

Park Sterling Corporation (NASDAQ: PSTB) announces agreement to acquire Citizens South Banking Corporation (NASDAQ: CSBC)

Deal Value: Approximately \$77.8 million

Sandler O'Neill served as financial advisor and provided a fairness opinion to Park Sterling Corporation in this transaction. This transaction is Sandler O'Neill's 67th bank or thrift transaction since January 1, 2010. Sandler O'Neill has served as a financial advisor on more bank and thrift transactions than any other investment bank during that time period.¹

Park Sterling Corporation (NASDAQ: PSTB), the holding company for Park Sterling Bank, and Citizens South Banking Corporation (NASDAQ: CSBC), the holding company for Citizens South Bank, jointly announced today the signing of a definitive merger agreement under which Park Sterling will acquire Citizens South for a total value of approximately \$77.8 million, excluding the exchange of \$20.5 million in preferred stock issued to the United States Department of the Treasury in connection with Citizen South's participation in the Small Business Lending Fund.

Upon completion of the transaction, the combined company will have approximately \$2.2 billion in total assets, \$1.7 billion in total deposits, \$1.4 billion in total loans, and a network of 45 branches in the Carolinas and North Georgia. The combined company will rank as the largest community bank in the Charlotte-Gastonia-Rock Hill MSA, based on the most recent available deposit market share data, with 14 branches and pro forma deposits of approximately \$771 million (source: SNL Financial; June 30, 2011).

Under the terms of the merger agreement, Citizens South shareholders will have the right to receive either \$7.00 in cash or 1.4799 Park Sterling shares for each Citizens South share they hold, subject to the limitation that the total consideration will consist of 30.0% in cash and 70.0% in Park Sterling shares. Those Citizens South shares exchanged for stock will convert to Park Sterling shares in what is intended to be a tax-free exchange. Cash will also be paid in lieu of fractional shares.

James C. Cherry, Chief Executive Officer of Park Sterling commented, "Our proposed merger with Citizens South is the culmination of extensive due diligence and thoughtful discussions, which we expect to result in a strong business and cultural fit. We believe this transformational partnership will be positive for our shareholders, customers, employees and communities. Citizens South's footprint is virtually a perfect fit with Park Sterling's. In combination, we will be the largest community banking franchise in the very desirable Charlotte-Gastonia market. In addition, our combined footprint will extend through the attractive Upstate region of South Carolina, including the high growth Greenville-Spartanburg corridor, into North Georgia. We will also enjoy a very healthy balance sheet and powerful earnings capabilities. We are proud to partner with Kim Price and his capable team at Citizens South and look forward to continuing their company's 107 year history of providing outstanding service to their communities."

The merger agreement has been unanimously approved by the board of directors of each company. Closing of the transaction, which is expected to occur in the fourth quarter of 2012, is subject to customary conditions, including approval by Citizens South's shareholders, approval by Park Sterling's shareholders and receipt of regulatory approval. In addition, Park Sterling's obligation to complete the transaction is conditioned on the FDIC's consent to the assignment of existing FDIC loss-share agreements to which Citizens South is a party. At closing, Citizens South Banking Corporation will be merged into Park Sterling Corporation and, as soon as practicable following the closing, it is anticipated that Citizens South Bank will merge with and into Park Sterling Bank.

(1) Includes bank or thrift transactions since January 1, 2010; excludes terminated transactions and self-advisory roles

Source: SNL Financial

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