

SOUTHERN FIRST BANCSHARES INC
Form 10-Q
April 26, 2017

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2017
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from _____ to _____
Commission file number 000-27719

Southern First Bancshares, Inc.

(Exact name of registrant as specified in its charter)

South Carolina

(State or other jurisdiction of incorporation or organization)

58-2459561

(I.R.S. Employer Identification No.)

**100 Verdae Boulevard, Suite 100
Greenville, S.C.**

(Address of principal executive offices)

29606

(Zip Code)

864-679-9000

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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 definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

Smaller Reporting Company

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Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 6,480,164 shares of common stock, par value \$0.01 per share, were issued and outstanding as of April 17, 2017.

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SOUTHERN FIRST BANCSHARES, INC. AND SUBSIDIARY

March 31, 2017 Form 10-Q

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CONSOLIDATED BALANCE SHEETS**

(dollars in thousands, except share data)	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$ 14,339	11,574
Federal funds sold	86,466	24,039
Interest-bearing deposits with banks	20,427	10,939
Total cash and cash equivalents	121,232	46,552
Investment securities:		
Investment securities available for sale	62,836	64,480
Other investments	5,523	5,742
Total investment securities	68,359	70,222
Mortgage loans held for sale	7,452	7,801
Loans	1,218,680	1,163,644
Less allowance for loan losses	(15,287)	(14,855)
Loans, net	1,203,393	1,148,789
Bank owned life insurance	25,654	25,471
Property and equipment, net	29,990	28,362
Deferred income taxes	5,029	6,825
Other assets	6,829	6,886
Total assets	\$ 1,467,938	1,340,908
LIABILITIES		
Deposits	\$ 1,211,274	1,091,151
Federal Home Loan Bank advances and other borrowings	117,700	115,200
Junior subordinated debentures	13,403	13,403
Other liabilities	11,995	11,282
Total liabilities	1,354,372	1,231,036
SHAREHOLDERS EQUITY		
Preferred stock, par value \$.01 per share, 10,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, par value \$.01 per share, 10,000,000 shares authorized, 6,480,164 and 6,463,789 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	65	65
Nonvested restricted stock	(669)	(600)
Additional paid-in capital	73,865	73,371
Accumulated other comprehensive income (loss)	(347)	(504)
Retained earnings	40,652	37,540
Total shareholders equity	113,566	109,872
Total liabilities and shareholders equity	\$ 1,467,938	1,340,908

See notes to consolidated financial statements that are an integral part of these consolidated statements.

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SOUTHERN FIRST BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	For the three months ended March 31,	
	2017	2016
(dollars in thousands, except share data)		
Interest income		
Loans	13,526	11,795
Investment securities	376	489
Federal funds sold	57	45
Total interest income	13,959	12,329
Interest expense		
Deposits	1,249	988
Borrowings	1,103	1,034
Total interest expense	2,352	2,022
Net interest income	11,607	10,307
Provision for loan losses	500	625
Net interest income after provision for loan losses	11,107	9,682
Noninterest income		
Mortgage banking income	1,057	1,447
Service fees on deposit accounts	278	220
Income from bank owned life insurance	183	186
Gain on sale of investment securities	-	307
Other income	533	399
Total noninterest income	2,051	2,559
Noninterest expenses		
Compensation and benefits	5,273	4,551
Occupancy	967	870
Real estate owned expenses	13	285
Outside service and data processing costs	745	598
Insurance	289	233
Professional fees	313	254
Marketing	210	231
Other	550	495
Total noninterest expenses	8,360	7,517
Income before income tax expense	4,798	4,724
Income tax expense	1,686	1,718
Net income available to common shareholders	3,112	3,006
Earnings per common share		
Basic	0.48	0.48
Diluted	0.46	0.45
Weighted average common shares outstanding		
Basic	6,437,231	6,272,847
Diluted	6,829,590	6,663,432

See notes to consolidated financial statements that are an integral part of these consolidated statements.

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**SOUTHERN FIRST BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)**

(dollars in thousands)	2017	For the three months ended March 31, 2016
Net income	3,112	3,006
Other comprehensive income (loss):		
Unrealized gain (loss) on securities available for sale:		
Unrealized holding gain (loss) arising during the period, pretax	238	1,092
Tax (expense) benefit	(81)	(371)
Reclassification of realized gain	-	(307)
Tax expense	-	104
Other comprehensive income (loss)	157	518
Comprehensive income	3,269	3,524

See notes to consolidated financial statements that are an integral part of these consolidated statements.

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**SOUTHERN FIRST BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016
(Unaudited)**

	Common stock		Preferred stock		Nonvested restricted	Additional paid-in	Accumulated comprehensive
	Shares	Amount	Shares	Amount	stock	capital	income
(dollars in thousands, except share data)							
December 31, 2015	6,289,038	63	-	-	(360)	70,037	
Net income	-	-	-	-	-	-	-
Proceeds from exercise of stock options	37,950	-	-	-	-	285	-
Issuance of restricted stock	17,000	-	-	-	(391)	391	-
Amortization of deferred compensation on restricted stock	-	-	-	-	70	-	-
Compensation expense related to stock options, net of tax	-	-	-	-	-	176	-
Other comprehensive income	-	-	-	-	-	-	-
March 31, 2016	6,343,988	\$ 63	-	\$ -	\$ (681)	\$ 70,889	\$ -
December 31, 2016	6,463,789	65	-	-	(600)	73,371	
Net income	-	-	-	-	-	-	-
Proceeds from exercise of stock options	13,250	-	-	-	-	112	-
Issuance of restricted stock	3,125	-	-	-	(146)	146	-
Amortization of deferred compensation on restricted stock	-	-	-	-	77	-	-
Compensation expense related to stock options, net of tax	-	-	-	-	-	236	-
Other comprehensive income	-	-	-	-	-	-	-
March 31, 2017	6,480,164	\$ 65	-	\$ -	\$ (669)	\$ 73,865	\$ -

See notes to consolidated financial statements that are an integral part of these consolidated statements.

Table of Contents**SOUTHERN FIRST BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

(dollars in thousands)	For the three months ended March 31,	
	2017	2016
Operating activities		
Net income	\$ 3,112	\$ 3,006
Adjustments to reconcile net income to cash provided by (used for) operating activities:		
Provision for loan losses	500	625
Depreciation and other amortization	309	315
Accretion and amortization of securities discounts and premium, net	132	120
Gain on sale of investment securities available for sale	-	(307)
Loss on sale of real estate owned	-	51
Write-down of real estate owned	-	125
Compensation expense related to stock options and grants	313	246
Gain on sale of loans held for sale	(1,001)	(1,447)
Loans originated and held for sale	(36,570)	(52,034)
Proceeds from sale of loans held for sale	37,920	44,183
Increase in cash surrender value of bank owned life insurance	(183)	(186)
Decrease in deferred tax asset	1,714	369
Decrease in other assets, net	87	62
Increase in other liabilities	713	461
Net cash provided by (used for) operating activities	7,046	(4,411)
Investing activities		
Increase (decrease) in cash realized from:		
Origination of loans, net	(55,134)	(34,519)
Purchase of property and equipment	(1,937)	(854)
Purchase of investment securities:		
Available for sale	-	-
Other	(1,386)	(168)
Payments and maturities, calls and repayments of investment securities:		
Available for sale	1,751	3,203
Other	1,605	-
Proceeds from sale of investment securities available for sale	-	10,603
Proceeds from sale of real estate owned	-	260
Net cash used for investing activities	(55,101)	(21,475)
Financing activities		
Increase (decrease) in cash realized from:		
Increase in deposits, net	120,123	17,508
Increase in Federal Home Loan Bank advances and other borrowings, net	2,500	-
Proceeds from the exercise of stock options and warrants	112	285
Net cash provided by financing activities	122,735	17,793
Net increase (decrease) in cash and cash equivalents	74,680	(8,093)
Cash and cash equivalents at beginning of the period	46,552	62,866
Cash and cash equivalents at end of the period	\$ 121,232	\$ 54,773
Supplemental information		
Cash paid for		
Interest	\$ 2,339	\$ 1,767
Income taxes	-	1,350
Schedule of non-cash transactions		
Real estate acquired in settlement of loans	-	245
Unrealized gain (loss) on securities, net of income taxes	(157)	(721)

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See notes to consolidated financial statements that are an integral part of these consolidated statements.

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**SOUTHERN FIRST BANCSHARES, INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 Nature of Business and Basis of Presentation

Business Activity

Southern First Bancshares, Inc. (the "Company") is a South Carolina corporation that owns all of the capital stock of Southern First Bank (the "Bank") and all of the stock of Greenville First Statutory Trust I and II (collectively, the "Trusts"). The Trusts are special purpose non-consolidated entities organized for the sole purpose of issuing trust preferred securities. The Bank's primary federal regulator is the Federal Deposit Insurance Corporation (the "FDIC"). The Bank is also regulated and examined by the South Carolina Board of Financial Institutions. The Bank is primarily engaged in the business of accepting demand deposits and savings deposits insured by the FDIC, and providing commercial, consumer and mortgage loans to the general public.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on March 3, 2017. The consolidated financial statements include the accounts of the Company and the Bank. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, Consolidation, the financial statements related to the Trusts have not been consolidated.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amount of income and expenses during the reporting periods. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, real estate acquired in the settlement of loans, fair value of financial instruments, evaluating other-than-temporary-impairment of investment securities and valuation of deferred tax assets.

Business Segments

The Company began reporting its activities as three business segments Commercial and Retail Banking, Mortgage Banking and Corporate in 2016. In determining proper segment definition, the Company considers the materiality of a potential segment and components of the business about which financial information is available and regularly evaluated, relative to a resource allocation and performance assessment. The Company accounts for intersegment revenues and expenses as if the revenue/expense transactions were generated to third parties, that is, at current market prices. Please refer to Note 9 Reportable Segments for further information on the reporting for the Company's three business segments.

Reclassifications

Certain amounts, previously reported, have been reclassified to state all periods on a comparable basis and had no effect on shareholders' equity or net income.

Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. Non-recognized subsequent events are events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date. Management performed an evaluation to determine whether there have been any subsequent events since the balance sheet date and determined that no subsequent events occurred requiring accrual or disclosure.

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The amortized costs and fair value of investment securities are as follows:

(dollars in thousands)	Amortized Cost	Gross Unrealized		March 31, 2017
		Gains	Losses	Fair Value
Available for sale				
US government agencies	\$ 6,266	4	90	6,180
SBA securities	1,436	-	16	1,420
State and political subdivisions	20,584	186	198	20,572
Mortgage-backed securities	35,076	14	426	34,664
Total investment securities available for sale	\$ 63,362	204	730	62,836

(dollars in thousands)	Amortized Cost	Gross Unrealized		December 31, 2016
		Gains	Losses	Fair Value
Available for sale				
US government agencies	\$ 6,271	1	113	6,159
SBA securities	1,453	-	16	1,437
State and political subdivisions	20,625	141	292	20,474
Mortgage-backed securities	36,895	21	506	36,410
Total investment securities available for sale	\$ 65,244	163	927	64,480

During the first quarter of 2017, there were no investment securities either sold or called. During the first quarter of 2016, approximately \$12.2 million of investment securities were either sold or called, subsequently resulting in a gain on sale of \$307,000.

Contractual maturities and yields on the Company's investment securities at March 31, 2017 and December 31, 2016 are shown in the following table. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

(dollars in thousands)	March 31, 2017									
	Less than one year		One to five years		Five to ten years		Over ten years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Available for sale										
US government agencies	\$ -	-	2,014	1.61%	4,166	2.27%	-	-	6,180	2.06%
SBA securities	-	-	-	-	-	-	1,420	1.56%	1,420	1.56%
State and political subdivisions	-	-	2,822	1.80%	12,063	2.36%	5,687	2.82%	20,572	2.41%
Mortgage-backed securities	-	-	-	-	8,014	1.66%	26,650	1.82%	34,664	1.78%
Total	\$ -	-	4,836	1.72%	24,243	2.11%	33,757	1.98%	62,836	2.01%

(dollars in thousands)	December 31, 2016									
	Less than one year		One to five years		Five to ten years		Over ten years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Available for sale										
US government agencies	\$ -	-	997	1.15%	5,162	2.23%	-	-	6,159	2.06%
SBA securities	-	-	-	-	-	-	1,437	1.32%	1,437	1.32%
State and political subdivisions	-	-	2,271	1.73%	12,287	2.35%	5,916	2.77%	20,474	2.40%
Mortgage-backed securities	-	-	-	-	8,527	1.64%	27,883	1.68%	36,410	1.67%
Total	\$ -	-	3,268	1.55%	25,976	2.10%	35,236	1.85%	64,480	1.93%

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investment is probable. All of the FHLB stock is used to collateralize advances with the FHLB.

At March 31, 2017, \$20.7 million of securities were pledged as collateral for repurchase agreements from brokers and no securities were pledged to secure client deposits. At December 31, 2016, \$21.0 million of securities were pledged as collateral for repurchase agreements from brokers, and approximately \$21.1 million of securities were pledged to secure client deposits.

Table of Contents**NOTE 3 Mortgage Loans Held for Sale**

Mortgage loans originated and intended for sale in the secondary market are reported as loans held for sale and carried at fair value under the fair value option, which was adopted by the Company on April 1, 2016, with changes in fair value recognized in current period earnings. At the date of funding of the mortgage loan held for sale, the funded amount of the loan, the related derivative asset or liability of the associated interest rate lock commitment, less direct loan costs becomes the initial recorded investment in the loan held for sale. Such amount approximates the fair value of the loan. At March 31, 2017, mortgage loans held for sale totaled \$7.5 million compared to \$7.8 million at December 31, 2016.

Mortgage loans held for sale are considered de-recognized, or sold, when the Company surrenders control over the financial assets. Control is considered to have been surrendered when the transferred assets have been isolated from the Company, beyond the reach of the Company and its creditors; the purchaser obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and the Company does not maintain effective control over the transferred assets through an agreement that both entitles and obligates the Company to repurchase or redeem the transferred assets before their maturity or the ability to unilaterally cause the holder to return specific assets.

Gains and losses from the sale of mortgage loans are recognized based upon the difference between the sales proceeds and carrying value of the related loans upon sale and are recorded in mortgage banking income in the statement of income. Mortgage banking income also includes the unrealized gains and losses associated with the loans held for sale and the realized and unrealized gains and losses from derivatives.

Mortgage loans sold by the Company to investors and which were believed to have met investor and agency underwriting guidelines at the time of sale may be subject to repurchase or indemnification in the event of specific default by the borrower or subsequent discovery that underwriting standards were not met. The Company may, upon mutual agreement, agree to repurchase the loans or indemnify the investor against future losses on such loans. In such cases, the Company bears any subsequent credit loss on the loans.

NOTE 4 Loans and Allowance for Loan Losses

The following table summarizes the composition of our loan portfolio. Total gross loans are recorded net of deferred loan fees and costs, which totaled \$2.1 million as of March 31, 2017 and \$2.0 million as of December 31, 2016.

(dollars in thousands)	Amount	March 31, 2017 % of Total	Amount	December 31, 2016 % of Total
Commercial				
Owner occupied RE	\$ 288,300	23.7%	\$ 285,938	24.6%
Non-owner occupied RE	258,449	21.2%	239,574	20.6%
Construction	36,889	3.0%	33,393	2.9%
Business	208,590	17.1%	202,552	17.4%
Total commercial loans	792,228	65.0%	761,457	65.5%
Consumer				
Real estate	230,695	18.9%	215,588	18.5%
Home equity	143,673	11.8%	137,105	11.8%
Construction	31,535	2.6%	31,922	2.7%
Other	20,549	1.7%	17,572	1.5%
Total consumer loans	426,452	35.0%	402,187	34.5%
Total gross loans, net of deferred fees	1,218,680	100.0%	1,163,644	100.0%
Less allowance for loan losses	(15,287)		(14,855)	
Total loans, net	\$ 1,203,393		\$ 1,148,789	

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The information in the following tables summarizes the loan maturity distribution by type and related interest rate characteristics based on the contractual maturities of individual loans, including loans which may be subject to renewal at their contractual maturity. Renewal of such loans is subject to review and credit approval, as well as modification of terms upon maturity. Actual repayments of loans may differ from the maturities reflected below, because borrowers have the right to prepay obligations with or without prepayment penalties.

	March 31, 2017			
(dollars in thousands)	One year or less	After one but within five years	After five years	Total
Commercial				
Owner occupied RE	\$ 22,336	149,371	116,593	288,300
Non-owner occupied RE	33,669	140,116	84,664	258,449
Construction	9,077	11,358	16,454	36,889
Business	62,790	106,729	39,071	208,590
Total commercial loans	127,872	407,574	256,782	792,228
Consumer				
Real estate	28,754	52,367	149,574	230,695
Home equity	7,391	29,494	106,788	143,673
Construction	15,762	606	15,167	31,535
Other	6,600	9,629	4,320	20,549
Total consumer loans	58,507	92,096	275,849	426,452
Total gross loans, net of deferred fees	\$ 186,379	499,670	532,631	1,218,680
Loans maturing after one year with:				
Fixed interest rates				\$ 778,861
Floating interest rates				253,440

	December 31, 2016			
(dollars in thousands)	One year or less	After one but within five years	After five years	Total
Commercial				
Owner occupied RE	\$ 26,062	145,419	114,457	285,938
Non-owner occupied RE	34,685	142,261	62,628	239,574
Construction	5,881	9,558	17,954	33,393
Business	66,361	99,255	36,936	202,552
Total commercial loans	132,989	396,493	231,975	761,457
Consumer				
Real estate	26,342	49,832	139,414	215,588
Home equity	7,142	29,041	100,922	137,105
Construction	14,103	627	17,192	31,922
Other	5,049	9,305	3,218	17,572
Total consumer	52,636	88,805	260,746	402,187
Total gross loan, net of deferred fees	\$ 185,625	485,298	492,721	1,163,644
Loans maturing after one year with:				
Fixed interest rates				\$ 733,892
Floating interest rates				244,127

Portfolio Segment Methodology*Commercial*

Commercial loans are assessed for estimated losses by grading each loan using various risk factors identified through periodic

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reviews. The Company applies historic grade-specific loss factors to each loan class. In the development of statistically derived loan grade loss factors, the Company observes historical losses over 20 quarters for each loan grade. These loss estimates are adjusted as appropriate based on additional analysis of external loss data or other risks identified from current economic conditions and credit quality trends. The allowance also includes an amount for the estimated impairment on nonaccrual commercial loans and commercial loans modified in a troubled debt restructuring (TDR), whether on accrual or nonaccrual status.

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For consumer loans, the Company determines the allowance on a collective basis utilizing historical losses over 20 quarters to represent its best estimate of inherent loss. The Company pools loans, generally by loan class with similar risk characteristics. The allowance also includes an amount for the estimated impairment on nonaccrual consumer loans and consumer loans modified in a TDR, whether on accrual or nonaccrual status.

Credit Quality Indicators*Commercial*

We manage a consistent process for assessing commercial loan credit quality by monitoring its loan grading trends and past due statistics. All loans are subject to individual risk assessment. Our risk categories include Pass, Special Mention, Substandard, and Doubtful, each of which is defined by banking regulatory agencies. Delinquency statistics are also an important indicator of credit quality in the establishment of our allowance for credit losses.

We categorize our loans into risk categories based on relevant information about the ability of the borrower to service their debt such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. A description of the general characteristics of the risk grades is as follows:

Pass These loans range from minimal credit risk to average however still acceptable credit risk.

Special mention A special mention loan has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or the institution's credit position at some future date.

Substandard A substandard loan is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness, or weaknesses, that may jeopardize the liquidation of the debt. A substandard loan is characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful A doubtful loan has all of the weaknesses inherent in one classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of the currently existing facts, conditions and values, highly questionable and improbable.

The tables below provide a breakdown of outstanding commercial loans by risk category.

	March 31, 2017				
	Owner	Non-owner			
(dollars in thousands)	occupied RE	occupied RE	Construction	Business	Total
Pass	\$ 282,726	253,421	36,889	198,953	771,989
Special mention	3,164	976	-	3,735	7,875
Substandard	2,410	4,052	-	5,902	12,364
Doubtful	-	-	-	-	-
	\$ 288,300	258,449	36,889	208,590	792,228

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	December 31, 2016				
	Owner occupied RE	Non-owner occupied RE	Construction	Business	Total
Pass	\$ 282,055	234,957	33,393	193,517	743,922
Special mention	1,097	975	-	2,489	4,561
Substandard	2,786	3,642	-	6,546	12,974
Doubtful	-	-	-	-	-
	\$ 285,938	239,574	33,393	202,552	761,457

The following tables provide past due information for outstanding commercial loans and include loans on nonaccrual status as well as accruing TDRs.

	March 31, 2017				
(dollars in thousands)	Owner occupied RE	Non-owner occupied RE	Construction	Business	Total
Current	\$ 288,035	256,991	36,889	206,466	788,381
30-59 days past due	-	416	-	651	1,067
60-89 days past due	249	-	-	1,100	1,349
Greater than 90 Days	16	1,042	-	373	1,431
	\$ 288,300	258,449	36,889	208,590	792,228

	December 31, 2016				
	Owner occupied RE	Non-owner occupied RE	Construction	Business	Total
Current	\$ 284,700	238,346	33,393	200,624	757,063
30-59 days past due	981	-	-	1,423	2,404
60-89 days past due	257	56	-	-	313
Greater than 90 Days	-	1,172	-	505	1,677
	\$ 285,938	239,574	33,393	202,552	761,457

As of March 31, 2017 and December 31, 2016, loans 30 days or more past due represented 0.45% and 0.55% of the Company's total loan portfolio, respectively. Commercial loans 30 days or more past due were 0.32% and 0.38% of the Company's total loan portfolio as of March 31, 2017 and December 31, 2016, respectively.

Consumer

The Company manages a consistent process for assessing consumer loan credit quality by monitoring its loan grading trends and past due statistics. All loans are subject to individual risk assessment. The Company's categories include Pass, Special Mention, Substandard, and Doubtful, which are defined above. Delinquency statistics are also an important indicator of credit quality in the establishment of the allowance for loan losses.

The tables below provide a breakdown of outstanding consumer loans by risk category.

	March 31, 2017				
(dollars in thousands)	Real estate	Home equity	Construction	Other	Total
Pass	\$ 226,785	140,439	31,535	20,428	419,187
Special mention	860	2,184	-	24	3,068
Substandard	3,050	1,050	-	97	4,197
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
	\$ 230,695	143,673	31,535	20,549	426,452

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	December 31, 2016				
	Real estate	Home equity	Construction	Other	Total
Pass	\$ 211,563	134,124	31,922	17,485	395,094
Special mention	1,064	2,109	-	16	3,189
Substandard	2,961	872	-	71	3,904
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
	\$ 215,588	137,105	31,922	17,572	402,187

The following tables provide past due information for outstanding consumer loans and include loans on nonaccrual status as well as accruing TDRs.

	March 31, 2017				
(dollars in thousands)	Real estate	Home equity	Construction	Other	Total
Current	\$ 229,729	143,078	31,535	20,510	424,852
30-59 days past due	413	209	-	39	661
60-89 days past due	553	129	-	-	682
Greater than 90 Days	-	257	-	-	257
	\$ 230,695	143,673	31,535	20,549	426,452

	December 31, 2016				
	Real estate	Home equity	Construction	Other	Total
Current	\$ 214,228	136,638	31,922	17,427	400,215
30-59 days past due	1,041	210	-	126	1,377
60-89 days past due	282	-	-	-	282