

THE SOUTH | FINANCIAL GROUP

2005 Annual Report



A WELL-MAPPED STRATEGY

OUR 20TH YEAR

CORPORATE PROFILE

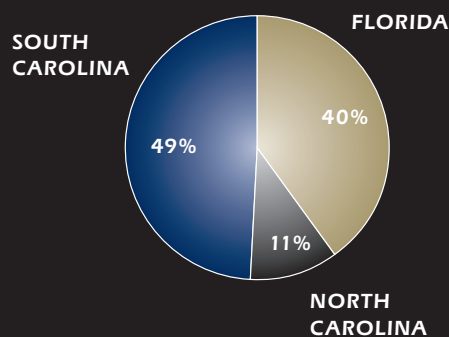
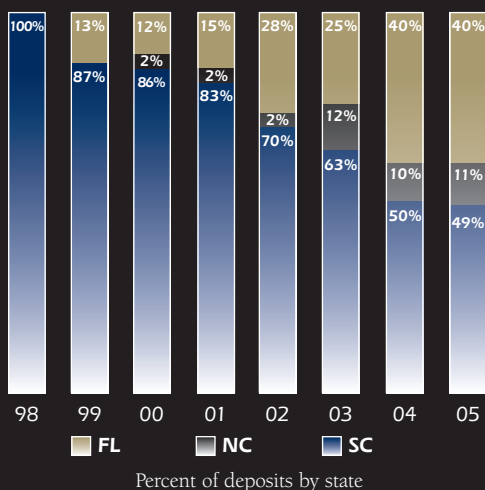
The South Financial Group, the largest publicly-traded bank holding company headquartered in South Carolina, ranks among the top 50 U.S. commercial banks in total assets. The South Financial Group focuses on fast-growing banking markets in the Southeast, concentrating its growth in metropolitan statistical areas (“MSAs”) and operating through two subsidiary banks:

- Carolina First Bank operating in South Carolina, North Carolina, and on the Internet under the brand name Bank CaroLine, and
- Mercantile Bank operating in Florida.

Founded in 1986, The South Financial Group uses a super-community bank strategy, serving small and middle market businesses and retail customers. As a super-community bank, The South Financial Group combines an exceptional level of personalized service and local decision-making, typical of community banks, with a full range of financial services normally found at larger regional institutions.

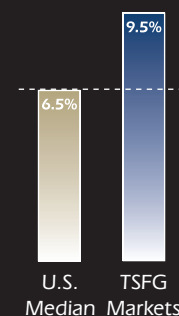
Total assets:	\$14.3 billion
Branch offices:	172
Market capitalization:	\$2.1 billion
Deposits located in MSAs:	94%

THE STATES WE SERVE



FAST-GROWING MARKETS

Projected Household Growth, 2005-2010



Source: SNL Financial, deposit weighted by county

FORWARD-LOOKING STATEMENTS

The South Financial Group’s 2005 Annual Report contains certain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements may address issues that include significant risks and uncertainties. Although we believe that the expectations reflected in this discussion are reasonable, actual results may be materially different. Please refer to The South Financial Group’s Annual Report on Form 10-K for a more thorough description of the types of risks and uncertainties that may affect management’s forward-looking statements. The information contained herein shall be deemed to be updated by any future filings made by The South Financial Group with the Securities and Exchange Commission.

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TO OUR SHAREHOLDERS:

Twenty years ago, we founded our bank with a well-mapped vision. We set out to re-establish South Carolina community banking in the midst of the industry's first consolidation wave. Our purpose and goal was to become a leading provider of credit to the small and medium-sized businesses that are vital to the success and growth of every community. Our roadmap called for hiring local talent and making the extra effort to know our customers and their needs. Two decades later, we've exceeded our greatest hopes. We have grown not only to become the largest banking institution headquartered in South Carolina, but we have exported our proven model to other highly attractive markets in Florida and North Carolina. And in doing so, we joined the top 50 U.S. banks (in assets) at a remarkably young age. Our vision is strong, and we are poised for the opportunities ahead. We will continue to refine our strategy, always mindful of what has brought us this far: a family of dedicated employees committed to our customers and to their financial futures.



Mack I. Whittle, Jr.
Chairman, President and Chief Executive Officer

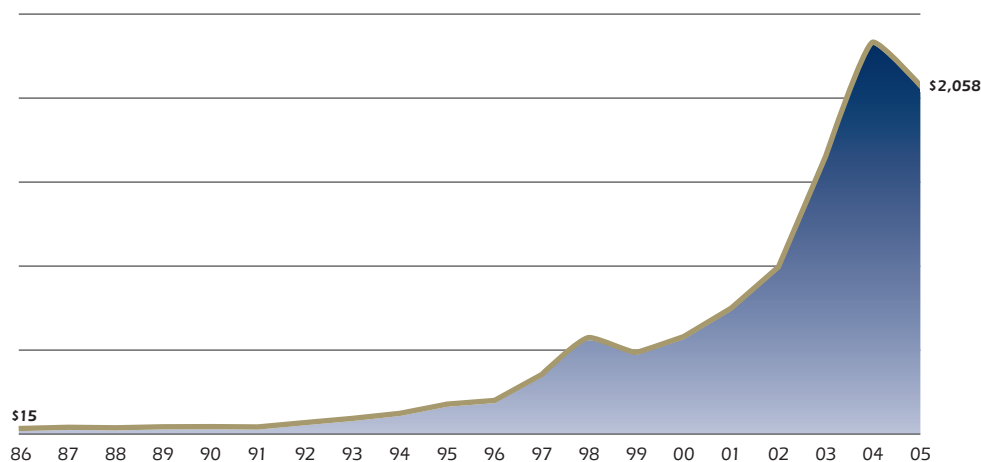
2005 Results

In 2005, the banking industry was faced with a rising interest rate environment and flattening yield curve. This rate environment hampered the industry's primary source of revenue: net interest income. We, like others in the industry, took actions to manage through this difficult cycle. But despite these challenges, we remained focused on the core strengths that have served TSFG for 20 years: *personalized customer service and superior loan growth with yields comparable to peer levels and strong credit quality.*

We also continued to invest in our high-growth Southeastern markets. We opened 10 new banking centers within existing markets, and in May of 2005, we solidified our presence in the dynamic South Florida market through the acquisition of Pointe Bank. We also made incremental investments in several of our nonbanking areas as we purchased two additional insurance agencies and our first financial planning advisory firm. These investments have allowed us to continue to respond to customer needs by expanding our abilities in these markets to provide different product offerings. In short, we followed our strategy of expanding the right way. And in doing so, we have created one of the best banking footprints in the country.

By most standards, 2005 would be considered a successful year. Deposit, loan, operating noninterest income, and credit quality measures were all favorable. However, due in large part to the impact of the interest rate environment and our balance sheet repositioning initiatives, we reported earnings lower than we had expected and lower than our core earnings potential. In 2005, we earned net income of \$69.8 million, or operating earnings of \$126.1 million.

MARKET CAPITALIZATION, SINCE OUR FOUNDING
(\$ in millions)



2005 reflected significant achievements, demonstrating progress in our core business:

- **Double-Digit Deposit and Loan Growth.** For the full year of 2005, organic customer deposit growth (i.e., growth excluding acquisitions) increased 17%, while organic loan growth increased 13%. This year, in contrast to years past, deposit growth substantially funded all of our strong loan growth, which is good news. In addition, our loan yield grew faster than the cost of customer deposits.
- **Building Noninterest Income.** We continue to work hard to earn more business from our existing customers, in addition to attracting new customers. Customer fee income from our core banking business achieved double-digit growth for the year. Mortgage, Treasury Services, and Wealth Management each exhibited double-digit growth in revenues in 2005.
- **Improved Credit Quality.** Our watch loan, past due, and nonperforming asset ratios continued to improve, reaching their best levels since 2000. Nonperforming assets declined 21% for the year. We ended the year with a nonperforming asset ratio of 0.47%. Importantly, this led to a lower net loan charge-off ratio, which improved 10 basis points to 0.36% for 2005.

A Year of Important Progress

In the long run, 2005 might prove to be one of the most important years in TSFG's history. In addition to these strong operating metrics, we took significant steps to strengthen the balance sheet, improve the consistency and management of our net interest income, and create the initial infrastructure for four key areas: Mortgage Banking, Retail Banking, Treasury Services, and Wealth Management.

- **Strengthened Balance Sheet.** In response to the challenging interest rate environment and declining profits on wholesale banking activities, we elected to reduce our holdings of investment securities and the associated level of wholesale

funding. These actions, while contributing to lower earnings in 2005, improved our balance sheet mix and reduced our interest rate and capital risk (as investment securities are recorded at their market value on our balance sheet). Another sign of improved strength is the coverage of nonperforming loans provided by our allowance for loan losses, demonstrated by an increase to 3.24 times at December 31, 2005 from 2.14 times a year earlier. This improvement resulted from our favorable credit quality trends. It's worth noting that our provision for credit losses exceeded net loan charge-offs. Combined, these actions should allow us to deliver a more consistent and valuable stream of earnings.

- **Managing Net Interest Income.** The short-term effects of the 2005 flattening yield curve will provide long-term benefits to TSFG. First, it was the catalyst for our initial steps in broadening our deposit capabilities. While nearly every banking institution was negatively affected by the flat yield curve, those with stronger deposit levels and mixes weathered the storm somewhat better. Accordingly, we have modified our balance sheet goals, improved our product offerings, and changed our incentive plans, each to support a higher focus on deposits. Second, we spent much of the year determining ways to improve our ability to manage our balance sheet to include the addition of new skill sets and enhanced modeling software. These improvements will benefit us for years to come.
- **Investing in Noninterest Income.** In addition to broadening our deposit capabilities, noninterest income has the potential to significantly improve our return on assets and equity. Fee-based businesses operate at a higher efficiency ratio than traditional banking, but typically require a lower level of capital as well. In 2005, we hired proven leaders from Charter One, Huntington, National Commerce, and SouthTrust to lead these efforts. Over time, the contribution of these areas will reduce the volatility of our earnings by providing a more diversified revenue and consistent revenue stream.



Celebrating 20 Years Together

When The South Financial Group began in 1986 as Carolina First Bank, 12 employees were responsible for opening the doors to a new kind of community bank. Today, four of these original employees continue to move the vision forward as they enter their third decade of service: Susan Dauber, Loan Operations; Mack Whittle, Chairman, President and Chief Executive Officer; Lorri Bowen, Corporate Projects; and Dan Dobson, Mortgage Banking.

The Road Ahead

So what does this mean for 2006 and beyond? Current indications are that the interest rate challenges of 2005 will continue into 2006. Therefore, in the short term, we will continue to take steps to meet that challenge. Our overarching goal, though, is to remain focused on those things that will maximize our long-term profitability.

- **Deliver superior revenue growth.** We operate in attractive, high-growth markets in the Southeast. We're focused on instilling a strong sales culture and growing a profitable customer base.
- **Develop consistent, high-quality earnings.** In the long term, strong customer revenue growth, not investment-related activities, will drive our earnings stream. We expect our balance sheet repositioning to reduce our earnings variability, lower our balance sheet risk, and showcase our core strengths.
- **Achieve positive operating leverage.** We must slow our noninterest expense growth. We can control that. We will begin 2006 with over \$5 million of annual costs savings from employment contract buyouts and our branch staffing rationalization.
- **Grow deposits and improve mix.** As a relatively young bank, we have a lower level of core deposits than our peers. To improve in this area, we've added new, experienced leadership in both Retail Banking and Treasury Services. In addition, we have redesigned our incentive plans for our commercial relationship managers, to reward them for attracting the right type of deposits. Going forward, we aim to match our strong lending with a strong customer deposit base.
- **Deepen our customer relationships.** We're working hard to earn more business from existing customers. In 2005, we began monitoring and managing the behaviors of our workforce to emphasize cross-selling. In January 2006, we began an Enterprise meeting that brings together our three bank presidents with the heads of our fee-based businesses to ensure our behaviors are converting to sales. To support these efforts, the commercial relationship incentive plan has been redesigned

for 2006. Maximum payout now requires a balanced contribution among deposits, loans, and noninterest income.

- **Continue credit quality improvements.** We have made tremendous progress, but the five-year net charge-off median of our peers remains nearly 10 basis points below our current level. We are working to narrow this gap.

It is an exciting time at TSFG. We are in great markets and the level of talent we are attracting continues to rise each year. Looking back twenty years, I would not have envisioned that we could have accomplished what we have. Looking forward, I am confident our opportunities are equal to or greater than any other bank in the country.

In closing, The South Financial Group recently lost a trusted leader and true friend with the passing of William R. "Bill" Timmons, Jr. As our Board Chairman, Bill provided insight, vision, and vital counsel. He never let us forget our commitment to take customers' banking personally, and his legacy will serve us well as we face the future.

Sincerely,

Mack I. Whittle, Jr.
Chairman, President and Chief Executive Officer

March 1, 2006

FINANCIAL HIGHLIGHTS

(\$ in thousands, except per share data)	2005	2004	2003	% Change	
				05/04	04/03
EARNINGS, FOR THE YEAR					
Total revenue ^(a)	\$ 464,266	\$ 460,718	\$ 351,629	1	31
Total operating revenue ^{(a)(b)}	535,737	458,820	351,490	17	31
Net income as reported, GAAP	69,821	119,508	83,583	(42)	43
Operating earnings ^(b)	126,130	127,308	87,713	(1)	45
PER COMMON SHARE					
Net income – diluted	\$ 0.94	\$ 1.80	\$ 1.66	(48)	8
Operating earnings – diluted	1.69	1.92	1.74	(12)	10
Cash dividends declared	0.65	0.61	0.57	7	7
At year-end:					
Book value	19.90	19.56	16.46	2	19
Market price	27.54	32.53	27.75	(15)	17
Common shares outstanding (in thousands)	74,721	71,252	59,064	5	21
Market capitalization (in thousands)	\$ 2,057,829	\$ 2,317,839	\$ 1,639,036	(11)	41
BALANCE SHEET, AT YEAR-END					
Total assets	\$14,319,285	\$13,798,689	\$10,724,715	4	29
Securities	3,159,617	4,310,088	4,007,571	(27)	8
Loans held for investment	9,439,395	8,107,757	5,732,205	16	41
Customer deposits ^(a)	7,895,756	6,454,072	5,330,787	22	21
Wholesale borrowings ^(a)	4,735,197	5,816,153	4,304,095	(19)	35
Shareholders' equity	1,486,907	1,393,460	972,299	7	43
RATIOS					
Efficiency ratio, as reported ^(a)	70.7%	54.3%	58.9%		
Operating efficiency ratio ^{(a)(b)}	56.9	51.6	56.5		
Net interest margin (tax-equivalent)	3.12	3.06	3.01		
Net interest margin, including net cash settlement of certain interest rate swaps ^(b)	3.20	3.31	3.24		
Net loan charge-offs as a % of average loans held for investment	0.36	0.46	0.62		
Nonperforming assets as a % of loans held for investment and foreclosed property	0.47	0.69	1.06		
Tangible equity to tangible assets	5.83	5.93	5.97		
OPERATIONS					
Branch offices	172	154	134	12	15
ATMs	167	145	122	15	19
Employees (full-time equivalent)	2,607	2,308	1,918	13	20

Notes:

^(a) Please see Notes on page 21 for the following definitions: (a) for Total revenue and Total operating revenue, (c) for Customer deposits, and (d) for Wholesale borrowings. Please see Note (a) on page 22 for definition of Efficiency ratio and Operating efficiency ratio.

^(b) Operating results exclude non-operating items, such as gains or losses on asset sales, changes in fair value of interest rate swaps, impairment charges, employment contract buyouts, merger-related costs, and other non-operating items. Please see page 23 for reconciliation of GAAP to non-GAAP operating measures.

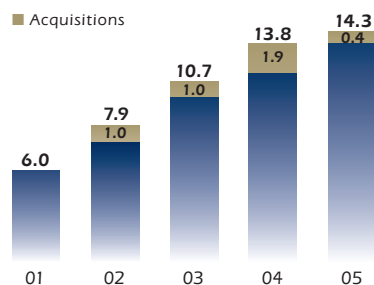
TOTAL ASSETS (\$ in billions)

Compound annual growth rate:

3-year – 22%

5-year – 22%

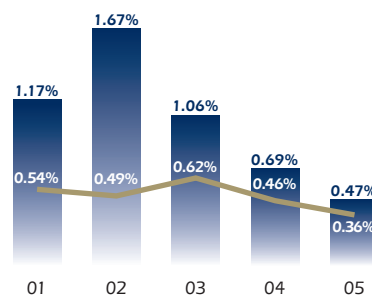
■ Acquisitions



CREDIT QUALITY RATIOS

■ Nonperforming Assets*

■ Net Loan Charge-offs**



*As a % of loans held for investment and foreclosed property.

**As a % of average loans held for investments.



A WELL-MAPPED STRATEGY

A New Kind of Community Bank

OUR VISION

We take your banking personally. This was our vision from day one, and this vision has remained rock-solid for twenty years. We've never lost sight of our customers... and we've never forgotten to take their banking personally.

When The South Financial Group had its beginnings as Carolina First in 1986, South Carolina-based banks were quickly becoming a rare commodity. The megabanks had gobbled them up, leaving in their wake a frustrated, underserved marketplace. Our vision was to create a new kind of community bank, a financial institution that remained close to customers, one that handled the most sophisticated needs, while maintaining a personal, face-to-face relationship with every customer. In the highly competitive financial services arena, it was our belief that a personal, hands-on style of banking would give us an advantage that the megabanks simply couldn't match.

We were right. Since the moment that the first customer walked through our doors, we've maintained a commitment to personalized relationships and high-quality products. We have an unwritten agreement with our customers to never forget where we started and never forget our vision to create a new kind of community bank. In return, our customers trust us, year after year, with their own dreams and visions.

A WELL-MAPPED STRATEGY

A Super-Community Bank Advantage

PLAYING TO OUR STRENGTHS

We place highly qualified, highly motivated banking talent in the Southeast's most attractive markets. And we offer customers high-quality banking products, with an emphasis on personalized service. It's the way we've done business for two decades.

It's our guiding principle: *big bank services with a hometown flavor*. We became a super-community bank, offering a range of products and services normally found at larger regional institutions, combined with the personal touch usually reserved for small-town banks. Our products allowed us to serve an even greater number of middle market and small business customers. We reemphasized our personalized style. And we developed a "Market President" structure, empowering our local executives to make quick, efficient decisions for customers.

In reality, the emergence of The South Financial Group as a super-community bank was not a complicated process. We simply continued to do what we do best. We met customer needs with high-quality products, delivered within the framework of a highly personalized customer relationship. It was the formula for success then, and it continues to be a blueprint for prosperity today. Why? Because getting to know customers well and treating them like neighbors will never go out of style.

*Under Reverend Jackson's leadership, Brookland Baptist Church is making a difference, offering programs and ministries that serve not only its congregation but the surrounding community, as well. Brookland Baptist's growth has taken some vision, some faith...and some help from a bank that truly understands the meaning of **community**.*

Dr. Charles B. Jackson, Sr., Pastor of Brookland Baptist Church and Justin Strickland, Midlands Market President



The Puckett Group is a family business in every sense of the word, especially in the way they treat their customers. Their goal is to bring an unmatched level of personal care, loyalty, and customization to each insurance and risk management client they have – big or small. The Puckett Group emphasizes personal service and innovative products...and they have a bank that does the same thing.

Buddy, Johanne, Matt, and John Puckett of The Puckett Group with Michelle Seaver, Private Banking



Sealevel Systems manufactures Input/Output products that are installed in applications from industrial automation to satellite communication. Since 1986, the company has built its reputation on reliability. How reliable? Both the FAA and Dept. of Homeland Security have standardized on Sealevel's boards and computers. A company that delivers such reliability requires a bank with the same high standards.

Ben Hagood, Commercial Relationship Manager with Tom O'Hanlan, CEO, Sealevel Systems

A WELL-MAPPED STRATEGY

Expansion The Right Way...

INTELLIGENT GROWTH

Our growth has been a well-mapped process, a careful blend of organic expansion and strategic acquisition... and only in markets that provide us with the proper demographics for success.

With the successes of our super-community bank model in South Carolina, The South Financial Group began to expand into both Florida and North Carolina. This expansion was a carefully planned process of intelligent growth in the right places.

We had a vision for our expansion as we entered the 21st century. First, we would only expand when we were prepared for it, when we had the market leadership and infrastructure in place. Consequently, in the first 13 years of our existence, our assets grew to just under \$5 billion. However, in the next six years, from 2000-2005, our asset growth accelerated, nearly tripling in size. Second, we concentrated on the most attractive markets in the Southeast. Specifically, we targeted markets with rates for projected household growth that bested the U.S. averages, geographic areas that promised a growing number of customers with increasing financial needs.

The result of our expansion has been a healthy mixture of organic expansion and strategic acquisitions. And this successful growth has come about through a single-minded commitment: expand the right way, in the right places.

Asheville, North Carolina
Bob and Lori Harrison

When AAC Building Materials first opened, the company's goal was to provide a wide variety of products and a level of service that would bring customers – both contractors and builders – back time and again. That was 1959. Today, Bob and Lori Harrison have 40 employees, a 140,000 square-foot warehouse that allows for next-day delivery throughout western North Carolina...and a bank that's ready to help AAC Building Materials head into their second half-century of business.



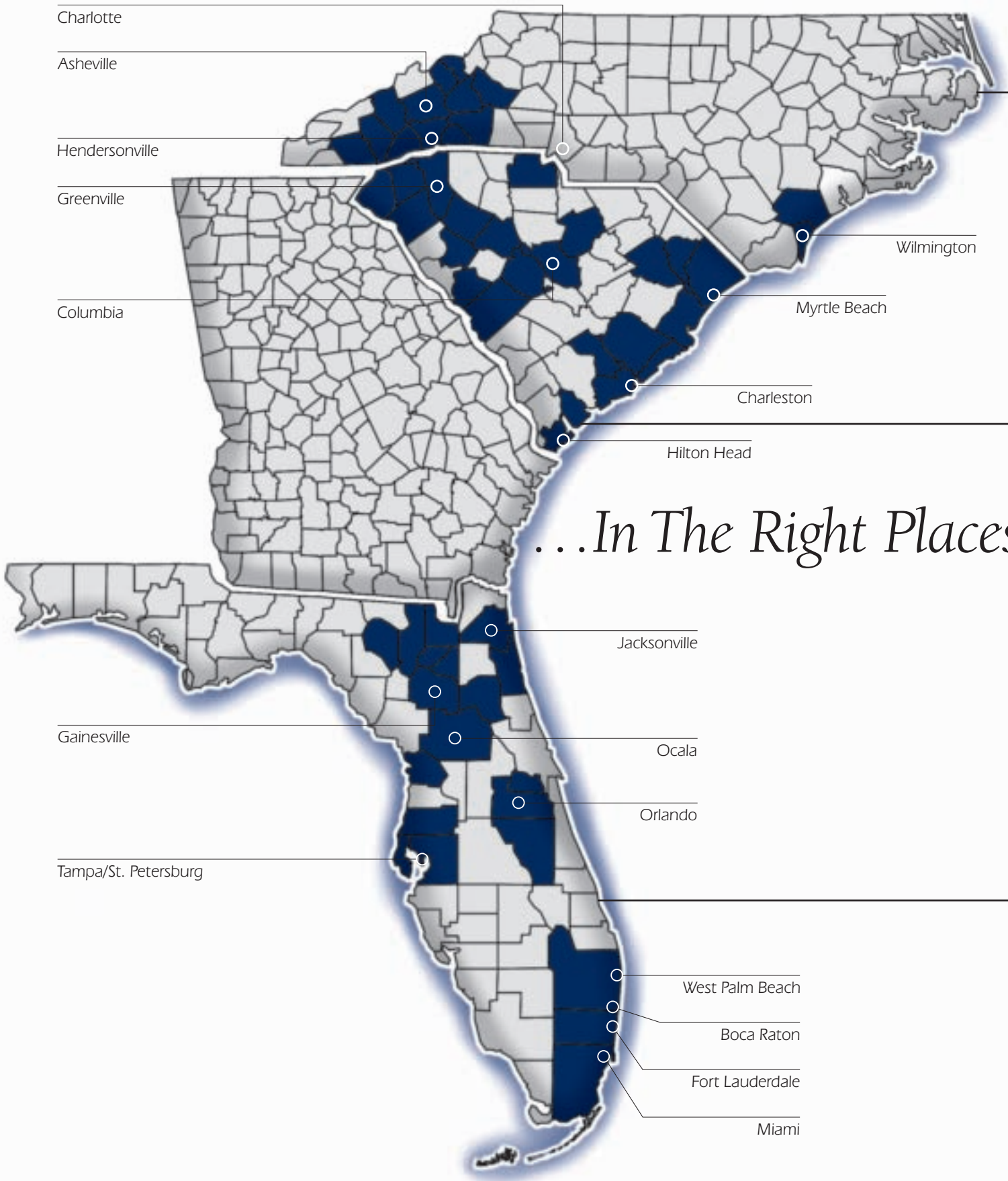
Jacksonville, Florida
Robin Sorensen

Brothers Chris and Robin Sorensen discovered the secret of a great sub sandwich in the firehouse, creating big 'n' hot subs for hungry fire fighters. Fueled by an entrepreneurial spirit and some bootstrap financing, they opened the first Firehouse Subs in 1994. Five years later, when they were ready to expand on a large scale, they found bankers at The South Financial Group, ready to understand their business and help them get to the next level. Today, Firehouse Subs has 212 locations...and they're still growing strong.



Greenville, South Carolina
Karin Purvis

Karin Purvis knows plants, and she is passionate about the "art of the garden." Karin turned that passion into a successful business, which we helped her expand into a new location. Her shop, The Houseplant, specializes in providing customers with unique floral designs and garden accessories. These days, Karin's passion – along with some guidance from The South Financial Group – keeps the art of the garden alive and well.





NORTH CAROLINA



ENTERED MARKET - 2000
LOANS - \$1.3 billion
CUSTOMER DEPOSITS - \$1.0 billion
BRANCHES - 26



SOUTH CAROLINA



ENTERED MARKET - 1986
LOANS - \$4.3 billion
CUSTOMER DEPOSITS - \$3.8 billion
BRANCHES - 80



FLORIDA



ENTERED MARKET - 1999
LOANS - \$3.9 billion
CUSTOMER DEPOSITS - \$3.1 billion
BRANCHES - 66

A WELL-MAPPED STRATEGY

Investing In The Future

EXPERIENCE. PERFORMANCE.

We attract very talented, experienced individuals who are fueled by an entrepreneurial spirit. They are ready to lead The South Financial Group into the future. The best news? As good as they are on paper, they're even better in person.

In the past 20 years, The South Financial Group has focused on building an attractive geographic footprint. And as our franchise has expanded, we've gained valuable perspective on the years ahead, years which will require top-flight leadership to increase our profitability and realize our potential.

Consequently, we've invested in our franchise, hiring talented banking professionals in the Southeast, men and women who bring proven experience from larger, high-performing banks to The South Financial Group. They know how to get the job done because they've done it. From audit to treasury services to wealth management – we continue to build a leadership team with the skills and experience to carry our vision forward.

Why would these executives leave the larger banks for The South Financial Group? At 20 years old, The South Financial Group holds a unique position among the 50 largest U.S. commercial banks. Still a young and maturing bank, The South Financial Group remains a remarkable growth story, presenting an opportunity to bring a vision to reality.

Left to right:

Chris Holmes, EVP – Retail Banking As a Retail Banking Executive with National Commerce, Chris served on the leadership team for one of the most successful retail banks in the country; he was also President and CEO of National Commerce's retail bank consulting unit, selling retail banking strategies to regional banks such as Charter One, Fifth Third, and Wells Fargo.

Tom Ryan, EVP – Wealth Management With nearly 25 years of experience in financial services with such firms as ABN AMRO and Citicorp, Tom brings expertise in creating and implementing integrated wealth platforms for retail and commercial clients. Most recently, he served as the head of wealth management for Charter One.

Chris Reddick, EVP – Mortgage While Senior VP and Chief Operating Officer at SouthTrust Mortgage, Chris implemented a new front-end loan origination system, directed mortgage banking acquisition activities, and supported significant growth in residential originations (to \$3 billion annually).

Michael Culbertson, EVP – Mortgage In his eight years as the Florida State Regional Manager for the Huntington National Bank, Michael was responsible for statewide mortgage operations, which grew from inception to 75 employees with \$500 million in annual production. He also consolidated eight separate mortgage divisions (banks acquired) into Huntington Mortgage.

Chris Gompper, EVP – Treasury Services Chris brings over 20 years' experience in building and managing Treasury Services at firms such as Wells Fargo and JP Morgan Chase. At Wells Fargo, the portfolio of regional commercial analysis income in Chris' market exceeded \$70 million per year.



Left to right:

Tanya Butts, Chief Operations Officer With experience as a senior officer for firms such as Colonial BancGroup, Chase Manhattan Mortgage Corporation, and HomeSide Lending, Tanya brings a proven track record in national and international banking operations.

Keith Williamson, General Auditor As General Auditor for First Horizon, Keith oversaw the significant expansion of the Internal Audit staff as First Horizon increased in complexity as a nationwide financial services institution.

Tara Skinner, Chief Risk Officer While serving as Enterprise Risk Officer at Synovus Financial Corporation, Tara instituted one of the first super-community bank enterprise risk management programs in the country.



A WELL-MAPPED STRATEGY

The Opportunities Ahead



Mack I. Whittle, Jr.
Chairman, President and Chief Executive Officer

*T*wenty years. Two decades is not such a long period in the lifetime of a banking institution. We're just getting started. And we've taken the right steps to set us down a successful path. We have a solid, proven strategic vision. We have a footprint that capitalizes on the strong markets in the Southeast. And we're putting additional experienced leadership in key places. We're proud of what we've been able to accomplish in twenty years. But more importantly, we're excited about the years ahead. We have a tradition to build upon. And we're focused on the future.



Q: Now in your 20th year of operation, how would you say the Company has changed?

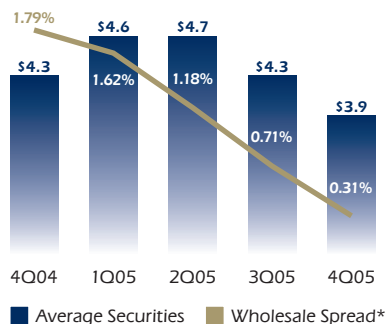
A: In a certain sense, we haven't changed at all. Twenty years ago, we were a growth company taking advantage of opportunities in South Carolina. And today, we are a growth company taking advantage of similar opportunities in other markets across the Southeast. Consider Florida, for example, which we entered in 1999. At year-end 2005, our Florida operations had \$5.7 billion in total assets, 66 branches, and 40% of our company-wide deposit base. Entering Florida diversified our market presence, set the stage for future growth opportunities, and enhanced our franchise value. The opportunity to capture a greater share of these attractive Florida markets – where we have small market share in large markets – is an important part of our plans for future growth.

But by the same token, we continue to mature and evolve in many ways. During our first two decades, our greatest strength was commercial lending. We've proven our ability to produce loan growth above peer levels with comparable yields and credit quality. Now a super-community bank approaching \$15 billion in assets, we are just beginning to build out other critical revenue sources such as Mortgage Banking, Retail Banking, Treasury Services, and Wealth Management. In this process, we are evolving from a bank of commercial lenders to a bank of commercial relationship managers. Our niche will remain the small to medium-sized business, but we now have the talent and the scale to service more of their business.

What are the biggest near-term challenges facing TSFG?

A: As you know, banks are currently in one of the most unfavorable interest rate environments that we've seen in a long time. The flatness of the yield curve will continue to affect our industry's near-term earnings. In fact, the interest spread earned on the investment securities portfolio for most banks, including TSFG, is approaching zero. As a result, we have taken a number of proactive actions to reposition

LOWER EARNINGS FROM SECURITIES
(\$ in billions)



*Yield on securities less cost of wholesale borrowings, including the net cash settlement of certain interest rate swaps. See Notes (c) and (d) on page 23 for additional explanation and reconciliation to GAAP measure.

our balance sheet and limit this downside pressure. And this environment is even more challenging for a young, growth company such as ours. But despite these short-term challenges, we are managing for the long-term profitability of the company and continuing to capitalize on the many opportunities available to us to increase customer-related income.

Specifically, we’re investing in ways to increase our noninterest income and low-cost deposits. We’ve increased our focus on these areas and believe we can become as successful over time, as we are in our lending business. Positive steps in each of these areas are underway. In 2005, we increased our fee-based revenue through three small insurance/financial planning acquisitions and added key leadership in Mortgage Banking, Treasury Services, and Wealth Management. Also, we’ve identified at least four steps, which are critical to improving our deposit mix and levels: (1) creating a greater emphasis on Retail Banking and Treasury Services, (2) enhancing our product sets, (3) tracking and focusing on measures that are important to our success, and (4) realigning incentive compensation to reward low-cost deposit growth.

Q: Strong commercial loan growth continues to be a core strength. How have you changed your incentive plans to align with corporate goals?

A: It is true. Traditionally, our focus has been on growing loans. And we’ve done that well. So it’s no surprise that our commercial lending incentive plans were previously built around loan generation. Entering 2006, we made significant changes to facilitate our evolution from commercial lenders to commercial relationship managers. First, to ensure balance, we added minimum performance thresholds for deposits, loans, and noninterest income that must be met to qualify for any incentives payments. Second, we increased the importance of deposits, raising its relative percentage to 40% from 30% (higher than the other components, which are 30% each for loan growth and noninterest income). Third, a modifier places a higher value on lower-cost deposits. Our employees have always performed well on what we incent them to do. Now it’s up to our team to execute.

“Our niche will remain the small to medium-sized business, but we now have the talent and the scale to service more of their business.”

“Specifically, we’re investing in ways to increase our non-interest income and low-cost deposits. We’ve increased our focus on these areas and believe we can become as successful over time, as we are in our lending business.”

Q: You’ve repositioned your balance sheet, lowering your level of investment securities. How do you view investment security levels going forward?

A: That’s an excellent question. Investors reward both growth and predictability of the growth. With that said, we have two initiatives underway. First, we are making great strides in our efforts to increase the percentage of our balance sheet and income statement that relates to customers. This will lower our need for investment securities, which, like most banks, we fund with non-customer funding. These non-customer assets and funding tend to be more volatile over time. We are required to mark investment securities to market value at the end of each reporting period, causing variability in reported capital levels.

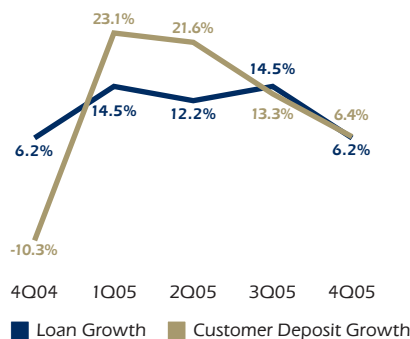
Equally important is the ability to forecast and manage the inherent risk in a bank’s balance sheet – the primary driver of bank earnings. In this area, we have elected to migrate to a more robust suite of software, a package used by larger, more complex banks. It is integrated and will allow us to perform monthly processing. Additionally, we have initiated a search for a Treasurer to complement our existing staff and elevate our level of balance sheet risk management.

Q: How do bank acquisitions fit into your near-term plans?

A: We are frequently asked if we have plans for bank acquisitions. As I’ve stated many times, we target banks that are in our footprint, are accretive to our high household growth metrics, have similar business mixes, are accretive to earnings, and are expected to generate a minimum 15% internal rate of return without additional revenue assumptions. However, while we may look at small strategic opportunities within our footprint, this year we are primarily focused on executing our plans internally.

Since we operate in strong markets where we can gain business and grow market share from our existing footprint, we have significant organic opportunities within our existing footprint. We opened 8 new de novo branches (net of 2 closings) in 2005 and have additional de novo branches planned for 2006. Operationally, we’re focused on bringing our efficiency ratio down and our net interest margin up.

LOAN VS. CUSTOMER DEPOSIT GROWTH



Linked quarter annualized growth using end of period balances, excluding the May 2005 acquisition of Pointe Financial Corporation (which added \$312 million in loans and \$329 million in customer deposits).

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	December 31,	
	2005	2004
ASSETS		
Cash and due from banks	\$ 341,195	\$ 199,847
Interest-bearing bank balances	21,510	4,669
Securities		
Trading	1,402	-
Available for sale	3,095,567	4,234,843
Held to maturity (market value \$62,697 in 2005 and \$76,552 in 2004)	62,648	75,245
Total securities	3,159,617	4,310,088
Loans		
Loans held for sale	37,171	21,302
Loans held for investment	9,439,395	8,107,757
Allowance for loan losses	(107,767)	(96,434)
Net loans	9,368,799	8,032,625
Premises and equipment, net	193,574	170,648
Accrued interest receivable	70,838	65,174
Goodwill	647,907	571,853
Other intangible assets	43,851	39,597
Other assets	471,994	404,188
	\$14,319,285	\$13,798,689
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing	\$ 1,512,508	\$ 1,237,877
Interest-bearing	7,721,929	6,433,067
Total deposits	9,234,437	7,670,944
Federal funds purchased and repurchase agreements	1,421,301	1,583,495
Other short-term borrowings	53,064	43,516
Long-term debt	1,922,151	2,972,270
Accrued interest payable	54,401	31,943
Other liabilities	147,024	103,061
Total liabilities	12,832,378	12,405,229
Shareholders' equity		
Preferred stock – no par value; authorized 10,000,000 shares; issued and outstanding none	-	-
Common stock – par value \$1 per share; authorized 200,000,000 shares; issued and outstanding 74,721,461 shares in 2005 and 71,252,346 shares in 2004	74,721	71,252
Surplus	1,151,005	1,056,185
Retained earnings	309,768	288,002
Guarantee of employee stock ownership plan debt and nonvested restricted stock	(2,687)	(3,483)
Common stock held in trust for deferred compensation	(1,404)	(901)
Deferred compensation payable in common stock	1,404	901
Accumulated other comprehensive loss, net of tax	(45,900)	(18,496)
Total shareholders' equity	1,486,907	1,393,460
	\$14,319,285	\$13,798,689

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Year Ended December 31,

(In thousands, except per share data)

	2005	2004	2003
INTEREST INCOME			
Interest and fees on loans	\$ 568,222	\$ 376,742	\$ 280,609
Interest and dividends on securities:			
Taxable	173,657	157,171	128,060
Exempt from Federal income taxes	11,243	8,090	4,980
Total interest and dividends on securities	184,900	165,261	133,040
Interest on short-term investments	1,175	229	479
Total interest income	754,297	542,232	414,128
INTEREST EXPENSE			
Interest on deposits	196,689	124,868	96,106
Interest on short-term borrowings	49,381	18,908	11,419
Interest on long-term debt	99,171	62,615	55,713
Total interest expense	345,241	206,391	163,238
NET INTEREST INCOME	409,056	335,841	250,890
PROVISION FOR CREDIT LOSSES	40,592	34,987	20,581
Net interest income after provision for credit losses	368,464	300,854	230,309
NONINTEREST INCOME	55,210	124,877	100,739
NONINTEREST EXPENSES	328,053	250,244	207,170
Income before income taxes, minority interest and discontinued operations	95,621	175,487	123,878
Income taxes	25,404	55,489	38,283
Income before minority interest and discontinued operations	70,217	119,998	85,595
Minority interest in consolidated subsidiary, net of income tax	—	—	(2,012)
Income from continuing operations	70,217	119,998	83,583
Discontinued operations, net of income tax	(396)	(490)	—
NET INCOME	\$ 69,821	\$ 119,508	\$ 83,583
AVERAGE COMMON SHARES OUTSTANDING, BASIC	73,307	64,592	49,204
AVERAGE COMMON SHARES OUTSTANDING, DILUTED	74,595	66,235	50,328
PER COMMON SHARE, BASIC:			
Income from continuing operations	\$ 0.96	\$ 1.86	\$ 1.70
Discontinued operations	(0.01)	(0.01)	—
Net income	\$ 0.95	\$ 1.85	\$ 1.70
PER COMMON SHARE, DILUTED:			
Income from continuing operations	\$ 0.94	\$ 1.81	\$ 1.66
Discontinued operations	—	(0.01)	—
Net income	\$ 0.94	\$ 1.80	\$ 1.66

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

Management of The South Financial Group, Inc. ("TSFG") and subsidiaries is committed to quality customer service, enhanced shareholder value, financial stability, and integrity in all dealings. Management has prepared the consolidated financial statements in conformity with U.S. generally accepted accounting principles. The statements include amounts that are based on management's best estimates and judgments. Other financial information in this Report is consistent with the consolidated financial statements. Both the Chief Executive Officer and the Chief Financial Officer have certified that TSFG's 2005 Annual Report on Form 10-K fully complies with the applicable sections of the Securities Exchange Act of 1934 and that the information reported therein fairly represents, in all material respects, the financial position and results of operations of TSFG.

KPMG LLP, an independent registered public accounting firm, audited TSFG's consolidated financial statements and the effectiveness of TSFG's internal control over financial reporting in accordance with standards of the Public Company Accounting Oversight Board (United States). KPMG LLP reviews the results of its audit with both management and the Audit Committee of the Board of Directors of TSFG. The consolidated financial statements have not been reviewed, or confirmed for accuracy or relevance, by the Federal Deposit Insurance Corporation.

The Audit Committee, composed entirely of independent directors, meets periodically with management, TSFG's internal auditors, and KPMG LLP (separately and jointly) to discuss audit, financial reporting, and related matters. KPMG LLP and the internal auditors have direct access to the Audit Committee.



Mack I. Whittle, Jr.
Chairman, President and
Chief Executive Officer



Timothy K. Schools
Executive Vice President and
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
The South Financial Group, Inc.:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The South Financial Group, Inc. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2005 (not presented herein); and in our report dated March 10, 2006, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheets and statements of income is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.



KPMG LLP
Greenville, South Carolina
March 10, 2006

SIX-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(In thousands, except per share data)	At or For the Year Ended December 31,						Five-Year Compound Growth Rate
	2005	2004	2003	2002	2001	2000	
INCOME STATEMENT DATA							
Total revenue ^(a)	\$ 464,266	\$ 460,718	\$ 351,629	\$ 284,706	\$ 228,709	\$ 215,656	16.6%
Total operating revenue ^{(a) (b)}	535,737	458,820	351,490	273,411	225,316	211,980	20.4
Net interest income (tax-equivalent)	415,110	340,197	253,571	212,495	175,189	169,452	19.6
Less: Tax-equivalent adjustment	6,054	4,356	2,681	2,352	2,166	2,341	20.9
Net interest income	409,056	335,841	250,890	210,143	173,023	167,111	19.6
Provision for credit losses	40,592	34,987	20,581	22,266	22,045	23,378	11.7
Total noninterest income	55,210	124,877	100,739	74,563	55,686	48,545	2.6
Operating noninterest income ^(b)	120,627	118,623	97,919	60,916	50,127	42,528	23.2
Total noninterest expenses	328,053	250,244	207,170	162,840	140,820	181,538	12.6
Operating noninterest expenses ^(b)	305,016	236,796	198,564	152,527	137,307	141,769	16.6
Net income as reported, GAAP	69,821	119,508	83,583	63,833	42,101	6,989	58.5
Operating earnings^(b)	126,130	127,308	87,713	63,010	40,485	33,321	30.5
Average common shares outstanding, diluted	74,595	66,235	50,328	42,715	42,824	43,551	11.4
PER COMMON SHARE							
Net income – diluted	\$ 0.94	\$ 1.80	\$ 1.66	\$ 1.49	\$ 0.98	\$ 0.16	42.5%
Operating earnings – diluted^(b)	1.69	1.92	1.74	1.48	0.95	0.77	17.0
Cash dividends declared	0.65	0.61	0.57	0.50	0.45	0.41	9.7
Book value	19.90	19.56	16.46	13.76	11.12	11.04	12.5
Market price	27.54	32.53	27.75	20.66	17.75	13.25	15.8
BALANCE SHEET, AT YEAR-END							
Total assets	\$ 14,319,285	\$13,798,689	\$10,724,715	\$ 7,939,960	\$6,029,557	\$5,220,639	22.4%
Securities	3,159,617	4,310,088	4,007,571	2,572,186	1,643,395	899,544	28.6
Loans held for investment	9,439,395	8,107,757	5,732,205	4,434,011	3,730,250	3,722,552	20.5
Allowance for loan losses	107,767	96,434	72,811	69,625	44,090	42,939	20.2
Intangible assets	691,758	611,450	353,079	242,182	97,140	107,254	45.2
Customer deposits ^(c)	7,895,756	6,454,072	5,330,787	4,047,639	3,462,969	3,795,495	15.8
Wholesale borrowings ^(d)	4,735,197	5,816,153	4,304,095	3,047,792	2,003,489	884,610	39.9
Shareholders' equity	1,486,907	1,393,460	972,299	651,683	458,383	468,653	26.0
BALANCE SHEET, AVERAGES							
Total assets	\$ 14,752,973	\$12,208,069	\$ 9,261,657	\$ 6,496,692	\$5,459,475	\$5,032,700	24.0%
Total earning assets	13,307,956	11,101,951	8,425,590	5,924,077	4,928,970	4,450,016	24.5
Securities ^(e)	4,388,351	4,158,202	3,471,324	1,850,798	1,125,602	875,876	38.0
Loans held for investment	8,848,279	6,909,545	4,864,168	3,969,786	3,759,786	3,545,336	20.1
Deposits	8,631,714	6,899,366	5,144,412	3,852,776	3,687,822	3,699,553	18.5
Interest-bearing liabilities	11,760,594	9,895,706	7,639,100	5,296,907	4,390,433	3,955,138	24.4
Shareholders' equity	1,463,125	1,164,004	709,791	499,579	484,022	479,800	25.0

Note: The selected financial data should be read in conjunction with The South Financial Group's consolidated financial statements and the accompanying notes.

^(a) Total revenue is defined as the sum of net interest income and noninterest income. Total operating revenue is calculated using tax-equivalent net interest income and operating noninterest income.

^(b) Please see page 23 for reconciliations of GAAP to non-GAAP measures.

^(c) Customer deposits are defined as total deposits less brokered deposits.

^(d) Wholesale borrowings include short-term borrowings, long-term borrowings, and brokered deposits.

^(e) Excludes unrealized gains (losses) on available for sale securities.

SIX-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(\$ in thousands)	At or For the Year Ended December 31,					
	2005	2004	2003	2002	2001	2000
RATIOS AS REPORTED, GAAP						
Efficiency ratio ^(a)	70.7%	54.3%	58.9%	57.2%	61.6%	84.2%
Net interest margin (tax-equivalent)	3.12	3.06	3.01	3.59	3.55	3.81
Noninterest income as a % of total revenue	11.9	27.1	28.6	26.2	24.3	22.5
Return on average assets	0.47	0.98	0.90	0.98	0.77	0.14
Return on average equity	4.77	10.27	11.78	12.78	8.70	1.46
Tangible equity to tangible assets	5.83	5.93	5.97	5.32	6.09	7.07
RATIOS, BASED ON OPERATING MEASURES^(b)						
Operating efficiency ratio ^(a)	56.9%	51.6%	56.5%	55.8%	60.9%	66.9%
Net interest margin, including net cash settlement of certain interest rate swaps	3.20	3.31	3.24	3.71	3.58	3.81
As a % of total operating revenue:						
Operating noninterest income	22.5	25.9	27.9	22.3	22.2	20.1
Operating noninterest income, excluding net cash settlement of certain interest rate swaps	20.6	19.9	22.3	19.6	21.6	20.1
Return on average assets, operating	0.85	1.04	0.95	0.97	0.74	0.66
Return on average equity, operating	8.62	10.94	12.36	12.61	8.36	6.94
Cash return on average tangible equity ^(c)	16.51	18.88	20.36	17.14	11.96	10.57
CREDIT QUALITY						
Nonperforming assets ^(d)	\$43,977	\$55,976	\$60,774	\$74,186	\$43,857	\$21,514
Nonperforming assets as a % of loans held for investment and foreclosed property	0.47%	0.69%	1.06%	1.67%	1.17%	0.58%
Net loan charge-offs as a % of average loans held for investment	0.36	0.46	0.62	0.49	0.54	0.39
Allowance for loan losses as a % of loans held for investment	1.14	1.19	1.27	1.57	1.18	1.15
Allowance for loan losses to nonperforming loans	3.24x	2.14x	1.46x	1.09x	1.13x	2.33x
OPERATIONS						
Branch offices	172	154	134	117	90	94
ATMs	167	145	122	105	77	78
Employees (full-time equivalent)	2,607	2,308	1,918	1,700	1,346	1,374

Note: The selected financial data should be read in conjunction with The South Financial Group's consolidated financial statements and the accompanying notes.

^(a) The efficiency ratio is defined as noninterest expenses divided by total revenue. The operating efficiency ratio is defined as operating noninterest expenses divided by total operating revenue.

^(b) Please see page 23 for reconciliations of GAAP to non-GAAP measures.

^(c) Cash return on average tangible equity is defined as cash operating earnings divided by average tangible equity.

^(d) Nonperforming assets include nonperforming loans, other real estate owned and personal property repossessions.

EXPLANATION OF TSFG'S USE OF CERTAIN NON-GAAP FINANCIAL MEASURES

This summary Annual Report contains certain financial measures determined by methods other than in accordance with Generally Accepted Accounting Principles ("GAAP"). TSFG management uses these non-GAAP measures in its analysis of TSFG's performance. TSFG believes presentations of financial measures excluding these non-operating items (referred to as operating measures) provide useful supplemental information, a clearer understanding of TSFG's financial performance, and better reflect TSFG's core operating activities. Management uses operating measures in the calculation of certain of TSFG's ratios, in particular, to analyze on a consistent basis and over a longer period of time, the performance of which it considers to be its core banking operations. TSFG believes the non-GAAP measures enhance investors' understanding of its business and performance. These measures are also useful in understanding performance trends and facilitate comparisons with the performance of others in the financial services industry.

The table provided on page 23 provides reconciliations between GAAP results and non-GAAP performance measures. Operating measures adjust GAAP information to exclude the effects of non-operating items (such as gains or losses on asset sales, changes in fair value of certain interest rate swaps, merger-related costs, early extinguishment of debt, impairment charges, employment contract buyouts, and other non-operating items) and adjust certain measures to exclude or include the net cash settlement of certain interest rate swaps. In addition, TSFG provides data eliminating intangibles and related amortization in order to present data on a "cash operating basis."

The limitations associated with utilizing operating measures and cash basis information are the risk that persons might disagree as to the appropriateness of items comprising these measures and that different companies might calculate these measures differently. Management compensates for these limitations by providing detailed reconciliations between GAAP information and operating measures. These disclosures should not be considered an alternative to GAAP.

RECONCILIATIONS OF GAAP TO NON-GAAP OPERATING MEASURES

(In thousands, except per share data)	For the Year Ended December 31,					
	2005	2004	2003	2002	2001	2000
NONINTEREST INCOME						
Total noninterest income	\$ 55,210	\$ 124,877	\$ 100,739	\$ 74,563	\$ 55,686	\$ 48,545
Non-operating noninterest income:						
Change in fair value of interest rate swaps	13,278	(2,550)	14,237	(7,527)	(787)	–
Loss (gain) on available for sale securities	54,978	(6,998)	(11,080)	(2,985)	(3,458)	5,391
Gain on equity investments	(2,839)	(4,723)	(5,376)	(3,135)	(960)	(9,219)
Impairment of perpetual preferred stock	–	10,367	–	–	–	–
Gain on disposition of assets and liabilities	–	(2,350)	(601)	–	(354)	(2,189)
Non-operating noninterest loss (income)	65,417	(6,254)	(2,820)	(13,647)	(5,559)	(6,017)
Operating noninterest income	\$ 120,627	118,623	97,919	60,916	50,127	42,528
NONINTEREST EXPENSES						
Total noninterest expenses	\$ 328,053	\$ 250,244	\$ 207,170	\$ 162,840	\$ 140,820	\$ 181,538
Non-operating noninterest expenses:						
Employment contract buyouts	(10,327)	(1,080)	(512)	(1,846)	–	(1,161)
Loss on early extinguishment of debt	(7,101)	(1,429)	(2,699)	(354)	(3,106)	–
Merger-related (costs) recoveries	(4,009)	(7,866)	(5,127)	(6,664)	501	(29,198)
Impairment (loss) recovery from write-down of assets	(917)	277	(268)	(1,449)	(243)	(4,090)
Conservation grant of land and other ^(a)	(683)	(3,350)	–	–	(665)	(5,320)
Non-operating noninterest expenses	(23,037)	(13,448)	(8,606)	(10,313)	(3,513)	(39,769)
Operating noninterest expenses	\$ 305,016	\$ 236,796	\$ 198,564	\$ 152,527	\$ 137,307	\$ 141,769
EARNINGS						
Net income as reported, GAAP	\$ 69,821	\$ 119,508	\$ 83,583	\$ 63,833	\$ 42,101	\$ 6,989
Non-operating noninterest loss (income)	65,417	(6,254)	(2,820)	(13,647)	(5,559)	(6,017)
Non-operating noninterest expenses	23,037	13,448	8,606	10,313	3,513	39,769
Related income taxes	(32,541)	116	(1,656)	1,105	712	(10,420)
Discontinued operations, net of tax	396	490	–	–	–	–
Other ^(b)	–	–	–	1,406	(282)	3,000
Operating earnings	126,130	127,308	87,713	63,010	40,485	33,321
Add: Amortization of intangibles, net of tax	5,939	4,089	2,374	1,053	5,196	5,692
Cash operating earnings	\$ 132,069	\$ 131,397	\$ 90,087	\$ 64,063	\$ 45,681	\$ 39,013
Average common shares outstanding, diluted	74,595	66,235	50,328	42,715	42,824	43,551
Per common share:						
Net income – diluted	\$ 0.94	\$ 1.80	\$ 1.66	\$ 1.49	\$ 0.98	\$ 0.16
Operating earnings – diluted	1.69	1.92	1.74	1.48	0.95	0.77
SELECT BALANCE SHEET (AVERAGES)						
Shareholders' equity	\$ 1,463,125	\$ 1,164,004	\$ 709,791	\$ 499,579	\$ 484,022	\$ 479,800
Intangible assets	(663,274)	(468,060)	(267,416)	(125,732)	(102,176)	(110,645)
Tangible equity	799,851	695,944	442,375	373,847	381,846	369,155
NET CASH SETTLEMENT OF CERTAIN INTEREST RATE SWAPS^(c)						
Net interest income (tax-equivalent)	\$ 415,110	\$ 340,197	\$ 253,571	\$ 212,495	\$ 175,189	\$ 169,452
Add: Net cash settlement of certain interest rate swaps	10,360	27,560	19,486	7,396	1,415	–
Net interest income (tax-equivalent), including net cash settlement of certain interest rate swaps	425,470	367,757	273,057	219,891	176,604	169,452
Operating noninterest income	\$ 120,627	\$ 118,623	\$ 97,919	\$ 60,916	\$ 50,127	\$ 42,528
Less: Net cash settlement of certain interest rate swaps	(10,360)	(27,560)	(19,486)	(7,396)	(1,415)	–
Operating noninterest income, excluding net cash settlement of certain interest rate swaps	110,267	91,063	78,433	53,520	48,712	42,528

Notes:

^(a) Other includes charitable contribution of \$683 in 2005, conservation grant of land of \$3,350 in 2004, charitable contribution of premises of \$665 in 2001, and system conversion costs of \$4,021 and charges associated with the Anchor Financial Corporation merger of \$1,299 in 2000.

^(b) Other includes cumulative effect of change in accounting principle, net of tax of \$1,406 in 2002 and \$(282) in 2001 and provision for loan losses to conform Anchor Financial's credit risk methodologies of \$3,000 in 2000.

^(c) Relates to derivatives originally documented under the short-cut method. All of these derivatives have been either terminated or redesignated as hedges under the long-haul method during fourth quarter 2005. TSFG is presenting prior periods to be comparable to these fourth quarter 2005 classifications under hedge accounting. Accordingly, TSFG has presented these non-GAAP measures classifying the net cash settlement for these certain derivatives in net interest income instead of noninterest income.

^(d) The graph on page 16 includes the net cash settlement of certain interest rate swaps, which reduced the interest expense on wholesale borrowings by \$6.1 million for 4Q04, \$4.7 million for 1Q05, \$3.5 million for 2Q05, \$2.4 million for 3Q05, and \$(0.3) million for 4Q05. The yield on securities less cost of wholesale borrowings, on a GAAP basis, totaled 1.36% for 4Q04, 1.31% for 1Q05, 0.95% for 2Q05, 0.54% for 3Q05, and 0.33% for 4Q05.

EXECUTIVE COMMITTEE



left to right: Andrew B. Cheney, William P. Crawford, Jr., J.W. Davis, John C. DuBose, Christopher T. Holmes, William S. Hummers III, Mary A. Jeffrey

Andrew B. Cheney

Chairman, Mercantile Bank
Year Joined TSFG: 2000

William P. Crawford, Jr.

Executive Vice President,
General Counsel
Year Joined TSFG: 2002

J. W. Davis

President,
Carolina First Bank/North Carolina
Year Joined TSFG: 2003

John C. DuBose

President,
Technology Group
Year Joined TSFG: 1998

Christopher T. Holmes

Executive Vice President,
Retail Banking
Year Joined TSFG: 2006

William S. Hummers III

Deputy Chairman,
Chief Risk and Administrative Officer
Year Joined TSFG: 1988

Mary A. Jeffrey

Executive Vice President,
Human Resources
Year Joined TSFG: 2002



left to right: Timothy K. Schools, Kendall L. Spencer, Michael W. Sperry, James W. Terry, Jr., Mack I. Whittle, Jr., Keith D. Williamson

Timothy K. Schools

Executive Vice President,
Chief Financial Officer
Year Joined TSFG: 2004

Kendall L. Spencer

President, Mercantile Bank
Year Joined TSFG: 2000

Michael W. Sperry

Executive Vice President,
Chief Credit Officer
Year Joined TSFG: 1998

James W. Terry, Jr.

President, Carolina First Bank
Year Joined TSFG: 1991

Mack I. Whittle, Jr.

Chairman, President and
Chief Executive Officer
Year Joined TSFG: 1986

Keith D. Williamson

Executive Vice President,
General Auditor
Year Joined TSFG: 2005

BANK LEADERSHIP

BANK PRESIDENT/CHAIRMAN

MARKET PRESIDENTS

CAROLINA FIRST BANK

South Carolina/
Coastal Carolinas

James W. Terry, Jr.

President, Carolina First Bank

Robert E. Brown

Piedmont

Offices: 4 Assets: \$242 million

Years in banking: 36

Years in market: 19

R. Scott Plyler

Coastal

Offices: 28 Assets: \$1,499 million

Years in banking: 14

Years in market: 13

Richard D. Ocheltree

Upstate

Offices: 28 Assets: \$1,313 million

Years in banking: 25

Years in market: 1

F. Justin Strickland

Midlands

Offices: 25 Assets: \$1,113 million

Years in banking: 21

Years in market: 13

CAROLINA FIRST BANK

Western North Carolina

J. W. Davis

President, Carolina First Bank/
North Carolina

Scott M. Frierson

Mountain

Offices: 21 Assets: \$1,304 million

Years in banking: 21

Years in market: 2

MERCANTILE BANK

Florida

Andrew B. Cheney

Chairman, Mercantile Bank

Kendall L. Spencer

President, Mercantile Bank

Donald L. Gaudette, Jr.

Central Florida

Offices: 9 Assets: \$443 million

Years in banking: 22

Years in market: 14

Cynthia S. Stover

Northeast Florida

Offices: 11 Assets: \$614 million

Years in banking: 24

Years in market: 23

Suzanne M. Norris

North Central Florida

Offices: 12 Assets: \$780 million

Years in banking: 20

Years in market: 13

Douglas A. Tuttle

Tampa Bay

Offices: 19 Assets: \$910 million

Years in banking: 23

Years in market: 23

R. Carl Palmer, Jr.

South Florida

Offices: 12 Assets: \$523 million

Years in banking: 42

Years in market: 25

Christopher E. Yancey

Mid Florida

Offices: 3 Assets: \$252 million

Years in banking: 23

Years in market: 23



left to right: William P. Brant, J.W. Davis, C. Claymon Grimes, Jr., M. Dexter Hagy, William S. Hummers III, Challis M. Lowe, Darla D. Moore, Jon W. Pritchett.

William P. Brant

Senior Partner
Brant, Abraham, Reiter, McCormick
& Green, P.A.
Chief Executive Officer
Thayendanegea Timber, LLC

J.W. Davis

President
Carolina First Bank/North Carolina

C. Claymon Grimes, Jr.

Attorney

M. Dexter Hagy

Principal
Vaxa Capital Management, LLC

William S. Hummers III

Deputy Chairman, Chief Risk and
Administrative Officer
The South Financial Group

Challis M. Lowe

Executive Vice President
Dollar General Corporation

Darla D. Moore

Vice President
Rainwater, Inc.

Jon W. Pritchett

President and Chief Executive Officer
Nextran Corporation



left to right: H. Earle Russell, Jr., Charles B. Schooler, Edward J. Sebastian, John C.B. Smith, Jr., William R. Timmons III, Samuel H. Vickers, David C. Wakefield III, Mack I. Whittle, Jr.

H. Earle Russell, Jr., M.D.

Surgeon
Greenville Surgical Associates

Charles B. Schooler, O.D.

Optometrist

Edward J. Sebastian

Retired – Founder, Chairman and
Chief Executive Officer
Resource Bancshares Mortgage Group, Inc
Resource Bancshares Corporation

John C.B. Smith, Jr.

Owner
John C.B. Smith Real Estate
Attorney/Of Counsel
Nelson Mullins Riley & Scarborough LLP

William R. Timmons III

Secretary, Treasurer and Senior
Vice President of Investments
Canal Insurance Company

Samuel H. Vickers

Chairman and Chief Executive Officer
Design Containers, Inc.

David C. Wakefield III

President
Wakefield Enterprises, LLC

Mack I. Whittle, Jr.

Chairman, President and Chief
Executive Officer
The South Financial Group

CAROLINA FIRST BANK

Mary Rainey Belser
Community Volunteer
Converse College Board of Trustees

Robin H. Dial
Partner
Dial, Dunlap & Edwards, LLC

Claude M. Epps, Jr.
Attorney
Bellamy, Rutenberg, Copeland,
Epps, Gravely & Bowers, P.A.

Judd B. Farr (Emeritus)
President
Greenco Beverage Co., Inc.

**Maj. Gen. John S. Grinalds,
USMC (Ret)**
Former President
The Citadel

M. Dexter Hagy
Principal
Vaxa Capital Management, LLC

Michael R. Hogan
President
Puckett, Scheetz & Hogan Insurance

Charles B. McElveen
Co-Owner
Swamp Fox Timber Co.

W. Gairy Nichols III
Principal
Dunes Realty, Inc.

Thomas J. Rogers
Secretary and Treasurer
Strand Media, Inc.

H. Earle Russell, Jr., M.D.
Surgeon
Greenville Surgical Associates

John C.B. Smith, Jr.
Owner
John C.B. Smith Real Estate
Attorney/Of Counsel
Nelson Mullins Riley & Scarborough LLP

Andrew A. Sorensen, Ph.D.
President
University of South Carolina

David H. Swinton, Ph.D.
President
Benedict College

James W. Terry, Jr.
President
Carolina First Bank

William R. Timmons III
Secretary, Treasurer and Senior
Vice President of Investments
Canal Insurance Company

David C. Wakefield III
President
Wakefield Enterprises, LLC

Mack I. Whittle, Jr.
Chairman, President and Chief Executive Officer
The South Financial Group

MERCANTILE BANK

Carlos J. Alfonso
Chief Executive Officer
Alliant Partners, LLC
Alfonso Architects, Inc.

William P. Brant
Senior Partner
Brant, Abraham, Reiter, McCormick &
Green, P.A.
Chief Executive Officer
Thayendanegea Timber, LLC

Audrey S. Bullard
Certified Public Accountant

Gordon W. Campbell
Vice Chairman
Mercantile Bank

Paul D. Causey
President
Causey Fern, Inc.
U.S. Exports, Inc.

Andrew B. Cheney
Chairman
Mercantile Bank

Thomas B. Drage, Jr.
Attorney

William S. Hummers III
Deputy Chairman, Chief Risk and
Administrative Officer
The South Financial Group

Millard K. Joyner
Chief Executive Officer
Joyner Construction Inc.

Algis Koncius
President
Koncius Enterprises, Ltd.

D. Richard Mead, Jr.
President and Chief Executive Officer
D.R. Mead and Company

M. Rodney Metz
Retired/Real Estate Investor

Cecil D. Moore
Moore Foundry & Machine

Louis P. Ortiz
Senior Partner
Garcia & Ortiz, P.A.

R. Carl Palmer, Jr.
South Florida Market President
Mercantile Bank

Joe H. Pickens
Member
Florida House of Representatives
Attorney
Joe H. Pickens, P.A.

Jon W. Pritchett
President and Chief Executive Officer
Nextran Corporation

Marvin H. Pritchett
Chairman
Nextran Corporation
Chief Executive Officer
Pritchett Trucking Inc.

Ross E. Roeder
Chairman
Smart & Final, Inc.

Kendall L. Spencer
President
Mercantile Bank

Michael W. Sperry
Executive Vice President
and Chief Credit Officer
The South Financial Group

William R. Timmons III
Secretary, Treasurer and Senior
Vice President of Investments
Canal Insurance Company

Samuel H. Vickers
Chairman and Chief Executive Officer
Design Containers, Inc.

Mack I. Whittle, Jr.
Chairman, President and Chief Executive Officer
The South Financial Group

Mark E. Wolfson
Certified Public Accountant
Senior Partner
Wolfson & Associates, P.A.

ADVISORY BOARD MEMBERS

Anderson, SC

Chrissy Adams
Robert G. Austin, D.M.D.
David Burriss
Phillip C. Cahaly
Gene Clary
Todd Davidson
Phil Little
Dr. James C. Mills III
Brad W. Moorhouse
Chris Rozakos
Greg Shore
Kim R. Varner
David Wakefield

Charleston, SC

Samuel H. Altman
Henry Berlin
W. Carlyle Blakeney, Jr.
Brian M. Carmody
Joseph P. Griffith, Jr.
Warren F. Lasch
Thomas M. Leland, M.D.
Ernest L. Masters
Dennis E. O'Neill
Thomas J. Parsell
Harold R. Pratt-Thomas, Jr.
Michael C. Robinson
John I. Saalfeld
William S. Stuhr, Sr.
Arthur M. Swanson
O. L. Thompson III

Columbia, SC

Donald H. Burkett
T. Moffatt Burriss
William C. Cantey, Jr.
Craig G. Dawson
Charlie W. Devlin, M.D.
Robin H. Dial
D. Christian Goodall
Charles R. Jackson
S. Stanley Juk, Jr., M.D., FACC
Jerome C. Kline
Robert E. Kneece, Jr.
Robert C. Pulliam
John C. B. Smith, Jr.
John P. Sutton, M.D.
James T. Tharp

Conway, SC

Larry L. Biddle
Jonathan L. Dieter, Jr., M.D.
J. Charley Ray
Bobby J. Smith
Kenneth Ward
William D. Witherspoon

Georgetown County, SC

T. M. Andrews
William S. Duncan
John P. Grimes
William N. Miller III
Charles A. Moore
Mark A. Nash
Louis P. Parsons
L. Payton Parsons, Jr.
Brigadier Gen. Robert B. Plowden, Jr.
Julian A. Reynolds, Jr.
Wright S. Skinner III, M.D.
R. Frank Swinnie, Jr.
John B. Trotter

Greenville, SC

Judy P. Alexander
Glenn E. Batson
Alfred N. Bell, Jr.
Susan J. Bichel
Steven R. Brandt
Nathan A. Einstein
C. Douglass Harper
A. Foster McKissick III
Mary Louise Mims
Jay Mattison Puckett, CPCU, AAI
E. Hays Reynolds III
Porter B. Rose
Morris E. Williams, M.D.

Greenwood, SC

Emmett F. Brooks
Jane Burgdorf
Claire F. Kuhl
Donald A. Long

Henderson/Buncombe County, NC

Thomas L. Cooper
Robert P. Ingle II
James F. Miller III
W. Leonard Overstreet III, M.D.

Lake City, SC

Marlene Askins
Joe F. Boswell
Rev. Matthew C. Brown
William C. Garner, Jr.
Roger K. Kirby
James C. Lynch, Sr.
E. Leroy Nettles, Jr.
William J. Sebnick

Laurens, SC

Lumus Byrd, Jr.
Robert L. Cason
George Cornelson
Joy Gault
Joe J. Gresham
John V. Griffith, Ph.D.
Lykes Henderson, Jr.
J. Jay Peay

Marion/Citrus County, FL

Richard Andrews
Nancy Deichman
Tom Ingram
Michael Paglia
Harvey Vandeven
Sid Varner

McDowell County, NC

Lanetta Byrd
James T. Cook (Emeritus)
E. L. Cunningham
Stephen T. Dirhold
W. Hill Evans
David Ricketts, Ph.D.

Myrtle Beach, SC

Dorothy K. Anderson
James Arakas
J. Carson Benton, Jr.
Penny Boling
Cecil Brandon, Jr.
David L. Brittain
D. Richard Crumpler
Calhoun Cunningham, M.D.
A. Shaw Dargan III
William W. DesChamps
John S. Divine IV
Frank H. DuRant
Miles M. Herring
Douglas R. Martin
Stephen L. McMillan
Leroy Rainbow

North Central, FL

Jon Baxter, D.M.D.
Howard Freeman
Charles Holden, Jr.
Millard K. Joyner
Scott Medley, M.D.
Charles Page
James Parrish, Jr.
Nancy Perry
Jon W. Pritchett
Portia Taylor

North Strand, SC

Jay O. Baldwin III
Martin H. Barrier
John L. Martini, Jr.
Raymond L. Sessions, Jr.
C. Gene Sheppard
Lattie M. Upchurch, Jr.
Terry W. White, Sr.

Northeast, FL

John G. Harrison III
William A. McArthur
A. C. Skinner III
Harvey E. Stringer
Edgar B. Vickers
Mark S. Wood

Oconee County, SC

Roy E. Adams
Gregory Davis
Gary Duncan
Dr. William Gustafson
Dr. Sean McCallum
Alexander Shadwick

Pasco County, FL

Steve Athanassie
Allen S. Crumbley
Gary L. Davis
Patrick I. Epting
David Greene
Guido Mancini
Roger E. Michels
Melissa Nurrenbrock, Ed.D.
Andrew Padova
G. Michael Stone
Steven M. Strobbe, D.O.
Betty Thorp

Pickens County, SC

Drake E. Curry
Roddey E. Gettys
C. E. Lawton
Joel D. Ledbetter
Thomas O'Hanlan
Phil Owens
Christopher P. Robinson
Mendel Stewart

Piedmont, SC (City)

Dr. Thomas A. Devenny, Ph.D.
Norma Hedstrom
Max Kennedy
Dawn Nappi
Elizabeth Pack
T. D. Thomason, D.C.
Jerry Yeargin

Piedmont Region, SC

David G. Anderson
Edwin L. Barnes
William C. Beaty, Jr.
Claude W. Burns III
Fred W. Faircloth III
Hugh L. Harrelson, Sr.
Jerry Padgett, Ph.D.
Richard S. Powell
Betty Jo Rhea
Elvin F. Walker

Pinellas County, FL

Brian Bumbury
Barbara Capalbo
Robert J. Carter
Joseph Connell
Kenneth C. Deacon, Jr.
Larry Garuti
C. L. Glasbrenner
John K. Handel
Thomas M. Harris
Raymond P. Hempstead
Theodore C. Henter, Jr.
Harold R. Hildebrandt
Terry Hunt
Kevin M. Hussey
Al Karnavicius
Vincent Lawrence
Doug Linder
John F. Michel, Jr.
William C. Moore
William Newton
Farhod Nikjeh
Madeleine B. Olster
Dennis A. Palso
Emil Pratesi
P. N. Risser III
Jamilou T. Rosenkrans
Keith Rowland
Michael A. Shaluly
Marga Shefman
Randy L. Stowell
Joel R. Tew
John G. Thomas
Michael Wetzel, D.Min.
Richard D. Wilkes, D.V.M.
Jerry Witts
Michael R. Zoller

Rutherford County, NC

John Mark Bennett, M.D.
Terry M. Campbell
H. Lee Harrill
Todd B. Morse
Peter O'Leary
Timothy J. Ridenhour

Shelby, NC

Sallie Barker
Gaye DeVoe
Hampton C. Hager, Jr.
Mark A. Hudson
Jennie L. Lambert
Stuart H. LeGrand
Michael R. Royster
Robert H. Still

South Florida, FL

John Bourassa
Rafael Cabrera, M.D.
Conrad Damon
Sid Kopperl
Harvey Montijo, M.D.
Matthew Morrall
Stuart Morris
Paul Reidinger
Donald R. Smith
Shane Stafford
Mark Wolfson

South Strand, SC

Mike Arakas
Al Hitchcock
W. Winston Hoy, Jr.
R. Kirkland McQuiddy
W. Gairy Nichols
Jerry W. Oakley
Dennis G. Permenter
E. J. Servant III
Willie C. Shelley, Jr.
John S. Springs
J. Roddy Swaim
Ryan R. Swaim

Tampa Bay, FL

Thomas E. Doozan
P. H. Doyle
David J. Epstein
Jeffrey Greenacre
Theodore Jay Hamilton
Walter D. Harmon
Stephen B. Horton
Perry Jacobsen
Nancy M. Kirk, M.D.
Jefferson C. Knott
Kenneth E. Lane, Jr.
Nicholas Lanese
John Lynch
Van L. McNeel
William R. Potter
John Prahl
Neil J. Rauenhorst
Linda Shattles
Bruce Silverman
John E. Sullivan
Leonard Vandermaast III
Susan Welsh, D.C., CCSP
Jody J. Whitmyer
Millie Woolf

SHAREHOLDER SUMMARY

DIVIDEND INFORMATION

Calendar

Dividends are customarily paid to shareholders of record as follows:

Record Dates: January 15, April 15, July 15, and October 15

Payment Dates: February 1, May 1, August 1, and November 1

Quarterly Dividend Rate

Our current quarterly dividend is \$0.17 per share. Since the first dividend payment in 1994, The South Financial Group has paid consecutive quarterly dividends and increased cash dividends every year.

Direct Deposit

The South Financial Group offers shareholders the convenience of automatic deposit of dividends into personal bank accounts on the same day dividends are paid. For more information, please contact the Transfer Agent by phone at (800) 368-5948 or by e-mail at info@rtco.com.

Dividend Reinvestment Plan

Shareholders may purchase additional shares of common stock by reinvesting cash dividends. Participants in the Plan may also invest additional cash, up to a maximum of \$10,000 per month, for purchase of common stock at market value. For more information, please contact Investor Relations by phone at (888) 592-3001 or by e-mail at investor@thesouthgroup.com.

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 11:00 a.m., April 18, 2006, at the Gunter Theatre, Peace Center for the Performing Arts, Greenville, South Carolina.

SUMMARY ANNUAL REPORT

The 2005 Annual Report is presented in a summary format intended to provide information in a concise, summarized manner that will be meaningful and useful to the widest range of readers. The audited financial statements and detailed analytical schedules are contained in The South Financial Group's Annual Report on Form 10-K for the year ended December 31, 2005, filed with the Securities and Exchange Commission.

STOCK LISTING

The Nasdaq Stock Market

Ticker Symbol: TSFG

STOCK INFORMATION

<i>For the Year</i>	2005	2004	% Change
Stock price ranges (closing price):			
High	\$32.98	\$32.61	1%
Low	25.40	25.85	(2)
Close	27.54	32.53	(15)
Cash dividends paid per share	0.64	0.60	7
Total return to shareholders ^(a)	(13.4%)	19.7%	
Annual shares traded (000's)	68,222	79,910	(15)
<i>At December 31</i>			
Shares outstanding (000's)	74,721	71,252	5
Shareholders of record	8,894	9,101	(2)
Price/net income multiple ^(b)	29.3x	18.1x	
Price/operating earnings multiple ^(c)	16.3	16.9	
Price/book multiple	1.4	1.7	

Notes:

^(a)Based on stock price and cash dividends paid, including reinvested dividends.

^(b)Based on year-end closing stock price divided by net income per share.

^(c)Based on year-end closing stock price divided by operating earnings per share.

FORM 10-K

A copy of The South Financial Group's Annual Report on Form 10-K as filed with the Securities and Exchange Commission is available at no charge by contacting Investor Relations at the address under Contact Information on page 30.

COMPANY INFORMATION

CORPORATE HEADQUARTERS

The South Financial Group
104 South Main Street
Poinsett Plaza, 10th Floor
Greenville, South Carolina 29601
(864) 255-7900
www.thesouthgroup.com

CONTACT INFORMATION

Customer Service

For customers requesting assistance regarding accounts, products or services, please contact our Sales and Service Center by phone at (800) 476-6400 (for NC and SC) or (800) 238-8681 (for FL) or by e-mail at customerassistance@thesouthgroup.com.

Investor Relations

For analysts, investors and others seeking financial information, please contact:

Investor Relations
The South Financial Group
P.O. Box 1029
Greenville, South Carolina 29602
(888) 592-3001
E-mail: investor@thesouthgroup.com

Transfer Agent

For shareholders seeking help with a change of address, records or information about lost certificates, stock transfers, dividends checks or dividend reinvestment, please contact our Transfer Agent:

Registrar and Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016
(800) 368-5948
E-mail: info@rtco.com
www.rtco.com

ON THE INTERNET

News releases and other information about The South Financial Group are available on the Internet at our corporate website, www.thesouthgroup.com.

COMPANY LOCATIONS



South Carolina

Aiken (2)
Anderson (5)
Andrews
Camden
Chapin
Charleston (4)
Clemson
Clinton (2)
Columbia (9)
Conway (2)
Easley (2)
Edgefield
Florence (2)
Fort Mill
Georgetown (2)
Greenville (6)
Greenwood
Greer (2)
Hilton Head (2)
Irmo
Lake City
Laurens
Lexington (2)
Litchfield

Little River
Marion
Mauldin
Moncks Corner
Mount Pleasant
Mullins
Murrells Inlet
Myrtle Beach (3)
N. Myrtle Beach (2)
Newberry
Pendleton
Pickens
Piedmont
Rock Hill (3)
Seneca
Simpsonville
Summerville
Surfside Beach
Swansea
Taylors
Travelers Rest
West Columbia

North Carolina

Asheville (2)
Bakersville
Brevard
Burnsville
Columbus
Fletcher
Forest City
Franklin
Hampstead
Hendersonville (2)
Lake Lure
Marion
Morganton
Rutherfordton
Shelby
Spruce Pine
Sylva
Tryon
Waynesville
Weaversville
Wilmington (4)



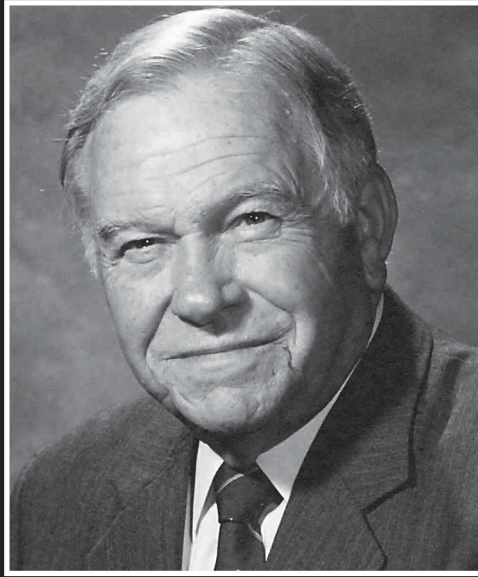
Florida

Apollo Beach
Aventura
Boca Raton (2)
Brandon
Clearwater
Coral Gables
Coral Springs
Crescent City
Crystal River
East Palatka
Fort White
Ft Lauderdale
Gainesville (3)
Glen St. Mary
Interlachen

Inverness
Jacksonville (4)
Kissimmee (2)
Lake Butler
Lake City (3)
Largo
Live Oak
Longwood
Macclenny
Miami (2)
Miami Beach
New Port Richey
Ocala
Ocean Ridge
Orlando (3)

Palatka
Pembroke Pines
Port Richey
S. Ponte Vedra
St. Augustine
St. Augustine Beach
St. Petersburg (4)
Starke
Tampa (7)
Temple Terrace
Tierra Verde
West Palm Beach
Winter Garden
Winter Park (2)





William R. Timmons, Jr.

1924-2005

Trusted Friend and Counsel

The South Financial Group will greatly miss the leadership and counsel of William R. “Bill” Timmons, Jr., a civic leader, visionary, advisor and friend. As a founding Director and Chairman of The South Financial Group, Bill steered the company through years of growth and expansion, helping us remain true to our original vision. He was highly respected throughout our organization, not only for his thoughtful consideration of issues, but also for his ability to face any challenge with integrity. In our “well-mapped strategy,” Bill Timmons was always there to ensure we remained on course. The South Financial Group – and the Greenville community – mourn his passing.



THE SOUTH | FINANCIAL GROUP

104 South Main Street / Poinsett Plaza, 10th Floor
Greenville, South Carolina 29601

(864) 255-7900

www.thesouthgroup.com