

SOUTHERN FIRST BANCSHARES INC
Form 10-Q
May 02, 2016

**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, 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 ☐

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 6,343,988 shares of common stock, par value \$0.01 per share, were issued and outstanding as of April 27, 2016.

SOUTHERN FIRST BANCSHARES, INC. AND SUBSIDIARY
March 31, 2016 Form 10-Q

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PART I. CONSOLIDATED FINANCIAL INFORMATION
Item 1. CONSOLIDATED FINANCIAL STATEMENTS

SOUTHERN FIRST BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
(dollars in thousands, except share data)		
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$ 19,921	12,280
Federal funds sold	19,174	33,582
Interest-bearing deposits with banks	15,678	17,004
Total cash and cash equivalents	54,773	62,866
Investment securities:		
Investment securities available for sale	77,065	89,939
Other investments	5,740	5,532
Total investment securities	82,805	95,471
Loans held for sale	14,241	4,943
Loans	1,038,862	1,004,944
Less allowance for loan losses	(13,898)	(13,629)
Loans, net	1,024,964	991,315
Bank owned life insurance	24,921	24,735
Property and equipment, net	24,724	24,185
Deferred income taxes	6,287	6,923
Other assets	6,602	6,855
Total assets	\$ 1,239,317	1,217,293
LIABILITIES		
Deposits	\$ 1,003,241	985,733
Federal Home Loan Bank advances and other borrowings	115,200	115,200
Junior subordinated debentures	13,403	13,403
Other liabilities	9,178	8,717
Total liabilities	1,141,022	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, 6,343,988 and 6,289,038 shares issued and outstanding at March 31, 2016 and December 31, 2015, respectively	63	63
Nonvested restricted stock	(681)	(360)
Additional paid-in capital	70,889	70,037
Accumulated other comprehensive income (loss)	514	(4)
Retained earnings	27,510	24,504
Total shareholders' equity	98,295	94,240
Total liabilities and shareholders' equity	\$ 1,239,317	1,217,293

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

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

	For the three months ended March 31,	
	2016	2015
(dollars in thousands, except share data)		
Interest income		
Loans	\$ 11,795	10,400
Investment securities	489	376
Federal funds sold	45	25
Total interest income	12,329	10,801
Interest expense		
Deposits	988	768
Borrowings	1,034	963
Total interest expense	2,022	1,731
Net interest income	10,307	9,070
Provision for loan losses	625	625
Net interest income after provision for loan losses	9,682	8,445
Noninterest income		
Loan and mortgage fee income	1,517	1,196
Service fees on deposit accounts	220	227
Income from bank owned life insurance	186	166
Gain on sale of investment securities	307	259
Other income	329	293
Total noninterest income	2,559	2,141
Noninterest expenses		
Compensation and benefits	4,551	4,277
Occupancy	870	737
Real estate owned expenses	285	763
Data processing and related costs	598	585
Insurance	233	202
Professional fees	254	233
Marketing	231	238
Other	495	426
Total noninterest expenses	7,517	7,461
Income before income tax expense	4,724	3,125
Income tax expense	1,718	1,097
Net income available to common shareholders	\$ 3,006	2,028
Earnings per common share		
Basic	\$ 0.48	0.33
Diluted	\$ 0.45	0.31
Weighted average common shares outstanding		
Basic	6,272,847	6,225,252
Diluted	6,663,432	6,514,873

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

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

	For the three months ended March 31,	
(dollars in thousands)	2016	2015
Net income	\$ 3,006	2,028
Other comprehensive income:		
Unrealized gain on securities available for sale:		
Unrealized holding gain arising during the period, pretax	1,092	357
Tax expense	(371)	(121)
Reclassification of realized gain	(307)	(259)
Tax expense	104	88
Other comprehensive income	518	65
Comprehensive income	\$ 3,524	2,093

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

SOUTHERN FIRST BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(Unaudited)

	Common stock		Preferred stock		Nonvested	Additional	Accumulated	Retained	
	Shares	Amount	Shares	Amount	restricted	paid-in	other	earnings	Total
(dollars in thousands, except share data)					stock	capital	comprehensive	income (loss)	
December 31, 2014	6,219,002	\$ 62	-	-	\$ (494)	\$ 68,785	\$ 302	\$ 14,337	\$ 82,992
Net income	-	-	-	-	-	-	-	2,028	2,028
Proceeds from exercise of stock options	11,818	-	-	-	-	75	-	-	75
Amortization of deferred compensation on restricted stock	-	-	-	-	44	-	-	-	44
Compensation expense related to stock options, net of tax	-	-	-	-	-	149	-	-	149
Other comprehensive income	-	-	-	-	-	-	65	-	65
March 31, 2015	6,230,820	\$ 62	-	-	(450)	\$ 69,009	\$ 367	\$ 16,365	\$ 85,353
December 31, 2015	6,289,038	\$ 63	-	-	(360)	\$ 70,037	(4)	\$ 24,504	\$ 94,240
Net income	-	-	-	-	-	-	-	3,006	3,006
Proceeds from exercise of stock options	37,950	-	-	-	-	285	-	-	285
Issuance of restricted stock	17,000	-	-	-	(391)	391	-	-	-
Amortization of deferred compensation on restricted stock	-	-	-	-	70	-	-	-	70
Compensation expense related to stock options, net of tax	-	-	-	-	-	176	-	-	176
Other comprehensive income	-	-	-	-	-	-	518	-	518
March 31, 2016	6,343,988	\$ 63	-	-	\$ (681)	\$ 70,889	\$ 514	\$ 27,510	\$ 98,295

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

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

	For the three months ended	
	March 31,	
(dollars in thousands)	2016	2015
Operating activities		
Net income	\$ 3,006	\$ 2,028
Adjustments to reconcile net income to cash used for operating activities:		