

SOUTHERN FIRST BANCSHARES INC
Form 10-Q
October 31, 2016
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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 September 30, 2016
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

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

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
6,382,666 shares of common stock, par value \$0.01 per share, were issued and outstanding as of October 25, 2016.

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SOUTHERN FIRST BANCSHARES, INC. AND SUBSIDIARY
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CONSOLIDATED BALANCE SHEETS**

(dollars in thousands, except share data)	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$ 11,215	12,280
Federal funds sold	20,584	33,582
Interest-bearing deposits with banks	10,111	17,004
Total cash and cash equivalents	41,910	62,866
Investment securities:		
Investment securities available for sale	67,874	89,939
Other investments	5,741	5,532
Total investment securities	73,615	95,471
Mortgage loans held for sale	9,126	4,943
Loans	1,114,099	1,004,944
Less allowance for loan losses	(14,478)	(13,629)
Loans, net	1,099,621	991,315
Bank owned life insurance	25,288	24,735
Property and equipment, net	27,325	24,185
Deferred income taxes	5,990	6,923
Other assets	6,871	6,855
Total assets	\$ 1,289,746	1,217,293
LIABILITIES		
Deposits	\$ 1,045,075	985,733
Federal Home Loan Bank advances and other borrowings	115,200	115,200
Junior subordinated debentures	13,403	13,403
Other liabilities	10,045	8,717
Total liabilities	1,183,723	1,123,053
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, 6,382,666 and 6,289,038 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	64	63
Nonvested restricted stock	(675)	(360)
Additional paid-in capital	71,649	70,037
Accumulated other comprehensive income (loss)	736	(4)
Retained earnings	34,249	24,504
Total shareholders equity	106,023	94,240
Total liabilities and shareholders equity	\$ 1,289,746	1,217,293

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)

(dollars in thousands, except share data)	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
Interest income				
Loans	\$ 12,486	\$ 11,362	36,280	32,703
Investment securities	395	371	1,342	1,102
Federal funds sold	31	33	122	79
Total interest income	12,912	11,766	37,744	33,884
Interest expense				
Deposits	957	941	2,891	2,563
Borrowings	1,075	987	3,153	2,922
Total interest expense	2,032	1,928	6,044	5,485
Net interest income	10,880	9,838	31,700	28,399
Provision for loan losses	825	875	2,025	2,500
Net interest income after provision for loan losses	10,055	8,963	29,675	25,899
Noninterest income				
Mortgage banking income	2,003	1,332	5,685	3,816
Service fees on deposit accounts	269	230	732	676
Income from bank owned life insurance	187	167	553	498
Gain on sale of investment securities	106	2	431	297
Other income	452	393	1,320	1,093
Total noninterest income	3,017	2,124	8,721	6,380
Noninterest expenses				
Compensation and benefits	4,948	4,313	14,353	12,695
Occupancy	908	845	2,670	2,424
Real estate owned expenses	81	148	725	1,003
Data processing and related costs	690	588	1,916	1,747
Insurance	227	215	678	630
Professional fees	326	180	864	646
Marketing	195	217	625	677
Other	425	365	1,339	1,155
Total noninterest expenses	7,800	6,871	23,170	20,977
Income before income tax expense	5,272	4,216	15,226	11,302
Income tax expense	1,839	1,489	5,481	3,987
Net income available to common shareholders	\$ 3,433	2,727	9,745	7,315
Earnings per common share				
Basic	\$ 0.54	0.44	1.55	1.18
Diluted	\$ 0.51	0.41	1.45	1.12
Weighted average common shares outstanding				
Basic	6,322,073	6,205,877	6,299,009	6,194,418
Diluted	6,740,751	6,579,448	6,702,475	6,542,896

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)	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
Net income	\$3,433	\$2,727	9,745	7,315
Other comprehensive income (loss):				
Unrealized gain (loss) on securities available for sale:				
Unrealized holding gain (loss) arising during the period, pretax	(222)	604	1,552	272
Tax (expense) benefit	75	(205)	(528)	(92)
Reclassification of realized gain	(106)	(2)	(431)	(297)
Tax expense	37	1	147	101
Other comprehensive income (loss)	(216)	398	740	(16)
Comprehensive income	\$3,217	\$3,125	10,485	7,299

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 NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(Unaudited)**

	Common stock		Preferred stock	Nonvested restricted stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total	
	Shares	Amount	Shares	Amount	Amount	Amount	Amount	Amount	
(dollars in thousands, except share data)									
December 31, 2014	6,219,002	\$62	-	-	\$(494)	\$68,785	\$302	\$14,337	\$82,992
Net income	-	-	-	-	-	-	-	7,315	7,315
Proceeds from exercise of stock options	24,130	-	-	-	-	189	-	-	189
Amortization of deferred compensation on restricted stock	-	-	-	-	144	-	-	-	144
Compensation expense related to stock options, net of tax	-	-	-	-	-	426	-	-	426
Other comprehensive loss	-	-	-	-	-	-	(16)	-	(16)
September 30, 2015	6,243,132	62	-	-	(350)	69,400	286	21,652	91,050
December 31, 2015	6,289,038	63	-	-	(360)	70,037	(4)	24,504	94,240
Net income	-	-	-	-	-	-	-	9,745	9,745
Proceeds from exercise of stock options	71,628	1	-	-	-	533	-	-	534
Issuance of restricted stock	22,000	-	-	-	(526)	526	-	-	-