

SOUTHERN FIRST BANCSHARES INC  
Form 10-Q  
November 04, 2009

**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, 2009

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)

**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

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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, or a non-accelerated filer. See definitions of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-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: 3,078,695 shares of common stock, \$.01 par value per share, were issued and outstanding as of November 1, 2009.

### PART I. CONSOLIDATED FINANCIAL INFORMATION

#### Item 1. Consolidated Financial Statements

##### *SOUTHERN FIRST BANCSHARES, INC. AND SUBSIDIARY*

##### *CONSOLIDATED BALANCE SHEETS*

*(dollars in thousands, except share data)*

	<b>September 30, 2009 (Unaudited)</b>	<b>December 31, 2008 (Audited)</b>
<b>ASSETS</b>		
Cash and cash equivalents:		
Cash and due from banks	\$ 6,916	\$ 4,360
Federal funds sold	21,963	8,800
Total cash and cash equivalents	28,879	13,160
Investment securities:		
Investment securities available for sale	80,775	64,432
Investment securities held to maturity (fair value \$10,132 and \$12,618)	9,795	12,519
Other investments, at cost	9,088	8,461
Total investment securities	99,658	85,412
Loans	569,687	566,607
Less allowance for loan losses	(7,916)	(7,005)
Loans, net	561,771	559,602

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Property and equipment, net	16,120	11,701
Bank owned life insurance	13,828	13,369
Deferred income taxes	3,108	3,864
Other assets	9,305	5,871
Total assets	\$ 732,669	\$ 692,979

**LIABILITIES AND SHAREHOLDERS EQUITY**

Deposits	\$ 494,816	\$ 469,537
Short-term repurchase agreements	5,000	-
Note payable	4,750	15,000
Federal Home Loan Bank advances and related debt	149,675	149,675
Junior subordinated debentures	13,403	13,403
Other liabilities	4,793	5,578
Total liabilities	672,437	653,193

Shareholders equity:

Preferred stock, par value \$.01 per share, 10,000,000 shares authorized, 17,299 shares issued and outstanding	15,559	-
Common stock, par value \$.01 per share, 10,000,000 shares authorized, 3,069,760 and 3,044,863 shares issued and outstanding at September 30, 2009 and December 31, 2008, respectively	31	30
Nonvested restricted stock	(17)	(27)
Additional paid-in capital	33,794	31,850
Accumulated other comprehensive income (loss)	990	(1,079)
Retained earnings	9,875	9,012
Total shareholders equity	60,232	39,786
Total liabilities and shareholders equity	\$ 732,669	\$ 692,979

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**

(dollars in thousands, except share data)

	For the three months ended September 30,		For the nine months ended September 30,	
	2009	2008	2009	2008
Interest income				

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Loans	\$ 7,977	\$ 8,720	\$ 23,685	\$ 26,630
Investment securities	1,129	1,282	3,390	3,837
Federal funds sold	9	57	17	238
Total interest income	9,115	10,059	27,092	30,705
<b>Interest expense</b>				
Deposits	2,386	3,531	7,621	11,495
Borrowings	1,779	1,685	5,141	5,195
Total interest expense	4,165	5,216	12,762	16,690
Net interest income	4,950	4,843	14,330	14,015
Provision for loan losses	1,085	650	2,810	1,950
Net interest income after provision for loan losses	3,865	4,193	11,520	12,065
<b>Noninterest income (loss)</b>				
Loan fee income	138	38	297	126
Service fees on deposit accounts	199	177	551	468
Income from bank owned life insurance	213	114	459	312
Gain on sale of securities	34	7	34	7
Other than temporary impairment on investment securities	-	(1,841)	-	(1,841)
Real estate owned activity	(148)	(7)	(152)	(58)
Other income	97	85	277	245
Total noninterest income (loss)	533	(1,427)	1,466	(741)
<b>Noninterest expenses</b>				
Compensation and benefits	1,980	1,625	5,867	5,149
Professional fees	186	127	478	368
Marketing	176	154	495	450
Insurance	352	141	1,143	413
Occupancy	550	437	1,407	1,134
Data processing and related costs	358	347	1,077	1,012
Telephone	76	50	186	126
Other	187	159	605	560
Total noninterest expenses	3,865	3,040	11,258	9,212
Income (loss) before income tax expense	533	(274)	1,728	2,112
Income tax expense (benefit)	109	(148)	461	630
Net income (loss)	\$ 424	\$ (126)	\$ 1,267	\$ 1,482
Preferred stock dividend to be paid	218	-	512	-
Dividend accretion	127	-	297	-
Net income (loss) available to common shareholders	\$ 79	\$ (126)	\$ 458	\$ 1,482
<b>Earnings (loss) per common share</b>				
Basic	\$ 0.03	\$ (0.04)	\$ 0.15	\$ 0.50
Diluted	\$ 0.03	\$ (0.04)	\$ 0.15	\$