addition, Mr. Hill, Mr. Pollok, Mr. Windley, Mr. Burns and Mrs. Brooks are provided the use of a Company-owned automobile or car allowance.

- Termination of Employment. See the discussion below entitled “Potential Payments upon Termination or Change in Control” for a description of the payments that may be due to each executive upon termination of employment.
- Non-compete. The period of non-compete for the executive runs during the period of employment and for a designated period of time following termination of employment. If the executive is found to violate the covenants contained in the agreement, the non-compete period will be extended for a period equal to the amount of time the executive is found to have been in non-compliance. If Mr. Hill is terminated for cause according to his agreement, the non-compete period is abbreviated and ends 12 months after the date of termination.

See the discussion entitled “Potential Payments upon Termination or Change in Control,” which provides the amount of compensation each executive would receive under various termination events based upon the employment agreements.

#### 162(m) Tax Considerations

Internal Revenue Service Code Section 162(m) and related regulations disallow a tax deduction to public corporations for annual compensation, other than performance-based compensation, over \$1 million paid to a chief executive officer or to any of the other three most highly compensated NEOs (excluding the company’s Chief Financial Officer). The Compensation Committee considers the impact of those regulations in connection with its decisions regarding the compensation of our NEOs. The 2016 RSU awards and the 2016 Annual Incentive Plan described above are intended to qualify for the “qualified performance-based compensation” exemption from the \$1 million deduction limitation of Section 162(m).

The Compensation Committee monitors, and will continue to monitor, the effect of Section 162(m) on the deductibility of NEO compensation. The Compensation Committee weighs the benefits of deductibility with the other objectives of the Company’s executive compensation program and, accordingly, may from time to time approve compensation that is not fully deductible under Section 162(m). In addition, due to the complexity of the 162(m) regulations, elements of compensation that the Company believes are deductible may ultimately not be deductible.

#### Risk Assessment of Compensation Programs

As part of an annual practice, the Compensation Committee reviewed and discussed a compensation risk assessment performed by the Company’s Incentive Risk Committee. The Incentive Risk Committee is chaired by the Director of Risk Management and composed of representatives from Risk, Compliance, Audit, Accounting, and Human Resources. This risk assessment process included a review of the design and operation of the Company’s eleven incentive compensation programs. It also identified and evaluated situations or compensation elements that could raise material risks. The Incentive Risk Committee met in 2016 and then presented the findings of the review to the

Compensation Committee at its October 2016 meeting. Based on the Incentive Risk Committee's findings and the Compensation Committee's deliberations, the Compensation Committee concluded that the Company's compensation policies and practices do not create risks that are likely to have a material adverse effect that would cause plan participants to take unnecessary risks.

#### Transactions in Company Securities

In general, SEC rules prohibit uncovered short sales of shares of the Company's common stock by its executive officers, including the NEOs. Accordingly, the Company's insider trading policy prohibits short sales of shares of the Company's common stock by its executive officers, including the NEOs, and discourages all employees from engaging in any hedging transactions relating to the Company's common stock. The policy also requires all affiliates and insiders to consult with the Company's Treasurer or Chief Executive Officer if they intend to engage in any hedging transactions involving the Company's common stock. In 2016, no executive officer consulted with the Company's Treasurer or Chief Executive Officer regarding hedging transactions.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402 (b) of Regulation S-K with management and, based on such review and discussions, has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and be incorporated by reference into the Company's 2016 Annual Report on Form 10-K.

This report is provided by the following independent directors, who comprise the Compensation Committee:

Cynthia A. Hartley, Chair

Paula Harper Bethea

M. Oswald Fogle

Thomas J. Johnson

James W. Roquemore

## SUMMARY COMPENSATION TABLE

The following table summarizes for the fiscal years ended December 31, 2016, 2015 and 2014, the current and long-term compensation for the Chief Executive Officer, the Chief Financial Officer and the three most highly compensated executive officers other than the Chief Executive Officer and Chief Financial Officer. Each component of compensation is discussed in further detail in the footnotes following the table.

and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation (\$)	All Other Compensation (\$)	Total (\$)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
R. Hill, Jr.	2016	\$ 740,825	\$ —	\$ 637,130	\$ 253,300	\$ 1,222,366	\$ 13,583	\$ 56,578	\$ 2,920,682
Executive Officer	2015	721,000	—	637,212	260,119	1,189,650	2,268	60,948	2,801,137
	2014	700,000	—	571,488	193,495	1,051,875	47,903	77,559	2,643,319
Pollok	2016	529,163	—	372,307	148,028	714,370	12,487	48,101	1,864,356
Executive Vice President, Chief Financial Officer and Operating Officer	2015	515,000	—	372,371	152,025	695,250	2,556	50,103	1,787,255
Windley	2014	500,000	—	333,952	119,830	614,732	44,583	61,919	1,670,414
Executive Vice President of South State	2016	354,539	—	166,297	66,124	319,085	54,123	24,215	984,283
	2015	345,050	—	166,368	67,902	310,545	108,502	27,220	1,027,687
	2014	335,000	—	149,175	61,570	274,580	71,256	30,516	922,527
E. Burns	2016	330,658	—	155,100	61,666	297,592	13,032	42,598	907,646
Executive Vice President, Chief Credit Officer	2015	321,808	—	155,132	62,843	289,627	8,849	47,410	885,860
	2014	310,000	—	138,045	56,978	254,089	34,708	40,104	833,814
L. Brooks	2016	328,081	—	153,915	61,190	295,273	3,019	22,086	860,474
Executive Vice President, Administrative Officer and Chief Risk Officer	2015	319,300	—	153,906	62,843	287,370	498	22,905	846,822
	2014	280,833	—	122,000	36,000	254,089	11,090	23,000	727,012

(1) Consists of total salary compensation, including all amounts that have been deferred at the officers' election. During 2016, 2015 and 2014, Mr. Hill deferred \$226,364, \$105,188 and \$340,833, respectively, and Mr. Windley deferred \$24,790, \$23,147 and \$23,310 respectively, into the deferred compensation plan (see description of plan on page 45).

(2) Beginning in 2013, the Company awarded performance-based restricted stock units to its executive officers. These grants are both performance and time vested over a three-year performance period. The Company communicates threshold, target, and maximum performance RSU awards and performance targets to the executives at the beginning of a performance period. The value of the restricted stock unit grants shown above equals the grant date fair value in accordance with FASB ASC Topic 718. See discussion of assumptions used in the valuation of the stock awards in Note 19, "Share based Compensation" in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

(3) The value of the stock option awards shown above equals the grant date fair value in accordance with FASB ASC Topic 718. See discussion of assumptions used in the valuation of the stock awards in Note 19, "Share based

Compensation” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016.

- (4) Reflects the dollar value of all amounts earned during the fiscal year pursuant the performance based non-equity incentive plans.
- (5) Includes the change in pension value to the NEOs with the exception of Mr. Windley. In 2016, Mr. Windley’s amount includes the change in pension value in addition to the SERP accrual of \$45,201. It also includes the portion of income earned during the fiscal year in the nonqualified deferred compensation plan exceeding 120% of the applicable long-term federal rate (“AFR”). During 2016, nonqualified deferred compensation plan balances experienced an unrealized gain/loss; however, there was no income exceeding 120% of the AFR.

(6) The following table provides all other compensation:

Name	Matching Contributions		Life Insurance and Long-term Disability Premium	Dividends on Unvested Restricted Stock	Memberships	Imputed Taxable Value of Vehicles	Other Cash	Total
	to 401k Retirement Savings Plan							
Robert R. Hill, Jr.	\$ 15,900		\$ 1,620	\$ 33,270	\$ 2,376	\$ 2,512	\$ 900	\$ 56,578
John C. Pollok	15,900		1,620	26,527	—	4,054	—	48,101
John F. Windley	15,900		1,620	4,671	—	1,424	600	24,215
Joseph E. Burns	15,900		1,612	8,886	—	—	16,200	42,598
Renee R. Brooks	15,900		1,606	3,697	—	883	—	22,086

GRANTS OF PLAN BASED AWARDS

Approval of Award Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Possible Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock or Units (#) (3)	All Other Options Awards: Number of Securities Underlying Options (#) (4)	Exercise Price of Options (\$/Share) (5)
	Thres-hold (\$)	Target (\$)	Maximum (\$)	Thres-hold (#)	Target (#)	Maxi-mum (#)			
1/20/16 n/a	407,550	815,100	1,222,650	7,849	15,698	23,547	—	10,113	\$ 63
1/20/16 n/a	238,050	476,100	714,150	4,586	9,172	13,758	—	5,910	\$ 63
1/20/16 n/a	106,500	213,000	319,500	2,049	4,097	6,147	—	2,640	\$ 63
1/20/16							—	2,462	\$ 63



n/a	99,300	198,600	297,900	1,911	3,822	5,733		
1/20/16							—	2,443
n/a	98,400	196,800	295,200	1,896	3,792	5,688		

- 
- (1) These amounts represent ranges of the possible performance based cash bonuses that could have been paid in 2017 based on 2016 results pursuant to the Executive Incentive Plan. The actual bonuses paid are displayed under the Non-Equity Incentive Plan Compensation column within the Summary Compensation Table. The threshold amount is currently 55.0% for Mr. Hill, 45.0% for Mr. Pollok, and 30.0% for all other NEOs, as this is the minimum payout that can occur under the program. The incentive target level is determined as the aggregate dollar amount derived from the executive officers' target bonuses expressed as a percent of annual salary. This target percentage is currently 110.0% for Mr. Hill, 90.0% for Mr. Pollok, and 60.0% for all other NEOs. The maximum incentive is 135.0% for Mr. Hill, 135.0% for Mr. Pollok, and 90.0% for all other NEOs. The 2016 Executive Incentive Plan is further described in the section entitled Compensation Discussion and Analysis.
- (2) These amounts represent ranges of the possible performance-based restricted stock to be granted on the three-year performance period (2014-2016) under the Executive Incentive Plan. Also included are the stock options granted under the Executive Incentive Plan based upon non formula based individual objectives. The 2016 Executive Incentive Plan is further explained in the Compensation Discussion and Analysis section of this Proxy Statement.
- (3) Stock award shares granted in 2016 (as equity incentive plan awards for performance in 2015) cliff vest at 100% after four years.
- (4) All other options awards are granted based upon achievement of individual performance goals. Stock options vest ratably (25% per year) over four years.
- (5) The exercise or base price of options and stock awards is established as the closing market price of the Company's Common Stock on the grant date.
- (6) This amount represents the fair market value of all restricted stock and option awards made during the fiscal year 2016. The fair market value for stock awards is based on the closing market price of the stock on the date of grant. The fair value of options is estimated at the date of grant using the Black Scholes option pricing model. The fair value

Edgar Filing: SOUTH STATE Corp - Form DEF 14A

for the options issued on January 20, 2016 was \$25.05 per share. The following assumptions were used in valuing options issued:

	Assumptions January 20, 2016	
Dividend yield	1.61	%
Expected life	8 years	
Expected volatility	41	%
Risk-free interest rate	1.89	%

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Option Awards					Stock Awards				
Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards		Options Exercise Price (\$)	Options Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) (2) (8)	Market Value of Shares or Units of Stock That Have Not Vested (3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Number of Unearned Shares or Other Rights That Have Not Vested (#)
		Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)						
07	—			31.10	1/21/2020	25,770	\$ 2,252,298	28,547	\$ 2
94	—			37.66	3/18/2020				
32	—			32.46	1/27/2021				
75	—			31.75	1/26/2022				
50	1,884 (4)			41.45	1/24/2023				
23	3,624 (5)			66.32	1/22/2024				
09	7,830 (6)			61.42	1/21/2025				
	10,113(7)			63.54	1/20/2026				
64	—			31.50	1/2/2018	20,244	\$ 1,769,326	16,683	\$ 1
46	—			27.57	1/22/2019				