REFINITIV

DELTA REPORT

10-Q

SFST - SOUTHERN FIRST BANCSHARES

10-Q - SEPTEMBER 30, 2024 COMPARED TO 10-Q - JUNE 30, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	978
CHANGES	365
DELETIONS	384
ADDITIONS	229

REFINITIV

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

FORM 10-Q

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

For the Quarterly Period Ended June September 30, 2024
OR

OR

☐o**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	**58-2459561**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6 Verdae Boulevard **Greenville, S.C.**	**29607**
(Address of principal executive offices)	(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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	SFST	The Nasdaq Global Market

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 ☒ xNo ☐o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒x No ☐o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐o	Accelerated filer	☒ x
Non-accelerated filer	☐o	Smaller Reporting Company	☐o
		Emerging growth company	☐o

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. ☐o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ oNo ☒x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 8,155,097 8,159,847 shares of common stock, par value $0.01 per share, were issued and outstanding as of July 25, 2024 October 29, 2024.

SOUTHERN FIRST BANCSHARES, INC. AND SUBSIDIARY
June September 30, 2024 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

(dollars in thousands, except share data)	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
ASSETS				
Cash and cash equivalents:				
Cash and due from banks	$ 21,567	28,020	$ 25,289	28,020
Federal funds sold	164,432	119,349	226,110	119,349
Interest-bearing deposits with banks	8,828	8,801	9,176	8,801
Total cash and cash equivalents	194,827	156,170	260,575	156,170
Investment securities:				
Investment securities available for sale	121,353	134,702	134,597	134,702
Other investments	18,653	19,939	19,640	19,939
Total investment securities	140,006	154,641	154,237	154,641
Mortgage loans held for sale	14,759	7,194	8,602	7,194
Loans	3,622,521	3,602,627	3,619,556	3,602,627
Less allowance for credit losses	(40,157)	(40,682)	(40,166)	(40,682)
Loans, net	3,582,364	3,561,945	3,579,390	3,561,945
Bank owned life insurance	53,263	52,501	53,663	52,501
Property and equipment, net	91,533	94,301	90,158	94,301
Deferred income taxes, net	12,339	12,200	11,595	12,200
Other assets	20,758	16,837	16,411	16,837
Total assets	$ 4,109,849	4,055,789	$ 4,174,631	4,055,789
LIABILITIES				
Deposits	$ 3,459,869	3,379,564	$ 3,518,825	3,379,564
FHLB advances and related debt	240,000	275,000	240,000	275,000
Subordinated debentures	36,376	36,322	24,903	36,322
Other liabilities	54,856	52,436	64,365	52,436
Total liabilities	3,791,101	3,743,322	3,848,093	3,743,322
SHAREHOLDERS' EQUITY				
Preferred stock, par value $.01 per share, 10,000,000 shares authorized	-	-	-	-
Common stock, par value $.01 per share, 20,000,000 shares authorized, 8,155,097 shares issued and outstanding at June 30, 2024; 10,000,000 shares authorized, 8,088,186 shares issued and outstanding at December 31, 2023	82	81		
Common stock, par value $.01 per share, 20,000,000 shares authorized, 8,156,097 shares issued and outstanding at September 30, 2024; 10,000,000 shares authorized, 8,088,186 shares issued and outstanding at December 31, 2023.			82	81
Nonvested restricted stock	(4,710)	(3,596)	(4,219)	(3,596)
Additional paid-in capital	124,174	121,777	124,288	121,777
Accumulated other comprehensive loss	(11,866)	(11,342)	(9,063)	(11,342)
Retained earnings	211,068	205,547	215,450	205,547
Total shareholders' equity	318,748	312,467	326,538	312,467
Total liabilities and shareholders' equity	$ 4,109,849	4,055,789	$ 4,174,631	4,055,789

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 June 30, 2024	For the three months ended June 30, 2023	For the six months ended June 30, 2024	For the six months ended June 30, 2023	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Interest income								
Loans	$ 46,545	41,089	92,150	77,837	$ 47,550	43,542	139,700	121,380
Investment securities	1,418	706	2,896	1,318	1,412	1,470	4,308	2,788
Federal funds sold and interest-bearing deposits with banks	2,583	891	3,863	1,860	2,209	2,435	6,072	4,295
Total interest income	50,546	42,686	98,909	81,015	51,171	47,447	150,080	128,463
Interest expense								
Deposits	28,216	21,937	55,148	39,115	27,725	25,130	82,873	64,245
Borrowings	2,802	1,924	5,588	2,651	2,855	2,972	8,443	5,623
Total interest expense	31,018	23,861	60,736	41,766	30,580	28,102	91,316	69,868
Net interest income	19,528	18,825	38,173	39,249	20,591	19,345	58,764	58,595
Provision for credit losses	500	910	325	2,735				
Net interest income after provision for credit losses	19,028	17,915	37,848	36,514				
Provision for (reversal of) credit losses					-	(500)	325	2,235
Net interest income after provision for (reversal of) credit losses					20,591	19,845	58,439	56,360
Noninterest income								
Mortgage banking income	1,923	1,337	3,087	1,959	1,449	1,208	4,536	3,167
Service fees on deposit accounts	416	331	810	656	455	356	1,265	1,011
ATM and debit card income	587	536	1,131	1,091	599	588	1,730	1,680
Income from bank owned life insurance	384	338	762	670	401	349	1,162	1,018
Other income	213	194	397	404	271	249	669	653
Total noninterest income	3,523	2,736	6,187	4,780	3,175	2,750	9,362	7,529
Noninterest expenses								
Compensation and benefits	11,290	10,287	22,147	20,643	10,789	10,231	32,936	30,874
Occupancy	2,552	2,518	5,109	4,975	2,595	2,562	7,704	7,537
Outside service and data processing costs	1,962	1,705	3,808	3,334	1,930	1,744	5,738	5,078
Insurance	965	897	1,920	1,586	1,025	1,243	2,945	2,829
Professional fees	582	751	1,200	1,410	548	504	1,748	1,914
Marketing	389	335	758	701	319	293	1,077	994
Other	903	900	1,801	1,848	833	725	2,634	2,573
Total noninterest expenses	18,643	17,393	36,743	34,497	18,039	17,302	54,782	51,799
Income before income tax expense	3,908	3,258	7,292	6,797	5,727	5,293	13,019	12,090
Income tax expense	909	800	1,771	1,636	1,345	1,195	3,116	2,831
Net income	$ 2,999	2,458	5,521	5,161	$ 4,382	4,098	9,903	9,259
Earnings per common share								
Basic	$ 0.37	0.31	0.68	0.64	$ 0.54	0.51	1.22	1.15
Diluted	0.37	0.31	0.68	0.64	0.54	0.51	1.22	1.15
Weighted average common shares outstanding								
Basic	8,125,869	8,051,131	8,118,059	8,038,642	8,064,283	8,052,926	8,100,003	8,043,410
Diluted	8,140,822	8,069,028	8,141,371	8,080,521	8,089,176	8,072,408	8,123,846	8,077,830

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)

	For the three months ended June 30,		For the six months ended June 30,		For the three months ended September 30,		For the nine months ended September 30,	
(dollars in thousands)	2024	2023	2024	2023	2024	2023	2024	2023
Net income	$ 2,999	2,458	5,521	5,161	$ 4,382	4,098	9,903	9,259
Other comprehensive income (loss):								
Unrealized gain (loss) on securities available for sale:								
Unrealized holding gain (loss) arising during the period, pretax	(86)	(1,183)	(664)	888	3,548	(3,221)	2,884	(2,333)
Tax benefit (expense)	17	248	140	(188)	(745)	676	(605)	488
Other comprehensive income (loss)	(69)	(935)	(524)	700	2,803	(2,545)	2,279	(1,845)
Comprehensive income	$ 2,930	1,523	4,997	5,861	$ 7,185	1,553	12,182	7,414

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
(Unaudited)

For the three months ended June 30,

(dollars in thousands, except share data)	Common stock Shares	Common stock Amount	Preferred stock Shares	Preferred stock Amount	Nonvested restricted stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total
March 31, 2023	**8,047,975**	**$ 80**	**-**	**$ -**	**$ (4,462)**	**$ 120,683**	**$ (11,775)**	**$ 194,824**	**$ 299,350**
Net income	-	-	-	-	-	-	-	2,458	2,458
Proceeds from exercise of stock options	10,000	1	-	-	-	168	-	-	169
Issuance of restricted stock, net of forfeitures	463	-	-	-	85	(85)	-	-	-
Compensation expense related to restricted stock, net of tax	-	-	-	-	326	-	-	-	326
Compensation expense related to stock options, net of tax	-	-	-	-	-	146	-	-	146
Other comprehensive loss	-	-	-	-	-	-	(935)	-	(935)
June 30, 2023	**8,058,438**	**$ 81**	**-**	**$ -**	**$ (4,051)**	**$ 120,912**	**$ (12,710)**	**$ 197,282**	**$ 301,514**
March 31, 2024	**8,156,109**	**$ 82**	**-**	**$ -**	**$ (5,257)**	**$ 124,159**	**$ (11,797)**	**$ 208,069**	**$ 315,256**
Net income	-	-	-	-	-	-	-	2,999	2,999
Proceeds from exercise of stock options	-	-	-	-	-	-	-	-	-
Issuance of restricted stock, net of forfeitures	(1,012)	-	-	-	78	(78)	-	-	-
Compensation expense related to restricted stock, net of tax	-	-	-	-	469	-	-	-	469
Compensation expense related to stock options, net of tax	-	-	-	-	-	93	-	-	93
Other comprehensive loss	-	-	-	-	-	-	(69)	-	(69)
June 30, 2024	**8,155,097**	**$ 82**	**-**	**$ -**	**$ (4,710)**	**$ 124,174**	**$ (11,866)**	**$ 211,068**	**$ 318,748**

For the six months ended June 30,

(dollars in thousands, except share data)	Common stock Shares	Common stock Amount	Preferred stock Shares	Preferred stock Amount	Nonvested restricted stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total
December 31, 2022	**8,011,045**	**$ 80**	**-**	**-**	**$ (3,306)**	**$ 119,027**	**$ (13,410)**	**$ 192,121**	**$ 294,512**
Net income	-	-	-	-	-	-	-	5,161	5,161
Proceeds from exercise of stock options	11,000	1	-	-	-	184	-	-	185
Issuance of restricted stock, net of forfeitures	36,393	-	-	-	(1,436)	1,436	-	-	-
Compensation expense related to restricted stock, net of tax	-	-	-	-	691	-	-	-	691
Compensation expense related to stock options, net of tax	-	-	-	-	-	265	-	-	265
Other comprehensive income	-	-	-	-	-	-	700	-	700
June 30, 2023	**8,058,438**	**$ 81**	**-**	**$ -**	**$ (4,051)**	**$ 120,912**	**$ (12,710)**	**$ 197,282**	**$ 301,514**
December 31, 2023	**8,088,186**	**$ 81**	**-**	**$ -**	**$ (3,596)**	**$ 121,777**	**$ (11,342)**	**$ 205,547**	**$ 312,467**
Net income	-	-	-	-	-	-	-	5,521	5,521
Proceeds from exercise of stock options	11,000	-	-	-	-	167	-	-	167
Issuance of restricted stock, net of forfeitures	55,911	1	-	-	(2,035)	2,034	-	-	-
Compensation expense related to restricted stock, net of tax	-	-	-	-	921	-	-	-	921
Compensation expense related to stock options, net of tax	-	-	-	-	-	196	-	-	196
Other comprehensive loss	-	-	-	-	-	-	(524)	-	(524)
June 30, 2024	**8,155,097**	**$ 82**	**-**	**$ -**	**$ (4,710)**	**$ 124,174**	**$ (11,866)**	**$ 211,068**	**$ 318,748**

For the three months ended September 30,

(dollars in thousands, except share data)	Common stock Shares	Common stock Amount	Preferred stock Shares	Preferred stock Amount	Nonvested restricted stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total
June 30, 2023	**8,058,438**	**$ 81**	**-**	**$ -**	**$ (4,051)**	**$ 120,912**	**$ (12,710)**	**$ 197,282**	**$ 301,514**
Net income	-	-	-	-	-	-	-	4,098	4,098
Proceeds from exercise of stock options	14,250	-	-	-	-	312	-	-	312
Issuance of restricted stock, net of forfeitures	15,950	-	-	-	(388)	388	-	-	-
Compensation expense related to restricted stock, net of tax	-	-	-	-	374	-	-	-	374
Compensation expense related to stock options, net of tax	-	-	-	-	-	145	-	-	145
Other comprehensive loss	-	-	-	-	-	-	(2,545)	-	(2,545)
September 30, 2023	**8,088,638**	**$ 81**	**-**	**$ -**	**$ (4,065)**	**$ 121,757**	**$ (15,255)**	**$ 201,380**	**$ 303,898**
June 30, 2024	**8,155,097**	**$ 82**	**-**	**$ -**	**$ (4,710)**	**$ 124,174**	**$ (11,866)**	**$ 211,068**	**$ 318,748**
Net income	-	-	-	-	-	-	-	4,382	4,382
Proceeds from exercise of stock options	1,000	-	-	-	-	23	-	-	23
Issuance of restricted stock, net of forfeitures	-	-	-	-	-	-	-	-	-
Compensation expense related to restricted stock, net of tax	-	-	-	-	491	-	-	-	491
Compensation expense related to stock options, net of tax	-	-	-	-	-	91	-	-	91
Other comprehensive income	-	-	-	-	-	-	2,803	-	2,803
September 30, 2024	**8,156,097**	**$ 82**	**-**	**$ -**	**$ (4,219)**	**$ 124,288**	**$ (9,063)**	**$ 215,450**	**$ 326,538**

For the nine months ended September 30,

(dollars in thousands, except share data)	Common stock Shares	Common stock Amount	Preferred stock Shares	Preferred stock Amount	Nonvested restricted stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total
December 31, 2022	**8,011,045**	**$ 80**	**-**	**-**	**$ (3,306)**	**$ 119,027**	**$ (13,410)**	**$ 192,121**	**$ 294,512**
Net income	-	-	-	-	-	-	-	9,259	9,259

Proceeds from exercise of stock options	25,250	-	-	-	-	497	-	-	497
Issuance of restricted stock, net of forfeitures	52,343	1	-	-	(1,824)	1,823	-	-	-
Compensation expense related to restricted stock, net of tax	-	-	-	-	1,065	-	-	-	1,065
Compensation expense related to stock options, net of tax	-	-	-	-	-	410	-	-	410
Other comprehensive loss	-	-	-	-	-	-	(1,845)	-	(1,845)
September 30, 2023	**8,088,638**	**$ 81**	**-**	**$ -**	**$ (4,065)**	**$ 121,757**	**$ (15,255)**	**$ 201,380**	**$ 303,898**
December 31, 2023	**8,088,186**	**$ 81**	**-**	**$ -**	**$ (3,596)**	**$ 121,777**	**$ (11,342)**	**$ 205,547**	**$ 312,467**
Net income	-	-	-	-	-	-	-	9,903	9,903
Proceeds from exercise of stock options	12,000	-	-	-	-	190	-	-	190
Issuance of restricted stock, net of forfeitures	55,911	1	-	-	(2,035)	2,034	-	-	-
Compensation expense related to restricted stock, net of tax	-	-	-	-	1,412	-	-	-	1,412
Compensation expense related to stock options, net of tax	-	-	-	-	-	287	-	-	287
Other comprehensive income	-	-	-	-	-	-	2,279	-	2,279
September 30, 2024	**8,156,097**	**$ 82**	**-**	**$ -**	**$ (4,219)**	**$ 124,288**	**$ (9,063)**	**$ 215,450**	**$ 326,538**

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 CASH FLOWS
(Unaudited)

(dollars in thousands)	For the six months ended June 30, 2024	For the six months ended June 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
Operating activities				
Net income	$ 5,521	5,161	$ 9,903	9,259
Adjustments to reconcile net income to cash provided by operating activities:				
Provision for credit losses	325	2,735	325	2,235
Depreciation and other amortization	2,418	2,397	3,623	3,611
Accretion and amortization of securities discounts and premium, net	281	259	437	142
Net change in operating leases	78	133	114	188
Compensation expense related to stock options and restricted stock grants	1,117	956	1,699	1,475
Gain on sale of loans held for sale	(2,757)	(1,636)	(4,354)	(2,793)
Loans originated and held for sale	(100,884)	(70,422)	(148,745)	(112,930)
Proceeds from sale of loans held for sale	96,076	60,194	151,691	112,523
Increase in cash surrender value of bank owned life insurance	(762)	(670)	(1,162)	(1,018)
Decrease in deferred tax asset	-	(21)		
Increase in other assets	(3,921)	(4,076)		
Increase (decrease) in other liabilities	3,543	(359)		
Net cash provided by (used for) operating activities	1,035	(5,349)		
Increase in deferred tax asset			-	(66)
Decrease (increase) in other assets			426	(7,892)
Increase in other liabilities			13,408	6,059
Net cash provided by operating activities			27,365	10,793
Investing activities				
Increase (decrease) in cash realized from:				
Increase in loans, net	(21,169)	(264,737)	(18,195)	(280,627)
Purchase of property and equipment	(372)	(767)	(567)	(1,120)
Purchase of investment securities:				
Available for sale	(5,191)	-	(20,513)	(58,204)
Other investments	(4,301)	(42,518)	(4,301)	(49,949)
Payments and maturities, calls and repayments of investment securities:				
Available for sale	17,596	2,427	23,065	5,039
Other investments	5,587	40,801	4,600	41,182
Net cash used for investing activities	(7,850)	(264,794)	(15,911)	(343,679)
Financing activities				
Increase in cash realized from:				
Increase (decrease) in cash realized from:				
Increase in deposits, net	80,305	299,154	139,261	213,907
Increase (decrease) in Federal Home Loan Bank advances and other borrowings, net	(35,000)	5,000	(35,000)	100,000
Decrease in subordinated debentures			(11,500)	-
Proceeds from the exercise of stock options	167	185	190	497
Net cash provided by financing activities	45,472	304,339	92,951	314,404
Net increase in cash and cash equivalents	38,657	34,196		
Net increase (decrease) in cash and cash equivalents			104,405	(18,482)
Cash and cash equivalents at beginning of the period	156,170	170,874	156,170	170,874
Cash and cash equivalents at end of the period	$ 194,827	205,070	$ 260,575	152,392
Supplemental information				
Cash paid for				
Interest	$ 57,297	38,612	$ 87,129	64,390
Income taxes	1,190	541	2,235	586

Schedule of non-cash transactions				
Unrealized gain (loss) on securities, net of income taxes	*(524)*	*700*	*2,279*	*(1,845)*
Right-of-use assets obtained in exchange for lease obligations:				
Operating Leases			*-*	*147*

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

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NOTE 1 – Summary of Significant Accounting Policies

Nature of Business
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 Trusts 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 and six-month nine-month periods ended June 30, 2024 September 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024. 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, 2023 as filed with the U.S. Securities and Exchange Commission ("SEC") on March 5, 2024. 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.

Business Segments
The Company, through the Bank, provides a broad range of financial services to individuals and companies in South Carolina, North Carolina, and Georgia. These services include demand, time and savings deposits, lending services and ATM processing and mortgage banking services. While the Company's management periodically reviews limited production information for these revenue streams, that information is not complete as it does not include a full allocation of revenue, costs and capital from key corporate functions. Management will continue to evaluate these lines of business for separate reporting as facts and circumstances change. Accordingly, the Company's various banking operations are not considered by management to constitute more than one reportable operating segment.

Risk and Uncertainties
In the normal course of its business, the Company encounters two significant types of risks: economic and regulatory. There are three main components of economic risk: interest rate risk, credit risk and market risk. The Company is subject to interest rate risk to the degree that its interest-bearing liabilities mature or reprice at different speeds, or on different bases, than its interest-earning assets. Credit risk is the risk of default within the Company's loan portfolio that results from borrowers' inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of collateral underlying loans receivable and the valuation of real estate held by the Company. There were three significant bank failures in the first five months of 2023, primarily due to the failed banks' lack of liquidity as depositors sought to withdraw their deposits. Due to rising interest rates, the failed banks were unable to sell investment securities held to meet liquidity needs without realizing substantial losses. As a result of the recent bank failures and in an effort to strengthen public confidence in the banking system and protect depositors, regulators announced that any losses to the Deposit Insurance Fund to support uninsured depositors will be recovered by a special assessment on banks, as required by law, which has and could continue to increase the cost of our FDIC insurance assessments. The ultimate impact of these bank failures on the economy, financial institutions and their depositors, as well as any governmental regulatory responses or actions resulting from the same, remains difficult to predict at this time.

The Company is subject to the regulations of various governmental agencies. These regulations can and do change significantly from period to period. The Company also undergoes periodic examinations by the regulatory agencies, which may subject the Company to changes with respect to the valuation of assets, the amount of required credit loss allowance and operating restrictions resulting from the regulators' judgments based on information available to them at the time of their examinations.

The Bank makes loans to individuals and businesses in the Upstate, Midlands, and Lowcountry regions of South Carolina as well as the Triangle, Triad and Charlotte regions of North Carolina and Atlanta, Georgia for various personal and commercial purposes. The Bank's loan portfolio has a concentration of real estate loans. As of June 30, 2024 September 30, 2024 and 2023, real estate loans represented 84.3 84.4%% and 84.1 84.5%%, respectively, of total loans. However, borrowers' ability to repay their loans is not dependent upon any specific economic sector.

As of June 30, 2024 September 30, 2024, the Company's and the Bank's capital ratios were in excess of all regulatory requirements. While management believes that we have sufficient capital to withstand an extended economic recession, our reported and regulatory capital ratios could be adversely impacted by future credit losses.

The Company maintains access to multiple sources of liquidity, including a $15.0 million holding company line of credit with another bank which could be used to support capital ratios at the subsidiary bank. As of June 30, 2024 September 30, 2024, the $15.0 million line was unused.

Use of Estimates
The preparation of consolidated financial statements in conformity with GAAP 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 credit losses, real estate acquired in the settlement of loans, fair value of financial instruments, and valuation of deferred tax assets.

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.

Newly Issued, But Not Yet Effective Accounting Standards
In December 2022, the FASB issued amendments to defer the sunset date of the Reference Rate Reform Topic of the Accounting Standards Codification from December 31, 2022 to December 31, 2024, because the current relief in Reference Rate Reform Topic may not cover a period of time during which a significant number of modifications may take place. The amendments were effective upon issuance. The Company does not expect these amendments to have a material effect on its financial statements.

In December 2023, the FASB amended the Income Taxes topic in the Accounting Standards Codification to improve the transparency of income tax disclosures. The amendments are effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The Company does not expect these amendments to have a material effect on its financial statements.

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NOTE 2 – Investment Securities

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

(dollars in thousands)	June 30, 2024 Amortized Cost	June 30, 2024 Gross Unrealized Gains	June 30, 2024 Gross Unrealized Losses	June 30, 2024 Fair Value	September 30, 2024 Amortized Cost	September 30, 2024 Gross Unrealized Gains	September 30, 2024 Gross Unrealized Losses	September 30, 2024 Fair Value
Available for sale								
Corporate bonds	*$ 2,134*	*-*	*247*	*1,887*	*$ 2,128*	*-*	*181*	*1,947*
US treasuries	*999*	*-*	*109*	*890*	*999*	*-*	*75*	*924*
US government agencies	*19,600*	*-*	*1,900*	*17,700*	*18,113*	*4*	*1,431*	*16,686*
State and political subdivisions	*22,514*	*-*	*3,191*	*19,323*	*22,450*	*-*	*2,427*	*20,023*
Asset-backed securities	*31,555*	*78*	*58*	*31,575*	*34,271*	*70*	*76*	*34,265*
Mortgage-backed securities	*59,571*	*-*	*9,593*	*49,978*	*68,108*	*35*	*7,391*	*60,752*
Total investment securities available for sale	*$ 136,373*	*78*	*15,098*	*121,353*	*$ 146,069*	*109*	*11,581*	*134,597*

	December 31, 2023 Amortized Cost	December 31, 2023 Gross Unrealized Gains	December 31, 2023 Gross Unrealized Losses	December 31, 2023 Fair Value	December 31, 2023 Amortized Cost	December 31, 2023 Gross Unrealized Gains	December 31, 2023 Gross Unrealized Losses	December 31, 2023 Fair Value
Available for sale								
Corporate bonds	*$ 2,147*	*-*	*237*	*1,910*	*$ 2,147*	*-*	*237*	*1,910*
US treasuries	*9,495*	*1*	*102*	*9,394*	*9,495*	*1*	*102*	*9,394*
US government agencies	*20,594*	*-*	*1,938*	*18,656*	*20,594*	*-*	*1,938*	*18,656*
State and political subdivisions	*22,642*	*11*	*2,912*	*19,741*	*22,642*	*11*	*2,912*	*19,741*
Asset-backed securities	*33,450*	*2*	*216*	*33,236*	*33,450*	*2*	*216*	*33,236*
Mortgage-backed securities	*60,730*	*-*	*8,965*	*51,765*	*60,730*	*-*	*8,965*	*51,765*
Total investment securities available for sale	*$ 149,058*	*14*	*14,370*	*134,702*	*$ 149,058*	*14*	*14,370*	*134,702*

Contractual maturities and yields on the Company's investment securities at June 30, 2024 September 30, 2024 and December 31, 2023 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.

June 30, 2024 (dollars in thousands)	Less than one year Amount	Less than one year Yield	One to five years Amount	One to five years Yield	Five to ten years Amount	Five to ten years Yield	Over ten years Amount	Over ten years Yield	Total Amount	Total Yield
Available for sale										
Corporate bonds	$ -	-	$ -	-	$ 1,887	2.02 %	$ -	-	$ 1,887	2.02 %
US treasuries	-	-	890	1.27 %	-	-	-	-	890	1.27 %
US government agencies	992	0.45 %	2,389	1.00 %	14,319	4.29 %	-	-	17,700	3.63 %
State and political subdivisions	-	-	904	1.94 %	5,729	1.89 %	12,690	2.16 %	19,323	2.07 %
Asset-backed securities	-	-	132	3.88 %	-	-	31,443	6.68 %	31,575	6.67 %
Mortgage-backed securities	-	-	6,547	1.29 %	3,411	1.54 %	40,020	2.10 %	49,978	1.96 %
Total investment securities	$ 992	0.45 %	$ 10,862	1.31 %	$ 25,346	3.21 %	$ 84,153	3.82 %	$ 121,353	3.44 %

December 31, 2023 (dollars in thousands)	Less than one year Amount	Less than one year Yield	One to five years Amount	One to five years Yield	Five to ten years Amount	Five to ten years Yield	Over ten years Amount	Over ten years Yield	Total Amount	Total Yield
Available for sale										
Corporate bonds	$ -	-	$ -	-	$ 1,910	2.01 %	$ -	-	$ 1,910	2.01 %
US treasuries	8,497	5.42 %	897	1.27 %	-	-	-	-	9,394	5.02 %
US government agencies	970	0.45 %	2,385	1.00 %	15,301	4.41 %	-	-	18,656	3.77 %
State and political subdivisions	-	-	906	1.94 %	5,769	1.89 %	13,066	2.15 %	19,741	2.06 %
Asset-backed securities	-	-	296	(6.13)%	-	-	32,940	6.63 %	33,236	6.57 %
Mortgage-backed securities	-	-	4,795	1.15 %	5,400	1.59 %	41,570	2.00 %	51,765	1.87 %
Total investment securities	$ 9,467	4.91 %	$ 9,279	0.98 %	$ 28,380	3.20 %	$ 87,576	3.76 %	$ 134,702	3.55 %

September 30, 2024 (dollars in thousands)	Less than one year Amount	Less than one year Yield	One to five years Amount	One to five years Yield	Five to ten years Amount	Five to ten years Yield	Over ten years Amount	Over ten years Yield	Total Amount	Total Yield
Available for sale										
Corporate bonds	$ -	-	$ -	-	$ 1,947	2.02 %	$ -	-	$ 1,947	2.02 %
US treasuries	-	-	924	1.27 %	-	-	-	-	924	1.27 %
US government agencies	-	-	4,239	1.08 %	12,447	4.56 %	-	-	16,686	3.67 %
State and political subdivisions	-	-	1,331	1.96 %	6,101	1.98 %	12,591	2.13 %	20,023	2.07 %
Asset-backed securities	-	-	49	(0.12 %)	-	-	34,216	6.70 %	34,265	6.69 %
Mortgage-backed securities	-	-	6,689	1.28 %	7,865	3.01 %	46,198	2.37 %	60,752	2.33 %

Total investment securities	$ -	-	$ 13,232	1.28 %	$ 28,360	3.40 %	$ 93,005	3.93 %	$ 134,597	3.56 %

										December 31, 2023
	Less than one year		One to five years		Five to ten years		Over ten years			Total
(dollars in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Available for sale										
Corporate bonds	$ -	-	$ -	-	$ 1,910	2.01 %	$ -	-	$ 1,910	2.01 %
US treasuries	8,497	5.42 %	897	1.27 %	-	-	-	-	9,394	5.02 %
US government agencies	970	0.45 %	2,385	1.00 %	15,301	4.41 %	-	-	18,656	3.77 %
State and political subdivisions	-	-	906	1.94 %	5,769	1.89 %	13,066	2.15 %	19,741	2.06 %
Asset-backed securities	-	-	296	(6.13 %)	-	-	32,940	6.63 %	33,236	6.57 %
Mortgage-backed securities	-	-	4,795	1.15 %	5,400	1.59 %	41,570	2.00 %	51,765	1.87 %
Total investment securities	$ 9,467	4.91 %	$ 9,279	0.98 %	$ 28,380	3.20 %	$ 87,576	3.76 %	$ 134,702	3.55 %

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The tables below summarize gross unrealized losses on investment securities and the fair market value of the related securities at June 30, 2024 September 30, 2024 and December 31, 2023, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

									June 30, 2024
	Less than 12 months			12 months or longer			Total		
(dollars in thousands)	#	Fair value	Unrealized losses	#	Fair value	Unrealized losses	#	Fair value	Unrealized losses
Available for sale									
Corporate bonds	-	$ -	$ -	1	$ 1,887	$ 247	1	$ 1,887	$ 247
US treasuries	-	-	-	1	890	109	1	890	109
US government agencies	-	-	-	12	17,700	1,900	12	17,700	1,900
State and political subdivisions	2	748	13	30	18,575	3,178	32	19,323	3,191
Asset-backed	3	11,479	42	7	3,708	16	10	15,187	58
Mortgage-backed securities	1	1,161	1	63	48,817	9,592	64	49,978	9,593
Total investment securities	6	$ 13,388	$ 56	114	$ 91,577	$ 15,042	120	$ 104,965	$ 15,098

									December 31, 2023
	Less than 12 months			12 months or longer			Total		
(dollars in thousands)	#	Fair value	Unrealized losses	#	Fair value	Unrealized losses	#	Fair value	Unrealized losses
Available for sale									
Corporate bonds	-	$ -	$ -	1	$ 1,910	$ 237	1	$ 1,910	$ 237
US treasuries	-	-	-	1	897	102	1	897	102
US government agencies	2	7,533	50	10	11,123	1,888	12	18,656	1,938
State and political subdivisions	-	-	-	30	18,964	2,912	30	18,964	2,912
Asset-backed	8	26,746	145	7	4,866	71	15	31,612	216
Mortgage-backed securities	2	2,869	36	62	48,896	8,929	64	51,765	8,965
Total investment securities	12	$ 37,148	$ 231	111	$ 86,656	$ 14,139	123	$ 123,804	$ 14,370

									September 30, 2024
	Less than 12 months			12 months or longer			Total		
(dollars in thousands)	#	Fair value	Unrealized losses	#	Fair value	Unrealized losses	#	Fair value	Unrealized losses
Available for sale									
Corporate bonds	-	$ -	$ -	1	$ 1,947	$ 181	1	$ 1,947	$ 181
US treasuries	-	-	-	1	924	75	1	924	75
US government agencies	-	-	-	9	10,582	1,431	9	10,582	1,431
State and political subdivisions	2	757	2	30	19,266	2,425	32	20,023	2,427
Asset-backed	4	9,575	44	8	7,124	32	12	16,699	76
Mortgage-backed securities	5	7,303	23	61	47,929	7,368	66	55,232	7,391
Total investment securities	11	$ 17,635	$ 69	110	$ 87,772	$ 11,512	121	$ 105,407	$ 11,581

									December 31, 2023
	Less than 12 months			12 months or longer			Total		
(dollars in thousands)	#	Fair value	Unrealized losses	#	Fair value	Unrealized losses	#	Fair value	Unrealized losses
Available for sale									
Corporate bonds	-	$ -	$ -	1	$ 1,910	$ 237	1	$ 1,910	$ 237
US treasuries	-	-	-	1	897	102	1	897	102
US government agencies	2	7,533	50	10	11,123	1,888	12	18,656	1,938
State and political subdivisions	-	-	-	30	18,964	2,912	30	18,964	2,912
Asset-backed	8	26,746	145	7	4,866	71	15	31,612	216
Mortgage-backed securities	2	2,869	36	62	48,896	8,929	64	51,765	8,965
Total investment securities	12	$ 37,148	$ 231	111	$ 86,656	$ 14,139	123	$ 123,804	$ 14,370

At June 30, 2024 September 30, 2024, the Company had 120 121 individual investments that were in an unrealized loss position. The unrealized losses were primarily attributable to changes in interest rates, rather than deterioration in credit quality. The individual securities are each investment grade securities. The Company considers factors such as the financial condition of the issuer including credit ratings and specific events affecting the operations of the issuer, volatility of the security, underlying assets that collateralize the debt security, and other industry and macroeconomic conditions. The Company does not intend to sell these securities, and it is more likely than not that the Company will not be required to sell these securities before recovery of the amortized cost. The issuers of these securities continue to make timely principal and interest payments under the contractual terms of the securities. As such, there is no allowance for credit losses on available for sale securities recognized as of June September 30, 2024.

Other investments are comprised of the following and are recorded at cost which approximates fair value.

(dollars in thousands)	June 30, 2024	December 31, 2023
Federal Home Loan Bank stock	$ 14,633	16,063
Other nonmarketable investments	3,617	3,473
Investment in Trust Preferred subsidiaries	403	403
Total other investments	$ 18,653	19,939

(dollars in thousands)	September 30, 2024	December 31, 2023
Federal Home Loan Bank stock	$ 14,516	16,063
Other nonmarketable investments	4,721	3,473
Investment in Trust Preferred subsidiaries	403	403

Total other investments	$	19,640	19,939

The Company has evaluated other investments for impairment and determined that the other investments are not impaired as of June 30, 2024 September 30, 2024 and that ultimate recoverability of the par value of the investments is probable. All of the FHLB stock is used to collateralize advances with the FHLB.

At June 30, 2024 September 30, 2024, there were no securities pledges pledged as collateral for repurchase agreements from brokers.

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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 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 June 30, 2024 September 30, 2024, mortgage loans held for sale totaled $14.8 8.6million compared to $7.2million at December 31, 2023.

NOTE 4 – Loans and Allowance for Credit 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 $6.8 6.6 million as of June 30, 2024 September 30, 2024 and $7.0 million as of December 31, 2023.

	June 30, 2024		December 31, 2023		September 30, 2024		December 31, 2023	
(dollars in thousands)	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Commercial								
Owner occupied RE	$ 642,008	17.7%	$ 631,657	17.5%	$ 642,608	17.8%	$ 631,657	17.5%
Non-owner occupied RE	917,034	25.3%	942,529	26.2%	917,642	25.3%	942,529	26.2%
Construction	144,968	4.0%	150,680	4.2%	144,665	4.0%	150,680	4.2%
BusinessBusiness [Member]	527,017	14.5%	500,161	13.9%	521,535	14.4%	500,161	13.9%
Total commercial loans	2,231,027	61.5%	2,225,027	61.8%	2,226,450	61.5%	2,225,027	61.8%
Consumer								
Real estate	1,126,155	31.1%	1,082,429	30.0%	1,132,371	31.3%	1,082,429	30.0%
Home equityHome equity [Member]	189,294	5.3%	183,004	5.1%	195,383	5.4%	183,004	5.1%
Construction	32,936	0.9%	63,348	1.7%	21,582	0.6%	63,348	1.7%
OtherOther [Member]	43,109	1.2%	48,819	1.4%	43,770	1.2%	48,819	1.4%
Total consumer loans	1,391,494	38.5%	1,377,600	38.2%	1,393,106	38.5%	1,377,600	38.2%
Total gross loans, net of deferred fees	3,622,521	100.0%	3,602,627	100.0%	3,619,556	100.0%	3,602,627	100.0%
Less—allowance for credit losses	(40,157)		(40,682)		(40,166)		(40,682)	
Total loans, net	$ 3,582,364		$ 3,561,945		$ 3,579,390		$ 3,561,945	

Maturities and Sensitivity of Loans to Changes in Interest Rates

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.

(dollars in thousands)	One year or less	After one but within five years	After five but within fifteen years	After fifteen years	June 30, 2024 Total
Commercial					
Owner occupied RE	$ 14,444	191,243	395,013	41,308	642,008
Non-owner occupied RE	95,160	499,411	300,272	22,191	917,034
Construction	27,588	69,004	48,376	-	144,968
Business	114,676	245,232	162,789	4,320	527,017
Total commercial loans	251,868	1,004,890	906,450	67,819	2,231,027
Consumer					
Real estate	17,847	59,442	306,892	741,974	1,126,155
Home equity	2,768	31,447	150,681	4,398	189,294
Construction	2,084	1,246	19,953	9,653	32,936
Other	5,017	34,340	2,963	789	43,109
Total consumer loans	27,716	126,475	480,489	756,814	1,391,494
Total gross loans, net of deferred fees	$ 279,584	1,131,365	1,386,939	824,633	3,622,521

(dollars in thousands)	One year or less	After one but within five years	After five but within fifteen years	After fifteen years	December 31, 2023 Total
Commercial					
Owner occupied RE	$ 17,358	177,203	395,130	41,966	631,657
Non-owner occupied RE	68,601	517,622	331,727	24,579	942,529
Construction	26,762	64,432	59,486	-	150,680
Business	114,432	194,416	186,927	4,386	500,161
Total commercial loans	227,153	953,673	973,270	70,931	2,225,027
Consumer					
Real estate	10,593	51,956	301,095	718,785	1,082,429
Home equity	2,716	27,578	147,855	4,855	183,004
Construction	-	252	39,459	23,637	63,348
Other	11,157	33,592	3,265	805	48,819
Total consumer loans	24,466	113,378	491,674	748,082	1,377,600
Total gross loans, net of deferred fees	$ 251,619	1,067,051	1,464,944	819,013	3,602,627

(dollars in thousands)	One year or less	After one but within five years	After five but within fifteen years	After fifteen years	September 30, 2024 Total
Commercial					
Owner occupied RE	$ 15,557	205,224	380,526	41,301	642,608
Non-owner occupied RE	103,329	512,610	281,197	20,506	917,642
Construction	30,589	64,016	50,060	-	144,665
Business	122,565	244,825	149,858	4,287	521,535
Total commercial loans	272,040	1,026,675	861,641	66,094	2,226,450
Consumer					
Real estate	19,871	71,492	295,998	745,010	1,132,371
Home equity	2,810	33,445	154,758	4,370	195,383
Construction	4,514	2,500	11,601	2,967	21,582
Other	7,207	32,731	3,023	809	43,770
Total consumer loans	34,402	140,168	465,380	753,156	1,393,106
Total gross loans, net of deferred fees	$ 306,442	1,166,843	1,327,021	819,250	3,619,556

(dollars in thousands)	One year or less	After one but within five years	After five but within fifteen years	After fifteen years	December 31, 2023 Total
Commercial					
Owner occupied RE	$ 17,358	177,203	395,130	41,966	631,657
Non-owner occupied RE	68,601	517,622	331,727	24,579	942,529
Construction	26,762	64,432	59,486	-	150,680
Business	114,432	194,416	186,927	4,386	500,161
Total commercial loans	227,153	953,673	973,270	70,931	2,225,027
Consumer					
Real estate	10,593	51,956	301,095	718,785	1,082,429
Home equity	2,716	27,578	147,855	4,855	183,004
Construction	-	252	39,459	23,637	63,348
Other	11,157	33,592	3,265	805	48,819
Total consumer loans	24,466	113,378	491,674	748,082	1,377,600

Total gross loans, net of deferred fees	$	251,619	1,067,051	1,464,944	819,013	3,602,627

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The following table summarizes the loans due after one year by category.

(dollars in thousands)	June 30, 2024 Interest Rate Fixed	June 30, 2024 Interest Rate Floating or Adjustable	December 31, 2023 Interest Rate Fixed	December 31, 2023 Interest Rate Floating or Adjustable	September 30, 2024 Interest Rate Fixed	September 30, 2024 Interest Rate Floating or Adjustable	December 31, 2023 Interest Rate Fixed	December 31, 2023 Interest Rate Floating or Adjustable
Commercial								
Owner occupied RE	*$ 607,993*	*19,571*	*605,199*	*9,100*	*$ 601,086*	*25,965*	*605,199*	*9,100*
Non-owner occupied RE	*730,091*	*91,783*	*768,048*	*105,880*	*710,377*	*103,936*	*768,048*	*105,880*
Construction	*84,955*	*32,425*	*81,326*	*42,592*	*81,430*	*32,646*	*81,326*	*42,592*
Business	*288,076*	*124,265*	*293,920*	*91,809*	*272,599*	*126,371*	*293,920*	*91,809*
Total commercial loans	*1,711,115*	*268,044*	*1,748,493*	*249,381*	*1,665,492*	*288,918*	*1,748,493*	*249,381*
Consumer								
Real estate	*1,108,308*	*-*	*1,071,836*	*-*	*1,112,500*	*-*	*1,071,836*	*-*
Home equity	*10,791*	*175,735*	*11,441*	*168,847*	*10,616*	*181,957*	*11,441*	*168,847*
Construction	*30,852*	*-*	*63,348*	*-*	*17,068*	*-*	*63,348*	*-*
Other	*11,463*	*26,629*	*11,525*	*26,137*	*8,564*	*27,999*	*11,525*	*26,137*
Total consumer loans	*1,161,414*	*202,364*	*1,158,150*	*194,984*	*1,148,748*	*209,956*	*1,158,150*	*194,984*
Total gross loans, net of deferred fees	*$ 2,872,529*	*470,408*	*2,906,643*	*444,365*	*$ 2,814,240*	*498,874*	*2,906,643*	*444,365*

Credit Quality Indicators

The Company tracks credit quality based on its internal risk ratings. Upon origination, a loan is assigned an initial risk grade, which is generally based on several factors such as the borrower's credit score, the loan-to-value ratio, the debt-to-income ratio, etc. After loans are initially graded, they are monitored regularly for credit quality based on many factors, such as payment history, the borrower's financial status, and changes in collateral value. Loans can be downgraded or upgraded depending on management's evaluation of these factors. Internal risk-grading policies are consistent throughout each loan type.

A description of the general characteristics of the risk grades is as follows:

- Pass— A pass loan ranges from minimal to average credit risk; however, still has acceptable credit risk.
- Watch—A watch loan exhibits above average credit risk due to minor weaknesses and warrants closer scrutiny by management.
- 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, which 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.

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The following table presents loan balances classified by credit quality indicators by year of origination as of June 30, 2024 September 30, 2024.

									June 30, 2024							
(dollars in thousands)	2024	2023	2022	2021	2020	Prior	Revolving	Revolving Converted to Term	Total	*2024*	*2023*	*2022*	*2021*	*2020*	*Prior*	*Revolving*
Commercial																
Owner occupied RE																
Pass	$ 23,203	44,004	179,234	139,629	69,627	157,231	85	240	613,253	*$ 44,238*	*44,567*	*180,574*	*125,436*	*68,270*	*150,019*	*85*
Watch	501	-	3,400	1,483	8,947	10,562	-	-	24,893	*488*	*-*	*3,377*	*1,464*	*8,898*	*11,121*	*-*
Special Mention	-	-	172	-	-	2,866	-	-	3,038	*-*	*-*	*167*	*-*	*-*	*2,857*	*-*
Substandard	-	-	-	-	-	824	-	-	824	*-*	*-*	*-*	*-*	*-*	*808*	*-*
Total Owner occupied RE	23,704	44,004	182,806	141,112	78,574	171,483	85	240	642,008	*44,726*	*44,567*	*184,118*	*126,900*	*77,168*	*164,805*	*85*
Non-owner occupied RE																
Pass	18,752	78,134	307,936	163,811	106,253	200,283	348	-	875,517	*32,690*	*74,224*	*312,722*	*157,108*	*100,908*	*195,151*	*344*
Watch	-	997	2,363	444	522	11,614	-	-	15,940	*-*	*959*	*4,568*	*438*	*1,645*	*11,444*	*-*
Special Mention	-	-	-	7,662	-	8,999	-	-	16,661	*-*	*-*	*-*	*7,630*	*-*	*8,938*	*-*
Substandard	-	-	967	304	-	7,645	-	-	8,916	*-*	*-*	*969*	*300*	*-*	*7,604*	*-*
Total Non-owner occupied RE	18,752	79,131	311,266	172,221	106,775	228,541	348	-	917,034	*32,690*	*75,183*	*318,259*	*165,476*	*102,553*	*223,137*	*344*
Current period gross write-offs	-	-	-	-	-	(1,029)	-	-	(1,029)	*-*	*-*	*-*	*-*	*-*	*(1,029)*	*-*
Construction																
Pass	11,547	27,377	84,630	20,016	-	-	-	-	143,570	*18,696*	*30,478*	*76,088*	*19,403*	*-*	*-*	*-*
Watch	-	-	1,398	-	-	-	-	-	1,398							
Total Construction	11,547	27,377	86,028	20,016	-	-	-	-	144,968	*18,696*	*30,478*	*76,088*	*19,403*	*-*	*-*	*-*
Business																
Pass	14,126	48,209	137,919	42,732	17,134	57,525	172,528	230	490,403	*33,201*	*43,582*	*119,984*	*40,840*	*16,377*	*54,153*	*173,489*
Watch	-	152	16,870	1,965	1,448	4,394	6,985	146	31,960	*-*	*142*	*16,665*	*2,020*	*1,442*	*5,434*	*9,398*
Special Mention	662	223	827	80	131	1,812	-	-	3,735	*663*	*96*	*817*	*-*	*67*	*1,101*	*-*
Substandard	-	-	-	148	361	410	-	-	919	*-*	*-*	*-*	*143*	*362*	*309*	*597*
Total Business	14,788	48,584	155,616	44,925	19,074	64,141	179,513	376	527,017	*33,864*	*43,820*	*137,466*	*43,003*	*18,248*	*60,997*	*183,484*
Current period gross write-offs	-	-	-	-	(347)	(18)	-	-	(365)	*-*	*-*	*-*	*-*	*(347)*	*(18)*	*(72*
Total Commercial loans	68,791	199,096	735,716	378,274	204,423	464,165	179,946	616	2,231,027	*129,976*	*194,048*	*715,931*	*354,782*	*197,969*	*448,939*	*183,913*
Consumer																
Real estate																
Pass	47,322	148,130	287,524	271,998	166,714	165,723	-	-	1,087,411	*61,766*	*150,755*	*287,584*	*270,022*	*163,332*	*159,210*	*-*
Watch	-	487	5,590	7,305	4,764	5,813	-	-	23,959	*-*	*760*	*5,573*	*7,472*	*5,488*	*5,525*	*-*
Special Mention	-	142	2,472	1,509	993	5,104	-	-	10,220	*-*	*141*	*2,702*	*1,504*	*988*	*4,816*	*-*
Substandard	-	275	341	1,220	978	1,751	-	-	4,565	*213*	*275*	*334*	*1,215*	*976*	*1,720*	*-*
Total Real estate	47,322	149,034	295,927	282,032	173,449	178,391	-	-	1,126,155	*61,979*	*151,931*	*296,193*	*280,213*	*170,784*	*171,271*	*-*
Home equity																
Pass	-	-	-	-	-	-	175,981	-	175,981	*-*	*-*	*-*	*-*	*-*	*-*	*181,922*
Watch	-	-	-	-	-	-	8,094	-	8,094	*-*	*-*	*-*	*-*	*-*	*-*	*8,628*
Special Mention	-	-	-	-	-	-	3,724	-	3,724	*-*	*-*	*-*	*-*	*-*	*-*	*3,402*
Substandard	-	-	-	-	-	-	1,495	-	1,495	*-*	*-*	*-*	*-*	*-*	*-*	*1,431*
Total Home equity	-	-	-	-	-	-	189,294	-	189,294	*-*	*-*	*-*	*-*	*-*	*-*	*195,383*
Current period gross write-offs										*-*	*-*	*-*	*-*	*-*	*-*	*(45*
Construction																
Pass	2,638	10,263	15,424	4,611	-	-	-	-	32,936	*5,305*	*4,678*	*9,890*	*1,709*	*-*	*-*	*-*
Total Construction	2,638	10,263	15,424	4,611	-	-	-	-	32,936	*5,305*	*4,678*	*9,890*	*1,709*	*-*	*-*	*-*
Other																
Pass	2,411	1,066	2,316	2,034	1,320	3,053	29,800	-	42,000	*2,978*	*954*	*1,662*	*1,812*	*1,274*	*2,815*	*31,016*
Watch	-	8	20	341	-	150	55	-	574	*161*	*7*	*16*	*338*	*-*	*144*	*57*
Special Mention	5	31	327	69	-	68	30	-	530	*19*	*29*	*326*	*65*	*-*	*62*	*30*
Substandard	-	-	-	-	-	-	5	-	5	*-*	*-*	*-*	*-*	*-*	*-*	*5*
Total Other	2,416	1,105	2,663	2,444	1,320	3,271	29,890	-	43,109	*3,158*	*990*	*2,004*	*2,215*	*1,274*	*3,021*	*31,108*

Current period gross write-offs	-	-	-	-	-	(38)	(41)	-	(79)	-	-	-	-	-	(38)	(42
Total Consumer loans	52,376	160,402	314,014	289,087	174,769	181,662	219,184	-	1,391,494	70,442	157,599	308,087	284,137	172,058	174,292	226,491
Total loans	$ 121,167	359,498	1,049,730	667,361	379,192	645,827	399,130	616	3,622,521	$ 200,418	351,647	1,024,018	638,919	370,027	623,231	410,404
Total Current period gross write-offs	-	-	-	-	(347)	(1,085)	(41)	-	(1,473)	-	-	-	-	(347)	(1,085)	(159

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The following table presents loan balances classified by credit quality indicators by year of origination as of December 31, 2023.

									December 31, 2023
(dollars in thousands)	2023	2022	2021	2020	2019	Prior	Revolving	Revolving Converted to Term	Total
Commercial									
Owner occupied RE									
Pass	$ 42,846	180,654	138,549	64,818	59,880	110,502	85	166	597,500
Watch	-	3,460	460	15,997	3,525	6,616	-	-	30,058
Special Mention	-	181	-	-	-	3,057	-	-	3,238
Substandard	-	-	-	-	-	861	-	-	861
Total Owner occupied RE	42,846	184,295	139,009	80,815	63,405	121,036	85	166	631,657
Non-owner occupied RE									
Pass	84,617	298,063	162,697	107,364	59,260	163,990	9,249	-	885,240
Watch	1,007	3,260	9,914	533	5,545	10,630	-	-	30,889
Special Mention	-	-	7,759	-	8,252	879	-	-	16,890
Substandard	-	-	313	-	8,088	1,109	-	-	9,510
Total Non-owner occupied RE	85,624	301,323	180,683	107,897	81,145	176,608	9,249	-	942,529
Current period gross write-offs	-	(200)	-	-	-	(42)	-	-	(242)
Construction									
Pass	27,262	86,161	24,399	11,459	-	-	-	-	149,281
Watch	-	1,399	-	-	-	-	-	-	1,399
Total Construction	27,262	87,560	24,399	11,459	-	-	-	-	150,680
Business									
Pass	48,705	134,999	48,557	18,868	17,292	47,708	146,745	1,431	464,305
Watch	127	15,867	1,833	1,010	842	3,584	7,570	506	31,339
Special Mention	241	961	98	857	184	447	150	97	3,035
Substandard	-	-	155	-	132	1,195	-	-	1,482
Total Business	49,073	151,827	50,643	20,735	18,450	52,934	154,465	2,034	500,161
Current period gross write-offs	-	-	-	(28)	-	-	(15)	(22)	(65)
Total Commercial loans	204,805	725,005	394,734	220,906	163,000	350,578	163,799	2,200	2,225,027
Consumer									
Real estate									
Pass	144,179	273,585	278,138	176,395	66,087	105,383	-	-	1,043,767
Watch	490	5,658	8,230	3,917	2,051	3,890	-	-	24,236
Special Mention	143	2,499	1,657	1,291	2,220	3,360	-	-	11,170
Substandard	-	-	635	817	318	1,486	-	-	3,256
Total Real estate	144,812	281,742	288,660	182,420	70,676	114,119	-	-	1,082,429
Home equity									
Pass	-	-	-	-	-	-	171,003	-	171,003
Watch	-	-	-	-	-	-	6,393	-	6,393
Special Mention	-	-	-	-	-	-	4,283	-	4,283
Substandard	-	-	-	-	-	-	1,325	-	1,325
Total Home equity	-	-	-	-	-	-	183,004	-	183,004
Current period gross write-offs	-	-	-	-	-	-	(438)	-	(438)
Construction									
Pass	14,339	39,893	9,116	-	-	-	-	-	63,348
Total Construction	14,339	39,893	9,116	-	-	-	-	-	63,348
Other									
Pass	1,278	2,551	2,361	1,457	803	2,604	36,549	-	47,603
Watch	9	29	348	-	15	163	58	-	622
Special Mention	33	333	-	-	23	82	41	-	512
Substandard	-	-	75	-	-	-	7	-	82
Total Other	1,320	2,913	2,784	1,457	841	2,849	36,655	-	48,819
Current period gross write-offs	-	-	-	-	-	-	(16)	-	(16)
Total Consumer loans	160,471	324,548	300,560	183,877	71,517	116,968	219,659	-	1,377,600
Total loans	$ 365,276	1,049,553	695,294	404,783	234,517	467,546	383,458	2,200	3,602,627
Total Current period gross write-offs	-	(200)	-	(28)	-	(42)	(469)	(22)	(761)

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The following tables present loan balances by age and payment status.

(dollars in thousands)	June 30, 2024						September 30, 2024					
	Accruing 30-59 days past due	**Accruing 60-89 days past due**	**Accruing 90 days or more past due**	**Nonaccrual loans**	**Accruing current**	**Total**	***Accruing 30-59 days past due***	***Accruing 60-89 days past due***	***Accruing 90 days or more past due***	***Nonaccrual loans***	***Accruing current***	***Total***
Commercial												
Owner occupied RE	$ -	-	-	-	642,008	642,008	*$ 163*	*-*	*-*	*-*	*642,445*	*642,608*
Non-owner occupied RE	115	-	-	7,949	908,970	917,034	*-*	*-*	*-*	*7,904*	*909,738*	*917,642*
Construction	-	-	-	-	144,968	144,968	*-*	*-*	*-*	*-*	*144,665*	*144,665*
Business	622	-	-	829	525,566	527,017	*1,454*	*556*	*-*	*838*	*518,687*	*521,535*
Consumer												
Real estate	124	871	-	1,876	1,123,284	1,126,155	*754*	*239*	*-*	*2,448*	*1,128,930*	*1,132,371*
Home equity	352	45	-	564	188,333	189,294	*101*	*-*	*-*	*393*	*194,889*	*195,383*
Construction	-	-	-	-	32,936	32,936	*-*	*-*	*-*	*-*	*21,582*	*21,582*
Other	-	-	-	-	43,109	43,109	*4*	*-*	*-*	*-*	*43,766*	*43,770*
Total loans	$ 1,213	916	-	11,218	3,609,174	3,622,521	*$ 2,476*	*795*	*-*	*11,583*	*3,604,702*	*3,619,556*
Total loans over 90 days past due	-	-	-	-	-	1,527	*-*	*-*	*-*	*-*	*-*	*2,073*

(dollars in thousands)	December 31, 2023						December 31, 2023					
	Accruing 30-59 days past due	**Accruing 60-89 days past due**	**Accruing 90 days or more past due**	**Nonaccrual loans**	**Accruing current**	**Total**	***Accruing 30-59 days past due***	***Accruing 60-89 days past due***	***Accruing 90 days or more past due***	***Nonaccrual loans***	***Accruing current***	***Total***
Commercial												
Owner occupied RE	$ 74	-	-	-	631,583	631,657	*$ 74*	*-*	*-*	*-*	*631,583*	*631,657*
Non-owner occupied RE	8,102	-	-	1,423	933,004	942,529	*8,102*	*-*	*-*	*1,423*	*933,004*	*942,529*
Construction	-	-	-	-	150,680	150,680	*-*	*-*	*-*	*-*	*150,680*	*150,680*
Business	567	-	-	319	499,275	500,161	*567*	*-*	*-*	*319*	*499,275*	*500,161*
Consumer												
Real estate	1,750	-	-	985	1,079,694	1,082,429	*1,750*	*-*	*-*	*985*	*1,079,694*	*1,082,429*
Home equity	601	30	-	1,236	181,137	183,004	*601*	*30*	*-*	*1,236*	*181,137*	*183,004*
Construction	-	-	-	-	63,348	63,348	*-*	*-*	*-*	*-*	*63,348*	*63,348*
Other	25	25	-	-	48,769	48,819	*25*	*25*	*-*	*-*	*48,769*	*48,819*
Total loans	$ 11,119	55	-	3,963	3,587,490	3,602,627	*$ 11,119*	*55*	*-*	*3,963*	*3,587,490*	*3,602,627*
Total loans over 90 days past due	-	-	-	-	-	1,300	*-*	*-*	*-*	*-*	*-*	*1,300*

As of June 30, 2024 September 30, 2024 and December 31, 2023, loans 30 days or more past due represented 0.30% 0.16% and 0.37% 0.37% of the Company's total loan portfolio, respectively. Commercial loans 30 days or more past due were 0.23% 0.08% and 0.27% 0.27% of the Company's total loan portfolio as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively. Consumer loans 30 days or more past due were 0.07% 0.08% and 0.09% 0.09% of total loans as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively.

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The table below summarizes nonaccrual loans by major categories for the periods presented.

	June 30, 2024			December 31, 2023			September 30, 2024			December 31, 2023		
(dollars in thousands)	Nonaccrual loans with no allowance	Nonaccrual loans with an allowance	Total nonaccrual loans	Nonaccrual loans with no allowance	Nonaccrual loans with an allowance	Total nonaccrual loans	Nonaccrual loans with no allowance	Nonaccrual loans with an allowance	Total nonaccrual loans	Nonaccrual loans with no allowance	Nonaccrual loans with an allowance	Total nonaccrual loans
Commercial												
Owner occupied RE	$ -	-	-	$ -	-	-						
Non-owner occupied RE	5,454	2,495	7,949	653	770	1,423	$ 5,432	2,472	7,904	$ 653	770	1,423
Construction	-	-	-	-	-	-						
Business	-	829	829	164	155	319	-	838	838	164	155	319
Total commercial	5,454	3,324	8,778	817	925	1,742	5,432	3,310	8,742	817	925	1,742
Consumer												
Real estate	1,148	728	1,876	-	985	985	1,735	713	2,448	-	985	985
Home equity	489	75	564	343	893	1,236	318	75	393	343	893	1,236
Construction	-	-	-	-	-	-						
Other	-	-	-	-	-	-						
Total consumer	1,637	803	2,440	343	1,878	2,221	2,053	788	2,841	343	1,878	2,221
Total nonaccrual loans	$ 7,091	4,127	11,218	$ 1,160	2,803	3,963	$ 7,485	4,098	11,583	$ 1,160	2,803	3,963

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The Company did not recognize interest income on nonaccrual loans for the three months ended June 30, 2024 September 30, 2024 and June 30, 2023 September 30, 2023. The accrued interest reversed during the three months ended June 30, 2024 September 30, 2024 and September 30, 2023 was $76,000. Accrued interest reversed during the three months ended June 30, 2023 was not material. Foregone interest income on the nonaccrual loans for the three-month period ended June 30, 2024 September 30, 2024 and June 30, 2023 September 30, 2023 was not material.

We did not recognize interest income on nonaccrual loans for the six nine months ended June 30, 2024 September 30, 2024 and June 30, 2023 September 30, 2023. Accrued interest of $82,000 94,000 was reversed during the six nine months ended June 30, 2024 September 30, 2024 and $23,000 35,000 was reversed during the six nine months ended June 30, 2023 September 30, 2023.

The table below summarizes information regarding nonperforming assets.

(dollars in thousands)		June 30, 2024	December 31, 2023		*September 30, 2024*	*December 31, 2023*
Nonaccrual loans	$	11,218	3,963	$	11,583	3,963
Other real estate owned		-	-		-	-
Total nonperforming assets	$	11,218	3,963	$	11,583	3,963
Nonperforming assets as a percentage of:						
Total assets		0.27 %	0.10 %		0.28 %	0.10 %
Gross loans		0.31 %	0.11 %		0.32 %	0.11 %
Total loans over 90 days past due	$	1,527	1,300	$	2,073	1,300
Loans over 90 days past due and still accruing		-	-		-	-

Modifications to Borrowers Experiencing Financial Difficulty

The Company adopted Accounting Standards Update ("ASU") 2022-02, Financial Instruments - Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures ("ASU 2022-02") effective January 1, 2023. The amendments in ASU 2022-02 eliminated the recognition and measure of troubled debt restructurings and enhanced disclosures for loan modifications to borrowers experiencing financial difficulty.

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. The Company uses a probability of default/loss given default model to determine the allowance for credit losses. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification.

Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of due to the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. Loan modifications to borrowers experiencing financial difficulty were not material for the three and six nine months ended June 30, 2024 September 30, 2024 and June 30, 2023 September 30, 2023.

Allowance for Credit Losses
The Company maintains an allowance for credit losses to provide for expected credit losses. Losses are charged against the allowance when management believes that the principal is uncollectable. Subsequent recoveries, if any, are credited to the allowance. Allocations of the allowance are made for specific loans and for pools of similar types of loans, although the entire allowance is available for any loan that, in management’s judgment, should be charged against the allowance. A provision for credit losses is taken based on management’s ongoing evaluation of the appropriate allowance balance.

A formal evaluation of the adequacy of the credit loss allowance is conducted quarterly. This assessment includes procedures to estimate the allowance and test the adequacy and appropriateness of the resulting balance. The level of the allowance is based upon management's evaluation of historical default and loss experience, current and projected economic conditions, asset quality trends, known and inherent risks in the portfolio, adverse situations that may affect the borrowers' ability to repay a loan, the estimated value of any underlying collateral, composition of the loan portfolio, industry and peer bank loan quality indications and other pertinent factors, including regulatory recommendations. Management believes the level of the allowance for credit losses is adequate to absorb all expected future losses inherent in the loan portfolio at the balance sheet date. The allowance is increased through provision for credit losses and decreased by charge-offs, net of recoveries of amounts previously charged-off.

The Company uses a lifetime probability of default and loss given default modeling approach to estimate the allowance for credit losses on loans. This method uses historical correlations between default experience and the age of loans to forecast defaults and losses, assuming that a loan in a pool shares similar risk characteristics such as loan product type, risk rating and loan age, and demonstrates similar default characteristics as other loans in that pool, as the loan progresses through its lifecycle. The Company calculates lifetime probability of default and loss given default rates based on historical loss experience, which is used to calculate expected losses based on the pool's loss rate and the age of loans in the pool. Management believes that the Company's historical loss experience provides the best basis for its assessment of expected credit losses to determine the allowance for credit losses. The Company uses its own internal data to measure historical credit loss experience within the pools with similar risk characteristics over an economic cycle. The probability of default and loss given default method also includes assumptions of observed migration over the lifetime of the underlying loan data. Loans that do not share risk characteristics are evaluated for expected credit losses on an individual basis and excluded from the collective evaluation.

Management also considers further adjustments to historical loss information for current conditions and reasonable and supportable forecasts that differ from the conditions that exist for the period over which historical information is evaluated as well as other changes in qualitative factors not inherently considered in the quantitative analyses. The Company generally utilizes a four-quarter forecast period in evaluating the appropriateness of the reasonable and supportable forecast scenarios which are incorporated through qualitative adjustments. There is immediate reversion to historical loss rates. The qualitative categories and the measurements used to quantify the risks within each of these categories are subjectively selected by management but measured by objective measurements period over period. The data for each measurement may be obtained from internal or external sources. The current period measurements are evaluated and assigned a factor commensurate with the current level of risk relative to past measurements over time. The resulting qualitative adjustments are applied to the relevant collectively evaluated loan pools. These adjustments are based upon quarterly trend assessments in certain economic factors such as labor, inflation, consumer sentiment and real disposable income, as well as associate retention and turnover, portfolio concentrations, and growth characteristics. The qualitative analysis increases or decreases the allowance allocation for each loan pool based on the assessment of factors described above.

The following tables summarize the activity related to the allowance for credit losses for the three and six nine months ended June 30, 2024 September 30, 2024 and June 30, 2023 September 30, 2023 under the CECL methodology.

	Three months ended September 30, 2024								
	Commercial				Consumer				
(dollars in thousands)	Owner occupied RE	Non-owner occupied RE	Construction	Business	Real Estate	Home Equity	Construction	Other	Total
Balance, beginning of period	$ 5,467	10,562	1,331	7,236	12,397	2,479	278	407	40,157
Provision for credit losses for loans	-	-	-	-	-	-	-	-	-
Loan charge-offs	-	-	-	(72)	-	(45)	-	(1)	(118)
Loan recoveries	-	-	-	73	-	4	-	50	127
Net loan recoveries (charge-offs)	-	-	-	1	-	(41)	-	49	9
Balance, end of period	$ 5,467	10,562	1,331	7,237	12,397	2,438	278	456	40,166
Net recoveries to average loans (annualized)									0.00 %
Allowance for credit losses to gross loans									1.11 %
Allowance for credit losses to nonperforming loans									346.78 %

									Three months ended September 30, 2023
	Commercial				Consumer				
(dollars in thousands)	Owner occupied RE	Non-owner occupied RE	Construction	Business	Real Estate	Home Equity	Construction	Other	Total
Balance, beginning of period	$ 5,896	11,584	1,331	8,152	10,395	2,521	684	542	41,105
Provision for credit losses for loans	300	(247)	(34)	(148)	191	(20)	(102)	(40)	(100)
Loan charge-offs	-	(1)	-	(42)	-	-	-	-	(43)
Loan recoveries	-	154	-	13	-	2	-	-	169
Net loan recoveries (charge-offs)	-	153	-	(29)	-	2	-	-	126
Balance, end of period	$ 6,196	11,490	1,297	7,975	10,586	2,503	582	502	41,131
Net recoveries to average loans (annualized)									(0.01)%
Allowance for credit losses to gross loans									1.16%
Allowance for credit losses to nonperforming loans									953.25%

									Nine months ended September 30, 2024
	Commercial				Consumer				
(dollars in thousands)	Owner occupied RE	Non-owner occupied RE	Construction	Business	Real Estate	Home Equity	Construction	Other	Total
Balance, beginning of period	$ 6,118	11,167	1,594	7,385	10,647	2,600	677	494	40,682
Provision for credit losses for loans	(651)	424	(263)	190	1,750	(244)	(399)	(57)	750
Loan charge-offs	-	(1,029)	-	(437)	-	(45)	-	(80)	(1,591)
Loan recoveries	-	-	-	99	-	127	-	99	325
Net loan recoveries (charge-offs)	-	(1,029)	-	(338)	-	82	-	19	(1,266)
Balance, end of period	$ 5,467	10,562	1,331	7,237	12,397	2,438	278	456	40,166
Net charge-offs to average loans (annualized)									0.05%
Allowance for credit losses to gross loans									1.11%
Allowance for credit losses to nonperforming loans									346.78%

									Three months ended June 30, 2024
	Commercial				Consumer				
(dollars in thousands)	Owner occupied RE	Non-owner occupied RE	Construction	Business	Real Estate	Home Equity	Construction	Other	Total
Balance, beginning of period	$ 6,118	11,167	1,594	7,054	10,647	2,719	677	465	40,441
Provision for credit losses	(651)	424	(263)	190	1,750	(244)	(399)	(57)	750
Loan charge-offs	-	(1,029)	-	(19)	-	-	-	(1)	(1,049)
Loan recoveries	-	-	-	11	-	4	-	-	15
Net loan recoveries (charge-offs)	-	(1,029)	-	(8)	-	4	-	(1)	(1,034)
Balance, end of period	$ 5,467	10,562	1,331	7,236	12,397	2,479	278	407	40,157
Net charge-offs to average loans (annualized)									0.11%
Allowance for credit losses to gross loans									1.11%
Allowance for credit losses to nonperforming loans									357.95%

									Three months ended June 30, 2023
	Commercial				Consumer				
(dollars in thousands)	Owner occupied RE	Non-owner occupied RE	Construction	Business	Real Estate	Home Equity	Construction	Other	Total
Balance, beginning of period	$ 5,984	11,285	1,110	8,022	10,079	2,663	810	482	40,435
Provision for credit losses	(88)	347	221	118	316	245	(126)	62	1,095
Loan charge-offs	-	(48)	-	-	-	(389)	-	(2)	(439)
Loan recoveries	-	-	-	12	-	2	-	-	14
Net loan recoveries (charge-offs)	-	(48)	-	12	-	(387)	-	(2)	(425)
Balance, end of period	$ 5,896	11,584	1,331	8,152	10,395	2,521	684	542	41,105
Net charge-offs to average loans (annualized)									0.05%
Allowance for credit losses to gross loans									1.16%
Allowance for credit losses to nonperforming loans									1,363.11%

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(dollars in thousands)	Commercial: Owner occupied RE	Commercial: Non-owner occupied RE	Commercial: Construction	Commercial: Business	Consumer: Real Estate	Consumer: Home Equity	Consumer: Construction	Consumer: Other	Total
									Six months ended June 30, 2024
Balance, beginning of period	$ 6,118	11,167	1,594	7,385	10,647	2,600	677	494	40,682
Provision for credit losses	(651)	424	(263)	190	1,750	(244)	(399)	(57)	750
Loan charge-offs	-	(1,029)	-	(365)	-	-	-	(79)	(1,473)
Loan recoveries	-	-	-	26	-	123	-	49	198
Net loan recoveries (charge-offs)	-	(1,029)	-	(339)	-	123	-	(30)	(1,275)
Balance, end of period	$ 5,467	10,562	1,331	7,236	12,397	2,479	278	407	40,157
Net charge-offs to average loans (annualized)									0.07 %
Allowance for credit losses to gross loans									1.11 %
Allowance for credit losses to nonperforming loans									357.95 %

(dollars in thousands)	Commercial: Owner occupied RE	Commercial: Non-owner occupied RE	Commercial: Construction	Commercial: Business	Consumer: Real Estate	Consumer: Home Equity	Consumer: Construction	Consumer: Other	Total
									Six months ended June 30, 2023
Balance, beginning of period	*$ 5,867*	*10,376*	*1,292*	*7,861*	*9,487*	*2,551*	*893*	*312*	*38,639*
Provision for credit losses	*29*	*1,385*	*39*	*268*	*908*	*298*	*(209)*	*232*	*2,950*
Loan charge-offs	*-*	*(209)*	*-*	*(1)*	*-*	*(389)*	*-*	*(2)*	*(601)*
Loan recoveries	*-*	*32*	*-*	*24*	*-*	*61*	*-*	*-*	*117*
Net loan recoveries (charge-offs)	*-*	*(177)*	*-*	*23*	*-*	*(328)*	*-*	*(2)*	*(484)*
Balance, end of period	*$ 5,896*	*11,584*	*1,331*	*8,152*	*10,395*	*2,521*	*684*	*542*	*41,105*
Net charge-offs to average loans (annualized)	*Net charge-offs to average loans (annualized)*								*0.03 %*
Allowance for credit losses to gross loans	*Allowance for credit losses to gross loans*								*1.16 %*
Allowance for credit losses to nonperforming loans	*Allowance for credit losses to nonperforming loans*								*1,363.11 %*

(dollars in thousands)	Commercial: Owner occupied RE	Commercial: Non-owner occupied RE	Commercial: Construction	Commercial: Business	Real Estate	Home Equity	Co
	Nine mo						
Balance, beginning of period	*$ 5,867*	*10,376*	*1,292*	*7,861*	*9,487*	*2,551*	
Provision for credit losses for loans	*329*	*1,138*	*5*	*120*	*1,099*	*278*	
Loan charge-offs	*-*	*(209)*	*-*	*(43)*	*-*	*(389)*	
Loan recoveries	*-*	*185*	*-*	*37*	*-*	*63*	
Net loan recoveries (charge-offs)	*-*	*(24)*	*-*	*(6)*	*-*	*(326)*	
Balance, end of period	*$ 6,196*	*11,490*	*1,297*	*7,975*	*10,586*	*2,503*	
Net charge-offs to average loans (annualized)							
Allowance for credit losses to gross loans							
Allowance for credit losses to nonperforming loans							

The There was no provision for credit losses was $750,000 and $1.1 million for the three months ended June 30, 2024 and June 30, 2023 September 30, 2024. For the three months ended September 30, 2023, respectively. there was a $100,000 reversal of the provision for credit losses related to loans. In addition, the provision for credit losses was $750,000 and $3 2.9.0 million for the six nine months ended June 30, 2024 September 30, 2024 and June 30, 2023 September 30, 2023, respectively.

Collateral dependent loans are loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. The Company reviews individually evaluated loans for designation as collateral dependent loans, as well as other loans that management of the Company designates as having higher risk. These loans do not share common risk characteristics and are not included within the collectively evaluated loans for determining the allowance for credit losses.

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Under CECL, for collateral dependent loans, the Company has adopted the practical expedient to measure the allowance for credit losses based on the fair value of collateral. The allowance for credit losses is calculated on an individual loan basis based on the shortfall between the fair value of the loan's collateral, which is adjusted for liquidation costs/discounts, and amortized cost. If the fair value of the collateral exceeds the amortized cost, no allowance is required.

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The following tables present an analysis of collateral-dependent loans of the Company as of June 30, 2024 September 30, 2024 and December 31, 2023.

(dollars in thousands)	June 30, 2024 Real estate	Business assets	Other	Total	September 30, 2024 Real estate	Business assets	Other	Total
Commercial								
Owner occupied RE	*$ -*	*-*	*-*	*-*				
Non-owner occupied RE	*7,274*	*-*	*-*	*7,274*	*$ 7,240*	*-*	*-*	*7,240*
Construction	*-*	*-*	*-*	*-*				
Business	*361*	*321*	*-*	*682*	*461*	*234*	*-*	*695*
Total commercial	*7,635*	*321*	*-*	*7,956*	*7,701*	*234*	*-*	*7,935*
Consumer								
Real estate	*1,304*	*-*	*-*	*1,304*	*1,891*	*-*	*-*	*1,891*
Home equity	*564*	*-*	*-*	*564*	*393*	*-*	*-*	*393*
Construction	*-*	*-*	*-*	*-*				
Other	*-*	*-*	*-*	*-*				
Total consumer	*1,868*	*-*	*-*	*1,868*	*2,284*	*-*	*-*	*2,284*
Total	*$ 9,503*	*321*	*-*	*9,824*	*$ 9,985*	*234*	*-*	*10,219*

(dollars in thousands)	December 31, 2023 Real estate	Business assets	Other	Total
Commercial				
Owner occupied RE	*$ -*	*-*	*-*	*-*
Non-owner occupied RE	*720*	*-*	*-*	*720*
Construction	*-*	*-*	*-*	*-*
Business	*164*	*-*	*-*	*164*
Total commercial	*884*	*-*	*-*	*884*
Consumer				
Real estate	*166*	*-*	*-*	*166*
Home equity	*343*	*-*	*-*	*343*
Construction	*-*	*-*	*-*	*-*
Other	*-*	*-*	*-*	*-*
Total consumer	*509*	*-*	*-*	*509*
Total	*$ 1,393*	*-*	*-*	*1,393*

(dollars in thousands)	December 31, 2023 Real estate	Business assets	Other	Total
Commercial				
Non-owner occupied RE	$ 720	-	-	720
Business	164	-	-	164
Total commercial	884	-	-	884
Consumer				
Real estate	166	-	-	166
Home equity	343	-	-	343
Total consumer	509	-	-	509
Total	$ 1,393	-	-	1,393

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Allowance for Credit Losses - Unfunded Loan Commitments

The allowance for credit losses for unfunded loan commitments was $1.4 million and $1.8million at June 30, 2024 September 30, 2024 and December 31, 2023, respectively, and is separately classified on the balance sheet within other liabilities. The following table presents the balance and activity in the allowance for credit losses for unfunded loan commitments for the three and six nine months ended June 30, 2024 September 30, 2024 and June 30, 2023 September 30, 2023.

(dollars in thousands)		Three months ended June 30, 2024	Three months ended June 30, 2023	Three months ended September 30, 2024	Three months ended September 30, 2023
Balance, beginning of period	$	1,656	2,750	$ 1,406	2,565
Provision for (reversal of) credit losses		(250)	(185)	-	(400)
Balance, end of period	$	1,406	2,565	$ 1,406	2,165
Unfunded Loan Commitments	$	694,524	849,977	$ 699,888	780,581
Reserve for Unfunded Commitments to Unfunded Loan Commitments		0.20%	0.30%	0.20%	0.28%

(dollars in thousands)		Six months ended June 30, 2024	Six months ended June 30, 2023
Balance, beginning of period	$	1,831	2,780
Provision for (reversal of) credit losses		(425)	(215)
Balance, end of period	$	1,406	2,565
Unfunded Loan Commitments	$	694,524	849,977
Reserve for Unfunded Commitments to Unfunded Loan Commitments		0.20%	0.30%

		Nine months ended September 30,	
(dollars in thousands)		2024	2023
Balance, beginning of period	$	1,831	2,780
Provision for (reversal of) credit losses		(425)	(615)
Balance, end of period	$	1,406	2,165
Unfunded Loan Commitments	$	699,888	780,581
Reserve for Unfunded Commitments to Unfunded Loan Commitments		0.20 %	0.28 %

NOTE 5 – Derivative Financial Instruments

The Company utilizes derivative financial instruments primarily to manage its exposure to changes in interest rates. All derivative financial instruments are recognized as either assets or liabilities and measured at fair value.

The Company enters into commitments to originate residential mortgage loans held for sale, at specified interest rates and within a specified period of time, with clients who have applied for a loan and meet certain credit and underwriting criteria (interest rate lock commitments). These interest rate lock commitments (“IRLCs”) meet the definition of a derivative financial instrument and are reflected in the balance sheet at fair value with changes in fair value recognized in current period earnings. Unrealized gains and losses on the IRLCs are recorded as derivative assets and derivative liabilities, respectively, and are measured based on the value of the underlying mortgage loan, quoted mortgage-backed securities (“MBS”) prices and an estimate of the probability that the mortgage loan will fund within the terms of the interest rate lock commitment, net of estimated commission expenses.

The Company manages the interest rate and price risk associated with its outstanding IRLCs and mortgage loans held for sale by entering into derivative instruments such as forward sales of MBS. These derivatives are free-standing free- standing derivatives and are not designated as instruments for hedge accounting. Management expects these derivatives will experience changes in fair value opposite to changes in fair value of the IRLCs and mortgage loans held for sale, thereby reducing earnings volatility. The Company takes into account various factors and strategies in determining the portion of the mortgage pipeline (IRLCs and mortgage loans held for sale) it wants to economically hedge. The gain or loss resulting from the change in the fair value of the derivative is recognized in the Company’s statement of income during the period of change.

The Company entered into a pay-fixed portfolio layer method fair value swap, designated as a hedging instrument, with a total notional amount of $200.0 million in the second quarter of 2023. The hedging instrument matures on May 25, 2028May 25, 2028. The Company entered into a second pay-fixed portfolio layer method fair value swap, designated as a hedging instrument, with a total notional amount of $100.0 million in the third quarter of 2024. The hedging instrument matures on August 27, 2027. The Company is designating the fair value swap swaps under the portfolio layer method (“PLM”). Under this method, the hedged item is designated as a hedged layer of a closed portfolio of financial loans that is anticipated to remain outstanding for the designated hedged period. Adjustments are made to record the swap at fair value on the consolidated balance sheets, with changes in fair value recognized in interest income. The carrying value of the fair value swap on the consolidated balance sheets will also be adjusted through interest income, based on changes in fair value attributable to changes in the hedged risk.

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The following table represents the carrying value of the portfolio layer method hedged asset and liability and the cumulative fair value hedging adjustment included in the carrying value of the hedged asset as of June 30, 2024 September 30, 2024 and December 31, 2023.

	June 30, 2024		December 31, 2023		September 30, 2024		December 31, 2023	
(dollars in thousands)	Carrying Amount	Hedged Asset	Carrying Amount	Hedged Liability	Carrying Amount	Hedged Liability	Carrying Amount	Hedged Liability
Fixed Rate Asset/Liability[1]	$ 203,986	$ 3,986	$ 199,518	$ 482	$ 296,937	$ 3,063	$ 199,518	$ 482

1 These amounts included the amortized cost basis of closed portfolios of fixed rate loans used to designate hedging relationships in which the hedged item is the stated amount of the assets in the closed portfolio anticipated to be outstanding for the designated hedged period. As of June 30, 2024 September 30, 2024, the amortized cost basis of the closed portfolio used in this hedging relationship was $694.1 679.8 million, the cumulative basis adjustment associated with this hedging relationship was $4 3.2.0 million, and the amount of the designated hedged item was $200 300.0 million.

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The following table summarizes the Company's outstanding financial derivative instruments at June 30, 2024 September 30, 2024 and December 31, 2023.

(dollars in thousands)	June 30, 2024 Notional	June 30, 2024 Balance Sheet Location	June 30, 2024 Fair Value Asset/(Liability)	September 30, 2024 Notional	September 30, 2024 Balance Sheet Location	September 30, 2024 Fair Value Asset/(Liability)
Derivatives designated as hedging instruments:						
Fair value swap	$ 200,000	Other assets	$ 3,986	$ 300,000	Other liabilities	$ (3,063)
Derivatives not designated as hedging instruments:						
Mortgage loan interest rate lock commitments	21,923	Other assets	253	28,937	Other assets	354
MBS forward sales commitments	15,000	Other assets	21	19,000	Other liabilities	(48)
Total derivative financial instruments	$ 236,923		$ 4,260	$ 347,937		$ (2,757)

(dollars in thousands)	December 31, 2023 Notional	December 31, 2023 Balance Sheet Location	December 31, 2023 Fair Value Asset/(Liability)
Derivatives designated as hedging instruments:			
Fair value swap	$ 200,000	Other liabilities	$ (482)
Derivatives not designated as hedging instruments:			
Mortgage loan interest rate lock commitments	12,973	Other assets	159
MBS forward sales commitments	10,000	Other liabilities	(68)
Total derivative financial instruments	$ 222,973		$ (391)

(dollars in thousands)	December 31, 2023 Notional	December 31, 2023 Balance Sheet Location	December 31, 2023 Fair Value Asset/(Liability)
Derivatives designated as hedging instruments:			
Fair value swap	$ 200,000	Other liabilities	$ (482)
Derivatives not designated as hedging instruments:			
Mortgage loan interest rate lock commitments	12,973	Other assets	159
MBS forward sales commitments	10,000	Other liabilities	(68)
Total derivative financial instruments	$ 222,973		$ (391)

Accrued interest receivable related to the interest rate swap as of June 30, 2024 September 30, 2024 totaled $293 402,000,000 and is excluded from the fair value presented in the table above.

The Company assesses the effectiveness of the fair value swap hedge with a regression analysis that compares the changes in forward curves to determine the value. The effective portion of changes in fair value of derivatives designated as fair value hedges is recorded through interest income. The Company does not offset derivative assets and derivative liabilities for financial statement presentation purposes.

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The following table summarizes the effect of the fair value hedging relationship recognized in the consolidated statements of income for the three and six nine months ended June 30, 2024 September 30, 2024 and June 30, 2023 September 30, 2023.

(dollars in thousands)	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Gain (loss) on fair value hedging relationship:								
Hedged asset	$ 3,986	2,750	$ 3,986	2,750				
Hedged asset/liability					$ 3,063	6,250	$ 3,063	6,250
Fair value derivative designated as hedging instrument	(3,947)	(2,784)	(3,997)	(2,784)	(2,962)	(6,251)	(2,973)	(6,285)
Total gain (loss) recognized in interest income on loans	$ 39	(34)	$ (11)	(34)	$ 101	(1)	$ 90	(35)

NOTE 6 – Fair Value Accounting

FASB ASC 820, “Fair Value Measurement and Disclosures,” defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted market price in active markets

Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include certain debt and equity securities that are traded in an active exchange market.

Level 2 – Significant other observable inputs

Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include fixed income securities and mortgage-backed securities that are held in the Company's available-for-sale portfolio and valued by a third-party pricing service, as well as certain individually evaluated loans.

Level 3 – Significant unobservable inputs

Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

The methods of determining the fair value of assets and liabilities presented in this note are consistent with our methodologies disclosed in Note 12 of the Company's 2023 Annual Report on Form 10-K. See Note 5 for how the derivative asset fair value is determined. The Company's loan portfolio is initially fair valued using a segmented approach, using the eight categories of loans as disclosed in Note 4 – Loans and Allowance for Credit Losses. Loans are considered a Level 3 classification.

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Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The tables below present the recorded amount of assets and liabilities measured at fair value on a recurring basis as of June 30, 2024 September 30, 2024 and December 31, 2023.

	June 30, 2024			
(dollars in thousands)	Level 1	Level 2	Level 3	Total
Assets				
Securities available for sale				
Corporate bonds	$ -	1,887	-	1,887
US treasuries	-	890	-	890
US government agencies	-	17,700	-	17,700
State and political subdivisions	-	19,323	-	19,323
Asset-backed securities	-	31,575	-	31,575
Mortgage-backed securities	-	49,978	-	49,978
Mortgage loans held for sale	-	14,759	-	14,759
Mortgage loan interest rate lock commitments	-	253	-	253
MBS forward sales commitments	-	21	-	21
Derivative asset	-	3,986	-	3,986
Total assets measured at fair value on a recurring basis	$ -	140,372	-	140,372

The company had no liabilities recorded at fair value on a recurring basis as of June 30, 2024.

	December 31, 2023				September 30, 2024			
(dollars in thousands)	*Level 1*	*Level 2*	*Level 3*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets								
Securities available for sale:								
Securities available for sale								
Corporate bonds	*$ -*	*1,910*	*-*	*1,910*	*$ -*	*1,947*	*-*	*1,947*
US treasuries	*-*	*9,394*	*-*	*9,394*	*-*	*924*	*-*	*924*
US government agencies	*-*	*18,656*	*-*	*18,656*	*-*	*16,686*	*-*	*16,686*
State and political subdivisions	*-*	*19,741*	*-*	*19,741*	*-*	*20,023*	*-*	*20,023*
Asset-backed securities	*-*	*33,236*	*-*	*33,236*	*-*	*34,265*	*-*	*34,265*
Mortgage-backed securities	*-*	*51,765*	*-*	*51,765*	*-*	*60,752*	*-*	*60,752*
Mortgage loans held for sale	*-*	*7,194*	*-*	*7,194*	*-*	*8,602*	*-*	*8,602*
Mortgage loan interest rate lock commitments	*-*	*159*	*-*	*159*	*-*	*354*	*-*	*354*
Total assets measured at fair value on a recurring basis	*$ -*	*142,055*	*-*	*142,055*	*$ -*	*143,553*	*-*	*143,553*
Liabilities								
Derivative liability	*$ -*	*482*	*-*	*482*	*-*	*3,063*	*-*	*3,063*
MBS forward sales commitments	*-*	*68*	*-*	*68*	*-*	*48*	*-*	*48*
Total liabilities measured at fair value on a recurring basis	*$ -*	*550*	*-*	*550*	*$ -*	*3,111*	*-*	*3,111*

(dollars in thousands)		December 31, 2023 Level 1	Level 2	Level 3	Total
Assets					
Securities available for sale:					
Corporate bonds	$	-	1,910	-	1,910
US treasuries		-	9,394	-	9,394
US government agencies		-	18,656	-	18,656
State and political subdivisions		-	19,741	-	19,741
Asset-backed securities		-	33,236	-	33,236
Mortgage-backed securities		-	51,765	-	51,765
Mortgage loans held for sale		-	7,194	-	7,194
Mortgage loan interest rate lock commitments		-	159	-	159
Total assets measured at fair value on a recurring basis	$	-	142,055	-	142,055
Liabilities					
Derivative liability	$	-	482	-	482
MBS forward sales commitments		-	68	-	68
Total liabilities measured at fair value on a recurring basis	$	-	550	-	550

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

The tables below present the recorded amount of assets and liabilities measured at fair value on a nonrecurring basis as of June 30, 2024 September 30, 2024 and December 31, 2023.

(dollars in thousands)		*As of June 30, 2024 Level 1*	*Level 2*	*Level 3*	*Total*		*As of September 30, 2024 Level 1*	*Level 2*	*Level 3*	*Total*
Assets										
Individually evaluated loans	*$*	*-*	*8,560*	*1,867*	*10,427*	*$*	*-*	*8,954*	*1,812*	*10,766*
Total assets measured at fair value on a nonrecurring basis	*$*	*-*	*8,560*	*1,867*	*10,427*	*$*	*-*	*8,954*	*1,812*	*10,766*

(dollars in thousands)		*As of December 31, 2023 Level 1*	*Level 2*	*Level 3*	*Total*
Assets					
Individually evaluated loans	*$*	*-*	*1,160*	*2,976*	*4,136*
Total assets measured at fair value on a nonrecurring basis	*$*	*-*	*1,160*	*2,976*	*4,136*

(dollars in thousands)		As of December 31, 2023 Level 1	Level 2	Level 3	Total
Assets					
Individually evaluated loans	$	-	1,160	2,976	4,136
Total assets measured at fair value on a nonrecurring basis	$	-	1,160	2,976	4,136

The Company had no liabilities carried at fair value or measured at fair value on a nonrecurring basis.

For Level 3 assets and liabilities measured at fair value on a recurring or nonrecurring basis as of June 30, 2024 September 30, 2024 and December 31, 2023, the significant unobservable inputs used in the fair value measurements were as follows:

	Valuation Technique	Significant Unobservable Inputs	Range of Inputs
Individually evaluated loans	Appraised Value/ Discounted Cash Flows	Discounts to appraisals or cash flows for estimated holding and/or selling costs or age of appraisal	0-25%

Fair Value of Financial Instruments

Financial instruments require disclosure of fair value information, whether or not recognized in the consolidated balance sheets, when it is practical to estimate the fair value. A financial instrument is defined as cash, evidence of an ownership interest in an entity or a contractual obligation which requires the exchange of cash. Certain items are specifically excluded from the disclosure requirements, including the Company's common stock, premises and equipment and other assets and liabilities.

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The estimated fair values of the Company's financial instruments at June 30, 2024 September 30, 2024 and December 31, 2023 are as follows:

(dollars in thousands)		Carrying Amount	Fair Value	Level 1	Level 2	Level 3
						June 30, 2024
Financial Assets:						
Other investments, at cost	$	18,653	18,653	-	-	18,653
Loans[1]		3,570,321	3,270,848	-	-	3,270,848
Financial Liabilities:						
Deposits		3,459,869	3,223,811	-	3,223,811	-
Subordinated debentures		36,376	40,563	-	40,563	-

(dollars in thousands)		Carrying Amount	Fair Value	Level 1	Level 2	Level 3
						December 31, 2023
Financial Assets:						
Other investments, at cost	$	19,939	19,939	-	-	19,939
Loans[1]		3,557,120	3,337,768	-	-	3,337,768
Financial Liabilities:						
Deposits		3,379,564	2,961,182	-	2,961,182	-
Subordinated debentures		36,322	40,712	-	40,712	-

(dollars in thousands)		Carrying Amount	Fair Value	Level 1	Level 2	Level 3
						September 30, 2024
Financial Assets:						
Other investments, at cost	$	19,640	19,640	-	-	19,640
Loans[1]		3,567,000	3,302,316	-	-	3,302,316
Financial Liabilities:						
Deposits		3,518,825	3,348,532	-	3,348,532	-
Subordinated debentures		24,903	28,200	-	28,200	-

(dollars in thousands)		Carrying Amount	Fair Value	Level 1	Level 2	Level 3
						December 31, 2023
Financial Assets:						
Other investments, at cost	$	19,939	19,939	-	-	19,939
Loans[1]		3,557,120	3,337,768	-	-	3,337,768
Financial Liabilities:						
Deposits		3,379,564	2,961,182	-	2,961,182	-
Subordinated debentures		36,322	40,712	-	40,712	-

1 Carrying amount is net of the allowance for credit losses and individually evaluated loans.

NOTE 7 – Leases

The Company had operating right-of-use ("ROU") assets, included in property and equipment, of $21.4 21.0 million and $22.2 million as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively. The Company had lease liabilities, included in other liabilities, of $23.9 23.6 million and $24.6 million as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively. We maintain operating leases on land and buildings for various office spaces. The lease agreements have maturity dates ranging from April 2025 to February 2032, some of which include options for multiple five-year extensions. The weighted average remaining life of the lease term for these leases was 5.43 5.19 years as of June 30, 2024 September 30, 2024. The ROU asset and lease liability are recognized at lease commencement by calculating the present value of lease payments over the lease term. The ROU assets also include any initial direct costs incurred and lease payments made at or before commencement date and are reduced by any lease incentives.

The discount rate used in determining the lease liability for each individual lease was the FHLB fixed advance rate which corresponded with the remaining lease term at implementation of the accounting standard and as of the lease commencement date for leases subsequently entered into. The weighted average discount rate for leases was 2.28 2.28%% as of June 30, 2024 September 30, 2024.

The total operating lease costs were $604,000 and $597,000 for the three months ended June 30, 2024 September 30, 2024 and 2023, respectively, and $1.2 1.8 million for the six nine months each ended June 30, 2024 September 30, 2024 and 2023, respectively.2023.

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Operating lease payments due as of June 30, 2024 September 30, 2024 were as follows:

(dollars in thousands)	Operating Leases	Operating Leases
2024	*$ 1,056*	*$ 531*
2025	*2,157*	*2,157*
2026	*2,210*	*2,210*
2027	*2,267*	*2,267*
2028	*2,015*	*2,015*
Thereafter	*20,187*	*20,187*
Total undiscounted lease payments	*29,892*	*29,367*
Discount effect of cash flows	*5,946*	*5,777*
Total lease liability	*$ 23,946*	*$ 23,590*

NOTE 8 – Earnings Per Common Share

The following schedule reconciles the numerators and denominators of the basic and diluted earnings per share computations for the three three- and six month nine-month periods ended June 30, 2024 September 30, 2024 and 2023. Dilutive common shares arise from the potentially dilutive effect of the Company's stock options that were outstanding at June 30, 2024 September 30, 2024. The assumed conversion of stock options can create a difference between basic and dilutive net income per common share. At June 30, 2024 September 30, 2024 and 2023, there were 266,974 263,387 and 386,003 351,746 options, respectively, that were not considered in computing diluted earnings per common share because they were anti-dilutive.

	Three months ended June 30,		**Six months ended June 30,**		***Three months ended September 30,***		***Nine months ended September 30,***	
(dollars in thousands, except share data)	***2024***	***2023***	***2024***	***2023***	***2024***	***2023***	***2024***	***2023***
Numerator:								
Net income available to common shareholders	*$ 2,999*	*2,458*	*$ 5,521*	*5,161*	*$ 4,382*	*4,098*	*$ 9,903*	*9,259*
Denominator:								
Weighted-average common shares outstanding – basic	*8,125,869*	*8,051,131*	*8,118,059*	*8,038,642*	*8,064,283*	*8,052,926*	*8,100,003*	*8,043,410*
Common stock equivalents	*14,953*	*17,897*	*23,312*	*41,879*	*24,893*	*19,482*	*23,843*	*34,420*
Weighted-average common shares outstanding – diluted	*8,140,822*	*8,069,028*	*8,141,371*	*8,080,521*	*8,089,176*	*8,072,408*	*8,123,846*	*8,077,830*
Earnings per common share:								
Basic	*$ 0.37*	*0.31*	*$ 0.68*	*0.64*	*$ 0.54*	*0.51*	*$ 1.22*	*1.15*
Diluted	*0.37*	*0.31*	*0.68*	*0.64*	*0.54*	*0.51*	*1.22*	*1.15*

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion reviews our results of operations for the three three- and six month nine-month periods ended June 30, 2024 September 30, 2024 as compared to the three three- and six month nine-month periods ended June 30, 2023 September 30, 2023 and assesses our financial condition as of June 30, 2024 September 30, 2024 as compared to December 31, 2023. You should read the following discussion and analysis in conjunction with the accompanying consolidated financial statements and the related notes and the consolidated financial statements and the related notes for the year ended December 31, 2023 included in our Annual Report on Form 10-K for that period. Results for the three three- and six month nine-month periods ended June 30, 2024 September 30, 2024 are not necessarily indicative of the results for the year ending December 31, 2024 or any future period.

Unless the context requires otherwise, references to the "Company," "we," "us," "our," or similar references mean Southern First Bancshares, Inc. and its consolidated subsidiary. References to the "Bank" refer to Southern First Bank.

Cautionary Warning Regarding forward-looking statements

This report contains statements which constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). Forward-Forward-looking

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looking

statements may relate to our financial condition, results of operations, plans, objectives, or future performance. These statements are based on many assumptions and estimates and are not guarantees of future performance. Our actual results may differ materially from those anticipated in any forward-looking statements, as they will depend on many factors about which we are unsure, including many factors which are beyond our control. The words “may,” “would,” “could,” “should,” “will,” “seek to,” “strive,” “focus,” “expect,” “anticipate,” “predict,” “project,” “potential,” “believe,” “continue,” “assume,” “intend,” “plan,” and “estimate,” as well as similar expressions, are meant to identify such forward-looking statements. Potential risks and uncertainties that could cause our actual results to differ from those anticipated in any forward-looking statements include, but are not limited to:

- ● · Restrictions or conditions imposed by our regulators on our operations;
- ● · Increases in competitive pressure in the banking and financial services industries;
- ● · Changes in access to funding or increased regulatory requirements with regard to funding, which could impair our liquidity;
- ● · Changes in deposit flows, which may be negatively affected by a number of factors, including rates paid by competitors, general interest rate levels, regulatory capital requirements, returns available to clients on alternative investments and general economic or industry conditions;
- ● · Credit losses as a result of declining real estate values, increasing interest rates, increasing unemployment, changes in payment behavior or other factors;
- ● · Credit losses due to loan concentration;
- ● · Changes in the amount of our loan portfolio collateralized by real estate and weaknesses in the real estate market;
- ● · Our ability to successfully execute our business strategy;
- ● · Our ability to attract and retain key personnel;
- ● · The success and costs of our expansion into the Charlotte, North Carolina, Greensboro, North Carolina and Atlanta, Georgia markets and into potential new markets;
- ● · Risks with respect to future mergers or acquisitions, including our ability to successfully expand and integrate the businesses and operations that we acquire and realize the anticipated benefits of the mergers or acquisitions;
- ● · Changes in the interest rate environment which could reduce anticipated or actual margins;
- ● · Changes in political conditions or the legislative or regulatory environment, including the upcoming 2024 federal elections and new governmental initiatives affecting the financial services industry;
- ● · Changes in economic conditions resulting in, among other things, a deterioration in credit quality;
- ● · Changes occurring in business conditions and inflation;
- ● · Increased cybersecurity risk, including potential business disruptions or financial losses;
- ● · Changes in technology;
- ● · The adequacy of the level of our allowance for credit losses and the amount of loan loss provisions required in future periods;
- ● · Examinations by our regulatory authorities, including the possibility that the regulatory authorities may, among other things, require us to increase our allowance for credit losses or write-down assets;
- ● · Changes in U.S. monetary policy, the level and volatility of interest rates, the capital markets and other market conditions that may affect, among other things, our liquidity and the value of our assets and liabilities;
- ● · Any increase in FDIC assessments which will increase our cost of doing business;
- ● · Risks associated with complex and changing regulatory environments, including, among others, with respect to data privacy, artificial intelligence, information security, climate change or other environmental, social and governance matters, and labor matters, relating to our operations;
- ● · The rate of delinquencies and amounts of loans charged-off;

- ● · The rate of loan growth in recent years and the lack of seasoning of a portion of our loan portfolio;
- ● · Our ability to maintain appropriate levels of capital and to comply with our capital ratio requirements;
- ● · Adverse changes in asset quality and resulting credit risk-related losses and expenses;
- ● · Changes in accounting standards, rules and interpretations and the related impact on our financial statements;
- ● · Risks associated with actual or potential litigation or investigations by customers, regulatory agencies or others;
- ● · Adverse effects of failures by our vendors to provide agreed upon services in the manner and at the cost agreed;
- ● · The potential effects of events beyond our control that may have a destabilizing effect on financial markets and the economy, such as epidemics and pandemics, war or terrorist activities, such as the war in Ukraine, the Middle East conflict, and the conflict between China and Taiwan, disruptions in our customers' supply chains, disruptions in transportation, essential utility outages or trade disputes and related tariffs; and disruptions caused from widespread cybersecurity incidents; and
- ● · Other risks and uncertainties detailed in Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2023, in Part II, Item 1A, "Risk Factors" of our Quarterly Reports on Form 10-Q, and in our other filings with the SEC.

If any of these risks or uncertainties materialize, or if any of the assumptions underlying such forward-looking statements proves to be incorrect, our results could differ materially from those expressed in, implied or projected by, such forward-looking statements. We urge investors to consider all of these factors carefully in evaluating the forward-looking statements contained in this Quarterly Report on Form 10-Q. We make these forward-looking statements as of the date of this document and we do not intend, and assume no obligation, to update the forward-looking statements or to update the reasons why actual results could differ from those expressed in, or implied or projected by, the forward-looking statements, except as required by law.

OVERVIEW

Our business model continues to be client-focused, utilizing relationship teams to provide our clients with a specific banker contact and support team responsible for all of their banking needs. The purpose of this structure is to provide a consistent and superior level of professional service, and we believe it provides us with a distinct competitive advantage. We consider exceptional client service to be a critical part of our culture, which we refer to as "ClientFIRST."

At June 30, 2024 September 30, 2024, we had total assets of $4.11 billion $4.17 billion, a 1.3% 2.9% increase from total assets of $4.06 billion at December 31, 2023. The largest component of our total assets is loans which were $3.62 billion and $3.60 billion at June 30, 2024 September 30, 2024 and December 31, 2023, respectively. Our liabilities and shareholders' equity at June 30, 2024 September 30, 2024 totaled $3.79 billion $3.85 billion and $318.7 million $326.5 million, respectively, compared to liabilities of $3.74 billion and shareholders' equity of $312.5 million at December 31, 2023. The principal component of our liabilities is deposits which were $3.46 billion $3.52 billion and $3.38 billion at June 30, 2024 September 30, 2024 and December 31, 2023, respectively.

Like most community banks, we derive the majority of our income from interest received on our loans and investments. Our primary source of funds for making these loans and investments is our deposits, on which we pay interest. Consequently, one of the key measures of our success is our amount of net interest income, or the difference between the income on our interest-earning assets, such as loans and investments, and the expense on our interest-bearing liabilities, such as deposits and borrowings. Another key measure is the spread between the yield we earn on these interest-earning assets and the rate we pay on our interest-bearing liabilities, which is called our net interest spread. In addition to earning interest on our loans and investments, we earn income through fees and other charges to our clients.

Our net income to common shareholders was $3.0 million $4.4 million and $2.5 million $4.1 million for the three months ended June 30, 2024 September 30, 2024 and 2023, respectively. Diluted earnings per share ("EPS") was $0.37 $0.54 for the second third quarter of 2024 as compared to $0.31 $0.51 for the same period in 2023. The increase in net income was primarily driven by an increase in net interest income resulting from additional interest income on our interest-earning assets loan portfolio combined with an increase in noninterest income, partially offset by an increase in noninterest expenses.

Our net income to common shareholders was $5.5 million $9.9 million and $5.2 million $9.3 million for the six nine months ended June 30, 2024 September 30, 2024 and 2023, respectively. Diluted EPS was $0.68 $1.22 for the six nine months ended June 30, 2024 September 30, 2024 as compared to $0.64 $1.15 for the same period in 2023. The increase in net income was primarily driven by the additional interest income on our interest-earning assets.

RESULTS OF OPERATIONS

Net Interest Income and Margin

Our level of net interest income is determined by the level of earning assets and the management of our net interest margin. Our net interest income was $19.5 million $20.6 million for the second third quarter of 2024, a 3.7% 6.4% increase over net interest income of $18.8 million $19.3 million for the second third quarter of 2023, driven primarily by a $7.9 million $3.7 million increase in interest income on our interest-earning assets, partially offset by a $7.2 million $2.5 million increase in interest expense. In addition, our net interest margin, on a tax-equivalent (TE) basis, (TE), was 1.98% 2.08% for the second third quarter of 2024 compared to 2.05% 1.97% for the same period in 2023.

We have included a number of tables to assist in our description of various measures of our financial performance. For example, the “Average Balances, Income and Expenses, Yields and Rates” table reflects the average balance of each category of our assets and liabilities as well as the yield we earned or the rate we paid with respect to each category during the three three- and six month nine-month periods ended June 30, 2024 September 30, 2024 and 2023. A review of this table shows that our loans typically provide higher interest yields than do other types of interest-earning assets, which is why we direct a substantial percentage of our earning assets into our loan portfolio. Similarly, the “Rate/Volume Analysis” tables demonstrate the effect of changing interest rates and changing volume of assets and liabilities on our financial condition during the periods shown. We also track the sensitivity of our various categories of assets and liabilities to changes in interest rates, and we have included tables to illustrate our interest rate sensitivity with respect to interest-earning accounts and interest-bearing accounts.

The following tables entitled “Average Balances, Income and Expenses, Yield and Rates” set forth information related to our average balance sheets, average yields on assets, and average costs of liabilities. We derived these yields by dividing income or expense by the average balance of the corresponding assets or liabilities. We derived average balances from the daily balances throughout the periods indicated. During the same periods, we had no securities purchased with agreements to resell. All investments owned have an original maturity of over one year. Nonaccrual loans are included in the following tables. Loan yields have been reduced to reflect the negative impact on our earnings of loans on nonaccrual status. The net of capitalized loan costs and fees are amortized into interest income on loans.

Average Balances, Income and Expenses, Yields and Rates

	For the Three Months Ended June 30,						For the Three Months Ended September 30,					
	2024			2023			2024			2023		
(dollars in thousands)	Average Balance	Income/ Expense	Yield/ Rate(1)	Average Balance	Income/ Expense	Yield/ Rate(1)	Average Balance	Income/ Expense	Yield/ Rate(1)	Average Balance	Income/ Expense	Yield/ Rate(1)
Interest-earning assets												
Federal funds sold and interest-bearing deposits with banks	$ 186,584	$ 2,583	5.57 %	$ 71,004	$ 891	5.03 %	$ 158,222	$ 2,209	5.55 %	$ 181,784	2,435	5.31 %
Investment securities, taxable	133,507	1,376	4.15 %	93,922	623	2.66 %	137,087	1,370	3.98 %	148,239	1,429	3.82 %
Investment securities, nontaxable(2)	8,027	55	2.73 %	10,200	108	4.24 %	8,047	55	2.70 %	7,799	55	2.77 %
Loans(3)	3,645,595	46,545	5.14 %	3,511,225	41,089	4.69 %	3,629,050	47,550	5.21 %	3,554,478	43,542	4.86 %
Total interest-earning assets	3,973,713	50,559	5.12 %	3,686,351	42,711	4.65 %	3,932,406	51,184	5.18 %	3,892,300	47,461	4.84 %
Noninterest-earning assets	165,093			155,847			158,550			159,103		
Total assets	$ 4,138,806			$ 3,842,198			$ 4,090,956			$ 4,051,403		
Interest-bearing liabilities												
NOW accounts	$ 302,881	621	0.82 %	$ 297,234	537	0.72 %	$ 314,669	835	1.06 %	$ 297,028	620	0.83 %
Savings & money market	1,611,991	16,324	4.07 %	1,727,009	15,298	3.55 %	1,523,834	15,287	3.99 %	1,748,638	16,908	3.84 %
Time deposits	898,878	11,271	5.04 %	573,095	6,102	4.27 %	909,192	11,603	5.08 %	648,949	7,602	4.65 %
Total interest-bearing deposits	2,813,750	28,216	4.03 %	2,597,338	21,937	3.39 %	2,747,695	27,725	4.01 %	2,694,615	25,130	3.70 %
FHLB advances and other borrowings	240,000	2,247	3.77 %	135,922	1,382	4.08 %	240,065	2,297	3.81 %	264,141	2,414	3.63 %
Subordinated debentures	36,360	555	6.14 %	36,251	542	6.00 %	36,261	558	6.12 %	36,278	558	6.10 %
Total interest-bearing liabilities	3,090,110	31,018	4.04 %	2,769,511	23,861	3.46 %	3,024,021	30,580	4.02 %	2,995,034	28,102	3.72 %
Noninterest-bearing liabilities	731,843			771,388			744,025			752,433		
Shareholders' equity	316,853			301,299			322,910			303,936		
Total liabilities and shareholders' equity	$ 4,138,806			$ 3,842,198			$ 4,090,956			$ 4,051,403		
Net interest spread			1.08 %			1.19 %			1.16 %			1.12 %
Net interest income (tax equivalent) / margin		$ 19,541	1.98 %		$ 18,850	2.05 %		$ 20,604	2.08 %		$ 19,359	1.97 %
Less: tax-equivalent adjustment(2)		13			25			13			14	
Net interest income		$ 19,528			$ 18,825			$ 20,591			$ 19,345	

(1) (1) Annualized for the three month three-month period.

(2) (2) The tax-equivalent adjustment to net interest income adjusts the yield for assets earning tax-exempt income to a comparable yield on a taxable basis.

(3) (3) Includes mortgage loans held for sale.

Our net interest margin (TE) decreased seven increased 11 basis points to 1.98% 2.08% during the second third quarter of 2024, compared to the second third quarter of 2023, primarily due to an increase in our deposit and borrowing costs increasing faster than our loan yield interest-earning assets, as our interest-bearing liabilities have been more sensitive to changes well as an increase in the federal funds rate over the past two years. yield on our interest-earning assets. Our average interest-bearing liabilities grew by $320.6 million during the second quarter of 2024 from the prior year, while the rate on these liabilities increased 58 basis points to 4.04%. In contrast, our average interest-earning assets grew by $287.4 million $40.1 million during the second third quarter of 2024 from the prior year, while the average yield on these assets increased by only 47 34 basis points to 5.12% 5.18%. Our average interest-bearing liabilities grew by $29.0 million during the same period. third quarter of 2024 from the prior year, while the rate on these liabilities increased 30 basis points to 4.02%.

The increase in average interest-earning assets for the third quarter of 2024 related primarily to an increase of $74.6 million in our average loan balances from the prior year, partially offset by a $23.6 million decrease in average federal funds sold and interest-bearing deposits with banks. The 34 basis point increase in yield on our interest-earning assets was driven by a 35 basis point increase in loan yield and a 24 basis point increase in yield on federal funds sold and interest-bearing deposits with banks.

The increase in our average interest-bearing liabilities during the second third quarter of 2024 resulted primarily from a $216.4 million $53.1 million increase in our interest-bearing deposits from the prior year, while the 58 30 basis point increase in rate on our interest-bearing liabilities was driven by a 64 31 basis point increase in deposit rates.

The increase in average interest-earning assets for the second quarter of 2024 related primarily to an increase of $134.4 million in our average loan balances from the prior year and a $115.6 million increase in average federal funds sold and interest-bearing deposits with banks. The 47 basis point increase in yield on our interest-earning assets was driven by a 54 basis point increase in yield on federal funds sold and interest-bearing deposits with banks and a 45 basis point increase in loan yield.

Our net interest spread was 1.08% 1.16% for the second third quarter of 2024 compared to 1.19% 1.12% for the same period in 2023. The net interest spread is the difference between the yield we earn on our interest-earning assets and the rate we pay on our interest-bearing liabilities. The 58 34 basis point increase in yield on our interest-earning assets was partially offset by a 30 basis point increase in the rate on our interest-bearing liabilities, was partially offset by resulting in a 47 4 basis point increase in yield on our interest-earning assets, resulting in a 11 basis point decrease in our net interest spread for the 2024 period. We anticipate continued pressure on our net interest spread and net and net

interest margin in future periods as a significant portion of based on the competitive rate environment around our loan portfolio is at fixed rates which do not move with deposits and the potential for additional rate cuts by the Federal Reserve's interest rate increases, while our deposit accounts reprice much more quickly. Reserve.

Average Balances, Income and Expenses, Yields and Rates

	For the Six Months Ended June 30,						For the nine Months Ended September 30,					
	2024			2023			2024			2023		
(dollars in thousands)	Average Balance	Income/ Expense	Yield/ Rate(1)	Average Balance	Income/ Expense	Yield/ Rate(1)	Average Balance	Income/ Expense	Yield/ Rate(1)	Average Balance	Income/ Expense	Yield/ Rate(1)
Interest-earning assets												
Federal funds sold and interest-bearing deposits with banks	$ 140,502	$ 3,863	5.53 %	$ 78,445	$ 1,860	4.78 %	$ 146,452	$ 6,072	5.54 %	$ 113,269	$ 4,295	5.07 %
Investment securities, taxable	127,084	2,812	4.45 %	90,739	1,152	2.56 %	131,828	4,183	4.24 %	111,551	2,663	3.19 %
Investment securities, nontaxable(2)	16,367	109	1.34 %	10,233	216	4.25 %	12,188	162	1.78 %	7,978	162	2.72 %
Loans(3)	3,634,284	92,150	5.10 %	3,423,365	77,837	4.59 %	3,632,527	139,700	5.14 %	3,467,550	121,380	4.68 %
Total interest-earning assets	3,918,237	98,934	5.08 %	3,602,782	81,065	4.54 %	3,922,995	150,117	5.11 %	3,700,348	128,500	4.64 %
Noninterest-earning assets	160,227			158,563			159,663			158,746		
Total assets	$ 4,078,464			$ 3,761,345			$ 4,082,658			$ 3,859,094		
Interest-bearing liabilities												
NOW accounts	$ 299,328	1,283	0.86 %	$ 300,189	977	0.66 %	$ 304,479	2,117	0.93 %	$ 299,123	1,598	0.71 %
Savings & money market	1,616,256	32,642	4.06 %	1,694,624	27,290	3.25 %	1,585,224	47,930	4.04 %	1,712,827	44,197	3.45 %
Time deposits	850,305	21,223	5.02 %	558,341	10,848	3.92 %	870,078	32,826	5.04 %	588,876	18,450	4.19 %
Total interest-bearing deposits	2,765,889	55,148	4.01 %	2,553,154	39,115	3.09 %	2,759,781	82,873	4.01 %	2,600,826	64,245	3.30 %
FHLB advances and other borrowings	240,659	4,476	3.74 %	77,408	1,582	4.12 %	240,460	6,772	3.76 %	140,336	3,996	3.81 %
Subordinated debentures	36,346	1,112	6.15 %	36,237	1,069	5.95 %	36,318	1,671	6.15 %	36,251	1,627	6.00 %
Total interest-bearing liabilities	3,042,894	60,736	4.01 %	2,666,799	41,766	3.16 %	3,036,559	91,316	4.02 %	2,777,413	69,868	3.36 %
Noninterest-bearing liabilities	719,868			794,627			727,977			780,408		
Shareholders' equity	315,702			299,919			318,122			301,273		
Total liabilities and shareholders' equity	$ 4,078,464			$ 3,761,345			$ 4,082,658			$ 3,859,094		
Net interest spread			1.06 %			1.38 %			1.09 %			1.28 %
Net interest income (tax equivalent) / margin		$ 38,198	1.96 %		$ 39,298	2.20 %		$ 58,801	2.00 %		$ 58,632	2.12 %
Less: tax-equivalent adjustment(2)		25			49			37			37	

Net interest income	*$ 38,173*	*$ 39,249*	*$ 58,764*	*$ 58,595*

(1) (1) Annualized for the six month nine-month period.

(2) (2) The tax-equivalent adjustment to net interest income adjusts the yield for assets earning tax-exempt income to a comparable yield on a taxable basis.

(3) (3) Includes mortgage loans held for sale.

During the first six nine months of 2024, our net interest margin (TE) decreased by 24 12 basis points to 1.96% 2.00%, compared to 2.20% 2.12% for the first six nine months of 2023, driven by the increase in yield on our interest-bearing liabilities. Our average interest-bearing liabilities grew by $376.1 million $259.1 million from the prior year, with the average yield increasing by 85 66 basis points to 4.01% 4.02%. In contrast, our average interest-earning assets grew by $315.5 million $222.6 million, while the rate on these assets increased 54 47 basis points to 5.08% 5.11%.

The increase in average interest-bearing liabilities for the first half nine months of 2024 was driven by an increase in interest-bearing deposits of $212.7 million $159.0 million and a $163.3 million $100.1 million increase in FHLB advances and other borrowings, while the increase in cost was driven by a 92 71 basis point increase on our interest-bearing deposits.

The increase in average interest-earning assets for the first half nine months of 2024 related primarily to a $210.9 million $165.0 million increase in our average loan balances and a $62.1 million $33.2 million increase in average federal funds sold and interest-bearing deposits with banks. The increase in yield on our interest-earning assets was driven by a 75 47 basis point increase in the yield on federal funds sold and interest-bearing deposits with banks and a 51 46 basis point increase in our loan yield.

Our net interest spread was 1.06% 1.09% for the first half nine months of 2024 compared to 1.38% 1.28% for the same period in 2023. The 32 19 basis point decrease in our net interest spread was driven by the 85 66 basis point increase in yield on our interest-bearing liabilities.

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Rate/Volume Analysis

Net interest income can be analyzed in terms of the impact of changing interest rates and changing volume. The following tables set forth the effect which the varying levels of interest-earning assets and interest-bearing liabilities and the applicable rates have had on changes in net interest income for the periods presented.

								Three Months Ended							Three M
				June 30, 2024 vs. 2023				June 30, 2023 vs. 2022				September 30, 2024 vs. 2023			September 30, 2
				Increase (Decrease) Due to				Increase (Decrease) Due to				Increase (Decrease) Due to			Increase (Decr
(dollars in thousands)	Volume	Rate	Rate/ Volume	Total	Volume	Rate	Rate/ Volume	Total	Volume	Rate	Rate/ Volume	Total	Volume	Rate	Ra Volu
Interest income															
Loans	$ 1,572	3,741	143	5,456	$ 6,888	6,030	1,561	14,479	$ 1,047	2,891	70	4,008	$ 6,233	6,248	1,3
Investment securities	254	337	121	712	(20)	291	(13)	258	(103)	48	(3)	(58)	271	451	2
Federal funds sold and interest-bearing deposits with banks	1,450	92	150	1,692	(22)	835	(102)	711	(315)	102	(13)	(226)	331	959	4
Total interest income	3,276	4,170	414	7,860	6,846	7,156	1,446	15,448	629	3,041	54	3,724	6,835	7,658	2,0
Interest expense															
Deposits	1,139	4,886	254	6,279	403	16,159	3,531	20,093	295	2,273	27	2,595	762	16,798	2,5
FHLB advances and other borrowings	1,058	(109)	(84)	865	165	435	676	1,276	(220)	112	(10)	(118)	1,938	2	4
Subordinated debentures	(2)	15	-	13	4	133	1	138	-	1	-	1	1	106	
Total interest expense	2,195	4,792	170	7,157	572	16,727	4,208	21,507	75	2,386	17	2,478	2,701	16,906	3,0
Net interest income	$ 1,081	(622)	244	703	$ 6,274	(9,571)	(2,762)	(6,059)	$ 554	655	37	1,246	$ 4,134	(9,248)	(9

Net interest income, the largest component of our income, was $19.5 million $20.6 million for the second third quarter of 2024 and $18.8 million $19.3 million for the second third quarter of 2023, a $703,000, $1.2 million, or 3.7% 6.4%, increase year over year. The increase during 2024 was driven by a $7.9 million $3.7 million increase in interest income primarily due to higher yields on our loan portfolio and an increase in average loan balances and average federal funds sold and interest-bearing deposits with banks. balances. Partially offsetting the increase in interest income was a $7.2 million $2.5 million increase in interest expense which was primarily driven by higher rates on our interest-bearing deposits.

								Six Months Ended					N	
				June 30, 2024 vs. 2023				June 30, 2023 vs. 2022				September 30, 2024 vs. 2023	Septembe	
				Increase (Decrease) Due to				Increase (Decrease) Due to				Increase (Decrease) Due to	Increase	
(dollars in thousands)	Volume	Rate	Rate/ Volume	Total	Volume	Rate	Rate/ Volume	Total	Volume	Rate	Rate/ Volume	Total	Volume	Rate
Interest income														
Loans	$ 4,883	8,883	547	14,313	$ 14,084	10,333	2,879	27,296	$ 6,121	11,617	582	18,320	$ 20,388	16,507
Investment securities	557	719	302	1,578	(126)	604	(82)	396	573	786	161	1,520	99	1,179

Federal funds sold and interest-bearing deposits with banks	*1,479*	*292*	*232*	*2,003*	*(18)*	*1,776*	*(137)*	*1,621*	*1,262*	*398*	*117*	*1,777*	*148*	*2,781*
Total interest income	*6,919*	*9,894*	*1,081*	*17,894*	*13,940*	*12,713*	*2,660*	*29,313*	*7,956*	*12,801*	*860*	*21,617*	*20,635*	*20,467*
Interest expense														
Deposits	*1,605*	*13,865*	*563*	*16,033*	*682*	*28,597*	*7,084*	*36,363*	*1,981*	*16,151*	*496*	*18,628*	*1,656*	*45,190*
FHLB advances and other borrowings	*3,351*	*(147)*	*(310)*	*2,894*	*143*	*597*	*725*	*1,465*	*2,857*	*(47)*	*(34)*	*2,776*	*636*	*545*
Subordinated debentures	*3*	*39*	*1*	*43*	*2*	*281*	*1*	*284*	*3*	*41*	*-*	*44*	*4*	*389*
Total interest expense	*4,959*	*13,757*	*254*	*18,970*	*827*	*29,475*	*7,810*	*38,112*	*4,841*	*16,145*	*462*	*21,448*	*2,296*	*46,124*
Net interest income	*$ 1,960*	*(3,863)*	*827*	*(1,076)*	*$ 13,113*	*(16,762)*	*(5,150)*	*(8,799)*	*$ 3,115*	*(3,344)*	*398*	*169*	*$ 18,339*	*(25,657)*

Net interest income for the first half nine months of 2024 was $38.2 million $58.8 million compared to $39.2 million $58.6 million for 2023, a $1.1 million $169,000, or 0.29%, or 2.74%, decrease. increase. The decrease increase in net interest income during 2024 was driven by a $19.0 million $21.6 million increase in interest expense, related primarily to higher rates on our interest-bearing deposits. income, offset by a $21.4 million increase in interest expense.

Provision for Credit Losses

The provision for credit losses, which includes a provision for losses on unfunded commitments, is a charge to earnings to maintain the allowance for credit losses and reserve for unfunded commitments at levels consistent with management’s assessment of expected losses in the loan portfolio at the balance sheet date. We review the adequacy of the allowance for credit losses on a quarterly basis. Please see the discussion included in Note 4 –

Loans and Allowance for Credit Losses for a description of the factors we consider in determining the amount of the provision we expense each period to maintain this allowance.

We recorded did not record a $500,000 provision for credit losses during the second third quarter of 2024, compared to a $910,000 reversal of $500,000 to the provision for credit losses in the second third quarter of 2023. We recorded a provision expense of $325,000 and $2.7 million $2.2 million for the six nine months ended June 30, 2024 September 30, 2024 and June 30, 2023 September 30, 2023, respectively. No provision was recorded in the third quarter of 2024 due to low charge-offs and insignificant loan growth. The reversal of $500,000 provision in 2024, which the third quarter of 2023, included a $750,000 $100,000 reversal of provision for credit losses and a $250,000 $400,000 reversal for unfunded commitments, commitments. The reversal of the provision for credit losses was driven by an increase in lower expected loss rates, while the level of charge-offs we experienced during the second quarter, combined with an increase in the specific reserve on individually assessed loans. During the second quarter of 2024, we charged-off $1.0 million related to one relationship associated with the assisted living industry. The reversal of the reserve for unfunded commitments was due to driven by a decrease in the balance of unfunded commitments at June 30, 2024. September 30, 2023, compared to the previous quarter and year. The $325,000 provision expense for the first half nine months of 2024 included $750,000 provision for credit losses and a $425,000 reversal for unfunded commitments. The $910,000 $2.2 million provision in expense for the first nine months of 2023 which included a $1.1 million $2.9 million provision for credit losses and a $185,000 reversal for unfunded commitments, was driven by $119.7 million in loan growth during the second quarter. The $2.7 million provision expense for the first half of 2023 included a $3.0 million provision for credit losses and a $215,000 $615,000 reversal for unfunded commitments.

Noninterest Income
The following table sets forth information related to our noninterest income.

	Three months ended June 30,		Six months ended June 30,		Three months ended September 30,		Nine months ended September 30,	
(dollars in thousands)	2024	2023	2024	2023	2024	2023	2024	2023
Mortgage banking income	$ 1,923	1,337	$ 3,087	1,959	$ 1,449	1,208	$ 4,536	3,167
Service fees on deposit accounts	416	331	810	656	455	356	1,265	1,011
ATM and debit card income	587	536	1,131	1,091	599	588	1,730	1,680
Income from bank owned life insurance	384	338	762	670	401	349	1,162	1,018
Other income	213	194	397	404	271	249	669	653
Total noninterest income	$ 3,523	2,736	$ 6,187	4,780	$ 3,175	2,750	$ 9,362	7,529

Noninterest income was $3.5 million $3.2 million for the second third quarter of 2024, a $787,000, $425,000, or 28.8% 15.5%, increase from noninterest income of $2.7 million $2.8 million for the second third quarter of 2023. Mortgage banking income continues to be the largest component of our noninterest income at $1.9 million $1.5 million for the second third quarter of 2024, an increase of $586,000, $241,000, or 43.8% 20.0%, over the prior year. The increase was driven by higher mortgage volume during the second third quarter of 2024. Service fees on deposit accounts increased $99,000, or 27.8%, over the prior year. The increase was driven by fee income on our commercial credit cards and additional wire fee income.

Noninterest income was $6.2 million $9.4 million for the first half nine months of 2024, a $1.4 million $1.8 million, or 29.4% 24.4%, increase from noninterest income of $4.8 million $7.5 million for the first half nine months of 2023. Mortgage banking income increased by $1.1 million $1.4 million, or 57.6% 43.2%, over the prior year while service fees on deposit accounts increased $154,000, $254,000, or 23.5% 25.1%, from the first half nine months of 2023.

Noninterest expenses
The following table sets forth information related to our noninterest expenses.

	Three months ended June 30,		Six months ended June 30,		Three months ended September 30,		Nine months ended September 30,	
(dollars in thousands)	2024	2023	2024	2023	2024	2023	2024	2023
Compensation and benefits	$ 11,290	10,287	$ 22,147	20,643	$ 10,789	10,231	$ 32,936	30,874
Occupancy	2,552	2,518	5,109	4,975	2,595	2,562	7,704	7,537
Outside service and data processing costs	1,962	1,705	3,808	3,334	1,930	1,744	5,738	5,078
Insurance	965	897	1,920	1,586	1,025	1,243	2,945	2,829
Professional fees	582	751	1,200	1,410	548	504	1,748	1,914
Marketing	389	335	758	701	319	293	1,077	994
Other	903	900	1,801	1,848	833	725	2,634	2,573
Total noninterest expense	$ 18,643	17,393	$ 36,743	34,497	$ 18,039	17,302	$ 54,782	51,799

Noninterest expense was $18.0 million for the third quarter of 2024, a $737,000, or 4.3%, increase from noninterest expense of $17.3 million for the third quarter of 2023. The increase in noninterest expense was driven primarily by the following:

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- Compensation and benefits expense increased $558,000, or 5.5%, relating primarily to an increase in salaries, equity compensation expenses, and other employee benefits expenses.
- Outside service and data processing costs increased $186,000, or 10.7%, relating primarily to increases in software licensing and maintenance costs.

Noninterest expense was $18.6 million $54.8 million for the second quarter first nine months of 2024, a $1.3 million $3.0 million, or 7.2% 5.8%, increase from noninterest expense of $17.4 million $51.8 million for the second quarter first nine months of 2023. The increase in noninterest expense was driven primarily by the following:

- Compensation and benefits expense increased $1.0 million $2.1 million, or 9.8%, relating primarily to an increase in salaries, bonuses, and equity compensation expenses.
- Outside service and data processing costs increased $257,000, or 15.1%, relating primarily to increases in software licensing and maintenance costs.

Partially offsetting these increases, professional fees decreased $169,000, or 22.5%, relating primarily to decreases in loan appraisal fees and consulting fees.

Noninterest expense was $36.7 million for the first half of 2024, a $2.2 million, or 6.5%, increase from noninterest expense of $34.5 million for the first half of 2023. The increase in noninterest expense was driven primarily by the following:

- Compensation and benefits expense increased $1.5 million, or 7.3% 6.7%, relating primarily to annual salary increases, bonuses, and equity compensation expenses.
- Outside service and data processing costs increased $474,000, $660,000, or 14.2% 13.0%, relating primarily to increases in item processing, electronic banking and software licensing and maintenance costs.
- Occupancy costs increased $167,000, or 2.2%, primarily due to depreciation on the Dream Mortgage Center which opened in the fourth quarter of 2023.
- Insurance costs increased $334,000, $116,000, or 21.1% 4.1%, as a result of higher FDIC insurance premiums.

Partially offsetting these increases, professional fees decreased $210,000, $166,000, or 14.9% 8.7%, relating primarily to decreases in loan appraisal fees, legal fees and other consulting fees.

Our efficiency ratio was 80.9% 75.9% for the second third quarter of 2024, compared to 80.7% 78.3% for the second third quarter of 2023. The efficiency ratio represents the percentage of one dollar of expense required to be incurred to earn a full dollar of revenue and is computed by dividing noninterest expense by the sum of net interest income and noninterest income. The improvement during the 2024 period is due to the higher level of net interest income recorded.

We incurred income tax expense of $909,000 $1.3 million and $800,000 $1.2 million for the three months ended June 30, 2024 September 30, 2024 and 2023, respectively, and $1.8 million $3.1 million and $1.6 million $2.8 million for the six nine months ended June 30, 2024 September 30, 2024 and 2023, respectively. Our effective tax rate was 24.3% 23.9% and 24.1% 23.4% for the six nine months ended June 30, 2024 September 30, 2024 and 2023, respectively. The higher tax rate during the first half nine months of 2024 was driven by the effect of equity compensation transactions during the period.

Balance Sheet Review

Investment Securities
At June 30, 2024 September 30, 2024, the $140.0 million $154.2 million in our investment securities portfolio represented approximately 3.4% 3.7% of our total assets. Our available for sale investment portfolio included corporate bonds, US treasuries, US government agency securities, state and political subdivisions, asset-backed securities and mortgage-backed securities with a fair value of $121.4 million $134.6 million and an amortized cost of $136.4 million $146.1 million, resulting in an unrealized loss of $15.0 million $11.5 million. At December 31, 2023, the $154.6 million in our investment securities portfolio represented approximately 3.8% of our total assets, including investment securities with a fair value of $134.7 million and an amortized cost of $149.1 million for an unrealized loss of $14.4 million. In addition, other investments, which include FHLB Stock and other nonmarketable investments, decreased $1.3 million $299,000 from December 31, 2023 to $18.7 million $19.6 million at June 30, 2024 September 30, 2024.

Loans
Since loans typically provide higher interest yields than other types of interest earning assets, a substantial percentage of our earning assets are invested in our loan portfolio. Average loans, excluding mortgage loans held for sale, for the six nine months ended June 30, 2024 September 30, 2024 and 2023 were $3.63 billion $3.62 billion and $3.42 billion $3.46 billion, respectively. Before the allowance for credit losses, total loans outstanding at June 30, 2024 September 30, 2024 and December 31, 2023 were $3.62 billion and $3.60 billion, respectively.

The principal component of our loan portfolio is loans secured by real estate mortgages. As of June 30, 2024 September 30, 2024, our loan portfolio included $3.05 billion, or 84.3% 84.4%, of real estate loans, compared to $3.05 billion, or 84.8%, at December 31, 2023. Most of our real estate loans are secured by residential or commercial property. We obtain a security interest in real estate, in addition to any other available collateral, in order to increase the likelihood of the ultimate repayment of the loan. Generally, we limit the loan-to-value ratio on loans to coincide with the appropriate regulatory guidelines. We attempt to maintain a relatively diversified loan portfolio to help reduce the risk inherent in concentration in certain types of collateral and business types. Home equity lines of credit totaled $189.3 million $195.4 million as of June 30, 2024 September 30, 2024, of which approximately 46% 45% were in a first lien position, while the remaining balance was second liens. At December 31, 2023, our home equity lines of credit totaled $183.0 million, of which approximately 46% were in first lien positions, while the remaining balance was in second liens. The average home equity loan had a balance of approximately $86,000 $89,000 and a loan to value of 71% 73% as of June 30, 2024 September 30, 2024, compared to an average loan balance of $85,000 and a loan to value of approximately 73% as of December 31, 2023. Further, 0.4% 0.3% and 0.8% of our total home equity lines of credit were over 30 days past due as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively.

Following is a summary of our loan composition at June 30, 2024 September 30, 2024 and December 31, 2023. During the first six nine months of 2024, our loan portfolio increased by $19.9 million $16.9 million, or 0.55% 0.47%, with primarily driven by a $6.0 million $15.5 million increase in commercial loans while consumer loans increased by $13.9 million during the period. The majority of the increase was in loans secured by real estate. Our level of non-owner occupied commercial real estate and multi-family loans represents 257.7% of the Bank's total risk-based capital at June 30, 2024. Our consumer real estate portfolio grew by $43.7 million $49.9 million and includes high quality 1-4 family consumer real estate loans. Our average consumer real estate loan currently has a principal balance of $467,000, $470,000, a term of 23 years, and an average rate of 4.27% 4.33% as of June 30, 2024 September 30, 2024, compared to a principal balance of $469,000, a term of 23 years, and an average rate of 4.10% as of December 31, 2023.

	June 30, 2024		December 31, 2023		September 30, 2024		December 31, 2023	
(dollars in thousands)	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Commercial								
Owner occupied RE	$ 642,008	17.7 %	$ 631,657	17.5 %	$ 642,608	17.8 %	$ 631,657	17.5 %
Non-owner occupied RE	917,034	25.3 %	942,529	26.2 %	917,642	25.3 %	942,529	26.2 %
Construction	144,968	4.0 %	150,680	4.2 %	144,665	4.0 %	150,680	4.2 %
Business	527,017	14.5 %	500,161	13.9 %	521,535	14.4 %	500,161	13.9 %
Total commercial loans	2,231,027	61.5 %	2,225,027	61.8 %	2,226,450	61.5 %	2,225,027	61.8 %
Consumer								
Real estate	1,126,155	31.1 %	1,082,429	30.0 %	1,132,371	31.3 %	1,082,429	30.0 %
Home equity	189,294	5.3 %	183,004	5.1 %	195,383	5.4 %	183,004	5.1 %
Construction	32,936	0.9 %	63,348	1.7 %	21,582	0.6 %	63,348	1.7 %
Other	43,109	1.2 %	48,819	1.4 %	43,770	1.2 %	48,819	1.4 %
Total consumer loans	1,391,494	38.5 %	1,377,600	38.2 %	1,393,106	38.5 %	1,377,600	38.2 %
Total gross loans, net of deferred fees	3,622,521	100.0 %	3,602,627	100.0 %	3,619,556	100.0 %	3,602,627	100.0 %
Less—allowance for credit losses	(40,157)		(40,682)		(40,166)		(40,682)	
Total loans, net	$ 3,582,364		$ 3,561,945		$ 3,579,390		$ 3,561,945	

We have included the table below to provide additional clarity on our commercial real estate exposure. We have not identified any geographic concentrations within these collateral types. Our level of non-owner occupied commercial real estate represents 257.3% of the Bank's total risk-based capital at September 30, 2024.

				September 30, 2024
(dollars in thousands)	Outstanding	% of Loan Portfolio	Average Loan Size	Weighted Average LTV
Collateral				
Office	$ 222,508	6.15 %	$ 1,403	56 %
Retail	176,096	4.87 %	1,565	51 %
Hotel	126,529	3.50 %	7,250	48 %
Multifamily	107,915	2.98 %	2,958	47 %

Nonperforming assets

Nonperforming assets include real estate acquired through foreclosure or deed taken in lieu of foreclosure and loans on nonaccrual status. Generally, a loan is placed on nonaccrual status when it becomes 90 days past due as to principal or interest, or when we believe, after considering economic and business conditions and collection efforts, that the borrower’s financial condition is such that collection of the contractual principal or interest on the loan is doubtful. A payment of interest on a loan that is classified as nonaccrual is recognized as a reduction in principal when received. Our policy with respect to nonperforming loans requires the borrower to make a minimum of six consecutive payments in accordance with the loan terms and to show capacity to continue performing into the future before that loan can be placed back on accrual status. As of June 30, 2024 September 30, 2024 and December 31, 2023, we had no loans 90 days past due and still accruing.

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Following is a summary of our nonperforming assets.

(dollars in thousands)	*June 30, 2024*	*December 31, 2023*	*September 30, 2024*	*December 31, 2023*
Commercial	*$ 8,778*	*1,742*	*$ 8,742*	*1,742*
Consumer	*2,440*	*2,221*	*2,841*	*2,221*
Total nonaccrual loans	*11,218*	*3,963*	*11,583*	*3,963*
Other real estate owned	*-*	*-*	*-*	*-*
Total nonperforming assets	*$ 11,218*	*3,963*	*$ 11,583*	*3,963*

At June 30, 2024 September 30, 2024, nonperforming assets were $11.2 million $11.6 million, or 0.27% 0.28% of total assets and 0.31% 0.32% of gross loans. Comparatively, nonperforming assets were $4.0 million, or 0.10% of total assets and 0.11% of gross loans at December 31, 2023. Nonaccrual loans increased $7.3 million $7.6 million during the first six nine months of 2024 due primarily to two relationships totaling $6.9 million that went on nonaccrual during the second quarter.

The amount of foregone interest income on nonaccrual loans in the first six nine months of 2024 and 2023 was not material. $134,000 and $48,000, respectively.

At June 30, 2024 September 30, 2024 and December 31, 2023, the allowance for credit losses represented 357.95% 346.78% and 1,026.58% of the total amount of nonperforming loans, respectively. A significant portion of the nonperforming loans at June 30, 2024 September 30, 2024 were secured by real estate. We have evaluated the underlying collateral on these loans and believe that the collateral on these loans is sufficient to minimize future losses.

As a general practice, most of our commercial loans and a portion of our consumer loans are originated with relatively short maturities of less than ten years. As a result, when a loan reaches its maturity we frequently renew the loan and thus extend its maturity using similar credit standards as those used when the loan was first originated. Due to these loan practices, we may, at times, renew loans which are classified as nonaccrual after evaluating the loan's collateral value and financial strength of its guarantors. Nonaccrual loans are renewed at terms generally consistent with the ultimate source of repayment and rarely at reduced rates. In these cases, we will generally seek additional credit enhancements, such as additional collateral or additional guarantees to further protect the loan. When a loan is no longer performing in accordance with its stated terms, we will typically seek performance under the guarantee.

In addition, at June 30, 2024 September 30, 2024, 84.3% 84.4% of our loans were collateralized by real estate and 98.8% of our individually evaluated loans were secured by real estate. Included in our real estate portfolio at June 30, 2024 was $219.7 million of loans, or 6.1% of our total loan portfolio, collateralized by office properties, $172.6 million of loans, or 4.8%, collateralized by retail properties, $131.0 million of loans, or 3.6%, collateralized by hotels, and $109.1 million of loans, or 3.0%, collateralized by multifamily properties. We utilize third party appraisers to determine the fair value of collateral dependent loans. Our current loan and appraisal policies require us to obtain updated appraisals on an annual basis, either through a new external appraisal or an appraisal evaluation. Individually evaluated loans are reviewed on a quarterly basis to determine the level of impairment. As of June 30, 2024 September 30, 2024, we did not have any individually evaluated real estate loans carried at a value in excess of the appraised value. We typically charge-off a portion or create a specific reserve for individually evaluated loans when we do not expect repayment to occur as agreed upon under the original terms of the loan agreement.

At June 30, 2024 September 30, 2024, individually evaluated loans totaled $12.1 million $12.4 million with a reserve of approximately $1.7 million $1.6 million allocated in the allowance for credit losses. Comparatively, individually evaluated loans totaled $4.8 million at December 31, 2023 for which $3.7 million of these loans had a reserve of approximately $688,000 allocated in the allowance for credit losses.

Allowance for Credit Losses

The allowance for credit losses was $40.2 million, representing 1.11% of outstanding loans and providing coverage of 357.95% 346.78% of nonperforming loans at June 30, 2024 September 30, 2024 compared to $40.7 million, or 1.13% of outstanding loans and 1,026.55% of nonperforming loans at December 31, 2023. At June 30, 2023 September 30, 2023, the allowance for credit losses was $41.1 million, or 1.16% of outstanding loans and 1,363.11% 953.25% of nonperforming loans.

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Deposits and Other Interest-Bearing Liabilities

Our primary source of funds for loans and investments is our deposits and advances from the FHLB. In the past, we have chosen to obtain a portion of our certificates of deposits from areas outside of our market in order to obtain longer term deposits than are readily available in our local market. Our internal guidelines regarding the use of brokered CDs limit our brokered CDs to 30% of total deposits, which allows us to take advantage of the attractive terms that wholesale funding can offer while mitigating the related inherent risk.

Our retail deposits represented $3.00 billion $2.93 billion, or 86.6% 83.3% of total deposits, while our wholesale deposits represented $463.7 million $588.5 million, or 13.4% 16.7%, of total deposits at June 30, 2024 September 30, 2024. At December 31, 2023, retail deposits represented $3.00 billion, or 88.8%, of our total deposits and wholesale deposits were $379.4 million, representing 11.2% of our total deposits. Our loan-to-deposit ratio was 105% 103% at June 30, 2024 September 30, 2024 and 107% at December 31, 2023.

The following is a detail of our deposit accounts:

(dollars in thousands)	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Non-interest bearing	$ 683,291	674,167	$ 689,749	674,167
Interest bearing:				
NOW accounts	293,875	310,218	339,412	310,218
Money market accounts	1,562,786	1,605,278	1,423,403	1,605,278
Savings	28,739	31,669	29,283	31,669
Time, less than $250,000	219,532	190,167	223,582	190,167
Time and out-of-market deposits, $250,000 and over	671,646	568,065	813,396	568,065
Total deposits	$ 3,459,869	3,379,564	$ 3,518,825	3,379,564

Our primary focus is on increasing core deposits, which exclude out-of-market deposits and time deposits of $250,000 or more, in order to provide a relatively stable funding source for our loan portfolio and other earning assets. While our non-interest bearing deposits increased by $9.1 million $15.6 million from $674.2 million at December 31, 2023, our core deposits decreased to $2.79 billion $2.71 billion from $2.81 billion at December 31, 2023. In addition, at June 30, 2024 September 30, 2024 and December 31, 2023, we estimate that we have approximately $1.3 billion, or 38.3% 36.3% and 38.7% of total deposits, respectively, in uninsured deposits, including related interest accrued and unpaid. Since it is not reasonably practicable to provide a precise measure of uninsured deposits, the amounts above are estimates and are based on the same methodologies and assumptions used by the FDIC for the Bank's regulatory reporting requirements.

The following table shows the average balance amounts and the average rates paid on deposits.

	Six months ended June 30,				Nine months ended September 30,			
	2024		2023		2024		2023	
(dollars in thousands)	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Noninterest-bearing demand deposits	$ 663,446	0.00 %	$ 742,274	0.00 %	$ 669,911	0.00 %	$ 726,661	0.00 %
Interest-bearing demand deposits	299,328	0.86 %	300,189	0.66 %	304,479	0.93 %	299,123	0.72 %
Money market accounts	1,585,544	4.12 %	1,655,878	3.32 %	1,555,198	4.10 %	1,675,181	3.53 %
Savings accounts	30,712	0.20 %	38,746	0.08 %	30,026	0.23 %	37,646	0.10 %
Time deposits less than $250,000	149,995	4.49 %	85,325	3.75 %	213,748	4.66 %	119,069	3.78 %
Time deposits greater than $250,000	700,311	5.12 %	473,017	1.12 %	656,330	5.14 %	469,807	4.31 %
Total deposits	$ 3,429,336	3.23 %	$ 3,295,429	1.99 %	$ 3,429,692	3.22 %	$ 3,327,487	2.58 %

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During the first six nine months of 2024, our average transaction account balances decreased by $158.1 million $179.0 million, or 5.8% 6.5%, from the prior year, while our average time deposit balances increased by $292.0 million $281.2 million, or 52.3% 47.8%.

All of our time deposits are certificates of deposits. The maturity distribution of our time deposits $250,000 or more at June 30, 2024 September 30, 2024 was as follows:

(dollars in thousands)	September 30, 2024
Three months or less	$ 118,352
Over three through six months	205,059
Over six through twelve months	266,240
Over twelve months	223,745
Total	$ 813,396

(dollars in thousands)	June 30, 2024
Three months or less	$ 67,302
Over three through six months	113,150
Over six through twelve months	241,895
Over twelve months	249,299
Total	$ 671,646

Time deposits that meet or exceed the FDIC insurance limit of $250,000 at June 30, 2024 September 30, 2024 and December 31, 2023 were $671.6 million $813.4 million and $568.1 million, respectively. We have a relationship with IntraFi Promontory Network, allowing us to provide deposit customers with access to aggregate FDIC insurance in amounts exceeding $250,000. This gives us the ability, as and when needed, to attract and retain large deposits from insurance conscious customers. With IntraFi, we have the option to keep deposits on balance sheet or sell them to other members of the network.

At June 30, 2024 September 30, 2024, we had $240.0 million of convertible fixed rate FHLB advances with a weighted average rate of 3.76% 3.74%, while at December 31, 2023, we had $275.0 million in FHLB Advances. Of the $275.0 million outstanding at December 31, 2023, $35.0 million was at a variable rate and $240.0 million was at fixed rates. The At September 30, 2024, the $240.0 million was secured with approximately $1.32 billion $1.24 billion of mortgage loans and $14.6 million $14.5 million of stock in the FHLB at June 30, 2024. The FHLB. At December 31, 2023, the $275.0 million was secured with approximately $1.25 billion of mortgage loans and $16.1 million of stock in the FHLB at December 31, 2023. FHLB.

Listed below is a summary of the terms and maturities of the advances outstanding at June 30, 2024 September 30, 2024 and December 31, 2023.

(dollars in thousands)	June 30, 2024		December 31, 2023		September 30, 2024		December 31, 2023	
Maturity	*Amount*	*Rate*	*Amount*	*Rate*	*Amount*	*Rate*	*Amount*	*Rate*
February 29, 2024	$ -	-	$ 35,000	5.57%	$ -	-	$ 35,000	5.57%
April 28, 2028	40,000	3.51%	40,000	3.51%	40,000	3.51%	40,000	3.51%
May 15, 2028	-	-	35,000	3.13%	-	-	35,000	3.13%
June 28, 2028	40,000	3.54%	40,000	3.54%	40,000	3.54%	40,000	3.54%
July 10, 2028	45,000	3.78%	45,000	3.78%	-	-	45,000	3.78%
July 10, 2028	40,000	3.87%	40,000	3.87%	40,000	3.87%	40,000	3.87%
July 10, 2028	40,000	3.96%	40,000	3.96%	40,000	3.96%	40,000	3.96%
May 15, 2029	35,000	3.90%	-	-	35,000	3.90%	-	-
July 10, 2029					45,000	3.69%	-	-
	$ 240,000	3.76%	$ 275,000	3.89%	$ 240,000	3.74%	$ 275,000	3.89%

Liquidity and Capital Resources

Liquidity is our ability to fund operations, to meet depositor withdrawals, to provide for customers' credit needs, and to meet maturing obligations and existing commitments. Our liquidity principally depends on our cash flows from operating activities, investment in and maturity of assets, changes in balances of deposits and borrowings, and our ability to borrow funds. The several large bank failures across the United States in the first five months of 2023 exemplify the potential serious results of the unexpected inability of insured depository institutions to obtain needed liquidity to satisfy deposit withdrawal requests, including how quickly such requests can accelerate once uninsured depositors lose confidence in an institution's ability to satisfy its obligations to depositors. We seek to ensure our funding needs are met by maintaining a level of liquidity through asset and liability management. Liquidity management involves monitoring our sources and uses of funds in order to meet our day-to-day cash flow requirements while maximizing profits. Liquidity management is made more complicated because different balance sheet components are subject to varying degrees of management control. For example, the timing of maturities of our investment portfolio is fairly predictable and subject to a high degree of control at the time investment decisions are made. However, net deposit inflows and outflows are far less predictable and are not subject to the same degree of control.

At June 30, 2024 September 30, 2024 and December 31, 2023, our cash and cash equivalents totaled $194.8 million $260.6 million and $156.2 million, respectively, or 4.7% 6.2% and 3.9% of total assets, respectively. Our investment securities at June 30, 2024 September 30, 2024 and December 31, 2023 amounted to $140.0 million $154.2 million and $154.6 million, respectively, or 3.4% 3.7% and 3.8% of total assets, respectively. Investment securities traditionally provide a secondary source of liquidity since they can be converted into cash in a timely manner.

Our ability to maintain and expand our deposit base and borrowing capabilities serves as our primary source of liquidity. We plan to meet our future cash needs through the liquidation of temporary investments, the generation of deposits, loan payoffs, and from additional borrowings. In addition, we will receive cash upon the maturity and sale of loans and the maturity of investment securities. We maintain six federal funds purchased lines of credit with correspondent banks totaling $128.5 million for which there were no borrowings against the lines of credit at June 30, 2024 September 30, 2024. We also had $235.1 million $172.8 million pledged and available with the Federal Reserve Discount Window at June 30, 2024 September 30, 2024. Comparatively, at December 31, 2023, we had $227.1 million pledged and available with the Federal Reserve Discount Window. At December 31, 2023, we had $13.0 million of marketable investment securities pledged in the Federal Reserve's Bank Term Funding Program which closed on March 11, 2024.

We are also a member of the FHLB, from which applications for borrowings can be made. The FHLB requires that securities, qualifying mortgage loans, and stock of the FHLB owned by the Bank be pledged to secure any advances from the FHLB. The unused borrowing capacity currently available from the FHLB at June 30, 2024 September 30, 2024 was $598.5 million $716.7 million, based primarily on the Bank's qualifying mortgages available to secure any future borrowings. However, we are able to pledge additional securities to the FHLB in order to increase our available borrowing capacity. In addition, at June 30, 2024 September 30, 2024 and December 31, 2023 we had $393.4 million $276.5 million and $388.3 million, respectively, of letters of credit outstanding with the FHLB to secure client deposits.

We have a relationship with IntraFi Promontory Network, allowing us to provide deposit customers with access to aggregate FDIC insurance in amounts exceeding $250,000. This gives us the ability, as and when needed, to attract and retain large deposits from insurance conscious customers. With IntraFi, we have the option to keep deposits on balance sheet or sell them to other members of the network. Additionally, subject to certain limits, the Bank can use IntraFi to purchase cost-effective funding without collateralization and in lieu of generating funds through traditional brokered CDs or the FHLB. In this manner, IntraFi can provide us with another funding option. Thus, it serves as a deposit-gathering tool and an additional liquidity management tool. Under the Economic Growth, Regulatory Relief, and Consumer Protection Act, a well capitalized bank with a CAMELS rating of 1 or 2 may hold reciprocal deposits up to the lesser of 20% of its total liabilities or $5 billion without those deposits being treated as brokered deposits.

We also have a line of credit with another financial institution for $15.0 million, which was unused at June 30, 2024 September 30, 2024. The line of credit was issued on December 28, 2023 at an interest rate of the U.S. Prime Rate plus 0.25% and a maturity date of February 28, 2025.

On September 30, 2024, in conjunction with the semi-annual interest payment, we redeemed $11.5 million of our outstanding subordinated debt. Beginning September 30, 2024, the interest rate shall reset quarterly to an interest rate per annum equal to the Three-Month Term SOFR plus 340.8 basis points, payable quarterly in arrears.

We believe that our existing stable base of core deposits, federal funds purchased lines of credit with correspondent banks, availability with the Federal Reserve Discount Window, and borrowings from the FHLB will enable us to successfully meet our long-term liquidity needs. However, as short-term liquidity needs arise, we have the ability to sell a portion of our investment securities portfolio to meet those needs.

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Total shareholders' equity was $318.7 million $326.5 million at June 30, 2024 September 30, 2024 and $312.5 million at December 31, 2023. The $6.3 million $14.1 million increase from December 31, 2023 is primarily related to net income of $5.5 million $9.9 million during the first six nine months of 2024, and stock option exercises and equity compensation expenses of $1.3 million $1.9 million, partially offset by and a $524,000 increase $2.3 million decrease in other comprehensive loss related to our available for sale securities.

The following table shows the return on average assets (net income divided by average total assets), return on average equity (net income divided by average equity), equity to assets ratio (average equity divided by average assets), and tangible common equity ratio (total equity less preferred stock divided by total assets) annualized for the six nine months ended June 30, 2024 September 30, 2024 and the year ended December 31, 2023. Since our inception, we have not paid cash dividends.

	September 30, 2024	December 31, 2023
Return on average assets	0.32 %	0.34 %
Return on average equity	4.16 %	4.44 %
Return on average common equity	4.16 %	4.44 %
Average equity to average assets ratio	7.79 %	7.71 %
Tangible common equity to assets ratio	7.82 %	7.70 %

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	June 30, 2024	December 31, 2023
Return on average assets	0.27%	0.34%
Return on average equity	3.52%	4.44%
Return on average common equity	3.52%	4.44%
Average equity to average assets ratio	7.74%	7.71%
Tangible common equity to assets ratio	7.76%	7.70%

Under the capital adequacy guidelines, regulatory capital is classified into two tiers. These guidelines require an institution to maintain a certain level of Tier 1 and Tier 2 capital to risk-weighted assets. Tier 1 capital consists of common shareholders' equity, excluding the unrealized gain or loss on securities available for sale, minus certain intangible assets. In determining the amount of risk-weighted assets, all assets, including certain off-balance sheet assets, are multiplied by a risk-weight factor of 0% to 100% based on the risks believed to be inherent in the type of asset. Tier 2 capital consists of Tier 1 capital plus the general reserve for credit losses, subject to certain limitations. We are also required to maintain capital at a minimum level based on total average assets, which is known as the Tier 1 leverage ratio.

Regulatory capital rules, which we refer to as Basel III, impose minimum capital requirements for bank holding companies and banks. The Basel III rules apply to all national and state banks and savings associations regardless of size and bank holding companies and savings and loan holding companies other than "small bank holding companies," generally holding companies with consolidated assets of less than $3 billion. In order to avoid restrictions on capital distributions or discretionary bonus payments to executives, a covered banking organization must maintain a "capital conservation buffer" on top of our minimum risk-based capital requirements. This buffer must consist solely of common equity Tier 1, but the buffer applies to all three measurements (common equity Tier 1, Tier 1 capital and total capital). The capital conservation buffer consists of an additional amount of CET1 equal to 2.5% of risk-weighted assets.

To be considered "well capitalized" for purposes of certain rules and prompt corrective action requirements, the Bank must maintain a minimum total risked-based capital ratio of at least 10%, a total Tier 1 capital ratio of at least 8%, a common equity Tier 1 capital ratio of at least 6.5%, and a leverage ratio of at least 5%. As of June 30, 2024 September 30, 2024 our capital ratios exceed these ratios and we remain "well capitalized."

The following table summarizes the capital amounts and ratios of the Bank and the regulatory minimum requirements.

						June 30, 2024
		Actual		For capital adequacy purposes minimum plus the capital conservation buffer		To be well capitalized under prompt corrective action provisions minimum
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk weighted assets)	$ 396,713	12.47%	$ 254,489	8.00%	$ 318,112	10.00%
Tier 1 Capital (to risk weighted assets)	356,944	11.22%	190,867	6.00%	254,489	8.00%
Common Equity Tier 1 Capital (to risk weighted assets)	356,944	11.22%	143,150	4.50%	206,773	6.50%
Tier 1 Capital (to average assets)	356,944	8.59%	166,147	4.00%	207,683	5.00%
						December 31, 2023
		Actual		For capital adequacy purposes minimum plus the capital conservation buffer		To be well capitalized under prompt corrective action provisions minimum
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk weighted assets)	$ 390,197	12.28%	$ 254,278	8.00%	$ 317,847	10.00%
Tier 1 Capital (to risk weighted assets)	350,455	11.03%	190,708	6.00%	254,278	8.00%
Common Equity Tier 1 Capital (to risk weighted assets)	350,455	11.03%	143,031	4.50%	206,601	6.50%
Tier 1 Capital (to average assets)	350,455	8.47%	165,414	4.00%	206,767	5.00%

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	September 30, 2024					
	Actual		For capital adequacy purposes minimum plus the capital conservation buffer		To be well capitalized under prompt corrective action provisions minimum	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk weighted assets)	$ 396,451	12.50 %	$ 253,645	8.00 %	$ 317,056	10.00 %
Tier 1 Capital (to risk weighted assets)	356,812	11.25 %	190,233	6.00 %	253,645	8.00 %
Common Equity Tier 1 Capital (to risk weighted assets)	356,812	11.25 %	142,675	4.50 %	206,086	6.50 %
Tier 1 Capital (to average assets)	356,812	8.70 %	164,141	4.00 %	205,176	5.00 %

	December 31, 2023					
	Actual		For capital adequacy purposes minimum plus the capital conservation buffer		To be well capitalized under prompt corrective action provisions minimum	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk weighted assets)	$ 390,197	12.28 %	$ 254,278	8.00 %	$ 317,847	10.00 %
Tier 1 Capital (to risk weighted assets)	350,455	11.03 %	190,708	6.00 %	254,278	8.00 %
Common Equity Tier 1 Capital (to risk weighted assets)	350,455	11.03 %	143,031	4.50 %	206,601	6.50 %
Tier 1 Capital (to average assets)	350,455	8.47 %	165,414	4.00 %	206,767	5.00 %

The following table summarizes the capital amounts and ratios of the Company and the minimum regulatory requirements.

	June 30, 2024					
	Actual		For capital adequacy purposes minimum plus the capital conservation buffer [1]		To be well capitalized under prompt corrective action provisions minimum	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk weighted assets)	$ 406,383	12.77 %	$ 254,489	8.00 %	N/A	N/A
Tier 1 Capital (to risk weighted assets)	343,614	10.80 %	190,867	6.00 %	N/A	N/A
Common Equity Tier 1 Capital (to risk weighted assets)	330,614	10.39 %	143,150	4.50 %	N/A	N/A
Tier 1 Capital (to average assets)	343,614	8.27 %	166,171	4.00 %	N/A	N/A

	December 31, 2023						*September 30, 2024*					
	Actual		*For capital adequacy purposes minimum plus the capital conservation buffer*		*To be well capitalized under prompt corrective action provisions minimum[1]*		*Actual*		*For capital adequacy purposes minimum plus the capital conservation buffer [1]*		*To be well capitalized under prompt corrective action provisions minimum*	
(dollars in thousands)	*Amount*	*Ratio*	*Amount*	*Ratio*	*Amount*	*Ratio*	*Amount*	*Ratio*	*Amount*	*Ratio*	*Amount*	*Ratio*
Total Capital (to risk weighted assets)	*$ 399,551*	*12.57 %*	*$ 254,278*	*8.00 %*	*N/A*	*N/A*	*$ 399,736*	*12.61 %*	*$ 253,631*	*8.00 %*	*N/A*	*N/A*
Tier 1 Capital (to risk weighted assets)	*336,809*	*10.60 %*	*190,708*	*6.00 %*	*N/A*	*N/A*	*348,600*	*11.00 %*	*190,223*	*6.00 %*	*N/A*	*N/A*
Common Equity Tier 1 Capital (to risk weighted assets)	*323,809*	*10.19 %*	*143,031*	*4.50 %*	*N/A*	*N/A*	*335,600*	*10.59 %*	*142,667*	*4.50 %*	*N/A*	*N/A*
Tier 1 Capital (to average assets)	*336,809*	*8.14 %*	*165,436*	*4.00 %*	*N/A*	*N/A*	*348,600*	*8.49 %*	*164,164*	*4.00 %*	*N/A*	*N/A*

	December 31, 2023					
	Actual		*For capital adequacy purposes minimum plus the capital conservation buffer*		*To be well capitalized under prompt corrective action provisions minimum[1]*	
(dollars in thousands)	*Amount*	*Ratio*	*Amount*	*Ratio*	*Amount*	*Ratio*
Total Capital (to risk weighted assets)	*$ 399,551*	*12.57 %*	*$ 254,278*	*8.00 %*	*N/A*	*N/A*

Tier 1 Capital (to risk weighted assets)	*336,809*	*10.60%*	*190,708*	*6.00%*	*N/A*	*N/A*
Common Equity Tier 1 Capital (to risk weighted assets)	*323,809*	*10.19%*	*143,031*	*4.50%*	*N/A*	*N/A*
Tier 1 Capital (to average assets)	*336,809*	*8.14%*	*165,436*	*4.00%*	*N/A*	*N/A*

(1) The prompt corrective action provisions are only applicable at the Bank level. The Bank exceeded the general minimum regulatory requirements to be considered "well capitalized."

The ability of the Company to pay cash dividends to shareholders is dependent upon receiving cash in the form of dividends from the Bank. The dividends that may be paid by the Bank to the Company are subject to legal limitations and regulatory capital requirements. Since our inception, we have not paid cash dividends to shareholders.

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Effect of Inflation and Changing Prices

The effect of relative purchasing power over time due to inflation has not been taken into account in our consolidated financial statements. Rather, our financial statements have been prepared on an historical cost basis in accordance with generally accepted accounting principles.

Unlike most industrial companies, our assets and liabilities are primarily monetary in nature. Therefore, the effect of changes in interest rates will have a more significant impact on our performance than will the effect of changing prices and inflation in general. In addition, interest rates may generally increase as the rate of inflation increases, although not necessarily in the same magnitude. As discussed previously, we seek to manage the relationships between interest sensitive assets and liabilities in order to protect against wide rate fluctuations, including those resulting from inflation.

Off-Balance Sheet Risk

Commitments to extend credit are agreements to lend money to a client as long as the client has not violated any material condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. At June 30, 2024 September 30, 2024 unfunded commitments to extend credit were $694.5 million $699.9 million, of which $88.2 million $76.3 million were at fixed rates and $606.3 million $623.6 million were at variable rates. At December 31, 2023, unfunded commitments to extend credit were $724.6 million, of which approximately $145.6 million were at fixed rates and $579.0 million were at variable rates. A significant portion of the unfunded commitments related to commercial business loans and consumer home equity lines of credit. We evaluate each client's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on our credit evaluation of the borrower. The type of collateral varies but may include accounts receivable, inventory, property, plant and equipment, and commercial and residential real estate.

As of June 30, 2024 September 30, 2024, the reserve for unfunded commitments was $1.4 million or 0.20% of total unfunded commitments. As of December 31, 2023, the reserve for unfunded commitments was $1.8 million or 0.25% of total unfunded commitments.

At June 30, 2024 September 30, 2024 and December 31, 2023, there were commitments under letters of credit for $13.0 million $13.6 million and $16.1 million, respectively. The credit risk and collateral involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Since most of the letters of credit are expected to expire without being drawn upon, they do not necessarily represent future cash requirements.

Except as disclosed in this report, we are not involved in off-balance sheet contractual relationships, unconsolidated related entities that have off-balance sheet arrangements or transactions that could result in liquidity needs or other commitments that significantly impact earnings.

Critical Accounting Estimates

We have adopted various accounting policies that govern the application of accounting principles generally accepted in the United States and with general practices within the banking industry in the preparation of our financial statements.

Certain accounting policies inherently involve a greater reliance on the use of estimates, assumptions and judgments and, as such, have a greater possibility of producing results that could be materially different than originally reported, which could have a material impact on the carrying values of our assets and liabilities and our results of operations. Of the significant accounting policies used in the preparation of our consolidated financial statements, we have identified certain items as critical accounting policies based on the associated estimates, assumptions, judgments and complexity. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates” in our Annual Report on Form 10-K for the year ended December 31, 2023, for a description our significant accounting policies that use critical accounting estimates.

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Accounting, Reporting, and Regulatory Matters

See Note 1 – Summary of Significant Accounting Policies in the accompanying notes to consolidated financial statements included elsewhere in this report for details of recently issued accounting pronouncements and their expected impact on our consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Market risk is the risk of loss from adverse changes in market prices and rates, which principally arises from interest rate risk inherent in our lending, investing, deposit gathering, and borrowing activities. Other types of market risks, such as foreign currency exchange rate risk and commodity price risk, do not generally arise in the normal course of our business.

We actively monitor and manage our interest rate risk exposure in order to control the mix and maturities of our assets and liabilities utilizing a process we call asset/liability management. The essential purposes of asset/liability management are to seek to ensure adequate liquidity and to maintain an appropriate balance between interest sensitive assets and liabilities in order to minimize potentially adverse impacts on earnings from changes in market interest rates. Our asset/liability management committee ("ALCO") monitors and considers methods of managing exposure to interest rate risk. We have both an internal ALCO consisting of senior management that meets no less than quarterly and a board risk committee that meets quarterly. These committees are responsible for maintaining the level of interest rate sensitivity of our interest sensitive assets and liabilities within board-approved limits.

As of June 30, 2024 September 30, 2024, the following table summarizes the forecasted impact on net interest income using a base case scenario given upward and downward movements in interest rates of 100, 200, and 300 basis points based on forecasted assumptions of prepayment speeds, nominal interest rates and loan and deposit repricing rates. Estimates are based on current economic conditions, historical interest rate cycles and other factors deemed to be relevant. However, underlying assumptions may be impacted in future periods which were not known to management at the time of the issuance of the Consolidated Financial Statements. Therefore, management's assumptions may or may not prove valid. No assurance can be given that changing economic conditions and other relevant factors impacting our net interest income will not cause actual occurrences to differ from underlying assumptions. In addition, this analysis does not consider any strategic changes to our balance sheet which management may consider as a result of changes in market conditions.

Interest rate scenario	Change in net interest income from base
Up 300 basis points	(13.97 9.34)%
Up 200 basis points	(8.73 5.57)%
Up 100 basis points	(3.94 2.23)%
Base	-
Down 100 basis points	4.75 3.73 %
Down 200 basis points	8.96 12.73 %
Down 300 basis points	13.49 26.29 %

Item 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is (i) recorded, processed, summarized and reported as and when required and (ii) accumulated and communicated to our management, including our Chief

Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting
There has been no change in the Company's internal control over financial reporting during the six nine months ended June 30, 2024 September 30, 2024, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS.

We are a party to claims and lawsuits arising in the course of normal business activities. Management is not aware of any material pending legal proceedings against the Company which, if determined adversely, would have a material adverse impact on the company's financial position, results of operations or cash flows.

Item 1A. RISK FACTORS.

Investing in shares of our common stock involves certain risks, including those identified and described in Item 1A. of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, as well as cautionary statements contained in this Quarterly Report on Form 10-Q, including those under the caption "Cautionary Warning Regarding Forward-Looking Statements" set forth in Part I, Item 2 of this Form 10-Q, risks and matters described elsewhere in this Form 10-Q, and in our other filings with the SEC.

There have been no material changes to the risk factors previously disclosed in the Company's (i) Annual Report on Form 10-K for fiscal year ended December 31, 2023.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

(a) Sales of Unregistered Securities - None

(b) Use of Proceeds – Not applicable

(c) Issuer Purchases of Securities

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As of June 30, 2024 September 30, 2024, the Company does not have an authorized share repurchase program.

Item 3.DEFAULTS UPON SENIOR SECURITIES.

None.

Item 4. MINE SAFETY DISCLOSURES.

Not applicable.

Item 5. OTHER INFORMATION.

Trading Plans

During the six nine months ended June 30, 2024 September 30, 2024, no director or "officer" of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K of the Securities Act of 1933.

Item 6.EXHIBITS.

The exhibits required to be filed as part of this Quarterly Report on Form 10-Q are listed in the Index to Exhibits attached hereto and are incorporated herein by reference.

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INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Amended and Restated Articles, as amended, of Southern First Bancshares, Inc. (effective May 30, 2024).
3.1.1	Amended and Restated Articles, as amended, of Southern First Bancshares, Inc. (effective May 30, 2024) (redline version of amended sections).
10.1	Employment Agreement by and between Southern First Bank and Christian Zych, dated May 6, 2024 (incorporated by reference to Exhibit 10.1 of Southern First Bancshares, Inc.'s Current Report on Form 8-K filed with the SEC on May 7, 2024).*
10.2	Amendment to Employment Agreement by and between Southern First Bank and Calvin C. Hurst, dated May 6, 2024 (incorporated by reference to Exhibit 10.2 of Southern First Bancshares, Inc.'s Current Report on Form 8-K filed with the SEC on May 7, 2024).*
10.3	Amendment to Employment Agreement by and between Southern First Bank and William M. Aiken, III, dated May 6, 2024 (incorporated by reference to Exhibit 10.3 of Southern First Bancshares, Inc.'s Current Report on Form 8-K filed with the SEC on May 7, 2024).*
31.1	Rule 13a-14(a) Certification of the Principal Executive Officer.
31.2	Rule 13a-14(a) Certification of the Principal Financial Officer.
32	Section 1350 Certifications.
101	The following materials from the Quarterly Report on Form 10-Q of Southern First Bancshares, Inc. for the quarter ended June 30, 2024 September 30, 2024, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statement of Changes in Shareholders' Equity, (v) Consolidated Statements of Cash Flows and (vi) Notes to Unaudited Consolidated Financial Statements.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Management contract or compensatory plan or arrangement.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	SOUTHERN FIRST BANCSHARES, INC. Registrant
Date: July 31, 2024 November 1, 2024	/s/R. Arthur Seaver, Jr. R. Arthur Seaver, Jr. Chief Executive Officer (Principal Executive Officer)
Date: July 31, 2024 November 1, 2024	/s/Christian J. Zych Christian J. Zych Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 3.1

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
SOUTHERN FIRST BANCSHARES, INC.
(as amended effective May 30, 2024)
(restated for purposes of Item 601(b)(3) of Regulation S-K only)

ARTICLE ONE
NAME

The name of the corporation is Southern First Bancshares, Inc. (the "Corporation").

ARTICLE TWO
ADDRESS AND REGISTERED AGENT

The street address of the registered office of the Corporation shall be 6 Verdae Boulevard, Greenville, South Carolina 29607. The name of the Corporation's registered agent at such address shall be R. Arthur Seaver.

ARTICLE THREE
CAPITALIZATION

The Corporation shall have the authority, exercisable by its board of directors, to issue up to 20,000,000 shares of voting common stock, par value $.01 per share, and to issue up to 10,000,000 shares of preferred stock, par value $.01 per share. The board of directors shall have the authority to specify the preferences, limitations and relative rights of each class of preferred stock.

ARTICLE FOUR
PREEMPTIVE RIGHTS

The shareholders shall not have any preemptive rights to acquire additional stock in the Corporation.

ARTICLE FIVE
NO CUMULATIVE VOTING RIGHTS

The Corporation elects not to have cumulative voting, and no shares issued by this Corporation may be cumulatively voted for directors of the Corporation (or for any other decision).

ARTICLE SIX
LIMITATION ON DIRECTOR LIABILITY

No director of the Corporation shall be personally liable to the Corporation or its shareholders for monetary damages for breach of the duty of care or any other duty as a director, except that such liability shall not be eliminated for:

(i) any breach of the director's duty of loyalty to the Corporation or its shareholders;

(ii) acts or omissions not in good faith or which involve gross negligence, intentional misconduct, or a knowing violation of law;

(iii) liability imposed under Section 33-8-330 (or any successor provision or redesignation thereof) of the Act; and

(iv) any transaction from which the director derived an improper personal benefit.

If at any time the Act shall have been amended to authorize the further elimination or limitation of the liability of a director, then the liability of each director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Act, as so amended, without further action by the shareholders, unless the provisions of the Act, as amended, require further action by the shareholders.

Any repeal or modification of the foregoing provisions of this Article Six shall not adversely affect the elimination or limitation of liability or alleged liability pursuant hereto of any director of the Corporation for or with respect to any alleged act or omission of the director occurring prior to such a repeal or modification.

ARTICLE SEVEN
CONTROL SHARE ACQUISITIONS

The provisions of Title 35, Chapter 2, Article 1 of the Code of Laws of South Carolina shall not apply to control share acquisitions of shares of the Corporation.

ARTICLE EIGHT
CLASSIFIED BOARD OF DIRECTORS

At the annual meeting of shareholders that is held in calendar year 2023, the Class III directors shall be elected for a term expiring at the annual of meeting of shareholders that is held in calendar year 2026 and until such directors' successors have been elected and qualified. At the annual meeting of shareholders that is held in calendar year 2024, the Class I directors shall be elected for a term expiring at the annual meeting of shareholders that is held in calendar year 2025 and until such directors' successors shall have been elected and qualified. At the annual meeting of shareholders that is held in calendar year 2025, the Class I and Class II directors shall be elected for a term expiring at the annual meeting of shareholders that is held in calendar year 2026 and until such directors' successors shall have been elected and qualified. At each annual shareholders' meeting held thereafter, all directors shall be elected for terms expiring at the next annual meeting of shareholders and until such directors' successors shall have been elected and qualified. Each director, except in the case of his earlier death, written resignation, retirement, disqualification or removal, shall serve for the duration of his term, as staggered, and thereafter until his successor shall have been elected and qualified.

ARTICLE NINE
CONSIDERATION OF OTHER CONSTITUENCIES

In discharging the duties of their respective positions and in determining what is in the best interests of the Corporation, the board of directors, committees of the board of directors, and individual directors, in addition to considering the effects of any actions on the Corporation and its shareholders, may consider the interests of the employees, customers, suppliers, creditors, and other constituencies of the Corporation and its subsidiaries, the communities and geographical areas in which the Corporation and its subsidiaries operate or are located, and all other factors such directors consider pertinent. This provision solely grants discretionary authority to the board of directors and shall not be deemed to provide to any other constituency any right to be considered.

CERTIFICATE OF DESIGNATIONS
OF
FIXED RATE CUMULATIVE PERPETUAL PREFERRED STOCK, SERIES T
OF
SOUTHERN FIRST BANCSHARES, INC.

Pursuant to the provisions of the articles of incorporation and the bylaws of the Company and applicable law, a series of Preferred Stock, $0.01 par value per share, of the Company be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

Part 1. Designation and Number of Shares. There is hereby created out of the authorized and unissued shares of preferred stock of the Company a series of preferred stock designated as the "Fixed Rate Cumulative Perpetual Preferred Stock, Series T" (the "Designated Preferred Stock"). The authorized number of shares of Designated Preferred Stock shall be 17,299.

Part 2. Standard Provisions. The Standard Provisions contained in Annex A attached hereto are incorporated herein by reference in their entirety and shall be deemed to be a part of this Certificate of Designations to the same extent as if such provisions had been set forth in full herein.

Part. 3. Definitions. The following terms are used in this Certificate of Designations (including the Standard Provisions in Annex A attached hereto) as defined below:

(a) "Common Stock" means the common stock, par value $0.01 per share, of the Corporation.

(b) "Dividend Payment Date" means February 15, May 15, August 15 and November 15 of each year.

(c) "Junior Stock" means the Common Stock, and any other class or series of stock of the Company the terms of which expressly provide that it ranks junior to Designated Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Company.

(d) "Liquidation Amount" means $1,000.00 per share of Designated Preferred Stock.

(e) "Minimum Amount" means $4,324,750.

(f) "Parity Stock" means any class or series of stock of the Company (other than Designated Preferred Stock) the terms of which do not expressly provide that such class or series will rank senior or junior to Designated Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Company (in each case without regard to whether dividends accrue cumulatively or non-cumulatively).

(g) "Signing Date" means the Original Issue Date.

Part. 4. Certain Voting Matters. Holders of shares of Designated Preferred Stock will be entitled to one vote for each such share on any matter on which holders of Designated Preferred Stock are entitled to vote, including any action by written consent.

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ANNEX A

STANDARD PROVISIONS

Section 1. General Matters. Each share of Designated Preferred Stock shall be identical in all respects to every other share of Designated Preferred Stock. The Designated Preferred Stock shall be perpetual, subject to the provisions of Section 5 of these Standard Provisions that form a part of the Certificate of Designations. The Designated Preferred Stock shall rank equally with Parity Stock and shall rank senior to Junior Stock with respect to the payment of dividends and the distribution of assets in the event of any dissolution, liquidation or winding up of the Corporation.

Section 2. Standard Definitions. As used herein with respect to Designated Preferred Stock:

(a) “Applicable Dividend Rate” means (i) during the period from the Original Issue Date to, but excluding, the first day of the first Dividend Period commencing on or after the fifth anniversary of the Original Issue Date, 5% per annum and (ii) from and after the first day of the first Dividend Period commencing on or after the fifth anniversary of the Original Issue Date, 9% per annum.

(b) “Appropriate Federal Banking Agency” means the “appropriate Federal banking agency” with respect to the Corporation as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. Section 1813(q)), or any successor provision.

(c) “Business Combination” means a merger, consolidation, statutory share exchange or similar transaction that requires the approval of the Corporation’s stockholders.

(d) “Business Day” means any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

(e) “Bylaws” means the bylaws of the Corporation, as they may be amended from time to time.

(f) “Certificate of Designations” means the Certificate of Designations or comparable instrument relating to the Designated Preferred Stock, of which these Standard Provisions form a part, as it may be amended from time to time.

(g) “Charter” means the Corporation’s certificate or articles of incorporation, articles of association, or similar organizational document.

(h) “Dividend Period” has the meaning set forth in Section 3(a).

(i) “Dividend Record Date” has the meaning set forth in Section 3(a).

(j) “Liquidation Preference” has the meaning set forth in Section 4(a).

(k) “Original Issue Date” means the date on which shares of Designated Preferred Stock are first issued.

(l) “Preferred Director” has the meaning set forth in Section 7(b).

(m) “Preferred Stock” means any and all series of preferred stock of the Corporation, including the Designated Preferred Stock.

(n) “Qualified Equity Offering” means the sale and issuance for cash by the Corporation to persons other than the Corporation or any of its subsidiaries after the Original Issue Date of shares of perpetual Preferred Stock, Common Stock or any combination of such stock, that, in each case, qualify as and may be included in Tier 1 capital of the Corporation at the time of issuance under the applicable risk-based capital guidelines of the Corporation’s Appropriate Federal Banking Agency (other than any such sales and issuances made pursuant to agreements or arrangements entered into, or pursuant to financing plans which were publicly announced, on or prior to October 13, 2008).

(o) “Share Dilution Amount” has the meaning set forth in Section 3(b).

(p) “Standard Provisions” mean these Standard Provisions that form a part of the Certificate of Designations relating to the Designated Preferred Stock.

(q) “Successor Preferred Stock” has the meaning set forth in Section 5(a).

(r) “Voting Parity Stock” means, with regard to any matter as to which the holders of Designated Preferred Stock are entitled to vote as specified in Sections 7(a) and 7(b) of these Standard Provisions that form a part of the Certificate of Designations, any and all series of Parity Stock upon which like voting rights have been conferred and are exercisable with respect to such matter.

Section 3. Dividends.

(a) Rate. Holders of Designated Preferred Stock shall be entitled to receive, on each share of Designated Preferred Stock if, as and when declared by the Board of Directors or any duly authorized committee of the Board of Directors, but only out of assets legally available therefor, cumulative cash dividends with respect to each Dividend Period (as defined below) at a rate per annum equal to the Applicable Dividend Rate on (i) the Liquidation Amount per share of Designated Preferred Stock and (ii) the amount of accrued and unpaid dividends for any prior Dividend Period on such share of Designated Preferred Stock, if any. Such dividends shall begin to accrue and be cumulative from the Original Issue Date, shall compound on each subsequent Dividend Payment Date (i.e., no dividends shall accrue on other dividends unless and until the first Dividend Payment Date for such other dividends has passed without such other dividends having been paid on such date) and shall be payable quarterly in arrears on each Dividend Payment Date, commencing with the first such Dividend Payment Date to occur at least 20 calendar days after the Original Issue Date. In the event that any Dividend Payment Date would otherwise fall on a day that is not a Business Day, the dividend payment due on that date will be postponed to the next day that is a Business Day and no additional dividends will accrue as a result of that postponement. The period from and including any Dividend Payment Date to, but excluding, the next Dividend Payment Date is a “Dividend Period”, provided that the initial Dividend Period shall be the period from and including the Original Issue Date to, but excluding, the next Dividend Payment Date. Dividends that are payable on Designated Preferred Stock in respect of any Dividend Period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The amount of dividends payable on Designated Preferred Stock on any date prior to the end of a Dividend Period, and for the initial Dividend Period, shall be computed on the basis of a 360-day year consisting of twelve 30-day months, and actual days elapsed over a 30-day month.

Dividends that are payable on Designated Preferred Stock on any Dividend Payment Date will be payable to holders of record of Designated Preferred Stock as they appear on the stock register of the Corporation on the applicable record date, which shall be the 15th calendar day immediately preceding such Dividend

Payment Date or such other record date fixed by the Board of Directors or any duly authorized committee of the Board of Directors that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a “Dividend Record Date”). Any such day that is a Dividend Record Date shall be a Dividend Record Date whether or not such day is a Business Day.

Holders of Designated Preferred Stock shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends (if any) declared and payable on Designated Preferred Stock as specified in this Section 3 (subject to the other provisions of the Certificate of Designations).

(b) Priority of Dividends. So long as any share of Designated Preferred Stock remains outstanding, no dividend or distribution shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than dividends payable solely in shares of Common Stock) or Parity Stock, subject to the immediately following paragraph in the case of Parity Stock, and no Common Stock, Junior Stock or Parity Stock shall be, directly or indirectly, purchased, redeemed or otherwise acquired for consideration by the Corporation or any of its subsidiaries unless all accrued and unpaid dividends for all past Dividend Periods, including the latest completed Dividend Period (including, if applicable as provided in Section 3(a) above, dividends on such amount), on all outstanding shares of Designated Preferred Stock have been or are contemporaneously declared and paid in full (or have been declared and a sum sufficient for the payment thereof has been set aside for the benefit of the holders of shares of Designated Preferred Stock on the applicable record date). The foregoing limitation shall not apply to (i) redemptions, purchases or other acquisitions of shares of Common Stock or other Junior Stock in connection with the administration of any employee benefit plan in the ordinary course of business (including purchases to offset the Share Dilution Amount (as defined below) pursuant to a publicly announced repurchase plan) and consistent with past practice, provided that any purchases to offset the Share Dilution Amount shall in no event exceed the Share Dilution Amount; (ii) purchases or other acquisitions by a broker-dealer subsidiary of the Corporation solely for the purpose of market-making, stabilization or customer facilitation transactions in Junior Stock or Parity Stock in the ordinary course of its business; (iii) purchases by a broker-dealer subsidiary of the Corporation of capital stock of the Corporation for resale pursuant to an offering by the Corporation of such capital stock underwritten by such broker-dealer subsidiary; (iv) any dividends or distributions of rights or Junior Stock in connection with a stockholders’ rights plan or any redemption or repurchase of rights pursuant to any stockholders’ rights plan; (v) the acquisition by the Corporation or any of its subsidiaries of record ownership in Junior Stock or Parity Stock for the beneficial ownership of any other persons (other than the Corporation or any of its subsidiaries), including as trustees or custodians; and (vi) the exchange or conversion of Junior Stock for or into other Junior Stock or of Parity Stock for or into other Parity Stock (with the same or lesser aggregate liquidation amount) or Junior Stock, in each case, solely to the extent required pursuant to binding contractual agreements entered into prior to the Signing Date or any subsequent agreement for the accelerated exercise, settlement or exchange thereof for Common Stock. “Share Dilution Amount” means the increase in the number of diluted shares outstanding (determined in accordance with generally accepted accounting principles in the United States, and as measured from the date of the Corporation’s consolidated financial statements most recently filed with the Securities and Exchange Commission prior to the Original Issue Date) resulting from the grant, vesting or exercise of equity-based compensation to employees and equitably adjusted for any stock split, stock dividend, reverse stock split, reclassification or similar transaction. When dividends are not paid (or declared and a sum sufficient for payment thereof set aside for the benefit of the holders thereof on the applicable record date) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within a Dividend Period related to such Dividend Payment Date) in full upon Designated Preferred Stock and any shares of Parity Stock, all dividends declared on Designated Preferred Stock and all such Parity Stock and payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) shall be declared pro rata so that the respective amounts of such dividends declared shall bear the same ratio to each other as all accrued and unpaid dividends per share on the shares of Designated Preferred Stock (including, if applicable as provided in Section 3(a) above, dividends on such amount) and all Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the Dividend Period related to such Dividend Payment Date) (subject to their having been declared by the Board of Directors or a duly authorized committee of the Board of Directors out of legally available funds and including, in the case of Parity Stock that bears cumulative dividends, all accrued but unpaid dividends) bear to each other. If the Board of Directors or a duly authorized committee of the Board of Directors determines not to pay any dividend or a full dividend on a Dividend Payment Date, the Corporation will provide written notice to the holders of Designated Preferred Stock prior to such Dividend Payment Date. Subject to the foregoing, and not otherwise, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or any duly authorized committee of the Board of Directors may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and holders of Designated Preferred Stock shall not be entitled to participate in any such dividends.

Section 4. Liquidation Rights.

(a) Voluntary or Involuntary Liquidation. In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of Designated Preferred Stock shall be entitled to receive for each share of Designated Preferred Stock, out of the assets of the Corporation or proceeds thereof (whether capital or surplus) available for distribution to stockholders of the Corporation, subject to the rights of any creditors of the Corporation, before any distribution of such assets or proceeds is made to or set aside for the holders of Common Stock and any other stock of the Corporation ranking junior to Designated Preferred Stock as to such distribution, payment in full in an amount equal to the sum of (i) the Liquidation Amount per share and (ii) the amount of any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount), whether or not declared, to the date of payment (such amounts collectively, the “Liquidation Preference”).

(b) Partial Payment. If in any distribution described in Section 4(a) above the assets of the Corporation or proceeds thereof are not sufficient to pay in full the amounts payable with respect to all outstanding shares of Designated Preferred Stock and the corresponding amounts payable with respect of any other stock of the Corporation ranking equally with Designated Preferred Stock as to such distribution, holders of Designated Preferred Stock and the holders of such other stock shall share ratably in any such distribution in proportion to the full respective distributions to which they are entitled.

(c) Residual Distributions. If the Liquidation Preference has been paid in full to all holders of Designated Preferred Stock and the corresponding amounts payable with respect of any other stock of the Corporation ranking equally with Designated Preferred Stock as to such distribution has been paid in full, the holders of other stock of the Corporation shall be entitled to receive all remaining assets of the Corporation (or proceeds thereof) according to their respective rights and preferences.

(d) Merger, Consolidation and Sale of Assets Not Liquidation. For purposes of this Section 4, the merger or consolidation of the Corporation with any other corporation or other entity, including a merger or consolidation in which the holders of Designated Preferred Stock receive cash, securities or other property for their shares, or the sale, lease or exchange (for cash, securities or other property) of all or substantially all of the assets of the Corporation, shall not constitute a liquidation, dissolution or winding up of the Corporation.

Section 5. Redemption.

(a) Optional Redemption. Except as provided below, the Designated Preferred Stock may not be redeemed prior to the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date. On or after the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date, the Corporation, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem, in whole or in part, at any time and from time to time, out of funds legally available therefor, the shares of Designated Preferred Stock at the time outstanding, upon notice given as provided in Section 5(c) below, at a redemption price equal to the sum of (i) the Liquidation Amount per share and (ii) except as otherwise provided below, any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount) (regardless of whether any dividends are actually declared) to, but excluding, the date fixed for redemption. Notwithstanding the foregoing, prior to the first Dividend Payment Date falling on or after the third anniversary of the Original Issue Date, the Corporation, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem, in whole or in part, at any time and from time to time, the shares of Designated Preferred Stock at the time outstanding, upon notice given as provided in Section 5(c) below, at a redemption price equal to the sum of (i) the Liquidation Amount per share and (ii) except as otherwise provided below, any accrued and unpaid dividends (including, if applicable as provided in Section 3(a) above, dividends on such amount) (regardless of whether any dividends are actually declared) to, but excluding, the date fixed for redemption; provided that (x) the Corporation (or any successor by Business Combination) has received aggregate gross proceeds of not less than the Minimum Amount (plus the "Minimum Amount" as defined in the relevant certificate of designations for each other outstanding series of preferred stock of such successor that was originally issued to the United States Department of the Treasury (the "Successor Preferred Stock") in connection with the Troubled Asset Relief Program Capital Purchase Program) from one or more Qualified Equity Offerings (including Qualified Equity Offerings of such successor), and (y) the aggregate redemption price of the Designated Preferred Stock (and any Successor Preferred Stock) redeemed pursuant to this paragraph may not exceed the aggregate net cash proceeds received by the Corporation (or any successor by Business Combination) from such Qualified Equity Offerings (including Qualified Equity Offerings of such successor). The redemption price for any shares of Designated Preferred Stock shall be payable on the redemption date to the holder of such shares against surrender of the certificate(s) evidencing such shares to the Corporation or its agent. Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the Dividend Record Date for a Dividend Period shall not be paid to the holder entitled to receive the redemption price on the redemption date, but rather shall be paid to the holder of record of the redeemed shares on such Dividend Record Date relating to the Dividend Payment Date as provided in Section 3 above.

(b) No Sinking Fund. The Designated Preferred Stock will not be subject to any mandatory redemption, sinking fund or other similar provisions. Holders of Designated Preferred Stock will have no right to require redemption or repurchase of any shares of Designated Preferred Stock.

(c) Notice of Redemption. Notice of every redemption of shares of Designated Preferred Stock shall be given by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Designated Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Designated Preferred Stock. Notwithstanding the foregoing, if shares of Designated Preferred Stock are issued in book-entry form through The Depository Trust Corporation or any other similar facility, notice of redemption may be given to the holders of Designated Preferred Stock at such time and in any manner permitted by such

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facility. Each notice of redemption given to a holder shall state: (1) the redemption date; (2) the number of shares of Designated Preferred Stock to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price; and (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price.

(d) Partial Redemption. In case of any redemption of part of the shares of Designated Preferred Stock at the time outstanding, the shares to be redeemed shall be selected either pro rata or in such other manner as the Board of Directors or a duly authorized committee thereof may determine to be fair and equitable. Subject to the provisions hereof, the Board of Directors or a duly authorized committee thereof shall have full power and authority to prescribe the terms and conditions upon which shares of Designated Preferred Stock shall be redeemed from time to time. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(e) Effectiveness of Redemption. If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been deposited by the Corporation, in trust for the pro rata benefit of the holders of the shares called for redemption, with a bank or trust company doing business in the Borough of Manhattan, The City of New York, and having a capital and surplus of at least $500 million and selected by the Board of Directors, so as to be and continue to be available solely therefor, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date dividends shall cease to accrue on all shares so called for redemption, all shares so called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company, without interest. Any funds unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

(f) Status of Redeemed Shares. Shares of Designated Preferred Stock that are redeemed, repurchased or otherwise acquired by the Corporation shall revert to authorized but unissued shares of Preferred Stock (provided that any such cancelled shares of Designated Preferred Stock may be reissued only as shares of any series of Preferred Stock other than Designated Preferred Stock).

Section 6. Conversion. Holders of Designated Preferred Stock shares shall have no right to exchange or convert such shares into any other securities.

Section 7. Voting Rights.

(a) General. The holders of Designated Preferred Stock shall not have any voting rights except as set forth below or as otherwise from time to time required by law.

(b) Preferred Stock Directors. Whenever, at any time or times, dividends payable on the shares of Designated Preferred Stock have not been paid for an aggregate of six quarterly Dividend Periods or more, whether or not consecutive, the authorized number of directors of the Corporation shall automatically be increased by two and the holders of the Designated Preferred Stock shall have the right, with holders of shares of any one or more other classes or series of Voting Parity Stock outstanding at the time, voting together as a class, to elect two directors (hereinafter the “Preferred Directors” and each a “Preferred Director”) to fill such newly created directorships at the Corporation’s next annual meeting of stockholders (or at a special meeting called for that purpose prior to such next annual meeting) and at each subsequent annual meeting of stockholders until all accrued and unpaid dividends for all past Dividend Periods, including the latest completed Dividend Period (including, if applicable as provided in Section 3(a) above, dividends on such amount), on all outstanding shares of Designated Preferred Stock have been declared and paid in full at which time such right shall terminate with respect to the Designated Preferred Stock, except as herein or by law expressly provided, subject to revesting in the event of each and every subsequent default of the character above mentioned; provided that it shall be a qualification for election for any Preferred Director that the election of such Preferred Director shall not cause the Corporation to violate any corporate governance requirements of any securities exchange or other trading facility on which securities of the Corporation may then be listed or traded that listed or traded companies must have a majority of independent directors. Upon any termination of the right of the holders of shares of Designated Preferred Stock and Voting Parity Stock as a class to vote for directors as provided above, the Preferred Directors shall cease to be qualified as directors, the term of office of all Preferred Directors then in office shall terminate immediately and the authorized number of directors shall be reduced by the number of Preferred Directors elected pursuant hereto. Any Preferred Director may be removed at any time, with or without cause, and any vacancy created thereby may be filled, only by the affirmative vote of the holders a majority of the shares of Designated Preferred Stock at the time outstanding voting separately as a class together with the holders of shares of Voting Parity Stock, to the extent the voting rights of such holders described above are then exercisable. If the office of any Preferred Director becomes vacant for any reason other than removal from office as aforesaid, the remaining Preferred Director may choose a successor who shall hold office for the unexpired term in respect of which such vacancy occurred.

(c) Class Voting Rights as to Particular Matters. So long as any shares of Designated Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the Charter, the vote or consent of the holders of at least 66 2/3% of the shares of Designated Preferred Stock at the time outstanding, voting as a separate class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) Authorization of Senior Stock. Any amendment or alteration of the Certificate of Designations for the Designated Preferred Stock or the Charter to authorize or create or increase the authorized amount of, or any issuance of, any shares of, or any securities convertible into or exchangeable or exercisable for shares of, any class or series of capital stock of the Corporation ranking senior to Designated Preferred Stock with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Corporation;

(ii) Amendment of Designated Preferred Stock. Any amendment, alteration or repeal of any provision of the Certificate of Designations for the Designated Preferred Stock or the Charter (including, unless no vote on such merger or consolidation is required by Section 7(c)(iii) below, any amendment, alteration or repeal by means of a merger, consolidation or otherwise) so as to adversely affect the rights, preferences, privileges or voting powers of the Designated Preferred Stock; or

(iii) Share Exchanges, Reclassifications, Mergers and Consolidations. Any consummation of a binding share exchange or reclassification involving the Designated Preferred Stock, or of a merger or consolidation of the Corporation with another corporation or other entity, unless in each case (x) the shares of Designated Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of Designated Preferred Stock immediately prior to such consummation, taken as a whole; provided, however, that for all purposes of this Section 7(c), any increase in the amount of the authorized Preferred Stock, including any increase in the authorized amount of Designated Preferred Stock necessary to satisfy preemptive or similar rights granted by the Corporation to other persons prior to the Signing Date, or the creation and issuance, or an increase in the authorized or issued amount, whether pursuant to preemptive or similar rights or otherwise, of any other series of Preferred Stock, or any securities convertible into or exchangeable or exercisable for any other series of Preferred Stock, ranking equally with and/or junior to Designated Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and the distribution of assets upon liquidation, dissolution or winding up of the Corporation will not be deemed to adversely affect the rights, preferences, privileges or voting powers, and shall not require the affirmative vote or consent of, the holders of outstanding shares of the Designated Preferred Stock.

(d) Changes after Provision for Redemption. No vote or consent of the holders of Designated Preferred Stock shall be required pursuant to Section 7(c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of the Designated Preferred Stock shall have been redeemed, or shall have been called for redemption upon proper notice and sufficient funds shall have been deposited in trust for such redemption, in each case pursuant to Section 5 above.

(e) Procedures for Voting and Consents. The rules and procedures for calling and conducting any meeting of the holders of Designated Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules of the Board of Directors or any duly authorized committee of the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Charter, the Bylaws, and applicable law and the rules of any national securities exchange or other trading facility on which Designated Preferred Stock is listed or traded at the time.

Section 8. Record Holders. To the fullest extent permitted by applicable law, the Corporation and the transfer agent for Designated Preferred Stock may deem and treat the record holder of any share of Designated Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Corporation nor such transfer agent shall be affected by any notice to the contrary.

Section 9. Notices. All notices or communications in respect of Designated Preferred Stock shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Charter or Bylaws or by applicable law. Notwithstanding the foregoing, if shares of Designated Preferred Stock are issued in book-entry form through The Depository Trust Corporation or any similar facility, such notices may be given to the holders of Designated Preferred Stock in any manner permitted by such facility.

Section 10. No Preemptive Rights. No share of Designated Preferred Stock shall have any rights of preemption whatsoever as to any securities of the Corporation, or any warrants, rights or options issued or granted with respect thereto, regardless of how such securities, or such warrants, rights or options, may be designated, issued or granted.

Section 11. Replacement Certificates. The Corporation shall replace any mutilated certificate at the holder's expense upon surrender of that certificate to the Corporation. The Corporation shall replace certificates that become destroyed, stolen or lost at the holder's expense upon delivery to the Corporation of reasonably satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may be reasonably required by the Corporation.

Section 12. Other Rights. The shares of Designated Preferred Stock shall not have any rights, preferences, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Charter or as provided by applicable law.

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Exhibit 3.1.1

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
SOUTHERN FIRST BANCSHARES, INC.
(as amended effective May 30, 2024)
(redline version of amended sections)

ARTICLE THREE
CAPITALIZATION

The Corporation shall have the authority, exercisable by its board of directors, to issue up to ~~10,000,000~~20,000,000 shares of voting common stock, par value $.01 per share, and to issue up to 10,000,000 shares of preferred stock, par value $.01 per share~~, of which 17,299 shares have been designated as Fixed Rate Cumulative Perpetual Preferred Stock, Series T, having the voting powers, preferences and relative participating, optional and other special rights, and qualifications, limitations and restrictions thereof set forth on the Certificate of Designations attached hereto and made a part hereof~~. The board of directors shall have the authority to specify the preferences, limitations and relative rights of each class of preferred stock.

Exhibit 31.1

Rule 13a-14(a) Certification of the Principal Executive Officer.

Exhibit 31.1

Rule 13a-14(a) Certification of the Principal Executive Officer.

I, R. Arthur Seaver, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Southern First Bancshares, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2024 November 1, 2024

By: /s/ R. Arthur Seaver, Jr.
R. Arthur Seaver, Jr.

Chief Executive Officer

Exhibit 31.2

Rule 13a-14(a) Certification of the Principal Financial Officer.

Exhibit 31.2

Rule 13a-14(a) Certification of the Principal Financial Officer.

I, Christian J. Zych, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Southern First Bancshares, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2024 November 1, 2024 By: /s/Christian J. Zych

Christian J. Zych

Principal Financial Officer

Exhibit 32

Section 1350 Certifications.

Exhibit 32

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, the Chief Executive Officer and the Principal Financial Officer of Southern First Bancshares, Inc. (the "Company"), each certify that, to his knowledge on the date of this certification:

1. The quarterly report of the Company for the period ended June 30, 2024 September 30, 2024 as filed with the Securities and Exchange Commission on this date (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ R. Arthur Seaver, Jr.

R. Arthur Seaver, Jr.
Chief Executive Officer

Date: July 31, 2024	November 1, 2024
/s/ Christian J. Zych Christian J. Zych Principal Financial Officer Date: July 31, 2024	November 1, 2024

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.