

FIRST CITIZENS BANCSHARES INC /DE/
Form S-4
July 17, 2014

As filed with the Securities and Exchange Commission on July 17, 2014.

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

FIRST CITIZENS BANCSHARES, INC.

(Name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	6023 (Primary Standard Industrial Classification Code)	56-1528994 (I.R.S. Employer Identification Number)
4300 Six Forks Road, Raleigh, North Carolina 27609 (919) 716-7000		

(Address and telephone number of principal executive offices)

Frank B. Holding, Jr.

Chairman and Chief Executive Officer

First Citizens BancShares, Inc.

4300 Six Forks Road, Raleigh, North Carolina 27609 (919) 716-7000

(Name, address and telephone number of agent for service)

With copies to:

Gerald F. Roach, Esq.	Barry P. Harris, IV, Esq.	William R. Lathan, Jr., Esq.
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Seth M. Huffstetler, Esq.	First Citizens Bancorporation, Inc.	Haynsworth Sinkler Boyd, P.A.
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101 North Tryon Street, Suite 1900	Columbia, South Carolina 29201	Suite 2200
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Phone: (704) 377-2536	Facsimile: (803) 931-1448	Phone: (803) 540-7819
Facsimile: (704) 378-4000		Facsimile: (803) 765-1243

Approximate date of commencement of the proposed sale of the securities to the public:

As soon as practicable after this Registration Statement has become effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
 Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
 If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 14e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-party Tender Offer)

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to Be Registered(1)	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate	
			Offering Price	Amount of Registration Fee(3)
Class A Common Stock	N/A	N/A	\$668,407,442.13	\$86,090.88
Class B Common Stock	N/A	N/A	N/A(4)	N/A(5)

(1)

Represents the maximum number of full shares of First Citizens BancShares, Inc. (North) common stock for each applicable row estimated to be issuable upon consummation of the transaction described herein. Pursuant to Rule 416, this registration statement also covers additional shares that may be issued as a result of stock splits, stock dividends or similar transactions.

- (2) Estimated solely for the purpose of determining the registration fee required by Section 6(b) of the Securities Act and calculated in accordance with Rules 457(f) and 457(c) of the Securities Act based on the value of the shares of First Citizens Bancorporation, Inc. (South) voting common stock and South non-voting common stock expected to be exchanged for North Class A common stock and North Class B common stock in the merger, as established by the average of the high and low sale price of shares of South voting common stock on July 11, 2014 as quoted on the OTC Bulletin Board and the book value of shares of South non-voting common stock as of June 30, 2014.
- (3) Computed in accordance with Rules 457(f) and 457(c) of the Securities Act solely for the purpose of calculating the registration fee and based upon a rate of \$128.80 per \$1,000,000 of the proposed maximum aggregate offering price.
- (4) The proposed maximum aggregate offering price is calculated based upon the value of the shares of South voting common stock and South non-voting common stock as set forth in footnote (2) above.
- (5) The amount listed above represents the total aggregate registration fee payable.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold prior to the time the registration statement becomes effective. This document shall not constitute an offer to sell nor shall there be any sale of these securities in any jurisdiction in which such offer or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY-SUBJECT TO COMPLETION DATED JULY 17, 2014

To the Shareholders of First Citizens BancShares, Inc. and First Citizens Bancorporation, Inc.:

We are pleased to report that First Citizens BancShares, Inc. (North) and First Citizens Bancorporation, Inc. (South) have entered into a definitive merger agreement that provides for the combination of our two companies. Under the merger agreement, South will merge with and into North, with North as the surviving company in the merger. We cannot complete the merger transaction without your approval. Holders of shares of North Class A common stock and North Class B common stock will vote to approve (i) the merger agreement, (ii) the issuance of North common stock in connection with the merger pursuant to the requirements of NASDAQ Listing Rules and (iii) an amendment to the North Restated Certificate of Incorporation to authorize additional shares of North Class A common stock to enable the issuance of such shares in connection with the merger, each at a special meeting of stockholders to be held on [], 2014. Holders of shares of South voting and non-voting common stock will vote to approve the merger agreement at a special meeting of shareholders to be held on [], 2014. This document, which serves as a joint proxy statement for the special meetings of North and South and as a prospectus for the shares of North common stock to be issued in the merger to South shareholders, gives you detailed information about the special meetings and the merger.

Under the terms of the merger agreement, each share of South common stock will be converted into the right to receive 4.0 shares of North Class A common stock and \$50.00 in cash, unless the holder of such share elects, pursuant to a letter of transmittal that will be delivered after closing of the merger, for each share of such holder's South common stock to be converted into the right to receive 3.58 shares of North Class A common stock and 0.42 shares of North Class B common stock. Cash will be paid in lieu of issuing fractional shares of North common stock.

The value of the shares of North common stock to be issued in the merger will fluctuate between now and the closing date of the merger. We will not know the final value of the per share merger consideration payable to holders of South common stock until after such holders make their elections after closing of the merger; however, (i) based on the closing price of North Class A common stock and the last sale price of North Class B common stock on June 9, 2014, the last trading day before the public announcement of the signing of the merger agreement, the value of the aggregate merger consideration payable to holders of South common stock was between \$607,010,000 and \$644,715,000, depending on whether all South shareholders receive shares of North Class A common stock and cash or elect to receive shares of North Class A common stock and shares of North Class B common stock and excluding shares of South common stock held by North, and (ii) based on the closing price of North Class A common stock and the last sale price of North Class B common stock on [], 2014, the last practicable date before the date of this document, the value of the aggregate merger consideration payable to holders of South common stock was between \$[] and \$[], depending on whether all South shareholders receive shares of North Class A common stock and cash or elect to receive shares of North Class A common stock and shares of North Class B common stock and excluding shares of South common stock held by North. South shareholders should obtain current sale prices for North common

stock. North Class A common stock trades on the NASDAQ Global Select Market under the symbol FCNCA. North Class B common stock trades on the over-the-counter market and is quoted on the OTC Bulletin Board under the symbol FCNCB. South voting common stock trades on the over-the-counter market and is quoted on the OTC Bulletin Board under the symbol FCBN. There is no established public trading market for South non-voting common stock.

Based on the current number of shares of South common stock outstanding, (i) if all South shareholders elect to receive only North Class A common stock and cash, North currently expects to issue up to 2,605,004 shares of North Class A common stock upon completion of the merger and (ii) if all South shareholders elect to

receive North Class A common stock and North Class B common stock, North currently expects to issue up to 2,331,479 shares of Class A common stock and 273,526 shares of North Class B common stock upon completion of the merger. However, the number of shares actually issued upon completion of the merger could change depending on the actual elections of South shareholders.

The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the United States Internal Revenue Code of 1986, as amended, referred to as the Internal Revenue Code or the Code. Assuming the merger qualifies as a reorganization, a holder of South common stock who receives only North common stock in the merger generally will not recognize gain for tax purposes in the merger. A holder of South common stock who receives cash in the merger will recognize gain for tax purposes up to the amount of cash received. In addition, a holder of South common stock may recognize gain or loss for tax purposes from the receipt of cash in lieu of a fractional share of North common stock that such holder of South common stock would otherwise be entitled to receive.

Holders of North Class A common stock do not have a right to seek appraisal for their shares of North Class A common stock; however, holders of North Class B common stock do have the right to seek appraisal for their shares of North Class B common stock under Delaware law, provided they comply with each of the requirements under Delaware law, including not voting in favor of the merger agreement and providing notice to North. For more information regarding appraisal rights, please see The Merger Appraisal Rights of Holders of North Class B Common Stock beginning on page [] of this joint proxy statement/prospectus.

South shareholders have dissenters' rights under South Carolina law entitling them to obtain payment in cash for the fair value of their shares, provided they comply with each of the requirements under South Carolina law, including not voting in favor of the merger agreement and providing notice to South. For more information regarding dissenters' rights, please see The Merger Dissenters' Rights of South Shareholders beginning on page [] of this joint proxy statement/prospectus.

Your vote is very important. To ensure your representation at the North or South special meeting, as applicable, please vote either electronically by telephone or through the Internet, or by completing, signing, dating and mailing the enclosed proxy card or broker's instruction form in the enclosed envelope. Whether or not you expect to attend the North or South special meeting, as applicable, please vote promptly. If you are a record shareholder, submitting a proxy card or voting electronically now will not prevent you from being able to vote in person at the applicable special meeting. Each of the North and South boards of directors has adopted and approved the merger agreement and the transactions contemplated by it, and recommends that its respective shareholders vote FOR approval of each of the proposals described in this joint proxy statement/prospectus.

You should read this entire joint proxy statement/prospectus, including the appendices and the documents incorporated herein by reference, carefully because it contains important information about the special meetings and the merger. **In particular, you should read carefully the information set forth under Risk Factors beginning on page 24 of this joint proxy statement/prospectus for a discussion of the risks you should consider in evaluating the proposed merger.**

On behalf of the North and South boards of directors, thank you for your prompt attention to this important matter.

Sincerely,

Frank B. Holding, Jr.

Jim B. Apple

Chairman and Chief Executive Officer

First Citizens BancShares, Inc.

Chairman, Chief Executive Officer and President

First Citizens Bancorporation, Inc.

The shares of North common stock to be issued in the merger are not savings or deposit accounts or other obligations of any bank or nonbank subsidiary of either North or South and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

Neither the Securities and Exchange Commission, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the North Carolina Office of the Commissioner of Banks, the South Carolina State Board of Financial Institutions nor any state securities commission or any other bank regulatory agency has approved or disapproved the securities to be issued in the merger or determined the adequacy or accuracy of this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This joint proxy statement/prospectus is dated [], 2014, and is being first mailed to North stockholders and South shareholders on or about [], 2014.

FIRST CITIZENS BANCSHARES, INC.

4300 Six Forks Road

Raleigh, North Carolina 27609

(919) 716-7000

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON [], 2014

NOTICE IS HEREBY GIVEN that a Special Meeting of Stockholders of First Citizens BancShares, Inc. (North) will be held at [] on [], 2014, at [] local time, for the following purposes:

1. Approval of Agreement and Plan of Merger. To consider and vote upon a proposal to approve the Agreement and Plan of Merger dated June 10, 2014 (the merger agreement) by and between First Citizens Bancorporation, Inc. (South) and North, pursuant to which South will merge with and into North, with North as the surviving company in the merger (the North merger proposal). You will find a copy of the merger agreement attached as Appendix A to this document.
2. Approval of Share Issuance. To consider and vote upon the issuance of up to 2,605,004 shares of North Class A common stock and up to 273,526 shares of North Class B common stock in connection with the merger agreement (the North share issuance proposal).
3. Approval of Amendment to Restated Certificate of Incorporation. To consider and vote upon an amendment to North s restated certificate of incorporation, as amended, that will increase the authorized number of shares of North Class A common stock from 11,000,000 to 16,000,000 shares to enable the issuance of shares of North Class A common stock in the merger (the North charter amendment proposal). You will find a copy of the form of proposed amendment to the North restated certificate of incorporation attached as Appendix F to this document.
4. Adjourn or Postpone the Special Meeting. To consider and vote upon a proposal of the North board of directors to adjourn or postpone the special meeting, if necessary or appropriate, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the North merger proposal, the North share issuance proposal or the North charter amendment proposal (the North adjournment proposal).
5. Other Business. To transact such other business as may properly come before the special meeting or any adjournments or postponements thereof.

The North board of directors has set [], 2014 as the record date for the North special meeting. Only stockholders of record at the close of business on [], 2014 are entitled to notice of, and to vote at, the special meeting.

Holders of North Class A common stock do not have a right to seek appraisal for their shares of North Class A common stock; however, holders of North Class B common stock who comply with the provisions of Delaware law relating to appraisal rights applicable to the merger are entitled to seek appraisal under the Delaware appraisal rights law, a copy of which is attached as Appendix B to this document.

The above proposals are described in more detail in the attached joint proxy statement/prospectus, which we urge you to read carefully in its entirety before you vote.

Your vote is very important. You are cordially invited to attend the North special meeting in person. However, even if you plan to attend the special meeting, to ensure your representation, please vote as promptly as possible, either electronically via telephone or the Internet, or by completing, signing, dating and mailing your proxy card or broker's instruction form in the enclosed envelope. If you are a record stockholder and choose to attend the special meeting, then you may vote your shares in person if you wish to do so, even if you have previously signed and returned your proxy card or voted electronically via telephone or the Internet. If you hold your shares through a broker or other nominee (commonly referred to as held in street name) and wish to attend the special meeting and vote in person, you must present proof of ownership and appropriate voting documents from your broker or other nominee. You may

revoke your proxy or broker's voting instructions at any time prior to the special meeting as specified in the accompanying joint proxy statement/prospectus or broker's instructions. If you have questions about the proposals or about voting your shares, please call our Corporate Secretary, Kathy Klotzberger, at (919) 716-7000.

The North board of directors has approved and adopted the merger agreement and the transactions contemplated thereby and has determined that the merger is advisable and in the best interest of North and its stockholders. **The North board of directors recommends that North stockholders vote FOR the North merger proposal, FOR the North share issuance proposal, FOR the North charter amendment proposal and FOR the North adjournment proposal.**

By Order of the Board of Directors

Frank B. Holding, Jr.

Chairman and Chief Executive Officer

First Citizens BancShares, Inc.

Raleigh, North Carolina

[], 2014

FIRST CITIZENS BANCORPORATION, INC.

1230 Main Street

Columbia, South Carolina 29201

(803) 733-2025

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON [], 2014

NOTICE IS HEREBY GIVEN that a Special Meeting of the Shareholders of First Citizens Bancorporation, Inc. (South) will be held at [] on [], 2014, at [], local time, for the following purposes:

1. Approval of Agreement and Plan of Merger. To consider and vote upon a proposal to approve the Agreement and Plan of Merger dated June 10, 2014 (the merger agreement) by and between South and First Citizens BancShares, Inc. (North), pursuant to which South will merge with and into North, with North as the surviving company in the merger (the South merger proposal). You will find a copy of the merger agreement attached as Appendix A to this document.
2. Adjourn or Postpone the Special Meeting. To consider and vote upon a proposal of the South board of directors to adjourn or postpone the special meeting, if necessary or appropriate, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the South merger proposal (the South adjournment proposal).
3. Other Business. To transact such other business as may properly come before the special meeting or any adjournments or postponements thereof.

The South board of directors has set [], 2014 as the record date for the South special meeting. Only shareholders of record of South common stock at the close of business on [], 2014 are entitled to notice of, and to vote at, the special meeting. Holders of South non-voting common stock as of the record date are entitled to vote on the South merger proposal, but are not entitled to vote on the South adjournment proposal.

Holders of South common stock who comply with the provisions of South Carolina law relating to dissenters' rights applicable to the merger are entitled to assert dissenters' rights under the South Carolina dissenters' rights law, a copy of which is attached as Appendix C to this document.

The above proposals are described in more detail in the attached joint proxy statement/prospectus, which we urge you to read carefully in its entirety before you vote.

Your vote is very important. You are cordially invited to attend the South special meeting in person. However, even if you plan to attend the special meeting, to ensure your representation, please vote as promptly as possible, either electronically via telephone or the Internet, or by completing, signing, dating and mailing your proxy card or broker's instruction form in the enclosed envelope. If you are a record shareholder and choose to attend the special meeting, then you may vote your shares in person if you wish to do so, even if you have previously signed and returned your proxy card or voted electronically via telephone or the Internet. If you

hold your shares through a broker or other nominee (commonly referred to as held in street name) and wish to attend the special meeting and vote in person, you must present proof of ownership and appropriate voting documents from your broker or other nominee. You may revoke your proxy or broker s voting instructions at any time prior to the special meeting as specified in the accompanying joint proxy statement/prospectus or broker s instructions. If you have questions about the proposals or about voting your shares, please call our Corporate Secretary, Melissa A. Mendenall, at (803) 931-1320.

The South board of directors has approved and adopted the merger agreement and the transactions contemplated thereby and has determined that the merger is advisable and in the best interest of South and its shareholders. **The South board of directors recommends that South shareholders vote FOR the South merger proposal and FOR the South adjournment proposal.**

By Order of the Board of Directors

Jim B. Apple

Chairman, Chief Executive Officer and President

First Citizens Bancorporation, Inc.

Columbia, South Carolina

[], 2014

WHERE YOU CAN FIND MORE INFORMATION

First Citizens BancShares, Inc.

North files annual, quarterly and special reports, proxy statements and other business and financial information with the Securities and Exchange Commission (SEC). You may read and copy any materials that North files with the SEC at its Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. Please call the SEC at (800) SEC-0330 ((800) 732-0330) for further information on the public reference room. In addition, North files reports and other business and financial information with the SEC electronically, and the SEC maintains a website located at <http://www.sec.gov> containing this information. You will also be able to obtain these documents, free of charge, from North by accessing North's website at www.firstcitizens.com. Copies can also be obtained, free of charge, by directing a written request to:

First Citizens BancShares, Inc.

4300 Six Forks Road

Raleigh, North Carolina 27609

Attn: Kathy A. Klotzberger, Corporate Secretary

Telephone: (919) 716-7000

In addition, if you are a North stockholder and you have any questions concerning the merger, the North special meeting or this joint proxy statement/prospectus, would like additional copies of this joint proxy statement/prospectus, or need help voting your shares of North common stock, please contact Kathy A. Klotzberger, Corporate Secretary, at the address above.

North has filed a Registration Statement on Form S-4 to register with the SEC up to 2,605,004 shares of North Class A common stock and up to 273,526 shares of North Class B common stock to be issued pursuant to the merger. This joint proxy statement/prospectus is a part of that Registration Statement on Form S-4. As permitted by SEC rules, this joint proxy statement/prospectus does not contain all of the information included in the Registration Statement on Form S-4 or in the exhibits or schedules to the Registration Statement on Form S-4. You may read and copy the Registration Statement on Form S-4, including any amendments, schedules and exhibits, at the SEC's Public Reference Room at the address set forth above. The Registration Statement on Form S-4, including any amendments, schedules and exhibits, is also available, free of charge, by accessing the websites of the SEC and North or upon written or oral request to North at the address or telephone number set forth above.

Statements contained in this joint proxy statement/prospectus as to the contents of any contract or other documents referred to in this joint proxy statement/prospectus are not necessarily complete. In each case, you should refer to the copy of the applicable contract or other document filed as an exhibit to the Registration Statement on Form S-4 or in North's other SEC filings. This joint proxy statement/prospectus incorporates important business and financial information about North that is not included in or delivered with this document, including incorporating by reference documents that North has previously filed with the SEC. These documents contain important information about North and its financial condition. See Documents Incorporated by Reference beginning on page [] of this joint proxy statement/prospectus. These documents are available, free of charge, by accessing the websites of the SEC and North or upon written or oral request to North at the address or telephone number set forth above.

To obtain timely delivery of these documents, you must request them no later than [], 2014 in order to receive them before the special meeting of stockholders.

First Citizens Bancorporation, Inc.

South does not have a class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the Exchange Act), is not subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, and accordingly does not file documents and reports with the SEC.

If you are a South shareholder and have any questions concerning the merger, the South special meeting or this joint proxy statement/prospectus, would like additional copies of this joint proxy statement/prospectus, or need help voting your shares of South common stock, please contact South at:

First Citizens Bancorporation, Inc.

1230 Main Street

Columbia, South Carolina 29201

Attn: Melissa A. Mendenall, Corporate Secretary

Telephone: (803) 931-1320

Except where the context otherwise indicates, North supplied all information contained in, or incorporated by reference into, this joint proxy statement/prospectus relating to North, and South supplied all information contained in this joint proxy statement/prospectus relating to South.

You should rely only on the information contained in, or incorporated by reference into, this joint proxy statement/prospectus. No one has been authorized to give any information or make any representation about the merger or North or South that differs from, or adds to, the information in this joint proxy statement/prospectus or in documents that are publicly filed with the SEC. Therefore, if anyone does give you different or additional information, you should not rely on it. You should not assume that the information contained in this joint proxy statement/prospectus is accurate as of any date other than the date of this joint proxy statement/prospectus, and you should not assume that any information incorporated by reference into this document is accurate as of any date other than the date of such other document, and neither the mailing of this joint proxy statement/prospectus to North stockholders or South shareholders nor the issuance of North common stock or the payment of cash by North in the merger shall create any implication to the contrary.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction.

CERTAIN DEFINED TERMS

Unless the context otherwise requires throughout this document, **North** refers to First Citizens BancShares, Inc., **South** refers to First Citizens Bancorporation, Inc. and **the parties, we, and our** refer collectively to North and South. The parties refer to the proposed merger of South with and into North as the **merger**; the merger of First Citizens Bank and Trust Company, Inc. (referred to as **South Bank**), with and into First-Citizens Bank & Trust Company (referred to as **North Bank**), as the **bank merger**; and the Agreement and Plan of Merger, dated June 10, 2014, by and between North and South as the **merger agreement**.

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QUESTIONS AND ANSWERS ABOUT THE

MERGER AND THE SPECIAL MEETINGS

The following are answers to certain questions that you may have regarding the special meetings. North and South urge you to read carefully the remainder of this document because the information in this section may not provide all of the information that might be important to you in determining how to vote. Additional important information is also contained in the appendices to, and the documents incorporated by reference in, this document.

Q: Why am I receiving these materials?

A: North is sending these materials to its stockholders to help them decide how to vote their shares of North common stock with respect to the North merger proposal, the North share issuance proposal, the North charter amendment proposal and the other matters to be considered at the North special meeting described below. South is sending these materials to its shareholders to help them decide how to vote their shares of South common stock with respect to the South merger proposal and the other matters to be considered at the South special meeting described below.

The merger cannot be completed unless South shareholders approve the merger agreement and North stockholders approve the merger agreement, the issuance of North common stock in the merger and the related amendment to the North restated certificate of incorporation, as amended (the North charter). North is holding a special meeting of stockholders to vote on the merger agreement, the issuance of North common stock in the merger and the related amendment to the North charter, each as described in Information about the North Special Meeting beginning on page [] of this joint proxy statement/prospectus. South is holding a special meeting of shareholders to vote on the merger agreement as described in Information about the South Special Meeting beginning on page [] of this joint proxy statement/prospectus.

This joint proxy statement/prospectus constitutes a proxy statement and a prospectus of North and a proxy statement of South. It is a joint proxy statement because the boards of directors of both companies are soliciting proxies from their respective shareholders. It is a prospectus because North will issue shares of its common stock in exchange for shares of South common stock in the merger.

Q: Who are the members of the Holding family and what interests do they have in North and South?

A: For purposes of this joint proxy statement/prospectus, the Holding family includes Frank B. Holding, his spouse, Ella Ann Holding, their five adult children and their children's spouses, and their grandchildren. The five adult children of Frank B. Holding and Ella Ann Holding are Frank B. Holding, Jr., Hope H. Bryant, Olivia B. Holding, Claire H. Bristow and Carson H. Brice.

The Holding family beneficially owns shares representing a majority of the voting power of the outstanding shares of North common stock and a majority of the outstanding shares of South common stock.

Frank B. Holding previously served as Executive Vice Chairman of North, Vice Chairman of South and a director of North and South.

Frank B. Holding, Jr. is Chairman and Chief Executive Officer of North and a director of North and South.

Hope H. Bryant is Vice Chairman and a director of North.

Claire H. Bristow's spouse, Peter M. Bristow, is Executive Vice President and Chief Operating Officer and a director of South. Mr. Bristow is proposed to become President and Corporate Sales Executive of North and North Bank following the merger.

Q: Have the terms of the merger been evaluated by directors who are independent from the Holding family?

A: Yes. The North board of directors established an evaluation committee of the North board of directors comprised of independent directors Victor E. Bell, H. Lee Durham, Jr., and Lucius S. Jones (the North

Committee) to consider and negotiate the terms and conditions of the merger and to make a recommendation to the North board of directors.

The South board of directors established a special committee of the South board of directors comprised of independent directors M. Craig Garner, Jr. (Chairman), Robert Hoppe, Allen McIntyre and Kevin Marsh (the South Committee) to consider and negotiate the terms and conditions of the merger and to make a recommendation to the South board of directors.

See The Merger Background of the Merger beginning on page [] of this joint proxy statement/prospectus.

Q: What will South shareholders receive in the merger?

A: Under the terms of the merger agreement, each South shareholder will receive 4.0 shares of North Class A common stock and \$50.00 in cash for every share of South common stock the shareholder owns, unless such holder elects, pursuant to a letter of transmittal that will be delivered after closing of the merger, to receive 3.58 shares of North Class A common stock and 0.42 shares of North Class B common stock for every share of South common stock that they own. Cash will be paid in lieu of fractional shares.

Q: What is the difference between the stockholder rights of the North Class A common stock and North Class B common stock?

A: The shares of North Class A common stock are entitled to one vote for each share outstanding on all questions presented to stockholders, and the shares of North Class B common stock are entitled to 16 votes for each share outstanding on all questions presented to stockholders.

Q: Will the value of the merger consideration change between the date of this joint proxy statement/prospectus and the time the merger is completed?

A: The value of the merger consideration described above may fluctuate between the date of this joint proxy statement/prospectus and the completion of the merger based upon the market value for North Class A common stock and North Class B common stock. Any fluctuation in the market price of North Class A common stock and North Class B common stock after the date of this joint proxy statement/prospectus will change the value of the shares of North common stock that South shareholders will receive.

Q: When do North and South expect to complete the merger?

A: North and South expect to complete the merger after all conditions to the merger in the merger agreement are satisfied or waived, including after approvals are received at the respective special meetings of North and South and all required regulatory approvals are received. North and South currently expect to complete the merger in the fourth quarter of 2014. It is possible, however, that, as a result of factors outside of either company's control, the merger may be completed at a later time, or may not be completed at all.

Q: What happens if the merger is not completed?

A: If the merger is not completed for any reason, South shareholders will not receive any consideration for their shares of South common stock. Instead, South will remain a separate company and continue to be owned by its current shareholders.

Q: How will the merger consideration received by South shareholders affect North stockholders other than the Holding family?

A: As a result of North's issuance of new shares to South shareholders, current North stockholders other than the Holding family (who will also receive merger consideration for their shares of South common stock) will generally experience dilution in terms of percentage ownership of North and voting rights with respect to North. North stockholders who also own shares of South, including Holding family members, will experience less significant dilution or may actually experience an increase in voting control depending on the percentage of each entity owned.

Q: What am I being asked to vote on?

A: North Class A and Class B stockholders are being asked to vote on the following proposals:

a proposal to approve the merger agreement (the North merger proposal);

a proposal to approve the issuance of up to 2,605,004 shares of North Class A common stock and up to 273,526 shares of North Class B common stock in the merger (the North share issuance proposal);

a proposal to approve an amendment to the North charter to increase the authorized number of shares of Class A common stock from 11,000,000 to 16,000,000 shares to enable the issuance of shares of North Class A common stock in the merger (the North charter amendment proposal); and

a proposal to approve one or more adjournments of the North special meeting, if necessary or appropriate, including adjournments to solicit additional proxies in favor of the foregoing proposals (the North adjournment proposal).

A more detailed description of each of these proposals can be found under Information about the North Special Meeting beginning on page [] of this joint proxy statement/prospectus.

South shareholders are being asked to vote on:

a proposal to approve the merger agreement (the South merger proposal); and

a proposal to approve one or more adjournments of the South special meeting, if necessary or appropriate, including adjournments to solicit additional proxies in favor of the foregoing proposal (the South adjournment proposal).

Holders of South voting common stock will vote on both proposals. Holders of South non-voting common stock will vote only on the South merger proposal.

A more detailed description of each of these proposals can be found under Information about the South Special Meeting beginning on page [] of this joint proxy statement/prospectus.

Q: How do the boards of directors of North and South recommend that I vote?

A: The North board of directors recommends that North stockholders vote **FOR** the North merger proposal, **FOR** the North share issuance proposal, **FOR** the North charter amendment proposal and **FOR** the North adjournment proposal. For a discussion of interests of North's directors and executive officers in the merger that may be different from, or in addition to, the interests of North stockholders generally, see The Merger Interests of North and/or North Bank's Directors and Executive Officers in the Merger, beginning on page [] of this joint proxy

statement/prospectus.

The South board of directors recommends that South shareholders vote **FOR** the South merger proposal and **FOR** the South adjournment proposal. For a discussion of interests of South's directors and executive officers in the merger that may be different from, or in addition to, the interests of South shareholders generally, see The Merger Interests of South and/or South Bank's Directors and Executive Officers in the Merger, beginning on page [] of this joint proxy statement/prospectus.

Q: Who can vote at the special meetings?

A: Holders of North Class A common stock and holders of North Class B common stock as of [], 2014, the record date established by the North board of directors, can vote on all matters at the North special meeting. Holders of South voting and non-voting common stock as of the close of business on [], 2014, the record date established by the South board of directors, can vote on the South merger proposal. Only holders of South voting common stock as of the close of business on the South record date can vote on the South adjournment proposal.

Q: What constitutes a quorum for the North special meeting?

A: The presence at the North special meeting, in person or by proxy, of the holders of shares representing a majority of the total votes entitled to be cast by holders of outstanding shares of North Class A common stock and North Class B common stock at its special meeting is necessary to constitute a quorum for the transaction of business at the North special meeting, and the presence at the North special meeting, in person or by proxy, of the holders of a majority of the outstanding shares of North Class A common stock is necessary to constitute a quorum for action on the North charter amendment proposal. Shares of North common stock represented at the special meeting but not voted, including shares that a stockholder abstains from voting and shares held in street name with a broker or other nominee for which a stockholder provides voting instructions for one or more, but not all, proposals to be voted on, will be counted for purposes of establishing a quorum. Once a share of North common stock is represented at the special meeting on any proposal, it will be counted for the purpose of determining a quorum for all proposals voted on, not only at the special meeting but also at any adjournment or postponement of the special meeting.

Q: What constitutes a quorum for the South special meeting?

A: The presence at the South special meeting, in person or by proxy, of the holders of a majority of the aggregate outstanding shares of the total South voting and non-voting common stock entitled to vote at its special meeting, as well as a majority of the outstanding shares of South voting common stock entitled to vote as a group at the special meeting and a majority of the outstanding shares of South non-voting common stock entitled to vote as a group at the meeting, is necessary to constitute a quorum for the transaction of business at the South special meeting. Shares of South common stock represented at the special meeting but not voted, including shares that a shareholder abstains from voting and shares held in street name with a broker or other nominee for which a shareholder provides voting instructions for one, but not both, proposals to be voted on, will be counted for purposes of establishing a quorum. Once a share of South common stock is represented at the special meeting, it will be counted for the purpose of determining a quorum not only at the special meeting but also at any adjournment or postponement of the special meeting.

Q: What vote is required to approve the North proposals?

A: The North merger proposal will be approved if a majority of the total votes entitled to be cast by holders of the outstanding shares of North Class A common stock and North Class B common stock, voting as a group, are cast in favor of such proposal. The North share issuance proposal will be approved if a majority of the total votes actually cast at the North special meeting by holders of the outstanding shares of North Class A common stock and North Class B common stock, voting as a group, are cast in favor of such proposal. The North charter amendment proposal will be approved if a majority of the total votes entitled to be cast by holders of the outstanding shares of: (i) North Class A common stock and North Class B common stock, voting as a group, and (ii) North Class A common stock, voting as a separate group, in each case are cast in favor of such proposal. The North adjournment proposal will be approved if a majority of the total votes entitled to be cast by holders of shares of North Class A common stock and North Class B common stock represented at the North special meeting, in person or by proxy, and voting as a group, are cast in favor of such proposal.

For the North merger proposal, the North charter amendment proposal and the North adjournment proposal, if a North stockholder fails to vote, responds by proxy with an abstain vote or fails to instruct his, her or its broker or other nominee with respect to any of such proposals, it will have the same effect as a vote cast **AGAINST** such proposal. If

a North stockholder is not present in person at the North special meeting, does not respond by proxy or fails to instruct his, her or its broker or other nominee with respect to any of such proposals, it will have the same effect as a vote **AGAINST** the North merger proposal, the North charter amendment proposal and the North adjournment proposal.

For the North share issuance proposal, if a North stockholder fails to vote, responds by proxy with an abstain vote or fails to instruct his, her or its broker or other nominee with respect to such proposal, it will

have no effect on the vote count for such proposal. If a North stockholder is not present in person at the North special meeting, does not respond by proxy or fails to instruct his, her or its broker or other nominee with respect to such proposal, it will have no effect on the vote count for such proposal.

Frank B. Holding, a former director of North and one of its stockholders, also is a shareholder and former director of South. Frank B. Holding, Jr., North's Chairman and Chief Executive Officer, also is a shareholder and director of South. Members of the Holding family, including members who serve as directors of North and in management positions with North, and certain family entities, hold, in the aggregate, approximately 24.6% of the outstanding shares of North Class A common stock and approximately 66.5% of the outstanding shares of North Class B common stock, together representing approximately 52.2% of the total votes entitled to be cast by all outstanding shares of both classes of North common stock.

In addition to the above shares, (i) South's investment securities available for sale include an equity investment in North (approximately 2.0% of the outstanding shares of North Class A common stock and approximately 4.4% of the outstanding shares of North Class B common stock) and (ii) other entities in which members of the Holding family are shareholders and serve as directors and/or officers hold approximately 3.2% of the outstanding shares of North Class A common stock and approximately 2.4% of the outstanding shares of North Class B common stock. Those shares held by South and the other entities amount to approximately 6.2% of the total votes entitled to be cast by all outstanding shares of both classes of North common stock.

In total, members of the Frank B. Holding family and the other entities referred to above hold an aggregate of approximately 29.7% of the outstanding shares of North Class A common stock and approximately 73.1% of the outstanding shares of North Class B common stock, together representing approximately 58.2% of the total votes entitled to be cast by all outstanding shares of both classes of North common stock.

Q: What vote is required to approve the South proposals?

A: Under the provisions of the South Carolina Business Corporation Act, to be adopted, the South merger proposal must be approved by: (i) two-thirds of the South voting and non-voting common stock entitled to be cast on the merger, voting as a group, (ii) two-thirds of the South voting common stock entitled to be cast on the merger, voting as a separate group, and (iii) two-thirds of the South non-voting common stock entitled to be cast on the merger, voting as a separate group. In addition, it is a condition to the merger that a majority of the votes entitled to be cast on the merger by persons who are minority holders of South common stock not be cast against the South merger proposal. The term minority holders was negotiated by the North Committee and the South Committee, on the basis of South's share records and related information, to include, generally, South shareholders who were not members of the Frank B. Holding family and South shareholders who were not affiliated with Mr. Holding or his family. The South adjournment proposal will be approved if the votes cast by South voting common stock in favor of the South adjournment proposal exceed the votes cast against the South adjournment proposal. The South non-voting common stock is not entitled to vote on the South adjournment proposal.

For the South merger proposal, if a South shareholder fails to vote, responds by proxy with an abstain vote or fails to instruct his, her or its broker or other nominee with respect to such proposal, it will have the same effect as a vote cast **AGAINST** such proposal. If a South shareholder is not present in person at the South special meeting, does not respond by proxy or fails to instruct his, her or its broker or other nominee with respect to such proposal, it will have the same effect as a vote **AGAINST** the South merger proposal.

For the South adjournment proposal, if a South shareholder fails to vote, responds by proxy with an abstain vote or fails to instruct his, her or its broker or other nominee with respect to such proposal, it will have no effect on the vote count for such proposal. If a South shareholder is not present in person at the South special meeting, does not respond by proxy or fails to instruct his, her or its broker or other nominee with respect to such proposal, it will have no effect on the vote count for such proposal.

Members of the Holding family, including those members who serve as directors of North and in management positions with North, and certain family entities, hold, in the aggregate, approximately 48.4% of the outstanding shares of South's voting common stock and approximately 16.8% of the outstanding shares of South's non-voting common stock, together representing approximately 47.2% of the total votes entitled to be cast on the South merger proposal by all outstanding shares of both classes of South's common stock.

In addition to the above shares, (i) North's investment securities available for sale include an equity investment in South (approximately 4.9% of the outstanding shares of South voting common stock) and (ii) other entities in which members of the Holding family are shareholders and serve as directors and/or officers hold approximately 8.8% of the outstanding shares of South voting common stock and approximately 14.1% of South non-voting common stock. Those shares held by North and the other entities amount to approximately 13.7% of the total votes entitled to be cast on the South merger proposal by all outstanding shares of both classes of South common stock.

In total, members of the Frank B. Holding family and the other entities referred to above hold an aggregate of approximately 62.1% of the outstanding shares of South voting common stock and approximately 30.9% of the outstanding shares of South non-voting common stock, together representing approximately 60.8% of the total votes entitled to be cast on the South merger proposal by all outstanding shares of both classes of South common stock.

Q: Is completion of the merger subject to any conditions?

A: Yes. North and South are not required to complete the merger unless a number of conditions are satisfied or, where permissible, waived by the board of directors of the party or parties for whom the condition exists. These conditions include, among others, (i) the adoption of the merger agreement by North stockholders and South shareholders, (ii) the approval of the North charter amendment proposal by North stockholders, (iii) receipt of approval of various governmental authorities without the imposition of a burdensome condition, (iv) the authorization for listing on the NASDAQ Global Select Market of the shares of North Class A common stock to be issued in the merger, (v) the effectiveness of the registration statement of which this joint proxy statement/prospectus is a part and the absence of any stop order suspending the effectiveness of this registration statement (or proceedings for that purpose initiated or threatened by the SEC and not withdrawn), (vi) the absence of any order, injunction or decree by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the merger, the bank merger or any of the other material transactions contemplated by the merger agreement, (vii) the absence of any statute, rule, regulation, order, injunction or decree enacted, entered, promulgated or enforced by any governmental entity that prohibits or makes illegal consummation of the merger, the bank merger or any of the other material transactions contemplated by the merger agreement, (viii) the accuracy of the representations and warranties of each other party in the merger agreement as of the day on which the merger is completed, subject to the materiality standards provided in the merger agreement and the performance of the other party in all material respects of all obligations required to be performed by it at or prior to the effective time of the merger under the merger agreement (and the receipt by each party of certificates from the other party to such effect), (ix) receipt by each party of an opinion of legal counsel as to certain tax matters, (x) the absence of any events or occurrences that, individually or in the aggregate, have had or would reasonably be expected to have a material adverse effect on the other party, and (xi) a majority of the shares held by the minority holders of South common stock must not have voted against the merger. See Information about South Security Ownership of South Management and Certain South Beneficial Owners beginning on page [] of this joint proxy statement/prospectus. For a more complete summary of the conditions that must be satisfied (or, where permissible, waived) prior to completion of the merger, see The Merger Agreement Conditions to Completion of the Merger beginning on page [] of this joint proxy statement/prospectus.

Q: If my North or South shares are held in street name by a broker or other nominee, will my broker or nominee vote my shares for me?

A: Your broker or other nominee will not vote your shares unless you give voting instructions to your broker or other nominee. If your shares are held in street name through a broker or other nominee, that institution will send you separate instructions describing the procedure for voting your shares. Please follow the voting instructions provided by your broker or other nominee. Please note that you may not vote shares held in street name by returning a proxy card directly to North or South or by voting in person at your special meeting unless you provide a legal proxy, which you must obtain from your broker or other nominee.

Brokers or other nominees who hold shares in street name for a beneficial owner typically have the authority to vote in their discretion on routine proposals when they have not received instructions from beneficial owners. However, brokers or other nominees are not allowed to exercise their voting discretion on matters that are determined to be non-routine without specific instructions from the beneficial owner. Broker non-votes are shares held by a broker or other nominee that are represented at the applicable special meeting but with respect to which the broker or other nominee is not instructed by the beneficial owner of such shares to vote on the particular proposal and the broker or other nominee does not have discretionary voting power on such proposal.

If you are a North stockholder and you do not instruct your broker or other nominee on how to vote your shares, your broker or other nominee may not vote your shares on the North merger proposal, the North share issuance proposal, the North charter amendment proposal or the North adjournment proposal, which broker non-votes, if any, will have the same effect as a vote **AGAINST** the North merger proposal, the North charter amendment proposal and the North adjournment proposal and no effect on the North share issuance proposal.

If you are a South shareholder and you do not instruct your broker or other nominee on how to vote your shares, your broker or other nominee may not vote your shares on the South merger proposal or the South adjournment proposal, which broker non-votes, if any, will have the same effect as a vote **AGAINST** the South merger proposal and no effect on the South adjournment proposal.

Q: What will happen if I return my proxy card without indicating how to vote?

A: If you submit your proxy via the Internet, by telephone or by mail, the persons named on your proxy card will vote your shares in the manner you requested if you correctly submitted your proxy. If you sign your proxy card and return it without indicating how to vote on any particular proposal, the shares of common stock represented by your proxy will be voted in favor of that proposal. Notwithstanding the foregoing, North and South urge their respective shareholders to properly complete, date, and sign the enclosed proxy card and return it in the enclosed envelope to ensure that your shares will be represented at the special meetings.

Q: What do I need to do now?

A: After carefully reading and considering the information contained in this joint proxy statement/prospectus, North stockholders should vote by telephone or on the Internet, or complete, sign and date the enclosed proxy card or broker's voting instruction form and return it in the enclosed envelope as soon as possible so that their shares will be represented at North's special meeting.

After carefully reading and considering the information contained in this joint proxy statement/prospectus, South shareholders should vote by telephone or the Internet, or complete, sign and date the enclosed proxy card or broker's voting instruction form and return it in the enclosed envelope as soon as possible so that their shares will be represented at South's special meeting.

Please follow the instructions set forth on the proxy card or on the voting instruction form provided by the record holder if your shares are held in the name of your broker or other nominee.

Q: How do I cast my vote?

A: If you are a stockholder of record of North as of the record date for the North special meeting, which is [], 2014 (the North record date), you may cast your vote by:

accessing the Internet website specified on your proxy card;

calling the toll-free number specified on your proxy card; or

signing and dating the enclosed proxy card and returning it in the postage-paid envelope provided. You may also cast your vote in person at North's special meeting.

If you are a shareholder of record of South as of the record date for the South special meeting, which is [], 2014 (the South record date), you may vote by:

accessing the Internet website specified on your proxy card;

calling the toll-free number specified on your proxy card; or

signing and dating the enclosed proxy card and returning it in the postage-paid envelope provided. You may also cast your vote in person at South's special meeting.

If your North or South shares are held in street name through a broker or other nominee, that institution will send you separate instructions describing the procedure for voting your shares. Please follow the voting instructions provided by your broker or nominee. Please note that you may not vote shares held in street name by returning a proxy card directly to North or South or by voting in person at your special meeting unless you provide a legal proxy, which you must obtain from your broker or nominee.

Q: What if I hold shares in both North and South?

A: If you are both a North stockholder and a South shareholder, you will receive separate packages of proxy materials from each company. A vote as a North stockholder for any of the North proposals will not constitute a vote as a South shareholder for any South proposal, or vice versa. Therefore, please mark, sign, date and return all proxy cards and/or voting instructions that you receive from North or South, or vote over the Internet or by telephone.

Q: When are the North special meeting and the South special meeting, and where will each be held?

A: The special meeting of North stockholders will be held at [], at [] time, on [], 2014. All stockholders of North as of the North record date, or their duly appointed proxies, may attend the North special meeting.

The special meeting of South shareholders will be held at [], at [] time, on [], 2014. All shareholders of South as of the South record date, or their duly appointed proxies, may attend the South special meeting.

Q: What happens if I sell my North shares after the record date but before the North special meeting?

A: The North record date is earlier than the date of the North special meeting and earlier than the date that the merger is expected to be completed. If you sell or otherwise transfer your shares of North Class A common stock or North Class B common stock after the record date but before the date of the North special meeting, you will retain your right to vote at the North special meeting.

Q: What happens if I sell my South shares after the South record date but before the South special meeting?

A: The South record date is earlier than the date of the South special meeting and earlier than the date that the merger is expected to be completed. If you sell or otherwise transfer your shares of South common stock after the record date but before the date of the South special meeting, you will retain your right to vote at the South special meeting; however, you will not have the right to receive the merger consideration to be received by South shareholders in the merger. In order to receive the merger consideration, you must hold your shares through completion of the merger.

Q: Can North stockholders exercise appraisal rights in connection with the merger?

A: Under the Delaware General Corporation Law (DGCL), holders of North Class A common stock are not entitled to appraisal rights in connection with the merger.

Under the DGCL, holders of North Class B common stock who want to seek appraisal of the fair value of their shares must provide North with a written demand for appraisal prior to the vote on the North merger proposal at the North special meeting, stating, among other things, that you will exercise your right to seek appraisal if the merger is completed. Also, you may not vote in favor of the North merger proposal and must follow other procedures, both before and after the North special meeting, as described in Appendix B to this joint proxy statement/prospectus. Note that, if you return a signed proxy card without voting instructions or with instructions to vote **FOR** the North merger proposal, then your shares will automatically be voted in favor of the North merger proposal and you will lose all appraisal rights available under the DGCL. A summary of these provisions can be found under The Merger Appraisal Rights of Holders of North Class B Common Stock beginning on page [] of this joint proxy statement/prospectus. Due to the complexity of the procedures for exercising appraisal rights, holders of North Class B common stock who are considering exercising such rights are encouraged to seek the advice of legal counsel. Failure to strictly comply with the applicable DGCL provisions will result in the loss of appraisal rights.

Q: Can South shareholders exercise dissenters rights in connection with the merger?

A: Yes. If you are a South shareholder and you want to exercise dissenters rights and obtain payment of the fair value of shares of South common stock in cash instead of the merger consideration, then you must provide South with written notice prior to the South special meeting stating, among other things, that you will exercise your right to dissent if the merger is completed. Also, you may not vote in favor of the South merger proposal and must follow other procedures, both before and after the South special meeting, as described in Appendix C to this joint proxy statement/prospectus. Note that, if you return a signed proxy card without voting instructions or with instructions to vote **FOR** the South merger proposal, then your shares will automatically be voted in favor of the South merger proposal and you will lose all dissenters rights available under South Carolina law. A summary of these provisions can be found under The Merger Dissenters Rights of South Shareholders beginning on page [] of this joint proxy statement/prospectus. Due to the complexity of the procedures for exercising dissenters rights, South shareholders who are considering exercising such rights are encouraged to seek the advice of legal counsel. Failure to strictly comply with the applicable South Carolina law provisions will result in the loss of the right to dissent.

Q: Can I attend the North or South special meeting and vote my shares in person, and, if so, do I need to bring identification or anything else with me?

A: Yes. All shareholders of North and South, including shareholders of record and shareholders who hold their shares through brokers or other nominees or any other holder of record, are invited to attend their respective special meetings. Holders of record of North and South common stock can vote in person at the North special meeting and South special meeting, respectively. If you are not a shareholder of record, you must obtain a legal proxy, executed in your favor, from the record holder of your shares, such as a broker or

other nominee, to be able to vote in person at the special meetings. If you plan to attend your special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership. In addition, you must bring a form of personal photo identification with you in order to be admitted. North and South reserve the right to refuse admittance to anyone without proper proof of share ownership or without proper photo identification. The use of cameras, sound recording equipment, communications devices or any similar equipment during the North or South special meeting is prohibited without North's or South's express written consent, respectively.

Q: Can I change my vote?

A: North stockholders: Yes. If you are a holder of record of North common stock, you may revoke any proxy at any time before it is voted by (i) signing and returning a proxy card with a later date, (ii) delivering a written revocation letter to North's corporate secretary, (iii) submitting a valid, later-dated proxy via the Internet or by telephone before [] (Eastern Time) on [], 2014, or by mail that is received prior to the applicable special meeting or (iv) attending the special meeting in person, notifying the corporate secretary and voting by ballot at the special meeting. Attendance at the special meeting will not automatically revoke your proxy. A revocation or later-dated proxy received by North after the vote will not affect the vote. North's corporate secretary's mailing address is: Corporate Secretary, First Citizens BancShares, Inc., 4300 Six Forks Road, Raleigh, North Carolina 27609. If you hold your shares in street name, you should contact your broker or other nominee to revoke your proxy.

South shareholders: Yes. If you are a holder of record of South common stock, you may revoke any proxy at any time before it is voted by (i) signing and returning a proxy card with a later date, (ii) delivering a written revocation letter to South's corporate secretary, (iii) submitting a valid, later-dated proxy via the Internet or by telephone before [] (Eastern Time) on [], 2014, or by mail that is received prior to the applicable special meeting or (iv) attending the special meeting in person, notifying the corporate secretary and voting by ballot at the special meeting. Attendance at the special meeting by itself will not automatically revoke your proxy. A revocation or later-dated proxy received by South after the vote will not affect the vote. South's corporate secretary's mailing address is: Corporate Secretary, First Citizens Bancorporation, Inc., 1230 Main Street, Columbia, South Carolina 29201. If you hold your shares in street name, you should contact your broker or other nominee to revoke your proxy.

Q: Should South shareholders send in their South share certificates now?

A: No. South shareholders SHOULD NOT send in any share certificates now. After the merger is completed, North will send you written instructions explaining how to exchange your South share certificates.

Q: What should I do if I receive more than one joint proxy statement/prospectus or set of voting instructions?

A: South shareholders and North stockholders may receive more than one set of voting materials, including multiple copies of this document and multiple proxy cards or voting instruction cards. For example, if you hold shares of South and/or North common stock in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold such shares. If you are a holder of record of shares of South common stock or North common stock and your shares are registered in more than one name, you will receive one or more separate proxy cards or voting instruction cards for each company. In addition, if you are a

holder of record of shares of North Class A common stock and North Class B common stock, you will receive a separate proxy card or voting instruction card for each class of shares held. Please complete, sign, date and return each proxy card and voting instruction card that you receive or otherwise follow the voting instructions set forth in this document to ensure that you vote every share of South common stock and/or North common stock that you own.

Q: Whom should I call with questions?

A: North stockholders: If you have any questions concerning the merger or this joint proxy statement/prospectus, would like additional copies of this joint proxy statement/prospectus or need help voting your shares of North common stock, please contact: Kathy A. Klotzberger, Corporate Secretary, First Citizens BancShares, Inc., 4300 Six Forks Road, Raleigh, North Carolina 27609 at (919) 716-8449.

South shareholders: If you have any questions concerning the merger or this joint proxy statement/prospectus, would like additional copies of this joint proxy statement/prospectus or need help voting your shares of South common stock, please contact: Melissa A. Mendenall, Corporate Secretary, First Citizens Bancorporation, Inc., 1230 Main Street, Columbia, South Carolina 29201, at (803) 931-1320.

SUMMARY

The following summary highlights selected information from this joint proxy statement/prospectus. It does not contain all of the information that is important to you. Each item in this summary refers to the page where that subject is discussed in more detail. You should carefully read the entire joint proxy statement/prospectus and the other documents to which we refer to understand fully the merger. See Where You Can Find More Information beginning on page [] of this joint proxy statement/prospectus on how to obtain copies of those documents. In addition, the merger agreement is attached as Appendix A to this joint proxy statement/prospectus. First Citizens BancShares, Inc. and First Citizens Bancorporation, Inc. encourage you to read the merger agreement because it is the legal document that governs the merger.

Information about North and South

First Citizens BancShares, Inc.

4300 Six Forks Road

Raleigh, North Carolina 27609

(919) 716-7000

North was incorporated under the laws of Delaware on August 7, 1986, to become the holding company of North Bank, its banking subsidiary. North Bank opened in 1898 as the Bank of Smithfield in Smithfield, North Carolina, and later became North Bank. On April 28, 1997, North launched IronStone Bank, or ISB, a federally-chartered thrift institution that originally operated under the name Atlantic States Bank. Initially, ISB operated in the counties surrounding Atlanta, Georgia, but gradually expanded into other high-growth markets throughout the southeastern and western United States. On January 7, 2011, ISB was merged into North Bank resulting in a single banking subsidiary of North.

Prior to 2009, North Bank focused on organic growth, delivering its products and services to customers through *de novo* branch expansion. Beginning in 2009, leveraging on its strong capital and liquidity positions, North Bank participated in six FDIC-assisted transactions involving distressed financial institutions. These transactions allowed North Bank to enter new markets and expand its presence in other markets.

As of March 31, 2014, North Bank operated 409 branches in North Carolina, Virginia, West Virginia, Maryland, Tennessee, Washington, California, Florida, Georgia, Texas, Arizona, New Mexico, Oregon, Colorado, Oklahoma, Kansas, Missouri and Washington, DC.

North Class A common stock is traded on the NASDAQ Global Select Market under the symbol FCNCA.

North Class B common stock is traded in the over-the-counter market and is quoted on the OTC Bulletin Board under the symbol FCNCB.

For more information about North, see Information about North beginning on page [] of this joint proxy statement/prospectus.

First Citizens Bancorporation, Inc.

1230 Main Street

Columbia, South Carolina 29201

(803) 931-1320

South is a one-bank holding company incorporated in 1982 under the laws of the State of South Carolina whose principal subsidiary is South Bank. South Bank offers a complete array of commercial and retail banking services through its 157 offices in 102 communities in South Carolina and 20 offices in 17 communities in Georgia. South Bank also offers trust services. South Bank's wholly-owned subsidiary, First Citizens Securities Corporation, offers brokerage, financial advisory and wealth management services, and South Bank's wholly-owned subsidiary, First Citizens Asset Management, Inc. offers investment advisory services.

South voting common stock is traded in the over-the-counter market and is quoted on the OTC Bulletin Board under the symbol FCBN. There is no established public trading market for the South non-voting common stock, it is only traded infrequently and it is not quoted on the OTC Bulletin Board or listed on any exchange.

For more information about South, see Information about South beginning on page [] of this joint proxy statement/prospectus.

The Merger (see page [])

The terms and conditions of the merger are contained in the merger agreement, a copy of which is included as Appendix A to this joint proxy statement/prospectus and is incorporated by reference herein. You should read the merger agreement carefully and in its entirety, as it is the legal document governing the merger. This summary is intended to assist you in reviewing the proposed merger, but shall not under any circumstances be deemed a substitute for carefully reviewing the merger agreement in its entirety. In the event of any conflict between this summary and the merger agreement, the terms of the merger agreement will control.

In the merger, South will merge with and into North, with North as the surviving company. It is expected that, following the merger, South Bank will merge with and into North Bank, with North Bank as the surviving bank.

Closing and Effective Time of the Merger (see page [])

The closing date is currently expected to occur in the fourth quarter of 2014. The merger will become effective as set forth in the certificate of merger to be filed with the Secretary of State of the State of Delaware and the articles of merger to be filed with the Secretary of State of the State of South Carolina. Neither North nor South can predict, however, the actual date on which the merger will be completed because it is subject to factors beyond each company's control, including whether or when the required regulatory approvals and the parties' respective shareholder approvals will be received.

Merger Consideration (see page [])

Under the terms of the merger agreement, each share of South common stock will be converted into the right to receive 4.0 shares of North Class A common stock and \$50.00 in cash, unless the holder of such share elects, pursuant to a letter of transmittal that will be delivered after closing of the merger, for each share of such holder's South common stock to be converted into the right to receive 3.58 shares of North Class A common stock and 0.42 shares of North Class B common stock. Cash will be paid in lieu of issuing fractional shares of North common stock.

Exchange of Stock Certificates (see page [])

Promptly after the effective time of the merger, North's exchange agent will mail to each holder of record of South common stock that is converted into the right to receive the merger consideration a letter of transmittal and instructions for the surrender of the holder's South share certificate(s) for the merger consideration (including cash in lieu of any fractional North shares) and any dividends or distributions to which such holder is entitled pursuant to the merger agreement.

Please do not send in your share certificate until you receive instructions.

Material U.S. Federal Income Tax Consequences of the Merger (see page [])

The merger is intended to qualify as a reorganization within the meaning of section 368(a) of the Code, and it is a condition to the respective obligations of North and South to complete the merger that each of North and

South receives a legal opinion to that effect. Assuming such treatment applies, a holder of South common stock who receives only North common stock in the merger generally will not recognize gain in the merger. A holder of South common stock who receives cash in the merger will recognize gain up to the amount of cash received. In addition, a holder of South common stock may recognize gain or loss from the receipt of cash in lieu of a fractional share of North common stock that such holder of South common stock would otherwise be entitled to receive.

The United States federal income tax consequences described in this joint proxy statement/prospectus may not apply to all holders of shares of South common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your tax advisor for a full understanding of the particular tax consequences of the merger to you.

Appraisal Rights of Holders of North Class B Common Stock (see page [] and Appendix B)

If a holder of North Class B common stock wants to seek appraisal of the fair value of their shares, such holder must provide North with a written demand for appraisal prior to the vote on the North merger proposal at the North special meeting stating, among other things, that you will exercise your right to seek appraisal if the merger is completed. Also, you may not vote in favor of the North merger proposal and must follow other procedures, both before and after the special meeting, as described in Appendix B to this joint proxy statement/prospectus. Note that, if you return a signed proxy card without voting instructions or with instructions to vote **FOR** the North merger proposal, then your shares will automatically be voted in favor of the North merger proposal and you will lose all appraisal rights available under the DGCL. A summary of these provisions can be found under **The Merger Appraisal Rights of Holders of North Class B Common Stock** beginning on page [] of this joint proxy statement/prospectus. Due to the complexity of the procedures for exercising appraisal rights, holders of North Class B common stock who are considering exercising such rights are encouraged to seek the advice of legal counsel. Failure to strictly comply with the applicable DGCL provisions will result in the loss of appraisal rights.

Dissenters Rights of South s Shareholders (see page [] and Appendix C)

If a South shareholder wants to exercise dissenters rights and obtain payment of the fair value of shares of South common stock in cash instead of the merger consideration, then such holder must provide South with written notice prior to the special meeting stating, among other things, that you will exercise your right to dissent if the merger is completed. Also, you may not vote in favor of the South merger proposal and must follow other procedures, both before and after the special meeting, as described in Appendix C to this joint proxy statement/prospectus. Note that, if you return a signed proxy card without voting instructions or with instructions to vote **FOR** the South merger proposal, then your shares will automatically be voted in favor of the South merger proposal and you will lose all dissenters rights available under South Carolina law. A summary of these provisions can be found under **The Merger Dissenters Rights of South Shareholders** beginning on page [] of this joint proxy statement/prospectus. Due to the complexity of the procedures for exercising dissenters rights, South shareholders who are considering exercising such rights are encouraged to seek the advice of legal counsel. Failure to strictly comply with the applicable South Carolina law provisions will result in the loss of the right to dissent.

Opinion of North s Financial Advisor (see page [] and Appendix D)

On June 10, 2014, at a meeting of the North Committee, Sandler O Neill + Partners, L.P. (Sandler O Neill) delivered to the North Committee its oral opinion, which was subsequently confirmed in writing on June 10, 2014, that, as of June 10, 2014, subject to procedures followed, assumptions made, matters considered and qualifications and limitations described in Sandler O Neill s opinion, the merger consideration was fair to North and its stockholders from a financial point of view.

The full text of Sandler O'Neill's opinion is attached as Appendix D to this joint proxy statement/prospectus. The opinion outlines, among other things, the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O'Neill in rendering its opinion. Holders of North Class A common stock and North Class B common stock are urged to read the entire opinion carefully in connection with their consideration of the proposed merger.

Sandler O'Neill's opinion speaks only as of the date of the opinion. The opinion was addressed to the North Committee and is directed only to the fairness of the merger consideration to North and its stockholders from a financial point of view. It does not address the underlying business decision of North to engage in the merger or any other aspect of the merger and is not a recommendation to any shareholder of North or South as to how such shareholder should vote at their special meeting with respect to the merger or any other matter. Sandler O'Neill did not express any opinion as to the fairness of the amount or nature of the compensation to be received in connection with the merger by South's officers, directors, or employees, or any class of such persons, relative to the merger consideration to be received in the merger by any other shareholders of South.

For further information, please see the section entitled "The Merger - Opinion of North's Financial Advisor" beginning on page [].

Opinion of South's Financial Advisor (see page [] and Appendix E)

In connection with the merger, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("BofA Merrill Lynch"), South's financial advisor, delivered to the South Committee a written opinion, dated June 10, 2014, as to the fairness, from a financial point of view and as of the date of the opinion, of the merger consideration to be received by the minority holders of South common stock who do not elect to receive North Class B common stock as part of the merger consideration. The full text of the written opinion, dated June 10, 2014, of BofA Merrill Lynch, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Appendix E to this document and is incorporated by reference herein in its entirety. **BofA Merrill Lynch provided its opinion to the South Committee (in its capacity as such) for the benefit and use of the South Committee in connection with and for purposes of its evaluation of the merger consideration from a financial point of view. BofA Merrill Lynch's opinion does not address any other aspect of the merger and no opinion or view was expressed as to the relative merits of the merger in comparison to other strategies or transactions that might be available to South or in which South might engage or as to the underlying business decision of South to proceed with or effect the merger. BofA Merrill Lynch's opinion does not address any other aspect of the merger and does not constitute a recommendation to any shareholder as to how to vote or act in connection with the proposed merger or any related matter.**

Recommendation of the North Board of Directors (see page [])

After careful consideration, the North board of directors recommends that North stockholders vote **FOR** the North merger proposal, **FOR** the North share issuance proposal, **FOR** the North charter amendment proposal and **FOR** the North adjournment proposal.

For a more complete description of North's reasons for the merger and the recommendations of the North board of directors, please see the section entitled "The Merger - Recommendation of North's Board of Directors and Reasons for the Merger" beginning on page [] of this joint proxy statement/prospectus.

Recommendation of the South Board of Directors (see page [])

After careful consideration, the South board of directors recommends that South shareholders vote **FOR** the South merger proposal and **FOR** the South adjournment proposal.

For a more complete description of South's reasons for the merger and the recommendation of the South board of directors, please see the section entitled "The Merger Recommendation of South's Board of Directors and Reasons for the Merger" beginning on page [] of this joint proxy statement/prospectus.

Interests of North and/or North Bank's Directors and Executive Officers and South and/or South Bank's Directors and Executive Officers (see page [])

In considering the recommendations of the North and South boards of directors with respect to the respective merger and other proposals, you should be aware that some of North's and/or North Bank's directors and executive officers have interests in the merger that are different from, or in addition to, the interests of North's stockholders generally, and some of South's and/or South Bank's directors and executive officers have interests in the merger that are different from, or in addition to, the interests of South's shareholders generally. Specifically, Frank B. Holding, a former director of North and one of its stockholders, also is a shareholder and former director of South. Frank B. Holding, Jr., North's Chairman and Chief Executive Officer, also is a shareholder and director of South. Members of the Holding family, including members who serve as directors of North and are in management positions with North, and certain family entities hold, in the aggregate, (i) approximately 24.6% of the outstanding shares of North Class A common stock and approximately 66.5% of the outstanding shares of North Class B common stock, together representing approximately 52.2% of the total votes entitled to be cast by all outstanding shares of both classes of North common stock and (ii) approximately 48.4% of the outstanding shares of South voting common stock and approximately 66.5% of the outstanding shares of South non-voting common stock, together representing approximately 47.2% of the total votes entitled to be cast on the South merger proposal by all outstanding shares of both classes of South common stock. In addition to the above shares (i) North's investment securities available for sale include an equity investment in South (approximately 4.9% of the outstanding shares of South voting common stock), and South's investment securities available for sale include an equity investment in North (approximately 2.0% of the outstanding shares of North Class A common stock and approximately 4.4% of the outstanding shares of North Class B common stock), and (ii) other entities in which members of the Holding family are shareholders and serve as directors and/or officers hold approximately 3.2% of the outstanding shares of the North Class A common stock, approximately 2.4% of the outstanding shares of the North Class B common stock, approximately 8.8% of the outstanding shares of South voting common stock, and approximately 14.1% of South non-voting common stock. Those shares held by North, South and the other entities amount to approximately 6.2% of the total votes entitled to be cast by all outstanding shares of both classes of North common stock and approximately 13.7% of the total votes entitled to be cast by all outstanding shares of both classes of South common stock.

In total, members of the Frank B. Holding family and the other entities referred to above hold an aggregate of (i) approximately 29.7% of the outstanding shares of North Class A common stock and approximately 73.1% of the outstanding shares of North Class B common stock, together representing approximately 58.2% of the total votes entitled to be cast by all outstanding shares of both classes of North common stock and (ii) approximately 62.1% of the outstanding shares of South voting common stock and approximately 30.9% of the outstanding shares of South non-voting common stock, together representing approximately 60.8% of the total votes entitled to be cast on the South merger proposal by all outstanding shares of both classes of South common stock.

Additionally, Victor E. Bell III, a director of North and member of the North Committee, holds 107 shares of South voting common stock in trust for his nieces and nephews, and 53 shares of South voting common stock are held by a family member as trustee for Mr. Bell's children, which collectively amount to approximately 0.02% of the outstanding shares of South voting common stock.

The North and South boards of directors were aware of, and considered, these interests, among other matters, when making their respective decisions to approve the merger agreement, and in recommending that North's and South's respective shareholders vote in favor of the merger agreement.

Finally, subsequent to execution of the merger agreement, North announced that (i) Peter M. Bristow, currently Executive Vice President and Chief Operating Officer of South, President and Chief Operating Officer of South Bank and brother-in-law to Mr. Holding, Jr. and Ms. Hope H. Bryant, Vice Chairman of North and North Bank, is proposed to become President and Corporate Sales Executive of North and North Bank at the effective time of the merger and (ii) Craig L. Nix, currently Executive Vice President and Chief Financial Officer of South and South Bank, is proposed to replace North's and North Bank's current Chief Financial Officer, Glenn D. McCoy, who will retire on a date to be determined following the merger.

These interests are discussed in more detail in the sections entitled "The Merger" "Interests of North and/or North Bank's Directors and Executive Officers in the Merger" beginning on page [] of this joint proxy statement/prospectus, "The Merger" "Interests of South and/or South Bank's Directors and Executive Officers in the Merger" beginning on page [] of this joint proxy statement/prospectus and "The Merger" "Board of Directors and Management of North Following the Merger" beginning on page [] of this joint proxy statement/prospectus.

Regulatory Approvals (see page [])

Completion of the merger requires the prior approval of the Board of Governors of the Federal Reserve System, the South Carolina State Board of Financial Institutions, and the North Carolina Commissioner of Banks. Completion of the bank merger requires the prior approval of the Federal Deposit Insurance Corporation, the North Carolina Commissioner of Banks and the North Carolina State Banking Commission. Additionally, certain notices to or approvals of various non-bank regulatory agencies will be required related to South Bank's insurance, broker-dealer and investment advisory subsidiaries.

The regulatory approvals to which the completion of the merger and bank merger are subject are described in more detail under the section entitled "The Merger" "Regulatory Approvals" beginning on page [] of this joint proxy statement/prospectus.

Conditions to Completion of the Merger (see page [])

The completion of the merger depends on a number of conditions being satisfied or, where permissible, waived, including:

receipt of North stockholder approval of the North merger proposal, the North share issuance proposal and the North charter amendment proposal;

receipt of South shareholder approval of the South merger proposal;

authorization for listing of North Class A common stock issuable as merger consideration on the NASDAQ Global Select Market;

receipt of regulatory approvals;

effectiveness of the registration statement, of which this joint proxy statement/prospectus is a part;

absence of an injunction preventing the merger or law prohibiting the merger;

accuracy of each party's representations and warranties as of the signing and closing (or such other date specified in the merger agreement), subject to certain exceptions;

performance of all requisite obligations by North and South under the merger agreement in all material respects;

delivery of customary closing certificates and other deliverables by each party;

absence of a material adverse effect on either party between the date of the merger agreement and closing of the merger;

receipt by each party of an opinion that the merger qualifies as a tax-free reorganization; and

a majority of the votes entitled to be cast on the South merger proposal by minority holders of South (which minority holds approximately 37.0% of the aggregate outstanding voting common stock of South) must not have cast their votes against the South merger proposal. The term "minority holders" was negotiated by the North Committee and the South Committee, on the basis of South's share records and related information, to include, generally, South shareholders who were not members of the Frank B. Holding family and South shareholders who were not affiliated with Mr. Holding or his family.

Third Party Proposals (see page [])

South has agreed to a number of limitations with respect to soliciting, negotiating and discussing acquisition proposals involving persons other than North and to certain related matters. The merger agreement does not, however, prohibit South from considering an unsolicited bona fide acquisition proposal from a third party if certain specified conditions are met.

Termination of the Merger Agreement (see page [])

The merger agreement may be terminated at any time prior to the effective time of the merger and, except as specified below, whether before or after adoption of the merger agreement by the respective shareholders of North or South:

by mutual written consent of North and South;

by either North or South if any governmental entity that must grant a requisite regulatory approval has (i) denied approval of the consummation of any of the material transactions contemplated by the merger agreement, including the merger or the bank merger and such denial has become final and nonappealable or any governmental entity of competent jurisdiction has issued a final nonappealable order permanently enjoining or otherwise prohibiting the consummation of any of the material transactions contemplated by the merger agreement, including the merger or the bank merger or (ii) granted the requisite regulatory approval, but such approval contains or results in the imposition of a materially burdensome regulatory condition and there is no meaningful possibility that such approval could be revised prior to the termination date of the merger agreement so as not to result in a materially burdensome regulatory condition, unless, in either case, the failure to obtain a requisite regulatory approval or to obtain a requisite regulatory approval without it containing or resulting in the imposition of a materially burdensome regulatory condition shall be due to the failure of the party seeking to terminate the merger agreement to perform or observe the covenants and agreements of such party set forth in the merger agreement;

by either North or South if the merger is not consummated on or before one year from the date of the merger agreement, unless the failure of the closing to occur by such date is due to the failure of the party seeking to

terminate the merger agreement to perform or observe the covenants and agreements of such party set forth in the merger agreement;

by either North or South if there is a breach of any of the covenants or agreements or any of the representations or warranties in the merger agreement by the other party, either individually or in the aggregate with all other breaches by such party, such that any of the conditions to North's obligations or conditions to South's obligations, respectively, set forth in the merger agreement would not be

satisfied, and (i) such breach is not reasonably capable of being cured or (ii) if such breach is reasonably capable of being cured, such breach is not cured by the earlier of (a) the termination date of the merger agreement or (b) the date that is 30 days following written notice thereof to the party committing such breach; provided in each case that the terminating party is not then in breach of any representation, warranty, covenant or other agreement of such party contained in the merger agreement such that any of the conditions to North's or South's obligations would not be satisfied;

by either North or South if (i) in the North special meeting (including any postponements or adjournments thereof) the proposals are correctly voted on and the requisite North vote is not obtained or (ii) in the South special meeting (including any postponements or adjournments thereof) the proposals are correctly voted on and the requisite South vote is not obtained; provided that the party seeking to terminate the merger agreement under this provision has complied in all material respects with its obligations under the shareholders' approval section of the merger agreement (including by complying with an adjournment or postponement request as specified in the merger agreement);

by North, prior to South obtaining the requisite South vote, if (i) the board of directors of South has failed to recommend approval of the merger agreement by South shareholders, failed to include such recommendation in this joint proxy statement/prospectus or has withdrawn such recommendation (or modified it in a manner adverse to North), each a change in board recommendation, or (ii) South failed to comply in all material respects with its obligations to solicit its shareholders under the merger agreement (see The Merger Agreement Solicitation of Shareholders) or the restrictions on acquisition proposals under the merger agreement (see The Merger Agreement Third Party Proposals);

by South, prior to North obtaining the requisite North vote, if North failed to comply in all material respects with its obligations to solicit its stockholders under the merger agreement (see The Merger Agreement Solicitation of Shareholders);

by South, prior to obtaining the requisite South vote, if the board of directors of South has effected a change in board recommendation; provided that South has complied with the requirements of the board of directors recommendation provision in the shareholders' approval section of the merger agreement (see The Merger Agreement Solicitation of Shareholders) and the restrictions on acquisition proposals under the merger agreement (see The Merger Agreement Third Party Proposals);

by North if there are certain material defects with South's real property and such defects individually or in the aggregate have a material adverse effect on South; or

by North if holders of 10% of the outstanding shares of South common stock are deemed dissenting shares pursuant to the terms of the merger agreement.

Termination Fees (see page [])

If the merger agreement is terminated under specified circumstances, South has agreed to pay North a termination fee of \$6,450,000, \$10,000,000 or \$22,574,000 (and in certain instances, North's documented expenses), depending on the timing and circumstances of the termination.

Share Listing (see page [])

North will cause the shares of North Class A common stock that are to be issued to the holders of South common stock in the merger to be authorized for listing on the NASDAQ Global Select Market, subject to official notice of issuance, prior to the effective time of the merger. North Class B common stock trades in the over-the-counter market and is quoted on the OTC Bulletin Board.

Accounting Treatment (see page [])

North will account for the merger under the acquisition method of accounting for business combinations under accounting principles generally accepted in the United States of America (GAAP).

North Special Meeting (see page [])

The special meeting of North stockholders will be held on [], 2014, at [], local time, at []. At the special meeting, North Class A and Class B stockholders will be asked to vote on:

the North merger proposal;

the North share issuance proposal;

the North charter amendment proposal;

the North adjournment proposal; and

any other matters as may properly be brought before the special meeting or any adjournment or postponement of the special meeting.

See Information about the North Special Meeting beginning on page [] of this joint proxy statement/prospectus for more information about the proposals to be considered at the North special meeting.

Holders of North Class A common stock and North Class B common stock as of [], 2014, the North record date, can vote at the North special meeting. As of the North record date, there were an aggregate of [] shares of North Class A and Class B common stock outstanding and entitled to notice and to vote, held by approximately [] holders of record. Of that total, there were an aggregate of [] shares of North Class A common stock outstanding and entitled to notice and to vote held by approximately [] holders of record, and an aggregate of [] shares of North Class B common stock outstanding and entitled to notice and to vote held by approximately [] holders of record. Each holder of North Class A common stock can cast one vote for each share of North Class A common stock owned on the North record date. Each holder of North Class B common stock can cast 16 votes for each share of North Class B common stock owned on the North record date.

As of the North record date, directors and executive officers of North and their affiliates owned and were entitled to vote [] shares of North Class A common stock and [] shares of North Class B common stock, representing approximately []% of the shares of North Class A common stock and approximately []% of the shares of North Class B common stock outstanding and entitled to vote on that date, respectively, and [] total votes. As of the North record date, South and directors and executive officers of South and their affiliates owned and were entitled to vote [] shares of North Class A common stock and [] shares of North Class B common stock, representing approximately []% of the shares of North Class A common stock and []% of the shares of North Class B common stock outstanding and entitled to vote on that date, respectively, and [] total votes.

South Special Meeting (see page [])

The special meeting of South shareholders will be held on [], 2014, at [], local time, at []. At the special meeting, South shareholders will be asked to vote on:

the South merger proposal;

the South adjournment proposal; and

any other matters as may properly be brought before the special meeting or any adjournment or postponement of the special meeting.

See Information about the South Special Meeting beginning on page [] of this joint proxy statement/prospectus for more information about the proposals to be considered at the South special meeting.

Holders of South voting and non-voting common stock as of the close of business on [], 2014, the South record date, can vote on the South merger proposal at the South special meeting. Only holders of South voting common stock can vote on the South adjournment proposal at the South special meeting. As of the South record date, there were an aggregate of [] shares of South voting and non-voting common stock outstanding and entitled to notice and to vote held by approximately [] holders of record. As of the South record date, there were an aggregate of [] shares of South voting common stock outstanding and entitled to notice and to vote held by approximately [] holders of record. As of the South record date, there were an aggregate of [] shares of South non-voting common stock outstanding and entitled to notice and to vote held by approximately [] holders of record. Each holder of South voting and non-voting common stock can cast one vote for each share of South voting or non-voting common stock owned on the South record date.

As of the South record date, directors and executive officers of South and their affiliates owned and were entitled to vote an aggregate of [] shares of South voting and non-voting common stock, representing approximately []% of the aggregate shares of South voting and non-voting common stock outstanding and entitled to vote on that date. As of the South record date, directors and executive officers of South and their affiliates owned and were entitled to vote [] shares of South voting common stock and [] shares of the South non-voting common stock, representing approximately []% of the shares of South voting common stock and []% of the shares of South non-voting common stock outstanding and entitled to vote on that date, respectively. As of the South record date, North and directors and executive officers of North and their affiliates owned and were entitled to vote an aggregate of [] shares of South voting and non-voting common stock, representing approximately []% of the aggregate shares of South voting and non-voting common stock outstanding and entitled to vote on that date. As of the South record date, North and directors and executive officers of North and their affiliates owned and were entitled to vote [] shares of South voting common stock and [] shares of the South non-voting common stock, representing approximately []% of the shares of South voting common stock and []% of the shares of South non-voting common stock outstanding and entitled to vote on that date, respectively.

Required Shareholder Votes (see page [])

The North merger proposal will be approved if a majority of the total votes entitled to be cast by holders of the outstanding shares of North Class A common stock and North Class B common stock, voting as a group, are cast in favor of such proposal. The North share issuance proposal will be approved if a majority of the total votes actually cast at the North special meeting by holders of the outstanding shares of North Class A common stock and North Class B common stock, voting as a group, are cast in favor of such proposal. The North charter amendment proposal will be approved if a majority of the total votes entitled to be cast by holders of the outstanding shares of: (i) North Class A common stock and North Class B common stock, voting as a group, and (ii) North Class A common stock, voting as a separate group, in each case are cast in favor of such proposal. The North adjournment proposal will be approved if a majority of the total votes entitled to be cast by holders of shares of North Class A common stock and North Class B common stock represented at the North special meeting, in person or by proxy, and voting as a group, are cast in favor of such proposal.

Under the provisions of the South Carolina Business Corporation Act, to be adopted, the South merger proposal must be approved by: (i) two-thirds of the South voting and non-voting common stock entitled to be cast on the merger, voting as a group, (ii) two-thirds of the South voting common stock entitled to be cast on the merger, voting as a separate group, and (iii) two-thirds of the South non-voting common stock entitled to be cast on the merger, voting as a separate group. In addition, it is a condition to the merger that a majority of the votes entitled to be cast on the merger by persons who are minority holders of South common stock not be cast

against the merger. The term "minority holders" was negotiated by the North Committee and the South Committee, on the basis of South's share records and related information, to include, generally, South shareholders who were not members of the Frank B. Holding family and South shareholders who were not affiliated with Mr. Holding or his family.

The South adjournment proposal will be approved if the votes cast by the South voting common stock in favor of the South adjournment proposal exceed the votes cast against the South adjournment proposal. The South non-voting common stock is not entitled to vote on the South adjournment proposal.

Members of the Holding family, including those members who serve as directors of North and are in management positions with North, and certain family entities, hold, in the aggregate, (i) approximately 24.6% of the outstanding shares of North's Class A common stock and approximately 66.5% of the outstanding shares of North's Class B common stock, together representing approximately 52.2% of the total votes entitled to be cast by all outstanding shares of both classes of North's common stock and (ii) approximately 48.4% of the outstanding shares of South's voting common stock and approximately 16.8% of the outstanding shares of South's non-voting common stock, together representing approximately 47.2% of the total votes entitled to be cast on the South merger proposal by all outstanding shares of both classes of South's common stock.

In addition to the above shares, (i) North's investment securities available for sale include an equity investment in South (approximately 4.9% of the outstanding shares of South voting common stock), and South's investment securities available for sale include an equity investment in North (approximately 2.0% of the outstanding shares of North's Class A common stock and approximately 4.4% of the outstanding shares of North's Class B common stock) and (ii) other entities in which members of the Holding family are shareholders and serve as directors and/or officers hold approximately 3.2% of the outstanding shares of North's Class A common stock, approximately 2.4% of the outstanding shares of North's Class B common stock, approximately 8.8% of the outstanding shares of South voting common stock, and approximately 14.1% of South's non-voting common stock. Those shares held by North, South and the other entities amount to approximately 6.2% of the total votes entitled to be cast by all outstanding shares of both classes of North's common stock and approximately 13.7% of the total votes entitled to be cast on the South merger proposal by all outstanding shares of both classes of South's common stock.

In total, members of the Frank B. Holding family and the other entities referred to above hold an aggregate of (i) approximately 29.7% of the outstanding shares of North Class A common stock and approximately 73.1% of the outstanding shares of North Class B common stock, together representing approximately 58.2% of the total votes entitled to be cast by all outstanding shares of both classes of North common stock and (ii) approximately 62.1% of the outstanding shares of South voting common stock and approximately 30.9% of the outstanding shares of South non-voting common stock, together representing approximately 60.8% of the total votes entitled to be cast on the South merger proposal by all outstanding shares of both classes of South common stock.

No Restrictions on Resales (see page [])

All shares of North common stock received by South shareholders in the merger will be freely tradable, except that shares of North received by persons who are or become affiliates of North for purposes of Rule 144 under the Securities Act may be resold by them only in transactions permitted by Rule 144, or as otherwise permitted under the Securities Act.

Changes in South Shareholders' Rights as a Result of the Merger (see page [])

The rights of South shareholders will change as a result of the merger due to differences in North's and South's governing documents and states of incorporation. The rights of South shareholders are governed by

South Carolina law and by South's articles of incorporation and bylaws, each as amended to date. The rights of North stockholders are governed by Delaware law and by the North charter and bylaws, each as amended to date. Upon the completion of the merger, South shareholders will become stockholders of North, as the continuing legal entity in the merger, and the rights of South shareholders will, therefore, be governed by Delaware law and the North charter and bylaws. For more information, please see the section entitled "Comparison of Shareholders' Rights" beginning on page [] of this joint proxy statement/prospectus.

Risk Factors (see page [])

Before voting at the North or South special meeting, you should carefully consider all of the information contained or incorporated by reference into this joint proxy statement/prospectus, including the risk factors set forth in the section entitled "Risk Factors" beginning on page [] of this joint proxy statement/prospectus or described in North's reports filed with the SEC, which are incorporated by reference into this joint proxy statement/prospectus. Please see "Where You Can Find More Information" and "Documents Incorporated by Reference" beginning on page [] and [], respectively, of this joint proxy statement/prospectus.

RISK FACTORS

In addition to the other information contained in, or incorporated by reference into, this joint proxy statement/prospectus, including North's Annual Report on Form 10-K for the fiscal year ended December 31, 2013 and Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014, and the matters addressed under Forward-Looking Statements, North and South shareholders should consider the matters described below carefully in determining how to vote on the matters presented at their respective special meetings. Additional Risk Factors included in Part I, Item 1A in North's Annual Report on Form 10-K for the fiscal year ended December 31, 2013 and Part II, Item 1A in North's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014 are incorporated by reference. North and South shareholders should read and consider those Risk Factors in addition to the Risk Factors listed below.

Risk Factors Relating to the Merger

Because the market price of North common stock may fluctuate, South shareholders cannot be sure of the value of the merger consideration that they will receive in the merger.

Under the terms of the merger agreement, each share of South common stock outstanding immediately prior to the effective time of the merger (with certain exceptions) will be converted into the right to receive 4.0 shares of North Class A common stock and \$50.00 in cash, unless the holder of such share elects, pursuant to a letter of transmittal that will be delivered after closing of the merger, for each share of such holder's South common stock to be converted into the right to receive 3.58 shares of North Class A common stock and 0.42 shares of North Class B common stock. Cash will be paid in lieu of issuing fractional shares of North common stock. The value of the shares of North Class A common stock and North Class B common stock to be issued to South shareholders in the merger may fluctuate between now and the closing date of the merger due to a variety of factors, including general market and economic conditions, changes in the parties' respective businesses, operations and prospects, and regulatory considerations, among other things. Many of these factors are beyond the control of North and South. We make no assurances as to whether or when the merger will be completed. South shareholders should obtain current sale prices for shares of North common stock before voting their shares of South common stock at the special meeting.

The fairness opinions obtained by North and South from their respective financial advisors will not reflect changes in circumstances between the date of the signing of the merger agreement and the completion of the merger.

The North Committee has obtained a fairness opinion dated June 10, 2014 from Sandler O'Neill, and the South Committee has obtained a fairness opinion dated June 10, 2014 from BofA Merrill Lynch, and such opinions have not been updated as of the date of this document and will not be updated at the time of the completion of the merger. Changes in the operations and prospects of North or South, general market and economic conditions and other factors that may be beyond the control of North and South, and on which the fairness opinions were based, may alter the value of North or South or the prices of shares of North common stock or South common stock by the time the merger is completed. The fairness opinions do not address the fairness of the merger consideration, from a financial point of view, at the time the merger is completed or as of any other date than the date of the opinions. The fairness opinions that the North Committee and the South Committee received from their respective financial advisors are attached as Appendix D and Appendix E to this joint proxy statement/prospectus. For a description of the opinions, see "The Merger Opinion of South's Financial Advisor" and "The Merger Opinion of North's Financial Advisor" beginning on page [] of this joint proxy statement/prospectus. For a description of the other factors considered by North's board of directors in determining to approve the merger, see "The Merger Recommendation of North's Board of Directors and Reasons for the Merger" beginning on page [] of this joint proxy statement/prospectus. For a description of the other factors considered by South's board of directors in determining to approve the merger, see "The Merger Recommendation of South's Board of Directors and Reasons for the Merger" beginning on page [] of this joint proxy statement/prospectus.

South's financial advisor did not give an opinion with respect to the alternative merger consideration.

Each South shareholder will receive 4.0 shares of North Class A common stock and \$50.00 in cash for each share of South common stock the shareholder owns, unless such holder elects to receive 3.58 shares of North Class A common stock and 0.42 shares of North Class B common stock for each share of South common stock owned. The opinion of South's financial advisor was limited to the fairness, from a financial point of view, of the merger consideration to be received in the merger by the minority holders of South common stock who do not elect to receive North Class B common stock as part of the merger consideration. South's financial advisor did not give an opinion with respect to the fairness, from a financial point of view, of the alternative consideration of 3.58 shares of North Class A common stock and 0.42 shares of North Class B common stock for each share of South common stock owned. Accordingly, there has been no determination that such consideration is fair from a financial point of view, and South has not provided its shareholders with an opinion on which to base a decision whether to choose this alternative payment.

North may fail to realize all of the anticipated benefits and cost savings of the merger.

The success of the merger will depend on, among other things, North's ability to realize anticipated cost savings and to combine the businesses of North and South in a manner that does not materially disrupt the existing customer relationships of either North or South or result in decreased revenues from customers of either of them. If North is not able to successfully achieve these objectives, then the anticipated benefits and cost savings of the merger may not be realized fully, if at all, or may take longer to realize than expected.

North and South have operated and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of either North's or South's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of North or South to maintain relationships with their respective clients, customers, depositors and employees or to achieve the anticipated benefits and cost savings of the merger. The loss of key employees could adversely affect North's ability to successfully conduct its business in the markets in which South now operates, which could have an adverse effect on North's financial results and the value of its stock. Integration efforts by North and South will also divert management attention and resources. These integration matters could have an adverse effect on each of North and South during the transition period and on the combined company for an undetermined period following completion of the merger. Additionally, the actual benefits and cost savings of the merger could be less than anticipated.

Completion of the merger is subject to many conditions and if these conditions are not satisfied or, where permissible, waived, the merger will not be completed.

The obligations of North and South to complete the merger are subject to satisfaction or, where permissible, waiver of a number of conditions, including, among others: (i) the adoption of the merger agreement by North stockholders and South shareholders, (ii) the approval of the North charter amendment proposal by North stockholders, (iii) receipt of approval of various governmental authorities without the imposition of a burdensome condition, (iv) the authorization for listing on the NASDAQ Global Select Market of the shares of North Class A common stock to be issued in the merger, (v) the effectiveness of the registration statement of which this joint proxy statement/prospectus is a part and the absence of any stop order suspending the effectiveness of this registration statement (or proceedings for that purpose initiated or threatened by the SEC and not withdrawn), (vi) the absence of any order, injunction or decree by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the merger, the bank merger or any of the other material transactions contemplated by the merger agreement, (vii) the absence of any statute, rule, regulation, order, injunction or decree enacted, entered, promulgated or enforced by any governmental entity that prohibits or makes illegal consummation of the merger, the bank merger or any of the other material transactions contemplated by the merger agreement, (viii) the accuracy of the representations and warranties of each other party in the merger agreement as of the day on which the merger is completed, subject to the materiality

standards provided in the merger agreement and the performance of the other party in all material respects of all obligations required to be performed by it at or prior to the effective time of the merger under the merger agreement (and the receipt by each party of certificates from the other party to such effect), (ix) receipt by

each party of an opinion of legal counsel as to certain tax matters, (x) the absence of any events or occurrences that, individually or in the aggregate, have had or would reasonably be expected to have a material adverse effect on the other party (see The Merger Agreement Representations and Warranties beginning on page [] of this joint proxy statement/prospectus for the definition of material adverse effect), and (xi) a majority of the shares held by the minority holders of South common stock must not have voted against the merger. For a more complete summary of the conditions that must be satisfied (or, where permissible, waived) prior to completion of the merger, see The Merger Agreement Conditions to Completion of the Merger beginning on page [] of this joint proxy statement/prospectus. There can be no assurance that the conditions to closing of the merger will be satisfied or, where permissible, waived, or that the merger will be completed. Further, it is possible that one or more of the conditions to closing the merger will not be met and that the board of directors of the party for whom the condition exists will waive the condition and the merger will be completed anyway.

The merger agreement limits South's ability to pursue alternatives to the merger and may discourage other companies from trying to acquire South for greater consideration than what North has agreed to pay.

The merger agreement contains provisions that make it more difficult for South to sell its business to a party other than North. These provisions include a general prohibition on South soliciting any acquisition proposal or offer for a competing transaction. Further, there are only limited exceptions to South's agreement that the South board of directors will not withdraw or modify in a manner adverse to North the recommendation of the South board of directors in favor of the adoption of the merger agreement. Notwithstanding the foregoing, at any time prior to the approval of the merger agreement by South shareholders, the South board of directors is permitted to withdraw or modify in a manner adverse to North the recommendation of the South board of directors in favor of the adoption of the merger agreement if it determines in good faith that the failure to take such action would be inconsistent with its fiduciary duties to South shareholders under applicable law. See The Merger Agreement Third Party Proposals beginning on page [] of this joint proxy statement/prospectus.

While South believes these provisions and agreements are reasonable and customary and are not preclusive of other offers, the provisions might discourage a third party that has an interest in acquiring all or a significant part of South from considering or proposing that acquisition, even if that party were prepared to pay consideration with a higher per-share value than the currently proposed merger consideration.

Termination of the merger agreement or failure to complete the merger after approval by South shareholders could negatively impact North or South.

If the merger agreement is terminated, there may be various consequences. For example, North's or South's businesses may have been affected adversely by the failure to pursue other beneficial opportunities due to the focus of management on the merger, without realizing any of the anticipated benefits of completing the merger. Additionally, if the merger agreement is terminated, the market price of North's or South's common stock could decline to the extent that the current market prices reflect a market assumption that the merger will be completed. If the merger agreement is terminated under specified circumstances, South has agreed to pay North a termination fee of \$6,450,000, \$10,000,000 or \$22,574,000 (and in certain instances, North's documented expenses), depending on the timing and circumstances of the termination.

Furthermore, if the merger is approved by South shareholders, the approval will constitute a triggering event under GAAP that will require South to review the goodwill recorded in its financial statements for impairment. As a result, South could write down a portion of goodwill, which would result in a charge to earnings and corresponding reduction of South shareholders' equity, and termination of the agreement or failure to consummate the merger will not reverse the charge to earnings.

South will be subject to business uncertainties and contractual restrictions while the merger is pending.

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on South. These uncertainties may impair South's ability to attract, retain and motivate key personnel until the merger is completed, and could cause customers and others that deal with South to seek to change existing business relationships with South. Retention of certain employees by South may be challenging while the merger is pending, as certain employees may experience uncertainty about their future roles with South or North. If key

employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with South or North, South's business or South's business assumed by North following the merger could be harmed. In addition, subject to certain exceptions, South has agreed to operate its business in the ordinary course prior to closing. See The Merger Agreement Covenants and Agreements Forbearances of South beginning on page [] of this joint proxy statement/prospectus for a description of the restrictive covenants applicable to South.

North and South will incur significant transaction and merger-related costs in connection with the merger.

North and South expect to incur a number of costs associated with the merger and combining the operations of the two companies. The substantial majority of expenses will be comprised of transaction costs related to the merger. The significant costs associated with the merger include, among others, fees and expenses of financial advisors (which are described under Opinion of North's Financial Advisor and Opinion of South's Financial Advisor beginning on pages [] and [] of this joint proxy statement/prospectus, respectively) and other advisors and representatives, certain employment-related costs relating to employees of South (which are described under The Merger Interests of South and/or South Bank's Directors and Executive Officers in the Merger beginning on page [] of this joint proxy statement/prospectus), filing fees due in connection with filings required under applicable law and filing fees and printing and mailing costs for this joint proxy statement/prospectus. Some of these costs have already been incurred or may be incurred regardless of whether the merger is consummated, including a portion of the fees and expenses of financial advisors and other advisors and representatives and filing fees for this joint proxy statement/prospectus. North also will incur transaction fees and costs related to formulating and implementing integration plans with respect to the two companies, including facilities and systems consolidation costs. North continues to assess the magnitude of these costs, and additional unanticipated costs may be incurred in the merger and the integration of the two companies businesses. Although North expects that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, should allow North to offset integration-related costs over time, this net benefit may not be achieved in the near term or at all.

We do not expect a trading market for the North Class B common stock to develop beyond the OTC Bulletin Board, and therefore any investment in North Class B common stock may be effectively illiquid.

There is currently a very limited public market for North Class B common stock. North Class B common stock trades on the over-the-counter market and is quoted on the OTC Bulletin Board. As a result, there can be no assurance that a secondary market will develop, and we do not expect any market makers to participate in a secondary market outside of the OTC Bulletin Board. Trading activity, if any, in the North Class B common stock will be very limited. Because the North Class B common stock will not be listed on a securities exchange or automated quotation system besides the OTC Bulletin Board, it may be difficult to obtain pricing information with respect to the shares. Accordingly, if you elect to receive North Class B common stock as merger consideration, there may be a limited number of buyers if you decide to sell your North Class B common stock. This may affect the price you receive upon such sale.

Members of the Holding family own shares of outstanding North and South common stock and will be in position to influence the outcome of matters submitted for North stockholder votes following the merger, and their interests may differ from North's other stockholders.

Frank B. Holding, a former director of North and one of its stockholders, also is a shareholder and former director of South. Frank B. Holding, Jr., North's Chairman and Chief Executive Officer, also is a shareholder and director of South. Members of the Holding family, including members who serve as directors of North and are in management positions with North, and certain family entities, hold, in the aggregate, (i) approximately 24.6% of the outstanding shares of North Class A common stock and approximately 66.5% of the outstanding shares of North Class B common stock, together representing approximately 52.2% of the total votes entitled to be cast by all outstanding shares of both classes of North common stock and (ii) approximately 48.4% of the outstanding

shares of South voting common stock and approximately 16.8% of the outstanding shares of South non-voting common stock, together representing approximately 47.2% of the total votes entitled to be cast on the South merger proposal by all outstanding shares of both classes of South's common stock. In addition to the above shares (i) North's investment securities available for sale include an equity investment in South (approximately 4.9% of the outstanding shares of South voting stock), and South's investment securities available for sale include an equity investment in North (approximately 2.0% of the outstanding shares of North Class A common stock and approximately 4.4% of the outstanding shares of North Class B common stock), and (ii) other entities in which members of the Holding family are shareholders and serve as directors and/or officers hold approximately 3.2% of the outstanding shares of the North Class A common stock, approximately 2.4% of the outstanding shares of the North Class B common stock, approximately 8.8% of the outstanding shares of South voting common stock, and approximately 14.1% of South non-voting common stock. Those shares held by North, South and the other entities amount to approximately 6.2% of the total votes entitled to be cast by all outstanding shares of both classes of North common stock and approximately 13.7% of the total votes entitled to be cast on the South merger proposal by all outstanding shares of both classes of South common stock. Therefore, after the merger certain members of the Holding family will continue to hold a significant amount of North Class A common stock and/or North Class B common stock and thus be able to more directly control or influence the outcome of matters submitted to North's stockholders for approval, including the election of directors, approval of mergers or other business combinations, and acquisitions or dispositions of assets. Also, the interests of members of the Holding family may differ from or be opposed to the interests of North's other stockholders and their level of ownership and voting power in North following the merger may have the effect of delaying or preventing a subsequent change in control that may be favored by other North stockholders.

In total, members of the Frank B. Holding family and the other entities referred to above hold an aggregate of (i) approximately 29.7% of the outstanding shares of North Class A common stock and approximately 73.1% of the outstanding shares of North Class B common stock, together representing approximately 58.2% of the total votes entitled to be cast by all outstanding shares of both classes of North common stock and (ii) approximately 62.1% of the outstanding shares of South voting common stock and approximately 30.9% of the outstanding shares of South non-voting common stock, together representing approximately 60.8% of the total votes entitled to be cast on the South merger proposal by all outstanding shares of both classes of South common stock.

The merger will result in an increase in the number of shares of North Class A common stock and North Class B common stock available for trading, which could depress the price of such shares and increase the volatility of the price of such shares, both before and after completion of the merger.

The merger will increase the number of shares of North Class A common stock and North Class B common stock available for sale in the public markets. As of [], 2014, approximately [] shares of North Class A common stock and [] shares of North Class B common stock were outstanding.

Because South shareholders are entitled to elect whether to exchange their shares of South common stock for North Class A common stock and cash or a combination of North Class A common stock and North Class B common stock, the number of new shares of North Class A common stock and new shares of North Class B common stock that will be issued to holders of South common stock and become immediately available for sale following the merger is unknown.

Sales of large amounts of shares of North Class A common stock or North Class B common stock could depress the market price of North Class A common stock or North Class B common stock, respectively. In addition, the potential that such sales may occur could depress prices, even in advance of such sales. Neither North nor South can predict the effects that any such sales, or the perception that such sales could occur, will have on the price of North common stock, either before or after completion of the merger.

Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or cannot be met.

Before the transactions contemplated by the merger agreement, including the merger and the bank merger, may be completed, various approvals must be obtained from bank regulatory authorities. These governmental entities may impose conditions on the granting of such approvals. Such conditions and the process of obtaining regulatory approvals could have the effect of delaying consummation of the merger or of imposing additional costs or limitations on North following the merger. The regulatory approvals may not be received at all, may not be received in a timely fashion, and may contain conditions on the completion of the merger that are not anticipated or cannot be met. If the consummation of the merger is delayed, including by a delay in receipt of necessary governmental approvals, the business, financial condition and results of operations of each company may also be materially adversely affected.

Shares of either class of North common stock to be received by South shareholders as a result of the merger will have rights different from shares of South common stock.

Upon completion of the merger, the rights of former South shareholders will be governed by the North charter and the North bylaws. The rights associated with South common stock are different from the rights associated with either class of North common stock, especially because South is a South Carolina corporation and North is a Delaware corporation. Please see the section entitled "Comparison of Shareholders' Rights" beginning on page [] of this joint proxy statement/prospectus for a discussion of the different rights associated with both classes of North common stock.

Shares of North Class A common stock have one vote per share, while shares of North Class B common stock have 16 votes per share. North's Class A common stock is listed on the NASDAQ Global Select Market under the symbol FCNCA. The North Class B common stock is traded on the over-the-counter market and quoted on the OTC Bulletin Board under the symbol FCNCB. The market for North Class B common stock is extremely limited. On many days, there is no trading and, to the extent there is trading, it is generally low in volume. The average monthly trading volume for North Class A common stock was 259,767 shares for the first quarter of 2014 and 279,383 shares for the year ended December 31, 2013. The average monthly trading volume for North Class B common stock was 2,500 shares in the first quarter of 2014 and 2,225 shares for the year ended December 31, 2013.

Some executive officers and directors of North and/or North Bank and South and/or South Bank have financial interests in the merger that are different from, or in addition to, the interests of shareholders.

Certain independent directors of North and South negotiated the terms of the merger agreement, and each board of directors approved and recommended that their respective shareholders vote to approve the merger agreement. In considering these facts and the other information contained in this joint proxy statement/prospectus, you should be aware that certain executive officers and other directors of North, South, North Bank and South Bank have financial interests in the merger that are different from, or in addition to, the interests of shareholders generally. Specifically, Frank B. Holding, a former director of North and one of its stockholders, also is a shareholder and former director of South. Frank B. Holding, Jr., North's Chairman and Chief Executive Officer, also is a shareholder and director of South. Members of the Holding family, including members who serve as directors of North and are in management positions with North, and certain family entities, hold, in the aggregate, (i) approximately 24.6% of the outstanding shares of North Class A common stock and approximately 66.5% of the outstanding shares of North Class B common stock, together representing approximately 52.2% of the total votes entitled to be cast by all outstanding shares of both classes of North common stock and (ii) approximately 48.4% of the outstanding shares of South voting common stock and approximately 16.8% of the outstanding shares of South non-voting common stock, together representing approximately 47.2% of the total votes entitled to be cast on the South merger proposal by all outstanding shares of both classes of South common stock. In addition to the above shares, (i) North's investment securities available for sale include an

equity investment in South (approximately 4.9% of the outstanding shares of South voting common stock), and South investment securities available for sale include an equity investment in North (approximately 2.0% of the outstanding shares of North Class A common stock and approximately 4.4% of the outstanding shares of North Class B common stock) and (ii) other entities in which members of the Holding family are shareholders and serve as directors and/or officers hold approximately 3.2% of the outstanding shares of the North Class A common stock, approximately 2.4% of the outstanding shares of the North Class B common stock, approximately 8.8% of the outstanding shares of South voting common stock and approximately 14.1% of South non-voting common stock. Those shares held by North, South and the other entities amount to approximately 6.2% of the total votes entitled to be cast on the South merger proposal by all outstanding shares of both classes of North common stock and approximately 13.7% of the total votes entitled to be cast by all outstanding shares of both classes of South common stock. In total, members of the Frank B. Holding family and the other entities referred to above hold an aggregate of approximately 29.7% of the outstanding shares of North Class A common stock and approximately 73.1% of the outstanding shares of North Class B common stock, together representing approximately 58.2% of the total votes entitled to be cast by all outstanding shares of both classes of North common stock. In total, members of the Frank B. Holding family and the other entities referred to above hold an aggregate of approximately 62.1% of the outstanding shares of South voting common stock and approximately 30.9% of the outstanding shares of South non-voting common stock, together representing approximately 60.8% of the total votes entitled to be cast on the South merger proposal by all outstanding shares of both classes of South common stock. Finally, subsequent to entering into the merger agreement, North announced that (i) Peter M. Bristow, currently Executive Vice President and Chief Operating Officer of South, President and Chief Operating Officer of South Bank and brother-in-law to Mr. Holding, Jr. and Ms. Hope H. Bryant, Vice Chairman of North and North Bank, is proposed to become President and Corporate Sales Executive of North and North Bank at closing of the merger and (ii) Craig L. Nix, currently Executive Vice President and Chief Financial Officer of South and South Bank, is proposed to replace North and North Bank's current Chief Financial Officer, Glenn D. McCoy, who will retire on a date to be determined following the merger. See *The Merger Interests of North and/or North Bank's Directors and Executive Officers in the Merger* and *The Merger Interests of South and/or South Bank's Directors and Executive Officers in the Merger* beginning on pages [] and [], respectively, of this joint proxy statement/prospectus for information about these financial interests.

North and South may be subject to litigation in connection with the merger. An adverse ruling in any such lawsuit may prevent the merger from being completed.

North, South, and their respective directors and officers may be subject to lawsuits challenging the merger. Following announcement of the merger, North received a shareholder demand from the City of Providence pursuant to Section 220 of the DGCL for access to certain books and records of North. The purported basis for the demand was to investigate potential breaches of fiduciary duty and other wrongdoing by North's officers and directors in connection with the merger. The City of Providence concurrently filed a putative class action lawsuit in the Delaware Court of Chancery against North and its directors challenging Article X, Section 8 of North's bylaws, which requires certain litigation to be brought only in North Carolina courts to the fullest extent permitted by law. The Delaware complaint, captioned *City of Providence v. First Citizens BancShares, Inc., et al.*, No. CA9795, alleges that the bylaw violates the DGCL and that adoption of the bylaw constituted a breach of fiduciary duty by North's directors. While not directly challenging the merger, the complaint contains allegations referencing the merger and seeks a declaration that any stockholder action regarding the merger may be brought in the Delaware Court of Chancery.

If litigation is brought challenging the merger, the plaintiff(s) may seek an order enjoining completion of the merger. If successful, such an order may prevent the merger from being completed, or from being completed within the expected time frame. Regardless of whether plaintiffs' claims were to succeed, this type of litigation is often expensive and diverts management's attention and resources, which could adversely affect the operation of North and South's business.

The unaudited pro forma combined financial statements included in this joint proxy statement/prospectus are preliminary and the actual financial condition and results of operations of the combined company after the merger may differ materially.

The unaudited pro forma combined financial statements in this joint proxy statement/prospectus are presented for illustrative purposes only and are not necessarily indicative of what North's actual financial condition or results or operations would have been had the merger been completed on the dates indicated. The unaudited pro forma combined financial statements reflect adjustments, which are based upon preliminary estimates, to record the South identifiable assets acquired and liabilities assumed at fair value and the resulting goodwill recognized. The purchase price allocation reflected in this document is preliminary, and final allocation of the purchase price will be based upon the actual purchase price and the fair value of the assets and liabilities of South as of the date of the completion of the merger. Accordingly, the final acquisition accounting adjustments may differ materially from the pro forma adjustments reflected in this document. For more information, see Unaudited Pro Forma Combined Financial Statements beginning on page [] of this joint proxy statement/prospectus.

Risk Factors Relating to North

North is, and following completion of the merger North will continue to be, subject to the risks described in Part I, Item 1A in the North Annual Report on Form 10-K for the year ended December 31, 2013 and in Part II, Item 1A in the North Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014. See Where You Can Find More Information beginning on page [] of this joint proxy statement/prospectus. Accordingly, shareholders of each of North and South should be aware of these notes in addition to the Risks Related to the Merger.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF NORTH

The following selected historical consolidated financial data as of and for the years ended December 31, 2013, 2012, 2011, 2010 and 2009 is derived from the audited consolidated financial statements of North, and the interim selected historical consolidated financial data is derived from the unaudited consolidated financial statements of North. In North's opinion, such unaudited consolidated financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of its financial position and results of operations for such periods. Interim results for the three months ended March 31, 2014 are not necessarily indicative of, and are not projections for, the results to be expected for the full year ending December 31, 2014.

(dollars in thousands, except share data)	Three months ended March 31,		Year ended December 31,				
	2014	2013	2013	2012	2011	2010	2009
SUMMARY OF OPERATIONS							
Interest income	\$ 173,394	\$ 220,604	\$ 796,804	\$ 1,004,836	\$ 1,015,159	\$ 969,368	\$ 738,159
Interest expense	12,463	15,722	56,618	90,148	144,192	195,125	227,644
Net interest income	160,931	204,882	740,186	914,688	870,967	774,243	510,515
Provision for loan and lease losses	(1,903)	(18,606)	(32,255)	142,885	232,277	143,519	79,364
Net interest income after provision for loan and lease losses	162,834	223,488	772,441	771,803	638,690	630,724	431,151
Gains on acquisitions					150,417	136,000	104,434
Noninterest income	61,181	57,513	263,603	189,300	313,949	270,214	299,017
Noninterest expense	191,030	194,355	771,380	766,933	792,925	733,376	651,503
Income before income taxes	32,985	86,646	264,664	194,170	310,131	303,562	183,099
Income taxes	10,619	31,061	96,965	59,822	115,103	110,518	66,768
Net income	\$ 22,366	\$ 55,585	\$ 167,699	\$ 134,348	\$ 195,028	\$ 193,044	\$ 116,331
Net interest income, taxable	\$ 161,694	\$ 205,553	\$ 742,846	\$ 917,664	\$ 874,727	\$ 778,382	\$ 515,446

equivalent

**PER SHARE
DATA**

Net income	\$ 2.33	\$ 5.78	\$ 17.43	\$ 13.11	\$ 18.80	\$ 18.50	\$ 11.15
Cash dividends	0.30	0.30	1.20	1.20	1.20	1.20	1.20
Market price at period end (Class A)	240.75	182.70	222.63	163.50	174.99	189.05	164.01
Book value at period end	218.82	199.46	215.89	193.75	180.97	166.08	149.42

**SELECTED
PERIOD
AVERAGE
BALANCES**

Total assets	\$ 21,872,343	\$ 21,150,143	\$ 21,300,800	\$ 21,077,444	\$ 21,135,572	\$ 20,841,180	\$ 17,557,484
Investment securities	5,606,723	5,196,930	5,206,000	4,698,559	4,215,761	3,641,093	3,412,620
Loans and leases (acquired and originated)	13,459,945	13,289,828	13,163,743	13,560,773	14,050,453	13,865,815	12,062,954
Interest-earning assets	20,139,131	19,180,308	19,433,947	18,974,915	18,824,668	18,458,160	15,846,514
Deposits	18,492,310	17,922,665	17,947,996	17,727,117	17,776,419	17,542,318	14,578,868
Interest-bearing liabilities	14,189,227	14,140,511	13,910,299	14,298,026	15,044,889	15,235,253	13,013,237
Long-term obligations	500,805	444,539	462,203	574,721	766,509	885,145	753,242
Shareholders equity	\$ 2,094,557	\$ 1,877,445	\$ 1,942,108	\$ 1,915,269	\$ 1,811,520	\$ 1,672,238	\$ 1,465,953
Shares outstanding	9,618,941	9,618,985	9,618,952	10,244,472	10,376,445	10,434,453	10,434,453

**SELECTED
PERIOD-END
BALANCES**

Total assets	\$ 22,154,997	\$ 21,351,012	\$ 21,199,091	\$ 21,283,652	\$ 20,997,298	\$ 20,806,659	\$ 18,466,063
Investment securities	5,677,019	5,280,907	5,388,610	5,227,570	4,058,245	4,512,608	2,932,765
Loans and leases:							
Acquired	1,270,818	1,621,327	1,029,426	1,809,235	2,362,152	2,007,452	1,173,020
Originated	12,200,226	11,509,080	12,104,298	11,576,115	11,581,637	11,480,577	11,644,999
Deposits	18,763,545	18,064,921	17,874,066	18,086,025	17,577,274	17,635,266	15,337,567
Long-term obligations	440,300	444,252	510,769	444,921	687,599	809,949	797,366
Shareholders equity	\$ 2,104,830	\$ 1,918,581	\$ 2,076,675	\$ 1,864,007	\$ 1,861,128	\$ 1,732,962	\$ 1,559,115
Shares outstanding	9,618,941	9,618,941	9,618,941	9,620,914	10,284,119	10,434,453	10,434,453

(dollars in thousands, except share data)	Three months ended March 31,		Year ended December 31,				
	2014	2013	2013	2012	2011	2010	2009
SELECTED RATIOS AND OTHER DATA							
Rate of return on average assets (annualized)	0.41%	1.07%	0.79%	0.64%	0.92%	0.93%	0.66%
Rate of return on average shareholders equity (annualized)	4.33	12.01	8.63	7.01	10.77	11.54	7.94
Net yield on interest-earning assets (taxable equivalent)	3.26	4.35	3.82	4.84	4.65	4.22	3.25
Allowance for loan and lease losses to total loans and leases:							
Acquired	3.54	5.95	5.20	7.74	3.78	2.55	0.30
Originated	1.46	1.53	1.49	1.55	1.56	1.54	1.45
Nonperforming assets to total loans and leases and other real estate at period end:							
Acquired covered	9.34	8.46	7.02	9.26	17.95	12.87	16.59
Acquired not covered	3.36						
Originated	0.66	1.10	0.74	1.15	0.89	1.14	0.85
Tier 1 risk-based capital ratio	14.56	14.72	14.92	14.27	15.41	14.86	13.34
Total risk-based capital ratio	16.05	16.41	16.42	15.95	17.27	16.95	15.59
Leverage capital ratio	9.66	9.53	9.82	9.23	9.90	9.18	9.54
Dividend payout ratio	12.88	5.19	6.88	9.15	6.38	6.49	10.76
Average loans and leases to average deposits	72.79	74.15	73.34	76.50	79.04	79.04	82.74

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF SOUTH

The following selected historical consolidated financial data as of and for the years ended December 31, 2013, 2012, 2011, 2010 and 2009 is derived from the audited consolidated financial statements of South, and the interim selected historical consolidated financial data is derived from the unaudited consolidated financial statements of South. In South's opinion, such unaudited consolidated financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of its financial position and results of operations for such periods. Interim results for the three months ended March 31, 2014 are not necessarily indicative of, and are not projections for, the results to be expected for the full year ending December 31, 2014.

	Three months ended March 31,		Year ended December 31,				
	2014	2013	2013	2012	2011	2010	2009
(dollars in thousands, except share data)							
SUMMARY OF OPERATIONS							
Interest income	\$ 54,490	\$ 55,998	\$ 225,329	\$ 252,606	\$ 287,862	\$ 334,261	\$ 332,746
Interest expense	4,848	5,944	21,814	29,935	47,600	81,861	98,902
Net interest income	49,642	50,054	203,515	222,671	240,262	252,400	233,844
Provision for loan losses	144	505	8,054	20,066	23,558	56,856	74,556
Net interest income after provision for loan losses	49,498	49,549	195,461	202,605	216,704	195,544	159,288
Gain on acquisition							107,903
Noninterest income	34,968	34,241	130,991	135,364	111,991	157,684	117,462
Noninterest expense	61,031	65,185	258,024	254,433	250,502	246,272	225,119
Income before income taxes	23,435	18,605	68,428	83,536	78,193	106,956	159,534
Income taxes	8,436	6,364	23,425	29,701	27,416	38,350	58,514
Net income	\$ 14,999	\$ 12,241	\$ 45,003	\$ 53,835	\$ 50,777	\$ 68,606	\$ 101,020
Net interest income, taxable equivalent	\$ 49,880	\$ 50,303	\$ 204,479	\$ 223,842	\$ 241,659	\$ 254,070	\$ 235,319
PER SHARE DATA							
Net income	\$ 21.89	\$ 17.86	\$ 65.62	\$ 63.97	\$ 59.91	\$ 80.87	\$ 118.91
Cash dividends	0.35	0.35	1.40	3.40	1.40	1.40	1.40
Market price at period end	689.66	623.37	674.32	499.91	407.79	505.96	401.96
Book value at period end	1,119.54	1,040.69	1,097.19	1,023.71	876.46	815.63	729.26

**SELECTED
PERIOD
AVERAGE
BALANCES**

Total assets	\$ 8,474,969	\$ 8,325,997	\$ 8,275,077	\$ 8,229,993	\$ 8,370,956	\$ 8,606,520	\$ 7,454,477
Investment securities	2,017,444	1,678,582	1,729,596	1,529,157	1,522,273	1,336,111	1,251,332
Loans and leases:							
Acquired	160,648	261,434	222,676	354,222	450,377	667,216	244,589
Originated	4,340,277	4,050,567	4,154,179	4,099,309	4,229,383	4,533,226	4,853,234
Interest-earning assets	7,733,616	7,569,127	7,556,257	7,420,460	7,446,029	7,494,705	6,725,126
Deposits	7,263,425	7,137,900	7,076,807	6,950,571	7,105,433	7,353,469	6,263,728
Interest-bearing liabilities	5,637,525	5,804,876	5,633,836	5,738,951	6,172,119	6,604,183	5,803,181
Long-term debt	203,287	203,185	202,268	204,392	208,695	267,692	286,215
Shareholders equity\$	764,022	\$ 706,857	\$ 722,837	\$ 766,601	\$ 721,670	\$ 661,560	\$ 551,848
Shares outstanding	683,293	683,293	683,293	838,625	844,884	846,292	848,125

**SELECTED
PERIOD-END
BALANCES**

Total assets	\$ 8,532,136	\$ 8,378,384	\$ 8,374,101	\$ 8,236,484	\$ 8,153,895	\$ 8,425,723	\$ 8,436,868
Investment securities	2,031,947	1,725,179	2,000,022	1,606,149	1,575,540	1,452,878	1,298,353
Loans and leases:							
Acquired	151,951	246,258	174,203	282,335	438,907	523,305	872,753
Originated	4,348,660	4,045,220	4,343,506	4,079,574	4,134,347	4,386,379	4,705,296
Interest-earning assets	7,785,442	7,655,433	7,594,532	7,447,106	7,300,760	7,357,259	7,413,823
Deposits	7,325,972	7,192,973	7,191,569	7,042,865	6,875,909	7,184,208	7,204,717
Interest-bearing liabilities	5,609,462	5,802,272	5,554,043	5,687,937	5,851,180	6,372,070	6,590,502
Long-term debt	203,303	203,202	203,278	203,176	208,694	208,593	308,492
Shareholders equity\$	764,972	\$ 711,094	\$ 749,701	\$ 699,494	\$ 740,498	\$ 689,921	\$ 618,177
Shares outstanding (voting and non-voting)	683,293	683,293	683,293	683,293	844,871	845,871	847,680

(dollars in thousands, except share data)	Three months ended March 31,		Year ended December 31,				
	2014	2013	2013	2012	2011	2010	2009
SELECTED RATIOS AND OTHER DATA							
Rate of return on average assets (annualized)	0.72%	0.60%	0.54%	0.65%	0.61%	0.80%	1.36%
Rate of return on average shareholders equity (annualized)	7.96	7.02	6.23	7.02	7.04	10.37	18.31
Net yield on interest-earning assets (taxable equivalent)	2.60	2.68	2.69	3.00	3.23	3.37	3.48
Allowance for loan losses to total loans and leases	1.17	1.41	1.21	1.44	1.55	1.67	1.61
Allowance for loan losses to total loans and leases (excluding loss share)	1.21	1.49	1.26	1.54	1.72	1.88	1.90
Nonperforming assets to total assets at period end (excluding acquired loans and covered real estate owned)	1.44	1.73	1.49	1.83	2.20	2.05	1.58
Tier 1 risk-based capital ratio	16.15	15.80	15.53	15.33	15.50	13.33	10.94
Total risk-based capital ratio	18.03	18.17	17.41	17.69	18.21	16.29	14.09
Leverage capital ratio	8.31	7.85	8.32	7.78	8.12	7.28	6.50
Dividend payout ratio	1.60	1.96	2.13	5.31	2.34	1.73	1.18
Average loans and leases to average deposits	61.97	60.41	61.85	64.07	65.86	70.72	81.39

UNAUDITED PRO FORMA COMBINED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma combined consolidated financial information and explanatory notes present how the combined financial statements of North and South may have appeared had the businesses actually been combined. The merger agreement provides two exchange options for South shareholders; however it is assumed for purposes of the pro forma financial information that at the effective date of the merger, each share of South common stock will be converted into the right to receive 4.0 shares of North Class A common stock and \$50.00 in cash. The unaudited pro forma combined consolidated financial information shows the impact of the merger of North and South on the companies' respective historical financial positions and results of operations under the acquisition method of accounting with North treated as the acquirer. Under this method of accounting, the assets and liabilities of South will be recorded by North at their estimated fair values as of the date the merger is completed. The unaudited pro forma combined consolidated balance sheet gives effect to the merger as if the transaction had occurred on March 31, 2014. The unaudited pro forma combined consolidated statements of income for the three months ended March 31, 2014 and for the year ended December 31, 2013, give effect to the merger as if these transactions had been completed on January 1, 2013. The unaudited pro forma combined selected financial data is derived from such balance sheets and statements of income.

The unaudited pro forma combined consolidated financial information has been derived from and should be read in conjunction with the historical consolidated financial statements and the related notes of both North and South which are included or incorporated by reference in this joint proxy statement/prospectus as of and for the periods indicated. See "Where You Can Find More Information" on page [] and the historical financial information that South has provided in this joint proxy statement/prospectus beginning on page F-1.

The unaudited pro forma condensed consolidated financial information is presented for illustrative purposes only and does not indicate the financial results of the combined company had the companies actually been combined at the beginning of the period presented and had the impact of possible revenue enhancements and expense efficiencies, among other factors, been considered and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had the companies been combined during this period. In addition, as explained in more detail in the accompanying notes to the unaudited pro forma combined consolidated financial information, the preliminary determination of fair values of South's assets acquired and liabilities assumed reflected in the unaudited pro forma combined consolidated financial information are subject to adjustment and may vary from the actual fair values assigned that will be recorded upon completion of the merger. Subsequent to the completion of the merger, North will finalize its determination of the fair values of the acquired assets and assumed liabilities which could significantly change both the amount and the composition of these estimated accounting adjustments.

Unaudited Pro Forma Combined Consolidated Balance Sheet

As of March 31, 2014

(in thousands)

	North (as Reported)	South (as Reported)	Pro Forma adjustments	Notes	Pro Forma Combined
Assets					
Cash and due from banks	\$ 543,471	\$ 1,455,258	\$ (36,047)	A, E	\$ 1,962,682
Overnight investments	1,161,469				1,161,469
Investment securities available for sale	5,676,237	2,031,947	(74,764)	B, D, F	7,633,420
Investment securities held to maturity	782				782
Loans held for sale	53,361	20,209			73,570
Loans and leases					
Acquired	1,270,818	4,480,402	(115,100)	G	5,636,120
Originated	12,200,226				12,200,226
Allowance for loan and lease losses	(222,942)	(52,573)	52,573	H	(222,942)
Net loans and leases	13,248,102	4,427,829	(62,527)		17,613,404
Premises and equipment	878,850	229,264	(8,743)	I	1,099,371
Other real estate owned					
Covered under loss share agreements	41,855	23,596	(1,700)	J	63,751
Not covered under loss share agreements	44,504	28,398	(3,400)	J	69,502
Income earned not collected	49,668	16,699			66,367
FDIC loss share receivable	74,784	7,312	(300)	K	81,796
Goodwill	127,140	188,107	(116,147)	L	199,100
Other intangible assets	4,390	17,556	100,131	M	122,077
Other assets	250,384	85,961	(2,460)	B, N	333,885
Total assets	\$ 22,154,997	\$ 8,532,136	\$ (205,957)		\$ 30,481,176
Liabilities					
Deposits					
Noninterest-bearing	\$ 5,627,868	\$ 2,108,182	\$		\$ 7,736,050
Interest-bearing	13,135,677	5,217,790	1,647	O	18,355,114
Total deposits	18,763,545	7,325,972	1,647		26,091,164
Short-term borrowings	617,794	188,369			806,163
Long-term borrowings	440,300	203,303	(14,600)	P	629,003
FDIC loss share payable	111,339				111,339
Other liabilities	117,189	49,520	20,071	D, Q, S	186,780
Total liabilities	20,050,167	7,767,164	7,118		27,824,449

Shareholders Equity

Preferred stock		3,050	(3,050)	R	
Common stock		3,416	(3,416)	R	
Class A	8,586		2,391	C, D	10,977
Class B	1,033				1,033
Surplus	143,766	65,081	506,071	C, D, R	714,918
Retained earnings	1,968,039	685,533	(693,876)	B, R, S	1,959,696
Accumulated other comprehensive loss	(16,594)	7,892	(21,195)	B, R	(29,897)
Total shareholders equity	2,104,830	764,972	(213,075)		2,656,727
Total liabilities and shareholders equity	\$ 22,154,997	\$ 8,532,136	\$ (205,957)		\$ 30,481,176

Notes

- A Adjustment reflects \$50 per share of South common stock paid by North totaling \$32.6 million.
- B Adjustment reflects the impact of North selling South common stock which includes removal of the investment at fair value totaling \$22.1 million; \$8.4 million reversal of the deferred tax associated with the unrealized gain (rate = 39%); \$13.3 million reversal of the other comprehensive income component; and \$21.7 million realized gain.
- C Adjustment reflects North issuance of common stock of \$2.6 million at par value and \$621.3 million of surplus.
- D Adjustment reflects retirement of North common stock owned by South which includes removal of the investment at fair value totaling \$50.4 million; \$16.4 reversal of the deferred tax associated with the unrealized gain (rate = 35%); and retirement of the shares consisting of \$0.2 million par value and \$50.1 million of surplus.
- E Adjustment reflects cash paid by South to repurchase and retire all South's outstanding preferred stock of \$3.5 million.
- F Adjustment reflects the fair value adjustment (discount) of South's investment portfolio of \$2.3 million.
- G Adjustment reflects the fair value adjustment (discount) based upon North's evaluation of the acquired loan portfolio of \$115.1 million.
- H Adjustment reflects the reversal of South's allowance for loan and lease losses (ALLL) of \$52.6 million.
- I Adjustment reflects the fair value adjustment of South's acquired premises and equipment of \$8.7 million.
- J Adjustment reflects the fair value adjustment of South's other real estate owned (OREO) of \$5.1 million.
- K Adjustment reflects the fair value adjustment of South's Federal Deposit Insurance Corporation (FDIC) receivable of \$0.3 million.
- L Adjustment reflects \$72.0 million goodwill generated as a result of the consideration paid being greater than the net assets acquired (see page [] for detail) and the elimination of South's legacy goodwill totaling \$188.1 million.
- M Adjustment reflects \$96.9 million of core deposit intangible recorded by North for South deposits; fair value adjustment of South's mortgage servicing rights totaling \$5.0 million; and elimination of South's legacy core deposit intangible of \$1.8 million.
- N Adjustment reflects the recording of a \$10.8 million deferred tax asset generated by the net pro forma adjustments (rate = 39%).
- O Adjustment reflects the fair value adjustment (premium) to South's deposits of \$1.6 million.
- P Adjustment reflects the fair value adjustment (discount) to South's long-term borrowings of \$14.6 million.
- Q Adjustment reflects the fair value adjustment to South's pension plan assets of \$2.5 million and fair value adjustments for South's accrued liabilities of \$4.0 million.
- R Adjustment reflects the reversal of South's March 31, 2013 preferred stock at par totaling \$3.1 million, common stock at par of \$3.4 million, surplus of \$65.1 million, retained earnings of \$715.5 million and other comprehensive income of \$7.9 million.
- S Adjustment reflects estimated merger-related expenses of \$30.0 million.

The following table summarizes the calculation of the preliminary purchase price and the allocation of the purchase price to the estimated fair value of assets and liabilities (in thousands, except per share data):

South common shares outstanding at March 31, 2014	683,293
Less: Retire North common stock ownership in South	(32,042)
Net South common shares outstanding at March 31, 2014	651,251
Price per share, based upon North Class A common stock price of \$239.50 as of July 8, 2014	\$ 958.00
Value of shares of North Class A common stock issued to South shareholders	\$ 623,898
Cash paid to South shareholders	32,563
Fair value of South common shares owned by North (as recorded by North at March 31, 2014)	22,109
Total pro forma purchase price	\$ 678,570
Fair value of assets acquired:	
Cash and due from banks	\$ 1,451,774
Investment securities available for sale	1,979,292
Loans held for sale	20,209
Loans and leases	4,365,302
Premises and equipment	220,521
Other real estate owned	46,894
Income earned not collected	16,699
FDIC loss share receivable	7,012
Other intangible assets	117,687
Other assets	75,147
Total assets	8,300,537
Fair value of liabilities assumed:	
Total deposits	7,327,619
Short-term borrowings	188,369
Long-term borrowings	188,703
Other liabilities	39,591
Total liabilities	7,744,282
Retirement of North common stock acquired from South	50,355
Net assets acquired	606,610
Preliminary pro forma goodwill	\$ 71,960

Purchase Price Sensitivity

Preliminary pro forma goodwill represents the excess of the purchase price over the fair value of the net assets acquired. The purchase price will not be finalized until the merger is consummated and will be based on the share price of North s Class A common stock on that date. The above estimate is based on the closing price of North s Class A common stock on July 8, 2014 of \$239.50 per share. Based on preliminary fair values used herein, for every dollar increase or decrease in North s Class A common stock price, the resulting goodwill will increase or decrease by approximately \$2.6 million.

Unaudited Pro Forma Combined Consolidated Income Statement

For the Three Months Ended March 31, 2014

(in thousands)

	North (as Reported)	South (as Reported)	Pro Forma Adjustments	Notes	Pro Forma Combined
Interest income					
Loans and leases	\$ 161,034	\$ 46,960	\$ 4,313	A	\$ 212,307
Investment securities interest and dividend income	11,748	6,752	192	B	18,692
Overnight investments	612	778			1,390
Total interest income	173,394	54,490	4,505		232,389
Interest expense					
Deposits	6,825	1,721	(137)	C	8,409
Short-term borrowings	585	63			648
Long-term obligations	5,053	3,064	138	D	8,255
Total interest expense	12,463	4,848	1		17,312
Net interest income	160,931	49,642	4,504		215,077
Provision (credit) for loan and lease losses	(1,903)	144			(1,759)
Net interest income after provision for loan and lease losses	162,834	49,498	4,504		216,836
Noninterest income					
Cardholder services	11,832	6,717			18,549
Merchant services	13,521	4,032			17,553
Service charges on deposit accounts	14,440	8,991			23,431
Wealth management services	14,880	4,827			19,707
Fees from processing services	4,861		(4,861)	E	
Securities gains (losses)		5,753			5,753
Other service charges and fees	3,944	1,078			5,022
Mortgage income	955	1,583			2,538
Insurance commissions	3,287	507			3,794
ATM income	1,202	973			2,175
Adjustments to FDIC loss share receivable	(12,349)	176			(12,173)
Other	4,608	331	367	F, L	5,306
Total noninterest income	61,181	34,968	(4,494)		91,655
Noninterest expense					
Salaries and wages	79,874	23,140			103,014
Employee benefits	20,100	7,903			28,003
Occupancy expense	20,425	4,311	87	H	24,823

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Equipment expense	18,791	2,391			21,182
FDIC insurance expense	2,636	1,260			3,896
Foreclosure-related expenses	5,410	1,026	442	L	6,878
Other	43,794	21,000	(3,360)	G, I, N	61,434
Total noninterest expense	191,030	61,031	(2,831)		249,230
Income before income taxes	32,985	23,435	2,841		59,261
Provision for income taxes	10,619	8,436	1,108	J	20,163
Net income	22,366	14,999	1,733		39,098
Preferred dividends		39	(39)	K	
Net income available to common shareholders	\$ 22,366	\$ 14,960	\$ 1,772		\$ 39,098
Net income per share					
Net income per share basic and diluted	\$ 2.33	\$ 21.89	\$ 1.04		\$ 3.26
Average shares outstanding	9,618,941	683,293	1,708,211	M	12,010,445

Notes

- A Adjusted loan interest income for purchased loans using the level yield method over the estimated lives of the acquired loan portfolio.
- B Adjustment reflects amortization of the investment portfolio discount over the estimated portfolio duration.
- C Adjustment reflects amortization of the deposit premium over the estimated average deposit lives.
- D Adjustment reflects amortization of the debt discount over the estimated duration of the debt obligations.
- E Adjustment reflects the elimination of processing fees received by North paid from South.
- F Adjustment reflects the elimination of North dividend income from South of \$0.01 million and the elimination of South dividend income from North of \$0.06 million.
- G Adjustment reflects the amortization of the core deposit intangible of \$3.5 million and amortization of the mortgage servicing rights intangible of \$0.2 million over their estimated lives.
- H Adjustment reflects the incremental depreciation expense of facilities acquired.
- I Adjustment reflects the elimination of South processing service fees paid to North of \$7.6 million and the elimination of North expenses that were being offset by fees charged to South for other processing services of \$0.6 million.
- J Adjustment reflects the income tax expense (rate = 39%) associated with the net pro forma adjustments.
- K Adjustment reflects the elimination of South preferred stock dividends.
- L Reclassification of South's OREO related expenses from non-interest income to foreclosure related expenses to conform to North's presentation.
- M Adjustment reflects net impact of common shares issued and retired totaling 1,708,211. The net impact consists of the following adjustments: North Class A shares issued, which is the weighted average of South's outstanding common shares totaling 683,293 less common shares owned and retired by North of 32,042 multiplied by the exchange ratio of 4.0, resulting in 2,605,004 gross North Class A common shares. This amount is then reduced by the total South shares outstanding of 683,293 and the retirement of 213,500 North Class A common shares that are owned by South.
- N North expects to incur merger charges related to integration efforts, contract cancellations, severance, and other merger related charges; however, these charges are not reflected in these pro forma income statements.

Unaudited Pro Forma Consolidated Income Statement

For the Year Ended December 31, 2013

(in thousands)

	North (as Reported)	South (as Reported)	Pro Forma Adjustments	Notes	Pro Forma Combined
Interest income					
Loans and leases	\$ 757,197	\$ 202,040	\$ 17,258	A	\$ 976,495
Investment securities interest and dividend income	36,884	19,546	767	B	57,197
Overnight investments	2,723	3,743			6,466
Total interest income	796,804	225,329	18,025		1,040,158
Interest expense					
Deposits	34,495	8,985	(549)	C	42,931
Short-term borrowings	2,724	510			3,234
Long-term obligations	19,399	12,319	554	D	32,272
Total interest expense	56,618	21,814	5		78,437
Net interest income	740,186	203,515	18,020		961,721
Provision (credit) for loan and lease losses	(32,255)	8,054			(24,201)
Net interest income after provision for loan and lease losses	772,441	195,461	18,020		985,922
Noninterest income					
Cardholder services	48,360	25,445			73,805
Merchant services	56,024	15,460			71,484
Service charges on deposit accounts	60,661	38,660			99,321
Wealth management services	59,628	17,739			77,367
Fees from processing services	22,821		(20,400)	E	2,421
Securities gains (losses)		8,290			8,290
Other service charges and fees	15,696	4,009			19,705
Mortgage income	11,065	11,675			22,740
Insurance commissions	10,694	1,884			12,578
ATM income	5,026	3,915			8,941
Adjustments to FDIC loss share receivable	(72,342)	4,384			(67,958)
Other	45,970	(470)	2,726	F, L	48,226
Total noninterest income	263,603	130,991	(17,674)		376,920
Noninterest expense					
Salaries and wages	308,941	96,431			405,372
Employee benefits	90,479	35,705			126,184
Occupancy expense	75,718	16,621	350	H	92,689

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Equipment expense	75,545	9,403			84,948
FDIC insurance expense	10,175	5,494			15,669
Foreclosure-related expenses	17,134	8,955	3,027	L	29,116
Other	193,388	85,415	(5,724)	G, I, N	273,079
Total noninterest expense	771,380	258,024	(2,347)		1,027,057
Income before income taxes	264,664	68,428	2,693		335,785
Provision for income taxes	96,965	23,425	1,050	J	121,440
Net income	167,699	45,003	1,643		214,345
Preferred Dividends		162	(162)	K	
Net income available to common shareholders	\$ 167,699	\$ 44,841	\$ 1,805		\$ 214,345
Net income per share					
Net income per share basic and diluted	\$ 17.43	\$ 65.62	\$ 1.06		\$ 17.85
Average shares outstanding	9,618,952	683,293	1,708,211	M	12,010,456

Notes

- A Adjusted loan interest income for purchased loans using the level yield method over the estimated lives of the acquired loan portfolio.
- B Adjustment reflects amortization of the investment portfolio discount over the estimated portfolio duration.
- C Adjustment reflects amortization of the deposit premium over the estimated average deposit lives.
- D Adjustment reflects amortization of the debt discount over the estimated duration of the debt obligations.
- E Adjustment reflects the elimination of processing fees received by North paid from South.
- F Adjustment reflects the elimination of North dividend income from South of \$0.05 million and the elimination of South dividend income from North of \$0.3 million.
- G Adjustment reflects the amortization of the core deposit intangible of \$13.8 million and amortization of the mortgage servicing rights intangible of \$0.8 million over their estimated lives.
- H Adjustment reflects the incremental depreciation expense of facilities acquired.
- I Adjustment reflects the elimination of South processing service fees paid to North of \$25.7 million and the elimination of North expenses that were being offset by fees charged to South for other processing services of \$5.3 million.
- J Adjustment reflects the income tax expense (rate = 39%) associated with the net pro forma adjustments.
- K Adjustment reflects the elimination of South preferred stock dividends.
- L Reclassification of South's OREO related expenses from non-interest income to foreclosure related expenses to conform to North's presentation.
- M Adjustment reflects net impact of common shares issued and retired totaling 1,708,211. The net impact consists of the following adjustments: North Class A common shares issued, which is the weighted average of South's outstanding common shares totaling 683,293 less common shares owned and retired by North of 32,042 multiplied by the exchange ratio of 4.0, resulting in 2,605,004 gross North Class A common shares. This amount is then reduced by the total South shares outstanding of 683,293 and the retirement of 213,500 North Class A common shares that are owned by South.
- N North expects to incur merger charges related to integration efforts, contract cancellations, severance, and other merger related charges; however, these charges are not reflected in these pro forma income statements.

COMPARATIVE PER-SHARE DATA OF NORTH AND SOUTH (UNAUDITED)

The following table sets forth for North Class A common stock and South common stock certain historical, pro forma and pro forma equivalent per-share financial information. The pro forma and pro forma equivalent per-share information gives effect to the merger as if the transaction had been effective on the dates presented, in the case of book value data, and as if the transaction had been effective on January 1, 2013 in the case of the earnings and dividend data. The pro forma information in the table assumes that the merger is accounted for under the acquisition method of accounting. The information in the following table is based on the historical financial statements of each of North and South and should be read together with the historical financial information that North has presented in prior filings with the SEC and the historical financial information that South has provided in this joint proxy statement/prospectus beginning on page F-1. With respect to North, see Where You Can Find More Information beginning on page [] of this joint proxy statement/prospectus.

The pro forma financial information is not necessarily indicative of results that would have occurred had the merger been completed on the dates indicated or that may be obtained in the future.

The unaudited pro forma adjustments are based upon available information and certain assumptions that North management believes are reasonable. The unaudited pro forma data, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, do not reflect the impact of factors that may result as a consequence of the mergers or consider any potential impacts of current market conditions of the mergers on revenues, expense efficiencies, or asset dispositions, among other factors. As a result, unaudited pro forma data are presented for illustrative purposes only and do not represent an attempt to predict or suggest future results. Upon completion of the merger, the operating results of South will be reflected in the consolidated financial statements of North on a prospective basis.

Unaudited Pro Forma Comparative Per-Share Data As of And For The Three Months Ended March 31, 2014

	North	South	Pro Forma Combined	Per Equivalent South Share (1)
Basic Income from Continuing Operations	\$ 2.33	\$ 21.89	\$ 3.26	\$ 13.04
Diluted Income from Continuing Operations	\$ 2.33	\$ 21.89	\$ 3.26	\$ 13.04
Cash Dividends	\$ 0.30	\$ 0.35	\$ 0.30	\$ 1.20
Book Value Per Common Share	\$ 218.82	\$ 1,119.54	\$ 221.20	\$ 884.81

Unaudited Pro Forma Comparative Per-Share Data As of And For The Year Ended December 31, 2013

	North	South	Pro Forma Combined	Per Equivalent South Share (1)
Basic Income from Continuing Operations	\$ 17.43	\$ 65.62	\$ 17.85	\$ 71.40
Diluted Income from Continuing Operations	\$ 17.43	\$ 65.62	\$ 17.85	\$ 71.40
Cash Dividends	\$ 1.20	\$ 1.40	\$ 1.20	\$ 4.80
Book Value Per Common Share	\$ 215.89	\$ 1,097.19	\$ 221.66	\$ 886.63

(1) Reflects conversion of each South share into four shares of North Class A common stock.

MARKET PRICES AND DIVIDEND INFORMATION

North Class A common stock is listed and trades on The NASDAQ Global Select Market under the symbol FCNCA. The trading market for North Class B common stock is limited. It trades in the over-the-counter market and is quoted on the OTC Bulletin Board under the symbol FCNCB. As of the North record date, there were [] shares of North Class A common stock outstanding and [] shares of North Class B common stock outstanding. As of the North record date, North had approximately [] holders of record of its Class A common stock and [] holders of record of its Class B common stock, as reported by its stock transfer agent, Broadridge Corporate Issuer Solutions, Inc. Holders of record are defined as those stockholders whose shares are registered in their names in North's stock records. The term excludes beneficial holders whose shares are held for them in street name by a broker or other nominee.

South voting common stock trades in the over-the-counter market and is quoted on the OTC Bulletin Board under the symbol FCBN. There is no established public trading market for South's non-voting common stock, it trades infrequently, and it is not quoted on the OTC Bulletin Board or listed on any exchange. As of the South record date, there were [] shares of South voting common stock and [] shares of South non-voting common stock outstanding, held of record by [] holders and [] holders, respectively.

The following tables show, for the indicated periods, the high and low sales prices per share for North Class A common stock, as reported on NASDAQ, and the high and low bid prices for North Class B common stock and South voting common stock, as reported in the OTC Bulletin Board. Shares of South voting common stock and North Class B common stock are not traded frequently. Over-the-counter bid prices for North Class B common stock and South voting common stock represent inter-dealer prices without retail markup, markdown or commissions, and may not represent actual transactions. South is aware of a few transactions over the past two years in which the South non-voting common stock traded at prices ranging from \$[] to \$[] per share. However, South has not ascertained whether these were arm's length transactions, and because of the limited number of transactions involved, the prices may not be indicative of the value of South non-voting common stock.

Cash dividends declared per share on North and South common stock are also shown for the periods indicated below.

	North Class A Common Stock			North Class B Common Stock			South Voting Common Stock		
	High	Low	Dividends	High	Low	Dividends	High	Low	Dividends
2014									
First Quarter	\$ 240.46	\$ 215.22	\$ 0.30	\$ 219.01	\$ 198.01	\$ 0.30	\$ 690.00	\$ 658.00	\$ 0.35
Second Quarter	\$ 260.10	\$ 214.93	\$ 0.30	\$ 244.50	\$ 199.93	\$ 0.30	\$ 1,053.00	\$ 689.00	\$ 0.35
Third Quarter (through [], 2014)	\$ []	\$ []	\$ []	\$ []	\$ []	\$ []	\$ []	\$ []	\$ []
2013									
First Quarter	\$ 182.21	\$ 166.49	\$ 0.30	\$ 173.57	\$ 162.75	\$ 0.30	\$ 635.00	\$ 510.00	\$ 0.35
Second Quarter	\$ 204.76	\$ 179.22	\$ 0.30	\$ 193.00	\$ 171.00	\$ 0.30	\$ 640.00	\$ 585.00	\$ 0.35
Third Quarter	\$ 212.30	\$ 194.39	\$ 0.30	\$ 197.50	\$ 184.00	\$ 0.30	\$ 675.00	\$ 635.00	\$ 0.35

Fourth Quarter	\$ 226.07	\$ 201.64	\$ 0.30	\$ 210.95	\$ 185.50	\$ 0.30	\$ 670.00	\$ 644.00	\$ 0.35
2012									
First Quarter	\$ 185.42	\$ 164.70	\$ 0.30	\$ 183.00	\$ 165.75	\$ 0.30	\$ 495.00	\$ 400.00	\$ 2.35
Second Quarter	\$ 181.62	\$ 161.22	\$ 0.30	\$ 182.26	\$ 162.00	\$ 0.30	\$ 491.00	\$ 462.00	\$ 0.35
Third Quarter	\$ 169.70	\$ 160.89	\$ 0.30	\$ 166.05	\$ 158.00	\$ 0.30	\$ 525.00	\$ 466.00	\$ 0.35
Fourth Quarter	\$ 174.03	\$ 156.48	\$ 0.30	\$ 168.00	\$ 157.00	\$ 0.30	\$ 526.00	\$ 484.00	\$ 0.35

On June 9, 2014, the last full trading day before the announcement of the merger, (i) the high and low sales prices of shares of North Class A common stock as reported on the NASDAQ Global Select Market were \$234.99 and \$231.11, respectively, (ii) the high and low bid prices of shares of North Class B common stock as

quoted on the OTC Bulletin Board were \$216.20 and \$214.20, respectively, and (iii) the high and low bid prices of shares of South voting common stock as quoted on the OTC Bulletin Board were \$706.00 and \$701.00, respectively. On [], 2014, the last practicable trading day prior to the printing of this joint proxy statement/prospectus, (a) the high and low sales prices of shares of North Class A common stock as reported on The NASDAQ Global Select Market were \$[] and \$[], respectively, (b) the high and low bid prices of shares of North Class B common stock as quoted on the OTC Bulletin Board were \$[] and \$[], respectively, and (c) the high and low bid prices of shares of South voting common stock as quoted in the OTC Bulletin Board were \$[] and \$[], respectively.

FORWARD-LOOKING STATEMENTS

This joint proxy statement/prospectus, including information included in, or incorporated by reference into, this joint proxy statement/prospectus, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to: (i) statements about the benefits and costs of the merger, including future financial and operating results and cost savings that may be realized from the merger; (ii) statements about our respective plans, objectives, expectations and intentions and other statements that are not historical facts; and (iii) other statements identified by words such as expect, anticipate, intend, plan, believe, seek, estimate, feel, indicate, strive, forecast, project, target, contemplate, assume, strategy, goal, outcome, continue, remain, maintain, trend, objective and variations of such words and similar expressions, or future or conditional verbs such as will, would, should, could, might, can, may or words of similar meaning. These forward-looking statements relating to North or the combined company are based on current beliefs and expectations of North's management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond North's control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Accordingly, actual results may differ materially from those expressed in, or implied by, the forward-looking statements.

Some of the factors that may cause actual results or earnings to differ materially from those contemplated by the forward-looking statements include, but are not limited to, those discussed under "Risk Factors" and those discussed in the filings of North with the SEC that are incorporated by reference into this joint proxy statement/prospectus, as well as the following:

the merger may not be completed when expected or at all because the requisite regulatory approvals for the merger, and/or the approval of the South merger proposal, the South adjournment proposal, the North merger proposal, the North share issuance proposal, the North charter amendment proposal, and the North adjournment proposal might not be obtained or other conditions to the completion of the merger set forth in the merger agreement might not be satisfied or waived, or because of litigation that might be instituted against North or South;

the sale price for the North common stock (Class A, Class B or both) could decline before the completion of the merger, including as a result of the financial performance of North or South, or more generally due to broader stock market movements and the performance of financial companies and peer group companies;

the expected cost savings, synergies and other financial benefits from the merger might not be realized within the expected time frames or at all as a result of, among other things, changes in general economic and market conditions, interest and exchange rates, monetary policy, laws and regulations and their enforcement, and the degree of competition in the markets in which North and South operate;

South's business may not be integrated into North's business successfully, or such integration may take longer to accomplish than expected;

operating costs, customer losses and business disruption following the merger, including adverse developments in relationships with employees, may be greater than expected; and

management time and effort may be diverted to the resolution of merger-related issues. Because these forward-looking statements are subject to assumptions and uncertainties, North s and the combined company s actual results may differ materially from those expressed or implied by these forward-looking statements. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this joint proxy statement/prospectus or the date of any document incorporated by reference into this joint proxy statement/prospectus, as applicable.

All subsequent written and oral forward-looking statements regarding the merger or other matters addressed in this joint proxy statement/prospectus, and attributable to North or any person acting on its behalf, are expressly qualified in their entirety by the cautionary statements contained or referred to in this section entitled Forward-Looking Statements. We undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this joint proxy statement/prospectus or to reflect the occurrence of unanticipated events, unless obligated to do so under the federal securities laws.

INFORMATION ABOUT THE NORTH SPECIAL MEETING

This section contains information about the special meeting that North has called to allow North stockholders to vote on certain proposals related to the merger agreement and the merger, as more fully described below. The North board of directors is mailing this joint proxy statement/prospectus to you, as a North stockholder, on or about [], 2014. Together with this joint proxy statement/prospectus, the North board of directors is also sending to you a notice of the special meeting of North stockholders and a form of proxy that the North board of directors is soliciting for use at the special meeting and at any adjournments or postponements of the special meeting.

Time, Date, and Place

The special meeting is scheduled to be held on [], 2014 at [], local time, at [].

Matters to Be Considered at the Meeting

At the special meeting, North stockholders will be asked to consider and vote on:

a proposal to approve the merger agreement;

a proposal to approve the issuance of up to 2,605,004 shares of North Class A common stock and up to 273,526 shares of North Class B common stock in the merger in accordance with NASDAQ Listing Rules;

a proposal to approve an amendment to the North charter to increase the authorized number of shares of North Class A common stock from 11,000,000 to 16,000,000 shares to enable the issuance of shares in the merger;

a proposal of the North board of directors to adjourn or postpone the special meeting, if necessary or appropriate, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the North merger proposal, the North share issuance proposal or the North charter amendment proposal; and

any other matters as may properly be brought before the special meeting or any adjournment or postponement of the special meeting.

At this time, the North board of directors is unaware of any other matters that may be presented for action at the special meeting. If any other matters are properly presented, however, and you have completed, signed and submitted your proxy, the person(s) named as proxy will have the authority to vote your shares in accordance with his or her judgment with respect to such matters. A copy of the merger agreement is attached to this joint proxy statement/prospectus as Appendix A, and we encourage you to read it carefully in its entirety.

North merger proposal. In the merger, South will merge with and into North, with North as the surviving company. It is expected that, following the merger, South Bank will merge with and into North Bank, with North Bank as the surviving bank. For a detailed description of the merger and the merger agreement, see the sections entitled *The Merger* and *The Merger Agreement* beginning on pages [] and [], respectively, of this joint proxy statement/prospectus.

North share issuance proposal. Under the NASDAQ Listing Rules, a company listed on NASDAQ is required to obtain stockholder approval prior to the issuance of common stock or securities convertible into or exercisable for common stock in connection with the acquisition of the stock or assets of another company if such common stock has or will have upon issuance voting power equal to or in excess of 20% of the voting power outstanding before the issuance of stock or securities convertible into or exercisable for common stock, or the number of shares of common stock to be issued is or will be equal to or in excess of 20% of the number of

shares of common stock outstanding before the issuance of the stock or securities. As of [], 2014, there were an aggregate of [] shares of North Class A common stock and North Class B common stock outstanding, for a total number of [] votes. Based on the current number of shares of South common stock outstanding, (i) if all South shareholders elect to receive only North Class A common stock and cash, North currently expects to issue up to 2,605,004 shares of North Class A common stock upon completion of the merger and (ii) if all South shareholders elect to receive North Class A common stock and North Class B common stock, North currently expects to issue up to 2,331,479 shares of Class A common stock and 273,526 shares of North Class B common stock upon completion of the merger. However, the number of shares (and corresponding number of votes) actually issued upon completion of the merger could change depending on the actual elections of South shareholders.

NASDAQ Listing Rules also require stockholder approval prior to the issuance of common stock or securities convertible into or exercisable for common stock in connection with the acquisition of the stock or assets of another company if any director, officer or substantial shareholder (as defined by NASDAQ Listing Rules) has a 5% or greater interest (or such persons collectively have a 10% or greater interest), directly or indirectly, in the company or assets to be acquired or in the consideration to be paid in the transaction or series of related transactions and the present or potential issuance of common stock, or securities convertible into or exercisable for common stock, could result in an increase in outstanding common shares or voting power of 5% or more. See Information about South Security Ownership of South Management and Certain South Beneficial Owners beginning on page [] of this joint proxy statement prospectus. For a description of North's substantial shareholders and their interests in the merger, see the section entitled The Merger Interests of North and/or North Bank's Directors and Executive Officers in the Merger beginning on page [] of this joint proxy statement prospectus.

North charter amendment proposal. North's authorized capital stock currently consists of 23,000,000 shares divided into three classes: (i) 11,000,000 shares of North Class A common stock, (ii) 2,000,000 shares of North Class B common stock, and (iii) 10,000,000 shares of preferred stock. As of [], 2014, there were [] shares of North Class A common stock, [] shares of North Class B common stock, and 0 shares of preferred stock issued and outstanding. In connection with the merger, up to 2,605,004 shares of North Class A common stock may be issued to holders of South common stock (if all South shareholders choose North Class A common stock and cash as merger consideration). Accordingly, absent the adoption of the North charter amendment, North does not have a sufficient number of authorized shares of North Class A common stock to consummate the merger (if all South shareholders choose North Class A common stock and cash as merger consideration). For that reason, the obligations of both North and South to consummate the merger agreement are conditioned upon North's stockholders approving North's charter amendment. If North's stockholders do not approve the charter amendment, North will be unable to consummate the merger.

If North's stockholders approve the charter amendment, North could have approximately 4.8 million shares of North Class A common stock available for future issuance after giving effect to the issuance of North Class A common stock in connection with the merger. These additional authorized shares of North Class A common stock will be available for issuance at the discretion of North's board of directors, and for such consideration as determined by the North board of directors, for any corporate purpose, including, among other things, stock splits, stock dividends, redemption and exchanges, public or private stock offerings or future acquisitions, without further action by North's stockholders, except as may be required by applicable laws or regulations or the NASDAQ Listing Rules. Although North does not have any specific commitments for the issuance of the additional shares of North Class A common stock for which authorization is solicited beyond those shares required to consummate the merger, North's board of directors believes that it is desirable for the stockholders to authorize such additional shares at this time so that North is prepared to meet possible future needs.

The additional shares of North Class A common stock to be authorized by adoption of the North charter amendment would have rights identical to the shares of North Class A common stock currently outstanding.

Adoption of the North charter amendment and issuance of the North Class A common stock authorized thereby would not affect the rights of the holders of currently outstanding North Class A common stock or North Class B common stock, except for effects incidental to increasing the number of shares of North Class A common stock outstanding, such as potential dilution of the earnings per share and voting power of current holders of North Class A common stock and North Class B common stock.

North adjournment proposal. If the number of shares of North Class A common stock and/or North Class B common stock present or represented by proxy and voting in favor of the North merger proposal, the North share issuance proposal or the North charter amendment proposal, as applicable, is insufficient to approve any such proposal(s), North may move to adjourn the North special meeting in order to solicit additional proxies for such proposal(s). North does not intend to call a vote on the North adjournment proposal if each of the North merger proposal, the North share issuance proposal and the North charter amendment proposal has been approved at the North special meeting.

Recommendation of the North Board of Directors

The North board of directors recommends that North stockholders vote **FOR** the North merger proposal, **FOR** the North share issuance proposal, **FOR** the North charter amendment proposal and **FOR** the North adjournment proposal. See The Merger Recommendation of North's Board of Directors and Reasons for the Merger beginning on page [] of this joint proxy statement prospectus.

Record Date and Quorum

[], 2014 has been fixed as the record date for the determination of North stockholders entitled to notice of, and to vote at, the special meeting and any adjournment or postponement thereof. At the close of business on the record date, there were (i) [] shares of North Class A common stock outstanding and entitled to vote at the special meeting, held by [] holders of record and (ii) [] shares of North Class B common stock outstanding and entitled to vote at the special meeting, held by [] holders of record.

A quorum is necessary to transact business at the special meeting. The presence, in person or by proxy, of shares representing a majority of the total votes entitled to be cast by holders of outstanding shares of North Class A common stock and North Class B common stock at the special meeting is necessary to constitute a quorum, and the presence, in person or by proxy, of the holders of a majority of the outstanding shares of North Class A common stock is necessary to constitute a quorum for action on the North charter amendment proposal. Shares of North Class A common stock and North Class B common stock represented at the special meeting but not voted, including shares that a stockholder abstains from voting and shares held in street name with a broker or other nominee for which a stockholder provides voting instructions for one or more, but not all, proposals to be voted on, will be counted for purposes of establishing a quorum. Once a share of North Class A common stock or North Class B common stock is represented at the special meeting on any proposal, it will be counted for the purpose of determining a quorum for all proposals voted on, not only at the special meeting but also at any adjournment or postponement of the special meeting. In the event that a quorum is not present at the special meeting, it is expected that the special meeting will be adjourned or postponed.

Required Vote

Pursuant to Delaware law, the North merger proposal will be approved if a majority of the total votes entitled to be cast by holders of the outstanding shares of North Class A common stock and North Class B common stock, voting as a group, are cast in favor of such proposal. The North charter amendment proposal will be approved if a majority of the total votes entitled to be cast by holders of the outstanding shares of: (i) North Class A common stock and North Class B common stock, voting as a group, and (ii) North Class A common stock, voting as a separate group, in each case are cast in favor of such proposal. Pursuant to NASDAQ Listing

Rules, the North share issuance proposal will be approved if a majority of the total votes actually cast at the North special meeting by holders of the outstanding shares of North Class A common stock and North Class B common stock, voting as a group, are cast in favor of such proposal. The North adjournment proposal will be approved if a majority of total votes entitled to be cast by holders of shares of North Class A common stock and North Class B common stock represented at the North special meeting, in person or by proxy, and voting as a group, are cast in favor of such proposal. For each proposal, you may vote **FOR**, **AGAINST** or **ABSTAIN**.

If you vote to **ABSTAIN** with respect to the North merger proposal, the North charter amendment proposal or the North adjournment proposal or if you fail to vote on any such proposal, or fail to instruct your broker or other nominee how to vote with respect to any such proposal, this will have the same effect as voting **AGAINST** such proposal. If you vote to **ABSTAIN** with respect to the North share issuance proposal, if you fail to vote on such proposal or if you fail to instruct your broker or other nominee how to vote with respect to such proposal, this will have no effect on the vote count for such proposal.

Each share of North Class A common stock you own as of the record date for the special meeting entitles you to one vote at the special meeting on all matters properly presented at the meeting. Each share of North Class B common stock you own as of the record date for the special meeting entitles you to 16 votes at the special meeting on all matters properly presented at the meeting.

How to Vote Shares Held of Record

Voting in Person. If you are a holder of record, you can vote in person by submitting a ballot at the special meeting. Nevertheless, we recommend that you vote by proxy as promptly as possible, even if you plan to attend the special meeting. This will ensure that your vote is received. If you attend the special meeting, you may vote by ballot, thereby canceling any proxy previously submitted.

Voting by Proxy. Your proxy card includes instructions on how to vote by mailing in the proxy card. If you choose to vote by proxy, please mark each proxy card you receive, sign and date it, and promptly return it in the envelope enclosed with the proxy card. If you sign and return your proxy without instruction on how to vote your shares, your shares will be voted **FOR** the North merger proposal, **FOR** the North share issuance proposal, **FOR** the North charter amendment proposal and **FOR** the North adjournment proposal. At this time, the North board of directors is unaware of any other matters that may be presented for action at the special meeting. If any other matters are properly presented, however, and you have signed and returned your proxy card, the person(s) named as proxy will have the authority to vote your shares in accordance with his or her judgment with respect to such matters.

Toll-Free number. You may use the toll-free number shown on your proxy card to vote your shares.

Voting by Internet. You may vote your shares by visiting the website shown on your proxy card to vote via the Internet.

How to Vote Shares Held in Street Name

If you are a North stockholder and your shares are held in street name through a broker or other nominee, you must provide the record holder of your shares with instructions on how to vote your shares. Please follow the voting instructions provided by the broker or other nominee. You may not vote shares held in street name by returning a proxy card directly to North or by voting in person at the North special meeting unless you provide a legal proxy, which you must obtain from your broker or other nominee. Further, brokers or other nominees who hold shares of North common stock on behalf of their customers may not give a proxy to North to vote those

shares with respect to any of the proposals without specific instructions from their customers, as brokers and other nominees do not have discretionary voting powers on these matters. Therefore, if you are a North stockholder and you do not instruct your broker or other nominee on how to vote your shares:

your broker or other nominee may not vote your shares on the North merger proposal, which broker non-votes, if any, will have the same effect as a vote **AGAINST** this proposal;

your broker or other nominee may not vote your shares on the North share issuance proposal, which broker non-votes, if any, will have no effect on the vote count for this proposal;

your broker or other nominee may not vote your shares on the North charter amendment proposal, which broker non-votes, if any, will have the same effect as a vote **AGAINST** this proposal; and

your broker or other nominee may not vote your shares on the North adjournment proposal, which broker non-votes, if any, will have the same effect as a vote **AGAINST** this proposal.

YOUR VOTE IS VERY IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING IN PERSON, IF YOU ARE A RECORD HOLDER, PLEASE MARK, SIGN AND DATE THE ENCLOSED PROXY CARD AND PROMPTLY RETURN IT IN THE ENCLOSED POSTAGE-PAID ENVELOPE OR VOTE ELECTRONICALLY VIA TELEPHONE OR THE INTERNET. IF YOUR SHARES ARE HELD IN STREET NAME BY A BROKER OR OTHER NOMINEE, PLEASE PROMPTLY COMPLETE YOUR BROKER VOTING INSTRUCTION CARD AND RETURN IT IN THE ENCLOSED POSTAGE-PAID ENVELOPE FROM YOUR BROKER. RECORD HOLDERS WHO ATTEND THE SPECIAL MEETING MAY REVOKE THEIR PROXIES BY VOTING IN PERSON.

Revocation of Proxies

Shares Held of Record. You can revoke your proxy at any time before your shares are voted. If you are a holder of record, then you can revoke your proxy by:

submitting another valid proxy card bearing a later date;

prior to the special meeting, logging onto the Internet website specified on your proxy card in the same manner you would to submit your proxy electronically or calling the telephone number specified on your proxy card, in each case if you are eligible to do so, and following the instructions on the proxy card;

attending the special meeting in person, notifying the corporate secretary and voting by ballot at the special meeting; or

delivering prior to the special meeting a written notice of revocation to Kathy A. Klotzberger, Corporate Secretary, First Citizens BancShares, Inc., 4300 Six Forks Road, Raleigh, North Carolina 27609.

If you choose to send a completed proxy card bearing a later date or a notice of revocation, the new proxy card or notice of revocation must be received before the beginning of the North special meeting. Attendance at the special meeting will not, in and of itself, constitute revocation of a proxy.

Shares Held in Street Name. If you hold your shares in street name with a broker or other nominee, you must follow the directions you receive from your broker or other nominee to change your vote. Your last vote will be the vote that is counted.

Shares Held by Directors and Executive Officers

As of the North record date, directors and executive officers of North and their affiliates owned and were entitled to vote [] shares of North Class A common stock and [] shares of North Class B common stock, representing approximately []% of the shares of North Class A common stock, approximately []% of the shares of North Class B common stock outstanding and entitled to vote on that date, respectively, and [] total votes (each holder of North Class A common stock can cast one vote for each share of North Class A common stock owned on the North record date and each holder of North Class B common stock can cast 16 votes for each share of North Class B common stock owned on the North record date). As of the North record date, South and directors and executive officers of South and their affiliates owned and were entitled to vote [] shares of North Class A common stock and [] shares of North Class B common stock, representing approximately []% of the shares of North Class A common stock and []% of the shares of North Class B common stock outstanding and entitled to vote on that date, respectively, and [] total votes.

Solicitation of Proxies

The proxy for the special meeting is being solicited on behalf of the North board of directors. North will bear the entire cost of soliciting proxies from you. North will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of North common stock. Proxies will be solicited principally by mail, but may also be solicited by the directors, officers and other employees of North in person or by telephone, facsimile or other means of electronic communication. Directors, officers and employees will receive no compensation for these activities in addition to their regular compensation, but may be reimbursed for out-of-pocket expenses in connection with such solicitation.

Attending the Meeting

All holders of North common stock, including holders of record and holders who hold their shares in street name through brokers or other nominees, are cordially invited to attend the special meeting. Holders of record can vote in person at the special meeting. If you are not a holder of record and would like to vote in person at the special meeting, you must produce a legal proxy executed in your favor by the record holder of your shares. In addition, you must bring a form of personal photo identification with you in order to be admitted at the special meeting. North reserves the right to refuse admittance to anyone without proper proof of share ownership or without proper photo identification. The use of cameras, sound recording equipment, communications devices or any similar equipment during the special meeting is prohibited without North's express written consent.

Questions and Additional Information

If you have more questions about the merger or how to submit your proxy or vote, or if you need additional copies of this joint proxy statement/prospectus or the enclosed proxy card or voting instructions, please contact North at:

First Citizens BancShares, Inc.

4300 Six Forks Road

Raleigh, North Carolina 27609

Attn: Kathy A. Klotzberger, Corporate Secretary

INFORMATION ABOUT THE SOUTH SPECIAL MEETING

This section contains information about the special meeting that South has called to allow South shareholders to vote on certain proposals related to the merger agreement and the merger, as more fully described below. The South board of directors is mailing this joint proxy statement/prospectus to you, as a South shareholder, on or about [], 2014. Together with this joint proxy statement/prospectus, the South board of directors is also sending to you a notice of the special meeting of South shareholders and a form of proxy that the South board of directors is soliciting for use at the special meeting and at any adjournments or postponements of the special meeting.

Time, Date, and Place

The special meeting is scheduled to be held on [], 2014 at [], local time, at [].

Matters to be Considered at the Meeting

At the special meeting, South shareholders will be asked to consider and vote on:

a proposal to approve the merger agreement;

a proposal of the South board of directors to adjourn or postpone the special meeting, if necessary or appropriate, including to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the South merger proposal; and

any other matters as may properly be brought before the special meeting or any adjournment or postponement of the special meeting.

Holders of South voting and non-voting common stock at the close of business on the South record date can vote on the South merger proposal. Only holders of South voting common stock on the South record date can vote on the South adjournment proposal.

At this time, the South board of directors is unaware of any other matters that may be presented for action at the special meeting. If any other matters are properly presented, however, and you have completed, signed and submitted your proxy, the person(s) named as proxy will have the authority to vote your shares in accordance with his or her judgment with respect to such matters. A copy of the merger agreement is attached to this joint proxy statement/prospectus as Appendix A, and we encourage you to read it carefully in its entirety.

South merger proposal. In the merger, South will merge with and into North, with North as the surviving company. It is expected that, following the merger, South Bank will merge with and into North Bank, with North Bank as the surviving bank. For a detailed description of the merger and the merger agreement, see the sections entitled "The Merger" and "The Merger Agreement" beginning on pages [] and [], respectively, of this joint proxy statement/prospectus.

South adjournment proposal. If the number of shares of South common stock present or represented by proxy and voting in favor of the South merger proposal is insufficient to approve such proposal, South may move to adjourn the South special meeting in order to solicit additional proxies for such proposal. South does not intend to call a vote on the South adjournment proposal if the South merger proposal has been approved at the South special meeting.

Recommendation of the South Board of Directors

The South board of directors recommends that South shareholders vote **FOR** the South merger proposal and **FOR** the South adjournment proposal. See The Merger Recommendation of South's Board of Directors and Reasons for the Merger beginning on page [] of this joint proxy statement, prospectus.

Record Date and Quorum

[], 2014 has been fixed as the record date for the determination of South shareholders entitled to notice of, and to vote at, the special meeting and any adjournment or postponement thereof. At the close of business on the record date, there were (i) [] shares of South voting common stock outstanding and entitled to vote at the special meeting, held by approximately [] holders of record, and (ii) [] shares of South non-voting common stock outstanding and entitled to vote at the special meeting, held by approximately [] holders of record.

A quorum is necessary to transact business at the special meeting. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of the total South voting and non-voting common stock entitled to vote at the special meeting, as well as a majority of the outstanding shares of the voting common stock entitled to vote at the special meeting and a majority of the outstanding shares of the non-voting common stock entitled to vote at the meeting, is necessary to constitute a quorum. Shares of South common stock represented at the special meeting but not voted, including shares that a shareholder abstains from voting and shares held in street name with a broker or other nominee for which a shareholder does not provide voting instructions, will be counted for purposes of establishing a quorum. Once a share of South common stock is represented at the special meeting, it will be counted for the purpose of determining a quorum not only at the special meeting but also at any adjournment or postponement of the special meeting. In the event that a quorum is not present at the special meeting, it is expected that the special meeting will be adjourned or postponed.

Required Vote

Under the provisions of the South Carolina Business Corporation Act, to be adopted, the South merger proposal must be approved by: (i) two-thirds of the South voting and non-voting common stock entitled to be cast on the merger, voting as a group, (ii) two-thirds of the South voting common stock entitled to be cast on the merger, voting as a separate group, and (iii) two-thirds of the South non-voting common stock entitled to be cast on the merger, voting as a separate group. In addition, it is a condition to the merger that a majority of the votes entitled to be cast on the merger by persons who are minority holders of South common stock not be cast against the merger. The term minority holders was negotiated by the North Committee and the South Committee, on the basis of South's share records and related information, to include, generally, South shareholders who were not members of the Frank B. Holding family and South shareholders who were not affiliated with Mr. Holding or his family. The South adjournment proposal will be approved if the votes cast by South voting common stock in favor of the South adjournment proposal exceed the votes cast against the South adjournment proposal. For each proposal, you may vote **FOR**, **AGAINST**, or **ABSTAIN**.

If you vote to **ABSTAIN** with respect to the South merger proposal or if you fail to vote on the South merger proposal, or fail to instruct your broker or other nominee how to vote with respect to the South merger proposal, this will have the same effect as voting **AGAINST** the South merger proposal.

If you vote to **ABSTAIN** with respect to the South adjournment proposal or if you fail to vote on the South adjournment proposal, or fail to instruct your broker or other nominee how to vote with respect to the South adjournment proposal, this will have no effect on the vote count for the South adjournment proposal.

Each share of South voting common stock you own as of the record date for the special meeting entitles you to one vote at the special meeting on all matters properly presented at the meeting. Each share of South non-voting common stock you own as of the record date for the special meeting entitles you to one vote at the special meeting on the South merger proposal.

How to Vote Shares Held of Record

Voting in Person. If you are a holder of record, you can vote in person by submitting a ballot at the special meeting. Nevertheless, we recommend that you vote by proxy or electronically via telephone or the Internet as

promptly as possible, even if you plan to attend the special meeting. This will ensure that your vote is received. If you attend the special meeting, you may vote by ballot, thereby canceling any proxy previously submitted.

Voting by Proxy. Your proxy card includes instructions on how to vote by mailing in the proxy card. If you choose to vote by proxy, please mark each proxy card you receive, sign and date it, and promptly return it in the envelope enclosed with the proxy card. If you sign and return your proxy without instruction on how to vote your shares, your shares will be voted **FOR** the South merger proposal and **FOR** the South adjournment proposal. At this time, the South board of directors is unaware of any other matters that may be presented for action at the special meeting. If any other matters are properly presented, however, and you have signed and returned your proxy card, the person(s) named as proxy will have the authority to vote your shares in accordance with his or her judgment with respect to such matters. Please do not send in your South stock certificates with your proxy card. If the merger is completed, then you will receive a separate letter of transmittal and instructions on how to surrender your South stock certificates for the merger consideration.

Toll-Free number. You may use the toll-free number shown on your proxy card to vote your shares.

Voting by Internet. You may vote your shares by visiting the website shown on your proxy card to vote via the Internet.

How to Vote Shares Held in Street Name

If you are a South shareholder and your shares are held in street name through a broker or other nominee, you must provide the record holder of your shares with instructions on how to vote your shares. Please follow the voting instructions provided by the broker or other nominee. You may not vote shares held in street name by returning a proxy card directly to South or by voting in person at the South special meeting unless you provide a legal proxy, which you must obtain from your broker or other nominee. Further, brokers or other nominees who hold shares of South common stock on behalf of their customers may not give a proxy to South to vote those shares with respect to any of the proposals without specific instructions from their customers, as brokers and other nominees do not have discretionary voting power on these matters. Therefore, if you are a South shareholder and you do not instruct your broker or other nominee on how to vote your shares:

your broker or other nominee may not vote your shares on the South merger proposal, which broker non-votes, if any, will have the same effect as a vote **AGAINST** this proposal; and

your broker or other nominee may not vote your shares on the South adjournment proposal, which broker non-votes, if any, will have no effect on the vote count for this proposal.

YOUR VOTE IS VERY IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING IN PERSON, IF YOU ARE A RECORD HOLDER, PLEASE MARK, SIGN AND DATE THE ENCLOSED PROXY CARD AND PROMPTLY RETURN IT IN THE ENCLOSED POSTAGE-PAID ENVELOPE OR VOTE ELECTRONICALLY VIA TELEPHONE OR THE INTERNET. IF YOUR SHARES ARE HELD IN STREET NAME BY A BROKER OR OTHER NOMINEE, PLEASE PROMPTLY COMPLETE YOUR BROKER VOTING INSTRUCTION CARD AND RETURN IT IN THE ENCLOSED POSTAGE-PAID ENVELOPE FROM YOUR BROKER. RECORD HOLDERS WHO ATTEND THE SPECIAL MEETING MAY REVOKE THEIR PROXIES BY VOTING IN PERSON.

Revocation of Proxies

Shares Held of Record. You can revoke your proxy at any time before your shares are voted. If you are a shareholder of record, then you can revoke your proxy by:

submitting another valid proxy card bearing a later date;

prior to the special meeting, logging onto the Internet website specified on your proxy card in the same manner you would to submit your proxy electronically or calling the telephone number specified on your proxy card, in each case if you are eligible to do so and following the instructions on the proxy card;

attending the special meeting in person, notifying the corporate secretary and voting by ballot at the special meeting; or

delivering prior to the special meeting a written notice of revocation to Melissa A. Mendenall, Corporate Secretary at the following address: First Citizens Bancorporation, Inc., 1230 Main Street, Columbia, South Carolina 29201.

If you choose to send a completed proxy card bearing a later date or a notice of revocation, the new proxy card or notice of revocation must be received before the beginning of the South special meeting. Attendance at the special meeting will not, in and of itself, constitute revocation of a proxy.

Shares Held in Street Name. If you hold your shares in street name with a broker or other nominee, you must follow the directions you receive from your broker or other nominee to change your vote. Your last vote will be the vote that is counted.

Shares Held by Directors and Executive Officers

As of the South record date, directors and executive officers of South and their affiliates owned and were entitled to vote an aggregate of [] shares of South voting and non-voting common stock, representing approximately []% of the aggregate shares of South voting and non-voting common stock outstanding and entitled to vote on that date. As of the South record date, directors and executive officers of South and their affiliates owned and were entitled to vote [] shares of South voting common stock and [] shares of South non-voting common stock, representing approximately []% of the shares of South voting common stock and []% of the shares of South non-voting common stock outstanding and entitled to vote on that date, respectively. As of the South record date, North and directors and executive officers of North and their affiliates owned and were entitled to vote an aggregate of [] shares of South voting and non-voting common stock, representing approximately []% of the aggregate shares of South voting and non-voting common stock outstanding and entitled to vote on that date. As of the South record date, North and directors and executive officers of North and their affiliates owned and were entitled to vote [] shares of South voting common stock and [] shares of the South non-voting common stock, representing approximately []% of the shares of South voting common stock and []% of the shares of South non-voting common stock outstanding and entitled to vote on that date, respectively.

Solicitation of Proxies

The proxy for the special meeting is being solicited on behalf of the South board of directors. South will bear the entire cost of soliciting proxies from you. South will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of South common stock. Proxies will be solicited principally by mail, but may also be solicited by the directors, officers and other employees of South in person or by telephone, facsimile or other means of electronic communication. Directors, officers and employees will receive no compensation for these activities in addition to their regular compensation, but may be reimbursed for out-of-pocket expenses in connection with such solicitation. South may also engage a proxy soliciting firm to assist with solicitation of proxies.

Attending the Meeting

All holders of South common stock, including holders of record and holders who hold their shares in street name through brokers or other nominees, are cordially invited to attend the special meeting. Holders of record

can vote in person at the special meeting. If you are not a holder of record and would like to vote in person at the special meeting, you must produce a legal proxy executed in your favor by the record holder of your shares. In addition, you must bring a form of personal photo identification with you in order to be admitted at the special meeting. South reserves the right to refuse admittance to anyone without proper proof of share ownership or without proper photo identification. The use of cameras, sound recording equipment, communications devices or any similar equipment during the special meeting is prohibited without South's express written consent.

Questions and Additional Information

If you have more questions about the merger or how to submit your proxy or vote, or if you need additional copies of this joint proxy statement/prospectus or the enclosed proxy card or voting instructions, please contact South at:

First Citizens Bancorporation, Inc.

1230 Main Street

Columbia, South Carolina 29201

Attention: Melissa A. Mendenall, Corporate Secretary

THE MERGER

Structure

The North board of directors and the South board of directors have approved and adopted the merger agreement and the transactions contemplated thereby including the merger. In the merger, South will merge with and into North, with North surviving the merger and South ceasing to exist. It is expected that following the merger, South's wholly-owned subsidiary, South Bank, will merge with and into North's wholly-owned subsidiary, North Bank, with North Bank surviving the merger and South Bank ceasing to exist.

Merger Consideration

Under the terms of the merger agreement, each share of South common stock will be converted into the right to receive 4.0 shares of North Class A common stock and \$50.00 in cash, unless the holder of such share elects, pursuant to a letter of transmittal that will be delivered after closing of the merger, for each share of such holder's South common stock to be converted into the right to receive 3.58 shares of North Class A common stock and 0.42 shares of North Class B common stock. Cash will be paid in lieu of issuing fractional shares of North common stock. The total number of shares of North Class A common stock to be issued in the merger is expected to be between 2,331,479 and 2,605,004, and the total number of shares of North Class B common stock to be issued in the merger is expected to be between 0 and 273,526, which represents approximately 21.7% of the economic interest in North, and between approximately 9.7% and approximately 21.7% of the voting interest in North, depending on the number of South shareholders who elect to receive North Class B common stock as part of the merger consideration.

Background of the Merger

As part of its ongoing consideration and evaluation of its long-term strategies, North senior management and the North board of directors regularly have reviewed and assessed business objectives and opportunities, including strategic opportunities, all with the goal of strengthening North and enhancing long-term stockholder value. In the summer of 2013, senior management of North identified the acquisition of South as a potential synergistic opportunity that would enhance long-term stockholder value.

Later in 2013, Mr. Holding, Jr. discussed the possibility of a combination of North and South with certain of his family members, including Frank B. Holding, Mr. Holding, Jr.'s father, Peter M. Bristow, President of South and Mr. Holding, Jr.'s brother-in-law, and Hope H. Bryant, to ascertain whether they would be receptive to the two organizations exploring the possibility of a combination. Thereafter, Frank B. Holding, who owns shares of North and South stock, and is a former director of both North and South, did not participate in the events described herein. See Questions and Answers about the Merger and the Special Meeting Who are the members of the Holding family and what interests do they have in North and South?, Interests of North and/or North Bank's Directors and Executive Officers in the Merger and Interests of South and/or South Bank's Directors and Executive Officers in the Merger. See also Questions and Answers about the Merger and the Special Meetings beginning on page [] of this joint proxy statement/prospectus and Information about South Security Ownership of South Management and Certain South Beneficial Owners beginning on page [] of this joint proxy statement/prospectus.

Following the discussions among the Holding family, Mr. Bristow discussed with senior management of South the possibility of a combination of North and South. In late 2013, Mr. Holding, Jr. indicated to management of North that he believed various members of the Holding family would be receptive to the two organizations exploring the possibility of a combination. Thereafter, in early 2014, senior management of North and South each had preliminary internal discussions to assess their respective views of the feasibility of a combination of North and South. Based on a preliminary assessment, each management team separately concluded that a combination would be positive for both North and South, and their respective shareholders, and therefore, that it was desirable to discuss the opportunity with

the respective boards of directors of North and South, with a view towards establishing an independent process to consider the opportunity further.

The management of North discussed its analysis of the potential opportunity with the North board of directors at an educational meeting held on January 27, 2014. At its regularly scheduled board meeting on January 28, 2014, the independent directors of North established the North Committee comprised of Victor E. Bell, H. Lee Durham, Jr., and Lucius S. Jones (Chairman), each of whom was deemed to be an independent director, and authorized it to act with the full authority of the board in considering whether to recommend a possible transaction with South. The North board of directors authorized the full group of independent directors to take final action with respect to any such recommendation by the North Committee. Directors Frank B. Holding, Jr. and Hope H. Bryant recused themselves from this portion of the meeting and did not participate.

On January 30, 2014, the South board of directors met with Haynsworth Sinkler Boyd, P.A. (Haynsworth), South's outside legal counsel. Mr. Holding, Jr. and Mr. Bristow recused themselves from the meeting and did not participate. Jim Apple, South's Chief Executive Officer, and C. S. McLaurin III, a former executive officer of South who provides consulting services to South, also recused themselves from the meeting and did not participate. The following directors participated in the meeting and are referred to by South as the independent directors of South: David E. Dukes, J. Earle Furman, Jr., M. Craig Garner, Jr., Robert B. Haynes, Wycliffe E. Haynes, Robert R. Hoppe, Floyd L. Keels, Kevin B. Marsh and Allen H. McIntyre. In addition to recusing himself from South board deliberations related to a potential transaction between North and South, Mr. Bristow also did not participate in his capacity as a member of South's management in any matter related to the transaction. For purposes of the remainder of this discussion, references to South management do not include Mr. Bristow.

At the January 30, 2014 South board of directors meeting, South's independent directors established the South Committee comprised of M. Craig Garner, Jr. (Chairman), Robert Hoppe, Allen McIntyre and Kevin Marsh. The independent directors of South determined that the members of the South Committee (i) were not employees of South or its subsidiaries, (ii) were not affiliated with North or the controlling shareholders of South or North and (iii) had no financial interest in the merger that is materially different from South's minority shareholders, except for considerations arising from their positions as directors of South. The independent directors of South authorized the South Committee to act with the full authority of the board in considering a possible transaction with North. The independent directors of South authorized the South Committee to determine whether a combination between South and North is in the best interests of South and its shareholders and, if determined desirable, to make recommendations to the board about the terms and conditions of such combination.

In late January and early February, the North Committee engaged Smith Anderson, as special counsel, and Sandler O'Neill, as its financial advisor. The North Committee discussed its role and duties with Smith Anderson and confirmed the scope of its authority and the independence of each of its members. In connection with its engagement of Sandler O'Neill, the North Committee considered, among other things, that Sandler O'Neill had previously represented South in connection with the repurchase of South stock held by Carmen Holding Ames, and concluded that Sandler O'Neill was independent for purposes of advising the North Committee with respect to the potential transaction with South.

In early February, a representative of the North Committee also contacted members of North management, including Mr. Holding, Jr., to apprise them regarding communication policies established by the North Committee to ensure that the North Committee controlled any communications among the North Committee and members of North management or the Holding family and any relevant communications with South. A representative of the North Committee also inquired of Mr. Holding, Jr. whether he anticipated that he or his family members, as stockholders, would desire a three-party consideration of the transaction among the South Committee, the North Committee, and such Holding family stockholders. Mr. Holding, Jr. indicated that he did not desire three-party negotiations; but rather, desired that the possibility of a transaction be considered and recommended by two-party discussions between the South Committee and the North Committee.

On February 6, 2014, following a search process to identify independent legal counsel, the South Committee engaged Robinson, Bradshaw & Hinson, P.A. (Robinson Bradshaw). After a discussion and identification of potential candidates, the South Committee authorized Robinson Bradshaw to coordinate interviews with prospective financial advisors.

On February 12, 2014, the North Committee met with Mr. Holding, Jr. to discuss his views of the combined operations and management of North and South should these parties decide to pursue a transaction. Mr. Holding, Jr. shared his views with the North Committee and left the meeting. The North Committee then discussed whether to include the composition of the board of directors and management of the combined company as a term of any proposal to the South Committee. The North Committee decided that it would include, as part of any subsequent proposal, a term providing for limited South representation on the North board of directors because the likely level of equity owned by South shareholders would make such a provision customary and expected. Given the fact that North is much larger than South, however, the North Committee decided that it would not include a term concerning the composition of management of the combined company and that it was more favorable to North to remain silent on management composition thus leaving the decision within the authority of the North board of directors. Also on February 12, 2014, the North Committee discussed with its advisors the North Committee's preliminary views of a combined organization. The North Committee concluded that pursuing a potential transaction with South would have the potential of providing long-term strategic benefits to North and its stockholders. Accordingly, the North Committee discussed alternatives for proceeding to engage in discussions with the South Committee and to pursue a potential transaction.

On February 13, 2014, the South Committee met with Robinson Bradshaw and discussed the role of a special committee in considering a transaction, such as the one proposed to be entered into by North and South, and various related matters, including matters of fiduciary duty, independence, process, and the role of legal and financial advisors. The South Committee also discussed a draft confidentiality agreement delivered to Robinson Bradshaw by Smith Anderson, at the request of the North Committee. The South Committee requested the removal of an exclusivity provision that would have prohibited South from soliciting other indications of interest for South and the North Committee accepted this revision.

On February 14, 2014, North and South entered into the revised confidentiality agreement and the North Committee provided a due diligence request list and requested that South schedule management interviews with North's financial advisors so that the North Committee could better ascertain the potential for a transaction. Smith Anderson also provided to Robinson Bradshaw a draft merger agreement.

On February 18, 2014, the South Committee and Robinson Bradshaw met to interview potential financial advisors. The South Committee had numerous questions for each firm, including with respect to each firm's and each proposed team member's experience with special committee representations, experience with the banking industry, current and previous relationships with North, South, and their respective affiliates, and perspectives on the South Committee's evaluation of the proposed transaction. After extensive discussion regarding the qualifications of each firm, the South Committee unanimously selected BofA Merrill Lynch as its financial advisor in connection with a potential transaction. BofA Merrill Lynch was engaged as of February 18, 2014 and the written engagement letter was entered into on March 3, 2014. Among the reasons for the selection of BofA Merrill Lynch were its recent experience in evaluating companies in the banking industry, its experience in advising special committees, its reputation in the investment community, the South Committee's assessment of BofA Merrill Lynch's independence from North and South, and the South Committee's confidence in the capabilities of the members of the BofA Merrill Lynch team.

At its February 18, 2014 meeting, the South Committee authorized Haynsworth to establish an electronic data room and begin responding to the North Committee's due diligence requests, other than requests for certain financial information.

On February 26, 2014, the South Committee met with its legal advisors, and the South Committee determined that it would provide information to the North Committee and its advisors sufficient to allow the North Committee to formulate an offer of financial terms and then, after the receipt of that offer, the South Committee would determine whether to move forward with further discussions.

On March 3, 2014, the South Committee met with its legal and financial advisors. The South Committee authorized BofA Merrill Lynch to initiate discussions with South management regarding management s

development of financial projections for South. The South Committee determined to deny the North Committee's pending request to interview South management and provide a markup of the draft merger agreement until the parties engaged in further discussions regarding economic terms.

Later on March 3, 2014, at a special meeting of the board of directors of South, the independent directors of South received an update from the South Committee on its progress and a report from Haynsworth regarding legal standards potentially applicable to directors considering a transaction such as the one proposed to be entered into by North and South. The South Committee informed the other independent directors of South that the South Committee had determined that it would be desirable to continue discussions with North regarding a possible combination. The independent directors of South adopted resolutions providing that the board of directors of South would not recommend any transaction to the South shareholders for approval that was not recommended by the South Committee.

Between March 4 and March 18, 2014, the North Committee and its advisors continued their due diligence review of South. Also during this period, South management developed financial projections for South.

On March 18, 2014 and March 20, 2014 the South Committee met with its legal and financial advisors and South management. South management reviewed in detail with the South Committee the financial projections for South prepared by South management. At its March 20 meeting, the South Committee directed BofA Merrill Lynch to provide the financial projections prepared by South management to the North Committee and its advisors.

At its meeting on March 24, 2014, the North Committee concluded that, at the right price, a transaction with South would be in the long-term strategic interest of North and its stockholders, and that the North Committee was prepared to move forward with a financial proposal as requested by the South Committee before the South Committee would make South management available for interviews. The North Committee discussed the form and substance of a potential proposal, including whether to propose an exchange of only North Class A common stock or whether to propose an exchange of an appropriate proportion of North Class A common stock and North Class B common stock. The North Committee decided to make a proposal based on a fixed exchange ratio of 3.4240 shares of North Class A common stock for each share of voting and non-voting South common stock. The proposal required South to redeem its preferred stock and provided that North would assume South's trust preferred securities and subordinated debt.

On March 25, 2014, Sandler O'Neill delivered the North Committee's non-binding proposal to BofA Merrill Lynch.

On March 26, 2014, the South Committee met with its legal and financial advisors to consider the proposal. The South Committee determined that although the exchange ratio proposed by the North Committee was not acceptable, the proposal provided a reasonable starting point for further discussions. The South Committee directed BofA Merrill Lynch to request from the North Committee financial projections for North.

Following the South Committee meeting on March 26, 2014, representatives of BofA Merrill Lynch contacted Sandler O'Neill and requested that the North Committee provide financial projections for North to the South Committee. The request was denied by the North Committee. The North Committee requested a response to its proposed exchange ratio, its request to interview South management and its request to receive a markup of the merger agreement, before it would provide financial projections for North.

On March 27, 2014, the South Committee met with its legal and financial advisors and decided to request from BofA Merrill Lynch a financial analysis that did not utilize financial projections for North. The South Committee also agreed to facilitate interviews of South management by representatives of the North Committee and its advisors during the following week. The South Committee also determined that it was not prepared to make a counteroffer to the North Committee's financial proposal.

On March 29, 2014, BofA Merrill Lynch contacted Sandler O'Neill and indicated that the South Committee was prepared to schedule management interviews, but was not prepared to make a counteroffer to the North Committee's financial proposal. BofA Merrill Lynch indicated that the South Committee believed the offer was inadequate. The North Committee decided to proceed with management interviews of South and otherwise to defer responding to the South Committee.

On March 29, 2014, the South Committee met with its legal and financial advisors and BofA Merrill Lynch presented its preliminary financial analysis.

On April 2, 2014, South management and representatives of BofA Merrill Lynch met in person in Charlotte, North Carolina with representatives of each of North management, the North Committee and Sandler O'Neill for the purpose of the North Committee's conducting interviews of South management.

On April 2 and 3, 2014, the North Committee further evaluated financial information, comparable transactions and participated in management interviews along with Sandler O'Neill. The North Committee also authorized providing the South Committee and its advisors with initial financial projections for North prepared by North management.

On April 3, 2014, the South Committee met with its legal and financial advisors and received a report from Robinson Bradshaw regarding certain legal and practical implications of requiring that a transaction be approved by a majority of the minority shareholders of South (in this case, shareholders unrelated to the Holding family). The South Committee also directed Robinson Bradshaw to contact Mr. Holding, Jr. to ask whether the Holding family would consider any transaction involving South other than a merger of South into North. In addition, the South Committee reviewed information provided by BofA Merrill Lynch at the request of the South Committee regarding investment, commercial and corporate banking relationships during the past two years between BofA Merrill Lynch and its affiliates, on the one hand, and North, on the other hand.

On April 7, 2014, on behalf of the South Committee, Robinson Bradshaw contacted Mr. Holding, Jr. and asked whether Mr. Holding, Jr. and his family would support any transaction involving South, other than a merger of South into North. Mr. Holding, Jr. stated that the Holding family would not support the sale of South to any other party, regardless of premium, and would not support alternative transactions such as a public offering or recapitalization. Mr. Holding, Jr. encouraged the South Committee to do anything it believed to be appropriate to maximize value for the South shareholders. In separate telephonic conversations, Robinson Bradshaw received a similar response from each of Mr. Holding, Jr.'s mother, Ella Ann Holding, and his sisters, Hope H. Bryant and Olivia B. Holding.

On April 10, 2014, the South Committee met with its legal and financial advisors and BofA Merrill Lynch presented its preliminary financial analysis. The South Committee determined that the terms of the North Committee's March 25 proposal other than the exchange ratio (all stock, Class A shares of North common stock, fixed exchange ratio) would be acceptable. After extensive discussion among the members of the South Committee, including discussion of BofA Merrill Lynch's preliminary financial analysis, the South Committee directed BofA Merrill Lynch to propose to Sandler O'Neill an exchange ratio of 4.6666, which implied a price to tangible book value multiple of 1.4x based on the then-current trading price for North Class A common stock and the tangible book value of South as of December 31, 2013.

On April 15, 2014, the North Committee received and considered the South Committee's proposed exchange ratio of 4.6666, and after fulsome discussions decided to increase its proposed exchange ratio from 3.4240 to 3.5952.

On April 16, 2014, on behalf of the South Committee, Robinson Bradshaw spoke separately with Mr. Holding, Jr.'s sisters, Claire H. Bristow and Carson H. Brice, who each confirmed that she would not support any transaction involving South, other than a merger of South into North. Between April 7 and 16, 2014, members of the Holding family with more than 40% of the voting common stock of South represented to be in

their control (enough to vote down a fundamental corporate transaction, such as a merger, under South Carolina law) indicated that they would not support any transaction involving South other than a merger into North.

On April 17, 2014, the South Committee met with its legal and financial advisors to consider the North Committee's proposed exchange ratio of 3.5952, and directed BofA Merrill Lynch to request that the North Committee facilitate due diligence interviews of North management to be conducted on behalf of the South Committee. The South Committee also discussed that due to indications from members of the Holding family that they would not support any alternative transaction the only realistic options for South were to remain independent or to engage in a transaction with North.

On April 23, 2014, the South Committee met with its advisors and reviewed legal issues related to the draft merger agreement previously provided by Smith Anderson to Robinson Bradshaw. The North Committee provided to the South Committee and its advisors completed financial projections for North prepared by North management in anticipation of North management interviews on April 25, 2014.

On April 25, 2014, North management and representatives of Sandler O'Neill met in person in Charlotte, North Carolina, with South management and representatives of BofA Merrill Lynch for the purpose of South's management conducting interviews of North management on behalf of the South Committee.

On April 28, 2014, the South Committee met with its legal and financial advisors and received an initial report from South management regarding South management's review of the financial projections for North prepared by North management. BofA Merrill Lynch presented its preliminary financial analysis and the South Committee continued its review of legal issues with counsel. The South Committee determined to decrease its proposed exchange ratio by 5% (from 4.6666 to 4.4333) in response to the prior 5% increase by the North Committee (from 3.424 to 3.5952) and directed BofA Merrill Lynch to communicate this proposal to Sandler O'Neill.

Later on April 28, 2014, the board of directors of South held a regularly scheduled meeting and the independent directors received an update from the South Committee on the status of negotiations.

On April 29, 2014, in response to the South Committee's proposed exchange ratio of 4.4333, the North Committee increased its offer from 3.5952 to 3.6979. In connection with the North Committee's new proposal, Sandler O'Neill discussed with BofA Merrill Lynch the possibility of having representatives of the North Committee and the South Committee and their respective advisors meet in person for further negotiations. Sandler O'Neill indicated that the North Committee requested a response to its offer of an exchange ratio of 3.6979 before it would schedule such face-to-face meetings.

On April 30, 2014, the South Committee met with its legal and financial advisors to review the proposal and the South Committee determined that it would be agreeable to the proposed in-person meetings. The South Committee directed BofA Merrill Lynch to propose an exchange ratio of 4.3306 and discuss with Sandler O'Neill arrangements to meet in person with the North Committee and its advisors.

On May 1, 2014, the South Committee met with its legal and financial advisors to consider a new proposal from the North Committee conveyed by Sandler O'Neill to BofA Merrill Lynch earlier in the day. Sandler O'Neill indicated that the North Committee did not believe that face-to-face meetings were necessary at that time and proposed that it would increase its exchange ratio offer from 3.6979 to 3.800 if the South Committee would move from 4.3306 to 4.2000. The South Committee determined that it would be willing to propose an exchange ratio of 4.2285. The South Committee also determined at this time that it would not seek pricing collars because it expected a positive market reaction to the announcement of a merger between North and South and a collar could limit the benefit to South shareholders of an increase in the price of North stock.

At its May 1, 2014 meeting, the South Committee continued its review of legal issues and consulted with a nationally-recognized proxy solicitor regarding the feasibility of a majority of the minority vote from a

solicitation point of view. The South Committee determined to include certain legal terms in its next proposal. The South Committee directed BofA Merrill Lynch to propose to Sandler O'Neill an exchange ratio of 4.2285 and condition that proposal on the inclusion in the merger agreement of a majority of the minority vote, a go shop provision and a requirement of voting agreements with certain members of the Holding family.

On May 3, 2014, Smith Anderson and Robinson Bradshaw discussed the legal terms included in the South Committee's May 1 proposal. Smith Anderson stated that the North Committee opposed any go shop period and expressed reservations against a majority of the minority voting condition, citing the North Committee's concern that South's minority shareholder base includes retail shareholders with small holdings, some of whom are unknown, and all of whom generally are inactive and unlikely to attend any meeting to vote on a merger, either in person or by proxy.

On May 4, 2014, the South Committee met with its advisors to further discuss legal issues. The South Committee modified the legal terms included in its May 1 proposal to request a majority of the minority condition based on votes cast (rather than a majority of all minority shares), a window shop period of 30 days (rather than a go shop) and voting agreements with members of the Holding family. The South Committee also determined to propose that termination fees be set at 2.5% overall, with a 1% fee related to the window shop period. The South Committee directed Robinson Bradshaw to revise the draft merger agreement to include these terms and to provide to Smith Anderson a full markup of the agreement. The markup was provided on May 5, 2014.

On May 7, 2014, Robinson Bradshaw received from Smith Anderson a revised merger agreement, with many of the changes proposed by Robinson Bradshaw having been accepted, although certain key terms remained subject to further discussion. Also on May 7, 2014, on behalf of the South Committee, Robinson Bradshaw contacted Mr. Holding, Jr. regarding the request that members of the Holding family enter into voting agreements with North and South. During this telephonic meeting, Robinson Bradshaw disclosed to Mr. Holding, Jr. the current exchange ratio and the South Committee's current proposal to the North Committee regarding certain other legal issues, including majority of the minority of votes cast and window shop.

During the morning of May 8, 2014, Mr. Holding, Jr. informed Robinson Bradshaw that the Holding family would like for South shareholders to have the option to receive shares of North Class B common stock as part of the merger consideration payable to South shareholders in any merger with North.

During the afternoon of May 8, 2014, the South Committee met with its legal and financial advisors to discuss the Holding family's request, open legal issues and ongoing due diligence matters. The South Committee discussed that the North Class B common stock has the same rights as the North Class A common stock, except that the North Class B common stock has 16 votes per share and trades over-the-counter, currently at a discount to the trading price of the North Class A common stock. The South Committee noted that a choice between shares of North Class A common stock and North Class B common stock would be a choice between a more liquid and currently higher-priced stock (Class A) and a less liquid and currently lower-priced stock that has greater voting rights (Class B). The South Committee decided that it would be in favor of including shares of North Class B common stock as part of the merger consideration, so long as all South shareholders were given an option of which form of consideration to choose.

At the same meeting, the South Committee authorized Robinson Bradshaw and BofA Merrill Lynch to contact Mr. Holding, Jr. and the advisors to the North Committee to further explore the request to include shares of North Class B common stock as part of the merger consideration. The South Committee also authorized BofA Merrill Lynch to discuss with Mr. Holding, Jr. the current exchange ratio (3.800 to 4.2285, suggesting a midpoint of 4.0143) and the South Committee's current proposal to the North Committee regarding certain legal issues (majority of the minority of votes cast, window shop, voting agreements), and inquire whether the controlling shareholders would support a transaction that included such terms. The South Committee noted that it was the South Committee's understanding, based upon prior communications with members of the Holding family, that Mr. Holding, Jr. and other members of

his family would not support any alternative transaction. The South Committee then directed BofA Merrill Lynch to contact Mr. Holding, Jr. and ask him, in light of the proposed

transaction terms, whether he and other members of his family still would not support any alternative transaction, in order to confirm whether the South Committee's understanding was correct.

During the evening of May 8, 2014, the respective legal and financial advisors of the North and South Committees discussed the Holding family's request that the merger consideration payable to South shareholders in any merger include shares of North Class B common stock. The North Committee's advisors indicated that the North Committee previously had determined not to include North Class B common stock as part of the merger consideration. The North Committee's advisors also stated that to the extent that North Class B common stock is introduced now, the North Committee would oppose any structure that did not limit the amount of North Class B common stock issuable to the South shareholders in the aggregate, and to any individual South shareholder. In addition, the North Committee's advisors indicated that the North Committee did not believe that the currently lower trading price of the North Class B common stock relative to the North Class A common stock required a higher exchange ratio for North Class B common stock, since the two classes of stock had the same rights, except that the shares of North Class B common stock have more votes per share.

During the morning of May 9, 2014, BofA Merrill Lynch met by telephone with Mr. Holding, Jr. to discuss the Holding family's request to include shares of North Class B common stock as part of the merger consideration. BofA Merrill Lynch informed Mr. Holding, Jr. that the North Committee had requested that any proposal involving shares of North Class B common stock include a mechanism to insure that (i) the aggregate voting interest of South shareholders in the surviving company would not exceed the aggregate pro forma economic interest of South shareholders in the surviving company and (ii) each South shareholder would be limited to the shareholder's pro rata portion of the aggregate amount of North Class B common stock issuable. In addition, the same exchange ratio would apply to both classes of stock, even though the North Class B common stock currently trades at a discount to the North Class A common stock.

During the telephonic meeting with Mr. Holding, Jr., BofA Merrill Lynch also discussed, at the direction of the South Committee, certain terms under discussion between the North Committee and the South Committee (exchange ratio, majority of the minority, window shop, voting agreements) in order to ascertain whether the Holding family would support a transaction including such terms. BofA Merrill Lynch also reiterated a question previously posed to Mr. Holding, Jr. and other members of his family about their support for an alternative transaction. At the direction of the South Committee, BofA Merrill Lynch informed Mr. Holding, Jr. that it was the understanding of the South Committee, based upon prior communications with members of the Holding family, that the controlling shareholders would not support any alternative transaction, and that the South Committee wanted to test that understanding in light of the proposed transaction terms. Mr. Holding, Jr. told BofA Merrill Lynch that he, his mother and his four sisters would not support any alternative proposal, including a potential transaction with another buyer at a higher price, or other fundamental transactions, such as a stock offering or recapitalization. Mr. Holding, Jr. repeated that he and his family would not support a different transaction, even if an offer to sell South to a different buyer than North at a significantly higher price were proposed.

During the afternoon of May 9, 2014, the South Committee met with its legal and financial advisors to determine whether to make a proposal to the North Committee regarding the inclusion of shares of North Class B common stock as part of the merger consideration. The South Committee determined that it should propose that the South shareholders be given a choice to receive shares of North Class B common stock in the merger, subject to the limitations on the issuance of North Class B common stock requested by the North Committee. The South Committee directed its advisors to communicate such proposal to the advisors of the North Committee, and to reiterate that the South Committee's proposal included a majority of minority of votes cast condition, voting agreements with members of the Holding family, a 30-day window shop period, a fiduciary out for intervening events, and termination fees to be set at 2.5% overall, with a 1% fee related to the window shop period.

During the evening of May 9, 2014, the respective legal and financial advisors of the North Committee and the South Committee met by telephone to discuss the South Committee's proposal regarding the inclusion of shares of North Class B common stock as part of the merger consideration, as well as the other terms of the South Committee's proposal.

The North Committee met the evening of May 9, 2014, to consider the proposal and to review all other open issues. The North Committee noted that the South Committee's proposal would not enable one South shareholder to elect residual North Class B common stock not elected by another South shareholder. As a result of this element of the proposal, no South shareholder would be able to obtain a disproportionate interest in North Class B common stock. In light of this limitation and the fact that the South Committee's proposal applied the same basis for determining the exchange ratio for North Class A common and North Class B common stock and would result in South shareholders owning a voting interest in North no greater than the economic interest it would be acquiring in North, the North Committee decided that the South Committee's proposal was acceptable. The North Committee authorized Sandler O'Neill to communicate to the South Committee that its proposal regarding North Class A common stock and North Class B common stock was acceptable, assuming other issues were resolved.

Late in the evening of May 9, 2014, the advisors to the North Committee communicated to the advisors of the South Committee the North Committee's response to the South Committee's proposal made earlier in the evening. The North Committee accepted the South Committee's proposal regarding the inclusion of shares of North Class B common stock as part of the merger consideration. In addition, the North Committee proposed an exchange ratio of 3.9857. The North Committee also (i) rejected the request for a majority of the minority of votes cast condition, (ii) rejected the request for voting agreements with the Holding family, which voting agreements would not have served their intended purpose in the absence of a majority of the minority condition, (iii) accepted the request for a 30-day window shop period, (iv) accepted a fiduciary out to withdraw the board's recommendation due to an intervening event and (v) accepted a 1% termination fee related to the window shop and termination fees of 2.5% for other termination events.

On May 10, 2014, the South Committee met with its legal and financial advisors to discuss the revised proposal. The South Committee determined that it would not accept the proposed exchange ratio of 3.9857. In addition, in response to the rejection of the majority of the minority condition, the South Committee determined that it would propose further revisions to the draft merger agreement. The South Committee authorized its advisors to negotiate for the provision of a fiduciary out upon the occurrence of an intervening event, which fiduciary out would include an early termination right (as opposed to a right to withdraw the board's recommendation) and a reasonably low termination fee.

On May 11, 2014, the North Committee and the South Committee reached agreement on all terms but the exchange ratio. The draft merger agreement was revised to include (i) a 30-day window shop period, with a 1% termination fee, (ii) a fiduciary out in response to an intervening event, with an early termination right and a termination fee of \$10 million, and (iii) a 3.5% termination fee for terminations in response to superior proposals received after the window shop period.

By May 15, 2014, the draft merger agreement was in substantially final form, but negotiations regarding the exchange ratio had reached an impasse, with the North Committee and the South Committee unable to reach agreement between the North Committee's offer of 3.9857 and the South Committee's offer of 4.2285. On May 15, 2014, the South Committee met with its legal and financial advisors and determined that it would require further due diligence before making any further proposals regarding the exchange ratio.

On May 16, 2014, on behalf of the North Committee, Sandler O'Neill informed BofA Merrill Lynch that the North Committee remained committed to pursuing a transaction with South and would be willing to proceed with an exchange ratio within the range of 4.000 - 4.0143.

From May 16, 2014 through May 28, 2014 the North Committee and the South Committee continued discussions and conducted further due diligence.

On May 23, 2014, the South Committee met with its legal and financial advisors and members of South management in order for the South Committee to receive an update from South management on the additional due diligence being conducted by South management on behalf of the South Committee and the due diligence information being provided by South to the North Committee.

On May 28, 2014, the South Committee met with its legal and financial advisors and determined to propose an exchange ratio of 4.2150 as its best and final offer. The South Committee authorized one of its members, Robert Hoppe, to communicate this offer to Lee Durham, a member of the North Committee. The South Committee directed BofA Merrill Lynch, upon receiving confirmation from Mr. Hoppe that he had spoken to Mr. Durham, to contact Sandler O'Neill to communicate the South Committee's offer and its rationale for that offer.

On May 30, 2014, on behalf of the North Committee, Sandler O'Neill communicated to BofA Merrill Lynch that the North Committee remained committed to a transaction based on an exchange ratio of 4.0000 and requested the South Committee's reply. Later the same day, the South Committee met with its legal and financial advisors to consider the message from Sandler O'Neill. The South Committee directed BofA Merrill Lynch to reiterate to Sandler O'Neill that 4.2150 was the South Committee's best and final offer. In order to bring the matter to a conclusion, the South Committee also directed BofA Merrill Lynch to request a response by 5:00 p.m. on Monday, June 2, 2014.

On June 1, 2014, Mr. Durham, representing the North Committee, and Mr. Hoppe, representing the South Committee, met in person to further discuss the positions of their respective committees.

The North Committee met several times over the weekend and on Monday, June 2, 2014 to consider alternatives. At its meeting on June 2, the North Committee concluded to make a proposal to the South Committee based on a 4.000 exchange ratio and the payment of cash.

During the early afternoon of June 2, 2014, the respective advisors to the North Committee and the South Committee met by telephone to discuss a revised proposal from the North Committee. The North Committee proposed to bridge the gap between the parties' proposed exchange ratios by adding additional merger consideration in the form of cash and by reinserting in the merger agreement a variation on the majority of the minority voting condition previously requested by South. Specifically, the North Committee proposed that (i) South would not be required to close the merger if a majority of the shares held by the minority holders of South common stock (shareholders unrelated to the Holding family) were voted against the merger and (ii) each South shareholder would be allowed to choose to receive in exchange for each share of South common stock:

(A) 4.000 shares of North Class A common stock and \$36.59 in cash

or

(B) 3.580 shares of North Class A common stock and 0.420 shares of North Class B common stock

Later on June 2, 2014, the South Committee met with its legal and financial advisors to review the North Committee's proposal. The South Committee determined that it would be willing to accept the North Committee's June 2 proposal with the following modification and clarification: (i) the per share cash consideration payable to South shareholders receiving shares of North Class A common stock and cash would be increased from \$36.59 to \$50.00 and (ii) the option to receive North Class A common stock and cash would be the default option, so that any holder would have to affirmatively elect to receive a mix of North Class A common stock and North Class B common stock.

During the evening of June 2, 2014, at the direction of the South Committee, the South Committee's advisors met telephonically with the North Committee's advisors to convey the South Committee's requested modifications to the North Committee's June 2 proposal.

In anticipation of its meeting on June 3, 2014, the North Committee instructed a representative to contact Mr. Holding, Jr. to describe to him the financial terms of the proposed transaction and ascertain whether Mr. Holding,

Jr. would be supportive of it since it would be futile to submit a transaction that was likely to be opposed by controlling stockholders. Mr. Holding, Jr. indicated that he intended to support the transaction as described. Accordingly, the North Committee authorized giving notice of a meeting of the board of directors of North to be held on June 10, 2014, to be preceded immediately by a meeting of the North Committee to consider final action on a recommendation to the North board of directors in favor of the proposed transaction.

On June 3, 2014, the North Committee communicated its acceptance of the modifications proposed by the South Committee and the parties confirmed having reached agreement in principle. Also on June 3, 2014, the South Committee met with its legal and financial advisors and determined to make arrangements to present the proposed transaction for approval at a meeting of the South board of directors on June 10, 2014. The North Committee and the South Committee also agreed, solely for purposes of the majority of the minority voting condition in the merger agreement, that certain South shareholders owning in the aggregate approximately 37.0% of the South voting common stock constituted the minority holders of South common stock.

On June 6, 2014, the South Committee met with its legal and financial advisors and BofA Merrill Lynch presented its financial analysis. Robinson Bradshaw reviewed the final terms of the merger agreement and the approving resolutions and other materials to be distributed that afternoon to the South board of directors in preparation for the meeting of the South board of directors on June 10, 2014.

On June 10, 2014, the South Committee met with its legal and financial advisors. At this meeting, BofA Merrill Lynch reviewed with the South Committee its financial analysis of the merger consideration and delivered to the South Committee an oral opinion, which was confirmed by delivery of a written opinion dated June 10, 2014, to the effect that, as of that date and based on and subject to various assumptions and limitations described in its opinion, the merger consideration to be received by the minority holders of South common stock who do not elect to receive North Class B common stock as part of the merger consideration in the merger was fair, from a financial point of view, to such minority holders of South common stock. See Opinion of South's Financial Advisor. The South Committee then unanimously (i) approved the merger agreement and the proposed merger of South into North and (ii) recommended that the board of directors of South approve and adopt the merger agreement, approve the proposed merger of South into North and recommend that the South shareholders approve the merger of South into North.

On June 10, 2014, the South board of directors met, with representatives of Haynsworth, Robinson Bradshaw and BofA Merrill Lynch in attendance. Mr. Bristow did not participate in the meeting, and following the conduct of business unrelated to the transaction, Mr. Holding, Jr. recused himself from the remainder of the meeting. The board received a report from the South Committee, which contained a summary of the proposed legal terms from Robinson Bradshaw and a summary of the financial analysis from BofA Merrill Lynch, all of which was supplementary to the written materials distributed to the board in advance of the meeting. After considering the proposed terms of the merger agreement and the recommendation of the South Committee, and taking into account the matters discussed during the meeting and at prior meetings of the board, the South directors in attendance unanimously determined that a merger of South into North was in the best interests of South and the South shareholders and voted unanimously to approve the merger agreement and the transactions contemplated thereby and to recommend that the South shareholders approve the merger.

On June 10, 2014, the North Committee met and reviewed again the proposed final merger agreement, previously delivered due diligence report and a current oral update and received reports from Smith Anderson and Sandler O'Neill, including the fairness opinion of Sandler O'Neill. At the conclusion of the deliberations, the North Committee unanimously recommended to the North board of directors that it approve the proposed transaction.

Thereafter, on June 10, 2014, the North board of directors held a special meeting. After the consideration of initial board of director business, Mr. Holding, Jr., Ms. Hope Holding Bryant and Mr. James M. Parker recused themselves so that only independent directors could consider the proposed transaction. At the meeting of independent directors:

the North Committee presented its report and recommendation regarding the proposed transaction;

representatives of Smith Anderson reviewed with the directors their duties in the context of an acquisition transaction and the terms and conditions of the proposed merger agreement;

representatives of Sandler O Neill provided a detailed financial analysis of the proposed transaction; and

Sandler O'Neill delivered its oral opinion (subsequently confirmed in writing) that, as of that date, and based upon and subject to the assumptions made, matters considered, qualifications and limitations set forth in Sandler O'Neill's written opinion, dated June 10, 2014, the consideration to be paid to the holders of South common stock pursuant to the merger was fair to North and its stockholders from a financial point of view. See Opinion of North's Financial Advisor.

The independent members of the North board of directors discussed the next steps to be taken in connection with the execution and announcement of the transaction. After posing questions to legal counsel, and after extensive discussion and deliberation, the independent members of the North board of directors determined that the merger is advisable and in the best interests of North and its stockholders and: (i) adopted and approved the merger agreement and the transactions contemplated thereby, (ii) authorized and approved the transactions contemplated by the merger agreement, including the merger and an amendment to the North charter to enable issuance of shares in the merger, and (iii) recommended that North stockholders approve and adopt the merger agreement, the issuance of shares in the merger, the amendment to the North charter to enable issuance of shares in the merger and all related actions and directed that such matters be submitted to North stockholders at a special meeting.

The parties executed the merger agreement later in the afternoon on June 10, 2014.

On June 10, 2014, after the closing of the U.S. markets, North and South issued a joint press release announcing the execution of the merger agreement.

Recommendation of North's Board of Directors and Reasons for the Merger

As described above, after careful consideration, the independent members of the North board of directors, at a meeting held on June 10, 2014, acting upon the unanimous recommendation of the North Committee, determined that the merger agreement is in the best interests of North and its stockholders. Accordingly, the independent members of the North board of directors adopted and approved the merger agreement and the merger and the other transactions contemplated by the merger agreement, including the issuance of North common stock and related amendments to the North charter, and recommended that North stockholders vote **FOR** the North merger proposal, **FOR** the North share issuance proposal and **FOR** the North charter amendment proposal. In reaching their respective decisions, the North Committee and the independent members of the North board of directors consulted with North management, as well as its financial and legal advisors, and considered a number of factors, including the following material factors:

each of North's, South's and the combined company's business, operations, financial condition, asset quality, earnings and prospects. In reviewing these factors, the North Committee and the independent members of the North board of directors considered their respective views that South's business and operations complement those of North and that the merger would result in a combined company with diversified revenue sources, a well-balanced loan portfolio and an attractive funding base, as evidenced by a significant portion of core deposit funding;

their respective understandings of the current and prospective environment in which North and South operate, including national and local economic conditions, the interest rate environment, increasing operating costs resulting from regulatory initiatives and compliance mandates, the competitive environment for financial institutions generally, and the likely effect of these factors on North, both with and without the proposed transaction;

their respective reviews and discussions with North s management concerning the due diligence investigation of South;

the potential cost savings that could be achieved as a result of operational efficiencies of the combined company;

the complementary nature of the credit cultures of the two companies and existing processing relationships, which management believes should facilitate integration and implementation of the transaction;

the complementary nature of the branch network of the two companies, which management believes should provide the combined company with greater market density and a greater national branch presence;

management's expectation that the combined company will have a strong capital position and higher legal lending limits upon completion of the transaction;

South's successful track record and the North Committee's and the independent members of the North board of directors' belief that the combined enterprise would benefit from South's ability to take advantage of economies of scale and grow in the current economic environment, making South an attractive partner for North;

the opinion of Sandler O'Neill, North's financial advisor, delivered to the North Committee, to the effect that, as of the date of such opinion, and subject to the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by Sandler O'Neill as set forth in such opinion, the merger consideration in the proposed merger is fair to North and its stockholders from a financial point of view, as more fully described below in the section entitled "Opinion of North's Financial Advisor";

the financial and other terms of the merger agreement, including the fixed exchange ratio, which the North Committee and the independent members of the North board of directors believed was consistent with market practice for transactions of this type, the expected tax treatment and deal protection provisions, including the ability of South's board of directors, under certain circumstances, to withdraw or materially adversely modify its recommendation to South shareholders, and to terminate the merger agreement in order to enter into a definitive agreement with respect to a superior proposal (subject to payment of a termination fee), each of which it reviewed with its outside financial and legal advisors;

the fact that the merger consideration will consist of shares of North Class A common stock, and at the election of South shareholders, either cash or shares of North Class B common stock, which will allow South shareholders to participate in a significant portion of the future performance of the combined business and synergies resulting from the merger, to benefit from the greater liquidity in the trading market for North Class A common stock relative to the market for South common stock due to the listing of North Class A common stock on the NASDAQ Global Select Market, and the value to South shareholders represented by that consideration; and

the regulatory and other approvals required in connection with the merger and the expectation that such regulatory approvals will be received in a timely manner and without the imposition of unacceptable conditions.

The North Committee and the independent members of the North board of directors also identified and considered, along with North management, as well as financial and legal advisors, the following potentially negative factors in its deliberations:

the requirement that South conduct its business in the ordinary course and the other restrictions on the conduct of South's business prior to the completion of the merger, which may delay or prevent South from undertaking business opportunities that may arise pending completion of the merger;

the potential risk of diverting management attention and resources from the operation of North's business and towards the completion of the merger;

the dilution to current North stockholders from the issuance of additional shares of North common stock in the merger;

the possible disruption to North's and South's business that may result from the announcement of the transaction;

the potential risks associated with achieving anticipated cost synergies and savings and successfully integrating South's business, operations and workforce with those of North;

the possibility that the merger may not be completed or may be unduly delayed because conditions to closing may not be satisfied; and

the substantial costs to be incurred in connection with the transaction, including the costs of integrating the businesses of North and South and the transaction expenses arising from the merger.

The foregoing discussion of the factors considered by the North Committee and the independent members of the North board of directors is not intended to be exhaustive, but, rather, includes the material factors considered by the North Committee and the independent members of the North board of directors. In reaching their respective decisions to adopt and approve the merger agreement and the merger and the other transactions contemplated by the merger agreement, neither the North Committee nor the independent members of the North board of directors quantified or assigned any relative weights to the factors considered, and individual directors may have given different weights to different factors. The North Committee and the independent members of the North board of directors considered all these factors as a whole, including discussions with, and questioning of, North's management and North's financial and legal advisors, and overall considered the factors to be favorable to, and to support, its determination.

For the reasons set forth above, the independent members of the North board of directors unanimously adopted and approved the merger agreement and the transactions contemplated thereby and unanimously recommend that North stockholders vote FOR the North merger proposal, FOR the North share issuance proposal and FOR the North charter amendment proposal.

Recommendation of South's Board of Directors and Reasons for the Merger

After careful consideration, the South board of directors at its meeting on June 10, 2014, acting upon the unanimous recommendation of the South Committee, (i) determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are in the best interest of South and its shareholders, (ii) approved the merger agreement and the transactions contemplated by the merger agreement, including the merger, and declared it advisable that South enter into the merger agreement and (iii) resolved to recommend that the South shareholders vote to approve the transactions contemplated by the merger agreement, including the merger.

In reaching their respective decisions to recommend the merger agreement, the merger, and the other transactions contemplated by the merger agreement, each of the South Committee and the South board of directors considered a number of factors, including the following:

its assessment of South's business, operations, financial condition, asset quality, earnings and prospects, and of North's business, operations, financial condition, asset quality, earnings and prospects, taking into account the financial projections and other information presented to the South Committee, and the results of South's due diligence review of North;

its assessment of the current environment in the financial services industry, including national, regional and local economic conditions and the interest rate environment, continued consolidation, the uncertainties in the regulatory climate for financial institutions, increased operating costs resulting from regulatory initiatives and compliance mandates, increasing competition, the current environment for larger community banks, particularly in the Southeast, and current financial market conditions and the likely effects of these factors on the two companies' potential growth, development, productivity and strategic options, and the historical market prices of South and North common stock;

the familiarity of South and North with each other, including management relationships and a number of shared resources and common operating systems, which should aid in the integration of the two companies in an efficient and cost-effective manner;

its belief that combining the two companies would create a larger and more diversified financial institution that is both better equipped to respond to economic and industry developments and better positioned to develop and build on its existing market position;

the complementary aspects of South and North, including strong customer focus, adjacent geographic markets, business orientation and compatibility of the companies' cultures and management and operating styles, and the potential expense-saving and revenue enhancing opportunities in connection with the merger and the related potential impact on the combined company's earnings;

the fact that North is the exclusive owner of the service mark First Citizens outside of South Carolina;

the fact that the merger consideration consists primarily of North common stock, giving former South shareholders the opportunity to participate as North stockholders in the benefits of the combination and the future performance of the combined company generally;

the continued representation of three of South's directors on the board of the resulting company, and the South Committee's belief that this representation would reduce the integration risk in the combination;

its assessment of the likelihood that the merger would be completed in a timely manner and that the management team of the combined company would be able to successfully integrate and operate the businesses of the combined company after the merger;

the financial terms of the merger, including the fact that, based on recent market prices for South and North stock, the per-share consideration to be received by shareholders of South common stock represents a substantial premium to its current market value;

the opinion of BofA Merrill Lynch, dated June 10, 2014, delivered to the South Committee as to the fairness, from a financial point of view and as of the date of the opinion, of the merger consideration to be received by the minority holders of South common stock who do not elect to receive North Class B common stock as part of the merger consideration, as more fully described in the section entitled "Opinion of South's Financial Advisor";

the fact that the South Committee has not received an opinion regarding the fairness, from a financial point of view, of the consideration to be received in the merger by any holder who is related to the Holding family or any holder who elects to receive North Class B common stock as part of the merger consideration;

the greater market capitalization and anticipated trading liquidity of North Class A common stock after the transaction in the event South shareholders desired to sell the shares of North Class A common stock to be received by them upon completion of the merger;

the fact that South shareholders would have a choice to receive shares of North Class A common stock and cash or to receive a certain portion of their merger consideration in shares of North Class B common stock;

the fact that the South board of directors is permitted, subject to supervision by the South Committee, to change its recommendation that the South shareholders approve the merger agreement in certain circumstances;

the fact that South shareholders who do not vote to approve the merger agreement and who follow certain prescribed procedures are entitled to dissenters' rights under South Carolina law;

the financial and other terms of the merger agreement, including the fixed exchange ratio, deal protection and termination fee provisions, which it reviewed with its outside legal and financial advisors;

the fact that South may choose not to close the merger if a majority of the shares of South common stock held by South shareholders who are unrelated to the Holding family are voted against the merger;

the need to obtain approval by shareholders of South and North, as well as regulatory approvals, in order to complete the transaction and the risk that those or other conditions will not be satisfied;

the risks associated with the operations of the combined company, including the challenges both of integrating South's businesses, operations and employees with those of North and of achieving the anticipated cost savings;

the potential risk of diverting management focus and resources from other strategic opportunities and from operational matters while working to implement the merger;

the fact that some of the directors and executive officers of South have interests in the merger and have arrangements that are different from or in addition to those of South shareholders generally;

the fact that South's chief executive officer will retire no later than January 30, 2015;

the authority granted to the South Committee by the South board of directors to evaluate the proposed combination of South and North, and to negotiate the terms of the definitive merger agreement with respect to the North proposal, or to determine not to pursue any agreement with North;

the recognition by the South Committee that it had no obligation to recommend the approval of the merger or any other transaction; and

the lack of reasonable alternatives available to the South Committee and the South board of directors other than to reject the proposed transaction with North and for South to remain an independent company, given the South Committee's belief (based on the Holding family's communications to the South Committee that they would not vote in favor of any alternative transaction) that a transaction that did not involve North would not be successful.

The foregoing discussion of the information and factors considered by the South Committee and the South board of directors is not intended to be exhaustive, but includes the material factors considered by the South Committee and the South board of directors. In reaching their respective decisions to approve the merger agreement, the merger and the other transactions contemplated by the merger agreement, the South Committee and the South board of directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The South Committee and the South board of directors considered all these factors as a whole, including discussions with, and questioning of, South's management, South's legal advisors, the South Committee's independent financial and legal advisors, and overall considered the factors to be favorable to, and to support, its determination.

For the reasons set forth above, the independent directors of the South board of directors unanimously determined that the merger agreement and the transactions contemplated by the merger agreement, are advisable and in the best interests of South and its shareholders, and unanimously adopted and approved the merger agreement and the transactions contemplated by it.

The independent directors of the South board of directors unanimously recommend that the South shareholders vote FOR the approval of the merger proposal.

Opinion of North's Financial Advisor

By letter dated February 4, 2014, the North Committee retained Sandler O'Neill to provide a fairness opinion in connection with a possible business combination transaction. Sandler O'Neill is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Sandler O'Neill is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions. The North Committee selected Sandler O'Neill to provide a fairness opinion in connection with a possible business combination based on its qualifications, expertise, reputation and experience in mergers and acquisitions involving financial institutions.

At the June 10, 2014 meeting of the North Committee, Sandler O Neill delivered to the North Committee its oral opinion, which was subsequently confirmed in writing on June 10, 2014, that, as of June 10, 2014, the merger consideration was fair to North and its stockholders from a financial point of view. **The full text of Sandler O Neill s opinion is attached as Appendix D to this joint proxy statement/prospectus. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O Neill in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the full text of the opinion. Holders of North Class A**

common stock and North Class B common stock are urged to read the entire opinion carefully in connection with their consideration of the proposed merger.

Sandler O'Neill's opinion speaks only as of the date of the opinion. The opinion was addressed to the North Committee and is directed only to the fairness of the merger consideration to North and its stockholders from a financial point of view. It does not address the underlying business decision of North to engage in the merger or any other aspect of the merger and is not a recommendation to any shareholder of North or South as to how such shareholder should vote at their special meeting with respect to the merger or any other matter. Sandler O'Neill did not express any opinion as to the fairness of the amount or nature of the compensation to be received in connection with the merger by South's officers, directors, or employees, or any class of such persons, relative to the merger consideration to be received in the merger by any other shareholders of South.

In connection with rendering its opinion on June 10, 2014, Sandler O'Neill reviewed and considered, among other things:

The merger agreement;

Certain financial statements and other historical financial information of South provided by management of South that Sandler O'Neill deemed relevant;

Certain publicly available financial statements and other historical financial information of North that Sandler O'Neill deemed relevant;

Certain internal financial information and other data relating to the business and financial prospects of South that were provided to Sandler O'Neill by and discussed with the management of South for the years ending December 31, 2014 through December 31, 2018 and not publicly available, including financial forecasts and estimates prepared by the management of South (the "South Forecasts");

Certain internal financial information and other data relating to the business and financial prospects of North that were provided to Sandler O'Neill by and discussed with the management of North for the years ending December 31, 2014 through December 31, 2018 and not publicly available, including financial forecasts and estimates prepared by the management of North (the "North Forecasts");

The pro forma financial impact of the merger on North, based on assumptions relating to transaction expenses, purchase accounting adjustments, cost savings and other synergies as prepared by and reviewed with senior management of North;

A comparison of certain financial and other information for South and North including relevant stock trading information, with similar publicly available information for certain other commercial banks similar to each of South and North, the securities of which are publicly traded;

The financial terms and structures of certain recent business combinations involving other similar and related party transactions in the commercial banking industry, to the extent publicly available;

The current market environment generally and the financial services sector in particular; and

Such other information, financial studies, analyses and investigations and financial, economic and market criteria as Sandler O Neill considered relevant.

Sandler O Neill also discussed with certain members of the senior management of North the business, financial condition, results of operations and prospects of North and held similar discussions with the senior management of South regarding the business, financial condition, results of operations and prospects of South.

In performing its reviews and analyses and in rendering its opinion, Sandler O Neill relied upon the accuracy and completeness of all of the financial and other information that was available to Sandler O Neill from public sources, that was provided to Sandler O Neill by North or South or their respective representatives or

that was otherwise reviewed by Sandler O'Neill, and Sandler O'Neill assumed such accuracy and completeness for purposes of rendering its opinion. Sandler O'Neill further relied on the assurances of the respective senior managements of North and South that they were not aware of any facts or circumstances that would make any of such information inaccurate or misleading. With respect to the South Forecasts, publicly available median analyst estimates and a publicly available annual growth rate for North as discussed with senior management of North and certain assumptions relating to transaction expenses, purchase accounting adjustments, cost savings and other synergies prepared by and reviewed with senior management of North, Sandler O'Neill assumed that they had been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the respective managements of South and North, as to the future financial performance of South and North, respectively. Sandler O'Neill was not asked to undertake, and did not undertake, an independent verification of any of such information and Sandler O'Neill assumes no responsibility or liability for the accuracy or completeness thereof.

In performing its analyses and in rendering its opinion, Sandler O'Neill assumed that there had not been any material change in the respective assets, financial condition, results of operations, business or prospects of South and North since the date of the most recent historical financial data made available to Sandler O'Neill. In addition, Sandler O'Neill assumed in all respects material to its review and analysis that each of South and North would remain as a going concern for all periods relevant to its analyses. Sandler O'Neill expressed no opinion as to the trading values at which the common stock of South or North may trade at any time. Sandler O'Neill expresses no opinion as to any of the legal, accounting and tax matters relating to the merger and any other transaction contemplated in connection therewith. Sandler O'Neill's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Sandler O'Neill as of, the date of its opinion. Events occurring after the date thereof could materially affect Sandler O'Neill's opinion. Sandler O'Neill has not undertaken to update, revise, reaffirm or withdraw its opinion or otherwise comment upon events occurring after the date of its opinion.

In rendering its June 10, 2014 opinion, Sandler O'Neill performed a variety of financial analyses. The following is a summary of the material analyses performed by Sandler O'Neill, but it is not a complete description of all the analyses underlying Sandler O'Neill's opinion. The summary includes information presented in tabular format. **In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses.** The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Sandler O'Neill believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses to be considered without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. Also, no company included in Sandler O'Neill's comparative analyses described below is identical to South or North and no transaction is identical to the merger. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transaction values, as the case may be, of South and North and the companies to which they are being compared.

Transaction Multiples

Sandler O'Neill reviewed the financial terms of the proposed transaction. As described in the merger agreement, each share of South common stock, except for certain shares as described in the merger agreement, will be converted into the right to receive 4.0000 shares of North Class A common stock and \$50.00 in cash, unless the holder of such share elects, pursuant to a letter of transmittal that will be delivered after closing of the merger, for each share of such holders' South common stock to be converted into the right to receive 3.5800 shares of North Class A common stock and 0.4200 shares of North Class B common stock.

Based upon the average per share closing price of \$222.85 for North Class A common stock during the 30-day period ended June 5, 2014 plus \$50.00 in cash and the average per share closing price of \$206.16 for North Class B common stock during the 30-day trading period ended June 5, 2014, Sandler O'Neill calculated merger consideration values of \$941.40 and \$884.39 per share of South common stock, respectively. Based upon (i) 683,293 shares of South common stock outstanding, (ii) the assumption that there are no outstanding stock options of South, and (iii) the average per share closing price of \$222.85 for North Class A common stock during the 30-day trading period ended June 5, 2014 plus \$50.00 in cash and the average per share closing price of \$206.16 for North Class B common stock during the 30-day trading period ended June 5, 2014, Sandler O'Neill calculated aggregate merger consideration values of \$643.3 million and \$604.3 million, respectively. Based upon financial information as of the period ended March 31, 2014, Sandler O'Neill calculated transaction ratios for each of the two merger consideration options.

For merger consideration consisting of 4.0000 shares of North Class A common stock and \$50.00 in cash for each share of South common stock:

Pricing Multiples	Value
Price/Last Twelve Months Earnings Per Share	13.5x
Price/Book Value as of March 31, 2014	84%
Price/Tangible Book Value as of March 31, 2014	112%
Tangible Book Premium/Core Deposits	1.0%
Market Premium as of June 5, 2014	33.5%

For merger consideration consisting of 3.5800 shares of North Class A common stock and 0.4200 shares of North Class B common stock of each share of South common stock:

Pricing Multiples	Value
Price/Last Twelve Months Earnings Per Share	12.7x
Price/Book Value as of March 31, 2014	79%
Price/Tangible Book Value as of March 31, 2014	106%
Tangible Book Premium/Core Deposits	0.5%
Market Premium as of June 5, 2014	25.4%

Comparable Company Analysis

Sandler O'Neill used publicly available information to compare selected financial information for South with two peer groups of financial institutions selected by Sandler O'Neill based on Sandler O'Neill's professional judgment and experience. The first peer group consisted of a group of publicly traded U.S. banks with assets between \$2.5 billion and \$25 billion and three-month average weekly trading volume to total shares outstanding of less than 0.50%. The following financial institutions were selected for the comparison:

First National of Nebraska, Inc.

Farmers & Merchants Bank of Long Beach

Carter Bank & Trust

W.T.B. Financial Corporation

Mechanics Bank

First National Bank Alaska

Burke & Herbert Bank & Trust Company

The analysis compared publicly available financial information for South and the high, mean, median and low financial and market trading data for the peer group as of or for the period ended March 31, 2014 with pricing data as of June 5, 2014. The results of these analyses are summarized in the following table.

	South	Comparable Company Ranges
Total Assets (\$ in millions)	\$8,532	\$16,271 - \$2,643
Tangible Common Equity/Tangible Assets	6.86%	14.38% - 6.84%
Leverage Ratio	8.31%	14.72% - 6.79%
Total Risk Based Capital Ratio	18.03%	25.36% - 14.12%
Return on Average Assets	0.58%	1.30% - 0.57%
Return on Average Equity	6.50%	11.94% - 6.69%
Net Interest Margin	2.68%	5.48% - 2.23%
Efficiency Ratio	74.7%	75.5% - 55.4%
Loan Loss Reserve/Gross Loans	1.17%	2.58% - 0.94%
Non-Performing Assets/Total Assets	1.68%	2.66% - 0.92%
Net Charge Offs/Average Loans	0.21%	1.58% - (0.04)%
Price/Tangible Book Value	84%	141% - 95%
Price/Last 12 Months Earnings Per Share	10.1x	17.8x - 11.1x
Price/2014 Est. Earnings Per Share		19.1x - 12.0x
Current Dividend Yield	0.20%	3.6% - 0.0%
Market Value (\$ in millions)	\$462	\$1,909 - \$291

The second peer group consisted of the following group of publicly traded U.S. banks with assets between \$2.5 billion and \$20 billion, tangible common equity to total assets of less than 8.0% and return on average assets of less than 0.75% over the twelve month period ended March 31, 2014:

Astoria Financial Corporation

Sterling Bancorp

Berkshire Hills Bancorp, Inc.

Bancorp, Inc.

Carter Bank & Trust

Simmons First National Corporation

Banc of California, Inc.

Century Bancorp, Inc.

First Bancorp

BNC Bancorp

Capital City Bank Group, Inc.

The analysis compared publicly available financial information for South and the high, mean, median and low financial and market trading data for the peer group as of or for the period ended March 31, 2014 with pricing data as of June 5, 2014. The results of these analyses are summarized in the following table.

	South	Comparable Company Ranges
Total Assets (\$ in millions)	\$8,532	\$15,700 - \$2,633
Tangible Common Equity/Tangible Assets	6.86%	7.97% - 5.05%
Leverage Ratio	8.31%	11.27% - 6.57%
Total Risk Based Capital Ratio	18.03%	18.10% - 11.16%
Return on Average Assets	0.58%	0.73% - 0.00%
Return on Average Equity	6.50%	11.81% - (0.03)%
Net Interest Margin	2.68%	5.03% - 2.21%
Efficiency Ratio	74.7%	92.1% - 56.1%
Loan Loss Reserve/Gross Loans	1.17%	2.05% - 0.59%
Non-Performing Assets/Total Assets	1.68%	4.74% - 0.25%
Net Charge Offs/Average Loans	0.21%	1.68% - (0.03)%
Price/Tangible Book Value	84%	219% - 95%
Price/Last 12 Months Earnings Per Share	10.1x	61.2x - 9.1x
Price/2014 Est. Earnings Per Share		35.2x - 14.1x
Current Dividend Yield	0.20%	4.3% - 0.6%
Market Value (\$ in millions)	\$462	\$1,317 - \$120

Analysis of Selected Merger Transactions

Sandler O'Neill reviewed a group of comparable U.S. merger and acquisition transactions that were announced since January 1, 2010 and had a value between \$250 million and \$1.0 billion. These transactions involved target companies that (i) had total assets of less than \$10.0 billion and (ii) had ratios of non-performing assets to assets that were between 1% and 4%. The group was composed of the following transactions:

Buyer/Target

Valley National Bancorp/1st United Bancorp Inc.

Yadkin Financial Corporation/VantageSouth Bancshares

ViewPoint Financial Group Inc./LegacyTexas Group Inc.

Heritage Financial Corp./Washington Banking Co.

Cascade Bancorp/Home Federal Bancorp

East West Bancorp Inc./MetroCorp Bancshares Inc.

MB Financial Inc./Taylor Capital Group Inc.

Home BancShares Inc./Liberty Bancshares Inc.

Union First Market Bankshares Corp./StellarOne Corp.

SCBT Financial Corp./First Financial Holdings Inc.

United Bankshares Inc./Virginia Commerce Bancorp Inc.

Columbia Banking System Inc./West Coast Bancorp

FirstMerit Corp./Citizens Republic Bancorp Inc.

Hilltop Holdings Inc./PlainsCapital Corp.

Cadance Bancorp LLC/Encore Bancshares, Inc.

Susquehanna Bancshares Inc./Tower Bancorp Inc.

Susquehanna Bancshares Inc./Abington Bancorp Inc.

Nara Bancorp Inc./Center Financial Corp.

Sandler O'Neill then reviewed the following multiples for each of the transactions: transaction price to last twelve months earnings; core deposit premium; transaction value as a premium over 1-day market value; and transaction price to tangible book value as a multiple of the buyer's trading price to tangible book value. Sandler O'Neill then calculated the per share valuation of South imputed by the high, low, mean and median data for the transactions, and compared that to South's actual data as of March 31, 2014. The results of these analyses are summarized in the following tables.

	Nationwide M&A Transactions (Ranges)
Price / Last 12 Months Earnings	49.6x - 2.6x
Core Deposit Premium	17.6% - 3.3%
Transaction Value as a Premium over 1-day Market Value	40.6% - 5.2%
Transaction Price to Tangible Book Value over Buyer's Trading Price to Tangible Book Value	1.77x - 0.59x

	Imputed South Per Share Valuation for Precedent Nationwide M&A Transactions (Ranges)
Price / Last 12 Months Earnings	\$3,455.14 - \$181.12
Core Deposit Premium	\$2,614 - \$1,166
Transaction Value as a Premium over 1-day Market Value	\$991 - \$742
Transaction Price to Tangible Book Value over Buyer's Trading Price to Tangible Book Value	\$1,479 - \$492

South Data as of March 31, 2014

Last 12 Months Earnings	Book Value	Tangible Book Value	Core Deposits
Per Share	Per Share	Per Share	
\$69.66	\$1,115.07	\$837.19	\$6,901,749

South - Net Present Value Analysis

Sandler O'Neill performed an analysis that estimated the net present value per share of South common stock through December 31, 2018. Sandler O'Neill based the analysis on South's projected earnings stream (as reflected in projections provided by South's management) for the years ending December 31, 2014 through 2018, which projections assumed (i) tangible book value as of December 31, 2014 of \$888.10 per share, (ii) a discount rate of 13.50% and (iii) 683,293 outstanding shares of common stock. South's projections are summarized below in the section entitled "Certain South Unaudited Prospective Financial Information."

To approximate the terminal value of South's common stock at December 31, 2018, Sandler O'Neill applied price to earnings multiples of 9.0x to 19.0x and multiples of tangible book value ranging from 50% to 150% as determined by Sandler O'Neill in its professional judgment and experience. Sandler O'Neill selected the price to earnings multiples based on price to earnings multiples of South's first peer group. Sandler O'Neill selected the tangible book value multiples based on tangible book value multiples of the South peer group.

The income streams and terminal values were then discounted to present values using different discount rates ranging from 10.3% to 15.3%. Sandler O Neill determined the discount rate based on the 10-year treasury bond yield of 2.59%, an equity risk premium of 5.70%, a size premium of 3.81%, and an industry premium of 3.20%. These analyses resulted in the following reference ranges of implied present values per share of South common stock:

Range of Implied Earnings Per Share	Range of Implied Tangible Book Value Per Share Based on Tangible Book Value
Based on Price/Earnings	
\$726.48 - \$1,885.39	\$348.73 - \$1,278.06

Sandler O Neill also considered and discussed with the North Committee how this analysis would be affected by changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, Sandler O Neill performed a similar analysis assuming South's net income varied from 40% above projections to 40% below projections. Using a discount rate of 12.8%, the midpoint of the range used in the prior analysis, for this analysis, Sandler O Neill noted a range of \$485.72 to \$2,371.20 per share of South common stock.

During the June 10, 2014 meeting of the North Committee, Sandler O Neill noted that the net present value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

North Comparable Company Analysis

Sandler O Neill used publicly available information to compare selected financial information for North and a group of financial institutions selected by Sandler O Neill based on Sandler O Neill's professional judgment and experience. The peer group consisted of publicly traded U.S. banks with total assets of between \$15 billion and \$25 billion, non-performing assets to total assets of less than 2% and tangible common equity to total assets greater than 8%.

The following financial institutions were selected for the comparison:

Signature Bank

Commerce Bancshares, Inc.

Hancock Holding Company

Susquehanna Bancshares, Inc.

EverBank Financial Corp

Fulton Financial Corporation

First National of Nebraska, Inc.

BankUnited, Inc.

The analysis compared publicly available financial information for North and the high, mean, median and low financial and market trading data for the peer group as of or for the period ended March 31, 2014 (with the exception of First National of Nebraska, Inc. for which financial data was as of December 31, 2013, the most recently publicly available data) with pricing data as of June 5, 2014. The results of these analyses are summarized in the following table.

	North	Comparable Company Ranges
Total Assets (\$ in millions)	\$22,155	\$23,104 - \$15,752
Tangible Common Equity/Tangible Assets	8.96%	12.18% - 8.22%
Leverage Ratio	9.66%	12.12% - 8.51%
Total Risk Based Capital Ratio	16.05%	20.27% - 13.20%
Return on Average Assets	0.63%	1.53% - 0.73%
Return on Average Equity	6.73%	13.79% - 6.30%
Net Interest Margin	3.55%	5.50% - 3.10%
Efficiency Ratio	77.4%	71.9% - 36.0%
Loan Loss Reserve/Gross Loans	1.65%	2.39% - 0.44%
Non-Performing Assets/Total Assets	0.83%	1.75% - 0.13%
Net Charge Offs/Average Loans	0.08%	1.58% - (0.01)%
Price/Tangible Book Value	112%	302% - 129%
Price/Last 12 Months Earnings Per Share	16.4x	23.9x - 11.5x
Price/2014 Consensus Estimated Earnings Per Share		20.7x - 12.9x
Price/2015 Consensus Estimated Earnings Per Share		18.1x - 12.2x
Current Dividend Yield	0.5%	3.1% - 0.0%
Market Value (\$ in millions)	\$2,193	\$5,810 - \$1,909

North Net Present Value Analysis

Sandler O'Neill also performed an analysis that estimated the net present value of North through December 31, 2018. Sandler O'Neill based the analysis on North's projected earnings stream as derived from median publicly available analyst estimates and long-term earnings growth rate for the years ending 2014 through 2018.

To approximate the terminal value of North's common stock at December 31, 2018, Sandler O'Neill applied price to earnings multiples of 15.0x to 20.0x and multiples of tangible book value ranging from 100% to 200% as determined by Sandler O'Neill in its professional judgment and experience. Sandler O'Neill selected the price to earnings multiples of 15.0x to 20.0x based on the range of trades multiples in North's peer group. The income streams and terminal values were then discounted to present values using different discount rates ranging from 10.1% to 12.6%. Sandler O'Neill determined the discount rate based on the 10-year treasury bond yield of 2.59%, an equity risk premium of 5.70%, a size premium of 1.12%, and an industry premium of 3.20%. These analyses resulted in the following reference ranges of implied earnings per share and implied tangible book value per share of North common stock:

Range of Implied Earnings Per Share

Based on Price/Earnings

Range of Implied

Tangible Book

Value Per

Share Based on

Tangible Book

	Value
\$197.77 - \$291.35	\$158.09 - \$346.28

Sandler O Neill also considered and discussed with the North Committee how this analysis would be affected by changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, Sandler O Neill performed a similar analysis assuming North's net income varied from 40% above median publicly available analyst estimates and long-term earnings growth rate for the years ending 2014

through 2018 to 40% below median publicly available analyst estimates and long-term earnings growth rate for the years ending 2014 through 2018. Using a discount rate of 11.4%, the midpoint of the range used in the prior analysis, for this analysis, Sandler O'Neill noted a range of \$126.97 - \$384.84 per share of North common stock.

At the June 10, 2014 meeting of the North Committee, Sandler O'Neill noted that the net present value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

Pro Forma Results

Sandler O'Neill analyzed certain potential pro forma effects of the merger, assuming the following: (i) the merger closes in the fourth quarter of 2014; (ii) per share merger consideration value is \$941.40 or \$884.39 per share depending on the form of consideration elected; (iii) South's performance is consistent with the financial forecasts and estimates prepared by its management; (iv) North's performance is consistent with financial forecasts and estimates prepared by its management; (v) certain purchase adjustments occur, including that South's loan portfolio gross credit mark of (\$116.7) million (vi) core deposit intangibles are 1.37% of South's core deposits amortized on a straight line basis over a 10-year period; (vii) North is able to achieve cost savings of \$51.0 million per year, with 50% realization in 2015 and 100% realization thereafter (viii) pre-tax deal related costs total \$30.5 million; and (ix) pre-tax cash opportunity cost is 1.00%. The actual results achieved by the combined company, however, may vary from projected results and the variations may be material.

The tables below shows Sandler O'Neill's projected accretion/dilution percentages for North for each of the two merger consideration options as of closing and for each of the years 2014-2017.

For merger consideration consisting of 4.0000 shares of North Class A common stock and \$50.00 in cash for each share of South common stock:

	Closing 12/31/2014	Year Ending 12/31/2015	Year Ending 12/31/2016	Year Ending 12/31/2017
North Earnings Per Share Accretion/(Dilution) Excluding Transaction Expenses		42.1%	42.8%	37.9%
North Tangible Book Value Accretion/(Dilution)	(1.5%)	0.3%	3.1%	6.0%

For merger consideration consisting of 3.5800 shares of North Class A common stock and 0.4200 shares of North Class B common stock of each share of South common stock:

	Closing 12/31/2014	Year Ending 12/31/2015	Year Ending 12/31/2016	Year Ending 12/31/2017
North Earnings Per Share Accretion/(Dilution) Excluding Transaction Expenses		44.0%	44.8%	39.9%
North Tangible Book Value Accretion/(Dilution)	(0.1%)	1.7%	4.6%	7.5%

Other Information Reviewed By Sandler O Neill*Stock Price Performance*

Sandler O Neill also reviewed for informational purposes the publicly reported trading prices of North's common stock for the three-year period ended June 5, 2014. Sandler O Neill then compared the relationship between the movements in the price of North's common stock against the movements in the prices of an index of North's peer group, the NASDAQ Bank Index and the S&P 500.

Three-Year Comparative Stock Performance

	Beginning Value	Ending Value
North Class A Common Stock	100%	123.2%
North Class B Common Stock	100%	109.8%
North Peers	100%	144.5%
NASDAQ Bank Index	100%	149.2%
S&P 500	100%	149.2%

Miscellaneous

Sandler O Neill rendered a fairness opinion to the North Committee in connection with the merger and will receive a fee in an amount equal to \$300,000, which became due and payable in immediately available funds at the time such written opinion was delivered to North. Sandler O Neill will receive an additional fee of \$600,000 upon and subject to closing of the merger. North has also agreed to reimburse Sandler O Neill's reasonable out-of-pocket expenses incurred in connection with its engagement and to indemnify Sandler O Neill and its affiliates and their respective partners, directors, officers, employee and agents against certain expenses and liabilities, including liabilities under the securities laws.

Over the past three years, Sandler O Neill received aggregate revenues from South and certain of its affiliates of approximately \$175,000 for investment banking services. In the ordinary course of its respective broker and dealer businesses, Sandler O Neill may purchase securities from and sell securities to South and North and their respective affiliates. Sandler O Neill may also actively trade the debt and/or equity securities of South or North or their respective affiliates for their own accounts and for the accounts of their customers and, accordingly may at any time hold a long or short position in such securities.

Certain North Unaudited Prospective Financial Information

North does not as a matter of course make public projections as to future revenues, earnings or other financial results due to, among other reasons, the uncertainty of the underlying assumptions and estimates. However, North is including the unaudited prospective financial information to provide its stockholders access to information that was made available to the South Committee, the North Committee and North's financial advisors in connection with the merger. This unaudited prospective financial information is referred to as the North Forecasts in the section Opinion of North's Financial Advisor. The inclusion of this information should not be regarded as an indication that North or any of its representatives or any other recipient of this information considered, or now considers, it to be necessarily predictive of actual future results.

This information was prepared solely for internal use and is subjective in many respects. While presented with numeric specificity, the unaudited prospective financial information reflects numerous estimates and assumptions

made with respect to business, economic, market and financial conditions and matters specific to North's business, all of which are difficult to predict and many of which are beyond North's control. North can give no assurance that the unaudited prospective financial information and the underlying estimates and assumptions will be realized. Further, since the unaudited prospective financial information covers multiple

years, such information by its nature becomes less predictive and less reliable with each successive year. Actual results are likely to differ materially from those set forth below, and important factors that may affect actual results and cause the unaudited prospective financial information to be inaccurate include, but are not limited to, risks and uncertainties relating to North's business, industry performance, the interest rate and regulatory environment and general business and economic conditions. For other factors that could cause actual results to differ please see the sections entitled "Risk Factors" and "Forward-Looking Statements" beginning on page [] and page [], respectively, of this joint proxy statement/prospectus.

The unaudited prospective financial information was not prepared with a view toward public disclosure, nor was it prepared with a view toward compliance with GAAP, published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. In addition, the unaudited prospective financial information requires significant estimates and assumptions that make it inherently less comparable to the similarly titled GAAP measures in North's historical GAAP financial statements. Neither North's independent registered public accounting firm, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the unaudited prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability.

Furthermore, the unaudited prospective financial information does not take into account any circumstances or events occurring after the date it was prepared. North can give no assurance that, had the unaudited prospective financial information been prepared either as of the date of the merger agreement or as of the date of this joint proxy statement/prospectus, similar estimates and assumptions would be used. North does not intend to make publicly available any update or other revision to the unaudited prospective financial information. The unaudited prospective financial information represents North's own evaluation of its potential future financial performance on a stand-alone basis, and does not take into account the possible financial and other effects of the merger and does not attempt to predict or suggest future results of the combined company. None of North or its affiliates, officers, directors, advisors or other representatives has made, makes or is authorized in the future to make any representation to any North stockholder, South shareholder or other person regarding North's ultimate performance compared to the information contained in the unaudited prospective financial information or that the projected results will be achieved. The summary of the unaudited prospective financial information included below is not being included to influence your decision whether to vote for the merger and the transactions contemplated in connection with the merger, but is being provided solely because it was considered in connection with the merger.

In light of the foregoing, and considering that the North and South special meetings will be held several months after the unaudited prospective financial information was prepared, as well as the uncertainties inherent in any forecasted information, North stockholders and South shareholders are cautioned not to place unwarranted reliance on such information, and North urges all stockholders to review North's most recent SEC filings for a description of North's reported financial results. See "Where You Can Find More Information" on page [] of this joint proxy statement/prospectus.

The following table presents selected North unaudited prospective financial data for the years 2014 through 2018:

	Year Ended December 31,				
	2014	2015	2016	2017	2018
	(dollars in millions, except earnings per share)				
Income Statement					
Net Interest Income	\$ 680.0	\$ 671.9	\$ 698.5	\$ 768.0	\$ 844.7
Noninterest Income	285.3	334.2	365.6	393.2	416.8
Noninterest Expense	814.6	827.5	837.9	853.0	867.9
Loan Loss Provisions	4.9	37.7	33.6	48.8	50.9
Net Income	93.4	89.5	122.4	164.8	217.7
Earnings Per Share	9.71	9.31	12.72	17.13	22.63
Balance Sheet					
Gross Loans	\$ 13,772.8	\$ 14,370.5	\$ 15,092.4	\$ 15,844.1	\$ 16,607.2
Total Assets	21,588.5	21,617.7	22,062.2	22,581.2	23,105.2
Deposits	17,884.1	17,898.2	18,132.1	18,399.4	18,673.0
Tangible Common Equity	2,040.2	2,119.5	2,231.0	2,384.6	2,591.0

Opinion of South's Financial Advisor

South has retained BofA Merrill Lynch to act as the South Committee's financial advisor in connection with the merger. BofA Merrill Lynch is an internationally recognized investment banking firm which is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. The South Committee selected BofA Merrill Lynch to act as the South Committee's financial advisor in connection with the merger on the basis of BofA Merrill Lynch's experience in transactions similar to the merger and its reputation in the investment community.

On June 10, 2014, at a meeting of the South Committee held to evaluate the merger, BofA Merrill Lynch delivered to the South Committee an oral opinion, which was confirmed by delivery of a written opinion dated June 10, 2014, to the effect that, as of the date of the opinion and based on and subject to various assumptions and limitations described in its opinion, the merger consideration to be received by the minority holders of South common stock who do not elect to receive North Class B common stock as part of the merger consideration in the merger was fair, from a financial point of view, to such minority holders of South common stock.

The full text of BofA Merrill Lynch's written opinion to the South Committee, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Appendix E to this document and is incorporated by reference herein in its entirety. The following summary of BofA Merrill Lynch's opinion is qualified in its entirety by reference to the full text of the opinion. BofA Merrill Lynch delivered its opinion to the South Committee for the benefit and use of the South Committee (in its capacity as such) in connection with and for purposes of its evaluation of the merger consideration to be received by the minority holders of South common stock who do not elect to receive North Class B common stock as part of the merger consideration in the merger from a financial point of view. BofA Merrill Lynch's opinion does not address any other aspect of the merger and no opinion or view was expressed as to the relative merits of the merger in comparison to other strategies or transactions that might be available to South or in which South might engage or as to the underlying business decision of South to proceed with or effect the merger. BofA Merrill Lynch's opinion does not address any other aspect of the merger and does not constitute a recommendation to any shareholder as to how to vote or act in connection with the proposed

merger or any related matter.

In connection with rendering its opinion, BofA Merrill Lynch:

- (i) reviewed certain publicly available business and financial information relating to South and North;
- (ii) reviewed certain internal financial and operating information with respect to the business, operations and prospects of South furnished to or discussed with BofA Merrill Lynch by the management of South, including certain financial forecasts relating to South prepared by the management of South, referred to herein as the South management forecasts ;
- (iii) reviewed certain internal financial and operating information with respect to the business, operations and prospects of North furnished to or discussed with BofA Merrill Lynch by the management of North, including certain financial forecasts relating to North prepared by the management of North, referred to herein as the North management forecasts , and such forecasts as adjusted by the management of South (such forecasts, as adjusted, the Adjusted North management forecasts), and discussed with the management of South its assessments as to the relative likelihood of achieving the future financial results reflected in the North management forecasts and the Adjusted North management forecasts;
- (iv) reviewed certain estimates as to the amount and timing of cost savings, revenue synergies and restructuring charges anticipated by the management of South to result from the merger, referred to herein as the synergies ;
- (v) discussed the past and current business, operations, financial condition and prospects of South with members of the senior managements of South and North, and discussed the past and current business, operations, financial condition and prospects of North with members of the senior managements of South and North;
- (vi) reviewed the potential pro forma financial impact of the merger on the future financial performance of North, including the potential effect on North's estimated earnings per share;
- (vii) reviewed the trading histories for South voting common stock and North common stock and a comparison of such trading histories with each other and with the trading histories of other companies BofA Merrill Lynch deemed relevant;
- (viii) compared certain financial and stock market information of South and North with similar information of other companies BofA Merrill Lynch deemed relevant;
- (ix) compared certain financial terms of the merger to financial terms, to the extent publicly available, of other transactions BofA Merrill Lynch deemed relevant;

- (x) reviewed the relative financial contributions of South and North to the future financial performance of the combined company on a pro forma basis;
- (xi) reviewed a draft, dated June 3, 2014, of the merger agreement; and
- (xii) performed such other analyses and studies and considered such other information and factors as BofA Merrill Lynch deemed appropriate.

In arriving at its opinion, BofA Merrill Lynch assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with it and relied upon the assurances of the managements of South and North that they were not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any material respect. With respect to the South management forecasts and the synergies, BofA Merrill Lynch was advised by the South Committee, and assumed, that they were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of South as to the future financial performance of South and the other matters covered thereby. With respect to the North management forecasts, BofA Merrill Lynch was advised by North, and assumed, with the consent of the South Committee, that they were reasonably prepared on bases reflecting the best currently available

estimates and good faith judgments of the management of North as to the future financial performance of North and other matters covered thereby. With respect to the Adjusted North management forecasts, BofA Merrill Lynch assumed, at the direction of the South Committee, that the management of South's review of and adjustments to the North management forecasts were reasonably performed and that the Adjusted North management forecasts reflect the best currently available estimates and good faith judgments of the management of South as to the future financial performance of North and BofA Merrill Lynch relied, at the direction of the South Committee, on the Adjusted North management forecasts for purposes of its analysis and opinion. BofA Merrill Lynch relied, at the direction of the South Committee, on the assessments of the management of South as to North's ability to achieve the synergies and was advised by the South Committee, and assumed, with the consent of the South Committee, that the synergies would be realized in the amounts and at the times projected.

BofA Merrill Lynch is not an expert in the evaluation of loan portfolios or allowances for losses with respect thereto and it was not requested to, and it did not, conduct a review of individual credit files or make an analysis of, nor did BofA Merrill Lynch express any opinion or view as to, the adequacy or sufficiency of South's or North's allowance for losses or any other matters with respect thereto. BofA Merrill Lynch was advised and therefore assumed that such allowances for losses for South and North were, and on a pro forma basis would be, in the aggregate appropriate to cover such losses. BofA Merrill Lynch did not make and was not provided with any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of South, North or any other entity, nor did it make any physical inspection of the properties or assets of South, North or any other entity and BofA Merrill Lynch assumed, with the consent of the South Committee, that there were no material undisclosed liabilities of or related to South, North or any other entity for which appropriate reserves or other provisions have not been made. BofA Merrill Lynch did not evaluate the solvency or fair value of South, North or any other entity under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. BofA Merrill Lynch assumed, at the direction of the South Committee, that the merger would be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the merger, no delay, limitation, restriction or condition, including any divestiture requirements or amendments or modifications, would be imposed that would have an adverse effect on South, North or any other entity or the merger (including the contemplated benefits of the merger). The South Committee advised BofA Merrill Lynch, and for purposes of its analysis and its opinion BofA Merrill Lynch assumed, at the direction of the South Committee, that the merger would qualify for federal income tax purposes as a reorganization under the provisions of Section 368(a) of the Internal Revenue Code of 1986, as amended. BofA Merrill Lynch further assumed, at the direction of the South Committee, that the final executed merger agreement would not differ in any material respect from the draft merger agreement reviewed by BofA Merrill Lynch.

BofA Merrill Lynch expressed no view or opinion as to any terms or other aspects or implications of the merger (other than the merger consideration to be received in the merger by the minority holders of South common stock who do not elect to receive North Class B common stock as part of the merger consideration in the merger to the extent expressly specified in its opinion), including, without limitation, the form or structure of the merger consideration or the merger or any terms, aspects or implications of any other agreement, arrangement or understanding entered into in connection with or related to the merger or otherwise. BofA Merrill Lynch was advised, and for purposes of its analysis and opinion assumed, at the direction of the South Committee, that certain of the holders of South common stock set forth in Section 3.25 of the South disclosure schedule (the Holding Family Holders) owning in the aggregate 40.87% of the outstanding South voting common stock informed the South Committee that such Holding Family Holders would not support an acquisition of all or any part of South by, or any alternative transaction involving South with, a party other than North. BofA Merrill Lynch was not requested to, and it did not, solicit indications of interest or proposals from third parties regarding a possible acquisition of all or any part of South or any alternative transaction involving South. BofA Merrill Lynch's opinion was limited to the fairness, from a financial point of view, of the merger consideration to be received in the merger by the minority holders of South common stock who do not elect to receive North Class B common stock as part of the merger consideration in the merger and no opinion or view was expressed with

respect to (i) any consideration received in connection with the merger by the holders of any class of securities, creditors or other constituencies of any party, (ii) the allocation of the merger consideration among the holders of South voting common stock and South nonvoting common stock, (iii) the allocation of the merger consideration as between holders of South common stock who receive North Class A common stock and cash, North Class A common stock and North Class B common stock or any combination thereof, (iv) the fairness of the election to receive North Class A common stock and North Class B common stock or the relative fairness of the merger consideration consisting of North Class A common stock and cash and the merger consideration consisting of North Class A common stock and North Class B common stock or (v) the value of the voting rights associated with the South voting common stock or the value of the voting rights associated with the North Class B common stock relative to the value of the voting rights associated with the North Class A common stock. In addition, no opinion or view was expressed with respect to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to any of the officers, directors or employees of any party to the merger, or class of such persons, relative to the merger consideration or otherwise. Furthermore, no opinion or view was expressed as to the relative merits of the merger in comparison to other strategies or transactions that might be available to South or in which South might engage or as to the underlying business decision of South to proceed with or effect the merger. In addition, BofA Merrill Lynch did not express any view or opinion with respect to, and relied, with the consent of the South Committee, upon the assessments of representatives of South regarding legal, regulatory, accounting, tax and similar matters relating to South, North or any other entity and the merger (including the contemplated benefits of the merger) as to which BofA Merrill Lynch understood that South obtained such advice as it deemed necessary from qualified professionals. BofA Merrill Lynch did not express any opinion as to what the value of North common stock actually would be when issued or the prices at which South common stock or North common stock would trade at any time, including following the announcement or consummation of the merger. Furthermore, BofA Merrill Lynch expressed no opinion or recommendation as to how any shareholder should vote or act or make any election in connection with the merger or any related matter, including, without limitation, whether such shareholder should make an election to receive North Class B common stock as part of the merger consideration in the merger. Except as described above, South imposed no other limitations on the investigations made or procedures followed by BofA Merrill Lynch in rendering its opinion.

BofA Merrill Lynch's opinion was necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to BofA Merrill Lynch as of, the date of its opinion. It should be understood that subsequent developments may affect its opinion, and BofA Merrill Lynch does not have any obligation to update, revise or reaffirm its opinion. The issuance of BofA Merrill Lynch's opinion was approved by BofA Merrill Lynch's Americas Fairness Opinion Review Committee.

The following represents a brief summary of the material financial analyses presented by BofA Merrill Lynch to the South Committee in connection with its opinion. **The financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses performed by BofA Merrill Lynch, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses performed by BofA Merrill Lynch. Considering the data set forth in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses performed by BofA Merrill Lynch.**

Financial Analyses.

Dividend Discount Analysis. BofA Merrill Lynch performed separate dividend discount analyses of South and North.

South. In performing a dividend discount analysis of South, BofA Merrill Lynch calculated the estimated present value of distributable cash flow that South was forecasted to generate during calendar years ending December 31, 2014 through December 31, 2018 based upon the South management forecasts and assuming a

target tangible common equity to tangible assets ratio of 8.0%. BofA Merrill Lynch then calculated terminal value ranges for South by applying an illustrative range of perpetuity growth rates of 3.0% to 4.0% to distributable cash flows, assuming a target tangible common equity to tangible asset ratio of 8.0%, and applying an illustrative range of discount rates of 11.75% to 14.00%, which resulted in an implied range of terminal value multiples of South's calendar year ending December 31, 2018 estimated earnings of 7.0x to 10.1x. The distributable cash flows and terminal values were discounted to present values using discount rates ranging from 11.75% to 14.00%, derived from the median beta of the selected peer group companies. This analysis indicated the following approximate implied per share equity value reference range for South, as compared to the implied per share merger consideration:

Implied Per Share Equity Value Reference Range for South based on:	Implied Per Share Merger Consideration
Dividend Discount Analysis	
\$697 - \$1,055	\$944.32

North. In performing a dividend discount analysis of North, BofA Merrill Lynch calculated the estimated present value of distributable cash flow that North was forecasted to generate during calendar years ending December 31, 2014 through December 31, 2018 based upon the Adjusted North management forecasts. BofA Merrill Lynch then calculated terminal value ranges for North by applying an illustrative range of perpetuity growth rates of 3.0% to 4.0% to distributable cash flows, assuming a target tangible common equity to tangible asset ratio of 8.0%, and applying an illustrative range of discount rates of 9.75% to 11.75%, which resulted in an implied range of terminal value multiples of South's calendar year ending December 31, 2018 estimated earnings of 9.4x to 14.4x. The distributable cash flows and terminal values were discounted to present values using discount rates ranging from 9.75% to 11.75%, derived from North's company beta. This analysis indicated the following approximate implied per share equity value reference range for North, as compared to the price per share of North Class A common stock as of the market close on June 2, 2014:

Implied Per Share Equity Value Reference Range for North based on:	North Class A Share Price
Dividend Discount Analysis: North's Company Beta	
\$181 - \$261	\$223.58

BofA Merrill Lynch performed an additional dividend discount analysis of North using an illustrative beta derived from the selected peer group companies. BofA Merrill Lynch calculated the estimated present value of distributable cash flow that North was forecasted to generate during calendar years ending December 31, 2014 through December 31, 2018 based upon the Adjusted North management forecasts. BofA Merrill Lynch then calculated terminal value ranges for North by applying an illustrative range of perpetuity growth rates of 3.0% to 4.0% to distributable cash flows, assuming a target tangible common equity to tangible asset ratio of 8.0%, and applying an illustrative range of discount rates of 10.75% to 13.00%, which resulted in an implied range of terminal value multiples of South's calendar year ending December 31, 2018 estimated earnings of 8.2x to 12.3x. The distributable cash flows and terminal values were discounted to present values using discount rates ranging from 10.75% to 13.00%, derived from the median beta of the selected peer group companies. This analysis indicated the following approximate implied per share equity value reference range for North, as compared to the price per share of North Class A common stock as of the market close on June 2, 2014:

Implied Per Share Equity Value Reference Range for North based on:	North Class A Share Price

Dividend Discount Analysis: Selected Peer Group Companies Beta

\$160 - \$224

\$223.58

Based on implied per share equity value reference ranges for South and North calculated as described above, these analyses indicated the following implied exchange ratio reference range, as compared to the implied exchange ratio equivalent provided for in the merger:

Implied Exchange Ratio Reference Ranges Based on:		Implied Exchange
Dividend Discount Analysis:	Dividend Discount Analysis:	Ratio Equivalent
North s Company Beta	Selected Peer Group Companies Beta	
2.6656x - 5.8321x	3.1035x - 6.5982x	4.2236x
		(4.00x + \$50.00 per share)

Other Factors.

In rendering its opinion, BofA Merrill Lynch also reviewed and considered other factors, including:

Selected Publicly Traded Companies Analysis – South. BofA Merrill Lynch reviewed publicly available financial and stock market information for South and the following 14 publicly traded commercial banks with \$5 to \$30 billion in total assets and headquarters in the Southeast:

Synovus Financial Corp.

First Horizon National Corporation

Hancock Holding Company

BankUnited, Inc.

BancorpSouth, Inc.

Trustmark Corporation

United Bankshares, Inc.

First Financial Holdings, Inc.

United Community Banks, Inc.

Home BancShares, Inc.

Capital Bank Financial Corp.

WesBanco, Inc.

Renasant Corporation

Pinnacle Financial Partners, Inc.

BofA Merrill Lynch reviewed, among other things, equity values of the selected companies, based on closing stock prices on June 2, 2014, as multiples of calendar years 2015 and 2016 estimated earnings per share, commonly referred to as EPS, and tangible book value per share, commonly referred to as TBV, as of March 31, 2014. The median calendar years 2015 and 2016 estimated EPS multiples observed for the selected peer companies were 14.6x and 12.9x, respectively, and the median tangible book value per share multiple as of March 31, 2014 observed for the selected peer companies was 1.38x. The selected peer companies used in the calculation of median multiples included Synovus Financial Corp., First Horizon National Corporation, Hancock Holding Company, BankUnited, Inc., BancorpSouth, Inc. United Community Banks, Inc. and Capital Bank Financial Corp. BofA Merrill Lynch then applied a selected range of multiples of calendar years 2015 and 2016 estimated EPS and tangible book value per share as of March 31, 2014 of 12.4x to 16.8x, 11.0x to 14.8x, and 1.17x to 1.59x, respectively, determined by applying a 15% discount and 15% premium to the median multiple of the selected peer companies, and discounted by a range of 30% - 45% based on the historical multiple differential

between the selected peer companies and South and North, to the corresponding data of South. Estimated financial data of the selected peer companies were based on public filings and other publicly available information. Estimated financial data of South were based on the South management forecasts. This analysis indicated the following approximate implied per share equity value reference ranges for South, as compared to the implied per share merger consideration (calculated as the value of 4.0 shares of North Class A common stock as of the market close on June 2, 2014 plus \$50.00 per share):

Implied Per Share Equity Value Reference Ranges for South			Implied Per Share Merger Consideration
2015E EPS	2016E EPS	TBV	
\$563 - \$969	\$583 - \$1,003	\$540 - \$930	\$944.32

Selected Publicly Traded Companies Analysis North. BofA Merrill Lynch reviewed publicly available financial and stock market information for North and the following 14 publicly traded commercial banks with \$5 to \$30 billion in total assets and headquarters in the Southeast:

Synovus Financial Corp.

First Horizon National Corporation

Hancock Holding Company

BankUnited, Inc.

BancorpSouth, Inc.

Trustmark Corporation

United Bankshares, Inc.

First Financial Holdings, Inc.

United Community Banks, Inc.

Home BancShares, Inc.

Capital Bank Financial Corp.

WesBanco, Inc.

Renasant Corporation

Pinnacle Financial Partners, Inc.

BofA Merrill Lynch reviewed, among other things, equity values of the selected companies, based on closing stock prices on June 2, 2014, as multiples of calendar years 2015 and 2016 estimated earnings per share, commonly referred to as EPS, and tangible book value per share, commonly referred to as TBV, as of March 31, 2014. The median calendar years 2015 and 2016 estimated EPS multiples observed for the selected peer companies were 14.6x and 12.9x, respectively, and the median tangible book value per share multiple as of March 31, 2014 observed for the selected peer companies was 1.38x. The selected peer companies used in the calculation of median multiples included Synovus Financial Corp., First Horizon National Corporation, Hancock Holding Company, BankUnited, Inc., BancorpSouth, Inc. United Community Banks, Inc. and Capital Bank Financial Corp. BofA Merrill Lynch then applied a selected range of multiples of calendar years 2015 and 2016 estimated EPS and tangible book value per share as of March 31, 2014 of 12.4x to 16.8x, 11.0x to 14.8x, and 1.17x to 1.59x, respectively, determined by applying a 15% discount and 15% premium to the median multiple of the selected peer companies, and discounted by a range of 30% - 45% based on the historical multiple differential between the selected peer companies and North and South, to the corresponding data of North. Estimated financial data of the selected peer companies were based on public filings and other publicly available information. Estimated financial data of North were based on the Adjusted North management forecasts. This

analysis indicated the following approximate implied per share equity value reference ranges for North, as compared to the price per share of North Class A common stock as of the market close on June 2, 2014:

Implied Per Share Equity Value Reference Ranges for North			North Class A Share Price
2015E EPS	2016E EPS	TBV	
\$63 - \$108	\$77 - \$133	\$132 - \$228	\$223.58

Based on implied per share equity value reference ranges for South and North calculated as described above, these analyses indicated the following implied exchange ratio reference ranges, as compared to the implied exchange ratio equivalent provided for in the merger (calculated as the implied per share merger consideration of \$944.32, divided by the closing price of \$223.58 of one share of North Class A common stock on June 2, 2014):

Implied Exchange Ratio Reference Ranges Based on:			Implied Exchange Ratio Equivalent
2015E EPS	2016E EPS	TBV	
5.2169x - 15.4683x	4.3978x - 13.0395x	2.3700x - 7.0270x	4.2236x (4.00x + \$50.00 per share)

No company used in this analysis is identical or directly comparable to South or North. Accordingly, an evaluation of the results of this analysis is not entirely mathematical. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading or other values of the companies to which South and North were compared.

Selected Precedent Transactions Analysis. BofA Merrill Lynch reviewed, to the extent publicly available, financial information relating to the following 15 selected transactions involving commercial banks with headquarters in the Southeast and a transaction value of at least \$75 million:

Announcement Date	Acquiror	Target
5/6/2014	Simmons First National Corporation	Community First Bancshares, Inc.
4/24/2014	Seacoast Banking Corporation of Florida	The BANKshares, Inc.
1/30/2014	Bank of the Ozarks, Inc.	Summit Bancorp, Inc.
1/29/2014	CenterState Banks, Inc.	First Southern Bancorp, Inc.
1/27/2014	Yadkin Financial Corporation	VantageSouth Bancshares, Inc.
7/30/2013	CenterState Banks, Inc.	Gulfstream Bancshares, Inc.
7/1/2013	First Federal Bancshares of Arkansas, Inc.	First National Security Company
6/25/2013	Home BancShares, Inc.	Liberty Bancshares, Inc.
6/10/2013	Union First Market Bankshares Corporation	StellarOne Corporation
2/20/2013	SCBT Financial Corporation	First Financial Holdings, Inc.
2/7/2013	Renasant Corporation	First M&F Corporation
5/14/2012	Park Sterling Corporation	Citizens South Banking Corporation
3/27/2012	Capital Bank Financial Corp.	Southern Community Financial Corporation

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12/16/2010 United Bankshares, Inc.

Centra Financial Holdings, Inc.

3/30/2009 Union Bankshares Corporation

First Market Bank, FSB

BofA Merrill Lynch reviewed transaction values, calculated as the purchase prices paid for the outstanding common stock of the target companies in the selected transactions as a multiple, to the extent publicly available, of the target company's tangible book value as of the most recent date publicly available prior to the announcement of the transaction. The overall low, median and high tangible book value multiples observed for the selected transactions were 0.96x, 1.38x and 1.80x, respectively. BofA Merrill Lynch then applied a selected range of tangible book value multiples of 0.96x to 1.59x, determined by taking the overall low and by applying a 15% premium to the median tangible book value multiple from the selected transactions, to South's tangible book value as of March 31, 2014. Estimated financial data of the selected transactions were based on public

filings and other publicly available information at the time of announcement of the relevant transaction. Estimated financial data of South were based on the South management forecasts. This analysis indicated the following approximate implied per share equity value reference ranges for South, as compared to the implied per share merger consideration:

Implied Per Share Equity Value Reference Range for South based on:	Implied Per Share Merger Consideration
Tangible Book Value	
\$804 - \$1,329	\$944.32

No company, business or transaction used in this analysis is identical or directly comparable to South or the merger. Accordingly, an evaluation of the results of this analysis is not entirely mathematical. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the acquisition or other values of the companies, business segments or transactions to which South and the merger were compared.

BofA Merrill Lynch also reviewed and considered the following information:

the historical trading prices and trading volumes of South voting common stock and North Class A common stock during the one-year period ended June 2, 2014;

the relationship between movements in South common stock and North Class A common stock during the three-year period ended June 2, 2014, including the daily ratio of the closing price of South common stock to the closing price of North Class A common stock during such period, and the average of this ratio calculated over various periods ended June 2, 2014; and

the relative contributions of South and North to the pro forma combined company based on calendar years 2014 to 2018 estimated earnings, dividend discount analyses, tangible book values and adjusted tangible book values for calendar year 2013 and the quarter ended March 31, 2014, based on the South management forecasts and the Adjusted North management forecasts.

Miscellaneous

As noted above, the discussion set forth above is a summary of the material financial analyses presented by BofA Merrill Lynch to the South Committee in connection with its opinion and is not a comprehensive description of all analyses undertaken by BofA Merrill Lynch in connection with its opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to partial analysis or summary description. BofA Merrill Lynch believes that its analyses summarized above must be considered as a whole. BofA Merrill Lynch further believes that selecting portions of its analyses and the factors considered or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying BofA Merrill Lynch's analyses and opinion. The fact that any specific analysis has been referred to in the summary above is not meant to indicate that such analysis was given greater weight than any other analysis referred to in the summary.

In performing its analyses, BofA Merrill Lynch considered industry performance, general business and economic conditions and other matters, many of which are beyond the control of South and North. The estimates of the future performance of South and North in or underlying BofA Merrill Lynch's analyses are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than those estimates or those suggested by BofA Merrill Lynch's analyses. These analyses were prepared solely as part of BofA Merrill Lynch's analysis of the fairness, from a financial point of view, of the merger consideration to be received by the minority holders of South common stock who do not elect to receive North Class B common stock as part of the merger consideration in the merger and were provided to the South Committee in connection

with the delivery of BofA Merrill Lynch's opinion. The analyses do not purport to be appraisals or to reflect the prices at which a company might actually be sold or the prices at which any securities have traded or may trade at any time in the future. Accordingly, the estimates used in, and the ranges of valuations resulting from, any particular analysis described above are inherently subject to substantial uncertainty and should not be taken to be BofA Merrill Lynch's view of the actual values of South or North.

The type and amount of consideration payable in the merger was determined through negotiations between South and North, rather than by any financial advisor, and was approved by South's board of directors. The decision to enter into the merger agreement was solely that of South's board of directors. As described above, BofA Merrill Lynch's opinion and analyses were only one of many factors considered by the South Committee in its evaluation of the proposed merger and should not be viewed as determinative of the views of the South Committee or management with respect to the merger or the merger consideration.

South has agreed to pay BofA Merrill Lynch for its services in connection with the merger an aggregate fee which is based on a percentage of the aggregate transaction value of the merger, which will be determined by the average closing price of North common stock for the five trading days immediately prior to the closing date. Based upon the trading price of North Class A common stock as of the market close on July 8, 2014, the aggregate fee is currently estimated to be approximately \$5 million, a portion of which was payable upon execution of BofA Merrill Lynch's engagement letter, a portion of which was payable upon the rendering of BofA Merrill Lynch's opinion, and a significant portion of which is contingent upon the consummation of the merger. South also has agreed to reimburse BofA Merrill Lynch for its expenses incurred in connection with BofA Merrill Lynch's engagement and to indemnify BofA Merrill Lynch, any controlling person of BofA Merrill Lynch and each of their respective directors, officers, employees, agents and affiliates against specified liabilities, including liabilities under the federal securities laws.

BofA Merrill Lynch and its affiliates comprise a full service securities firm and commercial bank engaged in securities, commodities and derivatives trading, foreign exchange and other brokerage activities, and principal investing as well as providing investment, corporate and private banking, asset and investment management, financing and financial advisory services and other commercial services and products to a wide range of companies, governments and individuals. In the ordinary course of their businesses, BofA Merrill Lynch and its affiliates invest on a principal basis or on behalf of customers or manage funds that invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions in the equity, debt or other securities or financial instruments (including derivatives, bank loans or other obligations) of South, North and certain of their respective affiliates.

BofA Merrill Lynch and its affiliates in the past have provided, currently are providing, and in the future may provide investment banking, commercial banking and other financial services to North and certain of its affiliates and have received or in the future may receive compensation for the rendering of these services, including (i) having acted or acting as a lender under certain letters of credit and leasing facilities of North and certain of its affiliates, (ii) having provided or providing certain foreign exchange and other trading services to North and certain of its affiliates, and (iii) having provided or providing certain treasury management services and products to North and certain of its affiliates. From June 1, 2012 through May 31, 2014, BofA Merrill Lynch and its affiliates received aggregate revenues from North and certain of its affiliates of approximately \$5 million for corporate, commercial and investment banking services.

Certain South Unaudited Prospective Financial Information

South does not as a matter of course make public projections as to future revenues, earnings or other financial results due to, among other reasons, the uncertainty of the underlying assumptions and estimates. However, South is including this unaudited prospective financial information to provide its shareholders access to information that was made available to the North Committee, the South Committee and South's financial advisors in connection with the

merger. This unaudited prospective financial information is referred to as the

South management forecasts in the section *Opinion of South's Financial Advisor*. The inclusion of this information should not be regarded as an indication that South or any of its representatives or any other recipient of this information considered, or now considers, it to be necessarily predictive of actual future results.

This information was prepared solely for internal use and is subjective in many respects. While presented with numeric specificity, the unaudited prospective financial information reflects numerous estimates and assumptions made with respect to business, economic, market and financial conditions and matters specific to South's business, all of which are difficult to predict and many of which are beyond South's control. South can give no assurance that the unaudited prospective financial information and the underlying estimates and assumptions will be realized. Further, since the unaudited prospective financial information covers multiple years, such information by its nature becomes less predictive and less reliable with each successive year. Actual results are likely to differ materially from those set forth below, and important factors that may affect actual results and cause the unaudited prospective financial information to be inaccurate include, but are not limited to, risks and uncertainties relating to South's business, industry performance, the interest rate and regulatory environment and general business and economic conditions. For other factors that could cause actual results to differ please see the sections entitled *Risk Factors* and *Cautionary Statement Concerning Forward-Looking Statements* beginning on page [] and page [], respectively, of this joint proxy statement/prospectus.

The unaudited prospective financial information was not prepared with a view toward public disclosure, nor was it prepared with a view toward compliance with GAAP, published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. In addition, the unaudited prospective financial information requires significant estimates and assumptions that make it inherently less comparable to the similarly titled GAAP measures in South's historical GAAP financial statements. Neither South's independent registered public accounting firm, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the unaudited prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability.

Furthermore, the unaudited prospective financial information does not take into account any circumstances or events occurring after the date it was prepared. South can give no assurance that, had the unaudited prospective financial information been prepared either as of the date of the merger agreement or as of the date of this proxy statement/prospectus, similar estimates and assumptions would be used. South does not intend to make publicly available any update or other revision to the unaudited prospective financial information. The unaudited prospective financial information represents South's own evaluation of its potential future financial performance on a stand-alone basis, and does not take into account the possible financial and other effects of the merger and does not attempt to predict or suggest future results of the combined company.

None of South or its affiliates, officers, directors, advisors or other representatives has made, makes or is authorized in the future to make any representation to any South shareholder, North stockholder or other person regarding South's ultimate performance compared to the information contained in the unaudited prospective financial information or that the projected results will be achieved. The summary of the unaudited prospective financial information included below is not being included to influence your decision whether to vote for the merger and the transactions contemplated in connection with the merger, but is being provided solely because it was considered in connection with the merger.

In light of the foregoing, and considering that the North and South special meetings will be held several months after the unaudited prospective financial information was prepared, as well as the uncertainties inherent in any forecasted information, South shareholders and North stockholders are cautioned not to place unwarranted reliance on such information.

The following table presents selected South unaudited prospective financial data for the years 2014 through 2018:

	Year Ended December 31,				
	2014	2015	2016	2017	2018
	(dollars in millions, except earnings per share)				
Income Statement					
Net interest income	\$ 203	\$ 225	\$ 241	\$ 275	\$ 307
Noninterest income	135	139	148	161	176
Noninterest expense	255	264	274	287	301
Pre-tax pre-provision income	83	100	115	149	182
Loan loss provisions	6	13	14	15	16
Net income	50	56	66	88	108
Earnings per share	73.25	82.45	96.62	128.09	157.84
Balance Sheet					
Cash and interest bearing balances with other banks	\$ 1,275	\$ 1,011	\$ 1,003	\$ 886	\$ 708
Securities	2,138	2,335	2,393	2,638	2,949
Gross loans	4,695	4,889	5,091	5,292	5,499
Assets	8,608	8,725	8,969	9,292	9,627
Deposits	7,363	7,497	7,675	7,909	8,150
Equity	798	853	918	1,004	1,111

Material U.S. Federal Income Tax Consequences of the Merger

The following discussion summarizes the anticipated material U.S. federal income tax consequences of the merger generally applicable to U.S. holders (as defined below) of South common stock. The following discussion is based on the Code, Treasury regulations issued under the Code, judicial decisions, and published administrative pronouncements of the Internal Revenue Service, all as in effect as of the date of this joint proxy statement/prospectus all of which are subject to differing interpretations and all of which are subject to change at any time, possibly with retroactive effect. Any such change could affect the continuing validity of the discussion. In addition, tax consequences arising under state, local and non-U.S. laws or under U.S. federal laws other than U.S. federal income tax laws, are not addressed in this joint proxy statement/prospectus.

The following discussion applies only to U.S. holders who hold shares of South common stock as a capital asset within the meaning of section 1221 of the Code (generally, property held for investment). Additionally, the discussion does not address all aspects of U.S. federal income taxation that may be applicable to South shareholders in light of their particular circumstances or to South shareholders who are subject to special treatment under U.S. federal income tax law, such as:

shareholders who are not U.S. persons;

financial institutions or insurance companies;

mutual funds;

tax-exempt organizations;

S corporations or other pass-through entities or investors in such entities;

regulated investment companies;

real estate investment trusts;

former citizens or residents of the United States;

dealers or brokers in securities or currencies other than the U.S. dollar;

persons who are subject to the alternative minimum tax provisions of the Code;

persons whose functional currency is not the U.S. dollar;

persons who hold shares of South common stock as part of a straddle, hedge, constructive sale or conversion transaction;

persons who acquired their shares of South common stock through individual retirement or other tax-deferred accounts;

traders in securities who elect to apply a mark-to-market method of accounting;

persons who are significant holders of shares of South capital stock within the meaning of Treasury Regulations Section 1.368-3;

persons who acquired their shares of South common stock pursuant to the exercise of employee stock options or otherwise as compensation; or

holders of shares of South common stock who exercise dissenting shareholders' rights.

For purposes of this section, the term U.S. holder means a beneficial owner of South common stock that for United States federal income tax purposes is:

a citizen or resident of the United States;

a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate that is subject to U.S. federal income tax on its income regardless of its source; or

a trust, the substantial decisions of which are controlled by one or more U.S. persons and which is subject to the primary supervision of a U.S. court, or a trust that validly has elected under applicable Treasury regulations to be treated as a U.S. person for U.S. federal income tax purposes.

If a partnership (including any entity or arrangement, domestic or foreign, that is treated as a partnership for U.S. federal income tax purposes) holds shares of South common stock, the tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. Partnerships and partners in such a partnership should consult their tax advisors about the tax consequences of the merger to them.

Holders of shares of South common stock are strongly urged to consult with their own tax advisors regarding the tax consequences of the merger to them, including the effects of U.S. federal, state, local, non-U.S. and other tax laws.

Tax Consequences of the Merger, Generally

North and South intend for the merger to qualify as a reorganization within the meaning of section 368(a) of the Code. It is a condition to North's obligation to complete the merger that North receive an opinion from Smith, Anderson, Blount, Dorsett, Mitchell & Jernigan, L.L.P., dated the closing date of the merger, that the merger will qualify as a reorganization within the meaning of section 368(a) of the Code. It is a condition to South's obligation to complete the merger that South receive an opinion from Haynsworth Sinkler Boyd, P.A., dated the closing date of the merger, that the merger will qualify as a reorganization within the meaning of section 368(a) of the Code.

These opinions will be subject to customary qualifications and assumptions, including assumptions regarding the absence of changes in existing facts and law and the completion of the merger in the manner contemplated by the merger agreement and the registration statement. In rendering their tax opinions, each counsel will rely upon representations and covenants, including those contained in representation letters from South and North, reasonably satisfactory in form and substance to each such counsel, and will assume that these representations will be true, correct and complete without regard to any knowledge limitation, and that these

covenants will be complied with. If any of those representations, covenants or assumptions is inaccurate, tax counsel may be unable to render the required opinion and the merger may not be completed or the tax consequences of the merger could differ from those discussed here. An opinion of counsel represents counsel's best legal judgment and is not binding on the IRS or any court, nor does it preclude the Internal Revenue Service from adopting a contrary position. North and South have not sought and will not seek any ruling from the Internal Revenue Service regarding any matters relating to the merger, and as a result, there can be no assurance that the Internal Revenue Service will not assert, or that a court would not sustain, a position contrary to any of the conclusions set forth below.

The discussion set forth below under *Consequences to North and South* and *Consequences to Holders of South Common Stock* assumes that the merger qualifies as a reorganization within the meaning of section 368(a) of the Code for U.S. federal income tax purposes.

Consequences to North and South

Each of North and South will be a party to the merger within the meaning of section 368(b) of the Code, and neither North nor South will recognize any gain or loss as a result of the merger.

Consequences to Holders of South Common Stock

The U.S. federal income tax consequences of the merger to a U.S. holder of South common stock generally will depend on whether the U.S. holder exchanges its South common stock for a combination of North common stock and cash or solely for North common stock.

Exchange of South Common Stock for North Common Stock and Cash

A U.S. holder of shares of South common stock who exchanges such shares in the merger for a combination of North common stock and cash (other than cash received in lieu of a fractional share of North common stock) will not be permitted to recognize any loss for U.S. federal income tax purposes (other than as described below under *Cash in Lieu of Fractional Shares*). If such a U.S. holder has any realized gain on the exchange of its South common stock for North common stock and cash, it will be required to recognize gain in amount equal to the lesser of (i) the amount of such U.S. holder's realized gain and (ii) the amount of cash received by the U.S. holder (other than cash received in lieu of a fractional share of North common stock). (Such gain would be in addition to any gain required to be recognized as described below under *Cash in Lieu of Fractional Shares*.) The amount of such a U.S. holder's realized gain will equal the sum of the amount of cash received by such U.S. holder (other than cash received in lieu of a fractional share of North common stock) and the fair market value of the North common stock received by such U.S. holder (including any fractional share of North common stock that such U.S. holder is treated as receiving as described below under *Cash in Lieu of Fractional Shares*), minus such U.S. holder's adjusted tax basis in its shares of South common stock.

If a U.S. holder of shares of South common stock acquired different blocks of South common stock at different times or different prices, any gain or loss will be determined separately with respect to each block of South common stock. A loss realized on the exchange of one block of shares cannot be used to offset a gain realized on the exchange of another block of shares. Any such U.S. holders should consult their tax advisors regarding the manner in which cash and North common stock received in the exchange should be allocated among different blocks of South common stock and with respect to identifying the bases or holding periods of the particular shares of North common stock received in the merger.

Except to the extent treated as a dividend as discussed below, any recognized gain generally will be long-term capital gain if, as of the effective date of the merger, the U.S. holder's holding period with respect to the shares of South common stock exchanged for North common stock and cash in the merger exceeds one year. Long-term capital gain

of certain non-corporate taxpayers, including individuals, is generally taxed at preferential rates. The deductibility of capital losses is subject to limitations.

In some cases, if the U.S. holder actually or constructively owns North common stock other than North common stock received in the transaction, the recognized gain could be treated as having the effect of the distribution of a dividend under the tests described in section 302 of the Code, in which case such gain would be treated as dividend income to the extent of such U.S. holder's ratable share of accumulated earnings and profits of South (as calculated for U.S. federal income tax purposes). Because the possibility of dividend treatment depends upon each U.S. holder's particular circumstances, including the application of constructive ownership rules, U.S. holders should consult their tax advisors regarding the application of the foregoing rules. U.S. holders that are corporations should consult their tax advisors regarding the potential applicability of the extraordinary dividend provisions of the Code.

The aggregate tax basis of the North common stock received (including any fractional share interests deemed received and redeemed for cash as described below under *Cash in Lieu of Fractional Shares*) by a U.S. holder that exchanges its shares of South common stock for a combination of North common stock and cash as a result of the merger will be the same as the aggregate tax basis of the shares of South common stock exchanged by such U.S. holder, reduced by the amount of cash received on the exchange (excluding cash received in lieu of a fractional share of North common stock) plus the amount of any gain or dividend income recognized upon the exchange (excluding any gain recognized as a result of any cash received in lieu of a fractional share of North common stock). The holding period of the North common stock received (including any fractional shares deemed received and redeemed for cash as described below under *Cash in Lieu of Fractional Shares*) will include the holding period of the shares of South common stock exchanged by the U.S. holder in the merger. U.S. holders who acquired different blocks of shares of South common stock at different times or at different prices should consult their tax advisors with regard to identifying the bases or holding periods of the particular shares of North common stock received in the merger.

Exchange of South Common Stock Solely for North Common Stock

U.S. holders of shares of South common stock who exchange all of their shares of South common stock in the merger solely for North common stock will not recognize income, gain or loss for U.S. federal income tax purposes, except as discussed below with respect to cash received in lieu of a fractional share of North common stock.

The aggregate tax basis of the North common stock received (including any fractional share interests deemed received and redeemed for cash as described below under *Cash in Lieu of Fractional Shares*) by a U.S. holder that exchanges its shares of South common stock solely for North Common Stock as a result of the merger will be the same as the aggregate tax basis of the shares of South common stock exchanged by such U.S. holder. The holding period of the North common stock received (including any fractional share deemed received and redeemed for cash as described below under *Cash in Lieu of Fractional Shares*) will include the holding period of the shares of South common stock exchanged by the U.S. holder in the merger. U.S. holders who acquired different blocks of shares of South common stock at different times or at different prices should consult their tax advisors with regard to identifying the bases or holding periods of the particular shares of North common stock received in the merger.

Cash in Lieu of Fractional Shares

A U.S. holder of South common stock who receives cash in lieu of a fractional share of North common stock in the merger will be treated as having received such fractional share in the merger and then as having received the cash in redemption of such fractional share. As a result, such a U.S. holder should generally recognize capital gain or loss equal to the difference between the amount of the cash received instead of the fractional share of stock and the stockholder's tax basis allocable to such fractional share of stock. The capital gain or loss will be long-term capital gain or loss if the holding period for shares of South common stock exchanged for cash instead of the fractional share of North common stock is more than one year as of the effective date of the merger. Long-term capital gain of certain non-corporate taxpayers, including individuals, is generally taxed at preferential rates. The deductibility of capital losses is subject to limitations.

Continuity of Proprietary Interest Requirement; Merger as a Taxable Exchange

One of the requirements that must be satisfied in order for the merger to qualify as a reorganization under section 368(a) of the Code is the continuity of proprietary interest requirement. The merger will satisfy this requirement if South shareholders exchange a substantial portion of the value of their proprietary interests in South for proprietary interests in North. The merger will satisfy the continuity of proprietary interest requirement if the value of the North common stock that South shareholders receive upon the merger is equal to at least 40% of the fair market value of the total consideration received in the merger by South shareholders.

If the merger is not treated as a reorganization within the meaning of section 368(a) of the Code, then each U.S. holder would recognize gain or loss equal to the difference between the sum of the fair market value of the North common stock and the total amount of cash received in the merger (including any cash consideration and any cash received in lieu of a fractional share) and such holder's adjusted tax basis in its shares of South common stock exchanged in the merger for North common stock and cash consideration.

Additional Medicare Tax

U.S. holders that are individuals, trusts or estates and whose modified adjusted gross income (or adjusted gross income in the case of a trust or estate) exceeds certain thresholds generally will be subject to an additional 3.8% tax with regard to dividends on and net gains from the disposition of South common stock pursuant to the merger. U.S. holders of South common stock should consult their tax advisors regarding the applicability of this tax.

Backup Withholding and Reporting Requirements

U.S. holders of shares of South common stock, other than certain exempt recipients, may be subject to information reporting and backup withholding at a rate of 28% with respect to any cash payment received in the merger. However, backup withholding will not apply to any U.S. holder that either (i) furnishes a correct taxpayer identification number and certifies that it is not subject to backup withholding or (ii) otherwise proves to North and its exchange agent that the U.S. holder is exempt from backup withholding. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or credit against the U.S. holder's U.S. federal income tax liability, provided that the U.S. holder timely furnishes the required information to the Internal Revenue Service.

In addition, U.S. holders of shares of South common stock are required to retain permanent records and make such records available to any authorized Internal Revenue Service officers and employees. The records should include the number of shares of South common stock exchanged, the number of shares of North Class A common stock, or North Class A common stock and North Class B common stock, received therefor, the fair market value and tax basis of shares of South common stock exchanged and the U.S. holder's tax basis in the North Class A common stock, or the North Class A common stock and the North Class B common stock, received.

The discussion of material U.S. federal income tax consequences set forth above is not intended to be a complete analysis or description of all potential U.S. federal income tax consequences of the merger. Moreover, the discussion set forth above does not address tax consequences that may vary with, or are contingent upon, individual circumstances. In addition, the discussion set forth above does not address any non-income tax or any non-U.S., state or local tax consequences of the merger and does not address the tax consequences of any transaction other than the merger.

THE FOREGOING SUMMARY IS NOT A SUBSTITUTE FOR AN INDIVIDUAL ANALYSIS OF THE TAX CONSEQUENCES OF THE MERGER TO YOU. WE URGE YOU TO CONSULT A TAX ADVISOR REGARDING THE PARTICULAR U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF THE MERGER TO YOU.

Accounting Treatment

In accordance with current accounting guidance, the merger will be accounted for using the acquisition method of accounting, which requires (i) the recorded assets and liabilities of North to be carried forward at their recorded amounts, (ii) North's historical operating results to be unchanged for the prior periods being reported on and (iii) the assets and liabilities of South to be adjusted to fair value at the date of the merger. In addition, all identified intangibles will be recorded at fair value and included as part of the net assets acquired. The amount by which the purchase price, consisting of the value of shares of North Class A common stock and cash to be issued to former South shareholders and cash to be paid in lieu of fractional shares, exceeds the fair value of the net assets including identifiable intangibles of South at the merger date will be reported as goodwill. In accordance with current accounting guidance, goodwill at the merger date will be reported as goodwill, will not be amortized and will be evaluated for impairment annually. Identifiable intangibles will be amortized over their estimated lives. Further, the acquisition method of accounting results in the operating results of South being included in the operating results of North beginning from the date of completion of the merger.

Regulatory Approvals

Under the federal Bank Holding Company Act of 1956, as amended, and Regulation Y promulgated under that Act, the merger must be approved by the Board of Governors of the Federal Reserve System (the FRB). Also, under applicable state banking laws in South Carolina and North Carolina, the merger must be approved by the South Carolina State Board of Financial Institutions and the North Carolina Commissioner of Banks. Under the Federal Deposit Insurance Act (FDIA) and applicable state banking laws in South Carolina and North Carolina, the bank merger must be approved by the FDIC, the South Carolina State Board of Financial Institutions, the North Carolina Commissioner of Banks and the North Carolina State Banking Commission. Completion of the merger is conditioned on receipt of each of those required approvals and the expiration of required waiting periods following receipt of the approvals of the FRB and FDIC. In addition to approval by the above banking regulators, certain notices to and/or approvals by regulatory agencies having jurisdiction over subsidiaries of South Bank that hold various insurance and securities licenses will be required in connection with the bank merger.

As of the date of this joint proxy statement/prospectus, all of the required regulatory applications for the required approvals of all of the above banking regulators have been filed and are pending. There is no assurance as to whether all regulatory approvals will be obtained or as to the dates of the approvals. There also can be no assurance that the regulatory approvals received will not contain any condition that would increase any of the minimum regulatory capital requirements of North following the bank merger or that otherwise are materially burdensome. Under the terms of the merger agreement, in connection with obtaining required regulatory approvals neither North nor South is obligated to take or commit to take any action, or agree to any condition or restriction, that would reasonably be expected to have a material adverse effect on North, as the surviving company in the merger, and its subsidiaries, taken as a whole. See *The Merger Agreement Conditions to Completion of the Merger* beginning on page [] of this joint proxy statement/prospectus.

Appraisal Rights of Holders of North Class B Common Stock

Any holder of North Class B common stock wishing to seek appraisal for his, her or its shares of North Class B common stock is urged to consult legal counsel before attempting to exercise appraisal rights. Failure to comply strictly with all of the procedures set forth in Section 262 of the DGCL (Section 262) may result in the loss of a stockholder's statutory appraisal rights.

The following discussion is a summary of Section 262, which sets forth the procedures for holders of North Class B common stock to dissent from the merger and to seek appraisal for their shares under the DGCL. The following discussion is not a complete statement of the provisions of the DGCL relating to the rights of North stockholders to

receive payment of the fair value of their shares and does not create any rights for stockholders. The only rights of stockholders are those provided by Section 262, the full text of which is provided in its entirety

as Appendix B to this joint proxy statement/prospectus. The following summary does not constitute any legal or other advice, nor does it constitute a recommendation that stockholders exercise their appraisal rights under Section 262. Unless otherwise required by context, all references in Section 262 and in this section to a stockholder are to the holder of record or the beneficial owner of the shares of North Class B common stock as to which appraisal rights are asserted.

Under Section 262, as more fully described below, if the merger is consummated, holders of North Class B common stock have the right to seek appraisal of their shares of North Class B common stock and to receive payment in cash for the fair value of such shares, exclusive of any element of value arising from the accomplishment or expectation of the merger, as determined by the Delaware Court of Chancery, together with interest, if any, to be paid upon the amount determined to be fair value. The fair value of shares of North Class B common stock as determined by the Delaware Court of Chancery may be more or less than, or the same as, the price for such shares in an arm's length transaction. These rights are known as appraisal rights. Holders of North Class B common stock who elect to exercise appraisal rights must not vote FOR the North merger proposal and must comply with the provisions of Section 262 to perfect their rights. Strict compliance with the statutory procedures in Section 262 is required. A holder of North Class B common stock who wishes to exercise appraisal rights, or preserve the ability to do so, must not sign and deliver a proxy card approving the merger, or sign and deliver a proxy card without indicating a decision on the North merger proposal. Any proxy card returned without indicating a decision on the North merger proposal will be counted as approving the North merger proposal.

Must Not Vote FOR the North Merger Proposal

In order to demand appraisal rights, you must not vote FOR the North merger proposal. Proxy cards that are signed and delivered without indicating a decision on the North merger proposal will be counted as approving the North merger proposal, which will also eliminate any appraisal rights. As described below, holders of North Class B common stock wishing to assert appraisal rights must also continue to hold their shares through the effective time of the merger.

Provide Written Notice of Intent to Demand Payment

If a holder of North Class B common stock elects to demand appraisal of his, her, or its shares of North Class B common stock, the holder must deliver to North a written demand for appraisal prior to the vote on the North merger proposal at the North special meeting. Any such written notices should be addressed to: Corporate Secretary, First Citizens BancShares, Inc., 4300 Six Forks Road, Raleigh, North Carolina 27609.

A holder of shares of North Class B common stock wishing to exercise appraisal rights must hold of record the shares of North Class B common stock on the date the written demand for appraisal is made and must continue to hold such shares of record through the effective time of the merger, because appraisal rights will be lost if the shares of North Class B common stock are transferred prior to the effective time. If you are not the stockholder of record, you will need to follow special procedures as discussed further below.

If the record holder fails to comply with all of the conditions required by Section 262 to perfect appraisal rights, and the merger is completed, the record holder (assuming that the record holder holds the subject shares through the effective date of the merger) will have no appraisal rights with respect to such shares.

In order to satisfy Section 262, a demand for appraisal in respect of shares of North Class B common stock must reasonably inform North of the identity of the stockholder of record and the stockholder's intent to seek appraisal rights. The demand should be executed by or on behalf of the holder of record, fully and correctly, as the holder's name appears on the holder's stock certificates, should specify the holder's name and mailing address and the number of shares registered in the holder's name and must state that the person intends thereby to demand appraisal of the holder's

shares in connection with the merger. The demand cannot be made by the beneficial owner if he or she does not also hold the shares of North Class B common stock of record. The

beneficial holder must, in such cases, have the registered owner, such as a broker or other nominee, submit the required demand in respect of those shares of North Class B common stock. If the shares of North Class B common stock are held through a broker or other nominee and the beneficial owners wishes to exercise appraisal rights, the beneficial owners should consult with his, her or its broker or the other nominee to determine the appropriate procedures for the making of a demand for appraisal by the nominee.

If shares of North Class B common stock are owned of record by a person other than the beneficial owner, including a broker or other nominee, a demand for appraisal must be executed by or for such record holder. If the shares of North Class B common stock are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or for all joint owners. An authorized agent, including an authorized agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record holder or owners and expressly disclose the fact that, in executing the demand, he or she is acting as agent for the record holder. If a stockholder holds shares of North Class B common stock through a broker who in turn holds the shares through a central securities depository nominee such as Cede & Co. (the nominee for The Depository Trust Company), a demand for appraisal of such shares must be made by or on behalf of the depository nominee and must identify the depository nominee as a record holder. A record holder, such as a broker, who holds shares of North Class B common stock as a nominee for others, may exercise his or her right of appraisal with respect to the shares of North Class B common stock held for one or more beneficial owners, while not exercising this right for other beneficial owners. In that case, the written demand should state the number of shares of North Class B common stock as to which appraisal is sought. Where no number of shares of North Class B common stock is expressly mentioned, the demand will be presumed to cover all shares of North Class B common stock held in the name of the record holder.

Withdrawal of Appraisal Demand

At any time within 60 days after the effective time of the merger, any stockholder who has not commenced an appraisal proceeding or joined a proceeding as a named party may withdraw the demand by delivering to North a written withdrawal of the demand for appraisal. However, any such attempt to withdraw the demand made more than 60 days after the effective time of the merger will require written approval of North. Unless the demand is properly withdrawn by the stockholder within 60 days after the effective date of the merger, no appraisal proceeding in the Delaware Court of Chancery will be dismissed as to any stockholder without the approval of the Delaware Court of Chancery, and such approval may be conditioned upon such terms as the Delaware Court of Chancery deems just. If North does not approve a request to withdraw a demand for appraisal when that approval is required, or if the Delaware Court of Chancery does not approve the dismissal of an appraisal proceeding, the stockholder will be entitled to receive only the appraised value determined in any such appraisal proceeding, which value could be less than, equal to or more than the price such stockholder could obtain in an arm's length transaction.

Appraisal Proceeding

Within 120 days after the effective time of the merger, but not thereafter, either North or any stockholder who has complied with the requirements of Section 262 and is entitled to appraisal rights under Section 262 may commence an appraisal proceeding by filing a petition in the Delaware Court of Chancery demanding a determination of the fair value of the shares of North Class B common stock held by all stockholders entitled to appraisal. Upon the filing of such a petition by a stockholder, service of a copy of such petition will be made upon North. North has no present intent to file such a petition and has no obligation to cause such a petition to be filed, and stockholders should not assume that North will file a petition. Accordingly, the failure of a stockholder to file such a petition within the period specified could nullify the stockholder's previous written demand for appraisal. In addition, within 120 days after the effective time of the merger, any stockholder who has properly filed a written demand for appraisal and who did not vote in favor of the North merger proposal, upon written request, will be entitled to receive from North, a statement setting forth the aggregate number of shares of North Class B common stock not voted in favor of the North merger proposal and with respect to which demands for

appraisal have been received and the aggregate number of holders of such shares. The statement must be mailed within 10 days after such written request has been received by North. A person who is the beneficial owner of shares of North Class B common stock held either in a voting trust or by a nominee on behalf of such person may, in such person's own name, file a petition for appraisal or request from North such statement.

If a petition for appraisal is duly filed by a stockholder and a copy of the petition is delivered to North, then North will be obligated, within 20 days after receiving service of a copy of the petition, to file with the Delaware Register in Chancery a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares of North Class B common stock and with whom agreements as to the value of their shares of North Class B common stock have not been reached. After notice to stockholders who have demanded appraisal, if such notice is ordered by the Delaware Court of Chancery, the Delaware Court of Chancery is empowered to conduct a hearing upon the petition and to determine those stockholders who have complied with Section 262 and who have become entitled to the appraisal rights provided by Section 262. The Delaware Court of Chancery may require stockholders who have demanded payment for their shares of North Class B common stock and who hold stock represented by certificates to submit their stock certificates to the Register in Chancery for notation of the pendency of the appraisal proceedings; and if any stockholder fails to comply with that direction, the Delaware Court of Chancery may dismiss the proceedings as to that stockholder.

After determination of the stockholders entitled to appraisal of their shares of North Class B common stock, the Delaware Court of Chancery will appraise the shares of North Class B common stock, determining their fair value as of the effective time after taking into account all relevant factors exclusive of any element of value arising from the accomplishment or expectation of the merger, together with interest, if any, to be paid upon the amount determined to be the fair value. When the value is determined, the Delaware Court of Chancery will direct the payment of such value upon surrender by those stockholders of the certificates representing their shares of North Class B common stock. Unless the Court in its discretion determines otherwise for good cause shown, interest from the effective date of the merger through the date of payment of the judgment will be compounded quarterly and will accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective time of the merger and the date of payment of the judgment.

No representation is made as to the outcome of the appraisal of fair value as determined by the Court and stockholders should recognize that such an appraisal could result in a determination of a value higher or lower than, or the same as, the price that could be obtained in an arm's length transaction.

Fair Value

In determining fair value, the Delaware Court of Chancery is required to take into account all relevant factors. In *Weinberger v. UOP, Inc.*, the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that "proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered and that fair price obviously requires consideration of all relevant factors involving the value of a company." The Delaware Supreme Court has stated that in making this determination of fair value the court must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts that could be ascertained as of the date of the merger which throw any light on future prospects of the merged corporation. Section 262 provides that fair value is to be "exclusive of any element of value arising from the accomplishment or expectation of the merger." In *Cede & Co. v. Technicolor, Inc.*, the Delaware Supreme Court stated that such exclusion is a "narrow exclusion that does not encompass known elements of value, but which rather applies only to the speculative elements of value arising from such accomplishment or expectation. In *Weinberger*, the Delaware Supreme Court construed Section 262 to mean that "elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered."

Costs of Appraisal Proceedings

Costs of the appraisal proceeding (which do not include attorneys' fees or the fees and expenses of experts) may be determined by the Delaware Court of Chancery and imposed upon North and the stockholders participating in the appraisal proceeding by the Delaware Court of Chancery, as it deems equitable in the circumstances. Each stockholder seeking appraisal is responsible for his or her attorneys' and expert witness expenses, although, upon the application of a stockholder, the Delaware Court of Chancery may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts used in the appraisal proceeding, to be charged pro rata against the value of all shares of North Class B common stock entitled to appraisal. Any stockholder who duly demanded appraisal in compliance with Section 262 will not, after the effective time of the merger, be entitled to vote shares of North Class B common stock subject to that demand for any purpose or to receive payments of dividends or any other distribution with respect to those shares of North Class B common stock, other than with respect to payment as of a record date prior to the effective time of the merger. However, if no petition for appraisal is filed within 120 days after the effective time, or if the stockholder otherwise fails to perfect his, her or its appraisal rights, successfully withdraws his, her or its demand for appraisal or loses his, her or its right to appraisal, then the right of that stockholder to appraisal will cease.

Dissenters' Rights of South's Shareholders

Any South shareholder wishing to exercise dissenters' rights is urged to consult legal counsel before attempting to exercise dissenters' rights. Failure to comply strictly with all of the procedures set forth in Chapter 13 of the South Carolina Business Corporation Act (the "SCBCA"), which consists of Sections 33-13-101 through 33-13-310, may result in the loss of a shareholder's statutory dissenters' rights. In such case, such shareholder will be entitled to receive only the merger consideration under the merger agreement.

The following discussion is a summary of Sections 33-13-101 through 33-13-310 of the SCBCA, which set forth the procedures for South shareholders to dissent from the proposed merger and to demand statutory dissenters' rights under the SCBCA. The following discussion is not a complete statement of the provisions of the SCBCA relating to the rights of South shareholders to receive payment of the fair value of their shares and does not create any rights for shareholders. The only rights of shareholders are those provided by Sections 33-13-101 through 33-13-310 of the SCBCA, the full text of which is provided in its entirety as Appendix C to this joint proxy statement/prospectus. The following summary does not constitute any legal or other advice, nor does it constitute a recommendation that shareholders exercise their dissenters' rights under Sections 33-13-101 through 33-13-310 of the SCBCA. Unless otherwise required by context, all references in Sections 33-13-101 to 33-13-310 of the SCBCA and in this section to a shareholder are to the holder of record or the beneficial owner of the shares of South common stock as to which dissenters' rights are asserted.

Chapter 13 of the SCBCA provides South shareholders who (i) give South written notice, before the vote on the proposal to approve the merger agreement, of their intent to demand payment for their shares if the merger is effectuated and (ii) do not vote FOR the approval of the merger with the right, subject to compliance with the requirements summarized below, to dissent and demand the payment of, and be paid in cash, the fair value of the South shares owned by such shareholders as of the South record date. In accordance with Chapter 13 of the SCBCA, the fair value of South dissenters' shares will be their value determined immediately prior to effectuation of the merger, exclusive of any appreciation or depreciation in the value of the shares in anticipation of the merger. The value of the shares is to be determined by techniques that are accepted generally in the financial community and may be more or less than the merger consideration.

Even though a shareholder who wishes to exercise dissenters' rights may be required to take certain actions following the South special meeting to perfect his, her or its dissenters' rights, if the merger is abandoned, no South shareholder will have the right to any payment from South. The following discussion is subject to the foregoing qualifications.

Provide Written Notice of Intent to Demand Payment

Any South shareholder who desires to exercise dissenters' rights must give to South, before the vote on the South merger proposal at the South special meeting, written notice of his, her or its intent to demand payment for his, her or its shares if the merger is effectuated (this notice must be in addition to and separate from any proxy or vote against the merger proposal; neither voting against, abstaining from voting, nor failing to vote on the merger proposal will constitute a notice within the meaning of the SCBCA). Any such written notices should be addressed to: Corporate Secretary, First Citizens Bancorporation, Inc., 1230 Main Street, Columbia, South Carolina 29201. The notice must be executed by the holder of record or the beneficial owner of the shares of South common stock as to which dissenters' rights are to be exercised. A written notice is effective at the earliest of: (i) when it is received; (ii) five days after its deposit in the U.S. mail, as evidenced by the postmark, if mailed postpaid and correctly addressed; or (iii) on the date shown on the return receipt, if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the addressee.

A beneficial owner may assert dissenters' rights only if he, she or it dissents with respect to all shares of South common stock of which he, she or it is the beneficial owner or over which he, she or it has power to direct the vote. A beneficial owner asserting dissenters' rights to shares held on his, her or its behalf shall notify South in writing of the name and address of the record shareholder of the shares, if known to him, her or it. A record shareholder of South common stock may exercise dissenters' rights with respect to fewer than all the shares registered in his, her or its name only if he, she or it dissents with respect to all shares of South common stock beneficially owned by any one person. In such case, the notice submitted by the record shareholder must set forth the name and address of each person on whose behalf the record owner is asserting dissenters' rights.

Not Vote FOR the South Merger Proposal

Any South shareholder who desires to exercise dissenters' rights must not have voted his, her or its shares FOR the South merger proposal. However, a vote in favor of the South merger proposal cast by the holder of a proxy solicited by South will not disqualify such shareholder from demanding payment for his, her or its shares under Chapter 13 of the SCBCA.

Notice of Approval by South

If the South merger proposal is approved by the South shareholders and the North merger proposal is approved by the North stockholders and the merger is consummated, within 10 days after the merger is consummated, North, as successor by merger to South, is required to provide to those South shareholders who have provided prior written notice of their intent to demand payment for their shares and who have not voted FOR approval of the South merger proposal, a written dissenters' notice. Such dissenters' notice will state where your payment demand must be sent and where certificates for shares of South common stock must be deposited; inform holders of uncertificated shares to what extent transfer of the shares is to be restricted after the payment demand is received; supply a form containing certain statutory information for demanding payment; set a date by which North must receive your payment demand (not fewer than 30 days nor more than 60 days after the dissenters' notice is delivered) and a date by which certificates for certificated shares must be deposited (not earlier than 20 days after the demand date); and include a copy of Chapter 13 of the SCBCA.

Written Demand for Payment and Depositing of Shares

If you receive a dissenters' notice, you must demand payment, certify whether you (or the beneficial shareholder on whose behalf you are asserting dissenters' rights) acquired beneficial ownership of the shares before the date set forth in the dissenters' notice, and deposit your share certificates in accordance with the terms of the dissenters' notice. If you demand payment and deposit your share certificates, you retain all other rights of a shareholder until these rights are

canceled or modified by the merger. If you do not demand payment or deposit your share certificates where required, each by the date set in the dissenters notice, you are not entitled to payment

for your shares under the SCBCA. Any written demands for payment and share certificates should be sent to the addresses set forth in the dissenters' notice. Shares of South common stock held by shareholders who have properly perfected their dissenters' rights in accordance with Chapter 13 of the SCBCA and who have not withdrawn their demands or otherwise lost their dissenters' rights are referred to in this summary as dissenting shares.

Payment of Agreed Upon Price

Following the effective date of the merger, or upon receipt of a payment demand, North must pay each dissenting shareholder who substantially complied with the payment demand and share deposit requirements the amount it estimates to be the fair value of his, her or its dissenting shares, plus interest accrued from the date of the closing of the merger to the date of payment. The payment must be accompanied by:

South's balance sheet, income statement, and statement of changes in shareholders' equity as of the end of or for the fiscal year ending not more than 16 months before the date of payment, and the latest available interim financial statements, if any;

a statement of North's estimate of the fair value of the shares and an explanation of how the fair value was calculated;

an explanation of the interest calculation;

a statement of the dissenters' right to demand additional payment (as described below); and

a copy of Chapter 13 of the SCBCA.

If the merger is not consummated within 60 days after the date set for demanding payment and depositing share certificates, South must return your deposited certificates within the same 60-day period and release transfer restrictions on uncertificated shares. If after returning your deposited certificates and releasing transfer restrictions the merger is consummated, North must send you a new dissenters' notice and repeat the payment demand procedure.

Demand for Additional Payment

As dissenting shareholder, you may notify North in writing of your own estimate of the fair value of the dissenting shares and amount of interest due, and demand payment of the excess of your estimate of the fair value of the dissenting shares over the amount previously paid by North if:

you believe that the amount paid is less than the fair value of your South common stock or that the interest is incorrectly calculated;

North fails to make payment of its estimate of fair value to you within 60 days after the date set for demanding payment; or

the merger not having been consummated, South does not return your deposited certificates, or release the transfer restrictions on uncertificated shares, within 60 days after the date set for demanding payment. You waive the right to demand additional payment unless you notify North of your demand in writing within 30 days after North's payment of its estimate of the fair value of your South common stock.

Appraisal Proceeding

If your demand for payment remains unsettled, North, as successor by merger to South, must commence a proceeding within 60 days after receiving the demand for additional payment by filing a complaint in the circuit court of Richland County, South Carolina, where South's principal office is located, to determine the fair value of the shares and accrued interest. If North does not commence the proceeding within such 60-day period, North

must pay you the amount you demanded. In such appraisal proceeding, the court may appoint persons as appraisers to receive evidence and recommend decisions on the question of fair value. Each dissenting shareholder whose demand for additional payment remains unsettled shall be made a party to the proceeding, and each such dissenter is entitled to judgment for the amount, if any, by which the court finds the fair value of his, her or its dissenting shares, plus interest, exceeds the amount previously paid to the dissenting shareholder.

The court in such an appraisal proceeding will determine all costs of the proceeding and assess the costs against North, except the court may assess costs against some or all of the dissenting shareholders, in amounts the court finds equitable, to the extent the dissenting shareholders acted arbitrarily, vexatiously, or not in good faith in demanding payment. The court may also assess the fees and expenses of counsel and experts for the respective parties, in the amounts the court finds equitable: (a) against North or South if the court finds that they did not comply substantially with Chapter 13 of the SCBCA or (b) against North, South or the dissenting shareholders if the court finds that the party against whom the fees and expenses are assessed acted arbitrarily, vexatiously, or not in good faith. If the court finds that the services of counsel for any dissenting shareholder were of substantial benefit to other dissenting shareholders similarly situated, and that the fees for those services should not be assessed against North or South, the court may award to these counsel reasonable fees to be paid out of the amounts awarded to the dissenting shareholders who were benefited.

Board of Directors and Management of North Following the Merger

The merger agreement requires, at the effective time of the merger, that North cause its board of directors to be set at 13 members, of which three directors will be from the board of directors of South designated by North (after consultation with South). Two of the three directors to be added from the South board of directors must be independent directors, as such term is defined under NASDAQ Listing Rules. North has not yet determined which three directors from the South board of directors will be added to the North board of directors.

The merger agreement does not require that any member of South management become a member of North management at the effective time of the merger and that decision remains within the authority of the North board of directors. Subsequent to execution of the merger agreement, the Executive Committee of the North board of directors considered the composition of the executive leadership team of the combined company and extended offers of employment to Peter M. Bristow, brother-in-law of Mr. Holding, Jr., Chairman and Chief Executive Officer of North and North Bank, and Hope H. Bryant, Vice Chairman of North and North Bank, and currently Executive Vice President and Chief Operating Officer of South and President and Chief Operating Officer of South Bank, and Craig L. Nix, currently Executive Vice President and Chief Financial Officer of South and South Bank, each to be effective after closing of the merger. As a result, at the effective time of the merger, the combined company would be led by the following six-person executive leadership team: (i) Edward L. Willingham IV, currently the President of North and North Bank, will fill a newly created position as Chief Operating Officer of North and North Bank; (ii) Mr. Bristow will become President and Corporate Sales Executive of North and North Bank with a focus on North Bank's legacy banking markets; (iii) Mr. Nix will replace North and North Bank's current Chief Financial Officer, Glenn D. McCoy, who will retire on a date to be determined following the merger; (iv) Jeffery L. Ward, currently North Bank's Regional Executive Vice President - Central Region, will fill a newly created position as Chief Strategy Officer of North and North Bank, (v) Mr. Holding, Jr., will continue to serve as Chairman and Chief Executive Officer of North and North Bank; and (vi) Mrs. Bryant will continue in her current position, with the additional role of Corporate Sales Executive with a focus on North Bank's expansion markets and wealth management services.

Information about the current North directors and executive officers can be found in the documents listed under [Where You Can Find More Information](#) beginning on page [] of this joint proxy statement/prospectus.

Interests of North and/or North Bank's Directors and Executive Officers in the Merger

In considering the recommendation of the North board of directors with respect to the North merger proposal, the North share issuance proposal and the North charter amendment proposal, you should be aware that

some of North's and/or North Bank's directors and executive officers have interests in the merger that may be considered different from, or in addition to, the interests of North's stockholders generally. Interests of officers and directors that may be different from or in addition to the interests of North's stockholders include the fact that certain of North's and/or North Bank's directors and executive officers are members of the Holding family, various members of which (including such directors and executive officers) own shares of South common stock and thus will receive the same merger consideration for their shares of South common stock as other South shareholders.

Frank B. Holding, a former director of North and one of its stockholders, also is a shareholder and former director of South. Mr. Holding, Jr., North's Chairman and Chief Executive Officer, also is a shareholder and director of South. Members of the Holding family, including members who serve as directors of North and in management positions with North, and certain family entities, hold, in the aggregate, (i) approximately 24.6% of the outstanding shares of North Class A common stock and approximately 66.5% of the outstanding shares of North Class B common stock, together representing approximately 52.2% of the total votes entitled to be cast by all outstanding shares of both classes of North common stock and (ii) approximately 48.4% of the outstanding shares of South voting common stock and approximately 16.8% of the outstanding shares of South non-voting common stock, together representing approximately 47.2% of the total votes entitled to be cast on the South merger proposal by all outstanding shares of both classes of South common stock.

In addition to the above shares, (i) North's investment securities available for sale include an equity investment in South (approximately 4.9% of the outstanding shares of South voting common stock), and South's investment securities available for sale include an equity investment in North (approximately 2.0% of the outstanding shares of North Class A common stock and approximately 4.4% of the outstanding shares of North Class B common stock), and (ii) other entities in which members of the Holding family are shareholders and serve as directors and/or officers hold approximately 3.2% of the outstanding shares of North Class A common stock, approximately 2.4% of the outstanding shares of North Class B common stock, approximately 8.8% of the outstanding shares of South voting common stock, and approximately 14.1% of South non-voting common stock. Those shares held by North, South and the other entities amount to approximately 6.2% of the total votes entitled to be cast by all outstanding shares of both classes of North common stock and approximately 13.7% of the total votes entitled to be cast on the South merger proposal by all outstanding shares of both classes of South common stock.

In total, members of the Frank B. Holding family and the other entities referred to above hold an aggregate of (i) approximately 29.7% of the outstanding shares of North Class A common stock and approximately 73.1% of the outstanding shares of North Class B common stock, together representing approximately 58.2% of the total votes entitled to be cast by all outstanding shares of both classes of North common stock and (ii) approximately 62.1% of the outstanding shares of South voting common stock and approximately 30.9% of the outstanding shares of South non-voting common stock, together representing approximately 60.8% of the total votes entitled to be cast on the South merger proposal by all outstanding shares of both classes of South common stock.

Additionally, Victor E. Bell III, a director of North and member of the North Committee, holds 107 shares of South voting common stock in trust for his nieces and nephews, and 53 shares of South voting common stock are held by a family member as trustee for Mr. Bell's children, which collectively amount to approximately 0.02% of the outstanding shares of South voting common stock.

Finally, for their work on the North Committee, the members of the North Committee were paid \$1,500 for every North Committee meeting they attended in person and \$1,000 for every North Committee meeting they attended telephonically.

The North board of directors was aware of these different or additional interests and considered them, among other matters, in adopting and approving the merger agreement and the transactions contemplated thereby, including the merger. See [Background of the Merger](#) and [Recommendation of North's Board of Directors and Reasons for the](#)

Merger. North's stockholders should take these interests into account in deciding whether to vote **FOR** the North merger proposal, the North share issuance proposal, the North charter amendment proposal and the North adjournment proposal.

Interests of South and/or South Bank's Directors and Executive Officers in the Merger

In the merger, the directors and executive officers of South and/or South Bank will receive the same merger consideration for their shares of South common stock as the other South shareholders. In considering the recommendation of the South board of directors with respect to the South merger proposal, you should be aware that some of the executive officers and directors of South and/or South Bank may have interests in the merger and may have arrangements, as described below, that may be considered to be different from, or in addition to, those of South shareholders generally, including:

Certain of South and/or South Bank's directors and executive officers are members of the Holding family, various members of which (including such directors and executive officers) will receive the same merger consideration for their shares of South common stock as other South shareholders.

South and South Bank's directors and executive officers are entitled to continued indemnification and insurance coverage under the merger agreement. See "The Merger Agreement Covenants and Agreements Director and Officer Indemnification and Insurance" beginning on page [] of this joint proxy statement/prospectus.

Three members of the South board of directors will join the North board of directors and two South executive officers are expected to become North executive officers. See "Board of Directors and Management of North Following the Merger."

Frank B. Holding, a former director of North and one of its stockholders, also is a shareholder and former director of South. Mr. Holding, Jr., North's Chairman and Chief Executive Officer, also is a shareholder and director of South. Members of the Holding family, including members who serve as directors of South and in management positions with South, and certain family entities, hold, in the aggregate, (i) approximately 24.6% of the outstanding shares of North Class A common stock and approximately 66.5% of the outstanding shares of North Class B common stock, together representing approximately 52.2% of the total votes entitled to be cast by all outstanding shares of both classes of North common stock and (ii) approximately 48.4% of the outstanding shares of South voting common stock and approximately 16.8% of the outstanding shares of South non-voting common stock, together representing approximately 47.2% of the total votes entitled to be cast on the South merger proposal by all outstanding shares of both classes of South's common stock.

In addition to the above shares, (i) North's investment securities available for sale include an equity investment in South (approximately 4.9% of the outstanding shares of South voting common stock), and South's investment securities available for sale include an equity investment in North (approximately 2.0% of the outstanding shares of North Class A common stock and approximately 4.4% of the outstanding shares of North Class B common stock), and (ii) other entities in which members of the Holding family are shareholders and serve as directors and/or officers hold approximately 3.2% of the outstanding shares of North Class A common stock, approximately 2.4% of the outstanding shares of North Class B common stock, approximately 8.8% of the outstanding shares of South voting common stock, and approximately 14.1% of the outstanding shares of South non-voting common stock. Those shares held by North, South and the other entities amount to approximately 6.2% of the total votes entitled to be cast by all outstanding shares of both classes of North common stock and approximately 13.7% of the total votes entitled to be cast on the South merger proposal by all outstanding shares of both classes of South common stock.

In total, members of the Frank B. Holding family and the other entities referred to above hold an aggregate of (i) approximately 29.7% of the outstanding shares of North Class A common stock and approximately 73.1% of the

outstanding shares of North Class B common stock, together representing approximately 58.2% of the total votes entitled to be cast by all outstanding shares of both classes of North common stock and (ii) approximately 62.1% of the outstanding shares of South voting common stock and approximately 30.9% of the outstanding shares of South non-voting common stock, together representing approximately 60.8% of the total votes entitled to be cast on the South merger proposal by all outstanding shares of both classes of South common stock.

Finally, South paid a retainer of \$10,000 to the chairman and \$7,500 to each other member of the South Committee, as well as a meeting fee of \$1,000 to each South Committee member for each meeting attended in person or telephonically.

The South board of directors was aware of these interests and considered them, among other matters, in reaching its decision to adopt and approve the merger agreement and to recommend that South shareholders vote in favor of approving the merger agreement. See [Background of the Merger](#) and [Recommendation of South's Board of Directors and Reasons for the Merger](#). South's shareholders should take these interests into account in deciding whether to vote **FOR** the South merger proposal and the South adjournment proposal.

As described above under [Board of Directors and Management of North Following the Merger](#), subsequent to execution of the merger agreement, the Executive Committee of the North board of directors determined the post-merger executive leadership team, which will include Mr. Bristow, currently Executive Vice President and Chief Operating Officer of South, President and Chief Operating Officer of South Bank and brother-in-law to Mr. Holding, Jr. and Ms. Bryant, Vice Chairman of North and North Bank, who is proposed to be President and Corporate Sales Executive of North and North Bank at the effective time of the merger, and Mr. Nix, currently Executive Vice President and Chief Financial Officer of South and South Bank, who is proposed to replace North's and North Bank's current Chief Financial Officer, Glenn D. McCoy, who will retire on a date to be determined following the merger. Proposed compensatory arrangements for Mr. Bristow and Mr. Nix (whose employment would be on an at will basis) include: (A) annual base salary (\$625,000 for Mr. Bristow and \$500,000 for Mr. Nix); (B) beginning in January 2015, eligibility for receipt of awards under North Bank's Long Term Incentive Plan; (C) relocation allowances payable during their first regular pay periods after assuming their new positions (\$100,000 for Mr. Bristow and \$60,000 for Mr. Nix); and (D) North's payment of various moving expenses, including the moving of household goods, realtors commissions (up to 6%) on sales of existing homes; reasonable and customary closing costs on purchases of new homes; reasonable and customary expenses incurred in up to two house-hunting trips; and temporary housing, storage costs and travel expenses during their transition periods of up to 180 days for Mr. Bristow and twelve months for Mr. Nix, which may be extended by 180 days for each of them based on delays in the timing of sales of existing homes and purchases of new homes due to residential real estate market conditions. Mr. Bristow and Mr. Nix would be required to reimburse North Bank for pro rata portions of their respective relocation allowances and amounts of expenses paid on their behalf if they voluntarily terminated their employment with North Bank within 24 months after assuming their new positions. Mr. Bristow and Mr. Nix will also be entitled to participate in the same benefit plans and arrangements as similarly situated North executive officers, subject to enrollment and waiting periods. In addition, North will assume South's obligations to Mr. Bristow and Mr. Nix for their outstanding awards under the South Bank Long-Term Compensation Plan (the [South Bank Long-Term Plan](#)) for plan years 2011, 2012 and 2013, and under the 2014 South Bank Senior Executive Management Incentive Plan ([SEMIP](#)), and North will assume South's obligations to Mr. Bristow and Mr. Nix under their Employee Consultation, Post-Retirement, Non-Competition and Death Benefit Agreements. These plans and agreements are described under [Information about South](#) [Information about South Bank's Compensation of South and South Bank Executive Officers who will become Executive Officers of North and North Bank following the Merger](#) beginning on page [] of this joint proxy statement/prospectus.

Compensation to be Paid to South Executive Officer in Connection with the Merger

In April, 2014, South entered into a Retirement Agreement with Jim B. Apple, South's Chairman and Chief Executive Officer (the Retirement Agreement), which is summarized below. The merger is one of the events that would constitute retirement for purposes of the Retirement Agreement, and triggers the payments to Mr. Apple outlined in the table below.

GOLDEN PARACHUTE COMPENSATION

Name	Cash (\$) (1)	Equity(\$)	Pension/ NQDC (\$)	Perquisites/ Benefits (\$) (2)	Tax Reimbursement (\$)	Other (\$)	Total (\$)
Jim B. Apple	\$2,456,872	-0-	-0-	\$14,909	-0-	-0-	\$2,471,781

(1) Includes \$2.1 million payable over three years under the Retirement Agreement discussed below; and \$356,872 payable under the SEMIP for 2014 bank-wide and individual performance based on goals set at the beginning of 2014. The SEMIP is discussed below under Information about South Compensation Discussion and Analysis South Bank Senior Executive Management Incentive Plan beginning on page [] of this joint proxy statement/prospectus. Although the SEMIP award to Mr. Apple for 2014 is consistent with his awards in prior years, the Retirement Agreement waives the requirement that Mr. Apple be employed on February 28, 2015 to receive the 2014 award payment, and provides that he is entitled to payment as if and to the same extent as though he had remained employed with South for the entire year, without any reduction or pro-ration.

(2) Medical insurance premiums for Mr. Apple and his wife for a period of twelve months following retirement.

Retirement Agreement

The following is a summary of certain terms of the Retirement Agreement, and does not create any rights in any person. For purposes of this discussion, payments that would be made by South under the agreement before the merger will be made by North, as South's successor, after the merger.

For purposes of the Retirement Agreement, Mr. Apple's retirement date will be the close of business on the earliest to occur of the close of business on January 30, 2015, or the close of business on the business day immediately preceding effectiveness of the merger. It is currently anticipated that the merger will close before January 30, 2015. The single-trigger payment in connection with the merger was negotiated between Mr. Apple and South on the basis that his services as chief executive officer after the merger would no longer be required, and his intention to retire by January 30, 2015 regardless of whether the merger took place.

On the retirement date, Mr. Apple will retire from service to South and South Bank as an employee and as the chairman and chief executive officer of South and South Bank, from all other appointments and offices that he holds with South or South Bank and from his position with any third-party organizations (other than the South Carolina State Board of Financial Institutions and Central SC Alliance) in which he represents South Bank. After Mr. Apple's retirement, he will not receive further payments or benefits from South, and his participation in any South benefit plans or programs (including without limitation any matching or other South contributions under the South Bank 401(k) Plan or any ability to make deferrals of compensation into such plan, any service credit under the South Bank Pension Plan and any other personal benefits and perquisites) will cease, except as otherwise expressly provided in the Retirement Agreement or in the applicable South employee benefit plan. Mr. Apple will be eligible for South's retiree health insurance coverage until he reaches age 65, and his wife will be eligible for South's retiree health insurance coverage until she reaches age 65. After his retirement, Mr. Apple (and his covered dependents) will be eligible for

continued health benefits in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA).

For each of the three one-year periods following his retirement date, Mr. Apple will receive an annual payment of \$700,000.00, as shown in the table above. For the first one-year period, no payment will be made until six months and one week have elapsed after his retirement date. On the first normal South payroll date after the expiration of the six-month and one-week period, South will pay \$350,000.00 to Mr. Apple, and the remaining \$350,000.00 for the first one-year period will be allocated equally among all of the normal South payroll dates that fall over the balance of the one-year period in accordance with South's normal payroll procedures. For the second and third one-year periods, each annual payment will be allocated equally among all of the normal payroll dates that fall in such one-year period in accordance with South's normal payroll procedures. Each payment will be subject to all applicable state and federal wage withholding and payroll tax deductions.

South has agreed to reimburse premiums paid by Mr. Apple and his wife for coverage under South's retiree health coverage plan for the twelve-month period immediately following his retirement date, with such reimbursements beginning six months and one week after his retirement date. After that period, South will reimburse Mr. Apple for the first six months of premiums and will reimburse premiums on a monthly basis thereafter. These reimbursements will be treated and reported by South and Mr. Apple as taxable wage income to Mr. Apple. These payments are reflected in the table above.

Until the end of the period after the merger for which directors' and officers' liability insurance is maintained for all of the incumbent directors of South immediately prior to the merger (six years), South will continue to maintain for Mr. Apple directors' and officers' liability insurance providing coverage that is at least substantially comparable in scope and amount to that provided by South's directors' and officers' liability insurance as of his retirement date. Mr. Apple will be named as an insured in such insurance policies in such a manner as to provide him the same rights and benefits as are provided to the most favorably insured of South's directors and officers.

If South terminates or materially modifies its retiree health insurance coverage program, South will ensure that Mr. Apple continues to be eligible for health insurance coverage reasonably comparable to the health insurance coverage offered to its active employees, except that Mr. Apple will pay the full cost of such coverage on an after-tax basis (subject to any applicable reimbursement from South for the twelve month period immediately following his retirement date), provided, however, that South will reimburse Mr. Apple, on an after-tax basis, for any premiums paid by Mr. Apple in excess of the premiums he would have been required to pay under South's retiree health insurance coverage program prior to its termination or material modification. South will have no obligation in this respect after both Mr. Apple and his current wife have reached age 65 (or, if earlier, have died).

In 2011, Mr. Apple and South Bank entered into an Employee Consultation, Post-Retirement, Non-Competition and Death Benefit Agreement (the "Apple separation from service agreement") pursuant to which Mr. Apple will provide consulting services following his retirement date. The Retirement Agreement provides that his retirement date under the Retirement Agreement will also constitute retirement for purposes of the Apple separation from service agreement, and further provides that such consulting agreement is amended so it is no longer subject to termination by South. The Apple separation from service agreement provides, subject to the terms and conditions of the agreement, for monthly consulting payments to Mr. Apple of \$5,785.31 and monthly non-competition payments of \$17,355.94 for a period of ten years, beginning six months and one week following his retirement date. If Mr. Apple dies during the original ten-year period of consultation payments or non-competition payments, South Bank will pay \$23,141.25 per month to such individual or individuals as Mr. Apple has designated as his beneficiary(ies) pursuant to the agreement or, in the absence of such designation, to his estate. These continuation payments will begin the first calendar month following the date of his death and continue thereafter until the expiration of the original ten-year period. The other terms of the Apple separation from service agreement are substantially the same as the terms of the separation from service agreements of Mr. Bristow and Mr. Nix discussed below under the caption "Information about South Bank's Compensation of South and South Bank Executive Officers who will become Executive Officers of North and North Bank following the Merger Separation from Service Agreements" beginning on page [] of this joint proxy statement/prospectus.

In connection with Mr. Apple's consulting obligations under the consulting agreement, upon his written request, South will provide him with an office in downtown Columbia until December 31, 2017.

Mr. Apple is a participant in the South Bank Long-Term Compensation Plan, which is described below under the caption "Information about South Bank's Compensation of South and South Bank Executive Officers who will become Executive Officers of North and North Bank following the Merger" Compensation Discussion and Analysis "South Bank Long-Term Compensation Plan" beginning on page [] of this joint proxy statement/prospectus. Awards were made to Mr. Apple under the South Bank Long-Term Plan for plan years 2011, 2012 and 2013. The Retirement Agreement provides that these awards will be payable in accordance with the terms of the South Bank Long-Term Plan, as discussed under the caption above.

Mr. Apple is a participant in the South Bank Deferred Compensation Plan ("Deferred Compensation Plan"), which is described below under the caption "Information about South Bank's Compensation of South and South Bank Executive Officers who will become Executive Officers of North and North Bank following the Merger" Compensation Discussion and Analysis "South Bank Deferred Compensation Plan" beginning on page [] of this joint proxy statement/prospectus. The Retirement Agreement provides that Mr. Apple's retirement date will constitute "early retirement" as that term is defined in the Deferred Compensation Plan, and that his retirement benefits under that plan will be payable in accordance with the terms of the plan, as discussed under the caption above.

Mr. Apple is a participant in the 2013 amended and restated South Bank 409A Deferred Compensation Plan ("409A Plan"), which is described below under the caption "Information about South Bank's Compensation of South and South Bank Executive Officers who will become Executive Officers of North and North Bank following the Merger" Compensation Discussion and Analysis "South Bank 409A Deferred Compensation Plan" beginning on page [] of this joint proxy statement/prospectus. The Retirement Agreement provides that Mr. Apple's retirement date constitutes "early retirement" as that term is defined in the 409A Plan, and that his retirement benefits under that plan will be payable in accordance with the terms of the 409A Plan, as discussed below. Mr. Apple will not be eligible to make any additional compensation deferrals or to benefit from any South discretionary allocations after his retirement.

Mr. Apple is a participant in the SEMIP, which is described below under the caption "Information about South Bank's Compensation of South and South Bank Executive Officers who will become Executive Officers of North and North Bank following the Merger" Compensation Discussion and Analysis "South Bank Senior Executive Management Incentive Plan" beginning on page [] of this joint proxy statement/prospectus. The Retirement Agreement provides that, with respect to Mr. Apple, South agrees to waive the requirement in the SEMIP that an individual be employed with South on the payout date of February 28, 2015, in order to receive a payment under the SEMIP with respect to 2014, and if his retirement date occurs before the end of 2014, Mr. Apple nonetheless will be eligible to receive a payment under the SEMIP as if and to the same extent as though he had remained employed with South for the entire year, without any reduction or pro-rata. The merger agreement permits South to accelerate payments to Mr. Apple under the SEMIP for 2014 performance based on the 2014 bank-wide and individual goals. It is currently anticipated that such payments will be determined and paid at the earlier of effectiveness of the merger, or, in accordance with historical practice, in February of 2015.

If Mr. Apple determines that any of the payments received or to be received by him under the Retirement Agreement constitute "parachute payments" within the meaning of Section 280G of the Code that would be subject to the excise tax imposed under Section 4999 of the Code, then such payments will be reduced (by the minimum possible amounts, as determined by Mr. Apple) in a manner that is consistent with the requirements of Section 409A of the Code until no amount payable to him will be subject to such excise tax.

Release of Claims

In connection with the Retirement Agreement, Mr. Apple will be required to enter into a general release of claims against South upon his retirement. In the release, Mr. Apple will forever release all liability or potential liability arising out of any and all claims he may have against South and South Bank, and their respective predecessors, successors, parents, subsidiaries and affiliates, and any of their respective officers, directors, employees, shareholders, plans, trusts or authorized agents, which claims arise out of his employment with South or South Bank or the termination of that employment. The term "claims" is defined in the release to mean any and all claims arising out of any alleged violation of Mr. Apple's rights while employed by South or South Bank, including, but not limited to, claims for reinstatement, back pay, losses or other damages to Mr. Apple or his property resulting from any alleged violations of his civil rights, wrongful discharge, breach of contract, tort, common law, statutory and constitutional claims, any state, local or federal statute (including, but not limited to, the South Carolina Human Affairs Law; the Americans with Disabilities Act; Title VII of the Civil Rights Act of 1964, as amended; the Fair Labor Standards Act; the Age Discrimination in Employment Act of 1967; the Older Workers Benefit Protection Act; the Equal Pay Act; the Employee Retirement Income Security Act; the Sarbanes-Oxley Act of 2002; and the Family and Medical Leave Act) or any other federal, state or local law, rule, regulation, administrative guidance or common law doctrine relating to his employment. However, Mr. Apple expressly does not release or discharge South or South Bank from any claims, losses or expenses he may have for (i) workers' compensation benefits, (ii) all promises, agreements and undertakings of South or South Bank in the Retirement Agreement, or (iii) any of his accrued and vested benefits under any tax-qualified retirement plan or under any nonqualified plan as determined through his retirement date under South or South Bank's applicable and governing plan documents. Any rights to indemnification for third-party claims to which Mr. Apple is entitled, as of his retirement date, in his capacity as an officer or director (or former officer or director) of South or South Bank will be unaffected by the release.

Treatment of South Preferred Stock

South's articles of incorporation authorize it to issue preferred stock in one or more series. At the date of the merger agreement, there were outstanding shares of Series A preferred stock, Series B preferred stock, Series C preferred stock, Series E preferred stock, Series F preferred stock and Series G preferred stock. In accordance with the merger agreement, prior to the effective time of the merger, South is required to redeem all of the outstanding shares of South Series A preferred stock, South Series B preferred stock, South Series C preferred stock, South Series E preferred stock, South Series F preferred stock and South Series G preferred stock (collectively, the "South Preferred Stock") for an amount in cash equal to \$50.00, \$50.00, \$100.00, \$200.00, \$50.00 and \$50.00 per share, respectively, plus any dividends accrued but unpaid thereon. Upon redemption, shares of South preferred stock will be automatically and immediately cancelled and retired and become authorized but unissued shares of the respective series of South preferred stock. Neither South nor any of its subsidiaries may exercise any voting or other rights granted to the holders of South preferred stock following redemption.

Share Listing

North will cause the shares of North Class A common stock that are to be issued to the holders of South common stock in the merger to be authorized for listing on the NASDAQ Global Select market, subject to official notice of issuance, prior to the effective time of the merger.

Shares of North Class B common stock that are to be issued to the holders of South common stock that elect to receive shares of North Class B common stock in the merger will be quoted on the OTC Bulletin Board under the symbol FCNCB. See "Risk Factors." We do not expect a trading market for the North Class B common stock to develop beyond the OTC Bulletin Board, and therefore any investment in North Class B common stock may be effectively illiquid on page [] of this joint proxy statement/prospectus.

THE MERGER AGREEMENT

The following is a summary of the material provisions of the merger agreement, which is qualified in its entirety by reference to the merger agreement, a copy of which is attached as Appendix A to this joint proxy statement/prospectus and is incorporated herein by reference. Except for its status as a contractual document that establishes and governs the legal relations among the parties with respect to the merger, the merger agreement is not intended to be a source of factual, business or operational information about the parties. The representations, warranties and covenants contained in the merger agreement and described below were made only for purposes of that agreement and as of specific dates, may be subject to a contractual standard of materiality different from what a shareholder might view as material, may have been used for purposes of allocating risk between the respective parties rather than establishing matters as facts, may have been qualified by certain disclosures not reflected in the merger agreement that were made to the other party in connection with the negotiation of the merger agreement and generally were solely for the benefit of the parties to that agreement. North and South shareholders should not rely on the representations, warranties, covenants or any descriptions thereof as characterizations of the actual state of facts or condition of North, South or any of their respective affiliates. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the merger agreement, which subsequent information may or may not be fully reflected in public disclosures.

*You should read the merger agreement carefully and in its entirety, as it is the legal document governing the merger; however, the provisions of the merger agreement, including representations and warranties, or any description of such provisions should not be read alone, but instead should be read only in conjunction with the information provided elsewhere in this joint proxy statement/prospectus, the documents incorporated by reference into this joint proxy statement/prospectus and the other reports, statements and filings that North publicly file with the SEC. See *Where You Can Find More Information* beginning on page [] of this joint proxy statement/prospectus.*

The Merger

Each of the boards of directors of North and South has approved and adopted the merger agreement. The merger agreement provides for the merger of South with and into North, with North as the surviving corporation in the merger. The North charter will be amended at the effective time of the merger to increase the number of authorized shares of North common stock. It is expected that following the merger, South Bank will merge with and into North Bank, with North Bank as the surviving bank of such merger. We refer to the merger of North Bank and South Bank as the bank merger.

Closing and Effective Time of the Merger

The merger will be completed only if all conditions to the merger discussed in this joint proxy statement/prospectus and set forth in the merger agreement are either satisfied or, where permissible, waived. See *Conditions to Completion of the Merger*.

The merger will become effective as set forth in the certificate of merger to be filed with the Secretary of State of the State of Delaware and the articles of merger to be filed with the Secretary of State of the State of South Carolina. Unless both North and South agree to a later date, the closing of the merger will take place no later than two business days after the satisfaction or waiver of all closing conditions. We currently expect that the merger will be completed in the fourth quarter of 2014, subject to the approvals and other conditions set forth in the merger agreement, but neither North nor South can guarantee when, or if, the merger will be completed.

Merger Consideration

Under the terms of the merger agreement, each share of South common stock will be converted into the right to receive 4.0 shares of North Class A common stock and \$50.00, unless the holder of such share elects,

pursuant to a letter of transmittal that will be delivered after closing of the merger, for each share of such holder's South common stock to be converted into the right to receive 3.58 shares of North Class A common stock and 0.42 shares of North Class B common stock.

No fractional shares of North common stock will be issued in connection with the merger. Instead, each South shareholder who would otherwise receive a fractional share of North common stock will receive a cash payment (rounded to the nearest whole cent) determined by multiplying (i) the average, rounded to the nearest one ten-thousandth, of daily closing sales prices for the North Class A common stock during the 20-day trading period ending on (and including) the last complete trading day prior to the effective time of the merger, as reported in *The Wall Street Journal*, by (ii) the fraction of a share of North common stock such holder would otherwise be entitled to receive as merger consideration.

A South shareholder also has the right to obtain the fair value of the holder's shares of South common stock in lieu of receiving the merger consideration by strictly following the dissenters' rights procedure under the SCBCA. Shares of South common stock outstanding immediately prior to the effective time of the merger that are held by a shareholder who does not vote to approve the merger agreement and who properly demands the fair value of such shares pursuant to, and who complies with, the procedures under the SCBCA are referred to as dissenting shares. See *The Merger Dissenters' Rights of South's Shareholders* beginning on page [] of this joint proxy statement/prospectus.

Exchange of Stock Certificates

The conversion of South common stock into the right to receive the merger consideration will occur automatically at the effective time of the merger. After completion of the merger, the exchange agent will exchange certificates representing shares of South common stock for the merger consideration to be received under the merger agreement. The exchange agent will make appropriate arrangements to provide that shares of South common stock held in book-entry form will be transferred by means of an agent's message or other means in order for shareholders holding shares in book-entry form to receive the merger consideration to be received under the merger agreement.

As soon as reasonably practicable (but within ten business days) after the effective time of the merger, the exchange agent will mail to each holder of record of shares of South common stock immediately prior to the effective time of the merger a letter of transmittal and instructions for the surrender of the holder's South share certificate(s) for the merger consideration the holder is entitled to receive under the merger agreement.

South shareholders should not send in their stock certificates until they receive the letter of transmittal and instructions.

If a certificate for South common stock has been lost, stolen or destroyed, in order to receive the merger consideration (including cash in lieu of any fractional shares), the holder of that certificate must provide an affidavit of that fact and, if reasonably required by North, post a bond in such amount as North or the exchange agent determines is reasonably necessary to indemnify it against any claim that may be made against it with respect to that certificate.

After the effective time of the merger, there will be no transfers on the stock transfer books of South other than to settle transfers of shares of South common stock that occurred prior to the effective time. If, after the effective time of the merger, certificates for South common shares are presented for transfer to the exchange agent, the certificates will be cancelled and exchanged for the merger consideration (including cash in lieu of any fractional North shares).

No dividends or other distributions with respect to North common stock after completion of the merger will be paid to the holder of any unsurrendered South share certificates with respect to the shares of North common

stock represented by those certificates until those certificates have been properly surrendered in accordance with the merger agreement. After the surrender of a certificate in accordance with the merger agreement, the record holder thereof will be entitled to receive any such dividends or other distributions, without any interest, which had previously become payable with respect to the whole shares of North common stock represented by such certificates.

Representations and Warranties

The merger agreement contains representations and warranties made by South to North relating to a number of matters, including the following:

corporate organization, existence, power and authority;

capitalization;

corporate authorization to enter into the merger agreement and to consummate the merger;

absence of any breach of organizational documents, violation of law or breach of agreements as a result of the merger;

regulatory approvals required in connection with the merger;

reports filed with governmental entities, including the SEC;

financial statements;

absence of liabilities which would have a material adverse effect on South since December 31, 2013;

compliance with laws and the absence of regulatory agreements;

accuracy of the information supplied by South for inclusion or incorporation by reference in this joint proxy statement/prospectus;

fees paid to financial advisors;

litigation;

loss share agreements;

tax matters;

employee benefit matters;

labor matters;

material contracts;

risk management instruments;

investment adviser subsidiaries;

environmental matters;

investment securities and commodities;

ownership and other property rights;

related party transactions;

the inapplicability to the merger of state takeover laws;

loan matters;

insurance matters;

indemnification obligations; and

obstacles to regulatory approval.

The merger agreement contains representations and warranties made by North to South relating to a number of matters, including the following:

corporate organization, existence, power and authority;

capitalization;

corporate authorization to enter into the merger agreement and to consummate the merger;

absence of any breach of organizational documents, violation of law or breach of agreements as a result of the merger;

regulatory approvals required in connection with the merger;

reports filed with governmental entities, including the SEC;

financial statements;

absence of liabilities which would have a material adverse effect on North since March 31, 2014;

compliance with laws and the absence of regulatory agreements;

accuracy of the information supplied by North for inclusion or incorporation by reference in this joint proxy statement/prospectus;

fees paid to financial advisors;

litigation;

loss share agreements;

tax matters; and

obstacles to regulatory approval.

Certain of the representations and warranties of South and North are qualified as to materiality or material adverse effect. For purposes of the merger agreement, the term material adverse effect means, with respect to South or North, as the case may be, a material adverse effect on (i) the business, properties, assets, liabilities, results of operations or condition (financial or otherwise) of such party and its subsidiaries taken as a whole or (ii) the ability of such party to timely consummate the transactions contemplated by the merger agreement. However, material adverse effect does not include any material adverse effect on the business, properties, assets, liabilities, results of operations or condition (financial or otherwise) of a party and its subsidiaries taken as a whole that results from or arises out of:

changes, after the date of the merger agreement, in GAAP or regulatory accounting requirements;

changes, after the date of the merger agreement, in laws of general applicability to companies in the industries in which such party and its subsidiaries operate, or interpretations thereof by courts or governmental entities;

changes, after the date of the merger agreement, in global, national or regional political conditions (including the outbreak of war, hostilities or acts of terrorism or natural disasters) or in economic or market conditions (including changes in prevailing interest rates, credit availability and liquidity, currency exchange rates and price levels or trading volumes in the United States or foreign securities markets) affecting the financial services industry generally;

changes, after the date of the merger agreement, in the banking industry, credit markets, any downgrades in the credit markets or adverse credit events resulting in deterioration in the credit markets generally and including changes to any previously correctly-applied asset marks resulting therefrom;

a decline in the trading price of a party's common stock or the failure, in and of itself, to meet earnings projections, but not, in either case, including the underlying causes thereof;

the public disclosure of the merger agreement or the transactions contemplated by the merger agreement;

any goodwill impairment charges incurred on the books of South through the effective time of the merger agreement solely as a result of the execution of the merger agreement; or

actions or omissions expressly required by the merger agreement or that are taken with the prior written consent of the other party.

Covenants and Agreements

Conduct of Business Pending the Merger

Pursuant to the merger agreement, South and North have agreed to certain restrictions on their activities until the effective time of the merger. In general, each party has agreed that, except as otherwise permitted by the merger agreement, or as required by applicable law or a governmental entity, or with the prior written consent of the other party, it will:

use commercially reasonable efforts to maintain and preserve intact its business organization and advantageous business relationships, and retain the services of its key officers and key employees;

comply with applicable laws in all material respects;

take no action that would reasonably be expected to adversely affect or delay the obtaining of any necessary approvals of any regulatory agency or other governmental entity required to consummate the transactions contemplated by the merger agreement; and

perform its covenants and agreements under the merger agreement.

South has also agreed that, except as otherwise permitted by the merger agreement, or as required by applicable law or a governmental entity, or with the prior written consent of North, it will conduct its business in the ordinary course in all material respects and maintain its properties in customary repair, order and condition, ordinary wear and tear excepted.

Forbearances of South

South has agreed that, except as otherwise permitted by the merger agreement, as required by applicable law or a governmental entity, or with the prior written consent of North (not to be unreasonably withheld) it will not, and will not permit any of its subsidiaries, to do any of the following:

other than in the ordinary course of business, incur any indebtedness for borrowed money (other than indebtedness of South or its wholly-owned subsidiaries to South or any of its wholly-owned subsidiaries, deposit liabilities, federal funds purchased and securities sold under agreements to repurchase, in each case incurred in the ordinary course of business) or assume, guarantee or otherwise become responsible for the

obligations of any person;

adjust, split, combine or reclassify any capital stock;

issue additional shares of capital stock;

declare special dividends;

grant stock options;

sell, encumber or lease any material asset (except for immaterial transactions);

acquire or invest in another business;

except in the ordinary course of business, terminate, materially amend or waive any material right under any South contract, as defined in the merger agreement, or enter into any contract that would constitute a South contract if it were in effect on the date of the merger agreement;

except as required under the terms of any South benefit plan, (i) enter into, adopt or terminate any material benefit or compensation plan, program, policy or arrangement relating to benefits, compensation, bonuses, or incentive compensation, (ii) grant or accelerate the vesting of any equity or equity-based awards or other compensation, (iii) enter into any new, or amend any existing, employment, severance, change in control, retention, bonus guarantee, collective bargaining agreement or similar agreement or arrangement, (iv) fund any rabbi trust or similar arrangement, or (v) terminate the employment or services of any officer or any employee, other than for cause or for performance-related reasons;

hire officers or employees who will have an annual base salary greater than \$250,000 or consultants who will receive annual compensation greater than \$500,000;

take any action or knowingly fail to take any action that could reasonably be expected to prevent the merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code;

commence, settle or compromise any litigation, claim, suit, action or proceeding, except for (i) settlements or compromises that (a) involve monetary remedies with a value not in excess of \$250,000 with respect to any individual litigation, claim, suit, action or proceeding or \$1,000,000 in the aggregate and (b) do not impose any material restriction on its business or the business of its subsidiaries and (ii) the commencement of any routine litigation, claim, suit, action or proceeding in the ordinary course of business consistent with past practice;

amend its organizational documents;

materially restructure or materially change its fixed income investment securities or derivatives portfolio or its interest rate exposure;

take any action that is intended or expected to result in any of the conditions to the merger set forth in the merger agreement not being satisfied;

adopt a change in accounting methods;

enter into any new line of business;

make any material changes in its policies and practices with respect to loans, as defined in the merger agreement, or its hedging practices and policies, in each case except as required by law or requested by a regulatory agency;

(i) except for loans or commitments for loans that have been made prior to the date of the merger agreement (a) make or acquire any individual loan or issue a commitment (or renew or extend an existing commitment) for any individual loan in excess of \$8,000,000 or (b) make or acquire any loan or loans or issue a

commitment (or renew or extend an existing commitment for a loan or loans) in each case, in excess of \$250,000 that would result in total credit exposure to the applicable borrower (and its affiliates) in excess of \$8,000,000 or (ii) except for sales of mortgage loans in the ordinary course of business consistent with past practice, enter into contracts relating to or, except pursuant to contracts in effect as of the date of the merger agreement, consummate purchases or sales of, whole individual loans in principal amount or purchase price in excess of (a) for individual loans, \$1,000,000, or (b) in the aggregate, \$3,000,000;

open, close, or relocate bank branches (unless required by regulatory authorities);

make any material, unplanned capital expenditure;

other than in the ordinary course of business consistent with past practice, reduce the amount of insurance coverage or fail to renew any existing insurance policies;

amend in a manner that adversely impacts in any material respect the ability to conduct its business, terminate or allow to lapse any permits;

adopt a plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization;

make, change or rescind any material election concerning taxes or tax returns, file any materially amended tax return, enter into any closing agreement with respect to any tax liability or settle or compromise any claim or assessment with respect to a material amount of taxes, except as required by applicable law or any regulatory agency;

make any material change in its deposit policies and procedures;

surrender its leasehold interest in any leased real property; or

agree to take, make any commitment to take or adopt any resolutions of its board of directors or similar governing body in support of, any of the actions prohibited by these forbearances of South.

Forbearances of North

North has agreed that except as otherwise permitted by the merger agreement, as required by applicable law or a governmental entity, or with the prior written consent of South (not to be unreasonably withheld), it will not, and will not permit any of its subsidiaries, to do any of the following:

make, declare or pay any dividend, or make any other distribution or capital return on shares of North common stock, except for (i) regular quarterly cash dividends at a rate not in excess of 200% of the 2013 rate or (ii) dividends paid by any of the subsidiaries of North to North or any of its wholly-owned subsidiaries, respectively;

take any action or knowingly fail to take any action that could reasonably be expected to prevent the merger from qualifying as a reorganization within the meaning of section 368(a) of the Code;

amend the North charter, the North bylaws or comparable governing documents in a manner that would materially and adversely affect the holders of South common stock or that would materially impede North's ability to consummate the transactions contemplated by the merger agreement;

except as otherwise provided in these forbearances of North, take any action that is intended to result in any of the conditions to the merger set forth in the merger agreement not being satisfied; or

agree to take, make any commitment to take or adopt any resolutions of its board of directors or similar governing body in support of, any of the actions prohibited by these forbearances of North.

Regulatory Matters

North and South have agreed to cooperate with each other and use their respective reasonable best efforts to promptly prepare and file, and cause their subsidiaries to promptly prepare and file, all necessary documentation, to effect all applications, notices, petitions and filings, to obtain as promptly as practicable all permits, consents, approvals and authorizations of all third parties and governmental entities which are necessary or advisable to consummate the transactions contemplated by the merger agreement (including the merger and the bank merger), and to comply with the terms and conditions of all such permits, consents, approvals and authorizations of all such third parties or governmental entities. In addition, North and South have agreed to consult with each other with respect to the obtaining of all permits, consents, approvals and authorizations of all third parties and governmental entities necessary or advisable to consummate the transactions contemplated by the merger agreement, and each party has agreed to keep the other apprised of the status of matters relating to completion of the merger, including by delivery of a copy of any applications, notices, petitions or filings made by a party to the other party, subject to certain limitations. Wherever practicable under the circumstances, each of North and South have agreed to consult with each other in advance of any meeting or conference with any governmental entity scheduled in advance for the express purpose of discussing applications for approval of the transactions contemplated by the merger agreement and, to the extent permitted by such governmental entity, give the other

party and its counsel the opportunity to attend and participate in such meetings and conferences. However, the merger agreement does not require either party to take any action, or commit to take any action, or agree to any condition, in connection with obtaining the required permits, consents, approvals and authorizations of governmental entities or third parties that would reasonably be expected to have a material adverse effect on the combined company and its subsidiaries, taken as a whole (which we refer to as a materially burdensome regulatory condition), provided that the sale of one or more branches of North or South in a geographic banking market will not constitute, or be taken into account in determining whether there is a materially burdensome regulatory condition.

North and South have agreed to promptly advise each other upon receiving any communication from any governmental entity whose consent or approval is required for consummation of the transactions contemplated by the merger agreement that causes such party to believe that there is a reasonable likelihood that any requisite regulatory approval will not be obtained or that the receipt of any such approval will be materially delayed.

Employee Matters

Other than as described above under "The Merger" Interests of South and/or South Bank's Directors and Executive Officers in the Merger beginning on page [] of this joint proxy statement/prospectus, all employees of South at the time of the merger will become at-will employees of North in such position, at such location within North's systems, and for such rate of compensation as determined by North in the ordinary course of business (the continuing employees). The continuing employees are generally entitled to participate in the same benefit plans and arrangements as similarly situated North employees, subject to enrollment and waiting periods, to the extent comparable South benefit plans are not continued by North. Additionally, continuing employees will be generally entitled to substantially the same pension and other retirement benefits as are currently provided under the South pension plan, but North may amend or modify the South pension plan in a manner substantially comparable to amendments or modifications to the North pension plan, or terminate the South pension plan if the North pension plan is terminated. North must also assume South's obligation to pay amounts awarded to South employees prior to closing under the South Bank Long-Term Plan (described below under "Information about South" Information about South Bank's Compensation of South and South Bank Executive Officers who will become Executive Officers of North and North Bank following the Merger beginning on page [] of this joint proxy statement/prospectus. With respect to South's deferred compensation plans, North will not make any amendment or modification that would result in a participant being liable for an excise tax, interest charge or other adverse consequences under Code section 409A.

If, within 12 months after the closing date of the merger, any continuing employee is terminated by North or its subsidiaries, then North will pay severance to the continuing employee in an amount equal to the greater of those severance payments that (i) they would receive from North or (ii) they would have received from South if their employment with South had been terminated immediately prior to the closing of the merger; provided, however, that in no event shall any continuing employee be or become eligible to participate in North's pension plan, which has been frozen to new participants. Additionally, participation by continuing employees in North's health, dental and vision insurance plans and other programs that are part of North's cafeteria plan will include the waiver of any waiting periods.

Director and Officer Indemnification and Insurance

The merger agreement provides that after the completion of the merger, North will indemnify and hold harmless all present and former directors and officers of South against all liabilities arising out of the fact that such person is or was a director or officer of South if the claim pertains to any matter of fact arising, existing or occurring at or before the effective time of the merger, to the same extent as such persons are indemnified as of the date of the merger agreement by South pursuant to South's governing documents.

The merger agreement requires North to maintain for a period of six years after completion of the merger South's existing directors' and officers' liability insurance policy, or policies of at least the same coverage and

amounts and containing terms and conditions that are substantially no less advantageous than the existing policy (or, with the consent of South prior to the completion of the merger, any other policy), with respect to claims arising from facts or events that occurred prior to the completion of the merger, and covering such individuals who are currently covered by such insurance. However, North is not required to spend annually more than 300% of the annual premium payment on South's current directors' and officers' liability insurance policy (the "premium cap"). If North is unable to maintain a policy as described for less than the premium cap, North will obtain as much comparable insurance as is available for the premium cap. In lieu of such a policy, South, with the consent of North, may obtain a six-year "tail" policy with terms no less favorable than South's existing policy if such policy can be obtained for an amount that does not exceed the premium cap.

Certain Additional Covenants

The merger agreement also contains additional covenants, including, among others, covenants relating to the filing of this joint proxy statement/prospectus, the listing of the shares of North Class A common stock to be issued in the merger, access to information of the other company, coordination of dividends, the assumption by North of South's trust preferred securities, real property matters and public announcements with respect to the transactions contemplated by the merger agreement.

Solicitation of Shareholders

Each of North and South has agreed to hold a meeting of its shareholders for the purpose of voting upon approval of the merger agreement as promptly as practicable. Each of North and South has agreed to use its reasonable best efforts to obtain from its shareholders the vote required to approve the merger agreement and, in the case of North, the North charter amendment, including by communicating to its shareholders its recommendation (and including such recommendation in this joint proxy statement/prospectus) that they approve the merger agreement and the transactions contemplated thereby. However, the board of directors of South may (i) not recommend to its shareholders that they approve the merger agreement, (ii) not include such recommendation in this joint proxy statement/prospectus or (iii) otherwise withdraw or modify its recommendation in a manner adverse to North (each of which we refer to as a "change in board recommendation"), in each case in response to an intervening event or a superior proposal, if, after receiving the advice of its outside counsel, its board of directors determines in its good faith judgment that failure to effect a change in board recommendation would be inconsistent with its fiduciary duties under applicable law.

For purposes of the merger agreement:

an "intervening event" is a material event, fact, circumstance, development or occurrence, unrelated to a superior proposal, that is unknown and not reasonably foreseeable to or by the board of directors as of the date of the merger agreement but becomes known to or by the board of directors before the approval of the merger agreement; and

a "superior proposal" means a bona fide, unsolicited written acquisition proposal that is for 50% of the voting power of South's stock or all or substantially all of the assets of South, on terms that the board of directors determines in its good faith judgment, after taking into account certain factors, are more favorable from a financial point of view to the South shareholders than the merger.

Prior to making a change in board recommendation, South must provide North with five business days' written notice, which notice must disclose the intention to effect a change in board recommendation absent modification of the terms and conditions of the merger agreement and include a reasonable description of the event or circumstances giving rise to the decision. At the end of such five business day notice period (during which period South is required to negotiate

with North in good faith (to the extent North desires to negotiate)), the South board of directors must take into account any amendment or modification to the merger agreement proposed by North and, if, after receiving the advice of outside legal counsel and, with respect to financial matters, a financial advisor of nationally recognized reputation, the South board of directors determines in good faith that it nevertheless would be inconsistent with its fiduciary duties under applicable law not to make the

change in its board recommendation, it may do so; provided, however, that, following any material revision to an acquisition proposal, South must deliver a new written notice to North and again comply with the requirements set forth above.

Notwithstanding the foregoing, each of North and South is required to submit the merger agreement to its respective shareholders at their respective special meetings, and South is prohibited from submitting any acquisition proposal or alternative transaction to its shareholders during the term of the merger agreement. If it has changed its recommendation in accordance with the merger agreement (see Third Party Proposals), the South board of directors is permitted to submit the merger agreement without recommendation and communicate the basis for its lack of a recommendation to shareholders.

Third Party Proposals

South and its employees and representatives may not solicit, facilitate, engage in negotiations regarding or furnish information related to an alternative acquisition proposal. However, South may furnish information and engage in negotiations regarding an alternative acquisition proposal if the South board of directors determines in good faith and after consultation with legal counsel and a financial advisor of nationally recognized reputation that not doing so would be inconsistent with its fiduciary duties under applicable law. Additionally, if South does receive an alternative acquisition proposal, then South must notify North within one business day of receipt, which notice must identify the acquirer and the material terms of the proposal.

An acquisition proposal is defined as any inquiry, request for nonpublic information, offer or proposal that contemplates or otherwise relates to or could reasonably be expected to lead to any alternative transaction. Alternative transaction means, with respect to South, other than the transactions contemplated by the merger agreement, (i) the acquisition (whether by merger, consolidation, equity investment, joint venture, issuance of securities, reorganization, tender offer, sale, license, disposition or otherwise) by any person or group as defined in the Exchange Act of 15% or more of the assets of South or any of its subsidiaries; (ii) the acquisition in any manner, directly or indirectly, by any person or group of 15% or more of any class of the issued and outstanding shares of capital stock of South or any of its Subsidiaries; (iii) the issuance of 15% or more of the current number of issued and outstanding shares of any class of capital stock of South or any of its subsidiaries; or (iv) any purchase, acquisition, tender offer or exchange offer that, if consummated, would result in any person (or the stockholders of any person) or group becoming the beneficial owner of 15% or more of any class of equity or voting securities of South or any of its subsidiaries whose assets individually or in the aggregate, constitute 15% or more of the consolidated assets of South and its subsidiaries, taken as a whole.

Conditions to Completion of the Merger

The obligations of North and South to complete the merger are subject to the satisfaction or, where permissible, waiver of the following conditions:

the approval of the merger agreement and the certificate of incorporation amendment by North's stockholders and the approval of the merger agreement by South's shareholders;

the authorization for listing on the NASDAQ Global Select Market of the shares of North Class A common stock to be issued in the merger;

receipt of all of the regulatory approvals required to consummate the merger, with none of the approvals resulting in the imposition of any materially burdensome regulatory condition;

the effectiveness of the registration statement of which this joint proxy statement/prospectus is a part and the absence of any stop order suspending the effectiveness of this registration statement (or proceedings for that purpose initiated or threatened by the SEC and not withdrawn);

the absence of any order, injunction or decree by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the merger, the bank merger or any of the other material transactions contemplated by the merger agreement;

the absence of any statute, rule, regulation, order, injunction or decree enacted, entered, promulgated or enforced by any governmental entity that prohibits or makes illegal consummation of the merger, the bank merger or any of the other material transactions contemplated by the merger agreement;

the accuracy of the representations and warranties of each other party in the merger agreement as of the day on which the merger is completed, subject to the materiality standards provided in the merger agreement and the performance of the other party in all material respects of all obligations required to be performed by it at or prior to the effective time of the merger under the merger agreement (and the receipt by each party of certificates from the other party to such effect);

receipt by each party of an opinion of legal counsel as to certain tax matters;

the absence of any events or occurrences that, individually or in the aggregate, have had or would reasonably be expected to have a material adverse effect on the other party; and

a majority of the votes entitled to be cast on the South merger proposal by minority shareholders of South must not have cast their votes against the South merger proposal. In connection with their negotiation of this provision of the merger agreement, the North Committee and the South Committee agreed that certain South shareholders owning in the aggregate approximately 37.0% of the South voting common stock would be the minority holders of South common stock. The percentage ownership of South common stock of the minority for purposes of this condition is the product of negotiations and is not based on the application of the SEC's beneficial ownership rules. For information regarding certain beneficial owners of South common stock, see Information about South Security Ownership of South Management and Certain South Beneficial Owners beginning on page [] of this joint proxy statement/prospectus.

Termination

The merger agreement may be terminated at any time prior to the effective time of the merger and, except as specified below, whether before or after adoption of the merger agreement by the shareholders of North or South:

by mutual written consent of North and South;

by either North or South if any governmental entity that must grant a requisite regulatory approval has (i) denied approval of the consummation of any of the material transactions contemplated by the merger agreement, including the merger or bank merger and such denial has become final and nonappealable or any governmental entity of competent jurisdiction shall have issued a final nonappealable order permanently enjoining or otherwise prohibiting the consummation of any of the material transactions contemplated by the merger agreement, including the merger or bank merger or (ii) granted the requisite regulatory approval but such requisite regulatory approval contains or results in the imposition of a materially burdensome regulatory condition and there is no meaningful possibility that such requisite regulatory approval could be revised prior to the termination date of the merger agreement so as not to result in a materially burdensome regulatory condition, unless, in either case, the failure to obtain a requisite regulatory approval or to obtain a requisite regulatory approval without it containing or resulting in the imposition of a materially burdensome regulatory condition shall be due to the failure of the party seeking to terminate the merger agreement to

perform or observe the covenants and agreements of such party set forth in the merger agreement;

by either North or South if the merger is not consummated on or before one year from the date of the merger agreement (the termination date), unless the failure of the closing of the merger to occur by the termination date is due to the failure of the party seeking to terminate the merger agreement to perform or observe the covenants and agreements of such party set forth in the merger agreement;

by either North or South if there is a breach of any of the covenants or agreements or any of the representations or warranties in the merger agreement by the other party, either individually or in the aggregate with all other breaches by such party, such that any of the conditions to North's obligations or conditions to South's obligations, respectively, set forth in the merger agreement would not be

satisfied, and (i) such breach is not reasonably capable of being cured or (ii) if such breach is reasonably capable of being cured, is not cured by the earlier of (a) the termination date or (b) the date that is 30 days following written notice thereof to the party committing such breach; provided in each case that the terminating party is not then in breach of any representation, warranty, covenant or other agreement of such party contained in the merger agreement such that any of the conditions to North's or South's obligations would not be satisfied;

by either North or South if (i) in the North special meeting (including any postponements or adjournments thereof) the proposals are correctly voted on and the requisite North vote is not obtained or (ii) in the South special meeting (including any postponements or adjournments thereof) the proposals are correctly voted on and the requisite South vote is not obtained; provided that the party seeking to terminate the merger agreement under this provision has complied in all material respects with its obligations under the shareholders' approval section of the merger agreement (including by complying with an adjournment or postponement request as specified in the merger agreement);

by North, prior to South obtaining the required vote of its shareholders, if (i) the board of directors of South has effected a change in board recommendation or (ii) South failed to comply in all material respects with its obligations to solicit the approval of its shareholders under the merger agreement (see Solicitation of Shareholders) or the restrictions on acquisition proposals under the merger agreement (see Third Party Proposals);

by South, prior to North obtaining the required vote of its stockholders, if North failed to comply in all material respects with its obligations to solicit the approval of its stockholders under the merger agreement (see Solicitation of Shareholders);

by South, prior to obtaining the required vote of its shareholders, if the board of directors of South has changed its board recommendation; provided that South has complied with the requirements of the board of directors recommendation provision in the shareholders' approval section of the merger agreement (see Solicitation of Shareholders) and the restrictions on acquisition proposals under the merger agreement (see Third Party Proposals);

by North, if there are certain material defects with South's real property and such defects individually or in the aggregate have a material adverse effect on South; or

by North, if holders of 10% of the shares of South common stock have exercised dissenters' rights in accordance with the procedures under the SCBCA and are deemed dissenting shares pursuant to the terms of the merger agreement.

Termination Fees

If South terminates the merger agreement prior to obtaining the requisite vote of its shareholders to approve the merger agreement and as a result of an acquisition proposal (as defined above under Third Party Proposals) received by South within the 30-day period following the date of the merger agreement, then South has agreed to pay North \$6,450,000, plus an amount equal to North's aggregate documented out-of-pocket expenses actually incurred in negotiating and preparing the merger agreement, performing due diligence and otherwise in connection with or

attempting to consummate the merger (referred to herein as "documented expenses").

If South terminates the merger agreement prior to obtaining the required vote of its shareholders to approve the merger agreement as a result of an intervening event (as defined above under "Third Party Proposals"), then South has agreed to pay North an amount equal to \$10,000,000, plus North's documented expenses.

If, prior to the termination of the merger agreement, a bona fide acquisition proposal is made known to senior management of South or has been made directly to its shareholders generally or any person has publicly

announced (and not withdrawn) an acquisition proposal with respect to South and thereafter the merger agreement is terminated in one of the following ways:

by either North or South because the North stockholder meeting or the South shareholder meeting, respectively, has concluded without obtaining the respective required shareholder approvals;

by North, if South has breached any of its covenants or agreements or any of its representations or warranties set forth in the merger agreement, either individually or in the aggregate with all other breaches by South, such that any of the conditions to North consummating the merger would not be satisfied, and (i) such breach is not reasonably capable of being cured or (ii) if such breach is reasonably capable of being cured, is not cured by the earlier of (a) the termination date of the merger agreement or (b) the date that is 30 days following written notice thereof to South;

by South or North, if the merger has not been consummated on or before the termination date (if the required South vote had not been obtained prior to termination and all other conditions to the merger had been satisfied or were capable of being satisfied prior to such termination);

by North, prior to South obtaining the required vote of its shareholders, if (i) the South board of directors has changed its recommendation or (ii) South failed to comply in all material respects with its obligations to solicit approval of its shareholders under the merger agreement (see Solicitation of Shareholders) or the restrictions on acquisition proposals under the merger agreement (see Third Party Proposals); or

by South, prior to obtaining the required vote of its shareholders, if the South board of directors has changed its recommendation; provided that South has complied with its obligations under the merger agreement to solicit approval of its shareholders (see Solicitation of Shareholders) and the restrictions on acquisition proposals under the merger agreement (see Third Party Proposals) and no fee is payable by South as a result of receipt of an acquisition proposal within the 30-day period following the date of the merger agreement (as described above),

South will be required to pay North an amount equal to (i) North's documented expenses and (ii) if, prior to the date that is 12 months after the date of termination of the merger agreement, South enters into a definitive agreement with respect to, or consummates, (a) an acquisition of 50% or more of the assets or capital stock of South or any of its subsidiaries, (b) an issuance of 50% or more of the current number of its issued and outstanding shares of any class of capital stock or (c) a purchase, acquisition, tender offer or exchange offer that, if consummated, would result in any person (or the shareholders of any person) or group becoming the beneficial owner of 50% or more of any class of equity or voting securities of South or any of its subsidiaries whose assets individually or in the aggregate, constitute 50% or more of the consolidated assets of South and its subsidiaries, taken as a whole, then South will be required, on the date of entry into such agreement, or on the date of consummation if the alternative transaction is consummated without entry into a definitive agreement, to pay North an amount equal to \$22,574,000.

Amendments, Extensions and Waivers

Subject to compliance with applicable law, North and South may amend the merger agreement by action taken or authorized by their respective boards of directors at any time before or after approval of the matters presented in connection with the merger by the shareholders of North and South; provided, however, that, after adoption and

approval of the merger agreement by the respective shareholders of North or South, there may not be, without further approval of such shareholders, any amendment of the merger agreement that changes the amount or the form of the consideration to be delivered to the holders of South common stock or that otherwise requires the approval of such shareholders under applicable law. Additionally, the merger agreement may not be amended except by an instrument in writing signed on behalf of each of the parties to the merger agreement.

At any time prior to the effective time of the merger agreement, North and South, through their respective board of directors, may, to the extent legally allowed, (i) extend the time for the performance of any of the

obligations or other acts, (ii) waive any inaccuracies in the representations and warranties contained in the merger agreement or in any document delivered pursuant to the merger agreement, and (iii) waive compliance with any of the agreements or satisfaction of any conditions; provided, however, that, after adoption and approval of the merger agreement and the transactions contemplated by the merger agreement by the respective shareholders of North or South, there may not be, without further approval of such shareholders, any extension or waiver of the merger agreement or any portion thereof which reduces the amount or changes the form of the consideration to be delivered to the holders of South common stock or that otherwise requires the approval of such shareholders under applicable law. Any agreement on the part of a party to the merger agreement to any such extension or waiver will only be valid if set forth in a written instrument signed on behalf of such party, but such extension or waiver or failure to insist on strict compliance with an obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

Expenses

All costs and expenses incurred in connection with the merger agreement and the transactions contemplated by it will be paid by the party incurring such expense; provided, however, that the costs and expenses of printing and mailing the joint proxy statement/prospectus and all filing and other fees paid to the SEC in connection with the merger will be borne equally by North and South.

DESCRIPTION OF NORTH S CAPITAL STOCK

General

North s authorized capital stock consists of 23,000,000 shares divided into three classes. The following table reflects the designations, par value, and numbers of authorized and outstanding shares, of each class:

Class and Par Value per Share	Number of Authorized Shares	Number of Outstanding Shares
Class A common stock, par value \$1.00 per share	11,000,000	8,586,058
Class B common stock, par value \$1.00 per share	2,000,000	1,032,883
Preferred stock, par value \$0.01 per share	10,000,000	-0-

Common Stock

All shares of North Class A common stock and North Class B common stock, when issued and fully paid, are nonassessable and are not subject to redemption or conversion and have no preemptive rights.

Voting Rights. Except as otherwise provided by law, each holder of North Class A common stock has one vote per share, and each holder of North Class B common stock has 16 votes per share, on all matters voted upon by stockholders. Except as provided from time to time in the North charter with respect to another class of North s shares, or in a certificate of designation relating to a series of the preferred stock, or by applicable law, the holders of shares of North Class A common stock and North Class B common stock have the exclusive right to vote for the election of North s directors and for all other purposes. In the election of North s directors, cumulative voting is not available to stockholders.

Dividends and Other Distributions. Except as may be provided from time to time in a certificate of designation relating to a series of North s preferred stock, or by applicable law, dividends, spin-offs, distributions-in-kind and all other like and similar benefits and transactions are paid or distributed on the North Class A common stock and the North Class B common stock as and when declared from time to time by the North board of directors from funds legally available; provided, however, that dividends, spin-offs, distributions-in-kind and all other like and similar benefits and transactions must be the same for each issued and outstanding share of North Class A common stock and North Class B common stock as of the record date.

Liquidation. As to the distribution of North s assets in the event of liquidation, any amounts available, after the satisfaction of all corporate liabilities, and subject to the rights of any outstanding shares of preferred stock, must be distributed between the outstanding North Class A common stock and North Class B common stock pro rata, based upon the numbers of shares issued and outstanding of North Class A common stock and North Class B common stock.

Transfer Agent. Broadridge Corporate Issuer Solutions, Inc. is the transfer agent for North Class A common stock and North Class B common stock.

Preferred Stock

The North charter authorizes the issuance of up to 10,000,000 shares of undesignated preferred stock. North s board of directors is authorized to issue shares of the preferred stock from time to time, to create series thereof, to establish the number of shares to be included in each such series, and to fix the designations, powers, preferences and the relative, participating, optional or other rights of the shares of each series, and any qualifications, limitations or restrictions

thereon, all by its resolution, and without the approval of holders of shares of North s other outstanding capital stock. Without limiting the generality of the foregoing authority, the North board of directors is authorized to fix and determine with respect to each separate series:

the designation of and the number of shares to constitute each series, which number may be increased or decreased (but not below the number of shares then outstanding) from time to time by the North board of directors unless otherwise provided by the board of directors;

the dividend rate (or method of determining such rate), if any; any conditions on which and times at which dividends are payable; any preferences over or relation which such dividends shall bear to the dividends payable on any other class or classes, or any other series, of capital stock, including the preferred stock; whether such dividends will be cumulative or non-cumulative; and whether the shares will be participating or nonparticipating with other shares with respect to dividends;

whether shares within a series will be redeemable (at the option of North or the holders of such shares or both, or upon the happening of a specified event), and, if so, the redemption prices (or the method of determining such prices) and the conditions and times upon which redemption may take place and whether for cash, property, or rights, including securities of North or of another corporation;

the terms and amount of any sinking, retirement, or purchase fund;

the conversion or exchange rights (at the option of North or the holders of such shares or both, or upon the happening of a specified event), if any, including the conversion or exchange times, prices, rates, adjustments, and other terms of conversion or exchange;

the voting rights, if any, of the holders of shares of each series;

any restrictions on the issuance or reissuance of additional shares of the preferred stock;

the rights of the holders upon voluntary or involuntary liquidation, dissolution or winding up of the affairs of North; any preferences over any other class or classes, or any other series, of capital stock, including preferred stock; and whether the shares will be participating or nonparticipating with other shares with respect to distributions of North's assets upon liquidation, dissolution or winding up of North's affairs;

any limitations or restrictions on transfer; and

such other powers, rights and preferences, if any, for the benefit of the holders of, or other terms or limitations, qualifications or restrictions with respect to, the shares within that series as shall not be inconsistent with the provisions of the North charter or applicable law.

The number, designations, powers, preferences, and the relative, participating, optional or other rights of, and any qualifications, limitations or restrictions on, shares within any one series may differ from those of shares within any other series. Except as may otherwise be provided in the North charter, in a certificate of designation relating to a series of the preferred stock or by applicable law, holders of the preferred stock will not be entitled to vote, separately or as a class, at or receive notice of any meeting of stockholders.

Preferred stock may be issued in the future from time to time, in one or more series, in a variety of transactions, including without limitation public offerings or private sales of shares to increase North's capital, or to the stockholders of other entities North acquires in exchange for their shares of those companies. The shares issued in each transaction could all be of one series, or North's board of directors could establish a separate series of shares for

each transaction. North's board of directors is authorized to establish different series of preferred stock from time to time, and to issue shares from those series, without additional stockholder approval.

At the time North's board of directors approved the issuance of any preferred stock, it could issue the shares from a previously established series, or it could establish a new series of shares within the class by its resolution and the filing of a certificate of designation with the Delaware Secretary of State. For each new series, the board would determine, and the certificate of designation would specify, the number of shares included in the new series, and the designation, powers, and preferences, and the relative, participating, optional and other rights of, and any qualifications, limitations or restrictions on, shares within the new series.

The terms and preferences of shares included in each separate series of preferred stock could differ materially. In general, any shares of preferred stock North issues likely would have one or more preferences over, or special terms that differed from, outstanding shares of North Class A common stock and North Class B common stock.

Issuing any shares of preferred stock would dilute the relative percentage equity interests of the holders of outstanding shares of North Class A common stock and North Class B common stock. Holders of North Class A common stock and North Class B common stock do not have preemptive rights to acquire any additional shares of capital stock, including preferred stock, issued by North, and they would have no right to purchase a proportionate share, or any portion, of any shares of preferred stock issued in the future.

The authority of North's board of directors to issue shares of preferred stock, to establish one or more series of preferred stock, and to determine the provisions of each series of preferred stock, without stockholder approval, could be used for the purpose, or have the effect, of establishing barriers to a change of control or acquisition of North. For example, should a group that is friendly to North's management be issued shares of a series of preferred stock having special voting rights or certain other preferential terms, that group could receive effective control over the election of North's directors and that could deter or discourage efforts by another group or company to acquire control of North, even if North's other stockholders favored a change of control.

COMPARISON OF SHAREHOLDERS RIGHTS

If the merger is completed, holders of South common stock and South non-voting common stock will receive shares of North Class A common stock or a combination of North Class A common stock and North Class B common stock in exchange for their shares of South common stock and South non-voting common stock. In accordance with the merger agreement, all outstanding shares of South preferred stock are required to be redeemed by South for cash prior to the effective time of the merger and automatically cancelled and returned to authorized but unissued shares of preferred stock. Notice of redemption of all of such shares has been sent and redemption will be effective August 1, 2014. Accordingly, no South preferred shares will be outstanding on the record date for the South special meeting. North is organized under the laws of the State of Delaware and South is organized under the laws of the State of South Carolina. The following is a summary of the material differences between (i) the current rights of South shareholders under the SCBCA and the South articles of incorporation and bylaws and (ii) the current rights of North stockholders under the DGCL and the North charter and bylaws.

*North and South believe that this summary describes the material differences between the rights of holders of North Class A common stock and North Class B common stock as of the date of this joint proxy statement/prospectus and the rights of holders of South common stock and non-voting common stock as of the date of this joint proxy statement/prospectus, however, it does not purport to be a complete description of those differences. Copies of North's governing documents have been filed with the SEC. Copies of South's governing documents have not been filed with the SEC. To find out where copies of these documents can be obtained, see *Where You Can Find More Information* beginning on page [] of this joint proxy statement/prospectus.*

Authorized Capital Stock

North

The North charter authorizes it to issue up to 11,000,000 shares of Class A common stock, \$1.00 par value per share, 2,000,000 shares of Class B common stock, \$1.00 par value per share, and 10,000,000 shares of preferred stock, \$0.01 par value per share. As of the North record date, there were [] shares of North Class A common stock outstanding, [] shares of North Class B common stock outstanding, and no shares of preferred stock outstanding. As of the North record date, there were no outstanding options, warrants or other rights to acquire any capital stock of North. See *Information About the North Special Meeting* beginning on page [] of this joint proxy statement/prospectus for information regarding the North charter amendment proposal.

South

South's articles of incorporation authorize it to issue 2,000,000 shares of common stock, \$5.00 par value per share; 1,000,000 shares of non-voting common stock, \$5.00 par value per share; 68,968 shares of preferred stock, \$50.00 par value per share, consisting of 10,000 shares of Series A Cumulative Preferred Stock, 15,000 shares of Series B Cumulative Preferred Stock, 8,000 shares of Series D Cumulative Preferred Stock, and 35,968 shares of Series F Cumulative Preferred Stock; 8,077 shares of preferred stock, \$20.00 par value per share, consisting of 8,077 shares of Series C Cumulative Preferred Stock; and 5,000,000 shares of preferred stock, no par value per share, designated as No-Par Preferred Stock, consisting of 590 shares of Series E Cumulative Preferred Stock, 11,659 shares of Series G Cumulative Preferred Stock, and 4,987,751 shares of No-Par Cumulative Preferred Stock not presently established as one or more series. The board of directors of South has the authority to establish from such No-Par shares one or more series and to fix and determine the relative rights and preferences of the shares of any series so established.

As of the South record date, there were [] shares of South voting common stock and [] shares of South non-voting common stock issued and outstanding. All shares of South Series A, B, C, E, F, and G Cumulative Preferred Stock outstanding at the time of execution of the merger agreement are required under the merger agreement

to be redeemed prior to the effective time of the merger, and no shares of any such series or of Series D Cumulative Preferred Stock will be outstanding at the South record date. Under the SCBCA, outstanding shares that are redeemed by a corporation once again become authorized but unissued shares, unless the corporation's articles of incorporation provide otherwise. South's articles of incorporation do not provide otherwise. As of the South record date, there were no outstanding options, warrants or other rights to acquire any capital stock of South.

Voting Rights of North Common Stock, South Common Stock and South Preferred Stock

North Common Stock

The North charter provides that holders of North Class A common stock have one vote for each share outstanding, and holders of North Class B common stock have 16 votes for each share outstanding. Except as otherwise provided from time to time in the North charter with respect to another class of North's shares, or in a certificate of designation relating to a series of North preferred stock, or by applicable law, the holders of North Class A common stock and North Class B common stock have the exclusive right to vote for the election of North's directors and for all other purposes. Holders of North common stock do not have the right to vote cumulatively in the election of directors, and do not have class voting privileges except as required by law.

The vote of the holders of North stock having a majority of the voting power present in person or represented by proxy at a meeting at which a quorum is present shall decide any question brought before such meeting, unless the question is one which by express provision of the North charter, the North bylaws, the rules or regulations of any stock exchange applicable to North, or applicable law or pursuant to any regulation applicable to North or its securities a different vote is required, in which case such express provision will govern and control the decision of such question. Under the DGCL, because the North charter provides for North Class B common stock to have more than one vote per share, any references in the DGCL or the North bylaws to a majority or other proportion of stock or shares refers to such majority or other proportion of the votes of such stock or shares.

South Common Stock

Holders of South common stock have one vote for each share outstanding, and may vote cumulatively for the election of directors. Holders of South non-voting common stock do not have voting rights, except in such instances as South Carolina law requires, in which event holders of South non-voting common stock have one vote per share.

South's bylaws provide that the vote of more shares voted for any matter than are voted against the matter at a meeting of the shareholders at which a quorum is present is required to approve the matter, unless the vote of a greater number is required by law or by South's articles of incorporation.

South Preferred Stock

If shares of any such series are outstanding, holders of shares of South Series A, B, C, D, F and G Cumulative Preferred Stock have one vote for each share on all matters on which shareholders are entitled to vote, and may vote cumulatively for the election of South's directors. Holders of shares of South Series E Cumulative Preferred Stock do not have voting rights, except as required by the SCBCA and except that if at any time the dividend is in arrears on such series, the holders thereof would have the right, in the election of the directors, to cast one vote per share. As noted above, no shares of any series of South cumulative preferred stock will be outstanding at the South record date.

No Class Voting on South Common or Preferred Shares

Neither holders of South common stock nor holders of South preferred stock have any right to vote as a class, except in such cases as class voting may be required by law.

Voting Limitations

South

Section 35-2-101 et seq. of the SCBCA contains a control share acquisition statute that, in general terms, provides that where a shareholder acquires issued and outstanding shares of a corporation's voting stock (referred

to as control shares) within one of several specified ranges (one-fifth or more but less than one-third, one-third or more but less than a majority, or a majority or more), approval of the control share acquisition by the corporation's shareholders must be obtained before the acquiring shareholder may vote the control shares. The required shareholder vote is a majority of all votes entitled to be cast, excluding interested shares, defined as shares held by the acquiring person, officers of the corporation and employees who are also directors of the corporation. A corporation may, however, opt-out of the control share statute through a charter or bylaw provision. South has not opted out of the statute.

North

The DGCL does not contain a control share acquisition statute.

Preemptive Rights

North

Under the DGCL, North stockholders do not have preemptive rights to subscribe for an additional issue of stock by North unless, and except to the extent that, such right is expressly granted to the stockholders in the North charter. The North charter does not grant preemptive rights to North stockholders.

South

South's articles of incorporation provide that none of its shares have preemptive rights to acquire additional shares of South.

Size of Board of Directors

North

North's bylaws currently provide that North's board of directors will consist of not less than five nor more than 30 directors, with the exact number within the range to be determined by the North board of directors. North's board of directors currently has 12 directors.

South

South's bylaws currently provide that South's board of directors will consist of not less than seven nor more than 28 directors, with the exact number within the range to be set by the shareholders or the directors. South's board of directors currently has 13 directors.

Cumulative Voting and Election of Directors

North

North stockholders do not have the right to cumulate their votes with respect to the election of directors. The persons who receive the highest number of votes cast at the North annual meeting of stockholders by holders of the North Class A common stock and the North Class B common stock, voting together, will be deemed to be elected.

South

South articles of incorporation provide that South shareholders have the right to cumulate their votes with respect to the election of directors. Under cumulative voting, a shareholder may cumulate votes either by giving one nominee as many votes as the number of directors to be elected multiplied by the number of shares the shareholder owns of record, or by distributing the shareholder's votes on the same principle among any number of nominees. The persons who receive the highest number of votes cast at the South annual meeting of shareholders will be deemed to be elected.

Classes of Directors

Neither the North board of directors nor the South board of directors is divided into classes, and all directors are elected annually and serve until their successors are elected and qualify to serve.

Removal of Directors

North

Under North's bylaws, any North director may be removed from office, with or without cause, if a majority of the total votes entitled to be cast by holders of North stock at an election of directors are cast in favor of the director's removal.

South

Under South's bylaws, any or all of the South directors may be removed, with or without cause, by a vote of the holders of a majority of the shares then entitled to vote at an election of directors, subject to the provisions of the SCBCA pertaining to the removal of directors. Because South has cumulative voting, the SCBCA provides that a South director may not be removed if the number of votes sufficient to elect him under cumulative voting is voted against his removal.

Filling Vacancies on the Board of Directors

North

North's bylaws provide that vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority vote of the North directors then in office, though less than a quorum, or by a sole remaining director, and such directors hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute. If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole board of directors (as constituted immediately prior to any such increase), the Delaware Court of Chancery may, upon application of any stockholder or stockholders owning at least ten percent of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office.

South

South's bylaws provide that vacancies on South's board of directors, including any vacancy resulting from an increase in the number of directors, may be filled by a majority of the remaining directors, even though less than a quorum, or by the sole remaining director. Directors so elected serve until the next annual meeting of shareholders and until their successors are elected and qualify.

Special Meetings of Shareholders

North

North's bylaws provide that special meetings of the North stockholders may be called at any time by the board of directors, the chairman of the board, the chief executive officer, the president, or the secretary, and must be called by any of them at the request in writing of a majority of the board of directors.

South

South's bylaws provide that special meetings of the South shareholders may be called at any time by the president, the chairman of the board of directors, a majority of the members of the board of directors, or the holders of not less than ten percent of the shares entitled to vote at the meeting.

Quorum

North

Under North's bylaws, the presence at a meeting of stockholders, in person or by proxy, of the holders of shares representing a majority of the total votes entitled to be cast by holders of outstanding North shares that may be voted at the meeting will constitute a quorum for the transaction of business, except as otherwise provided by the DGCL.

South

Under South's bylaws, a majority of South shares entitled to vote at a meeting will constitute a quorum at all meetings of shareholders for the transaction of business.

Action by Written Consent

North

Under North's bylaws, North's stockholders may act without a stockholder meeting by written consent, without prior notice and without a vote. Such consent must set forth the action so taken and be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent must be given to those stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for notice of such meeting had been the date that written consents signed by a sufficient number of holders to take the action were delivered to North.

South

Under South's bylaws, South shareholders may act without a meeting if a written consent, setting forth the action so taken, is signed by the holders of all outstanding shares entitled to vote on any such action, or their attorneys-in fact or a proxy holder thereof.

Dividends

North

Under the DGCL, North may declare and pay dividends upon the shares of its capital stock either: (i) out of its surplus; or (ii) if there is no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. If the capital of North has been diminished by depreciation in the value of its property, or by losses, or otherwise, to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference on the distribution of assets, the directors of North may not declare and pay out of such net profits any dividends upon any shares of any classes of its capital stock until the deficiency in the amount of capital represented by the issued and outstanding stock of all classes having a preference on the distribution of assets shall have been repaired. In addition, the FRB has the authority to restrict dividends issued by bank holding companies, including North.

Dividends, spin-offs, distributions-in-kind and all other like and similar benefits and transactions (except voting) will be paid or distributed on the North Class A common stock and the North Class B common stock as declared from time to time by the North board of directors. Such dividends, spin-offs, distributions-in-kind and all other like and similar benefits and transactions will be the same for each issued and outstanding share of North Class A common stock and

for each issued and outstanding share of North Class B common stock as of the record date.

South

Under the SCBCA, South may not declare a dividend if, after giving effect to such dividend, it would not be able to pay its debts as they become due in the ordinary course of business or if its total assets would be less than the sum of its total liabilities plus the amount that would be needed, if the corporation were to be dissolved at the time the dividend was declared, to satisfy the preferential rights of any holders of South preferred shares. In addition, the FRB has the authority to restrict dividends issued by bank holding companies, including South.

When dividends are declared by the South board of directors, holders of South preferred stock are entitled to be paid, without preference or priority as between classes or series, dividends before any dividend can be declared or paid in respect of the South common stock or the South non-voting common stock, as follows: each of Series A, B, D, F and G Cumulative Preferred \$2.50 per share annually, payable quarterly; and Series E Cumulative Preferred \$10.00 per share annually, payable semi-annually. The Series C Cumulative Preferred is entitled to be paid, when declared by the South board of directors, a regular dividend of \$2.00 per share annually, payable quarterly. In addition to such regular dividends, holders of Series C Cumulative Preferred shares are entitled to be paid, when declared by the South board of directors, a special dividend in December of each year in which the regular dividend per share paid on Series C shares is less than twice the amount per share paid by South on its common shares. The special dividend will be the amount per share that equals the difference between the regular dividend paid per share on the Series C shares during such year and twice the amount of cash dividends per share paid on the South common stock during such year. Upon any increase in the number of South common shares outstanding as a result of a stock split or stock dividend, the amount of the special dividend will be adjusted to the extent necessary to avoid dilution of rights of holders of the Series C shares to such dividend. The preference as to dividends of Series A, B, C, D, E, F, and G over the South common stock is cumulative.

Rights on Liquidation, Dissolution or Winding Up

North

The North charter provides that, in the event of liquidation of North, any amounts available will be distributed between the outstanding North Class A common stock and the outstanding North Class B common stock pro rata, based upon the numbers of shares issued and outstanding of North Class A common stock and North Class B common stock.

South

South's articles of incorporation provide that, in the event of any liquidation, dissolution or winding up of South, whether voluntary or involuntary, before any amount may be paid in respect of the common stock, or the non-voting common stock, the holders of preferred stock, without preference or priority as between class or series, are entitled to receive from assets available for distribution to shareholders all dividends accrued but unpaid as of the date of liquidation and for each such share having a par value an amount equal to the par value thereof, and for each share of Series G the sum of \$50.00, and for each share of Series E the sum of \$200.00.

Notice of Shareholders Meetings

North

North's bylaws provide that written notice stating the time and place of any meeting of stockholders and, in case of a special meeting, the purpose or purposes for which the meeting is called, must be delivered not less than ten nor more than 60 days before the date of the meeting to each stockholder entitled to vote at the meeting as of the record date for determining the stockholders entitled to notice of the meeting.

South

South's bylaws provide that written notice stating the time and place of any meeting of shareholders and, in case of a special meeting, the purpose or purposes for which the meeting is called, must be delivered not less than ten nor more than 60 days before the date of the meeting.

Limitation of Personal Liability of Officers and Directors

North

The North charter provides that no director shall be personally liable to North or its stockholders for monetary damages for breach of fiduciary duty as a director for any act or omission, except that he may be liable (i) for any breach of his duty of loyalty to North or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL or (iv) for any transaction from which he derived an improper personal benefit.

South

South's articles of incorporation provide that a director of the corporation shall not be personally liable for monetary damages for breach of fiduciary duty as a director, except for: (i) acts or omission not in good faith or which involve gross negligence, intentional misconduct, or a knowing violation of law; (ii) any breach of the director's duty of loyalty to South or its shareholders; (iii) any transaction from which the director derived an improper personal benefit; or (iv) liability for unlawful distributions imposed under Section 33-8-330 of the SCBCA.

Indemnification of Directors and Insurance

North

The North charter provides that North shall, to the full extent permitted by Section 145 of the DGCL, indemnify all persons whom it may indemnify pursuant thereto. North's bylaws further provide that North will indemnify and hold harmless, to the fullest extent permitted by applicable law, any person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director, officer, or employee of North or, while a director, officer, or employee of North, is or was serving at the request of North as a director, officer, employee, or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees, judgments, fines, taxes, including under the Employee Retirement Income Security Act of 1974, as amended (ERISA), excise taxes, or penalties, and amounts paid in settlement) reasonably incurred by such person. Such indemnification will continue as to any such person who has ceased to be a director, officer, employee, or agent and inure to the benefit of his or her heirs, executors, and administrators.

North's bylaws also provide that North will, to the fullest extent not prohibited by applicable law, advance expenses (including attorneys' fees) incurred by any of the foregoing persons in defending any proceeding upon receipt of an undertaking by such person to repay all amounts advanced if it should be ultimately determined that he or she is not entitled to be indemnified.

The bylaw provision does not limit the right of North, to the extent and in the manner permitted by law, to indemnify and to advance expenses to other persons when and as authorized by appropriate corporate action.

South

South's bylaws provide for the indemnification of any current and former directors to the fullest extent authorized by law. South may advance reasonable expenses to directors to the fullest extent permitted by law.

South's bylaws also provide that, to the full extent and in the manner permitted or required by the SCBCA, South may advance expenses to and indemnify any present or former director, officer, agent, or employee of South (or any corporation which was merged into or acquired by South), or any of the foregoing persons who is or was serving at the request of South (or any corporation which was merged into or acquired by South) as a director, officer, partner, trustee, employee or agent of a foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, who by reason of the fact that he is or was acting in such capacity, is made a party to any threatened, pending or completed proceedings, whether civil, criminal, administrative or investigative.

South's bylaws provide that South may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of South, or who is or was serving at the request of South as a director, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against him or incurred by him in such capacity, or arising out of his status as such, whether or not South would have the power to indemnify him against such liability.

Amendments to Articles of Incorporation and Bylaws

North

The DGCL provides that the North charter generally may be amended if the North board of directors adopts a resolution setting forth the proposed amendment and either calling a special meeting of stockholders for the consideration of the amendment or directing that the amendment be considered at the next annual meeting of stockholders, and if (i) a majority of the total votes entitled to be cast by holders of outstanding North shares entitled to vote thereon, and (ii) a majority of the total votes entitled to be cast by holders of outstanding shares of each class, if any, entitled to vote thereon as a class, in each case are cast in favor of the amendment. The holders of the outstanding shares of a class shall be entitled to vote as a class upon a proposed amendment, whether or not entitled to vote thereon by the North charter, if the amendment would increase or decrease the aggregate number of authorized shares or par value of such class, or alter or change the powers, preferences, or special rights of the shares of such class so as to affect them adversely. However, under the North charter, an amendment to increase or decrease the number of authorized shares of the North preferred stock may be approved by the affirmative vote of the holders of a majority in voting power of North stock entitled to vote thereon without the vote of the holders of any of the North preferred stock voting separately as a class.

The North charter provides that the North board of directors shall have the power to make, adopt, alter, amend and repeal bylaws from time to time, subject to the rights of the North stockholders entitled to vote with respect thereto to alter or repeal bylaws made by the board of directors. North's bylaws provide that the bylaws may be altered, amended or repealed and new bylaws may be adopted at any regular meeting of the North board of directors or the North stockholders, or at any special meeting of the North board of directors or North stockholders if notice of such alteration, amendment, repeal or adoption, is contained in the notice of said special meeting. Amendment of the bylaws by the directors at a meeting at which a quorum is present would require the vote of a majority of directors present. Approval of an amendment of the bylaws by stockholders would require that a majority of the total votes entitled to be cast by holders of North shares represented at the meeting, in person or by proxy, and entitled to be voted thereon, be cast in favor of the bylaw amendment.

South

The SCBCA provides that South's articles of incorporation generally may be amended upon approval by the South board of directors and the holders of two-thirds of the South outstanding shares entitled to vote. South's bylaws provide that the South board of directors by vote of a majority of directors then in office, may adopt, amend, or repeal the bylaws or adopt new bylaws, subject to the right of shareholders to alter, amend, repeal bylaws or adopt new bylaws in accordance with applicable provisions of the SCBCA. Any notice of a meeting of shareholders or of

directors at which bylaws are to be adopted, amended, or repealed must include notice of such

proposed action. Amendment of the South bylaws by shareholders would require that more shares vote for than vote against the matter at a meeting at which a quorum is present, or the unanimous written consent of all shares outstanding and entitled to vote.

Forum for Certain Shareholder Disputes

North

North's bylaws provide that, unless North consents in writing to the selection of an alternative forum, the United States District Court for the Eastern District of North Carolina or, if such court lacks jurisdiction, any North Carolina state court that has jurisdiction, will, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of North, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of North to North or North's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL, and (iv) any action asserting a claim governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of capital stock of North will be deemed to have notice of and consented to the exclusive forum provisions.

South

South's bylaws provide that, unless South consents in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of South, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of South to South or South's shareholders, (iii) any action asserting a claim arising pursuant to any provision of the SCBCA, or (iv) any action asserting a claim governed by the internal affairs doctrine will be a state or federal court located within Richland County, South Carolina, in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. Any action by a South shareholder or any of its officers or directors that is based upon the right of any shareholder as a shareholder must be brought in a state or federal court located in Richland County, South Carolina. Any person or entity having any interest in shares of capital stock of South shall be deemed to have notice of and consented to the provisions of this by-law.

If any action the subject matter of which is within the scope of the paragraph above is filed in a court other than a court located within Richland County, South Carolina (a *Foreign Action*) in the name of any South shareholder, such shareholder will be deemed to have consented to (i) the personal jurisdiction of the state and federal courts located within Richland County, South Carolina in connection with any action brought in any such court to enforce the paragraph above (a *Forum Selection Clause Enforcement Action*) and (ii) having service of process made upon such shareholder in any such Forum Selection Clause Enforcement Action by service upon such shareholder's counsel in the Foreign Action as agent for such shareholder.

Right to Redeem South Cumulative Preferred Stock

Upon 20 days written notice, South may at its option at any time redeem all or part (by lot if in part) of the then outstanding cumulative preferred stock for cash in the following amounts, plus accrued and unpaid dividends: Series A \$50.00 per share; Series B \$50.00 per share; Series C \$100.00 per share; Series D \$100.00 per share; Series E \$200.00 per share; Series F \$50.00 per share; Series G \$50.00 per share.

Rights of North Preferred Stock

The rights of the North Class A common stock and the North Class B common stock are subject to the terms of any North preferred stock outstanding.

Although no shares of North preferred stock are currently outstanding, North's board of directors is authorized to issue shares of preferred stock from time to time, to create series of preferred stock, to establish the number of shares to be included in each such series, and to fix the designations, powers, preferences and the relative, participating, optional or other rights of the shares of each series, and any qualifications, limitations or restrictions thereon. The North board of director's authority includes, without limitation, the authority to fix and determine with respect to each separate series:

the designation of and the number of shares to constitute each series, which number may be increased or decreased (but not below the number of shares then outstanding) from time to time by the North board of directors unless otherwise provided by the North board of directors;

the dividend rate (or method of determining such rate), if any; any conditions on which and times at which dividends are payable; any preferences over or relation which such dividends bear to the dividends payable on any other class or classes, or any other series, of capital stock, including the preferred stock; whether such dividends will be cumulative or non-cumulative; and whether the shares will be participating or nonparticipating with other shares with respect to dividends;

whether shares within a series will be redeemable (at the option of North or the holders of such shares or both, or upon the happening of a specified event), and, if so, the redemption prices (or the method of determining such prices) and the conditions and times upon which redemption may take place and whether for cash, property, or rights, including securities of North or of another corporation;

the terms and amount of any sinking, retirement, or purchase fund;

the conversion or exchange rights (at the option of North or the holders of such shares or both, or upon the happening of a specified event), if any, including the conversion or exchange times, prices, rates, adjustments, and other terms of conversion or exchange;

the voting rights, if any, of the holders of shares of each series;

any restrictions on the issuance or reissuance of additional shares of preferred stock;

the rights of the holders upon voluntary or involuntary liquidation, dissolution or winding up of the affairs of North; any preferences over any other class or classes, or any other series, of capital stock, including preferred stock; and whether the shares will be participating or nonparticipating with other shares with respect to distributions of North's assets upon liquidation, dissolution or winding up of the affairs of North;

any limitations or restrictions on transfer; and

such other powers, rights and preferences, if any, for the benefit of the holders of, or other terms or limitations, qualifications or restrictions with respect to, the shares within that series as shall not be inconsistent with the provisions of the North charter or applicable law.

The number, designations, powers, preferences, and the relative, participating, optional or other rights of, and any qualifications, limitations or restrictions on, preferred shares within any one series may differ from those of preferred shares within any other series. Except as may otherwise be provided in the North charter, in a certificate of designation relating to a series of the preferred stock or by applicable law, holders of the preferred stock will not be entitled to vote, separately or as a class, at or to receive notice of any meeting of stockholders.

Anti-Takeover Provisions

North

Section 203 of the DGCL provides that if a person acquires 15% or more of the stock of a Delaware corporation, thereby becoming an interested stockholder (for purposes of Section 203 of the DGCL), that person may not engage in certain business combinations with the corporation for a period of three years unless one of the following three exceptions applies: (i) the corporation's board of directors approved the acquisition of

stock or the business combination transaction prior to the time that the person became an interested stockholder; (ii) the person became an interested stockholder and 85% owner of the voting stock of the corporation in the transaction in which it became an interested stockholder, excluding voting stock owned by directors who are also officers and certain employee stock plans; or (iii) the business combination transaction is approved by the board of directors and by the affirmative vote of two-thirds of the outstanding voting stock which is not owned by the interested stockholder at an annual or special meeting of stockholders. Under the DGCL, the term "business combination" is defined to include a wide variety of transactions, including mergers, consolidations, sales or other dispositions of 10% or more of a corporation's assets and various other transactions that may benefit an interested stockholder. The merger does not constitute a prohibited business combination under this statute.

A Delaware corporation may elect not to be governed by Section 203. North has not made such an election and accordingly is subject to Section 203.

South

The South Carolina business combinations statute provides that a 10% or greater shareholder of a resident domestic corporation cannot engage in a "business combination" (as defined in the statute) with such corporation for a period of two years following the date on which the 10% shareholder became such, unless the business combination or the acquisition of shares is approved by a majority of the disinterested members of such corporation's board of directors before the 10% shareholder's share acquisition date. This statute further provides that at no time (even after the two-year period subsequent to such share acquisition date) may the 10% shareholder engage in a business combination with the relevant corporation unless certain approvals of the board of directors or disinterested shareholders are obtained or unless the consideration given in the combination meets certain minimum standards set forth in the statute. The law is very broad in its scope and is designed to inhibit unfriendly acquisitions, but it does not apply to corporations whose articles of incorporation contain a provision electing not to be covered by the law. South's articles of incorporation specifically provide that South is not subject to the South Carolina business combinations statute.

See also "Voting Limitations - South" above.

Appraisal Rights/Rights of Dissenting Shareholders

North

The right to seek appraisal for shares of North capital stock is governed in accordance with the DGCL. Under the DGCL, a holder of shares of any class or series of a corporation organized under Delaware law that is party to a merger or consolidation who does not vote in favor of or consent to the merger or consolidation, continues to hold such shares through the effective date of the merger or consolidation, and complies with applicable provisions of the DGCL (including the making of a demand in accordance with the statutes), will be entitled to an appraisal by the Delaware Court of Chancery of the fair value of the stockholder's shares as described in the statutes. However, (i) no appraisal rights shall be available for the shares of any class or series of stock which, at the record date fixed to determine the stockholders entitled to receive notice of the meeting of stockholders to act upon the agreement of merger or consolidation, were either: (a) listed on a national securities exchange, or (b) held of record by more than 2,000 holders, and (ii) no appraisal rights shall be available for any shares of stock of the corporation surviving a merger if the merger does not require for its approval the vote of the stockholders of the surviving corporation. Notwithstanding the above, appraisal rights shall be available for the shares of any class or series of stock of a corporation if the holders thereof are required by the terms of an agreement of merger or consolidation to accept for such stock anything except:

shares of stock of the corporation surviving or resulting from such merger or consolidation;

shares of stock of any other corporation which at the effective date of the merger or consolidation will be either listed on a national securities exchange or held of record by more than 2,000 holders;

cash in lieu of fractional shares; or

any combination of the shares of stock described above and cash in lieu of fractional shares.

Under the DGCL, stockholders of a corporation generally do not have appraisal rights as a result of an amendment to the corporation's certificate of incorporation or the sale of all or substantially all of its assets unless the corporation's certificate of incorporation provides for appraisal rights in those events. The North charter does not contain such a provision.

See *The Merger Appraisal Rights of Holders of North Class B Common Stock* beginning on page [] of this joint proxy statement/prospectus.

South

The dissenters' rights of South shareholders are governed in accordance with the SCBCA. Under the SCBCA, a dissenting or objecting shareholder has the right to demand and receive payment of the fair value, as defined by the SCBCA, of the shareholder's shares in the event of (i) the consummation of a plan of merger if shareholder approval is required and the shareholder is entitled to vote on the plan, or if the corporation to be merged is a subsidiary that is merged with its parent; (ii) the consummation of a plan of share exchange if the shareholder is entitled to vote on the plan; (iii) the consummation of a sale or exchange of all or substantially all of the property of the corporation other than in the ordinary course of business if the shareholder is entitled to vote on the sale or exchange; (iv) an amendment to the corporation's articles of incorporation in a way that materially and adversely affects the shareholder's rights; (v) in certain circumstances, the conversion of a corporation into a limited liability company or a partnership; or (vi) a transaction, to the extent the corporation's articles of incorporation, bylaws or a resolution of the corporation's board of directors provides for dissenters' rights relating to such transaction.

The SCBCA provides that a shareholder may not demand the fair value of the shareholder's shares and is bound by the terms of the transaction if, among other things, the shares are listed on a national securities exchange on the record date for determining shareholders entitled to vote on the matter. Shares of South common stock are not currently listed on a national securities exchange.

See *The Merger Dissenters' Rights of South's Shareholders* beginning on page [] of this joint proxy statement/prospectus.

INFORMATION ABOUT NORTH

North was incorporated under the laws of Delaware on August 7, 1986, to become the holding company of North Bank, its banking subsidiary. North Bank opened in 1898 as the Bank of Smithfield in Smithfield, North Carolina, and later became North Bank. On April 28, 1997, North launched ISB, a federally-chartered thrift institution that originally operated under the name Atlantic States Bank. Initially, ISB operated in the counties surrounding Atlanta, Georgia, but gradually expanded into other high-growth markets throughout the southeastern and western United States. On January 7, 2011, ISB was merged into North Bank resulting in a single banking subsidiary of North.

Prior to 2009, North Bank focused on organic growth, delivering its products and services to customers through de novo branch expansion. Beginning in 2009, leveraging on its strong capital and liquidity positions, North Bank participated in six FDIC-assisted transactions involving distressed financial institutions. These transactions allowed North Bank to enter new markets and expand its presence in other markets.

As of March 31, 2014, North Bank operated 409 branches in North Carolina, Virginia, West Virginia, Maryland, Tennessee, Washington, California, Florida, Georgia, Texas, Arizona, New Mexico, Oregon, Colorado, Oklahoma, Kansas, Missouri and Washington, DC.

North Bank's market areas enjoy a diverse employment base, including, in various locations, manufacturing, service industries, agricultural, wholesale and retail trade, technology and financial services. North Bank believes its current market areas will support future growth in loans and deposits. North Bank maintains a community bank approach to providing customer service, a competitive advantage that strengthens its ability to effectively provide financial products and services to individuals and businesses in its markets. However, like larger banks, North has the capacity to offer most financial products and services that its customers require.

During 2013, North Bank refreshed its brand and updated its company logo. The new brand line, Forever First[®], symbolizes North Bank's commitment to the people, businesses and communities who rely on North to be the best it can be. It is used in all North Bank's branches, in print advertising and for its online presence. In certain North Carolina markets, television, radio and outdoor advertising share the North Bank brand story. North Bank has also developed two product bundles that are used to target specific customers. Your Family First was developed for financially-active families, while the Your Venture First package was developed for small business customers.

A substantial portion of North Bank's revenue is derived from operations throughout North Carolina and Virginia, and in certain urban areas of Georgia, Florida, California and Texas. North Bank delivers products and services to its customers through its extensive branch network as well as online banking, telephone banking, mobile banking and various ATM networks. Business customers may conduct banking transactions through use of remote image technology.

North Bank seeks to meet the needs of both individuals and commercial entities in its market areas. Services offered at most offices include taking of deposits, cashing of checks and providing for individual and commercial cash needs; numerous checking and savings plans; commercial, business and consumer lending; a full-service trust department; and other activities incidental to commercial banking. North Bank's wholly-owned subsidiary, First Citizens Investor Services, Inc. (FCIS), provides various investment products including annuities, discount brokerage services and third-party mutual funds to customers primarily through North Bank's branch network. Other subsidiaries are not material to North's consolidated financial position or to consolidated net income.

In prior years, North Bank provided processing and operational services to other banks. The scope of these services declined in 2012 due to client bank attrition, merger transactions involving client banks, and the conversion of certain clients to different systems, resulting in reduced revenues. In early 2013, North elected to

sell nearly all processing service relationships to another servicer. Although North Bank provides processing services to South Bank, its largest client bank, the revenues generated from all other client banks significantly declined during 2013.

Additional information about North is included in documents incorporated by reference in this joint proxy statement/prospectus. See [Where You Can Find More Information](#) on page [] for a description of where you can find this information.

INFORMATION ABOUT SOUTH

Business of South and South Bank

Organization

South, headquartered in Columbia, South Carolina, is a bank holding company incorporated under the laws of South Carolina in 1982. South provides a full array of commercial and retail banking services through its wholly-owned bank subsidiary, South Bank, a South Carolina-chartered commercial bank with roots going back to The Homestead Bank (later renamed The Commercial Bank and Trust Company of South Carolina), which was organized in Columbia in 1913. In 1970, The Commercial Bank and Trust Company of South Carolina merged with the Citizens Bank of South Carolina and became First Citizens Bank and Trust Company, Inc. Over the next four decades, South Bank expanded its markets through acquisitions throughout South Carolina and Georgia, first entering the Georgia market in 2002 with the acquisition of Citizens Bank. South Bank's most recent acquisitions, which were in 2009, 2010 and 2011, were FDIC-assisted acquisitions of Georgian Bank in Atlanta, Georgia, Williamsburg First National Bank in Kingstree, South Carolina and Atlantic Bank & Trust in Charleston, South Carolina. South Bank currently has 157 offices in 102 communities in South Carolina and 20 offices in 17 communities in Georgia.

South is a legal entity separate and distinct from South Bank. South coordinates the financial resources of the consolidated enterprise and thereby maintains financial, operations and administrative systems that allow centralized evaluation of subsidiary operations and coordination of selected policies and activities. South's operating revenues and net income are derived primarily from cash dividends received from South Bank.

Deposit Services

South Bank's deposit services include business and personal checking accounts, savings accounts, money market accounts, various term certificates of deposit, IRA accounts, education savings accounts, health savings accounts, and other deposit services.

Lending

Commercial Lending

South Bank makes commercial real estate loans, generally secured by real estate in South Carolina or Georgia, to small and middle market businesses. Repayment of commercial real estate loans often depends on the successful operations and income stream of the borrowers, and commercial real estate loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to residential real estate loans. South Bank's underwriting criteria for commercial real estate loans include maximum loan-to-value ratios, debt coverage ratios, secondary sources of repayment, guarantor requirements, net worth requirements and quality of cash flow.

South Bank makes commercial and industrial loans to businesses, usually to provide working capital, expand physical assets or acquire assets. Commercial and industrial loans are generally limited to terms of five years or less. These loans are typically collateralized with a lien on commercial real estate or business assets and equipment, and a personal guarantee of the business owner is usually required. Commercial and industrial loans may also involve relatively large loan balances to single borrowers or groups of related borrowers, with the repayment of such loans typically dependent on the successful operation and income stream of the borrower. South Bank also makes commercial and industrial loans that are unsecured, but such loans are of short duration and made only to customers with demonstrated ability to pay.

Retail Lending

South Bank originates first and second mortgage loans for the acquisition, improvement or construction and development of residential and other properties. Residential real estate loans are secured by one-to-four family residential properties, primarily located in South Carolina and Georgia. South Bank originates mortgage loans at

all branch locations, but uses a centralized processing location to reduce the underwriting risk. Mortgage loans may be fixed rate or adjustable rate. Fixed rate conforming mortgage loans are generally originated for resale into the secondary market on a servicing retained basis. The repayment of residential real estate loans is dependent primarily on the income and cash flows of the borrowers, with the real estate serving as a secondary or liquidation source of repayment.

South Bank also offers secured and unsecured, short-to-intermediate term loans and lines of credit, with floating and fixed interest rates for commercial, consumer and residential purposes. Consumer loans include, among others: car loans, home equity lines of credit, personal expenditure loans, education loans, overdraft lines of credit, and the like. Consumer loans tend to have a higher credit risk than residential mortgage loans because they may be secured by depreciable assets, or may be unsecured. South Bank's consumer lending generally follows accepted industry standards, which include consideration of credit scores and debt to income ratios. South Bank also offers home equity lines of credit as a complement to one-to-four-family residential mortgage lending. The underwriting standards applicable to home equity credit lines are similar to those for one-to-four-family residential mortgage loans, except for slightly more stringent debt-to-income and credit score requirements.

Covered Loans

South Bank has also acquired loans in FDIC-assisted transactions (covered loans). Covered loans are generally consistent with the classes of commercial and retail loans discussed above. However, because these loans were acquired from the FDIC, they were underwritten by other institutions that may have had weaker lending standards. Therefore, there is a risk that the loans were not adequately supported by the paying capacity of the borrower or the values of underlying collateral at the time of origination. These loans were recorded at fair value at the date of acquisition, which includes an adjustment for credit deterioration and for the timing of cash flows. To the extent that the expected cash flows have decreased since the acquisition date, South Bank establishes an allowance for loan losses.

Concentrations of Credit and Monitoring of Credit Risk

South's management believes South's loan portfolio is adequately diversified. South's management is not aware of any significant concentrations of loans made to any particular individuals, industries or groups of related individuals or industries, except for residential mortgage loans, commercial real estate loans, and construction and land development loans. The loan portfolio consists primarily of mortgage loans and extensions of credit to businesses and individuals in South Bank's service areas within South Carolina and Georgia. The economy of these areas is diversified and does not depend on any single industry or group of related industries. South Bank does not make any foreign loans.

In addition to monitoring potential concentrations of loans to particular borrowers or groups of borrowers, industries and geographic regions, management monitors exposure to credit risk from concentrations of lending products and practices such as loans that subject borrowers to substantial payment increases (e.g. principal deferral periods, loans with initial interest-only periods, etc.), and loans with high loan-to-value ratios. South's management has determined that there is no concentration of credit risk associated with its lending policies or practices with respect to these types of products and practices. Additionally, there are industry practices that could subject South to increased credit risk should economic conditions change over the course of a loan's life. For example, South Bank makes variable rate loans and fixed rate principal-amortizing loans with maturities prior to the loan's being fully paid (i.e., balloon payment loans). These loans are underwritten and monitored to manage the associated risks. Therefore, South's management believes that these particular practices do not subject South to unusual credit risk.

Other Services

South Bank also has a trust department that offers a full range of trust services, including estate planning, estate and trust administration, IRA trust and personal investment, and pension and profit sharing administration.

South Bank's wholly-owned subsidiary, First Citizens Securities Corporation, a registered broker-dealer, offers a full complement of brokerage, financial advisory and wealth management services. Wateree Life Insurance Company, also a wholly-owned subsidiary of South Bank, is a stock life insurance company domiciled in South Carolina that issues credit life insurance to South Bank's customers.

South Bank also offers merchant banking services, cash management services, business retirement plan services, safe deposit boxes, business courier service, night depository service, electronic banking, mobile banking, VISA brand credit cards, tax deposits, and 24-hour automated teller machines.

Finally, through First Citizens Asset Management, Inc. (FCAM), a registered investment advisor currently registered with the SEC, South Bank provides investment advisory services to customers in its banking markets.

Employees

South does not have any employees. At June 30, 2014, South Bank employed a full-time staff of 1,530 and a part-time staff of 255 employees.

Competition

South Bank's primary deposit markets are South Carolina and Georgia. Banks generally compete with other financial institutions through the products and services offered, the pricing of services, the level of service provided, the convenience and availability of services, and the degree of expertise and personal concern with which services are offered. Commercial banking in South Carolina and Georgia is highly competitive. In addition to competing with commercial banks and savings and loan associations, in the conduct of certain areas of its business, South Bank also competes with credit unions, consumer finance companies, insurance companies, money market mutual funds, and other financial institutions, some of which are not subject to the same degree of regulation and restriction imposed upon South Bank.

The banking industry is significantly affected by prevailing economic conditions as well as by government policies and regulations concerning, among other things, monetary and fiscal affairs, the housing industry and financial institutions. Deposits at banks are influenced by a number of economic factors, including interest rates, competing instruments, levels of personal income and savings, and the extent to which interest on retirement savings accounts is tax deferred. Lending activities are also influenced by a number of economic factors, including demand for and supply of housing, conditions in the construction industry, and availability of funds. Primary sources of funds for lending activities include savings deposits, income from investments, loan principal repayments, and proceeds from sales of loans to conventional participating lenders.

Supervision and Regulation

South and South Bank operate in a highly regulated environment, and their business activities are governed by statute, regulation, and administrative policies. Relevant information about the regulatory framework that applies to South and South Bank is provided below. This regulatory framework is intended primarily for the benefit and protection of South Bank's depositors and the Deposit Insurance Fund of the FDIC (DIF), and not for the protection of South's shareholders or creditors.

Financial institutions are being subjected to increased scrutiny and enforcement activity by state and federal banking agencies, the United States Department of Justice, the SEC, and other state and federal regulatory agencies. This increased scrutiny and enforcement activity entails significant potential increases in compliance requirements and associated costs.

The following discussion summarizes certain aspects of the laws and regulations that affect South and South Bank, and is qualified in its entirety by reference to such laws and regulations. Proposals to change the laws and

regulations governing the banking industry are frequently raised in Congress, the state legislature, and before the various bank regulatory agencies, and such proposals have increased in the wake of the recent financial crisis. The likelihood and timing of any changes and the impact such changes might have on South and South Bank are difficult to determine. However, any change in applicable law or regulation could have a material effect on the business of South and South Bank.

General

As a financial holding company registered with the FRB under the Bank Holding Company Act (BHCA), South is subject to supervision, and to regular inspection by the FRB. South Bank is a state bank subject to regulation by the South Carolina State Board of Financial Institutions (State Board), the Georgia Department of Banking and Finance, and the FDIC. South is also subject to regulation by the State Board. South Bank is not a member of the Federal Reserve System (the Federal Reserve).

Under the BHCA, South's activities and those of its subsidiaries are limited to banking, managing or controlling banks, furnishing services to or performing services for its subsidiaries or engaging in any other activity that the Federal Reserve determines to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. The BHCA prohibits South from acquiring direct or indirect control of more than 5% of the outstanding voting stock or substantially all of the assets of any bank or from merging or consolidating with another bank holding company without prior approval of the Federal Reserve. In making such determinations, the Federal Reserve is required to consider whether the performance of such activities by a bank holding company or its subsidiaries can reasonably be expected to produce benefits to the public such as greater convenience, increased competition or gains in efficiency that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices.

Additionally, the BHCA prohibits South from engaging in or from acquiring ownership or control of more than 5% of the outstanding voting stock of any company engaged in a non-banking business unless such business is determined by the Federal Reserve to be so closely related to banking as to be properly incident thereto. The BHCA generally does not place territorial restrictions on the activities of such non-banking related activities.

As noted above, South is also subject to regulation and supervision by the State Board. A South Carolina bank holding company must provide the State Board with information with respect to the financial condition, operations, management and inter-company relationships of the holding company and its subsidiaries. The State Board also may require such other information as is necessary to keep itself informed about whether the provisions of South Carolina law and the regulations and orders issued thereunder by the State Board have been complied with, and the State Board may examine any bank holding company and its subsidiaries.

Obligations of South to its Subsidiary Bank

A number of obligations and restrictions are imposed on bank holding companies and their depository institution subsidiaries by federal law and regulatory policy that are designed to reduce potential loss exposure to the depositors of such depository institutions and to the DIF in the event the depository institution is in danger of becoming insolvent or is insolvent. For example, under the Federal Deposit Insurance Act (FDIA), and the policy of the Federal Reserve, a bank holding company is required to serve as a source of financial strength to its subsidiary depository institutions and to commit resources to support such institutions in circumstances where it might not do so absent such policy. In addition, the cross-guarantee provisions of the FDIA require insured depository institutions under common control to reimburse the FDIC for any loss suffered or reasonably anticipated by the FDIC as a result of the default of a commonly controlled insured depository institution or for any assistance provided by the FDIC to a commonly controlled insured depository institution in danger of default. The FDIC may decline to enforce the cross-guarantee provisions if it determines that a waiver is in its best interest. The FDIC's claim for damages is superior to claims of

shareholders of the insured depository institution or its holding company but is subordinate to claims of depositors, secured creditors and holders of subordinated debt (other than affiliates) of the commonly controlled insured depository institutions.

The FDIA also provides that amounts received from the liquidation or other resolution of any insured depository institution by any receiver must be distributed (after payment of secured claims) to pay the deposit liabilities of the institution prior to payment of any other general or unsecured senior liability, subordinated liability, general creditor or shareholder. This provision gives depositors a preference over general and subordinated creditors and shareholders in the event a receiver is appointed to distribute the assets of South Bank.

Any capital loans by a bank holding company to any of its subsidiary banks are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Capital Adequacy Guidelines for Bank Holding Companies and State Banks

The various federal bank regulators, including the Federal Reserve and the FDIC have adopted risk-based and leverage capital adequacy guidelines for assessing bank holding company and bank capital adequacy. These standards define what qualifies as capital and establish minimum capital standards in relation to assets and off-balance sheet exposures, as adjusted for credit risks. These guidelines were substantially revised in 2013 to increase the amounts of capital required. The revised requirements will be phased in beginning in 2015. See [Basel Capital Standards](#) below.

Failure to meet capital guidelines could subject South Bank to a variety of enforcement remedies, ranging from, for example, a prohibition on the taking of brokered deposits to the termination of deposit insurance by the FDIC or the appointment of a receiver for South Bank.

The risk-based capital standards of both the Federal Reserve and the FDIC explicitly identify concentrations of credit risk and the risk arising from non-traditional activities, as well as an institution's ability to manage these risks, as important factors to be taken into account by the agencies in assessing an institution's overall capital adequacy. The capital guidelines also provide that an institution's exposure to a decline in the economic value of its capital due to changes in interest rates be considered by the agencies as a factor in evaluating a bank's capital adequacy. The FRB also has issued additional capital guidelines for bank holding companies that engage in certain trading activities.

As set forth under the captions [Management's Discussion and Analysis of Financial Condition and Results of Operations for the Years Ended December 31, 2013, 2012 and 2011](#) and [Management's Discussion and Analysis for Financial Condition and Results of Operations for the Quarter Ended March 31, 2014](#), South and South Bank exceeded all applicable capital requirements at December 31, 2013 and March 31, 2014.

Payment of Dividends

Under South Carolina law, South is authorized to pay dividends such as are declared by its board of directors, provided that no such distribution results in its insolvency on a going concern or balance sheet basis. However, South is a legal entity separate and distinct from South Bank, and the principal source of funds with which it can pay dividends to its shareholders is dividends it receives from South Bank and dividend and interest income on its investment securities portfolio. Therefore, South's ability to pay dividends effectively is subject to the same limitations that apply to South Bank in general.

The payment of dividends by South Bank to South is subject to certain legal and regulatory limitations. The payment of dividends is authorized up to 100% of net income in any calendar year without obtaining the prior approval of the State Board, provided that the bank received a composite rating of one or two at the last examination conducted by its state or federal regulatory authority. Otherwise, specific approval is required from the State Board.

Under federal law, and as an insured bank, South Bank is prohibited from making any capital distributions, including paying a cash dividend, if it is, or after making the distribution it would become, undercapitalized as that term is defined in the FDIA. Additionally, if in the opinion of the FDIC an insured bank under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice (which, depending on the financial condition of the bank, could include the payment of dividends), the FDIC may require, after notice and hearing, that the bank cease and desist from that practice. The federal banking agencies have indicated that paying dividends that deplete a bank's capital base to an inadequate level would be an unsafe and unsound banking practice. The federal agencies have issued policy statements, which provide that insured banks generally should only pay dividends out of current operating earnings, and under the FDIA, no dividend may be paid by a FDIC-insured bank while it is in default on any assessment due the FDIC. The payment of dividends by South Bank also may be affected or limited by other factors, such as requirements that its regulators have authority to impose on it to maintain its capital above regulatory guidelines.

Certain Transactions by South with its Affiliates

Federal law regulates transactions among South and its affiliates, including the amount of South Bank's loans to or investments in nonbank affiliates and the amount of advances to third parties collateralized by securities of an affiliate. Further, a bank holding company and its affiliates are prohibited from engaging in certain tie-in arrangements in connection with any extension of credit, lease or sale of property or furnishing of services.

FDIC Insurance Assessments

South Bank's deposits are insured up to applicable limits by the DIF. The FDIC maintains the DIF by assessing depository institutions insurance premiums on FDIC insured institutions.

In November 2010, the FDIC approved a regulation, which was effective April 1, 2011, that implements a provision in the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) that changes the assessment base from one based on domestic deposits (as it had been since 1935) to one based on assets. The regulation changes the assessment base from adjusted domestic deposits to average consolidated total assets minus average tangible equity. Since the new base would be much larger than the current base, the FDIC will lower assessment rates, which achieves the FDIC's goal of not significantly altering the total amount of revenue collected from the industry. In December 2010, the FDIC voted to increase the required amount of reserves for the designated reserve ratio to 2.0%. The ratio is higher than the 1.35% set by the Dodd-Frank Act in July 2010 and is an integral part of the FDIC's comprehensive, long-range management plan for the DIF.

Regulation of South Bank

As noted above, South Bank is subject to regulation and examination by the State Board, the Georgia Department of Banking and Finance and the FDIC. In addition, South Bank is subject to various other state and federal laws and regulations, including state usury laws, laws relating to fiduciaries, consumer credit laws and laws relating to branch banking. South Bank's loan operations are also subject to certain federal consumer credit laws and regulations promulgated thereunder, including, but not limited to: the federal Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers; the Home Mortgage Disclosure Act, requiring financial institutions to provide certain information concerning their mortgage lending; the Equal Credit Opportunity Act and the Fair Housing Act, prohibiting discrimination on the basis of certain prohibited factors in extending credit; and the Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies. The deposit operations of South Bank are also subject to the Truth in Savings Act, requiring certain disclosures about rates paid on savings accounts; the Expedited Funds Availability Act, which deals with disclosure of the availability of funds deposited in accounts and the collection and return of checks by banks; the Right to Financial Privacy Act, which imposes a duty to maintain certain confidentiality of consumer financial records and the Electronic Funds Transfer Act and regulations promulgated thereunder,

which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services. South Bank is also subject to the Fair Credit Reporting Act, governing the use and provision of information to credit reporting agencies; the Bank Secrecy Act, dealing with, among other things, the reporting of certain currency transactions; and the USA Patriot Act, dealing with, among other things, requiring the establishment of anti-money laundering programs including standards for verifying customer information at account opening.

South Bank is also subject to the requirements of the Community Reinvestment Act, which imposes on financial institutions an affirmative and ongoing obligation to meet the credit needs of their local communities, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of those institutions. Each financial institution's actual performance in meeting community credit needs is evaluated as part of the examination process, and also is considered in evaluating mergers, acquisitions and applications to open a branch or facility.

Other Safety and Soundness Regulations

Prompt Corrective Action. The federal banking agencies have broad powers under current federal law to take prompt corrective action to resolve problems of insured depository institutions. The extent of these powers depends upon whether the institutions in question are well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized or critically undercapitalized.

A bank that is undercapitalized becomes subject to prompt corrective action provisions of the FDIA: restricting payment of capital distributions and management fees; requiring the FDIC to monitor the condition of the bank; requiring submission by the bank of a capital restoration plan; prohibiting the acceptance of employee benefit plan deposits; restricting the growth of the bank's assets and requiring prior approval of certain expansion proposals. A bank that is significantly undercapitalized is additionally subject to restrictions on compensation paid to senior management of the bank. A bank that is critically undercapitalized is further subject to restrictions on the activities of the bank and restrictions on payments of subordinated debt of the bank, as well as a requirement that the bank be placed in receivership within 90 days in most cases. The purpose of these provisions is to require banks with less than adequate capital to act quickly to restore their capital and to have the FDIC move promptly to take over banks that are unwilling or unable to take such steps.

Brokered Deposits. Under current FDIC regulations, well capitalized banks may accept brokered deposits without restriction, adequately capitalized banks may accept brokered deposits with a waiver from the FDIC (subject to certain restrictions on payment of rates), while undercapitalized banks may not accept brokered deposits. The regulations provide that the definitions of well capitalized, adequately capitalized and undercapitalized are the same as the definitions adopted by the agencies to implement the prompt corrective action provisions described in the previous paragraph.

Interstate Banking

Under federal law, South and any other adequately capitalized bank holding company located in South Carolina can acquire a bank located in any other state, and a bank holding company located outside South Carolina can acquire any South Carolina-based bank, in either case subject to certain deposit percentage and other restrictions. The authority of a bank to establish and operate branches within a state continues to be subject to applicable state branching laws, but interstate branching is permitted to the same extent it would be permitted under state law if the branching bank's home office were located in the state in which the branch will be located.

Gramm-Leach-Bliley Act

The Gramm-Leach-Bliley Act (the GLB Act) expanded the activities in which a bank holding company and a bank can engage through affiliations created under a holding company structure or through a financial subsidiary if certain conditions are met. Significantly, the permitted financial activities for financial holding

companies (which South elected to become) include authority to engage in merchant banking and insurance activities, including insurance portfolio investing. The GLB Act also established a minimum federal standard of privacy to protect the confidentiality of a consumer's personal financial information and gives the consumer the power to choose how personal financial information may be used by financial institutions. The regulations adopted pursuant to the GLB Act govern the consumer's right to opt-out of further disclosure of nonpublic personal financial information and require South Bank to provide initial and annual privacy notices. The GLB Act and regulations also required South Bank to develop and maintain a comprehensive plan for the safeguarding of customer information which encompasses all aspects of South Bank's technological environment, business practices, and facilities.

Dodd-Frank Wall Street Reform and Consumer Protection Act

The Dodd-Frank Act, adopted in 2010, significantly changed the regulation of financial institutions and the financial services industry. The Dodd-Frank Act has had, and will continue to have, extensive effects on all financial institutions, and includes provisions that will affect how banks, and bank holding companies will be regulated in the future. The Dodd-Frank Act includes changes to the financial regulatory systems, enhanced bank capital requirements, creates the Financial Stability Oversight Council, provides for mortgage reform provisions regarding a customer's ability to repay, changes the assessment base for federal deposit insurance from the amount of insured deposits to consolidated assets less tangible capital, makes permanent the \$250,000 limit for federal deposit insurance, implements corporate governance requirements for public companies with regard to executive compensation including providing shareholders the right to vote on executive compensation, repeals the federal prohibitions on the payment of interest on demand deposits, and amends the Electronic Funds Transfer Act to give the Federal Reserve the authority to establish rules regarding interchange fees charged for electronic debit transactions, among other measures. The Dodd-Frank Act also establishes the Bureau of Consumer Financial Protection as an independent entity within the Federal Reserve, which has been given the authority to promulgate consumer protection regulations applicable to all entities offering consumer financial services or products, including banks. Additionally, the Dodd-Frank Act includes a series of provisions covering mortgage loan origination standards affecting originator compensation, minimum repayment standards, and pre-payments.

The Dodd-Frank Act requires regulatory agencies to implement new regulations that establish the parameters of the new regulatory framework and provide a clearer understanding of the legislation's effect on banks. South continues to evaluate proposed and final regulations related to the Dodd-Frank Act as they are implemented in order to determine the impact each will have on current and future operations. The majority of the resulting regulations affecting South have been implemented, and South has experienced a moderate loss of income associated with debit transactions and moderate increased compliance costs associated with other provisions of the Dodd-Frank Act.

Basel Capital Standards

In December 2010, the Basel Committee on Banking Supervision (the BCBS), an international forum for cooperation on banking supervisory matters, announced the Basel III capital standards, which substantially revised the existing capital requirements for banking organizations. Modest revisions were made in June 2011. The Basel III standards operate in conjunction with portions of standards previously released by the BCBS and commonly known as Basel II and Basel 2.5. On June 7, 2012, the Federal Reserve, FDIC, and the Office of the Comptroller of the Currency (the OCC) requested comment on these proposed rules that, taken together, would implement the Basel regulatory capital reforms through what is referred to herein as the Basel III capital framework.

On July 2, 2013, the Federal Reserve adopted a final rule for the Basel III capital framework and, on July 9, 2013, the FDIC adopted the same provisions in the form of an interim final rule. The rule will apply to all national and state banks and savings associations and most bank holding companies (including South and South

Bank) and savings and loan holding companies, which are collectively referred to herein as covered banking organizations. The requirements in the rule begin to phase in on January 1, 2015 for covered banking organizations such as South and South Bank. The requirements in the rule will be fully phased in by January 1, 2019.

The rule imposes higher risk-based capital and leverage requirements for depository institutions, including bank holding companies with consolidated assets of \$500 million or more (such as South), than those currently in place. Specifically, the rule imposes the following minimum capital requirements:

a new common equity Tier 1 risk-based capital ratio of 4.5%;

a Tier 1 risk-based capital ratio of 6% (increased from the current 4% requirement);

a total risk-based capital ratio of 8% (unchanged from current requirements); and

a leverage ratio of 4% (currently 3% for depository institutions with the highest supervisory composite rating and 4% for other depository institutions).

Under the rule, Tier 1 capital is redefined to include two components: Common Equity Tier 1 capital and additional Tier 1 capital. The new and highest form of capital, Common Equity Tier 1 capital, consists solely of common stock (plus related surplus), retained earnings, accumulated other comprehensive income, and limited amounts of minority interests that are in the form of common stock. Additional Tier 1 capital includes other perpetual instruments historically included in Tier 1 capital, such as non-cumulative perpetual preferred stock. The rule permits bank holding companies with less than \$15 billion in total consolidated assets to continue to include trust preferred securities and cumulative perpetual preferred stock issued before May 19, 2010 in Tier 1 capital, but not in Common Equity Tier 1 capital, subject to certain restrictions. Tier 2 capital consists of instruments that currently qualify in Tier 2 capital plus instruments that the rule has disqualified from Tier 1 capital treatment.

In addition, in order to avoid restrictions on capital distributions or discretionary bonus payments to executives, a covered banking organization must maintain a capital conservation buffer on top of its minimum risk-based capital requirements. This buffer must consist solely of Tier 1 Common Equity, but the buffer applies to all three measurements (Common Equity Tier 1, Tier 1 capital and total capital). The capital conservation buffer will be phased in incrementally over time, becoming fully effective on January 1, 2019, and will consist of an additional amount of common equity equal to 2.5% of risk-weighted assets.

The current capital rules require certain deductions from or adjustments to capital. The final rule retains many of these deductions and adjustments and also provides for new ones. As a result, deductions from Common Equity Tier 1 capital will be required for goodwill (net of associated deferred tax liabilities); intangible assets such as non-mortgage servicing assets and purchased credit card relationships (net of associated deferred tax liabilities); deferred tax assets that arise from net operating loss and tax credit carryforwards (net of any related valuations allowances and net of deferred tax liabilities); any gain on sale in connection with a securitization exposure; any defined benefit pension fund net asset (net of any associated deferred tax liabilities) held by a bank holding company (this provision does not apply to a bank or savings association); the aggregate amount of outstanding equity investments (including retained earnings) in financial subsidiaries; and identified losses. Other deductions will be necessary from different levels of capital.

Additionally, the final rule provides for the deduction of three categories of assets: (i) deferred tax assets arising from temporary differences that cannot be realized through net operating loss carrybacks (net of related valuation allowances and of deferred tax liabilities), (ii) mortgage servicing assets (net of associated deferred tax liabilities) and (iii) investments in more than 10% of the issued and outstanding common stock of unconsolidated financial institutions (net of associated deferred tax liabilities). The amount in each category that exceeds 10% of Common Equity Tier 1 capital must be deducted from Common Equity Tier 1 capital. The remaining, non-deducted amounts are then aggregated, and the amount by which this total amount exceeds 15% of Common

Equity Tier 1 capital must be deducted from Common Equity Tier 1 capital. Amounts of minority investments in consolidated subsidiaries that exceed certain limits and investments in unconsolidated financial institutions may also have to be deducted from the category of capital to which such instruments belong.

Accumulated other comprehensive income (AOCI) is presumptively included in Common Equity Tier 1 capital and often would operate to reduce this category of capital. The final rule provides a one-time opportunity at the end of the first quarter of 2015 for covered banking organizations to opt out of much of this treatment of AOCI. The final rule also has the effect of increasing capital requirements by increasing the risk weights on certain assets, including high volatility commercial real estate, mortgage servicing rights not includable in Common Equity Tier 1 capital, equity exposures, and claims on securities firms, that are used in the denominator of the three risk-based capital ratios.

The ultimate impact of the rule on South and South Bank is currently being reviewed and is dependent upon when certain requirements of the rule will be fully phased in. While the rule contains several provisions that would affect the mortgage lending business, at this point South cannot determine the ultimate effect that the rule will have upon earnings or financial position.

Volcker Rule

Section 619 of the Dodd-Frank Act, known as the Volcker Rule, prohibits any bank, bank holding company, or affiliate (referred to collectively as banking entities) from engaging in two types of activities: proprietary trading and the ownership or sponsorship of private equity or hedge funds that are referred to as covered funds. On December 10, 2013, South and South Bank's primary federal regulators, the Federal Reserve Board and the FDIC, together with other federal banking agencies and the SEC and the Commodity Futures Trading Commission, finalized a regulation to implement the Volcker Rule. The deadline for compliance with the Volcker Rule is July 21, 2015. At December 31, 2013, South has evaluated its securities portfolio and has determined that it does not hold any covered funds.

Proprietary trading includes the purchase or sale as principal of any security, derivative, commodity future, or option on any such instrument for the purpose of benefitting from short-term price movements or realizing short-term profits. Exceptions apply, however. Trading in U.S. Treasuries, obligations or other instruments issued by a government sponsored enterprise, state or municipal obligations, or obligations of the FDIC, is permitted. A banking entity also may trade for the purpose of managing its liquidity, provided that it has a bona fide liquidity management plan. Trading activities as agent, broker or custodian; through a deferred compensation or pension plan; as trustee or fiduciary on behalf of customers; in order to satisfy a debt previously contracted; or in repurchase and securities lending agreements are permitted. Additionally, the Volcker Rule permits banking entities to engage in trading that takes the form of risk-mitigating hedging activities.

The covered funds that a banking entity may not sponsor or hold an ownership interest in are, with certain exceptions, funds that are exempt from registration under the Investment Company Act of 1940 because they either have 100 or fewer investors or are owned exclusively by qualified investors (generally, high net worth individuals or entities). Wholly owned subsidiaries, joint ventures and acquisition vehicles, foreign pension or retirement funds, insurance company separate accounts (including bank-owned life insurance), public welfare investment funds, and entities formed by the FDIC for the purpose of disposing of assets are not covered funds, and a bank may invest in them. Most securitizations also are not treated as covered funds.

The regulation as issued on December 10, 2013, treated collateralized debt obligations backed by trust preferred securities as covered funds and accordingly subject to divestiture. In an interim final rule issued on January 14, 2014, the agencies exempted from the Volcker Rule prohibition those collateralized debt obligations (CDOs) issued before May 19, 2010, that were backed by trust preferred securities issued before the same date by a bank with total consolidated assets of less than \$15 billion or by a mutual holding company and that the bank holding the CDO interest had purchased before December 10, 2013. This exemption does not extend to CDOs backed by trust-preferred

securities issued by an insurance company.

Legislative Proposals

Proposed legislation which could significantly affect the business of banking is introduced in Congress and the legislatures of South Carolina and Georgia from time to time. For example, numerous bills are pending in Congress and the South Carolina Legislature to provide various forms of relief to homeowners from foreclosure of mortgages as a result of publicity surrounding economic problems resulting from subprime mortgage lending and the economic adjustments in national real estate markets. Broader problems in the financial sector of the economy which became apparent in 2008 have led to numerous calls for legislative restructuring of the regulation of the sector. Management of South cannot predict the future course of such legislative proposals or their impact on South and South Bank should they be adopted.

Fiscal and Monetary Policy

Banking is a business that depends to a large extent on interest rate differentials. In general, the difference between the interest paid by a bank on its deposits and its other borrowings, and the interest received by a bank on its loans and securities holdings, constitutes the major portion of a bank's earnings. Thus, the earnings and growth of South and South Bank are subject to the influence of economic conditions generally, both domestic and foreign, and also to the monetary and fiscal policies of the United States and its agencies, particularly the Federal Reserve. The Federal Reserve regulates the supply of money through various means, including open market dealings in United States government securities, the discount rate at which banks may borrow from the Federal Reserve, and the reserve requirements on deposits. The nature and timing of any changes in such policies and their impact on South and South Bank cannot be predicted.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the Years Ended December 31, 2013, 2012 and 2011

Management's discussion and analysis of earnings and related financial data is presented to assist in understanding the financial condition and results of operations of South and its subsidiaries. This discussion and analysis should be read in conjunction with the audited consolidated financial statements and related notes included in this joint proxy statement/prospectus. Intercompany accounts and transactions have been eliminated. Although certain amounts for prior years have been reclassified to conform to statement presentations for 2013, the reclassifications have no material effect on stockholders' equity or net income as previously reported. Unless otherwise noted, for purposes of this section, South refers to the consolidated financial position and consolidated results of operations for South.

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Statements included in this discussion and in the discussion for the quarter ended March 31, 2014 that follows that are not historical in nature are intended to be, and are hereby identified as forward-looking statements for purposes of the safe harbor provided by Section 21E of the Exchange Act. Words such as may, will, anticipate, assume, should, indicate, would, believe, contemplate, expect, seek, estimate, continue, plan, point to, project, target, potential, and other similar words and expressions of the future identify forward-looking statements. We caution readers that forward-looking statements, including without limitation, those relating to South's future business prospects, revenues, working capital, adequacy of the allowance for loan losses, liquidity, capital needs, interest costs, income, new offices, and the economy, are subject to certain risks and uncertainties that could cause actual results to differ from those indicated in the forward-looking statements, due to several important factors identified in this Management's Discussion and Analysis, among others.

These forward-looking statements are based on South's current expectations, estimates and projections about South's industry, South management's beliefs, and assumptions made by management. Such information includes, without limitation, discussions as to estimates, expectations, beliefs, plans, strategies, objectives, goals, anticipations, and

intentions concerning our future financial and operating performance. These statements are not

guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially from those expressed or forecasted in such forward-looking statements. The risks and uncertainties include, but are not limited to:

future economic and business conditions;

pressures on our earnings, capital and liquidity resulting from current and future conditions in the credit and capital markets;

the financial success or changing strategies of customers;

lack of sustained growth and disruptions in the economies of South's market areas, including, but not limited to, falling real estate values and increasing levels of unemployment;

government monetary and fiscal policies;

the effects of changes in interest rates on the levels, composition and costs of deposits, loan demand, and the values of loan collateral, securities, and interest sensitive assets and liabilities;

the effects of competition from a wide variety of local, regional, national and other providers of financial, investment, and insurance services, as well as competitors that offer banking products and services by mail, telephone, computer and/or the Internet;

the effects of credit rating downgrades on the value of investment securities issued or guaranteed by various governments and government agencies, including the United States of America;

credit risks;

higher than anticipated levels of defaults on loans;

perceptions by depositors about the safety of their deposits;

the failure of assumptions underlying the establishment of the allowance for loan losses and other estimates, including the value of collateral securing loans;

changes in assumptions underlying valuation allowances on deferred tax assets;

changes in assumptions underlying, or accuracy of, analyses relating to other-than-temporary impairment of assets;

accuracy of fair value measurements and the methods and assumptions used to estimate fair value;

fluctuations in obligations and earnings of pension and postretirement benefit plans;

accuracy of assumptions underlying projections of benefit plan obligations and payments, valuation of plan assets, and projections of long-term rates of return;

accuracy of assumptions underlying projections related to goodwill impairment testing, and accuracy of South management's assessment of goodwill impairment;

the risks of opening new offices, including, without limitation, the related costs and time of building customer relationships and integrating operations as part of these endeavors and the failure to achieve expected gains, revenue growth and/or expense savings from such endeavors;

changes in requirements of regulatory authorities;

changes in laws and regulations, including tax, banking and securities laws and regulations and deposit insurance assessments;

changes in accounting policies, rules and practices;

changes in technology or products that may be more difficult or costly to implement, or less effective, than anticipated;

cybersecurity risk related to South's dependence on internal security systems and the technology of outside service providers, as well as the potential impacts of third party security breaches;

the effects of war or other conflicts, acts of terrorism or other catastrophic events that may affect general economic conditions and economic confidence;

loss of consumer or investor confidence; and

other factors and information described in this discussion.

Table 1**Financial Summary and Selected Average Balances and Ratios**

	2013	2012	2011	2010	2009
	(dollars in thousands, except share data)				
SUMMARY OF OPERATIONS					
Interest income	\$ 225,329	\$ 252,606	\$ 287,862	\$ 334,261	\$ 332,746
Interest expense	21,814	29,935	47,600	81,861	98,902
Net interest income	203,515	222,671	240,262	252,400	233,844
Provision for loan losses	8,054	20,066	23,558	56,856	74,556
Net interest income after provision for loan losses	195,461	202,605	216,704	195,544	159,288
Gains on acquisitions					107,903
Noninterest income	130,991	135,364	111,991	157,684	117,462
Noninterest expense	258,024	254,433	250,502	246,272	225,119
Income before income taxes	68,428	83,536	78,193	106,956	159,534
Income taxes	23,425	29,701	27,416	38,350	58,514
Net income	\$ 45,003	\$ 53,835	\$ 50,777	\$ 68,606	\$ 101,020
Net interest income, taxable equivalent	\$ 204,479	\$ 223,842	\$ 241,659	\$ 254,070	\$ 235,319
PER SHARE DATA					
Net income	\$ 65.62	\$ 63.97	\$ 59.91	\$ 80.87	\$ 118.91
Cash dividends	1.40	3.40	1.40	1.40	1.40
Market price at period end	674.32	499.91	407.79	505.96	401.96
Book value at period end	1,097.19	1,023.71	876.46	815.63	729.26
SELECTED PERIOD AVERAGE BALANCES					
Total assets	\$ 8,275,077	\$ 8,229,993	\$ 8,370,956	\$ 8,606,520	\$ 7,454,477
Investment securities	1,729,596	1,529,157	1,522,273	1,336,111	1,251,332
Loans and leases:					
Acquired	222,676	354,222	450,377	667,216	244,589
Originated	4,154,179	4,099,309	4,229,383	4,533,226	4,853,234
Interest-earning assets	7,556,257	7,420,460	7,446,029	7,494,705	6,725,126
Deposits	7,076,807	6,950,571	7,105,433	7,353,469	6,263,728
Interest-bearing liabilities	5,633,836	5,738,951	6,172,119	6,604,183	5,803,181
Long-term debt	202,268	204,392	208,695	267,692	286,215
Stockholders equity	\$ 722,837	\$ 766,601	\$ 721,670	\$ 661,560	\$ 551,848
Shares outstanding	683,293	838,625	844,884	846,292	848,125
SELECTED PERIOD-END BALANCES					

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Total assets	\$ 8,374,101	\$ 8,236,484	\$ 8,153,895	\$ 8,425,723	\$ 8,436,868
Investment securities	2,000,022	1,606,149	1,575,540	1,452,878	1,298,353
Loans and leases:					
Acquired	174,203	282,335	438,907	523,305	872,753
Originated	4,343,506	4,079,574	4,134,347	4,386,379	4,705,296
Interest-earning assets	7,594,532	7,447,106	7,300,760	7,357,259	7,413,823
Deposits	7,191,569	7,042,865	6,875,909	7,184,208	7,204,717
Interest-bearing liabilities	5,554,043	5,687,937	5,851,180	6,372,070	6,590,502
Long-term debt	203,278	203,176	208,694	208,593	308,492
Stockholders equity	\$ 749,701	\$ 699,494	\$ 740,498	\$ 689,921	\$ 618,177
Shares outstanding (voting and non-voting)	683,293	683,293	844,871	845,871	847,680

	2013	2012	2011	2010	2009
SELECTED RATIOS AND OTHER DATA					
Rate of return on average assets	0.54%	0.65%	0.61%	0.80%	1.36%
Rate of return on average stockholders equity	6.23	7.02	7.04	10.37	18.31
Net yield on interest-earning assets (taxable equivalent)	2.69	3.00	3.23	3.37	3.48
Allowance for loan losses to total loans and leases	1.21	1.44	1.55	1.67	1.61
Allowance for loan losses to total loans and leases (excluding acquired loans)	1.26	1.54	1.72	1.88	1.90
Net charge-offs to average loan and leases	0.37	0.63	0.74	1.25	1.12
Net charge-offs to average loans and leases (excluding acquired loans)	0.38	0.65	0.76	0.86	1.02
Nonperforming assets to total assets (excluding acquired loans and covered real estate owned)	1.49	1.83	2.20	2.05	1.58
Tier 1 risk-based capital ratio	15.53	15.33	15.50	13.33	10.94
Total risk-based capital ratio	17.41	17.69	18.21	16.29	14.09
Leverage capital ratio	8.32	7.78	8.12	7.28	6.50
Dividend payout ratio	2.13	5.31	2.34	1.73	1.18
Equity to assets ratio	8.74	9.31	8.62	7.69	7.40
Average loans and leases to average deposits	61.85	64.07	65.86	70.72	81.39

Average loan and lease balances include nonaccrual loans and leases.

Critical Accounting Policies

The accounting and reporting policies of South are in accordance with GAAP and conform to general practices within the banking industry. South's financial position and results of operations are affected by management's application of accounting policies, including judgments made to arrive at the carrying value of assets and liabilities and amounts reported for revenues, expenses and related disclosures. Different assumptions in the application of these policies could result in material changes in South's consolidated financial position and/or consolidated results of operations. The more critical accounting and reporting policies include South's accounting for the allowance for loan losses, fair values of acquired assets and assumed liabilities, loss estimates and estimated cash flows related to acquired loans and other real estate owned which are covered under loss sharing agreements with the FDIC, valuation of goodwill and intangible assets, benefit plan obligations and related expenses, and income tax related items. Significant accounting policies are discussed in Note 1 of the audited consolidated financial statements.

The following is a summary of South's critical accounting policies that are material to the consolidated financial statements and are highly dependent on estimates and assumptions.

Allowance for loan losses. The allowance for loan losses (ALL) is management's estimate of probable credit losses inherent in South's loan portfolio at the balance sheet date. South determines the allowance for loan losses based on an ongoing estimation process. This estimation process is inherently subjective, as it requires material estimates, including the amounts and timing of cash flows expected to be received on impaired loans and losses incurred as of the balance sheet date in South's loan portfolio. Those estimates may be susceptible to significant change. Increases to the allowance for loan losses are made by charges to the provision for loan losses. Loans deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged-off amounts are credited to the allowance for loan losses.

The allowance is the accumulation of various components that are calculated based on an independent estimation process. All components of the allowance for loan losses represent estimates based on data that management believes are most reflective of the underlying credit losses being estimated. This evaluation includes credit quality trends, recent loan loss experience, collateral type, loan volumes, seasoning of the loan portfolio, economic conditions, and the findings of internal credit quality assessments and results from external bank regulatory examinations. All impaired commercial and consumer loans in excess of \$500 thousand are analyzed for specific reserves on a loan-by-loan basis based on management's evaluation of the exposure for each credit, the current payment status of the loan and the value of any underlying collateral.

While management uses the best information available to establish the allowance for loan losses, future adjustments may become necessary if conditions differ substantially from the assumptions used in making the estimates. In addition, regulatory examiners may require adjustments to the allowance for loan losses based on their judgments about information available to them at the time of their examination. Such adjustments to original estimates, as necessary, are made and reflected in the financial results in the period in which these factors and other relevant considerations indicate that loss levels may vary from previous estimates.

In the fourth quarter of 2013, South enhanced its loan loss methodology for its identified homogenous commercial and retail loan pools. South changed from a four quarter rolling average to an eight quarter rolling average for determining its historical loss rates used in the allowance for loan losses calculation for each pool. Given that credit quality trends have stabilized over the past three years, management believes that using a longer historical loss period to estimate loan losses is more reflective of the current lending cycle. The change in methodology resulted in an increase of approximately \$4.2 million to South's allowance for loan losses.

Acquired loans are recorded at fair value at the acquisition date based upon estimated cash flows discounted at the effective date. Amounts deemed uncollectible at the acquisition date become part of the fair value calculation and are excluded from the ALL. Following acquisition, South routinely reviews acquired loans to determine if changes in estimated cash flows have occurred. Subsequent decreases in the amount expected to be collected may result in a provision for loan losses with a corresponding increase in the ALL and a charge-off. Subsequent increases in the amount expected to be collected result in a reversal of any previously recorded provision for loan losses and related ALL, if any, or prospective adjustment to the accretable yield if no provision for loan losses had been recorded. Proportional adjustments are also recorded to the FDIC receivable for acquired loans if the timing of the projected loss will result in the loss being covered by loss share agreements.

Management continuously monitors and actively manages the credit quality of the entire loan portfolio and recognizes provision expense to maintain the allowance at an appropriate level. Specific allowances for impaired loans are determined by analyzing estimated cash flows discounted at a loan's original rate or collateral values in situations where South believes repayment is dependent on collateral liquidation. Substantially all impaired loans are collateralized by real property.

Management considers the established ALL adequate to absorb losses that relate to loans and leases outstanding at December 31, 2013, although future additions may be necessary based on changes in economic conditions, collateral values, erosion of the borrower's access to liquidity and other factors. If the financial condition of borrowers were to deteriorate, resulting in an impairment of their ability to make payments, South's estimates would be updated and additions to the ALL may be required. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the ALL. These agencies may require the recognition of additions to the ALL based on their judgments of information available to them at the time of their examination.

Receivable from the FDIC for loss share agreements. The FDIC receivable for loss sharing agreements is measured and reported separately from the related covered loans and other real estate owned acquired as it is not contractually embedded in the assets covered by the loss sharing agreements and is not transferable should the assets be sold. A

receivable from the FDIC is recorded based on the estimated losses on the covered loans and other real estate owned acquired using the applicable loss share percentages and the estimated true-up payment at

the expiration of the loss sharing agreements. The loss share percentages and the true-up payment are specified and described in the loss sharing agreements with the FDIC as applicable. The FDIC receivable is recorded at the present value of the estimated cash flows at the date of the respective acquisition and is reviewed and updated prospectively as loss estimates related to covered loans and other real estate acquired through foreclosure change. Most third party expenses on other real estate owned and loans are covered under the loss sharing agreements and the cash flows from the reimbursable portion are included in the estimate of cash flows. The FDIC receivable is reviewed and updated prospectively as loss estimates related to indemnified assets change and as reimbursements are received or are expected to be received from the FDIC, with any adjustments recorded as charges or credits to noninterest income.

Pension plan assumptions. South offers a defined benefit pension plan to qualifying employees. In 2007, South approved an amendment to the pension plan to provide that any employee who is hired or rehired on or after September 1, 2007 will not be eligible to participate in the pension plan. The calculation of the benefit obligation, the future value of plan assets, funded status and related pension expense under the pension plan requires the use of actuarial valuation methods and assumptions. The valuations and assumptions used to determine the future value of plan assets and liabilities are subject to management judgment and may differ significantly depending upon the assumptions used. The discount rate used to estimate the present value of the benefits to be paid under the pension plan reflects the interest rate that could be obtained for a suitable investment used to fund the benefit obligation. For the calculation of pension expense, the assumed discount rate equaled 4.35% during 2013, and 5.25% during 2012. At December 31, 2013, South increased the assumed discount rate on its pension liability to 5.10% due to higher long-term interest rates. This rate increase reduced South's calculated benefit obligation as of December 31, 2013, and will lower the 2014 pension expense.

South also estimates a long-term rate of return on pension plan assets that is used to estimate the future value of plan assets. South considers such factors as the actual return earned on plan assets, historical returns on the various asset classes in the plan and projections of future returns on various asset classes. The calculation of pension expense was based on an assumed expected long-term return on plan assets of 8.00% during 2013 and 2012.

The assumed rate of future compensation increases is reviewed annually based on actual experience and future salary expectations. South used an assumed rate of compensation increase of 3.00% to calculate pension expense during 2013 and 2012. Assuming other variables remain unchanged, an increase in the rate of future compensation increases results in higher pension expense for periods following the increase.

Goodwill. Goodwill represents the cost in excess of the fair value of net assets acquired in transactions considered business combinations and is not amortized but is assessed for impairment. Goodwill recorded in purchase acquisitions is subject to periodic impairment tests requiring estimates of fair value. South reviews goodwill for impairment at least once annually and whenever events or circumstances indicate the carrying value may not be recoverable. An impairment would be indicated if the carrying value of goodwill exceeds its fair value.

Income taxes. South recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies by jurisdiction and entity in making this assessment.

Executive Overview

South is a one-bank financial holding company whose principal subsidiary is South Bank. South Bank offers a complete array of commercial and retail banking services through its 160 offices in 102 communities in South Carolina and 20 offices in 17 communities in Georgia. South Bank provides a full range of financial services including deposit acceptance, corporate cash management, IRA plans, trust services and secured and unsecured loans. Trust services provides estate planning, estate and trust administration, IRA trust and personal investment, and pension and profit sharing administration. South Bank also originates and services mortgage loans and provides financing for small businesses. First Citizens Securities Corporation, a wholly-owned subsidiary of South Bank, is a registered broker-dealer in securities that provides investment services, including sales of annuities and third party mutual funds.

South has traditionally focused on acquisitions and leveraging its extensive branch network for growth. Beginning in 2009, leveraging on its strong capital and liquidity positions, South participated in three FDIC-assisted transactions involving distressed financial institutions. Each of the FDIC-assisted transactions include loss share agreements that give rise to indemnification assets, that protect South from a substantial portion of the credit and asset quality risk it would otherwise incur. Under GAAP, acquired assets, assumed liabilities and the indemnification asset are recorded at their fair values as of the acquisition date. Subsequent to the acquisition date, the amortization and accretion of premiums and discounts, the recognition of post-acquisition improvement and deterioration and the related accounting for the loss share agreements with the FDIC have contributed to income statement volatility. During 2013, in the aggregate, the net impact of assets acquired in the FDIC-assisted transactions has been favorable to current earnings, with recoveries of amounts previously charged off, the reversal of previously-identified impairment and accretion income. See further discussion under [FDIC-Assisted Transactions](#) and Table 4.

South continues to experience downward pressure on net interest income resulting from the low interest rate environment. Improvement in economic conditions contributed to originated loan growth during 2013. Over the past three years, low interest rates and the competitive lending environment led to declining originated loan balances and have narrowed the net interest margin.

Improving economic conditions and favorable real estate prices contributed to significant credit quality improvement during 2013. Charge-offs among both acquired and originated loans declined during 2013, and nonperforming assets and delinquencies declined from 2012 and 2011. Despite these improvements, certain financially-distressed customers continue to experience difficulty meeting their debt service obligations.

Financial institutions continue to face challenges resulting from implementation of legislative and governmental reforms to stabilize the financial services industry and provide added consumer protection. In July 2013, bank regulatory agencies approved new global regulatory capital guidelines (Basel 3) aimed at strengthening existing capital requirements for bank holding companies through a combination of higher minimum capital requirements, new capital conservation buffers and more conservative definitions of capital and balance sheet exposure. South will be subject to the requirements of Basel 3 effective January 1, 2015, subject to a transition period for several aspects of the rule. Table 2 discloses the published minimum and well-capitalized requirements for the transitional period beginning during 2016 and the fully-phased-in requirements that become effective during 2019. As of December 31, 2013, South's tier 1 common equity ratio was 12.9 percent, compared to the fully-phased in well-capitalized minimum of 9.0 percent, which includes the 2.5 percent minimum conservation buffer.

Table 2**Basel 3 Capital Requirements**

Basel 3 final rules	Basel 3 minimum requirement 2016	Basel 3 well capitalized 2016	Basel 3 minimum requirement 2019	Basel 3 well capitalized 2019
Leverage ratio	4.00%	5.00%	4.00%	5.00%
Common equity tier 1	4.50	6.50	4.50	6.50
Common equity plus conservation buffer	5.13	7.13	7.00	9.00
Tier 1 capital ratio	6.00	8.00	6.00	8.00
Total capital ratio	8.00	10.00	8.00	10.00
Total capital ratio plus conservation buffer	8.63	10.63	10.50	12.50

Earnings Summary

Net income for the year ended December 31, 2013 and 2012 was \$45.0 million and \$53.8 million, respectively. Net income per common share was \$65.62 and \$63.97, respectively. The \$8.8 million decrease in net income was primarily due to a \$19.2 million decline in net interest income, a \$3.6 million increase in noninterest expense and a \$4.4 million decrease in noninterest income, partially offset by a \$12.0 million decrease in provision expense.

Net interest income decreased \$19.2 million, or 8.60%, from \$222.7 million in 2012 to \$203.5 million in 2013. The taxable-equivalent net yield on interest-earning assets decreased by 31 basis points from 3.00% in 2012 to 2.69% in 2013. The lower net interest margin was primarily due to loan yields declining faster than the decline in deposit costs. See further discussion under **Net Interest Income** and Table 12.

Provision expense decreased by \$12.0 million from \$20.1 million in 2012 to \$8.1 million in 2013. The net charge-off ratio declined from 0.63% in 2012 to 0.37% in 2013 representing a \$12.0 million decline in net charge-offs. See further discussion under **Allowance for Loan Losses** and Table 23.

Noninterest income decreased by \$4.4 million from \$135.4 million in 2012 to \$131.0 million in 2013. The most significant components of the \$4.4 million decrease were a \$7.2 million decrease in gain on sale of investment securities, a \$4.2 million decrease in mortgage income and a \$2.6 million decrease in loss share income, partially offset by a \$4.7 million increase in cardholder and merchant income and a \$3.3 million increase in commissions and fees from fiduciary activities. See further discussion under **Noninterest income** and Table 14.

Noninterest expense increased by \$3.6 million to \$258.0 million in 2013 from \$254.4 million during 2012. The most significant components of the \$3.6 million increase were a \$3.7 million increase in salaries and employee benefits, a \$3.5 million increase in bankcard processing fees, and a \$2.3 million increase in data processing fees, partially offset by a \$2.4 million decrease in professional services, a \$1.9 million decrease in other general and administrative expenses, and a \$1.2 million decrease in FDIC deposit insurance expense. See further discussion under **Noninterest expense** and Table 15.

Return on average stockholders' equity and average assets are key measures of earnings performance. Return on average stockholders' equity for the years ended December 31, 2013 and December 31, 2012 was 6.23% and 7.02%, respectively. Return on average assets for the years ended December 31, 2013 and December 31, 2012 was 0.54% and 0.65%, respectively.

FDIC-Assisted Transactions

FDIC-assisted transactions provided South significant growth opportunities from 2009 through 2011 and have provided significant contributions to results of operations. These transactions allowed South to increase its presence in existing markets and to expand its banking presence to adjacent markets. Each of the FDIC-assisted transactions included loss share agreements that, for the term of the loss share agreement, protect South from a substantial portion of the credit and asset quality risk it would otherwise incur. Assets and loans acquired in these transactions are referred to as covered assets or covered loans.

Balance sheet impact. Table 3 provides information regarding the three FDIC-assisted transactions consummated during 2011, 2010 and 2009.

Table 3*FDIC-Assisted Transactions*

Entity	Date of transaction	Fair value of loans acquired (dollars in thousands)
Atlantic Bank and Trust (ABT)	June 3, 2011	\$ 112,238
Williamsburg First National Bank (WFNB)	July 23, 2010	55,054
Georgian Bank (Georgian)	September 25, 2009	979,485
Total		\$ 1,146,777
Carrying value of acquired loans as of December 31, 2013		\$ 174,203

Income statement impact. The Georgian FDIC-assisted transaction created an acquisition gain recognized at the time of the respective transaction while the ABT and WFNB FDIC-assisted transactions created goodwill.

The various components of net income impacted by accounting for loss sharing agreements are provided in Table 4. During 2013, declines in interest income and noninterest income were partially offset by lower provision for loan losses. Decreases in the income statement components since 2010 were driven by continuing loan payoffs and resolutions in the acquired loan portfolio. The 2009 results reflect a partial year related to the Georgian transaction. Due to various factors that affect income or expense related to acquired loans recognized in a given period, these components of net income are not easily predictable for future periods. Variations among these items may affect the comparability of various components of net income.

Table 4*Income Statement Impact of Loss Sharing Agreements*

2013	For the years ended December 31			2009
	2012	2011	2010	
(dollars in thousands)				

Interest income	\$ 9,400	\$ 9,834	\$ 16,960	\$ 29,269	\$ 8,588
Provision expense	517	1,780	2,545	25,199	8,392
Noninterest income	4,384	7,033	12,788	50,634	15,772

Interest income on acquired loans subject to loss sharing agreements is generally derived from two sources. The first source is from accretion of a liquidity discount (accretable yield) over the estimated remaining life of the loans at the time of acquisition. The second source is from reclassification of a non-accretable difference (initially applied to acquired impaired loans) to accretable yield where cash flows are expected to increase or have increased from the original estimates. Interest income has decreased since 2010 as acquired loans balances are repaid.

The amount of accretable yield related to acquired loans changes when the estimated cash flows expected to be collected change. The recognition of accretion income, which is included in interest income, may be accelerated in the event of unscheduled payments and various other post-acquisition events. For 2013, accretion income on acquired loans equaled \$2.4 million, compared to \$5.4 million during 2012 and \$9.0 million in 2011. Accretion income continues to decline as acquired loan balances are repaid.

Total provision expense related to acquired loans has decreased each year since 2010 primarily due to improving economic and real estate conditions and a decline in acquired loan balances.

Noninterest income has declined since 2010 primarily due to the following factors: a) lower accretion income related to the discount on the FDIC receivable and b) lower levels of indemnification credits to noninterest income as covered loan losses and resolution expenses have substantially declined over the last three years.

Expenses related to personnel supporting South's acquired loan portfolio, facility and equipment costs, and expenses associated with collection and resolution of acquired loans as well as all income and expenses associated with OREO property covered under loss share agreements are not segregated from corresponding expenses related to originated assets.

Receivable from FDIC for loss share agreements. The components of the receivable from the FDIC for loss share agreements are provided in Table 5. The timing of expected losses on acquired assets is monitored by management to ensure that losses will be submitted for reimbursement by the FDIC during the respective loss share terms.

Table 5

Loss Share Provisions for FDIC-Assisted Transactions

Entity	Fair value at acquisition date	Losses/expenses reimbursed by			Carrying value at	Current
		incurred through 12/31/2013	Cumulative amount through 12/31/2013	FDIC through 12/31/2013	December 31, 2013	portion of receivable due from (to) FDIC for 12/31/2013 filings
(dollars in thousands)						
ABT combined losses	\$ 14,531	\$ 18,183	\$ 11,961	\$ 5,768	\$ 2,348	
WFNB combined losses	6,225	7,824	4,684	2,964	486	
Georgian combined losses	279,310	918,164	487,283	2,740	(4,589)	
Total	\$ 300,066	\$ 944,171	\$ 503,928	\$ 11,472	\$ (1,755)	

Each FDIC-assisted transaction has a separate loss share agreement for Single-Family Residential loans (SFR) and non-Single-Family Residential loans (NSFR).

For ABT, combined losses are covered at 80 percent. The loss share agreements expire on June 3, 2016 for all ABT NSFR covered assets, and on June 3, 2021 for the SFR covered assets.

For WFNB, combined losses are covered at 80 percent. The loss share agreements expire on July 23, 2015 for all WFNB NSFR covered assets, and on July 23, 2020 for the SFR covered assets.

For Georgian, combined losses are covered at 80 percent incurred between \$326.99 million and \$853.00 million and 95 percent for losses above \$853.00 million. The loss share agreements expire on September 25, 2014 for all Georgian NSFR covered assets and on September 25, 2019 for the SFR covered assets.

Fair value at acquisition date represents the initial fair value of the receivable from FDIC, excluding the payable to FDIC.

Interest-Earning Assets

Interest-earning assets include loans and leases, investment securities and interest bearing balances with other banks, all of which reflect varying interest rates based on the risk level and repricing characteristics of the underlying asset. Riskier investments typically carry a higher interest rate but expose South to higher levels of market risk.

South has historically focused on maintaining high-asset quality, which results in a loan and lease portfolio subjected to strenuous underwriting and monitoring procedures. South's focus on asset quality also influences the composition of the investment securities portfolio. At December 31, 2013, U.S. government treasury and agency securities represented 57.4% of investment securities available-for-sale, compared to mortgage-backed securities, which represented 38.1% of the portfolio. The balance of the available-for-sale portfolio includes common stock of other financial institutions, municipal securities and a preferred stock issued by another financial institution. Overnight investments are with the Federal Reserve Bank and other financial institutions.

Average interest earning assets were \$7.56 billion in 2013, up from \$7.42 billion in 2012 and \$7.45 billion in 2011.

The \$25.6 million decrease in average interest earning assets from 2011 to 2012 was primarily due to declines in acquired and originated loans, partially offset by an increase in interest bearing balances with other banks. The decline in originated loans was due to low loan demand and the decline in acquired loans was due to payments, charge-offs and foreclosures.

The \$135.8 million increase in average interest earning assets from 2012 to 2013 was primarily due to increases in originated loans and investment securities, partially offset by a decline in acquired loans. Originated loans increased primarily due to increased loan demand and improving economic conditions. Investment securities increased as excess interest bearing balances were invested to achieve a higher yield. Acquired loans declined for the same reasons cited in the previous paragraph.

Loans and Leases. Loans and leases totaled \$4.52 billion at December 31, 2013, an increase of \$155.8 million, or 3.6%, when compared to December 31, 2012. This follows a decrease of \$211.3 million, or 4.6%, in total loans and leases from December 31, 2011 to December 31, 2012.

Total originated loans increased \$263.9 million from \$4.08 billion at December 31, 2012, to \$4.34 billion at December 31, 2013, after declining \$54.8 million from December 31, 2011 to December 31, 2012. The growth in originated loans in 2013 reflected an increase in general loan demand compared to 2012.

At December 31, 2013, acquired loans totaled \$174.2 million compared to \$282.3 million at December 31, 2012, and \$438.9 million at December 31, 2011. The changes in acquired loan balances reflect continued reductions in outstanding loans from the FDIC-assisted transactions from payments, charge-offs and foreclosure.

Table 6 provides the composition of acquired and originated loans and leases for the past five years.

Table 6

Loans and Leases

	December 31				
	2013	2012	2011	2010	2009
	(dollars in thousands)				
Acquired loans:					
Commercial real estate	\$ 257,984	\$ 398,872	\$ 580,811	\$ 700,524	\$ 1,109,669
Commercial and industrial	26,164	48,821	93,328	178,381	282,565
1-4 Family real estate	22,572	35,351	71,903	69,750	110,488
Home equity line of credit	10,556	10,426	12,594	9,822	15,559
Consumer and all other loans	776	16,259	29,443	44,881	71,097
Total acquired loans	318,052	509,729	788,079	1,003,358	1,589,378
Less:					
Estimate of contractual principal not expected to be collected (non-accretable difference)	140,502	219,410	330,276	442,192	597,145
Allowance for loan losses on covered loans				83	836
Liquidity discount (accretable yield)	3,347	7,984	18,896	37,861	119,480
Net acquired loans	174,203	282,335	438,907	523,222	871,917
Originated loans:					
Commercial real estate	1,198,368	1,181,767	1,235,285	1,362,428	1,450,584
Commercial and industrial	453,543	399,063	396,088	451,514	554,787
1-4 Family real estate	1,162,715	1,080,341	1,068,978	1,112,717	1,193,626
Sales finance	556,113	449,988	424,523	389,648	418,632
Home equity line of credit	473,726	530,428	590,286	643,657	689,703
Consumer and all other loans	499,041	437,987	419,187	426,515	397,964
Total originated loans	4,343,506	4,079,574	4,134,347	4,386,379	4,705,296
Total loans	4,517,709	4,361,909	4,573,254	4,909,601	5,577,213
Less: Allowance for loan losses	54,565	62,759	70,970	82,033	89,187
Net loans	\$ 4,463,144	\$ 4,299,150	\$ 4,502,284	\$ 4,827,568	\$ 5,488,026

South expects originated loan growth to continue in 2014 if overall economic conditions continue to improve. However, expectations for loan growth are subject to change should South encounter economic deterioration or some other unforeseen adverse events.

Investment Securities. Investment securities available-for-sale totaled \$2.00 billion at December 31, 2013, compared to \$1.60 billion at December 31, 2012. Available-for-sale securities are reported at fair value and unrealized gains and losses are included as a component of other comprehensive income, net of deferred taxes. As of December 31, 2013, investment securities available-for-sale had a net unrealized gain of \$33.9 million, compared to a net unrealized gain of \$49.1 million as of December 31, 2012. Market changes in interest rates and credit spreads will result in temporary unrealized losses as the market price of securities fluctuate. After evaluating the securities with unrealized losses, management concluded that no other than temporary impairment existed as of December 31, 2013.

During 2013, in an effort to increase earnings in the current rate environment and generate future cash flows to reinvest in earning assets, management increased the portion of the investment portfolio comprised of mortgage-backed securities. These mortgage-backed securities were issued by the U.S. government or government sponsored agencies and were generally backed by conforming mortgages with terms of 15 years or less. As a result of South's purchases, the carrying value of mortgage-backed securities available-for-sale increased by \$241.7 million or 46.5% during 2013, while U.S. government treasuries and agency securities increased \$133.6 million or 13.2%.

Changes in the total balance of South's investment securities portfolio result primarily from trends in the balance sheet including loans and leases, deposit balances and short-term borrowings. Generally, when inflows arising from deposits and short-term borrowings exceed loan and lease demand, South invests excess funds into the securities portfolio or in interest bearing balances with the Federal Reserve. Conversely, when loan demand exceeds growth in deposits and short-term borrowings, South allows interest bearing balances to decline and use proceeds from maturing securities to fund loan demand. Details of investment securities at December 31, 2013, December 31, 2012 and December 31, 2011, are provided in Table 7.

Table 7

Investment Securities

	2013				2012		2011	
	Cost	Fair value	Average maturity (Yrs./mos.)	Taxable equivalent yield	Cost	Fair value	Cost	Fair value
(dollars in thousands)								
Investment securities available-for-sale:								
U.S. government treasuries and agencies:								
Within one year	\$ 629,594	\$ 629,823	0/5	0.72%	\$ 230,979	\$ 231,327	\$ 662,986	\$ 663,988
One to five years	518,280	518,526	2/0	0.49	782,259	783,448	334,215	335,760
Total	1,147,874	1,148,349	1/2	0.62	1,013,238	1,014,775	997,201	999,748
Mortgaged-backed securities:								
Within one year	4,361	4,376	0/10	0.15	236	235		
One to five years	432,571	430,105	4/0	1.97	357,501	370,735	379,560	394,805
Five to ten years	335,425	326,684	5/10	2.37	147,106	148,456	88,813	89,573
Total	772,357	761,165	4/9	2.13	504,843	519,426	468,373	484,378
State, county and municipal:								
Within one year	1,230	1,239	0/4	6.62	1,086	1,106		
One to five years	1,003	1,026	2/4	5.97	1,200	1,218	2,989	3,083
Five to ten years					1,060	1,091	1,402	1,440
Over ten years					520	557	925	959
Total	2,233	2,265	1/3	6.33	3,866	3,972	5,316	5,482
Corporate bonds:								
Within one year	999	1,017	0/5	5.83			25,284	25,489
One to five years	12,130	12,448	3/6	2.91	7,410	7,814	3,320	3,346
Five to ten years	8,844	8,483	7/3	3.46	5,215	5,343	4,039	4,066
Over ten years	5,999	5,746	14/10	5.92	3,466	3,384	4,412	4,270
Total	27,972	27,694	7/0	3.83	16,091	16,541	37,055	37,171
Other investment securities:								
Over ten years	10,514	10,508	25/2	9.70	10,014	10,185		
Equity securities	5,217	50,041			5,162	37,419	5,079	39,272
	1,966,167	2,000,022			1,553,214	1,602,318	1,513,024	1,566,051

Total investment securities available-for-sale

Investment securities held to maturity:					
U.S. government treasuries and agencies:					
Within one year		3,831	3,834	5,549	5,573
One to five years				3,940	3,952
Total investment securities held to maturity		3,831	3,834	9,489	9,525

Total investment securities	\$ 1,966,167	\$ 2,000,022	\$ 1,557,045	\$ 1,606,152	\$ 1,522,513	\$ 1,575,576
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Interest-Bearing Liabilities

Interest-bearing liabilities include interest-bearing deposits, short-term borrowings and long-term debt. Interest-bearing liabilities totaled \$5.55 billion as of December 31, 2013, down \$133.89 million from December 31, 2012, due to continued migration of time deposits to demand deposit products. Average interest-bearing liabilities decreased \$105.1 million, or by 1.8% from 2012 to 2013 due primarily to a decline in time deposits. Average interest-bearing deposits decreased by \$89.3 million, or by 1.7% from 2012 to 2013 due primarily to the same reason.

Deposits. At December 31, 2013, total deposits equaled \$7.19 billion, an increase of \$148.7 million since December 31, 2012. Demand deposits increased \$234.6 million during 2013, following an increase of \$298.5 million during 2012. Time deposits decreased \$227.6 million and \$311.0 million during 2013 and 2012, respectively. South has focused its deposit growth efforts on demand and NOW accounts due to net interest margin compression caused by declining earning asset yields. Consequently, the mix of deposits has shifted away from high cost time deposits. Table 8 provides deposit balances as of December 31, 2013, December 31, 2012 and December 31, 2011.

Table 8*Deposits*

	December 31		
	2013	2012	2011
	(dollars in thousands)		
Demand	\$ 2,020,190	\$ 1,785,617	\$ 1,487,112
NOW accounts	1,872,085	1,809,286	1,720,378
Money market accounts	1,778,976	1,742,359	1,694,638
Savings	483,990	441,703	398,875
Time	1,036,328	1,263,900	1,574,906
Total deposits	\$ 7,191,569	\$ 7,042,865	\$ 6,875,909

Due to South's focus on maintaining a strong liquidity position, core deposit retention remains a key business objective. South believes that traditional bank deposit products remain an attractive option for many customers, but as economic conditions improve, South recognizes that its liquidity position could be adversely affected as bank deposits are withdrawn and invested elsewhere. South's ability to fund future loan growth is dependent on its success at retaining existing deposits and generating new deposits at a reasonable cost.

Table 9*Maturities of Time Deposits of \$100,000 or More*

	December 31, 2013	
	(dollars in thousands)	
Time deposits maturing in:		
Three months or less	\$	55,289
Over three months through six months		47,850
Over six months through 12 months		95,054
More than 12 months		69,972

Total	\$	268,165
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Short-Term Borrowings. At December 31, 2013, short-term borrowings totaled \$179.4 million compared to \$225.7 million at December 31, 2012. The decrease in short-term borrowings since December 31, 2012, is due to

a decline in repurchase agreements resulting from general fluctuations in balances. Repurchase agreements are overnight borrowings with South's customers and are secured by investment securities pledged from South Bank's investment portfolio. Table 10 provides information on short-term borrowings.

Table 10**Short-Term Borrowings**

	2013		2012		2011	
	Amount	Rate	Amount	Rate	Amount	Rate
	(dollars in thousands)					
Repurchase agreements						
At December 31	\$ 179,386	0.28%	\$ 225,688	0.29%	\$ 253,688	0.36%
Average during year	223,601	0.23	234,520	0.28	260,752	0.35
Maximum month-end balance during year	239,380		246,556		295,371	
Other						
At December 31			1,825	8.00		
Average during year	1,405	8.00	4,214	8.00		
Maximum month-end balance during year						

Long-term debt. Long-term debt totaled \$203.3 million at December 31, 2013, up \$102 thousand from December 31, 2012. The increase since December 31, 2012, is a result of discount accretion of the subordinated debt. Table 11 provides information on long-term debt. South does not have plans to replace the subordinated debt maturing on April 1, 2015 and South Bank has sufficient liquidity to dividend cash to South to pay off the debt.

Table 11**Long-Term Debt**

Components of long-term debt as of December 31 were as follows:

	2013	2012
	(dollars in thousands)	
Guaranteed Preferred Beneficial Interest in South's Junior Subordinated Deferrable Interest Debenture 8.25%, due March 15, 2028 (FCB/SC Capital Trust I)	\$ 51,547	\$ 51,547
Guaranteed Preferred Beneficial Interest in South's Junior Subordinated Deferrable Interest Debenture Floating Rate, due June 15, 2034 (FCB/SC Capital Trust II)	51,547	51,547
Guaranteed Preferred Beneficial Interest in Junior Subordinated Deferrable Interest Debenture Floating Rate, due April 7, 2034 (SCB Capital Trust I)	10,310	10,310
	113,404	113,404
Subordinated notes payable:		
6.80% maturing April 1, 2015	74,874	74,772
8.00% maturing June 1, 2018	15,000	15,000
	89,874	89,772

Total long-term debt	\$ 203,278	\$ 203,176
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Net Interest Income

Net interest income for 2013 totaled \$203.5 million, a \$19.2 million, or 8.6%, decrease from 2012. Net interest income for 2012 totaled \$222.7 million, a \$17.6 million decrease from the \$240.3 million recorded

during 2011. The taxable-equivalent net yield on interest-earning assets decreased from 3.00% during 2012 to 2.69% during 2013, or by 31 basis points. The taxable-equivalent net yield was 3.23% during 2011. The declines in both years were primarily the result of lower earning asset yields, a decline in interest income related to loss share accounting adjustments, partially offset by lower deposit interest costs. The prolonged low interest rate environment has resulted in net interest margin compression as deposits costs have not declined at the same pace as earning asset yields. Loss share related interest income has decreased as the related loan balances have declined.

Interest income amounted to \$225.3 million during 2013, a decrease of \$27.3 million, or 10.8%, as compared to 2012. Interest income amounted to \$252.6 million during 2012, a decrease of \$35.3 million, or 12.2%, as compared to 2011. Interest-earning assets averaged \$7.56 billion during 2013, an increase of \$135.8 million, or 1.9%, from 2012. Interest-earning assets averaged \$7.42 billion during 2012, a decrease of \$25.6 million, or 3.4%, from 2011.

Interest income from loans and leases decreased \$26.6 million, or by 11.7%, from \$228.7 million in 2012, to \$202.0 million in 2013. Interest income from loans and leases decreased \$35.4 million, or by 13.4%, from \$264.1 million in 2011, to 228.7 million in 2012. The 2013 decline is the combined result of a 52 basis-point decrease in the taxable-equivalent loan yield and a \$76.7 million reduction in average loans and leases. The reduction in average loans represents continuing reductions in acquired loans, partially offset by originated loan growth. The 2012 decline is the combined result of a 45 basis-point decrease in the taxable-equivalent loan yield and a \$226.2 million reduction in average loans and leases. The reduction in average loans represents a reduction in originated loan growth and acquired loans.

The taxable-equivalent loan yield decreased from 5.90% in 2009 and in each successive year to 4.61% during 2013. The declines from 2009 to 2013 are due to repricing of loans to lower interest rates and reductions in interest income resulting from the FDIC-assisted transactions. Loss share related interest income will continue to decline as acquired loan balances are repaid.

Interest income earned on investment securities totaled \$19.5 million, \$20.2 million and \$23.6 million, respectively, during 2013, 2012 and 2011. During 2013, the benefit of a \$200.4 million increase in average investment securities was largely offset by a 19 basis point reduction in the taxable-equivalent yield. During 2012, the taxable-equivalent yield declined by 23 basis points. The primary reason for the reductions in the taxable-equivalent yield on the investment portfolio during 2013 and 2012 was lower reinvestment rates on new securities compared to maturing and called securities.

Interest expense was \$21.8 million in 2013, an \$8.1 million, or 27.1% decrease from 2012, the result of a 13 basis point decrease in the rate paid on interest-bearing liabilities and a \$105.1 million decrease in average interest-bearing liabilities. Interest expense was \$29.9 million in 2012, a \$17.7 million, or 37.1% decrease from 2011, the result of a 25 basis point decrease in the rate paid on interest-bearing liabilities and a \$433.2 million decrease in average interest-bearing liabilities. Interest expense declined for the fourth consecutive year during 2013. The rate paid on interest-bearing liabilities fell to 0.39% during 2013 compared to 0.52% during 2012 and 0.77% during 2011.

The reduction in funding costs also resulted from a change in the deposit mix. Interest expense on interest-bearing deposits equaled \$9.0 million in 2013, compared to \$16.4 million in 2012, a \$7.5 million decrease, compared to \$33.9 million in 2011, a \$17.5 million decrease. Average time deposits declined from \$1.85 billion in 2011 to \$1.41 billion in 2012 and \$1.15 billion in 2013. While time deposit balances were falling, average NOW, money market and savings balances increased from \$3.8 billion in 2011 to \$3.9 billion in 2012 and \$4.1 billion in 2013. Non-interest bearing demand deposits also experienced significant growth from 2011 to 2013.

Table 12

Average Balance Sheets

	Average Balance	2013 Interest Income/ Expense (dollars in thousands, taxable equivalent)	Yield/ Rate	Average Balance	2012 Interest Income/ Expense	Yield/ Rate
Assets						
Total loans	\$ 4,376,855	\$ 202,936	4.61%	\$ 4,453,531	\$ 229,755	5.13%
Investment securities:						
Taxable investment securities	1,726,490	19,427	1.13	1,524,413	20,063	1.32
Non-taxable investment securities	3,106	187	6.03	4,744	285	6.01
Total investment securities	1,729,596	19,614	1.13	1,529,157	20,348	1.33
Interest bearing balances with other banks	1,449,806	3,743	0.25	1,437,772	3,674	0.25
Total interest-earning assets	7,556,257	\$ 226,293	2.98%	7,420,460	\$ 253,777	3.40%
Cash and due from banks	180,619			181,522		
Premises and equipment	234,727			236,094		
Other, less allowance for loan losses	303,474			391,917		
Total assets	\$ 8,275,077			\$ 8,229,993		
Liabilities						
Interest-bearing deposits:						
NOW, money market, and savings	\$ 4,059,782	\$ 4,652	0.11%	\$ 3,884,660	\$ 7,188	0.19%
Time deposits	1,146,780	4,333	0.38	1,411,165	9,250	0.66
Total interest-bearing deposits	5,206,562	8,985	0.17	5,295,825	16,438	0.31
Securities sold under repurchase agreements	223,601	510	0.23	234,520	661	0.28
Short-term borrowings	1,405	112	8.00	4,214	337	8.00
Long-term debt	202,268	12,207	6.03	204,392	12,499	6.12
Total interest-bearing liabilities	5,633,836	\$ 21,814	0.39%	5,738,951	\$ 29,935	0.52%
Demand deposits	1,870,245			1,654,746		
Other liabilities	48,159			69,695		
Stockholders equity	722,837			766,601		
Total liabilities and stockholders equity	\$ 8,275,077			\$ 8,229,993		
Net interest spread ⁽¹⁾			2.59%			2.88%
		\$ 204,479	2.69%		\$ 223,842	3.00%

Net interest income and net yield on
interest-earning assets⁽²⁾

- (1) Total interest-earning assets yield less interest-bearing liabilities rate.
- (2) Net interest income divided by total interest-earning assets using the appropriate day count convention based on the type of interest-earning asset.

Loans and leases include acquired loans, originated loans, nonaccrual loans and loans held for sale. Loan fees are included in interest income computation, but are not material. Yields related to loans, leases and securities exempt from both federal and state income taxes are stated on a taxable-equivalent basis assuming income tax rates of 36.5% for each period. The taxable-equivalent adjustment was \$964, \$1,171, \$1,397, \$1,670 and \$1,475 for the years 2013, 2012, 2011, 2010 and 2009, respectively.

Table 12

Average Balance Sheets (Continued)

	2011			2010			2009		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
(dollars in thousands, taxable equivalent)									
Assets									
Total loans	\$ 4,679,760	\$ 262,340	5.58%	\$ 5,200,442	\$ 312,119	5.97%	\$ 5,097,823	\$ 302,295	5.90%
Investment securities:									
Taxable investment securities	1,516,065	23,383	1.54	1,326,349	20,774	1.57	1,238,516	30,189	2.44
Non-taxable investment securities	6,208	370	5.95	9,762	598	6.12	12,816	792	6.18
Total investment securities	1,522,273	23,753	1.56	1,336,111	21,372	1.60	1,251,332	30,981	2.48
Interest bearing balances with other banks	1,243,996	3,166	0.25	958,152	2,440	0.25	375,971	945	0.25
Total interest-earning assets	7,446,029	\$ 289,259	3.87%	7,494,705	\$ 335,931	4.46%	6,725,126	\$ 334,221	4.95%
Cash and due from banks	169,853			162,520			158,729		
Premises and equipment	236,678			228,122			233,959		
Other, less allowance for loan losses	518,396			721,173			336,663		
Total assets	\$ 8,370,956			\$ 8,606,520			\$ 7,454,477		
Liabilities									
Interest-bearing deposits:									
NOW, money market, and savings	\$ 3,848,210	\$ 11,895	0.31%	\$ 3,605,287	\$ 23,559	0.65%	\$ 2,870,085	\$ 20,803	0.72%
Time deposits	1,854,462	22,045	1.19	2,483,427	42,834	1.72	2,351,435	58,834	2.50

Total interest-bearing deposits	5,702,672	33,940	0.60	6,088,714	66,393	1.09	5,221,520	79,637	1.53
Securities sold under repurchase agreements	260,752	903	0.35	246,975	797	0.32	288,054	832	0.29
Short term borrowings				802	62	7.75	7,392	504	6.82
Long-term debt	208,695	12,757	6.11	267,692	14,609	5.46	286,215	17,929	6.26
Total interest-bearing liabilities	6,172,119	\$ 47,600	0.77%	6,604,183	\$ 81,861	1.24%	5,803,181	\$ 98,902	1.70%
Demand deposits	1,402,761			1,264,755			1,042,208		
Other liabilities	74,406			76,022			57,240		
Stockholders equity	721,670			661,560			551,848		
Total liabilities and stockholders equity	\$ 8,370,956			\$ 8,606,520			\$ 7,454,477		
Net interest spread ⁽¹⁾			3.10%			3.22%			3.25%
Net interest income and net yield on interest-earning assets ⁽²⁾		\$ 241,659	3.23%		\$ 254,070	3.37%		\$ 235,319	3.48%

(1) Total interest-earning assets yield less interest-bearing liabilities rate.

(2) Net interest income divided by total interest-earning assets using the appropriate day count convention based on the type of interest-earning asset.

Table 13 isolates the changes in taxable-equivalent net interest income due to changes in volume and changes in interest rates for 2013 and 2012.

Table 13

Changes in Consolidated Taxable Equivalent Net Interest Income

	2013			2012		
	Change from previous year due to: Volume	Yield/ Rate	Total Change (dollars in thousands)	Change from previous year due to: Volume	Yield/ Rate	Total Change
Assets						
Total loans	\$ (3,922)	\$ (22,897)	\$ (26,819)	\$ (11,571)	\$ (21,014)	\$ (32,585)
Investment securities:						
Taxable investment securities	2,274	(2,910)	(636)	110	(3,430)	(3,320)
Non-taxable investment securities	(99)	1	(98)	(88)	3	(85)
Total investment securities	2,175	(2,909)	(734)	22	(3,427)	(3,405)
Interest bearing balances with other banks	22	47	69	503	5	508
Total interest-earning assets	\$ (1,725)	\$ (25,759)	\$ (27,484)	\$ (11,046)	\$ (24,436)	\$ (35,482)
Liabilities						
Interest-bearing deposits:						
NOW, money market, and savings	\$ 200	\$ (2,736)	\$ (2,536)	\$ 67	\$ (4,774)	\$ (4,707)
Time deposits	(354)	(4,563)	(4,917)	(1,330)	(11,465)	(12,795)
Total interest-bearing deposits	(154)	(7,299)	(7,453)	(1,263)	(16,239)	(17,502)
Securities sold under repurchase agreements	(25)	(126)	(151)	(73)	(169)	(242)
Short-term borrowings	(171)	(54)	(225)	258	79	337
Long-term debt	(127)	(165)	(292)	(264)	6	(258)
Total interest-bearing liabilities	\$ (477)	\$ (7,644)	\$ (8,121)	\$ (1,342)	\$ (16,323)	\$ (17,665)
Change in net interest income	\$ (1,248)	\$ (18,115)	\$ (19,363)	\$ (9,704)	\$ (8,113)	\$ (17,817)

Loans and leases include acquired loans, originated loans, nonaccrual loans and loans held for sale. The rate/volume variance is allocated equally between the changes in volume and rate. Loan fees are included in interest income computation, but are not material. Tax exempt income is stated on a taxable-equivalent basis assuming an income tax rate of 36.5% for each period, respectively.

During the year ended December 31, 2013, the overall decline in net interest income was primarily driven by earning asset yields declining more than deposit interest costs.

Noninterest Income

The primary sources of noninterest income have traditionally consisted of service charges on deposit accounts, cardholder and merchant income, commission and fees from fiduciary activities and mortgage income. Table 14 provides the components of noninterest income for the previous five years. Noninterest income for 2009 included a significant acquisition gain recorded in conjunction with the FDIC-assisted transaction for Georgian.

Adjustments to the FDIC receivable and FDIC-assisted acquired loan recoveries are other sources of noninterest income. These sources of noninterest income have declined each year since 2010 as South continues

to experience a reduction in loss share assets due to repayment, charge-off, foreclosure or sale. As the Georgian loss share agreement expires in the third quarter of 2014, South expects the impact of covered assets on noninterest income to continue to decline going forward.

For 2013, noninterest income totaled \$131.0 million, compared to \$135.4 million for 2012, a \$4.4 million decrease. Excluding the impact of loss share accounting, noninterest income decreased by \$1.7 million. The most significant components of the \$1.7 million decrease were a \$7.2 million decrease in gain on sale of investment securities and a \$4.2 million decrease in mortgage income, partially offset by a \$4.7 million increase in cardholder and merchant income and a \$3.3 million increase in commissions and fees from fiduciary activities. The primary components of the \$4.2 million decline in mortgage income were a \$6.9 million decrease related to lower mortgage production and pipeline, partially offset by a \$1.5 million decrease in mortgage servicing rights impairment. The increase in cardholder and merchant income was primarily due to increased sales volume and the addition of new merchant customers. The increase in commissions and fees from fiduciary activities was primarily related to higher brokerage income.

For 2012, noninterest income totaled \$135.4 million, compared to \$112.0 million for 2011, a \$23.4 million increase. Excluding the impact of loss share accounting, noninterest income increased by \$27.5 million. The most significant components of the \$27.5 million increase were a \$14.0 million increase in gain on sale of investment securities, an \$8.1 million increase in mortgage income, a \$3.5 million increase in cardholder and merchant income, and a \$2.1 million increase in commissions and fees from fiduciary activities. The increase in gain on sale of investment securities was primarily related to the sale of available-for-sale mortgage backed securities from South's investment portfolio. The primary components of the \$8.1 million increase in mortgage income were a \$7.3 million increase related to higher mortgage production, and \$2.1 million increase related to a decline in mortgage servicing rights impairment. The increase in cardholder and merchant income was primarily due to increased sales volume and the addition of new merchant customers. The increase in commissions and fees from fiduciary activities was primarily related to higher brokerage income.

Table 14

Noninterest Income

	Year ended December 31				
	2013	2012	2011	2010	2009
	(dollars in thousands)				
Service charges on deposits	\$ 38,660	\$ 38,090	\$ 38,001	\$ 41,456	\$ 43,463
Cardholder and merchant income	40,905	36,225	32,762	28,535	24,974
ATM income	3,915	3,928	3,930	3,566	3,449
Commissions and fees from fiduciary activities	17,739	14,453	12,339	11,043	9,680
Mortgage income	11,675	15,856	7,743	12,778	12,685
Gain on sale of investment securities	8,290	15,450	1,507	2,867	3,918
Gain on Georgian transaction					107,903
Other-than-temporary impairment on equity securities			(1,179)	(398)	(4,110)
Other income related to FDIC loss sharing agreements	4,384	7,033	12,788	50,634	15,772
Loss on sale of other real estate	(3,027)	(3,749)	(2,853)	(1,045)	(588)
Other	8,450	8,078	6,953	8,248	8,219

Total noninterest income	\$ 130,991	\$ 135,364	\$ 111,991	\$ 157,684	\$ 225,365
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Noninterest Expense

The primary components of noninterest expense are salaries and employee benefits, third-party costs for data and bankcard processing, and occupancy costs for branch offices and support facilities.

Noninterest expense totaled \$258.0 million for 2013, a \$3.6 million or 1.4% increase from the \$254.4 million recorded during 2012. The most significant components of the \$3.6 million increase were a \$3.7 million increase in salaries and employee benefits, a \$3.5 million increase in bankcard processing fees, and a \$2.3 million increase in data processing fees, partially offset by a \$2.4 million decrease in professional services, a \$1.9 million decrease in other expense, and a \$1.2 million decrease in FDIC deposit insurance expense. The largest components of the \$3.7 million increase in salaries and employee benefits were a \$2.2 million increase in medical insurance claims and a \$554 thousand increase in commissions paid on broker-dealer sales activity due to increased broker-dealer revenues. The increase in bankcard processing fees was primarily due to an increase in bankcard transaction volume relating to cardholder and merchant income. The decline in professional services was due to a reduction in legal expenses primarily related to a reduction in foreclosure activity. The increase in data processing fees was primarily attributable to the impact of increased volumes with South's third party data processor, North Bank.

Noninterest expense totaled \$254.4 million for 2012, a \$3.9 million or 1.6% increase from the \$250.5 million recorded during 2011. The most significant components of the \$3.9 million increase were a \$2.4 million increase in data processing fees, a \$2.3 million increase in salaries and employee benefits, a \$1.3 million increase in bankcard processing fees, partially offset by a \$2.0 million decrease in other real estate expense. The \$2.4 million increase in data processing fees was primarily attributable to the impact of increased deposit volume with South's third party data processor, North Bank. The \$2.3 million increase in salaries and employee benefits was primarily related to an increase in commissions related to mortgage and fiduciary activities. The remainder of the increase is spread among various categories. The \$1.3 million increase in bankcard processing fees was primarily due to an increase in bankcard transaction volume. The \$2.0 million decrease in other real estate expense was primarily due to a decline in foreclosure related costs.

Income Taxes

South monitors and evaluates the potential impact of current events on the estimates used to establish income tax expenses and income tax liabilities. On a periodic basis, South evaluates its income tax positions based on current tax law and positions taken by various tax auditors within the jurisdictions where South is required to file income tax returns.

For 2013, income tax expense totaled \$23.4 million compared to \$29.7 million during 2012, reflecting effective tax rates of 34.2% and 35.6% during the respective periods. The decrease in the effective tax rate results from the impact of permanent differences on lower pre-tax earnings.

Table 15

Noninterest Expense

	Year ended December 31				
	2013	2012	2011	2010	2009
	(dollars in thousands)				
Salaries and employee benefits	\$ 132,136	\$ 128,400	\$ 126,117	\$ 127,972	\$ 114,435
Data processing fees	27,420	25,111	22,759	20,335	19,486
Bankcard processing fees	18,700	15,157	13,836	12,407	11,249
Net occupancy expense	16,621	17,526	18,130	18,471	17,325
Professional services	7,064	9,508	8,541	7,468	4,454
FDIC deposit insurance expense	5,494	6,687	7,687	12,184	11,676
Furniture and equipment expense	9,403	9,627	10,280	11,041	11,359

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Other real estate expense	8,955	8,076	10,061	3,267	798
Amortization expense	1,817	2,021	2,427	5,398	7,156
Other	30,414	32,320	30,664	27,729	27,181
Total noninterest expense	\$ 258,024	\$ 254,433	\$ 250,502	\$ 246,272	\$ 225,119

Stockholders Equity and Capital Adequacy

South is committed to effectively managing its capital to protect depositors, creditors and shareholders. South continually monitors the capital levels and ratios for South and South Bank to ensure they comfortably exceed the minimum requirements imposed by regulatory authorities and to ensure they are appropriate, given growth projections, risk profile and potential changes in the regulatory environment. Failure to meet certain capital requirements may result in actions by regulatory agencies that could have a material impact on South's consolidated financial statements.

Table 16 provides information on capital adequacy for South as of December 31, 2013, 2012, and 2011.

Table 16***Analysis of Capital Adequacy***

	December 31, 2013	December 31, 2012	December 31, 2011	Regulatory minimum	Well- capitalized requirement
	(dollars in thousands)				
Tier 1 capital	\$ 670,385	\$ 623,417	\$ 649,887		
Tier 2 capital	80,952	95,940	113,605		
Total capital	\$ 751,337	\$ 719,357	\$ 763,492		
Risk-adjusted assets	\$ 4,315,818	\$ 4,067,461	\$ 4,192,707		
Risk-based capital ratios					
Tier 1 capital	15.53%	15.33%	15.50%	4.00%	6.00%
Total capital	17.41	17.69	18.21	8.00	10.00
Tier 1 leverage ratio	8.32	7.78	8.12	4.00	5.00

South continues to exceed minimum capital standards, and South Bank remains well-capitalized.

South had \$113.1 million of trust preferred capital securities included in tier 1 capital at December 31, 2013, December 31, 2012 and December 31, 2011.

Tier 2 capital of South and South Bank includes qualifying subordinated debt that was issued in 2005 with a scheduled maturity date of April 1, 2015 and qualifying subordinated debt issued in 2008 with a scheduled maturity date of June 1, 2018. Under current regulatory guidelines, when subordinated debt is within five years of its scheduled maturity date, issuers must discount the amount included in tier 2 capital by 20 percent for each year until the debt matures. The amount of subordinated debt that qualifies as tier 2 capital totaled \$27.0 million as of December 31, 2013, compared to \$44.9 million at December 31, 2012. Subordinated debt will be completely removed from tier 2 capital in the second quarter of 2017, one year prior to the scheduled maturity of the subordinated debt.

In July 2013, bank regulatory agencies approved the Basel 3 capital guidelines, which are aimed at strengthening existing capital requirements for bank holding companies through a combination of higher minimum capital requirements, new capital conservation buffers and more conservative definitions of capital and balance sheet exposure. When fully implemented in January 2019, the rule requires a minimum ratio of common equity tier 1 capital to risk-weighted assets of 4.5 percent. The rule also requires a common equity tier 1 capital conservation buffer of 2.5 percent of risk-weighted assets, resulting in a total capital ratio of 7.0 percent. The rule also raises the minimum ratio

of tier 1 capital to risk-weighted assets from 4.0 percent to 6.0 percent and includes a minimum leverage ratio of 4.0 percent.

Management continues to monitor Basel 3 developments and remains committed to managing capital levels in a prudent manner. South's tier 1 common equity ratio based on the current tier 1 capital and risk-weighted assets calculations, excluding trust preferred securities, is 12.91% percent at December 31, 2013, compared to the fully phased-in requirement of 7.00 percent. The proposed tier 1 common equity ratio is calculated in Table 17.

Table 17**Tier 1 Common Equity Under Basel 3 Capital Requirements**

	December 31, 2013
	(dollars in thousands)
Tier 1 capital	\$ 670,385
Less: restricted core capital	113,050
Tier 1 common equity	\$ 557,335
Risk-adjusted assets	\$ 4,315,818
Tier 1 common equity ratio	12.91%

Under GAAP, the unrealized gains and losses on certain assets and liabilities, net of deferred taxes, are included in accumulated other comprehensive income (AOCI) within stockholders' equity. In the aggregate, these items represented a net increase in stockholders' equity of \$7.3 million at December 31, 2013, compared to \$1.0 million at December 31, 2012. The \$6.3 million improvement in AOCI from December 31, 2012, reflects an improvement in the funded status of the defined benefit plan, net of a decrease in net unrealized gains on investment securities available-for-sale arising due to interest rate changes during 2013.

Risk Management

Effective risk management is critical to South's success. The Dodd-Frank Act required that banks with total assets in excess of \$10 billion establish an enterprise-wide risk committee consisting of members of its board of directors. Although South does not have total assets in excess of \$10 billion, it has established a Risk Committee that provides oversight of enterprise-wide risk management by combining this function with the Audit Committee. In its risk oversight role, the Audit and Risk Committee: annually reviews and, where appropriate, recommends approval by the board of directors of the risk appetite statement prepared by management; reviews periodic reports from management related to South's activities to monitor and mitigate significant risks related to South's business; monitors management's execution of risk management practices in accordance with the risk appetite of the company; reviews supervisory examination reports of state and federal agencies together with management's response to such examinations; and discusses with attorneys legal matters that may have a material impact on the financial statements or South's compliance policies. With guidance from and oversight by the Audit and Risk Committee, management continually refines and enhances its risk management policies and procedures to maintain effective risk management programs and processes.

Mortgage reform rules mandated by the Dodd-Frank Act became effective in January 2014, requiring lenders to make a reasonable, good faith determination of a borrower's ability to repay any consumer credit transaction secured by a dwelling and to limit prepayment penalties. Increased risks of legal challenge, private right of action and regulatory enforcement are presented by these rules. South implemented the required system, process, procedural and product changes prior to the effective date of the new rules. South has modified its underwriting standards to ensure compliance with the ability to repay requirements and has determined that it will continue to offer both qualified and non-qualified mortgage products. Historical performance and conservative underwriting of impacted loan portfolios mitigates the risks of non-compliance.

Credit risk management. The maintenance of excellent asset quality has historically been one of South's key performance measures. Loans and leases not acquired by loss share agreements with the FDIC were underwritten in accordance with South's credit policies and procedures and are subject to periodic ongoing reviews. Acquired loans were recorded at fair value as of the acquisition date and are subject to periodic reviews to identify any further credit deterioration. South's independent credit review function conducts risk reviews and analyses of both acquired and originated loans to ensure compliance with credit policies and to monitor asset quality trends. The risk reviews include portfolio analysis by geographic location, industry, collateral type and product. South

strives to identify potential problem loans as early as possible, to record charge-offs or write-downs as appropriate and to maintain adequate allowances for loan losses that are inherent in the loan and lease portfolio.

South maintains a well-diversified loan and lease portfolio and seeks to minimize the risk associated with large concentrations within specific geographic areas, collateral types or industries. Despite South's focus on diversification, several characteristics of the loan portfolio subject South to significant risk, such as concentrations of real estate secured loans.

South has historically carried a significant concentration of real estate secured loans. Within the originated loan portfolio, South mitigates that exposure through underwriting policies that primarily rely on borrower cash flow rather than underlying collateral values. When South does rely on underlying real property values, it favors financing secured by owner-occupied real property and, as a result, a large percentage of real estate secured loans are owner occupied. At December 31, 2013, loans secured by real estate totaled \$3.25 billion, or 71.9%, of total loans and leases compared to \$3.26 billion, or 74.7%, of loans and leases at December 31, 2012, and \$3.48 billion, or 76.0%, at December 31, 2011.

Table 18

Geographic Distribution of Real Estate Collateral

	December 31, 2013
Collateral location	Percent of total originated loans with collateral located in the state
South Carolina	85.2%
Georgia	11.0
All other locations	3.8

Among real estate secured loans, home equity lines of credit loans present a heightened risk due to long commitment periods during which the financial position of individual borrowers or collateral values may deteriorate significantly. In addition, a large percentage of revolving mortgage loans are secured by junior liens. Substantial declines in collateral values could cause junior lien positions to become effectively unsecured. Home equity lines of credit secured by real estate amounted to \$473.7 million, or 10.9%, of originated loans at December 31, 2013, compared to \$530.4 million, or 13.0%, at December 31, 2012, and \$590.3 million, or 14.3%, at December 31, 2011.

Interest rate risk management. Interest rate risk results principally from assets and liabilities maturing or repricing at different points in time, from assets and liabilities repricing at the same point in time but in different amounts and from short-term and long-term interest rates changing in different magnitudes. Market interest rates also have an impact on the interest rate and repricing characteristics of loans and leases that are originated as well as the rate characteristics of interest-bearing liabilities.

South assesses interest rate risk by forecasting net interest income under various interest rate scenarios and comparing those results to forecasted net interest income assuming stable rates. Certain variable rate products, including revolving mortgage loans, have interest rate floors. Due to the existence of contractual floors on certain loans, competitive pressures that constrain South's ability to reduce deposit interest rates and the current historically low level of interest rates, it is highly unlikely that the rates on most interest-earning assets and interest-bearing liabilities can decline materially from current levels. South's rate shock simulation indicates that, over a 12-month period, net interest income is estimated to decrease by 0.9 percent with rates rising 200-basis points. This is due to nonmaturity deposits

repricing immediately while fixed rate loans and investments reprice based on expected cash flows. However, the rate shock simulations indicate that, over a 24-month period, net interest income is estimated to increase by 1.7 percent with rates rising 200-basis points. The increase in net interest income is primarily due to nonmaturity deposits reaching interest rate caps while fixed rate loans and

investment yields continue to increase. South also utilizes the economic value of equity (EVE) as a tool in measuring and managing interest rate risk. As of December 31, 2013, the EVE calculated with a 200-basis point shock up in rates increases by 0.7 percent from the base case EVE value.

Table 19 provides the impact on net interest income resulting from various interest rate scenarios as of December 31, 2013 and 2012. Table 20 provides loan maturity distribution and information regarding the sensitivity of loans and leases to changes in interest rates.

Table 19

Net Interest Income Sensitivity Simulation Analysis

Change in interest rate (basis point)	Estimated increase (decrease) in net interest income	
	December 31, 2013	December 31, 2012
+100	(1.09)%	0.33%
+200	(0.90)	1.48
+300	(0.57)	2.72

South does not utilize interest rate swaps, floors, collars or other derivative financial instruments to attempt to hedge our overall balance sheet rate sensitivity and interest rate risk.

Table 20

Loan Maturity Distribution and Interest Rate Sensitivity

	At December 31, 2013, maturing			
	Within One Year	One to Five Years	After Five Years	Total
(dollars in thousands)				
Loans:				
Commercial real estate	\$ 177,298	\$ 638,871	\$ 382,199	\$ 1,198,368
Commercial and industrial	107,543	239,823	106,177	453,543
1-4 Family real estate	134,988	500,913	526,814	1,162,715
Sales finance	9,545	359,365	187,203	556,113
Home equity line of credit	45,967	296,782	130,977	473,726
Consumer and all other loans	139,649	101,665	257,727	499,041
Acquired loans	108,556	41,456	24,191	174,203
Total loans	\$ 723,546	\$ 2,178,875	\$ 1,615,288	\$ 4,517,709
Loans maturing after one year with:				
Fixed interest rates		\$ 1,736,974	\$ 1,288,535	\$ 3,025,509

Floating or adjustable rates	441,901	326,753	768,654
Total loans	\$ 2,178,875	\$ 1,615,288	\$ 3,794,163

Liquidity risk management. Liquidity risk is the risk that an institution is unable to generate or obtain sufficient cash or its equivalents on a cost-effective basis to meet commitments as they fall due. The most common sources of liquidity risk arise from mismatches in the timing and value of on-balance sheet and off-balance sheet cash inflows and outflows. In general, on-balance sheet mismatches generate liquidity risk when the effective maturity of assets exceeds the effective maturity of liabilities. A commonly cited example of a balance sheet liquidity mismatch is when long-term loans (assets) are funded with short-term deposits

(liabilities). Other forms of liquidity risk include market constraints on the ability to convert assets into cash at expected levels, an inability to access funding sources at sufficient levels at a reasonable cost, and changes in economic conditions or exposure to credit, market, operational, legal and reputation risks that can affect an institution's liquidity risk profile.

South utilizes various limit-based measures to monitor, measure and control liquidity risk across three different types of liquidity:

Tactical liquidity measures the risk of a negative cash flow position whereby cash outflows exceed cash inflows over a short-term horizon;

Structural liquidity measures the amount by which illiquid assets are supported by long-term funding; and

Contingent liquidity utilizes cash flow stress testing across three crisis scenarios to determine the adequacy of South's liquidity.

South aims to maintain a diverse mix of existing and potential liquidity sources to support the liquidity management function. At its core is a reliance on the retail deposit book, due to the generally stable balances and low cost it offers. Other sources of liquidity include asset-based liquidity in the form of cash and unencumbered securities, as well as access to wholesale funding from external counterparties, primarily advances from the FHLB of Atlanta, Federal Funds lines and other borrowing facilities. South aims to avoid funding concentrations by diversifying external funding with respect to maturities, counterparties and nature (i.e. secured versus unsecured).

At December 31, 2013, South had access to \$872 million in secured borrowings and \$155 million in unsecured borrowings through various sources.

Free liquidity includes cash on deposit at various banks, overnight investments and the unpledged portion of investment securities available for sale, all of which can be easily converted to cash. Free liquidity totaled \$1.84 billion at December 31, 2013, compared to \$1.92 billion at December 31, 2012.

Table 21**Nonperforming Assets**

	December 31				
	2013	2012	2011	2010	2009
	(dollars in thousands, except ratios)				
Nonaccrual loans (excluding acquired loans)	\$ 87,428	\$ 95,642	\$ 125,536	\$ 111,316	\$ 97,519
Other real estate owned not covered under FDIC loss sharing agreements	28,059	44,251	42,050	45,987	17,314
Total nonperforming assets (excluding acquired loans and covered other real estate owned)	\$ 115,487	\$ 139,893	\$ 167,586	\$ 157,303	\$ 114,833
Accruing loans and leases 90 days or more past due (excluding acquired loans)	\$ 9,616	\$ 11,096	\$ 11,661	\$ 15,818	\$ 18,710
Loans at December 31,	\$ 4,517,709	\$ 4,361,909	\$ 4,573,254	\$ 4,909,601	\$ 5,577,213
Total assets at December 31,	8,374,101	8,236,484	8,153,895	8,425,723	8,436,868
Nonaccrual loans to total loans (excluding acquired loans)	1.94%	2.19%	2.75%	2.27%	1.75%
Ratio of nonperforming assets to total assets (excluding acquired loans and covered real estate owned)	1.49	1.83	2.20	2.05	1.58

Nonperforming assets include nonaccrual loans and leases and OREO resulting from originated loans. No acquired loans are classified as nonaccrual assets due to the application of the accretable yield method. The accrual of interest on originated loans and leases is discontinued when South deems that collection of additional principal or interest is doubtful. Originated loans and leases are returned to accrual status when both principal and interest are current and the asset is determined to be performing in accordance with the terms of the loan instrument. Accretion of income for acquired loans is discontinued when South is unable to estimate the amount or timing of cash flows. This designation may be made at acquisition date or subsequent to acquisition date, including at maturity when no formal repayment plan has been established. Acquired loans may begin or resume accretion of income if information becomes available that allows South to estimate the amount and timing of future cash flows. Table 21 provides details on nonperforming assets and other risk elements.

Gross interest income that would have been recorded in 2013 if loans had been current in accordance with original terms and outstanding throughout the year or since origination, if held for part of the period, and the amount of interest income on nonaccrual loans and troubled debt restructurings that was included in net income for 2013 was not material.

At December 31, 2013, South's nonperforming assets amounted to \$115.5 million or 1.49% of total loans and leases plus OREO, compared to \$139.9 million or 1.83% at December 31, 2012, and \$167.6 million or 2.20% at December 31, 2011.

Nonaccrual loans (excluding acquired loans) totaled \$87.4 million as of December 31, 2013, compared to \$95.6 million at December 31, 2012, and \$125.5 million at December 31, 2011. The 2013 reduction in nonaccrual loans (excluding acquired loans) was primarily due to lower nonaccrual commercial loans as a result of workout efforts and charge-off of the loans.

OREO includes foreclosed property and branch facilities that South has closed but not sold. Noncovered OREO totaled \$28.1 million at December 31, 2013, compared to \$44.3 million at December 31, 2012, and \$42.1 million at December 31, 2011.

Once acquired, net book values of OREO are reviewed at least annually to evaluate whether write-downs are required. Real estate appraisals are reviewed by the appraisal review department to ensure the quality of the appraised value in the report. The level of review is dependent on the value and type of the collateral, with higher value and more complex properties receiving a more detailed review. In a market of declining property values, as South has experienced in recent years, South utilizes resources in addition to appraisals to obtain the most current market value. Changes to the value of the assets between scheduled valuation dates are monitored through continued communication with brokers and monthly reviews by the asset manager assigned to each asset. The asset manager uses the information gathered from brokers and other market sources to identify any significant changes in the market or the subject property as they occur. Valuations are then adjusted or new appraisals are ordered to ensure the reported values reflect the most current information. Decisions regarding write-downs are based on factors that include appraisals, broker opinions, previous offers received on the property, market conditions and the number of days the property has been on the market.

Total loans (excluding acquired impaired loans) classified as troubled debt restructurings (TDRs) as of December 31, 2013, totaled \$52.0 million, \$25.6 million of which are performing under their modified terms. Table 22 provides further details on performing and nonperforming TDRs (excluding acquired impaired loans) for the last five years.

Table 22

Troubled Debt Restructurings

	December 31				
	2013	2012	2011	2010	2009
	(dollars in thousands)				
Accruing TDRs (excluding acquired impaired loans)	\$ 25,583	\$ 27,257	\$ 32,505	\$ 8,828	\$ 603
Nonaccruing TDRs (excluding acquired impaired loans)	26,452	30,043	36,471	36,870	
Total TDRs	\$ 52,035	\$ 57,300	\$ 68,976	\$ 45,698	\$ 603

TDRs are selectively made to provide relief to customers experiencing liquidity challenges or other circumstances that could affect their ability to meet their debt obligations. Typical modifications include short-term deferral of interest or modification of payment terms. Nonperforming TDRs (excluding acquired impaired loans) are not accruing interest and are included as nonperforming assets within nonaccrual loans and leases in Table 21. Table 21 does not include performing TDRs, which are accruing interest based on the restructured terms.

Potential Problem Loans

Management identifies and maintains a list of potential problem loans. These are loans that are internally risk graded substandard or below but which are not included in nonaccrual status and are not past due 90 days or more. A loan is added to the potential problem list when management becomes aware of information about possible credit problems of the borrower which raises serious doubts as to the ability of such borrower to comply with the current loan repayment terms. Potential problem loans totaled \$68.3 million and \$92.0 million, respectively, as of December 31, 2013 and December 31, 2012. As the majority of potential problem loans are real estate secured, management closely tracks the current values of real estate collateral when assessing the collectability of these loans.

Allowance for Loan Losses

The allowance for loan losses is management's estimate of probable credit losses inherent in South's loan portfolio at the balance sheet date. South determines the allowance for loan losses based on an ongoing estimation process. This estimation process is inherently subjective, as it requires material estimates, including

the amounts and timing of cash flows expected to be received on impaired loans and losses incurred as of the balance sheet date in South's loan portfolio. Those estimates may be susceptible to significant change. Increases to the allowance for loan losses are made by charges to the provision for loan losses. Loans deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged-off amounts are credited to the allowance for loan losses.

The allowance is the accumulation of various components that are calculated based on an independent estimation process. All components of the allowance for loan losses represent estimates based on data that management believes are most reflective of the underlying credit losses being estimated. This evaluation includes credit quality trends, recent loan loss experience, collateral type, loan volumes, seasoning of the loan portfolio, the findings of internal credit quality assessments and results from external bank regulatory examinations. All impaired commercial and consumer loans in excess of \$500 thousand are analyzed for specific reserves on a loan-by-loan basis based on management's evaluation of the exposure for each credit, the current payment status of the loan and the value of any underlying collateral.

While management uses the best information available to establish the allowance for loan losses, future adjustments may become necessary if conditions differ substantially from the assumptions used in making the estimates. In addition, regulatory examiners may require adjustments to the allowance for loan losses based on their judgments about information available to them at the time of their examination. Such adjustments to original estimates, as necessary, are made and reflected in the financial results in the period in which these factors and other relevant considerations indicate that loss levels may vary from previous estimates.

In the fourth quarter of 2013, South enhanced its loan loss methodology for its identified homogenous commercial and retail loan pools. South changed from a four quarter rolling average to an eight quarter rolling average for determining its historical loss rates used in the allowance for loan losses calculation for each pool. Given that credit quality trends have stabilized over the past three years, management believes that using a longer historical loss period to estimate loan losses is more reflective of the current lending cycle. The change in methodology resulted in an increase of approximately \$4.2 million to South's allowance for loan losses.

Acquired loans are recorded at fair value at acquisition date based upon estimated cash flows discounted at the effective date. Amounts deemed uncollectible at acquisition date become part of the fair value calculation and are excluded from the ALL. Following acquisition, South routinely reviews acquired loans to determine if changes in estimated cash flows have occurred. Subsequent decreases in the amount expected to be collected may result in a provision for loan losses with a corresponding increase in the ALL and a charge-off. Subsequent increases in the amount expected to be collected result in a reversal of any previously recorded provision for loan losses and related ALL, if any, or prospective adjustment to the accretable yield if no provision for loan losses had been recorded. Proportional adjustments are also recorded to the FDIC receivable for acquired loans if the timing of the projected loss will result in the loss being covered by loss share agreements.

Management continuously monitors and actively manages the credit quality of the entire loan portfolio and recognizes provision expense to maintain the allowance at an appropriate level. Specific allowances for impaired loans are determined by analyzing estimated cash flows discounted at a loan's original rate or collateral values in situations where South believes repayment is dependent on collateral liquidation. Substantially all impaired loans are collateralized by real property.

Management considers the established allowance adequate to absorb losses that relate to loans and leases outstanding at December 31, 2013, although future additions may be necessary based on changes in economic conditions, collateral values, erosion of the borrower's access to liquidity and other factors. If the financial condition of borrowers were to deteriorate, resulting in an impairment of their ability to make payments, South's estimates would be updated and additions to the allowance may be required. In addition, various regulatory agencies, as an integral part of their

examination process, periodically review the allowance for loan losses. These agencies may require the recognition of additions to the allowance based on their judgments of information available to them at the time of their examination.

At December 31, 2013, the allowance for loan losses allocated to loans totaled \$54.6 million or 1.21% of loans and leases, compared to \$62.8 million or 1.44% at December 31, 2012, and \$71.0 million or 1.55% at December 31, 2011. There was no allowance related to acquired loans at December 31, 2013, December 31, 2012 and December 31, 2011.

South recorded provision for loan losses during 2013 of \$8.1 million, compared to provision expense of \$20.1 million during 2012 and \$23.6 million during 2011. Provision expense for originated loans totaled \$7.5 million for 2013, compared to \$18.3 million during 2012, a reduction of \$10.8 million, resulting from improved credit quality trends and lower net charge-offs on the originated loan portfolio.

Loan net charge-offs were \$16.2 million during 2013, compared to \$28.3 million during 2012 and \$34.7 million during 2011. Net charge-offs represented 0.37% of average loans and leases during 2013, compared to 0.63% during 2012 and 0.74% during 2011. Loan net charge-offs were down in most loan classes during 2013, with significant reductions noted in commercial real estate and 1-4 family real estate.

Table 23 provides details concerning the allowance for loan losses for the past five years. Table 24 details the allocation of the allowance for originated loan losses among the various loan types.

Table 23**Allowance for Loan Losses**

	2013	2012	2011	2010	2009
	(dollars in thousands)				
Allowance for loan losses at beginning of period	\$ 62,759	\$ 70,970	\$ 82,116	\$ 90,023	\$ 72,381
Provision for loan losses	8,054	20,066	23,558	56,856	74,556
Charge-offs:					
Commercial real estate	(4,545)	(10,522)	(12,391)	(14,254)	(13,275)
Commercial and industrial	(570)	(1,252)	(1,648)	(3,312)	(3,609)
1-4 family real estate	(6,947)	(9,950)	(12,508)	(12,193)	(13,240)
Sales finance	(641)	(565)	(836)	(928)	(1,295)
Home equity line of credit	(5,639)	(6,261)	(6,187)	(7,399)	(10,884)
Consumer and all other loans	(3,189)	(4,292)	(4,827)	(5,848)	(9,410)
Acquired loans	(1,305)	(2,840)	(3,736)	(25,952)	(7,556)
Total charge-offs	(22,836)	(35,682)	(42,133)	(69,886)	(59,269)
Recoveries:					
Commercial real estate	1,859	2,637	2,235	1,248	501
Commercial and industrial	518	865	806	781	280
1-4 family real estate	1,238	945	1,544	1,193	348
Sales finance	296	206	292	133	171
Home equity line of credit	544	288	298	345	100
Consumer and all other loans	1,345	1,404	1,146	1,423	955
Acquired loans	788	1,060	1,108		
Total recoveries	6,588	7,405	7,429	5,123	2,355
Net charge-offs	(16,248)	(28,277)	(34,704)	(64,763)	(56,914)
Allowance for loan losses at end of period	\$ 54,565	\$ 62,759	\$ 70,970	\$ 82,116	\$ 90,023
Average loans and leases:					
Acquired	\$ 222,676	\$ 354,222	\$ 450,377	\$ 667,216	\$ 244,589
Originated	4,154,179	4,099,309	4,229,383	4,533,226	4,853,234
Loans and leases at end of period:					
Acquired	174,203	282,335	438,907	523,305	872,753
Originated	4,343,506	4,079,574	4,134,347	4,386,379	4,705,296
Allowance for loan losses allocated to loans and leases:					
Acquired	\$	\$	\$	\$ 83	\$ 836
Originated	54,565	62,759	70,970	82,033	89,187

Total	\$	54,565	\$	62,759	\$	70,970	\$	82,116	\$	90,023
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Provision for loan losses
related to balances:

Acquired	\$	517	\$	1,780	\$	2,545	\$	25,199	\$	8,392
Originated		7,537		18,286		21,013		31,657		66,164

Total	\$	8,054	\$	20,066	\$	23,558	\$	56,856	\$	74,556
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Net charge-offs of loans and
leases:

Acquired	\$	517	\$	1,780	\$	2,628	\$	25,952	\$	7,556
Originated		15,731		26,497		32,076		38,811		49,358

Total	\$	16,248	\$	28,277	\$	34,704	\$	64,763	\$	56,914
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Net charge-offs to average loans and leases		0.37%		0.63%		0.74%		1.25%		1.12%
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Net charge-offs to average loans and leases (excluding acquired loans)		0.38		0.65		0.76		0.86		1.02
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Allowance for loan losses to total loans and leases		1.21		1.44		1.55		1.67		1.61
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Allowance for loan losses to total loans and leases (excluding acquired loans)		1.26		1.54		1.72		1.88		1.90
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Table 24**Allocation of Allowance For Loan Losses**

	2013		2012		December 31 2011		2010		2009	
	Allowance for loan losses	Percent to total loans								
(dollars in thousands)										
Allowance for loan losses allocated to:										
Commercial real estate	\$ 12,902	26.5%	\$ 17,485	27.1%	\$ 21,997	27.0%	\$ 33,581	27.8%	\$ 31,753	26.0%
Commercial and industrial	1,725	10.0	2,692	9.2	3,266	8.7	6,011	9.2	4,078	10.0
1-4 Family real estate	18,244	25.7	20,548	24.8	20,710	23.4	17,109	22.7	22,694	21.4
Sales finance	1,960	12.3	1,395	10.3	1,412	9.3	1,539	7.9	2,134	7.5
Home equity line of credit	9,016	10.5	11,592	12.2	13,247	12.9	14,045	13.1	17,333	12.4
Consumer and all other loans	10,718	11.1	9,047	10.0	10,338	9.2	9,748	8.7	11,195	7.1
Total allowance for originated loan losses	54,565	96.1	62,759	93.6	70,970	90.5	82,033	89.4	89,187	84.4
Acquired loans		3.9		6.4		9.5	83	10.6	836	15.6
Total allowance for loan losses	\$ 54,565	100.0%	\$ 62,759	100.0%	\$ 70,970	100.0%	\$ 82,116	100.0%	\$ 90,023	100.0%

Effect of Inflation and Changing Prices

The consolidated financial statements have been prepared in accordance with GAAP, which requires the measure of financial position and results of operations in terms of historical dollars, without consideration of changes in the relative purchasing power over time due to inflation. Unlike most other industries, the majority of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates generally have a more significant effect on a financial institution's performance than does the effect of inflation. Interest rates do not necessarily change in the same magnitude as the prices of goods and services.

While the effect of inflation on banks is normally not as significant as is its influence on those businesses which have large investments in plant and inventories, it does have an effect. During periods of high inflation, there are normally corresponding increases in money supply, and banks will normally experience above average growth in assets, loans and deposits. Also, general increases in the prices of goods and services will result in increased operating expenses. Inflation also affects South Bank's customers and may result in an indirect effect on South Bank's business.

Fourth Quarter Analysis

For the quarter ended December 31, 2013, South reported net income of \$7.1 million, compared to \$8.7 million for the corresponding period of 2012, a decrease of \$1.6 million, or 18.3%. Excluding the after tax impact of accounting for loss share agreements, net income would have been \$5.1 million for the quarter ended December 31, 2013 compared to \$6.0 million for the quarter ended December 31, 2012. The decrease, adjusted for loss share impact, was primarily due to a \$1.9 million increase in provision expense and a \$1.1 million decline in net interest income, partially offset by a \$1.3 million decrease in noninterest expense and a \$961 thousand increase in noninterest income.

Per share income for the fourth quarter 2013 totaled \$10.28, compared to \$10.45 for the same period a year ago. The annualized return on average assets equaled 0.34% for the fourth quarter of 2013, compared to 0.42% for the fourth quarter of 2012. The annualized return on average equity was 3.76% during the fourth quarter of 2013, compared to 4.45% for the same period of 2012.

Net interest income totaled \$50.1 million during the fourth quarter of 2013, a decrease of \$3.7 million or 6.9% from the fourth quarter of 2012 due to loan and investment yields declining faster than the decline in deposit costs during the quarter. The taxable-equivalent net yield on interest-earning assets equaled 2.62% during the fourth quarter of 2013, down from 2.87% during the fourth quarter of 2012. During the fourth quarter of 2013, the impact of growth in loans and investment securities was not sufficient to offset the impact of reductions in yields earned on loans which contributed to a \$6.6 million unfavorable rate variance.

Interest-earning assets averaged \$7.57 billion during the fourth quarter of 2013, up \$113.4 million from the fourth quarter of 2012. Average loans and leases increased by \$94.1 million, or 2.1%, since the fourth quarter of 2012 due to originated loan growth partially offset by continued payoffs and resolution of the acquired loans. Average investment securities grew by \$352.0 million, or 23.0%, as a result of additions to the investment securities portfolio to increase interest income on earning assets.

Average interest-bearing liabilities decreased by \$109.8 million, or 2.0%, during the fourth quarter of 2013, due to a decrease in average interest-bearing deposits as customer migration away from time deposit products continue. The rate on interest-bearing liabilities decreased by 11 basis points from 0.47% during the fourth quarter of 2012 to 0.36% during the fourth quarter of 2013, as market interest rates remained low and maturing time deposits migrated to non-time products or were reinvested at lower rates.

South recorded provision expense of \$4.3 million during the fourth quarter of 2013, compared to \$2.9 million during the fourth quarter of 2012. The increase in provision expense was primarily due to the enhanced ALL methodology and increased loan growth of \$123.3 million during the fourth quarter of 2013 compared to the fourth quarter of 2012. In the fourth quarter of 2013, South enhanced its ALL methodology by changing to an eight quarter rolling average for determining its historical loss rates from a four quarter rolling average to more precisely estimate losses in the current lending cycle. This change in methodology resulted in an increase of approximately \$4.2 million in ALL.

Net charge-offs were \$5.0 million during the fourth quarter of 2013, compared to \$7.2 million during the fourth quarter of 2012. On an annualized basis, net charge-offs represented 0.45% of average loans and leases during the fourth quarter of 2013, compared to 0.65% in 2012.

Total noninterest income increased by \$2.3 million, or 7.8%, from the fourth quarter of 2012, due to a \$1.3 million increase in income related to FDIC loss sharing agreements which resulted from the continued resolution of acquired loans. The most significant components of the remainder of the increase were a \$1.3 million increase in cardholder and merchant income, a \$1.1 million decline in loss on sale of other real estate owned, and an \$826 thousand increase in commissions and fees from fiduciary activities, partially offset by a \$2.5 million decrease in mortgage income. The increase in cardholder and merchant income was primarily due to increased sales volume and the addition of new merchant customers. The increase in commissions and fees from fiduciary activities was primarily related to higher brokerage income. The decrease in mortgage income was primarily due to lower mortgage production.

Noninterest expense totaled \$66.9 million during the fourth quarter of 2013, down \$1.3 million, or 1.8%. The most significant components of the \$1.3 million decrease were a \$945 thousand decrease in other expenses, an \$878 thousand decrease in FDIC deposit insurance expense, and a \$772 thousand decrease in professional services, all partially offset by a \$968 thousand increase in data processing fees, and a \$922 thousand increase in bankcard processing fees.

Table 25 provides quarterly information for each of the quarters in 2013 and 2012. Table 26 analyzes the components of changes in net interest income between the fourth quarter of 2013 and 2012.

Table 25

Financial Summary and Selected Average Balances and Ratios

	2013				2012			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
	(dollars in thousands, except share data and ratios)							
SUMMARY OF OPERATIONS								
Interest income	\$ 55,106	\$ 59,697	\$ 54,528	\$ 55,998	\$ 60,404	\$ 63,217	\$ 62,929	\$ 66,056
Interest expense	5,024	5,291	5,555	5,944	6,619	7,186	7,768	8,362
Net interest income	50,082	54,406	48,973	50,054	53,785	56,031	55,161	57,694
Provision for loan losses	4,273	3,061	215	505	2,867	3,117	9,833	4,249
Net interest income after provision for loan losses	45,809	51,345	48,758	49,549	50,918	52,914	45,328	53,445
Noninterest income	31,920	29,724	35,106	34,241	29,616	36,431	35,746	33,571
Noninterest expense	66,889	63,952	61,998	65,185	68,142	63,691	61,517	61,083
Income before income taxes	10,840	17,117	21,866	18,605	12,392	25,654	19,557	25,933
Income taxes	3,774	5,852	7,435	6,364	3,740	9,150	7,239	9,572
Net income	\$ 7,066	\$ 11,265	\$ 14,431	\$ 12,241	\$ 8,652	\$ 16,504	\$ 12,318	\$ 16,361
Net interest income, taxable equivalent	\$ 50,315	\$ 54,654	\$ 49,207	\$ 50,303	\$ 54,094	\$ 56,336	\$ 55,436	\$ 57,976
PER SHARE DATA								
Net income	\$ 10.28	\$ 16.43	\$ 21.06	\$ 17.86	\$ 10.45	\$ 19.51	\$ 14.54	\$ 19.32
Cash dividends	0.35	0.35	0.35	0.35	0.35	0.35	0.35	2.35
Market price at period end	674.32	648.01	628.71	623.37	499.91	503.40	483.46	503.04
Book value at period end	1,097.19	1,079.56	1,044.20	1,040.69	1,023.71	920.71	903.10	893.62

**SELECTED
PERIOD
AVERAGE
BALANCES**

Total assets	\$ 8,279,118	\$ 8,195,603	\$ 8,305,655	\$ 8,325,997	\$ 8,248,577	\$ 8,217,644	\$ 8,204,901	\$ 8,248,785
Investment securities	1,884,759	1,744,439	1,608,174	1,678,582	1,532,744	1,498,746	1,532,728	1,552,705
Loans and leases								
Acquired	185,457	212,811	231,945	261,434	295,348	338,418	376,672	407,270
Originated	4,291,254	4,196,088	4,075,704	4,050,567	4,087,261	4,103,119	4,084,935	4,122,011
Interest-earning assets	7,574,989	7,491,217	7,590,347	7,569,127	7,461,570	7,426,438	7,392,213	7,401,100
Deposits	7,070,972	6,995,217	7,104,774	7,137,900	6,955,160	6,929,455	6,930,718	6,987,135
Interest-bearing liabilities	5,505,575	5,528,643	5,700,696	5,804,876	5,615,371	5,649,527	5,780,264	5,912,986
Long-term debt	203,260	203,236	203,210	203,185	203,160	203,134	204,962	208,703
Stockholders equity	\$ 745,880	\$ 720,062	\$ 718,152	\$ 706,857	\$ 773,531	\$ 774,898	\$ 765,691	\$ 752,117
Shares outstanding	683,293	683,293	683,293	683,293	821,400	844,127	844,259	844,843

**SELECTED
PERIOD-END
BALANCES**

Total assets	\$ 8,374,101	\$ 8,202,628	\$ 8,271,144	\$ 8,378,384	\$ 8,236,484	\$ 8,267,015	\$ 8,240,135	\$ 8,283,446
Investment securities	2,000,022	1,869,264	1,674,723	1,725,179	1,606,149	1,522,410	1,546,906	1,650,854
Loans and leases:								
Acquired	174,203	194,211	229,388	246,258	282,335	324,314	360,079	399,032
Originated	4,343,506	4,244,719	4,130,015	4,045,220	4,079,574	4,104,132	4,093,213	4,089,068
Interest-earning assets	7,594,532	7,466,977	7,547,143	7,655,433	7,447,106	7,488,502	7,417,362	7,454,630
Deposits	7,191,569	7,007,514	7,079,790	7,192,973	7,042,865	6,930,927	6,971,452	7,014,879
Interest-bearing liabilities	5,554,043	5,499,611	5,640,490	5,802,272	5,687,937	5,657,992	5,755,174	5,891,130
Long-term debt	203,278	203,252	203,227	203,202	203,176	203,151	203,126	208,719
Stockholders equity	\$ 749,701	\$ 737,659	\$ 713,492	\$ 711,094	\$ 699,494	\$ 777,194	\$ 762,332	\$ 754,929
Shares outstanding (voting and non-voting)	683,293	683,293	683,293	683,293	683,293	844,127	844,127	844,795

	2013				2012			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
SELECTED RATIOS AND OTHER DATA								
Rate of return on average assets (annualized)	0.34%	0.55%	0.70%	0.60%	0.42%	0.80%	0.61%	0.80%
Rate of return on average stockholders equity (annualized)	3.76	6.21	8.06	7.02	4.45	8.47	6.47	8.75
Net yield on interest-earning assets (taxable equivalent)	2.62	2.88	2.59	2.68	2.87	3.00	2.99	3.13
Allowance for loan losses to total loans and leases	1.21	1.25	1.30	1.41	1.44	1.51	1.55	1.55
Allowance for loan losses to total loans and leases (excluding acquired loans)	1.26	1.30	1.36	1.49	1.54	1.63	1.68	1.70
Net charge-offs (annualized) to average loans and leases	0.45	0.35	0.42	0.27	0.65	0.45	0.95	0.49
Net charge-offs (annualized) to average loans and leases (excluding acquired loans)	0.43	0.38	0.44	0.26	0.67	0.45	0.96	0.51
Nonperforming assets to total assets (excluding acquired loans and covered real estate owned)	1.49	1.66	1.69	1.73	1.83	1.91	1.95	2.11
Tier 1 risk-based capital ratio	15.53	15.83	15.98	15.80	15.33	16.90	16.35	16.00
Total risk-based capital ratio	17.41	17.73	17.90	18.17	17.69	19.25	18.69	18.72
Leverage capital ratio	8.32	8.31	8.07	7.85	7.78	8.68	8.50	8.24
Dividend payout ratio	3.40	2.13	1.66	1.96	3.35	1.79	2.41	12.16
Average loans and leases to average deposits	63.31	63.03	60.63	60.41	63.01	64.10	64.37	64.82
<i>Average loan and lease balances include nonaccrual loans and leases.</i>								

Table 26

Consolidated Taxable Equivalent Rate/Volume Variance Analysis - Fourth Quarter

	2013			2012			Increase (decrease) due to:		
	Average Balance	Income Interest/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Volume	Yield/ Rate	Total Change
(dollars in thousands)									
Assets									
Total loans	\$ 4,476,711	\$ 48,747	4.30%	\$ 4,382,609	\$ 54,971	4.96%	\$ 1,013	\$ (7,237)	\$ (6,224)
Investment securities:									
Taxable investment securities	1,882,185	5,759	1.22	1,528,759	4,683	1.22	1,080	(4)	1,076
Non-taxable investment securities	2,573	39	6.04	3,985	60	5.98	(21)		(21)
Total investment securities	1,884,758	5,798	1.23	1,532,744	4,743	1.24	1,059	(4)	1,055
Interest bearing balances with other banks	1,213,520	793	0.26	1,546,217	999	0.25	(862)	656	(206)
Total interest-earning assets	7,574,989	\$ 55,338	2.89%	7,461,570	\$ 60,713	3.22%	\$ 1,210	\$ (6,585)	\$ (5,375)
Cash and due from banks	181,529			182,181					
Premises and equipment	231,146			234,403					
Other, less allowance for loan losses	291,454			370,423					
Total assets	\$ 8,279,118			\$ 8,248,577					
Liabilities									
Interest-bearing deposits:									
NOW, money market, and savings	\$ 4,031,499	\$ 1,070	0.11%	\$ 3,873,000	\$ 1,678	0.18%	\$ 43	\$ (651)	\$ (608)
Time deposits	1,056,825	802	0.31	1,299,198	1,589	0.50	(74)	(713)	(787)

Total interest-bearing deposits	5,088,324	1,872	0.15	5,172,198	3,267	0.25	(31)	(1,364)	(1,395)
Securities sold under repurchase agreements	213,991	84	0.16	234,930	164	0.28	(8)	(72)	(80)
Short-term borrowings				5,083	101	8.00	(77)	(24)	(101)
Long-term debt	203,260	3,067	6.04	203,160	3,087	6.08	2	(22)	(20)
Total interest-bearing liabilities	5,505,575	\$ 5,023	0.36%	5,615,371	\$ 6,619	0.47%	\$ (114)	\$ (1,482)	\$ (1,596)
Demand deposits	1,982,649			1,782,962					
Other liabilities	45,014			76,713					
Stockholders equity	745,880			773,531					
Total liabilities and stockholders equity	\$ 8,279,118			\$ 8,248,577					
Net interest spread			2.53%			2.75%			
Net interest income and net yield on interest-earning assets		\$ 50,315	2.62%		\$ 54,094	2.87%	\$ 1,324	\$ (5,103)	\$ (3,779)

Contractual Obligations

Table 27 identifies significant contractual obligations as of December 31, 2013.

Table 27*Contractual Obligations*

Type of obligation	Payments due by period				Total
	Less than 1 year	1-3 years	4-5 years	Thereafter	
(dollars in thousands)					
Contractual obligations:					
Deposits	\$ 797,884	\$ 209,805	\$ 28,639	\$	\$ 1,036,328
Short-term borrowings	179,386				179,386
Long-term debt		74,874	15,000	113,404	203,278
Operating leases	925	1,269	737	976	3,907
Estimated payment to FDIC due to claw-back provisions under loss share agreements		101			101
Total contractual obligations	\$ 978,195	\$ 286,049	\$ 44,376	\$ 114,380	\$ 1,423,000

Off Balance Sheet Risk

South makes contractual commitments to extend credit and issues standby letters of credit in the ordinary course of its business activities. These commitments are legally binding agreements to lend money to customers at predetermined interest rates for a specified period of time. In addition to commitments to extend credit, South also issues standby letters of credit which are assurances to a third party that it will not suffer a loss if the customer fails to meet a contractual obligation to the third party. As of December 31, 2013, South had issued commitments to extend credit of approximately \$937.0 million and letters of credit of approximately \$15.7 million through various types of commercial lending arrangements. Table 28 identifies significant commitments as of December 31, 2013.

Based on historical experience, many of the commitments and letters of credit will expire unfunded. Through its various sources of liquidity, South believes it will be able to fund these obligations as they arise. South evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on South's credit evaluation of the borrower. Collateral varies but may include accounts receivable, inventory, property, plant and equipment, and commercial and residential real estate.

Table 28*Off Balance Sheet Risk*

Type of obligation	Payments due by period				Total
	Less than 1 year	1-3 years	4-5 years	Thereafter	
Commitments:					

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Loan commitments	\$ 447,576	\$ 156,081	\$ 132,286	\$ 201,020	\$ 936,963
Standby letters of credit	12,706	2,879	73		15,658
Total commitments	\$ 460,282	\$ 158,960	\$ 132,359	\$ 201,020	\$ 952,621

Current Accounting Pronouncements

In October 2012, the Financial Accounting Standards Board (FASB) issued an update to the accounting standards relating to subsequent measurement of indemnification assets recognized as part of a federally assisted acquisition. This guidance provides for the alignment of the accounting for a subsequent change in the measurement of the indemnification asset with the change in the assets subject to indemnification. Any amortization of changes in the value of the indemnification asset would be recorded over the lesser of the remaining term of the loss sharing agreement or the life of the indemnified assets. This update was effective for fiscal years beginning after December 15, 2012. The adoption of this standard did not have a material impact on South s financial position and results of operations.

In February 2013, the FASB issued an update to improve the reporting of amounts reclassified out of accumulated other comprehensive income. The updated guidance requires an entity to present, either on the face of the statement where net income is presented or in the notes, the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income, but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity must cross-reference to other required disclosures that provide additional details about those amounts. This update is effective for annual reporting periods beginning after December 15, 2012. Because this updated guidance impacts only disclosures in financial statements and does not change the current requirements for reporting net income or other comprehensive income in financial statements, its implementation did not impact South s financial condition or results of operations.

In July 2013, the FASB issued an update that applies to companies that have unrecognized tax benefits when net operating losses (NOL) or similar tax loss carry-forwards or tax credit carry-forwards exist at the reporting date. Under the updated guidance, an entity should present its unrecognized tax benefits net against the deferred tax assets for all same jurisdiction NOL or similar tax loss carry-forwards, or tax credit carry-forwards that are available to and would be used by the entity to settle additional income taxes resulting from disallowance of the uncertain tax position. This update is effective for annual reporting periods beginning after December 15, 2013. Management is currently evaluating the impact of adoption on the consolidated financial statements, but does not believe that adoption will have a material impact.

Management s Discussion and Analysis of Financial Condition and Results of Operations for the Quarter Ended March 31, 2014

This quarterly discussion and analysis should be read in conjunction with the unaudited consolidated financial statements and related notes along with South s audited annual financial statements and related notes, both of which are included herewith, and the immediately preceding section Management s Discussion and Analysis of Financial Condition and Results of Operations for the years ended December 31, 2013, 2012 and 2011 (the Annual MD&A). Intercompany accounts and transactions have been eliminated. Although certain amounts for prior years have been reclassified to conform to statement presentations for 2014, the reclassifications have no material effect on stockholders equity or net income as previously reported.

Critical Accounting Policies

South s significant accounting policies are discussed under Critical Accounting Policies in the Annual MD&A.

Executive Overview and Earnings Summary

The following discussion describes South s results of operations for the quarter ended March 31, 2014 as compared to the quarter ended March 31, 2013 and also analyzes South s financial condition as of March 31, 2014 as compared to

December 31, 2013 and March 31, 2013.

Net income for the quarters ended March 31, 2014 and 2013 was \$15.0 million and \$12.2 million, respectively. Net income per common share was \$21.89 and \$17.86, respectively. The increase in net income was primarily due to a \$4.2 million decrease in noninterest expense and a \$727 thousand increase in noninterest income, partially offset by a \$412 thousand decrease in net interest income.

For the first quarter of 2014, net interest income decreased by \$412 thousand or by 0.82% over the comparable quarter in 2013. The net interest margin decreased from 2.68% for the quarter ended March 31, 2013 to 2.60% for the quarter ended March 31, 2014. The lower net interest margin was primarily due to loan yields declining faster than the decline in deposit costs during the quarter partially offset by increased investment yields. While net interest margin declined 8 basis points for the comparable first quarters, it declined by 2 basis points during the first quarter of 2014 compared to the fourth quarter of 2013. See further discussion under [Net Interest Income](#) and Table 6.

For the first quarter of 2014, noninterest income increased by \$727 thousand, or by 2.12% over the comparable quarter in 2013. The most significant components of the \$727 thousand increase were a \$1.4 million increase in cardholder and merchant income, a \$1.2 million increase in commissions and fees from fiduciary activities, a \$1.2 million increase in gain on sale of investment securities, partially offset by a \$3.5 million decrease in mortgage income. See further discussion under [Noninterest income](#) and Table 8.

Provision expense for the quarter ended March 31, 2014 was \$144 thousand, a decrease of \$361 thousand from \$505 thousand for the comparable quarter in 2013. The decrease in provision expense was primarily due to a decline in the net charge-off ratio, partially offset by increased loan growth for the comparable quarters.

For the first quarter of 2014, noninterest expense decreased by \$4.2 million, or by 6.37% compared to the first quarter of 2013. The most significant components of the \$4.2 million decrease were a \$2.4 million decrease in salaries and employee benefits and a \$2.0 million decrease in other real estate expense, partially offset by a \$753 thousand increase in bankcard processing fees and a \$601 thousand increase in data processing fees. See further discussion under [Noninterest expense](#) and Table 9.

Return on average stockholders' equity and average assets are key measures of earnings performance. Return on average stockholders' equity for the quarters ended March 31, 2014 and March 31, 2013 was 7.96% and 7.02%, respectively. Return on average assets for the quarters ended March 31, 2014 and March 31, 2013 was 0.72% and 0.60%, respectively.

Table 1**Financial Summary and Selected Average Balances and Ratios**

(Dollars in thousands, except share data)	2014		2013		
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
SUMMARY OF OPERATIONS					
Interest income	\$ 54,490	\$ 55,106	\$ 59,697	\$ 54,528	\$ 55,998
Interest expense	4,848	5,024	5,291	5,555	5,944
Net interest income	49,642	50,082	54,406	48,973	50,054
Provision for loan losses	144	4,273	3,061	215	505
Net interest income after provision for loan losses	49,498	45,809	51,345	48,758	49,549
Noninterest income	34,968	31,920	29,724	35,106	34,241
Noninterest expense	61,031	66,889	63,952	61,998	65,185
Income before income taxes	23,435	10,840	17,117	21,866	18,605
Income taxes	8,436	3,774	5,852	7,435	6,364
Net income	\$ 14,999	\$ 7,066	\$ 11,265	\$ 14,431	\$ 12,241
Net interest income, taxable equivalent	\$ 49,880	\$ 50,315	\$ 54,654	\$ 49,207	\$ 50,303
PER SHARE DATA					
Net income	\$ 21.89	\$ 10.28	\$ 16.43	\$ 21.06	\$ 17.86
Cash dividends	0.35	0.35	0.35	0.35	0.35
Market price at period end	689.66	674.32	648.01	628.71	623.37
Book value at period end	1,119.54	1,097.19	1,079.56	1,044.20	1,040.69
SELECTED PERIOD AVERAGE BALANCES					
Total assets	\$ 8,474,969	\$ 8,279,118	\$ 8,195,603	\$ 8,305,655	\$ 8,325,997
Investment securities	2,017,444	1,884,759	1,744,439	1,608,174	1,678,582
Loans and leases:					
Acquired	160,648	185,457	212,811	231,945	261,434
Originated	4,340,277	4,291,254	4,196,088	4,075,704	4,050,567
Interest-earning assets	7,733,616	7,574,989	7,491,217	7,590,347	7,569,127
Deposits	7,263,425	7,070,972	6,995,217	7,104,774	7,137,900
Interest-bearing liabilities	5,637,525	5,505,575	5,528,643	5,700,696	5,804,876
Long-term debt	203,287	203,260	203,236	203,210	203,185
Stockholders equity	\$ 764,022	\$ 745,880	\$ 720,062	\$ 718,152	\$ 706,857
Shares outstanding	683,293	683,293	683,293	683,293	683,293

SELECTED PERIOD-END BALANCES

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Total assets	\$ 8,532,136	\$ 8,374,101	\$ 8,202,628	\$ 8,271,144	\$ 8,378,384
Investment securities	2,031,947	2,000,022	1,869,264	1,674,723	1,725,179
Loans and leases:					
Acquired	151,951	174,203	194,211	229,388	246,258
Originated	4,348,660	4,343,506	4,244,719	4,130,015	4,045,220
Interest-earning assets	7,785,442	7,594,532	7,466,977	7,547,143	7,655,433
Deposits	7,325,972	7,191,569	7,007,514	7,079,790	7,192,973
Interest-bearing liabilities	5,609,462	5,554,043	5,499,611	5,640,490	5,802,272
Long-term debt	203,303	203,278	203,252	203,227	203,202
Stockholders equity	\$ 764,972	\$ 749,701	\$ 737,659	\$ 713,492	\$ 711,094
Shares outstanding (voting and non-voting)	683,293	683,293	683,293	683,293	683,293

	2014		2013		
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
SELECTED RATIOS AND OTHER DATA					
Rate of return on average assets (annualized)	0.72%	0.34%	0.55%	0.70%	0.60%
Rate of return on average stockholders' equity (annualized)	7.96	3.76	6.21	8.06	7.02
Net yield on interest-earning assets (taxable equivalent)	2.60	2.62	2.88	2.59	2.68
Allowance for loan losses to total loans and leases	1.17	1.21	1.25	1.29	1.41
Allowance for loan losses to total loans and leases (excluding acquired loans)	1.21	1.26	1.30	1.36	1.49
Net charge-offs (annualized) to average loans and leases	0.19	0.45	0.35	0.42	0.27
Net charge-offs (annualized) to average loans and leases (excluding acquired loans)	0.21	0.43	0.38	0.44	0.26
Nonperforming assets to total assets (excluding acquired loans and covered real estate owned)	1.44	1.49	1.66	1.69	1.73
Tier 1 risk-based capital ratio	16.15	15.53	15.83	15.98	15.80
Total risk-based capital ratio	18.03	17.41	17.73	17.90	18.17
Leverage capital ratio	8.31	8.32	8.31	8.07	7.85
Dividend payout ratio	1.60	3.40	2.13	1.66	1.96
Average loans and leases to average deposits	61.97	63.31	63.03	60.63	60.41

Average loan and lease balances include nonaccrual loans and leases.

Loss Sharing Agreements

One of the loss share agreements discussed under "FDIC-Assisted Transactions" in the Annual MD&A expires during the third quarter of 2014. South will process all necessary filings in accordance with the agreements before expiration to collect the applicable loss share receivables from the FDIC.

Income statement impact. The various components of net income impacted by accounting for loss sharing agreements are provided in Table 2. South experienced declines in interest income and noninterest income, partially offset by lower provision for loan losses. The decreases in the net income components for the first quarter of 2014 compared to the same quarter in the prior year are driven by continuing loan payoffs and resolutions in the acquired loan portfolio and covered other real estate owned. Due to various factors that affect income or expense related to acquired loans recognized in a given period, these components of net income are not easily predictable for future periods. Variations among these items may affect the comparability of various components of net income.

Table 2

Income Statement Impact of Loss Sharing Agreements

**Three months
ended March 31**

	2014	2013
	(dollars in thousands)	
Interest income	\$ 865	\$ 1,129
Provision expense	(145)	190
Noninterest income	176	668

Receivable from the FDIC for loss share agreements. The components of the receivable from the FDIC for loss share agreements are provided in Table 3. Generally, losses on single family residential loans are covered for ten years. All other loans are generally covered for five years. During the third quarter of 2014, loss share

protection will expire for non-single family residential loans acquired from Georgian. During the second quarter of 2015, loss share protection will expire for non-single family residential loans acquired from WFNB. Protection for all other covered assets extends beyond December 31, 2015.

Table 3

Loss Share Provisions for FDIC-Assisted Transactions

Entity	Fair value at acquisition date	Losses/expenses incurred through March 31, 2014	Cumulative amount reimbursed by FDIC through March 31, 2014	Carrying value at March 31, 2014 Net Receivable from FDIC	Current portion of receivable due from (to) FDIC filings
(dollars in thousands)					
ABT-combined losses	\$ 14,531	\$ 18,217	\$ 14,309	\$ 2,670	\$ (4)
WFNB-combined losses	6,225	8,522	5,169	2,484	363
Georgian-combined losses	279,310	915,884	482,694	2,158	(2,165)
Total	\$ 300,066	\$ 942,623	\$ 502,172	\$ 7,312	\$ (1,806)

Fair value at acquisition date represents the initial fair value of the receivable from FDIC, excluding the payable to FDIC.

Interest-Earning Assets

Interest-earning assets include loans and leases, investment securities and interest bearing balances with other banks, all of which reflect varying interest rates based on the risk level and repricing characteristics of the underlying asset. Riskier investments typically carry a higher interest rate but expose South to potentially higher levels of default.

As discussed in the Annual MD&A, South has historically focused on maintaining high-asset quality, which results in a loan and lease portfolio subjected to strenuous underwriting and monitoring procedures and corresponding tighter margins. The credit department actively monitors all loan concentrations to ensure potential risks are identified timely and managed accordingly. South's focus on asset quality also influences the composition of the investment securities portfolio. At March 31, 2014, mortgage-backed securities represented 42.4% of investment securities available-for-sale compared to U.S. government treasury and agency securities, which represented 52.6% of the portfolio. Investments in mortgage-backed securities primarily represent securities issued by government entities. The balance of the available-for-sale portfolio includes common stock of other financial institutions, municipal securities and a preferred stock issued by another financial institution. Overnight investments include interest-bearing deposits at the Federal Reserve Bank and other financial institutions.

Interest-earning assets averaged \$7.73 billion for the first quarter of 2014, compared to \$7.57 billion for the first quarter of 2013. The increase was primarily due to higher levels of investment securities and originated loans and leases, partially offset by a decrease in interest bearing balances with other banks.

Loans and Leases

At March 31, 2014, total acquired loans decreased \$22.3 million, or by 12.8%, compared to the fourth quarter of 2013 and \$94.3 million, or by 38.3%, compared to March 31, 2013, due to continued loan payoffs and resolutions. At March 31, 2014, total originated loans increased \$5.2 million, or by 0.1%, compared to December 31, 2013. Total originated loans for the first quarter of 2014 increased \$303.4 million, or by 7.5%, compared to March 31, 2013, driven primarily by increases in sales finance, 1-4 family real estate, commercial and industrial loans, and offset by a decrease in home equity line of credit loans. Details of loans and leases at March 31, 2014, December 31, 2013 and March 31, 2013 are provided in Table 4.

Table 4**Loans and Leases**

(Dollars in thousands)	March 31, 2014	December 31, 2013	March 31, 2013
Acquired loans:			
Commercial real estate	\$ 228,023	\$ 257,984	\$ 353,410
Commercial and industrial	23,789	26,164	45,078
1-4 Family real estate	20,162	22,572	33,607
Home equity line of credit	9,331	10,556	15,178
Consumer and all other loans	442	776	1,539
Total acquired loans	281,747	318,052	448,812
Less:			
Estimate of contractual principal not expected to be collected (non-accretable difference)	126,712	140,502	195,642
Allowance for loan losses on acquired loans			
Accretable yield	3,084	3,347	6,912
Net acquired loans	151,951	174,203	246,258
Originated loans:			
Commercial real estate	1,208,498	1,198,368	1,173,481
Commercial and industrial	445,715	453,543	391,060
1-4 Family real estate	1,157,079	1,162,715	1,068,608
Sales finance	563,937	556,113	451,983
Home equity line of credit	466,743	473,726	515,045
Consumer and all other loans	506,688	499,041	445,043
Total originated loans	4,348,660	4,343,506	4,045,220
Total loans and leases	\$ 4,500,611	\$ 4,517,709	\$ 4,291,478

While management recognizes that economic conditions continue to suppress loan demand, South believes the loan growth points to general improvement in consumer confidence, and expects originated loan growth to continue for the remainder of 2014. However, these expectations are subject to change should South encounter economic deterioration or other unforeseen events.

Investment Securities

Investment securities available-for-sale totaled \$2.03 billion at March 31, 2014, compared to \$2.00 billion at December 31, 2013. Available-for-sale securities are reported at their aggregate fair value, and unrealized gains and losses are included as a component of other comprehensive income, net of deferred taxes. As of March 31, 2014, investment securities available-for-sale had a net unrealized gain of \$38.5 million, compared to a net unrealized gain of \$33.9 million as of December 31, 2013 and \$48.5 million as of March 31, 2013. Market changes in interest rates

and credit spreads will result in temporary unrealized losses as the market price of securities fluctuate. After evaluating the securities with unrealized losses, management concluded that no other than temporary impairment existed as of March 31, 2014.

Changes in the amount of South's investment securities portfolio result primarily from balance sheet trends including loans and leases, deposit balances and short-term borrowings. When inflows arising from deposits and short-term borrowings exceed loan and lease demand, South invests excess funds in the securities portfolio or in

interest bearing balances with other banks. Conversely, when loan demand exceeds growth in deposits and short-term borrowings, South allows interest bearing balances with other banks to decline and use proceeds from maturing securities to fund loan demand. Details of investment securities at March 31, 2014, December 31, 2013 and March 31, 2013 are provided in Table 5.

Table 5**Investment Securities**

(Dollars in thousands)	March 31, 2014		December 31, 2013		March 31, 2013	
	Cost	Fair value	Cost	Fair value	Cost	Fair value
Investment securities available-for-sale:						
U.S. government treasuries and agencies	\$ 1,071,988	\$ 1,069,633	\$ 1,147,874	\$ 1,148,349	\$ 1,112,526	\$ 1,113,818
Mortgage-backed securities	868,843	861,447	772,357	761,165	521,579	532,004
State, county and municipal	9,246	9,308	2,233	2,265	3,629	3,711
Corporate bonds	27,925	28,021	27,972	27,694	19,885	20,031
Equity securities	4,815	53,030	5,217	50,041	5,161	41,401
Other	10,639	10,508	10,514	10,508	10,139	10,400
Total investment securities available-for-sale	1,993,456	2,031,947	1,966,167	2,000,022	1,672,919	1,721,365
Investment securities held to maturity:						
U.S. government treasuries and agencies					3,804	3,814
Total investment securities	\$ 1,993,457	\$ 2,031,947	\$ 1,966,167	\$ 2,000,022	\$ 1,676,723	\$ 1,725,179

Interest-Bearing Liabilities

Interest-bearing liabilities include interest-bearing deposits, short-term borrowings and long-term debt. Interest-bearing liabilities totaled \$5.61 billion as of March 31, 2014, an increase of \$55.4 million since December 31, 2013 and a decrease of \$192.8 million from March 31, 2013. The increase in the first quarter of 2014 since December 31, 2013 is the result of increases in interest-bearing deposits and short-term borrowings. The decrease from March 31, 2013 to March 31, 2014 is the result of decreases in interest-bearing deposits and short-term borrowings.

Deposits

At March 31, 2014, total deposits were \$7.33 billion, an increase of \$134.4 million, or 1.9%, since December 31, 2013 and an increase of \$133.0 million, or 1.8%, since March 31, 2013.

Due to South's focus on maintaining a strong liquidity position, core deposit retention remains a key business objective. South believes that traditional bank deposit products remain an attractive option for many customers, but as economic conditions improve, South recognizes that its liquidity position could be adversely affected as bank deposits are withdrawn and invested elsewhere. South's ability to fund future loan growth is dependent on its success at

retaining existing deposits and generating new deposits at a reasonable cost.

Short-Term Borrowings

At March 31, 2014, short-term borrowings totaled \$188.4 million compared to \$179.4 million at December 31, 2013 and \$228.4 million at March 31, 2013.

Long-Term Debt

Long-term debt totaled \$203.3 million at March 31, 2014, down \$25 thousand from December 31, 2013, and \$101 thousand from March 31, 2013. The decrease since December 31, 2013 is a result of discount accretion of the subordinated debt. There have been no significant changes in long-term debt since December 31, 2013.

Net Interest Income

Net interest income for the first quarter of 2014 totaled \$49.6 million, a \$412 thousand decrease from the first quarter of 2013. This reduction was primarily due to a \$3.1 million reduction in interest income on loans, partially offset by \$1.8 million increase in interest income from the investment portfolio, as well as a \$1.1 million reduction in interest expense when comparing the first quarter of 2014 to the same quarter of the prior year.

The taxable-equivalent net interest margin for the first quarter of 2014 was 2.60%, a decrease of 2 basis points compared to the fourth quarter of 2013, and an 8 basis point decrease compared to the first quarter of 2013. The lower net interest margin was primarily due to loan yields declining faster than the decline in deposit costs during the quarter partially offset by increased investment yields and loan volume.

Interest-earning assets averaged \$7.73 billion in the first quarter of 2014, an increase of \$158.6 million and \$164.5 million since the fourth and first quarter of 2013, respectively. When comparing the first quarter of 2014 to both the fourth and first quarters of 2013, average earning assets growth was in investment securities and originated loans. Interest income totaled \$54.5 million for the first quarter of 2014, a \$616 thousand and a \$1.5 million decrease from the fourth and first quarters of 2013, respectively. The taxable-equivalent yield on earning assets was 2.85% for the first quarter of 2014, declining 14 basis points since the first quarter of 2013 and by 4 basis points since the fourth quarter of 2013. The decrease in the yield on earning assets was primarily due to maturing loans being replaced by loans at lower interest rates, partially offset by the increase in the investment portfolio balance and higher yields earned on the investment portfolio.

Average loans and leases increased \$24.2 million and \$188.9 million comparing the first quarter of 2014 to the fourth and first quarters of 2013, respectively. However, interest income earned from loans and leases for the first quarter of 2014 decreased \$1.6 million and \$3.1 million, respectively, when compared to the sequential quarter and the same quarter in the prior year. The taxable-equivalent yield for total loans also decreased during the first quarter of 2014 by 8 basis points and by 48 basis points compared to the sequential quarter and the same quarter in the prior year. The yield reduction in total loans was primarily due to matured loans being replaced by loans at lower interest rates.

Interest income earned on the investment securities portfolio totaled \$6.8 million during the first quarter of 2014 compared to \$5.8 million and \$4.9 million during the fourth and first quarters of 2013, respectively. This increase is the result of an increase in average balances and improvement in yields. Average investment securities increased \$132.7 million and \$338.9 million since the fourth and first quarters of