

**Southern BancShares (N.C.), Inc. (Pink: SBNC; Mount Olive, NC) and Heritage BancShares, Inc. (OTCBB: HGBN; Lucama, NC) Announce Merger Agreement**

**Deal Value: Approximately \$17 Million<sup>1</sup>**

Sandler O'Neill served as financial advisor and provided a fairness opinion to the Special Committee of Heritage BancShares, Inc. This transaction is Sandler O'Neill's 90<sup>th</sup> bank or thrift transaction nationwide and 25<sup>th</sup> in the Southeast region 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, both nationwide and in the Southeast region.<sup>2</sup>

Southern BancShares (N.C.), Inc. ("Southern"), of Mount Olive, North Carolina, and Heritage BancShares, Inc. ("Heritage"), of Lucama, North Carolina, jointly announced today the signing of a definitive merger agreement whereby the two companies will combine to create a bank holding company with approximately \$2.3 billion in total assets and 77 branches serving eastern North Carolina and Virginia.

Pursuant to terms of the merger agreement, (i) each outstanding share of Heritage common stock, \$1.00 par value per share, will be cancelled at closing and converted into the right to receive (a) an amount equal to \$125 in cash or (b) 0.1010 shares of Southern common stock and (ii) each outstanding share of Heritage Series A preferred stock, no par value per share, will be cancelled at closing and converted into the right to receive either (a) an amount equal to \$25 in cash or (b) one share of a newly created series of Southern preferred stock.

Subject to certain allocation provisions set forth in the merger agreement, the aggregate amount of cash that will be paid in the merger in exchange for Heritage common stock and Heritage preferred stock will not exceed \$3,461,375 and \$398,400, respectively, provided that each such amount may be increased by Southern, in its sole discretion, in certain circumstances.

The merger agreement is subject to customary closing conditions, including without limitation, regulatory and Heritage shareholder approval, and the transaction is scheduled for completion in the second quarter of 2013.

**Financial Highlights**

<i>(Dollars in millions)</i>	<u>HGBN</u>	<u>SBNC</u>
Total Assets	\$272	\$2,079
Net Loans	\$118	\$1,160
Total Deposits	\$235	\$1,716
Total Equity	\$30	\$196
Tang. Comm. Equity / Tang. Assets	10.42%	8.93%

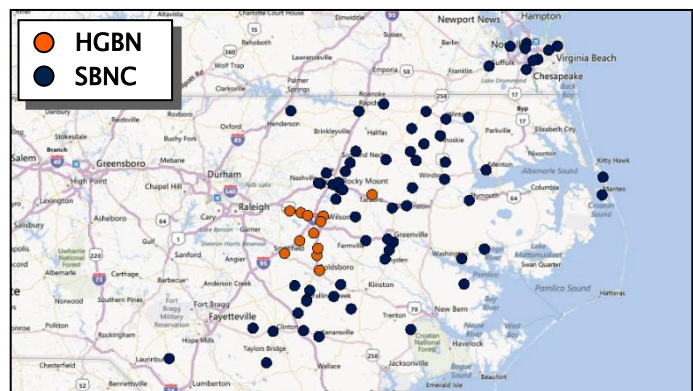
*(1) Based on Southern's closing price of \$1,209.50 on 2/14/2013 and assumes maximum cash election of \$3,461,375*

*(2) Includes bank or thrift transactions since 2010; excludes terminated transactions, self-advisory roles and does not combine the results of advisors which have merged until the date such merger was completed*

*Note: Financial data as of 9/30/12*

*Source: SNL Financial*

**Pro Forma Branch Map**



**Sandler O'Neill Contacts:**  
 1251 Avenue of the Americas, 6<sup>th</sup> Floor  
 New York, NY 10020

Scott Clark  
 Principal  
 (212) 466-7965

Reid Brewer  
 Vice President  
 (212) 466-8086

John Madia  
 Associate  
 (212) 466-7748