

PUBLIC DISCLOSURE

February 12, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Southern First Bank
Certificate Number: 35295

100 Verdae Boulevard, Suite 100
Greenville, South Carolina 29607-3857

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Atlanta Regional Office

Ten 10th Street NW, Suite 800
Atlanta, Georgia 30309-3849

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment areas, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Southern First Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test supports the overall rating. The FDIC identified a violation of the Equal Credit Opportunity Act regarding certain practices of the bank. The violation did not impact the bank's overall CRA rating. Refer to page 40 for additional details. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment areas' credit needs.
- The bank made a majority of its small business and home mortgage loans inside the assessment areas.
- The bank's geographic distribution of small business and home mortgage loans reflects a reasonable dispersion throughout the assessment areas.
- The bank's distribution of borrowers reflects poor penetration of loans to businesses of different sizes and generally reasonable penetration of loans to individuals of different income levels.
- The institution has not received any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

- The institution demonstrated a generally adequate responsiveness to the community development needs of its assessment areas. The institution met those needs through a relatively low level of community development loans, an adequate level of qualified investments, and adequate level of community development services. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in its assessment areas.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated March 16, 2015, to the current evaluation dated February 12, 2018. The CRA performance of Southern First Bank was reviewed using the FFIEC's CRA Examination Procedures for Intermediate Small Institutions (Banks). The procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

The Lending Test considered the institution's performance based on the following criteria:

- Loan-to-deposit ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

The Community Development Test considered the following factors:

- Number and dollar amount of community development loans and qualified investments, and the level and types of community development services;
- The responsiveness of such activities to the community development needs of the assessment areas

An institution must achieve at least a Satisfactory rating on both tests to obtain an overall Satisfactory rating.

Loan Products Reviewed

The CRA regulation requires a review of the lending performance of an institution in its defined assessment areas with respect to home mortgage, small business, small farm, and consumer lending, if significant. A review of the bank's December 31, 2017 Consolidated Reports of Condition and Income (Call Report) reflect that business loans represent the largest loan category by dollar volume at 47.7 percent, while home mortgage loans represent the second largest loan category at 39.6 percent. Both of these loan categories are considered integral components of the bank's lending focus. Therefore, for purposes of this evaluation, loan distribution analyses were conducted on small business and home mortgage loans. Neither farm loans, which include farmland and agricultural production, nor consumer loans were reviewed, since these loan categories do not constitute a substantial portion of the bank's loan portfolio, or represent a major product line. Specifically, farm and consumer loans represent 0.4 percent and 1.6 percent of the bank's loan portfolio, respectively.

With regard to the business loan analysis, small business loans are defined as loans originated in the amount of \$1 million or less and include loans secured by non-farm, non-residential properties and commercial and industrial loans. From January 1, 2017, through December 31, 2017, the bank originated or renewed 813 small business loans totaling \$172,498,704. From this universe of loans, examiners analyzed a sample of 90 business loans totaling \$21,553,562 to

assess the bank's performance in meeting the credit needs of its assessment areas. Dunn & Bradstreet (D&B) business demographic data for 2017 provided a standard of comparison for the sampled small business loans.

Southern First Bank is subject to the Home Mortgage Disclosure Act (HMDA) and, as such, is required to collect and report certain data concerning applications for home purchase, home refinance, and home improvement loans. This evaluation includes an analysis of the bank's HMDA loans originated from January 1, 2016, through December 31, 2017. During 2016, the bank originated 1,255 HMDA loans totaling \$367,240,000. During 2017, the bank originated 1,017 HMDA loans totaling \$301,819,000. The percentage of families by income level, the percentage of owner-occupied housing units by geography, and 2016 lending of other HMDA reporters within the assessment areas (aggregate lending data) were used for comparison purposes. Aggregate lending data for 2017 was not available for comparison purposes at the time of this CRA evaluation.

Given the bank's business focus and its volume of commercial lending, small business loans received more weight than home mortgage loans for the Lending Test. The lending analyses focused on the number rather than the dollar volume of loans, as loans extended to small businesses and low- and moderate-income borrowers are generally for smaller dollar amounts.

For the Community Development Test, all community development activities since the prior CRA evaluation, including community development loans, qualified investments, and community development services were reviewed. Qualified community development activities throughout all five assessment areas were considered during the evaluation.

Southern First Bank has delineated five assessments areas, which encompass Charleston, Greenville, Lexington, and Richland Counties in South Carolina (SC); Fulton County in Georgia (GA); and Wake County in North Carolina (NC). The Greenville Assessment Area includes Greenville County; the Columbia SC Assessment Area includes Lexington and Richland Counties; the Charleston Assessment area includes Charleston County; the Raleigh Assessment Area includes Wake County; and the Atlanta Assessment Area includes Fulton County. A detailed description of each assessment area is provided under the *Description of Assessment Areas* section within this document.

Full-scope analyses were conducted for Greenville, Columbia, and Charleston Assessment Areas given the volume of lending in these areas. The bank's lending performance within the Greenville and Columbia Assessment Areas received the most weight at arriving at the overall CRA rating, given that a majority of lending occurred within these assessment areas. As it pertains to the Raleigh and Atlanta Assessment Areas, community development activities within these assessment areas are included in the institution-wide analysis, but due to the banks limited lending and duration of its operations in these markets, no further analysis was performed relative to the "*Geographic and Income Distribution*" performance criteria. The bank opened its Wake County,

NC branch on January 19, 2017. Since that time, only nine small business loans totaling \$4.5 million and nine HMDA loans totaling \$1.7 million have been originated within the Raleigh Assessment Area. The bank opened its Fulton County, GA branch on August 14, 2017, and since that time, only five small business loans totaling \$2.4 million and four HMDA loans totaling \$3.6 million have been originated within the Atlanta Assessment Area.

DESCRIPTION OF INSTITUTION

Background

Southern First Bank is a state-chartered community bank headquartered in Greenville, Greenville County, SC. The bank is wholly-owned by Southern First Bancshares, Incorporated, a one-bank holding company in Greenville, SC. There have been no changes in control nor has the bank's business strategy changed since the previous examination. Southern First Bank does not have any subsidiaries; however, there are two non-operational affiliates. The bank received a "Satisfactory" rating at its previous CRA evaluation, which was conducted using the FFIEC's Interagency Small Institution Examination Procedures.

Operations

As of the evaluation date, Southern First Bank operates 11 full-service banking offices in three states and six counties within the institution-wide assessment area. The bank's main office and three branches are located in Greenville County, SC; two branches are in Lexington County, SC; one branch is in Richland County, SC; two branches are in Charleston County, SC; one branch is in Wake County, NC; and, one branch is in Fulton County, GA. One of the 11 offices is in a moderate-income census tract; two are in middle-income census tracts, and eight are located in upper-income census tracts. As previously mentioned, the bank opened its Wake County, NC branch office on January 19, 2017, and its Fulton County, GA branch office on August 14, 2017. The bank did not close any branches, and no mergers or acquisitions have occurred since the previous evaluation.

Southern First Bank's full-service offices are reasonably accessible within its assessment areas. While non-deposit taking automated teller machines (ATMs) are available at eight of the nine SC's branches, drive-thru banking facilities are offered at all of the SC locations. Southern First Bank also makes other financial institution's ATMs readily accessible to its customers by virtue of refunding all non-Southern First Bank's ATM fees incurred by customers throughout the United States. Business hours are reasonable and consistent across the branch network. Lobby hours are Monday through Friday, 9:00 a.m. to 5:00 p.m., and drive-through hours, where available, are 8:30 a.m. to 5:00 p.m.

Southern First Bank offers an array of lending and deposit products to help meet the needs of individuals and businesses in its assessment areas. The bank's lending focus is multi-faceted, with an emphasis on commercial and residential lending. Business purpose loans offered include construction and land development, commercial real estate, residential income property, secured and unsecured term, lines of credit, and agricultural loans. Consumer loan products offered include personal, new and used auto, 1-4 family residential, home equity, lines of credit, and other types of secured and unsecured consumer installment loans. To further demonstrate the

bank's commitment to mortgage lending, the bank offers long-term home mortgage loans to consumers through its lending relationships with secondary market investors.

The bank offers a variety of business and consumer deposit products, including checking, savings, money market, certificates of deposit, health savings, and individual retirement accounts. Additional deposit-related services include safe deposit boxes, domestic and international wire transfers, and direct deposit.

The bank offers alternative delivery systems to make financial services more accessible to its customers. In addition to its main office, branch offices, and access to ATMs, the bank offers business and personal online banking and bill payment, mobile and tablet banking with mobile check deposit, and telephone banking. The bank also offers person-to-person payments (People Pay) that allows customers to transfer funds from their bank account to another individual's account via the internet or a mobile phone. The bank provides a 24-hour telephone response service that allows customers to access loan and deposit account information, transfer funds between accounts, make loan payments, order checks, and place stop payments. The bank's website, www.southernfirst.com, provides information on available bank products and services.

Ability and Capacity

Southern First Bank's assets total \$1,624,291,000 as of December 31, 2017, and included total loans of \$1,398,860,000, total deposits of \$1,388,638,000, total securities of \$67,603,000, and tier one capital of \$159,037,000. Loans represent 86.1 percent of total assets. The loan portfolio as of the December 31, 2017 Call Report is illustrated in the following table.

| Loan Portfolio Distribution as of 12/31/2017 | | |
|---|------------------|--------------|
| Loan Category | \$(000s) | % |
| Construction and Land Development, and Other Land Loans | 150,057 | 10.7 |
| Secured by Farmland | 4,921 | 0.4 |
| Secured by 1-4 Family Residential Properties | 544,531 | 38.9 |
| Secured by Multi-family (5 or more) Residential Properties | 9,356 | 0.7 |
| Secured by Non-farm Non-residential Properties | 480,018 | 34.3 |
| Total Real Estate Loans | 1,188,883 | 85.0 |
| Commercial and Industrial Loans | 187,573 | 13.4 |
| Agricultural Production and Other Loans to Farmers | - | - |
| Consumer | 22,106 | 1.6 |
| Obligations of States and Political Subdivisions in the United States | - | - |
| Other Loans | 298 | - |
| Lease Financing Receivables (net of unearned income) | - | - |
| Less: Unearned Income | - | - |
| Total Loans and Leases | 1,398,860 | 100.0 |
| <i>Source: Report of Income and Condition.</i> | | |

Southern First Bank provides for the credit needs of its assessment areas in a manner consistent with its size, financial capacity, resources, and local economic conditions. There are no legal, financial, or other impediments that prevent Southern First Bank from meeting the credit needs of its assessment areas. However, the environment in which the bank operates includes numerous financial institutions, credit unions, and non-depository mortgage lenders, which provide strong competition for loans within the assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Southern First Bank currently operates in five separate assessment areas based on the location of its offices, including two new assessment areas added since the previous CRA evaluation. As previously noted, the opening of branches in Wake County, NC and Fulton County, GA was the basis for adding these new assessment areas.

The Greenville Assessment Area includes all of Greenville County, which is part of the Greenville-Anderson-Mauldin, SC Metropolitan Statistical Area (MSA). The Columbia Assessment Area includes all of Lexington and Richland Counties, which are part of the Columbia, SC MSA. The Charleston Assessment Area includes all of Charleston County, which is part of the Charleston-North Charleston, SC MSA. The Raleigh Assessment Area includes all of Wake County, which is part of the Raleigh, NC MSA. The Atlanta Assessment Area includes all of Fulton County, which is part of the Atlanta-Sandy Springs-Roswell, GA MSA. The assessment areas are defined in accordance with the technical requirements of the CRA regulations, include whole geographies, and do not arbitrarily exclude any low- or moderate-income census areas that the bank could reasonably be expected to serve. The following tables detail the bank's changes in branch distribution, census tracts, and income level by AA based on the 2010 U.S. Census data and the 2015 American Community Survey (ACS) data. .

| Description of Assessment Areas - 2010 U.S. Census Data | | | |
|---|-----------------------------|--------------------|---------------|
| Assessment Area | Counties in Assessment Area | # of Census Tracts | # of Branches |
| Greenville | Greenville, SC | 111 | 4 |
| Columbia | Lexington, SC | 74 | 2 |
| | Richland, SC | 89 | 1 |
| Charleston | Charleston, SC | 86 | 2 |
| Raleigh(*) | Wake, NC | 187 | 1 |
| Atlanta(*) | Fulton, GA | 204 | 1 |
| Source: Bank Records and 2010 U.S. Census Data and 2015 ACS Data. (*) Represents the two new AAs added in 2017. | | | |

| Assessment Area Geographies – 2010 U.S. Census Data | | | | | | |
|---|------------|-----------------|---------------|--------------|-----------|------------|
| Assessment Area | Low-Income | Moderate-Income | Middle-Income | Upper-Income | No-Income | Total |
| Greenville | 10 | 27 | 39 | 35 | | 111 |
| Columbia | 10 | 42 | 54 | 35 | 5 | 163 |
| Charleston | 9 | 22 | 29 | 25 | 1 | 86 |
| Total | 29 | 91 | 122 | 95 | 6 | 360 |

Source: 2010 U. S. Census

| Assessment Area Geographies – 2015 ACS Data | | | | | | |
|---|------------|-----------------|---------------|--------------|-----------|------------|
| Assessment Area | Low-Income | Moderate-Income | Middle-Income | Upper-Income | No-Income | Total |
| Greenville | 11 | 25 | 38 | 37 | | 111 |
| Columbia | 15 | 40 | 50 | 53 | 5 | 163 |
| Charleston | 14 | 15 | 23 | 31 | 3 | 86 |
| Raleigh | 12 | 36 | 57 | 79 | 3 | 187 |
| Atlanta | 50 | 38 | 22 | 89 | 5 | 204 |
| Total | 102 | 154 | 190 | 289 | 16 | 751 |

Source: 2010 U. S. Census

The demographic composition of the bank's assessment areas changed as a result of the 2015 ACS data released by the FFIEC on July 7, 2017. This survey updated data gathered during the 2010 U.S. Census and resulted in a reclassification of the income characteristics of a number of individual census tracts within the bank's assessment areas. These updates also changed the demographic make-up of individual census tracts, as well as demographic distributions throughout the bank's assessment areas. Therefore, this evaluation presents performance context issues and bank performance results for 2016 based on the 2010 U.S. Census data and during 2017 based on 2015 ACS data. While the bank's Raleigh and Atlanta Assessment Areas are included in the 2017 institution-wide assessment area discussion below, as noted previously, the bank's lending performance within these assessment areas was not assessed.

The following is a discussion of the demographics for each assessment area using the 2015 ACS data. Any significant changes from the 2010 U.S. Census demographic data are also provided.

Economic and Demographic Data

As previously mentioned, Southern First Bank expanded to 11 branch offices with the opening of two new offices in 2017. As a result, the bank's combined assessment area expanded to include the Raleigh and Atlanta Assessment Areas. Of the 11 branches, two are located in middle-income census tracts (one in the Columbia Assessment and one in the Raleigh Assessment Area) and the other nine are located in upper-income census tracts. All but the two new branches and one Charleston County branch offer ATM access and all but two new branches offer drive-thru facilities. The following sections discuss demographic and economic information for the 2017 institution-wide assessment area based on ACS data.

Assessment Area Overview

The bank's institution-wide assessment area consists 111 census tracts in the Greenville Assessment Area, 163 census tracts in the Columbia Assessment Area, 86 census tracts in the Charleston Assessment Area, 187 census tracts in the Raleigh Assessment Area, and 204 in the Atlanta Assessment Area for a total of 751 census tracts. The 751 census tracts consist of 102 low- (13.6 percent), 154 moderate- (20.5 percent), 190 middle- (25.3 percent), 289 upper- (38.5 percent), and 16 no-income census tracts (2.1 percent).

Family and Housing Characteristics

The institution-wide assessment area had total families of 820,137. Of these families, 7.9 percent, 18.9 percent, 28.4 percent, and 44.7 percent are low-, moderate-, middle-, upper-income census tracts, respectively, and 0.1 have no reported income. Families living below the poverty level account for 10.9 percent of total families. Further, approximately 50.3 percent of the low-income families in the institution-wide assessment area live below the poverty level. In addition, there are 1,495,667 housing units in the institution-wide assessment area. Of these, 53.7 percent are owner-occupied, 34.8 percent are occupied rental units, and 11.5 percent are vacant. Of the 1,495,667 housing units, 69.7 percent are single-family units, 24.9 percent are multi-family units, 5.3 percent are mobile home units, and 0.1 percent are "Other" units. The *Geographic Distribution* criterion compares home mortgage loans to the distribution of owner-occupied housing units. The following table illustrates select demographic characteristics of the institution-wide assessment area based on 2015 ACS data.

| Demographic Information of the Institution-Wide Assessment Area | | | | | | |
|---|-----------|---------------|------------------------------|------------------|-----------------|---------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 751 | 13.6 | 20.5 | 25.3 | 38.5 | 2.1 |
| Population by Geography | 3,479,471 | 9.9 | 20.3 | 27.2 | 41.5 | 1.2 |
| Housing Units by Geography | 1,495,667 | 10.4 | 20.8 | 27.1 | 41.4 | 0.4 |
| Owner-Occupied Units by Geography | 803,523 | 4.4 | 16.9 | 29.2 | 49.5 | 0.1 |
| Occupied Rental Units by Geography | 520,689 | 17.5 | 25.8 | 25.2 | 30.9 | 0.7 |
| Vacant Units by Geography | 171,455 | 17.5 | 23.7 | 22.8 | 35.2 | 0.8 |
| Businesses by Geography | 293,636 | 7.4 | 16.7 | 23.9 | 50.6 | 1.3 |
| Farms by Geography | 5,316 | 4.3 | 15.3 | 35.4 | 44.7 | 0.2 |
| Family Distribution by Income Level | 820,137 | 21.7 | 15.1 | 17.6 | 45.6 | - |
| Household Distribution by Income Level | 1,324,212 | 23.8 | 15.5 | 16.7 | 44.0 | - |
| Median Family Income | | \$61,948 | Median Housing Value | | | \$224,367 |
| FFIEC-Estimated Median Family Income for 2016 | | \$63,144 | Median Gross Rent | | | \$956 |
| | | | Families Below Poverty Level | | | 10.9% |
| Source: 2015 ACS Data, 2017 D&B Data, and 2017 FFIEC Estimated Median Family Income, (*) The NA category consists of geographies that have not been assigned an income classification, and Percentage totals do not add to 100.0 percent due to rounding. | | | | | | |

Revenue and Income Demographic Characteristics

According to the 2017 D&B data, there are 293,636 non-farm businesses in the institution-wide assessment area. The GAR for these businesses are below.

- 83.7 percent have \$1 million or less.
- 5.9 percent have more than \$1million.
- 10.4 percent have unknown revenues.

Service industries represent the largest portion of businesses at 48.4 percent, followed by retail trade at 12.1 percent, non-classified establishments at 10.5 percent, finance, insurance, and real estate at 10.2 percent, and construction at 5.7 percent.

Borrower income levels for the MSAs within the bank's assessment areas are presented in the following table. The FFIEC's median family income (MFI) estimates were used in the analysis of the 2017 home mortgage lending under the *Borrower Profile* criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table.

| Median Family Income Ranges | | | | |
|--|-------------|-------------------------|------------------------|----------------|
| Median Family Incomes | Low <50% | Moderate 50% to <80% | Middle 80% to <120% | Upper ≥120% |
| Atlanta-Sandy Springs-Roswell, GA MSA Median Family Income | | | | |
| 2017 (\$69,200) | <\$34,600 | \$34,600 to <\$55,360 | \$55,360 to <\$83,040 | ≥\$83,040 |
| Charleston-North Charleston, SC MSA Median Family Income | | | | |
| 2017 (\$68,800) | <\$34,400 | \$34,400 to <\$55,040 | \$55,040 to <\$82,560 | ≥\$82,560 |
| Columbia, SC MSA Median Family Income | | | | |
| 2017 (\$64,800) | <\$32,400 | \$32,400 to <\$51,840 | \$51,840 to <\$77,760 | ≥\$77,760 |
| Greenville-Anderson-Mauldin, SC MSA Median Family Income | | | | |
| 2017 (\$57,800) | <\$28,900 | \$28,900 to <\$46,240 | \$46,240 to <\$69,360 | ≥\$69,360 |
| Raleigh, NC MSA Median Family Income | | | | |
| 2017 (\$80,200) | <\$40,100 | \$40,100 to <\$64,160 | \$64,160 to <\$96,240 | ≥\$96,240 |
| Source: FFIEC - Estimated Median Family Income Data. | | | | |

GREENVILLE ASSESSMENT AREA

Southern First Bank operates four (36.4 percent) full-service branch offices in the Greenville Assessment Area. The four branches include the Main, Augusta Street, Parkway, and Woodruff Road offices, all of which are located in upper-income census tracts based on the 2010 U.S. Census data and the 2015 ACS data. Each of the branches offers ATM access and drive-thru facilities. The following sections discuss demographic and economic information for the Greenville Assessment Area based on the 2015 ACS data for 2017 comparisons.

Economic and Demographic Data

Based on the 2015 ACS data, the Greenville Assessment Area includes 111 census tracts in Greenville County. The 111 census tracts consist of 11 low-, 25 moderate-, 38 middle-, and 37 upper-income census tracts. There are 199,369 housing units in the assessment area. Of the 199,369 housing units, 59.5 percent are owner-occupied units, 30.7 percent are occupied rental units, and 9.8 percent are vacant units. The following table illustrates select demographic characteristics of the Greenville Assessment Area based on 2015 ACS data.

| Demographic Information of the Greenville Assessment Area | | | | | | |
|---|---------|---------------|------------------------------|------------------|-----------------|---------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 111 | 9.9 | 22.5 | 34.2 | 33.3 | - |
| Population by Geography | 474,903 | 6.8 | 17.3 | 35.9 | 40.1 | - |
| Housing Units by Geography | 199,369 | 7.0 | 18.3 | 36.0 | 38.7 | - |
| Owner-Occupied Units by Geography | 118,621 | 3.9 | 13.9 | 36.4 | 45.9 | - |
| Occupied Rental Units by Geography | 61,241 | 11.8 | 25.6 | 34.8 | 27.7 | - |
| Vacant Units by Geography | 19,507 | 10.5 | 22.8 | 37.1 | 29.6 | - |
| Businesses by Geography | 29,879 | 6.6 | 15.3 | 32.0 | 46.1 | - |
| Farms by Geography | 617 | 3.4 | 12.8 | 42.6 | 41.2 | - |
| Family Distribution by Income Level | 120,620 | 21.1 | 15.2 | 18.1 | 45.5 | - |
| Household Distribution by Income Level | 179,862 | 22.8 | 14.9 | 15.8 | 46.5 | - |
| Median Family Income | | \$58,097 | Median Housing Value | | | \$159,446 |
| FFIEC-Estimated Median Family Income for 2017 | | \$53,100 | Median Gross Rent | | | \$776 |
| | | | Families Below Poverty Level | | | 11.8% |
| Source: 2015 ACS Data, 2017 D&B Data, and 2017 FFIEC Estimated Median Family Income, (*) The NA category consists of geographies that have not been assigned an income classification, and percentage totals do not add to 100.0 percent due to rounding. | | | | | | |

According to the 2017 D&B data, there were 29,879 businesses operating in Greenville County. The GARs for these businesses are below.

- 80.6 percent have \$1 million or less.
- 6.9 percent have more than \$1 million.
- 12.5 percent have unknown revenues.

The services industry represents the largest portion of businesses at 43.5 percent, followed by retail trade at 14.2 percent, finance, insurance, and real estate at 10.1 percent, non-classified establishments at 9.7 percent, and construction at 7.4 percent.

Greenville County

Greenville County is located in the northwestern portion of SC. As of January 2018, employment conditions have been over the past 12 months. The unemployment rate decreased to 3.4 percent and is below the average U.S. rate of 4.1 percent. The household job growth rate of 0.9 percent continues to decline and is below the average U.S. percentage of 1.4. The population growth rate of 1.7 percent represents a slight decline over the past 12 months, but is still above the average U.S. rate of 0.7 percent. The median household income increased over the past 12 months, but remains below the national median household income. The percentage

of County residents in poverty decreased to 10.9 percent and is below the national average of 14.0. Growth in government transfer payments, such as unemployment benefits, decreased from a year ago, but continues to exceed the national average. Consumer credit conditions improved, as personal bankruptcy filings declined. Real estate conditions are mixed. Growth of single-family permits declined over the past 12 months and is well below the average U.S. growth rate. The housing affordability index declined. The decrease in affordability is indicative of rising home prices in the area. The top two employment industries in the county are other and professional and business services. Major employers in the County include Greenville Healthcare, Greenville County School District, and Bon Secours St. Francis Health Systems.

Competition

Southern First Bank faces strong competition within its Greenville Assessment Area. According to the June 30, 2017 *Federal Deposit Insurance Corporation's Summary of Deposit*, there are 30 other financial institutions with 154 offices operating in the assessment area. The market includes other community banks, branches of national and large regional financial institutions, and a number of finance companies and credit unions. The bank is ranked 5th with 6.8 percent of the deposit market share. The top five financial institutions control 57.0 percent of the deposit market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2016, Southern First Bank was ranked 9th in market share among 407 lenders. The lenders originated or purchased 18,774 residential mortgage loans totaling \$4.0 billion in the Greenville Assessment Area. Southern First Bank's home mortgage market share was 2.47 percent. The top five home mortgage lenders account for 24.3 percent of the total market share.

The bank is not required to collect or report its small business loan data, and has elected to not report such information. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. The aggregate data, however, reflects the level of demand for small business loans and is therefore included. Aggregate data for 2016 indicates 91 institutions reported 10,862 small business loans in the assessment area, indicating a high degree of competition for this product. The top five institutions account for 62.3 percent of the small business market share.

COLUMBIA ASSESSMENT AREA

Southern First Bank operates three (27.3 percent) full-service branch offices in the Columbia Assessment Area. The Columbia and Lexington branches are located in Lexington County and the Forest Drive branch is located in Richland County. The Lexington and Forest Drive offices are located in upper-income census tracts, while the Columbia office is located in a middle-income census tract based on both the 2010 U.S. Census data and the 2015 ACS data. Each of the branches offers ATM access and drive-thru facilities. The following sections discuss demographic and economic information for the Columbia Assessment Area based the 2015 ACS data for 2017 comparisons.

Economic and Demographic Data

Based on 2015 ACS data, the Columbia Assessment Area consist of 163 census tracts; 74 in Lexington and 89 in Richland Counties. The 163 census tracts consist of 15 low-, 40 moderate-, 50 middle-, 53 upper-, and 5 no-income census tracts. There are 205,729 housing units in the assessment area. Of the 283,117 housing units, 58.1 percent are owner-occupied units, 30.8 percent are occupied rental units, and 11.1 percent are vacant units. The following table illustrates select demographic characteristics of the Columbia Assessment Area based on the 2015 ACS data.

| Demographic Information of the Columbia Assessment Area | | | | | | |
|---|---------|---------------|------------------------------|------------------|-----------------|---------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 163 | 9.2 | 24.5 | 30.7 | 32.5 | 3.1 |
| Population by Geography | 671,742 | 6.0 | 22.7 | 32.4 | 36.3 | 2.6 |
| Housing Units by Geography | 283,117 | 6.7 | 24.2 | 32.9 | 36.1 | 0.1 |
| Owner-Occupied Units by Geography | 164,451 | 2.6 | 19.1 | 34.2 | 44.0 | - |
| Occupied Rental Units by Geography | 87,255 | 13.6 | 31.8 | 31.3 | 23.3 | - |
| Vacant Units by Geography | 31,411 | 9.1 | 29.4 | 30.1 | 30.5 | 0.8 |
| Businesses by Geography | 37,677 | 9.9 | 20.4 | 31.6 | 37.4 | 0.7 |
| Farms by Geography | 976 | 3.1 | 18.4 | 37.8 | 40.7 | - |
| Family Distribution by Income Level | 160,794 | 21.9 | 15.9 | 19.3 | 42.9 | - |
| Household Distribution by Income Level | 251,706 | 23.2 | 15.9 | 18.0 | 42.9 | - |
| Median Family Income | | \$62,665 | Median Housing Value | | | \$154,808 |
| FFIEC-Estimated Median Family Income for 2017 | | \$67,000 | Median Gross Rent | | | \$878 |
| | | | Families Below Poverty Level | | | 11.5% |
| Source: 2015 ACS Data, 2017 D&B Data, and 2017 FFIEC Estimated Median Family Income, (*) The NA category consists of geographies that have not been assigned an income classification, and Percentage totals do not add to 100.0 percent due to rounding. | | | | | | |

According to 2017 D&B data, there were 37,677 businesses operating in the Columbia Assessment Area. The GARs for these businesses are below.

- 80.0 percent have \$1 million or less.
- 6.1 percent have more than \$1 million.
- 13.9 percent have unknown revenues.

The services industry represents the largest portion of businesses at 45.0 percent, followed by retail trade at 14.5 percent, finance, insurance, and real estate at 9.0 percent, non-classified establishments at 8.7, and construction at 7.6 percent.

Lexington County

Lexington County is located in the west central portion of SC, just east of Richland County. As of January 2018, employment conditions improved slightly from a year ago. The unemployment rate remains steady at 3.4 percent and is well below the average U.S. rate of 4.1 percent. The household job growth rate of 0.5 percent reflects a slight increase, but remains below the average U.S. percentage of 1.4. The population growth rate of 1.6 percent represents a slight increase over the past 12 months and remains above the average U.S. rate of 0.7 percent. The median household income increased over the past 12 months and is now in line with the National median household

income of average of 14.0. Growth in government transfer payments, such as unemployment benefits, decreased from a year ago, but exceeds the national average. Consumer credit conditions have declined, as personal bankruptcy filings increased slightly. Real estate conditions declined. Growth of single-family permits declined over the past 12 months and is below the average U.S. growth rate. The housing affordability index declined slightly. The decrease in affordability is indicative of rising home prices in the area. The top two employment industries in the county are other and government. Major employees in the County include Amazon.com, Michelin North America, Inc., and Medical University of South Carolina Medical Center.

Richland County

Richland County is located in the west central portion of SC, adjacent to Lexington County. As of January 2018, employment conditions improved slightly over the past 12 months. The unemployment rate decreased slightly to 4.1 percent and is equal to the average U.S. rate. The household job growth rate of 0.6 percent remains unchanged and is below the average U.S. percentage of 1.4. The population growth rate of 0.7 percent represents a decrease over the past 12 months and equals the average U.S. rate. The median household income increased over the past 12 months, but remains below the National median household income. The percentage of County residents in poverty increased slightly to 16.4 percent and remains above the National average of 14.0. Growth in government transfer payments, such as unemployment benefits, decreased from a year ago and is below the National average. Consumer credit conditions improved, as personal bankruptcy filings declined. Real estate conditions have declined. Growth of single-family permits also declined over the past 12 months and is well below the average U.S. growth rate. The housing affordability index declined slightly. The decrease in affordability is indicative of rising home prices in the area. The top two employment industries in the County are government and other. Major employees in the County include Palmetto Health, Blue Cross & Blue Shield of South Carolina, and the University of South Carolina.

Competition

Southern First Bank faces strong competition within its Columbia Assessment Area. According to the June 30, 2017 *Federal Deposit Insurance Corporation's Summary of Deposit*, there are 21 other financial institutions with 158 offices operating in the assessment area. The market includes other community banks, branches of national and large regional financial institutions, and a number of finance companies and credit unions. The bank is ranked 9th with 1.4 percent of the deposit market share. The top five financial institutions control 84.5 percent of the deposit market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2016, Southern First Bank was ranked 11th in market share among 388 lenders. The lenders originated or purchased 23,651 residential mortgage loans totaling \$4.6 billion in the assessment area. Southern First Bank's home mortgage market share was 1.86 percent. The top five home mortgage lenders account for 27.1 percent of the total market share. Aggregate small business data for 2016 indicates 92 institutions reported 12,039 small business loans in the assessment area, indicating a high degree of competition for this product. The top five institutions account for 57.2 percent of the small business market share.

CHARLESTON ASSESSMENT AREA

Southern First Bank operates two (18.2 percent) full-service branch offices in the Charleston Assessment Area. The Mount Pleasant branch and the Calhoun branch are both located in upper-income census tracts. In 2016, the Calhoun branch was located in a middle-income census tract; however, based on the 2015 ACS data, that branch is now located in an upper-income census tract for 2017. Only the Mouth Pleasant branch offers ATM access, while both branches offer drive-thru facilities. The following sections discuss demographic and economic information for the Charleston Assessment Area based on the 2010 U.S. Census data for 2016 comparisons and 2015 ACS data for 2017 comparisons.

Economic and Demographic Data

Based on the 2015 ACS data, the Charleston Assessment Area consists of 86 census tracts in Charleston County. The 86 census tracts consist of 14 low-, 15 moderate-, 23 middle-, 31 upper, and 3 no-income census tracts. There are 175,607 housing units in the assessment area. Of the 175,607 housing units, 51.1 percent are owner-occupied units, 33.2 percent are occupied rental units, and 15.7 percent are vacant units. The following table illustrates select demographic characteristics of the Charleston Assessment Area based on 2015 ACS data.

| Demographic Information of the Columbia Assessment Area | | | | | | |
|---|---------|---------------|------------------------------|------------------|-----------------|---------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 86 | 16.3 | 17.4 | 26.7 | 36.0 | 3.5 |
| Population by Geography | 372,904 | 12.7 | 17.2 | 29.8 | 38.7 | 1.5 |
| Housing Units by Geography | 175,607 | 11.9 | 17.2 | 29.2 | 40.3 | 1.4 |
| Owner-Occupied Units by Geography | 89,750 | 6.4 | 14.8 | 31.4 | 46.9 | 0.5 |
| Occupied Rental Units by Geography | 58,268 | 20.3 | 21.1 | 29.7 | 26.6 | 2.3 |
| Vacant Units by Geography | 27,589 | 11.8 | 17.1 | 20.9 | 47.8 | 2.4 |
| Businesses by Geography | 29,661 | 11.5 | 17.4 | 25.0 | 43.7 | 2.4 |
| Farms by Geography | 672 | 5.4 | 15.5 | 39.4 | 39.0 | 0.7 |
| Family Distribution by Income Level | 87,214 | 22.8 | 15.2 | 17.6 | 44.4 | - |
| Household Distribution by Income Level | 148,018 | 26.0 | 15.0 | 16.4 | 42.6 | - |
| Median Family Income | | \$65,558 | Median Housing Value | | | \$299,955 |
| FFIEC-Estimated Median Family Income for 2017 | | \$68,800 | Median Gross Rent | | | \$1,044 |
| | | | Families Below Poverty Level | | | 12.2% |
| Source: 2015 ACS Data, 2017 D&B Data, 2017 FFIEC Estimated Median Family Income, (*) The NA category consists of geographies that have not been assigned an income classification, and Percentage totals do not add to 100.0 percent due to rounding. | | | | | | |

According to the 2017 D&B data, there were 29,661 businesses operating in the Charleston Assessment Area. The GARs for these businesses are below.

- 81.1 percent have \$1 million or less.
- 6.4 percent have more than \$1 million.
- 12.5 percent have unknown revenues.

The services industry represents the largest portion of businesses at 44.6 percent, followed by retail trade at 15.0 percent, non-classified establishments at 10.0 percent, finance, insurance, and real estate at 9.0 percent, and construction at 7.2 percent.

Charleston County

Charleston County is located along the Atlantic coast of SC. As of January 2018, employment conditions have been mixed over the past 12 months. The unemployment rate decreased to 3.2 percent and is well below the average U.S. rate of 4.1 percent. The household job growth rate decreased to 3.2 and remains above the average U.S. percentage of 1.4. The population growth rate of 1.8 percent represents a decline over the past 12 months, but is still above the average U.S. rate of 0.7 percent. The median household income increased over the past 12 months, but remains below the National median household income. The percentage of County residents in poverty increased slightly to 15.0 percent and is above the National average of 14.0. Growth in government transfer payments, such as unemployment benefits, decreased from a year ago, but exceeds the National average. Consumer credit conditions have remained generally unchanged, as personal bankruptcy filings have remained steady. Real estate conditions improved. Growth of single-family permits improved from a year ago and is well above the average U.S. growth rate. The housing affordability index declined. The decrease in affordability is indicative of rising home prices in the area. The top two employment industries in the County are other and government. Major employers in the County include Joint Base Charleston, Medical University of South Carolina, and Boeing South Carolina.

Competition

Southern First Bank faces strong competition within the Charleston Assessment Area. According to the June 30, 2017 *Federal Deposit Insurance Corporation's Summary of Deposit*, there are 27 financial institutions with 129 offices operating in the assessment area. The market includes other community banks, branches of national and large regional financial institutions, and a number of finance companies and credit unions. The bank is ranked eleventh with 2.3 percent of the deposit market share. The top five financial institutions, two national and three regional institutions, control 67.2 percent of the deposit market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2016, Southern First Bank was ranked 36th in market share among 456 lenders. The lenders originated or purchased 18,354 residential mortgage loans totaling \$5.9 billion in the assessment area. Southern First Bank's home mortgage market share was 0.9 percent. The top five home mortgage lenders account for 25.1 percent of the total market share. Aggregate small business data for 2016 indicates 99 institutions reported 11,661 small business loans in the assessment area, indicating a high degree of competition for this product. The top five institutions account for 65.2 percent of the small business market share.

RALEIGH ASSESSMENT AREA

Southern First Bank operates one (9.1 percent) full-service branch office in the Raleigh Assessment Area. The Wade Park Office is located in a middle-income census tract. This branch does not offer ATM access or a drive-thru facility. The following sections discuss demographic and economic information for the Raleigh Assessment Area based on the 2015 ACS data.

Economic and Demographic Data

Based on the 2015 ACS data, the Raleigh Assessment Area consists of 187 census tracts in Wake County. The 187 census tracts consist of 12 low-, 36 moderate-, 57 middle-, 79 upper-, and 3 no-income census tracts. There are 392,813 housing units in the assessment area. Of the 392,813 housing units, 59.6 percent are owner-occupied units, 33.2 percent are occupied rental units, and 7.2 percent are vacant units. The following table illustrates select demographic characteristics of the Raleigh Assessment Area based on 2015 ACS data.

| Demographic Information of the Raleigh Assessment Area | | | | | | |
|---|---------|---------------|------------------------------|------------------|-----------------|---------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 187 | 6.4 | 19.3 | 30.5 | 42.2 | 1.6 |
| Population by Geography | 976,019 | 6.2 | 22.8 | 31.8 | 38.8 | 0.5 |
| Housing Units by Geography | 392,813 | 5.6 | 22.7 | 33.1 | 38.5 | - |
| Owner-Occupied Units by Geography | 234,084 | 2.1 | 19.2 | 34.3 | 44.5 | - |
| Occupied Rental Units by Geography | 130,585 | 11.5 | 29.1 | 30.9 | 28.4 | - |
| Vacant Units by Geography | 28,144 | 7.6 | 22.9 | 33.3 | 36.1 | - |
| Businesses by Geography | 83,829 | 3.9 | 19.2 | 31.9 | 44.7 | 0.2 |
| Farms by Geography | 1,793 | 2.6 | 16.4 | 42.2 | 38.8 | 0.1 |
| Family Distribution by Income Level | 243,940 | 19.9 | 16.2 | 18.8 | 45.1 | - |
| Household Distribution by Income Level | 364,669 | 20.9 | 16.6 | 17.8 | 44.7 | - |
| Median Family Income | | \$78,057 | Median Housing Value | | | \$247,494 |
| FFIEC-Estimated Median Family Income for 2017 | | \$80,200 | Median Gross Rent | | | \$966 |
| | | | Families Below Poverty Level | | | 7.9% |
| Source: 2015 ACS Data, 2017 D&B Data, and 2017 FFIEC Estimated Median Family Income, (*) The NA category consists of geographies that have not been assigned an income classification, and Percentage totals do not add to 100.0 percent due to rounding. | | | | | | |

According to the 2017 D&B data, there were 83,829 businesses operating in the Raleigh Assessment Area. The GARs for these businesses are below.

- 85.8 percent have \$1 million or less.
- 4.9 percent have more than \$1 million.
- 9.3 percent have unknown revenues.

The services industry represents the largest portion of businesses at 48.4 percent, followed by non-classified establishments at 11.1 percent, retail trade at 10.9 percent, finance, insurance, and real estate at 8.7 percent, and construction at 6.9 percent.

Wake County

Wake County is located in central NC. As of January 2018, employment conditions improved over the past 12 months. The unemployment rate decreased to 3.6 percent and is below the average U.S. rate of 4.1 percent. The household job growth rate of 3.4 percent declined, but remains above the average U.S. percentage of 1.4. The population growth rate of 2.4 percent remained unchanged from a year ago and continues to exceed the average U.S. rate of 0.7 percent. The median household income grew to \$77,543 over the past 12 months and is well above the National average of \$58,229. The percentage of County residents in poverty decreased to 9.2 percent and is below the national average of 14.0. Growth in government transfer payments, such as unemployment benefits, decreased from a year ago, but remains above the National average. Consumer credit conditions improved, as personal bankruptcy filings declined. Real estate conditions are mixed. Growth of single-family permits declined over the past 12 months, and is well below the average U.S. growth rate. The housing affordability index declined. The decrease in affordability is indicative of rising home prices in the area. The top two employment industries in the County are other and professional and business services. Major employers in the County include the Wake County Public School System, IBM Corporation, and North Carolina State University.

ATLANTA ASSESSMENT AREA

Southern First Bank operates one (9.1 percent) full-service branch in the Atlanta Assessment Area, which is located in an upper-income census tract. This branch does not offer ATM access or a drive-thru facility. The following sections discuss demographic and economic information for the Atlanta Assessment Area based on the 2015 ACS data.

Economic and Demographic Data

Based on the 2015 ACS data, the Atlanta Assessment Area consists of 204 census tracts in Fulton County. The 204 census tracts consist of 50 low-, 38 moderate-, 22 middle-, 89 upper-, and 5 no-income census tracts. There are 444,761 housing units in the assessment area. Of these, 44.2 percent are owner-occupied units, 41.2 percent are occupied rental units, and 14.6 percent are vacant units. The following table illustrates select demographic characteristics of the assessment area.

| Demographic Information of the Atlanta Assessment Area | | | | | | |
|---|---------|---------------|------------------------------|------------------|-----------------|---------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 204 | 24.5 | 18.6 | 10.8 | 43.6 | 2.5 |
| Population by Geography | 983,903 | 16.6 | 18.8 | 14.0 | 49.3 | 1.3 |
| Housing Units by Geography | 444,761 | 18.1 | 19.3 | 13.2 | 48.8 | 0.6 |
| Owner-Occupied Units by Geography | 196,617 | 7.9 | 15.0 | 13.7 | 63.3 | 0.1 |
| Occupied Rental Units by Geography | 183,340 | 24.6 | 22.1 | 13.5 | 38.6 | 1.1 |
| Vacant Units by Geography | 64,804 | 30.4 | 24.4 | 11.2 | 33.4 | 0.5 |
| Businesses by Geography | 112,590 | 8.3 | 13.8 | 13.1 | 62.5 | 2.3 |
| Farms by Geography | 1,258 | 7.8 | 12.6 | 18.3 | 60.8 | 0.6 |
| Family Distribution by Income Level | 207,569 | 23.4 | 13.2 | 14.5 | 48.9 | - |
| Household Distribution by Income Level | 379,957 | 26.5 | 14.8 | 15.3 | 43.4 | - |
| Median Family Income | | \$67,322 | Median Housing Value | | | \$247,476 |
| FFIEC-Estimated Median Family Income for 2017 | | \$69,700 | Median Gross Rent | | | \$1,015 |
| | | | Families Below Poverty Level | | | 13.0% |
| Source: 2015 ACS Data, 2017 D&B Data, and 2017 FFIEC Estimated Median Family Income, (*) The NA category consists of geographies that have not been assigned an income classification, and Percentage totals do not add to 100.0 percent due to rounding. | | | | | | |

According to the 2017 D&B data, there were 112,590 businesses operating in the Fulton Assessment Area. The GARs for these businesses are below.

- 84.8 percent have \$1 million or less.
- 6.2 percent have more than \$1 million.
- 9.0 percent have unknown revenues.

The services industry represents the largest portion of businesses at 52.0 percent, followed by finance, insurance, and real estate at 10.9 percent, non-classified establishments at 10.9 percent, retail trade at 10.8 percent, and transportation and communication at 4.1 percent.

Fulton County

Fulton County is located in north central GA. As of January 2018, employment conditions improved over the past 12 months. The unemployment rate decreased to 4.4 percent, but remains above the average U.S. rate of 4.1 percent. The household job growth rate of 3.8 percent also declined, but remains above the average U.S. percentage of 1.4. The population growth rate of 1.5 percent represents a slight increase over the past 12 month and remains above the average U.S. rate of 0.7 percent. The median household income increased over the past 12 months and remains above the National median household income. The percentage of County residents in poverty remained steady at 16.0 percent and exceeds the National average of 14.0. Growth in government transfer payments, such as unemployment benefits, decreased from a year ago and is in line with the National average. Consumer credit conditions improved, as personal bankruptcy filings decreased slightly. Real estate conditions are strong. Growth of single-family permits improved from a year ago and is well above the average U.S. growth rate. The housing affordability index declined. The decrease in affordability is indicative of rising home prices in the area. The top two employment industries in the County are other and professional and business services. Major employers in the County include Delta Airlines, Wal-Mart Stores, and Emory University.

Community Contact

As part of the CRA evaluation process, examiners typically contact third parties knowledgeable of and active in the assessment areas to assist in identifying credit and community development needs and to obtain information helpful in developing a performance context for the bank. The information also helps in determining if local financial institutions are being responsive to identified needs.

Examiners used information from three recently conducted community contacts, including one from each of the three SC's assessment areas. The contacts stated that as a result of recent economic improvements and a generally strong economy, affordable housing is a growing need, particularly in the Greenville Assessment Area. The growing economy is also creating a need for small business loans in each assessment area. The contacts also indicated a need for financial literacy training for low- and moderate-income individuals, as well as increased marketing of available loan programs to start-up businesses and small business community.

In addition, each of the contacts indicated increased participation by financial institution is needed, particularly with respect to educating and banking low- and moderate-income individuals and funding start-up businesses. The community contacts' observations were directed towards financial institutions in general, and no individual bank was specifically commented on by any of the contacts.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, Bank management, and demographic and economic data, examiners determined that small business and start-up loans represent a continuing credit need within each assessment area. The significant percentage of businesses with GARs of \$1 million or less further supports this observation. The strengthening economy is also increasing the need for affordable housing within each of the assessment areas.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Southern First Bank's overall Lending Test performance is "Satisfactory". This rating is based on the bank's more than reasonable loan-to-deposit ratio, a majority of the loans being made inside the assessment areas, a reasonable dispersion of lending throughout the assessment areas, and a poor penetration of loans to businesses of different sizes and a generally reasonable penetration of loans to borrowers of different income levels. Only loans extended within the bank's assessment areas were analyzed.

Loan-to-Deposit Ratio

Southern First Bank's net loan-to-deposit (NLTD) ratio is more than reasonable, given its size, financial condition, and assessment areas' credit needs. The bank's NLTD ratio averaged 102.6 percent over the previous 12 calendar quarters from March 31, 2015, to December 31, 2017. Over this time period, the bank's NLTD ratio ranged from a low of 97.9 percent as of September

30, 2017, to a high of 107.2 as of June 30, 2015. As of December 31, 2017, the average NLTD ratio was 99.6 percent.

While Southern First Bank has many competitors, none are similarly in terms of total assets, markets served, products offered, and office locations. As a result, the bank's average NLTD ratio was compared to the Uniform Bank Performance Report (UBPR) Peer Group's ratio. The Peer Group, as defined by the UBPR, includes 371 insured commercial banks with total assets between \$300 million and \$1 billion. The Peer Group's average NLTD ratio, over the same 12 quarters, was 82.9; lower than Southern First Bank's average NLTD ratio of 102.6 percent. The UBPR Peer Group's NLTD ratio ranged from a high of 85.2 percent on September 30, 2017, to a low of 78.9 percent on March 31, 2015. As of December 31, 2017, the Peer Group's NLTD ratio was 85.0.

The assessment of the NLTD ratio also considered Southern First Bank's secondary market lending activities, which further supports the bank's strong NLTD ratio performance. Southern First Bank operates a secondary mortgage department, which offers and facilitates long-term mortgage loans that are sold to investors on the secondary market. This lending activity, which is accounted for in the Lending Test by virtue of the loans being reported on the bank's HMDA Loan Application Register, may not be accounted for in the NLTD ratio since most of the loans are sold shortly after origination. During 2016 and 2017, the bank originated 987 residential mortgage loans totaling \$252.0 million, and 677 residential mortgage loans totaling \$172.0 million, respectively, through the secondary mortgage department for investors.

Assessment Area Concentration

Southern First Bank originated a majority of its small business and home mortgage loans within the institution-wide assessment area during the evaluation period, which indicates reasonable performance. For small business loans, 84.4 percent by number and 86.0 percent by dollar volume were extended to borrowers within the institution-wide assessment area. For home mortgage loans, 83.5 percent by number and 84.0 percent by dollar volume were originated within the institution-wide assessment area. The following table details the bank's dispersion of loan originations inside and outside the institution-wide assessment area.

| Lending Inside and Outside of the Assessment Area | | | | | | | | | | |
|---|-----------------|-------------|------------|-------------|--------------|---------------------------------|-------------|----------------|-------------|----------------|
| Loan Category | Number of Loans | | | | | Dollar Amount of Loans \$(000s) | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | # | \$ | % | \$ | % | \$(000s) |
| Small Business | 76 | 84.4 | 14 | 15.6 | 90 | 18,544 | 86.0 | 3,010 | 14.0 | 21,554 |
| Home Mortgage | | | | | | | | | | |
| 2016 | 1,069 | 85.2 | 186 | 14.8 | 1,255 | 312,996 | 85.2 | 54,244 | 14.8 | 367,240 |
| 2017 | 827 | 81.3 | 190 | 18.7 | 1,017 | 249,211 | 82.6 | 52,608 | 17.4 | 301,819 |
| Subtotal | 1,896 | 83.5 | 376 | 16.5 | 2,272 | 562,207 | 84.0 | 106,852 | 16.0 | 669,059 |

Source: 2016 and 2017 HMDA Reported Data and 2017 Small Business Data -Bank Records.

As reflected below, a majority of both small business and home mortgage loans were originated within the Greenville and Columbia Assessment Areas. The following tables illustrate the bank's small business and home mortgage lending within each assessment area.

| Small Business Lending by Assessment Area | | | | |
|--|-----------|--------------|---------------|--------------|
| Assessment Area Name | # | % | \$(000s) | % |
| Greenville | 29 | 38.2 | 7,072 | 38.1 |
| Columbia | 29 | 38.2 | 6,500 | 35.1 |
| Charleston | 18 | 23.6 | 4,972 | 26.8 |
| Raleigh(*) | - | - | - | - |
| Atlanta(*) | - | - | - | - |
| TOTALS | 76 | 100.0 | 18,544 | 100.0 |
| <i>Source: 2017 Bank Records, (*) Random sample did not include loans in these assessment areas.</i> | | | | |

| Home Mortgage Lending by Assessment Area | | | | |
|---|--------------|--------------|----------------|--------------|
| Assessment Area Name | # | % | \$(000s) | % |
| Greenville | 791 | 41.7 | 240,957 | 42.9 |
| Columbia | 794 | 41.9 | 187,941 | 33.4 |
| Charleston | 298 | 15.7 | 128,065 | 22.8 |
| Raleigh | 9 | 0.5 | 1,686 | 0.3 |
| Atlanta | 4 | 0.2 | 3,558 | 0.6 |
| TOTALS | 1,896 | 100.0 | 562,207 | 100.0 |
| <i>Source: 2016 and 2017 HMDA Reported Data</i> | | | | |

Geographic Distribution

Southern First Bank's geographic distribution of loans reflects an overall reasonable dispersion throughout the assessment areas. Examiners focused on the percentage of loans by number originated in low- and moderate-income census tracts within the assessment areas. Only loans extended within the assessment areas are included in the analyses.

GREENVILLE ASSESSMENT AREA

Small Business Loans

Southern First Bank's geographic distribution of small business loans reflects a reasonable dispersion within the Greenville Assessment Area. Small business lending in the low-income census tracts (6.9 percent) slightly exceeded demographics (6.6 percent). For the moderate-income census tracts (17.2 percent), the bank's lending level also exceeded demographics (15.3 percent). The following table reflects the geographic dispersion of the bank's small business loans within the Greenville Assessment Area.

| Geographic Distribution of Small Business Loans | | | | | |
|--|-----------------|-----------|--------------|--------------|--------------|
| Tract Income Level | % of Businesses | # | % | \$(000s) | % |
| Low | 6.6 | 2 | 6.9 | 105 | 1.5 |
| Moderate | 15.3 | 5 | 17.2 | 1,960 | 27.7 |
| Middle | 32.0 | 5 | 17.2 | 1,140 | 16.1 |
| Upper | 46.1 | 17 | 58.7 | 3,867 | 54.7 |
| Total | 100.0 | 29 | 100.0 | 7,072 | 100.0 |
| <i>Source: 2017 D&B Data and Bank Records.</i> | | | | | |

Home Mortgage Loans

Southern First Bank's geographic distribution of home mortgage loans reflects a reasonable dispersion within the Greenville Assessment Area.

In 2016, the bank's home mortgage lending in the low-income census tracts (1.9 percent) slightly exceeded aggregate lending data (1.8 percent), but lagged demographics (3.8 percent). Within the moderate-income census tracts, home mortgage lending (7.5 percent) lagged aggregate lending data (9.6 percent), but was well below demographics (14.7 percent).

In 2017, the bank's home mortgage lending performance increased in the low-income census tracts, but declined in the moderate-income census tracts from a year ago. Within the low-income census tracts, home mortgage lending (5.2 percent) exceeded demographics (3.9 percent). For moderate-income census tracts, home mortgage lending (4.9 percent) was well below demographics (13.9 percent). The following table reflects the geographic dispersion of the bank's home mortgage lending within the Greenville Assessment Area.

| Geographic Distribution of Home Mortgage Loans | | | | | | |
|---|-----------------------------------|------------------------------|------------|--------------|----------------|--------------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2016 | 3.8 | 1.8 | 9 | 1.9 | 1,618 | 1.1 |
| 2017 | 3.9 | - | 17 | 5.2 | 3,878 | 4.0 |
| Moderate | | | | | | |
| 2016 | 14.7 | 9.6 | 35 | 7.5 | 8,971 | 6.3 |
| 2017 | 13.9 | - | 16 | 4.9 | 3,520 | 3.6 |
| Middle | | | | | | |
| 2016 | 41.1 | 38.0 | 85 | 18.3 | 20,592 | 14.4 |
| 2017 | 36.4 | - | 65 | 19.9 | 14,584 | 14.9 |
| Upper | | | | | | |
| 2016 | 40.4 | 50.6 | 335 | 72.2 | 112,199 | 78.3 |
| 2017 | 45.9 | - | 229 | 70.0 | 75,595 | 77.5 |
| Totals | | | | | | |
| 2016 | 100.0 | 100.0 | 464 | 100.0 | 143,380 | 100.0 |
| 2017 | 100.0 | - | 327 | 100.0 | 97,577 | 100.0 |
| <i>Source: 2010 U.S. Census Data, 2015 ACS Data; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data, Percentage total does not add to 100.0 percent due to rounding.</i> | | | | | | |

COLUMBIA ASSESSMENT AREA

Small Business Loans

Southern First Bank's geographic distribution of small business loans reflects a reasonable dispersion within the Columbia Assessment Area. Small business lending in the low-income census tracts (17.2 percent) significantly exceeded demographics (9.9 percent), while in the moderate-income census tracts (17.2 percent), the bank's lending level was slightly below demographics (20.4 percent), but reasonable. The following table reflects the geographic dispersion of the bank's small business loans within the Columbia Assessment Area.

| Geographic Distribution of Small Business Loans | | | | | |
|---|-----------------|-----------|--------------|--------------|--------------|
| Tract Income Level | % of Businesses | # | % | \$(000s) | % |
| Low | 9.9 | 5 | 17.2 | 1,969 | 30.3 |
| Moderate | 20.4 | 5 | 17.2 | 1,905 | 29.3 |
| Middle | 31.6 | 9 | 31.1 | 1,222 | 18.8 |
| Upper | 37.4 | 10 | 34.5 | 1,404 | 21.6 |
| Not Available | 0.7 | - | - | - | - |
| Total | 100.0 | 29 | 100.0 | 6,500 | 100.0 |

Source: 2017 D&B Data and Bank Records.

Home Mortgage Loans

Southern First Bank's geographic distribution of home mortgage loans reflects a reasonable dispersion within the Columbia Assessment Area.

In 2016, the bank's home mortgage lending in the low-income census tracts (0.7 percent) slightly exceeded aggregate lending data (0.6 percent) and lagged demographics (1.2 percent), but still considered reasonable. Within the moderate-income census tracts, the bank's home mortgage lending (6.1 percent) lagged aggregate lending data (9.5 percent) and was below demographics (20.5 percent).

In 2017, the bank's home mortgage lending performance increased in the low-income census tracts from a year ago. Within the low-income census tracts, home mortgage lending (1.5 percent) was below demographics (2.6 percent). For the moderate-income census tracts, home mortgage lending (7.4 percent) increased slightly in terms of the percentage of number of loans from a year ago, and remained well below demographics (19.1 percent).

The strong competition in the assessment area appears to have limited the bank's lending opportunities within this assessment area. The following table reflects the geographic dispersion of the bank's home mortgage lending in the Columbia Assessment Area.

| Geographic Distribution of Home Mortgage Loans | | | | | | |
|--|-----------------------------------|------------------------------|-----|-------|----------|--------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2016 | 1.2 | 0.6 | 3 | 0.7 | 335 | 0.3 |
| 2017 | 2.6 | - | 5 | 1.5 | 715 | 0.8 |
| Moderate | | | | | | |
| 2016 | 20.5 | 9.5 | 27 | 6.1 | 3,115 | 3.1 |
| 2017 | 19.1 | - | 26 | 7.4 | 3,386 | 3.9 |
| Middle | | | | | | |
| 2016 | 37.0 | 33.8 | 108 | 24.5 | 17,571 | 17.4 |
| 2017 | 34.2 | - | 79 | 22.4 | 14,581 | 16.7 |
| Upper | | | | | | |
| 2016 | 41.3 | 56.1 | 303 | 68.7 | 79,773 | 79.1 |
| 2017 | 44.0 | - | 243 | 68.8 | 68,465 | 78.6 |
| Totals | | | | | | |
| 2016 | 100.0 | 100.0 | 441 | 100.0 | 100,794 | 100.0* |
| 2017 | 100.0 | - | 353 | 100.0 | 87,147 | 100.0 |
| Source: 2010 U.S. Census Data, 2015 ACS Data; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data, Percentage total does not add to 100.0 percent due to rounding. | | | | | | |

CHARLESTON ASSESSMENT AREA

Small Business Loans

Southern First Bank's geographic distribution of small business loans reflects reasonable dispersion within the Charleston Assessment Area. Small business lending in the low-income census tracts (11.1 percent) is in line with demographics (11.5 percent), while in the moderate-income census tracts (11.1 percent), the level of lending is below demographics (17.4 percent). The following table reflects the geographic dispersion of the bank's small business loans within the Charleston Assessment Area.

| Geographic Distribution of Small Business Loans | | | | | |
|---|-----------------|----|-------|----------|-------|
| Tract Income Level | % of Businesses | # | % | \$(000s) | % |
| Low | 11.5 | 2 | 11.1 | 650 | 13.1 |
| Moderate | 17.4 | 2 | 11.1 | 1,045 | 21.0 |
| Middle | 25.0 | 5 | 27.8 | 1,085 | 21.8 |
| Upper | 43.7 | 9 | 50.0 | 2,192 | 44.1 |
| NA | 2.4 | - | - | - | - |
| Total | 100.0 | 18 | 100.0 | 4,972 | 100.0 |
| Source: 2017 D&B Data and Bank Records. | | | | | |

Home Mortgage Loans

Southern First Bank's geographic distribution of home mortgage loans reflects a marginally reasonable dispersion within the Charleston Assessment Area.

In 2016, the bank's home mortgage lending in the low-income census tracts (1.2 percent) was slightly below aggregate lending data (3.3 percent) and demographics (3.3 percent), and is considered reasonable. Within the moderate-income census tracts, the bank's home mortgage lending (6.1 percent) was significantly below aggregate lending data (12.6 percent) and demographics (17.1 percent).

In 2017, the bank's home mortgage lending performance increased significantly in the low-income census tracts from a year ago. Within the low-income census tracts, home mortgage lending (7.5 percent) exceeded demographics (6.4 percent). For the moderate-income census tracts, home mortgage lending (7.4 percent) declined from a year ago, and remained well below demographics (14.8 percent).

The strong competition in the assessment area have limited the bank's lending opportunities within this assessment area. The following table reflects the geographic dispersion of the bank's home mortgage lending in the Charleston Assessment Area.

| Geographic Distribution of Home Mortgage Loans | | | | | | |
|---|--|-------------------------------------|----------|----------|-----------------|----------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2016 | 3.3 | 2.0 | 2 | 1.2 | 456 | 0.7 |
| 2017 | 6.4 | - | 10 | 7.5 | 3,803 | 6.4 |
| Moderate | | | | | | |
| 2016 | 17.1 | 12.6 | 10 | 6.1 | 5,185 | 7.5 |
| 2017 | 14.8 | - | 8 | 6.0 | 1,177 | 2.0 |
| Middle | | | | | | |
| 2016 | 39.1 | 37.7 | 53 | 32.3 | 18,039 | 26.2 |
| 2017 | 31.4 | - | 34 | 25.4 | 10,703 | 18.1 |
| Upper | | | | | | |
| 2016 | 40.4 | 47.6 | 99 | 60.4 | 45,142 | 65.6 |
| 2017 | 46.9 | - | 81 | 60.4 | 42,740 | 72.1 |
| Not Available | | | | | | |
| 2016 | - | - | - | - | - | - |
| 2017 | 0.5 | - | 1 | 0.7 | 820 | 1.4 |
| Totals | | | | | | |
| 2016 | 100.0 | 100.0 | 164 | 100.0 | 68,822 | 100.0 |
| 2017 | 100.0 | -- | 134 | 100.0 | 59,243 | 100.0 |
| <i>Source: 2010 U.S. Census Data, 2015 ACS Data; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data, Percentage total does not add to 100.0 percent due to rounding.</i> | | | | | | |

Borrower Profile

The distribution of borrowers reflects an overall poor penetration of loans to businesses of different sizes and an overall generally reasonable penetration of loans to individuals of different income levels. Only loans originated in the assessment areas were included in this analysis.

GREENVILLE ASSESSMENT AREA

Small Business Loans

Southern First Bank achieved poor penetration of lending to small businesses within the Greenville Assessment Area. As illustrated in the following table, 37.9 percent of the sampled small business loans were originated to businesses with GARs of \$1 million or less. This level of lending reflects less than half of the sampled small business loans with reported revenues were to businesses with GARs of \$1 million or less, which is significantly below demographics (80.6 percent). It should be noted that the bank originated seven loans (24.2 percent) to businesses where revenue information was not collected or relied on in making the credit decision, and the revenue characteristics of the businesses are unknown. Thus, the seven loans were not included in the calculations of business loans based on revenue size. The following table reflects the borrower revenue profile of the bank's small business lending in the Greenville Assessment Area.

| Distribution of Small Business Loans by Gross Annual Revenue Category | | | | | |
|---|-----------------|-----------|--------------|--------------|--------------|
| Gross Revenue Level | % of Businesses | # | % | \$(000s) | % |
| <=\$1,000,000 | 80.6 | 11 | 37.9 | 2,363 | 33.4 |
| >1,000,000 | 6.9 | 11 | 37.9 | 2,651 | 37.5 |
| Revenue Not Available | 12.5 | 7 | 24.2 | 2,058 | 29.1 |
| Total | 100.0 | 29 | 100.0 | 7,072 | 100.0 |
| <i>Source: 2017 D&B Data and Bank Records.</i> | | | | | |

Home Mortgage Loans

Southern First Bank's distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is poor in the Greenville Assessment Area.

In 2016, the bank's home mortgage lending to low-income borrowers (1.1 percent) lagged aggregate lending data (4.8 percent), and was significantly below demographics (20.5 percent). However, in assessing the bank's lending performance to low-income borrowers, it is noted that 55.8 percent of the low-income families in the assessment area live below the poverty level, which is high. Typically, these families have difficulty qualifying for a home mortgage loan due to their lower-income levels. Home mortgage lending to moderate-income borrowers (6.0 percent) was significantly below aggregate lending data (14.1 percent) and demographics (16.3 percent).

In 2017, the bank's home mortgage lending performance declined to low-income borrowers (0.9 percent) from a year ago. This level of lending continues to significantly lag demographics (21.1 percent). The bank's home mortgage lending performance also declined, although slightly, to moderate-income borrowers (5.5 percent) from a year ago, and is significantly below demographics (14.2 percent). The high poverty level amongst low-income families continues to hinder the bank's lending capacity within the assessment area.

It is also noted that the strong competition in the assessment area has limited the bank's lending opportunities within this assessment area. The following table reflects the borrower profile dispersion of the bank's home mortgage loans in the Greenville Assessment Area.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | | |
|--|---------------|------------------------------|-----|-------|----------|-------|
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2016 | 20.5 | 4.8 | 5 | 1.1 | 862 | 0.6 |
| 2017 | 21.1 | - | 3 | 0.9 | 349 | 0.4 |
| Moderate | | | | | | |
| 2016 | 16.3 | 14.1 | 28 | 6.0 | 3,981 | 2.8 |
| 2017 | 15.2 | - | 18 | 5.5 | 2,641 | 2.7 |
| Middle | | | | | | |
| 2016 | 18.2 | 20.3 | 49 | 10.6 | 8,813 | 6.1 |
| 2017 | 18.1 | - | 43 | 13.1 | 8,855 | 9.1 |
| Upper | | | | | | |
| 2016 | 44.9 | 44.3 | 348 | 75.0 | 120,896 | 84.3 |
| 2017 | 45.5 | - | 234 | 71.6 | 79,681 | 81.7 |
| Income Not Available | | | | | | |
| 2016 | - | 16.5 | 34 | 7.3 | 8,828 | 6.2 |
| 2017 | - | - | 29 | 8.9 | 6,051 | 6.2 |
| Totals | | | | | | |
| 2016 | 100.0 | 100.0 | 464 | 100.0 | 143,380 | 100.0 |
| 2017 | 100.0 | - | 327 | 100.0 | 97,577 | 100.0 |
| Source: Source: 2010 U.S. Census Data, 2015 ACS Data; 2016 and 2017 HMDA Reported Bank Data, 2016 HMDA Aggregate Data, and "2017 HMDA Aggregate Data not available. Percentages do not total to 100.0 percent due to rounding. | | | | | | |

COLUMBIA ASSESSMENT AREA

Small Business Loans

Southern First Bank achieved poor penetration of lending to small businesses within the Columbia Assessment Area. As illustrated in the following table, 27.6 percent of the sampled small business loans were originated to businesses with GARs of \$1 million or less. This level of lending reflects that less than the majority of the sampled small business loans with reported revenues were to businesses with GARs of \$1 million or less, which is significantly below demographics (80.0 percent). It should be noted that the bank originated 14 loans (48.3 percent) to businesses where revenue information was not collected or relied on in making the credit

decision, and the revenue characteristics of the businesses are unknown. Thus, the 14 loans were not included in the calculations of business loans based on revenue size. The following table reflects the borrower revenue profile of the bank's small business lending in the Columbia Assessment Area.

| Distribution of Small Business Loans by Gross Annual Revenue Category | | | | | |
|--|------------------------|-----------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Businesses | # | % | \$(000s) | % |
| <=\$1,000,000 | 80.0 | 8 | 27.6 | 950 | 14.6 |
| >1,000,000 | 6.1 | 7 | 24.1 | 2,435 | 37.5 |
| Revenue Not Available | 13.9 | 14 | 48.3 | 3,115 | 47.9 |
| Total | 100.0 | 29 | 100.0 | 6,500 | 100.0 |
| <i>Source: 2017 D&B Data and Bank Records.</i> | | | | | |

Home Mortgage Loans

Southern First Bank's distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is generally reasonable in the Columbia Assessment Area.

In 2016, the bank's home mortgage lending to low-income borrowers (5.7 percent) was slightly below aggregate lending data (6.1 percent) and significantly below demographics (20.4 percent). However, in assessing the bank's lending performance to low-income borrowers, it is noted that 52.5 percent of the low-income families in the assessment area live below the poverty level, which is high. Typically, these families have difficulty qualifying for a home mortgage loan due to their lower-income levels. Home mortgage lending to moderate-income borrowers (12.9 percent) was below aggregate lending data (16.7 percent) and in line with demographics (16.8 percent).

In 2017, the bank's home mortgage lending performance increased to low-income borrowers (7.4 percent) from a year ago, but continues to significantly lag demographics (21.9 percent). The bank's home mortgage lending performance also increased to moderate-income borrowers (14.2 percent) from a year ago. This level of lending also continues to lag demographics (15.9 percent), but not to a significant extent.

It is also noted that the strong competition in the assessment area appears to have limited the bank's lending opportunities within this assessment area. The following table reflects the borrower profile dispersion of the bank's home mortgage loans in the Columbia Assessment Area.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | | |
|--|---------------|------------------------------|-----|-------|----------|-------|
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2016 | 20.4 | 6.1 | 25 | 5.7 | 2,543 | 2.5 |
| 2017 | 21.9 | - | 26 | 7.4 | 2,887 | 3.3 |
| Moderate | | | | | | |
| 2016 | 16.8 | 16.7 | 57 | 12.9 | 7,603 | 7.5 |
| 2017 | 15.9 | - | 50 | 14.2 | 6,704 | 7.7 |
| Middle | | | | | | |
| 2016 | 20.3 | 18.2 | 78 | 17.7 | 13,368 | 13.3 |
| 2017 | 19.3 | - | 74 | 21.0 | 14,032 | 16.1 |
| Upper | | | | | | |
| 2016 | 42.5 | 34.3 | 268 | 60.8 | 73,015 | 72.4 |
| 2017 | 42.9 | - | 190 | 53.8 | 58,126 | 66.7 |
| Income Not Available | | | | | | |
| 2016 | - | 24.7 | 13 | 2.9 | 4,265 | 4.2 |
| 2017 | - | - | 13 | 3.7 | 5,398 | 6.2 |
| Totals | | | | | | |
| 2016 | 100.0 | 100.0 | 441 | 100.0 | 100,794 | 100.0 |
| 2017 | 100.0 | - | 353 | 100.0 | 87,147 | 100.0 |

Source: 2010 U.S. Census Data, 2015 ACS Data; 2016 and 2017 HMDA Reported Bank Data, 2016 HMDA Aggregate Data, and "2017 HMDA Aggregate Data not available. Percentages do not total to 100.0 percent due to rounding.

CHARLESTON ASSESSMENT AREA

Small Business Loans

Southern First Bank achieved poor penetration of lending to small businesses within the Charleston Assessment Area. As illustrated in the following table, 38.9 percent of the sampled small business loans were originated to businesses with GARs of \$1 million or less. This level of lending reflects that less than the majority of the sampled small business loans with reported revenues were to businesses with GARs of \$1 million or less, and is significantly below demographics (81.1 percent). It should be noted that the bank originated five loans (27.8 percent) to businesses where revenue information was not collected or relied on in making the credit decision, and the revenue characteristics of the businesses are unknown. Thus, the five loans were not included in the calculations of business loans based on revenue size. The following table reflects the borrower revenue profile of the bank's small business lending in the Charleston Assessment Area.

| Distribution of Small Business Loans by Gross Annual Revenue Category | | | | | |
|---|-----------------|-----------|--------------|--------------|--------------|
| Gross Revenue Level | % of Businesses | # | % | \$(000s) | % |
| <=\$1,000,000 | 81.1 | 7 | 38.9 | 2,355 | 47.4 |
| >1,000,000 | 6.4 | 6 | 33.3 | 1,343 | 27.0 |
| Revenue Not Available | 12.5 | 5 | 27.8 | 1,274 | 25.6 |
| Total | 100.0 | 18 | 100.0 | 4,972 | 100.0 |

Source: 2017 D&B Data and Bank Records.

Home Mortgage Loans

Southern First Bank's distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is generally reasonable in the Charleston Assessment Area.

In 2016, the bank's home mortgage lending to low-income borrowers (3.7 percent) slightly exceeded aggregate lending data (3.4 percent), but was significantly below demographics (23.0 percent). However, in assessing the bank's lending performance to low-income borrowers, it is noted that 53.4 percent of the low-income families in the assessment area live below the poverty level, which is high. Typically, these families have difficulty qualifying for a home mortgage loan due to their lower-income levels. Home mortgage lending to moderate-income borrowers (7.9 percent) was below both aggregate lending data (12.3 percent) and demographics (16.6 percent).

In 2017, the bank's home mortgage lending declined to both low- and moderate-income borrowers from a year ago. Home mortgage lending to low-income borrowers (0.7 percent) continued to significantly lag demographics (22.8 percent). Lending to moderate-income borrowers (5.2 percent) continued to significantly lag demographics (15.2 percent), as well.

It is also noted that the strong competition in the assessment area limited the bank's lending opportunities within this assessment area. The following table reflects the borrower profile dispersion of the bank's home mortgage loans in the Charleston Assessment Area.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | | |
|---|----------------------|-------------------------------------|------------|--------------|-----------------|--------------|
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2016 | 23.0 | 3.4 | 6 | 3.7 | 821 | 1.2 |
| 2017 | 22.8 | - | 1 | 0.7 | 87 | 0.1 |
| Moderate | | | | | | |
| 2016 | 16.6 | 12.3 | 13 | 7.9 | 2,534 | 3.7 |
| 2017 | 15.2 | - | 7 | 5.2 | 1,638 | 2.8 |
| Middle | | | | | | |
| 2016 | 18.0 | 17.7 | 24 | 14.6 | 6,363 | 9.2 |
| 2017 | 17.6 | - | 24 | 17.9 | 5,171 | 8.7 |
| Upper | | | | | | |
| 2016 | 42.4 | 52.1 | 103 | 62.8 | 47,512 | 69.0 |
| 2017 | 44.4 | - | 80 | 59.7 | 40,612 | 68.6 |
| Income Not Available | | | | | | |
| 2016 | - | 14.5 | 18 | 11.0 | 11,592 | 16.8 |
| 2017 | - | - | 22 | 16.4 | 11,735 | 19.8 |
| Totals | | | | | | |
| 2016 | 100.0 | 100.0 | 164 | 100.0 | 68,822 | 100.0 |
| 2017 | 100.0 | - | 134 | 100.0 | 59,243 | 100.0 |
| <i>Source: 2010 U.S. Census Data, 2015 ACS Data; 2016 and 2017 HMDA Reported Bank Data, 2016 HMDA Aggregate Data, and "2017 HMDA Aggregate Data not available. Percentages do not total to 100.0 percent due to rounding.</i> | | | | | | |

Response to Complaints

The bank has not received any CRA-related complaints since the previous evaluation. Therefore, this criterion did not impact the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

Overall, Southern First Bank has demonstrated a generally adequate responsiveness to the community development needs of its assessment areas through a low level of community development loans, an adequate level of qualified investments, and adequate community development services. Examiners considered the bank's capacity and the need and availability of such opportunities in arriving at this conclusion.

Community Development Loans

Southern First Bank's has made a low level of community development loans since the previous evaluation. The bank originated, renewed, or refinanced 26 community development loans totaling \$3,915,948 compared to 31 community development loans totaling \$8,500,000 at the previous evaluation. Based on dollar volume, the bank's current level of community development loans represents 0.3 percent of total loans and 0.2 percent of total assets, as of December 31, 2017. Compared to the previous evaluation, Southern First Bank's level of community development loans decreased in terms of both number and dollar volume of loans, but decreased to a greater extent relative to the dollar volume. Also, there is a notable decrease in the percentages of loans to total assets and total loans. At the previous evaluation, the percentages were 1.0 percent of total loans and 0.8 percent of total assets, respectively. The bank's performance is considered marginally adequate given the relatively high level of competition in the assessment areas.

The majority of the bank's community development loans were originated, renewed, or refinanced in the Greenville Assessment Area. Based on the total number of originations, 20 community development loans (76.9 percent) were originated, renewed, or refinanced in the Greenville Assessment Area, four loans (15.4 percent) were originated or renewed in the Charleston Assessment Area, and two loans (7.7 percent) were originated or renewed in the Columbia Assessment Area. There were no loans originated in the Atlanta Assessment Area or the Raleigh Assessment Area, although as previously noted, Southern First Bank is a new entrant to both of these markets. The following tables detail the bank's community development lending activity by assessment area, year, and purpose during the evaluation period.

| Community Development Lending by Assessment Area | | | | | | | | | | | | |
|--|--------------------|--------------|--------------------|------------|----------------------|----------|-------------------------|----------|----------------------------|----------|-----------|--------------|
| Assessment Area | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Neighborhood Stabilization | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Greenville | 16 | 2,131 | 4 | 475 | - | - | - | - | - | - | 20 | 2,606 |
| Columbia | 2 | 1,000 | - | - | - | - | - | - | - | - | 2 | 1,000 |
| Charleston | 4 | 310 | - | - | - | - | - | - | - | - | 4 | 310 |
| Total | 22 | 3,441 | 2 | 475 | - | - | - | - | - | - | 26 | 3,916 |
| <i>Source: Bank Records.</i> | | | | | | | | | | | | |

| Community Development Lending by Year | | | | | | | | | | | | |
|---------------------------------------|--------------------|--------------|--------------------|------------|----------------------|----------|-------------------------|----------|----------------------------|----------|-----------|--------------|
| Activity Year | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Neighborhood Stabilization | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| 2015 | 7 | 781 | 2 | 350 | - | - | - | - | - | - | 9 | 1,131 |
| 2016 | 7 | 1,403 | 1 | 100 | - | - | - | - | - | - | 8 | 1,503 |
| 2017 | 8 | 1,257 | 1 | 25 | - | - | - | - | - | - | 9 | 1,282 |
| Total | 22 | 3,441 | 4 | 475 | - | - | - | - | - | - | 26 | 3,916 |
| <i>Source: Bank Records.</i> | | | | | | | | | | | | |

Below is a brief summary of the bank's community development loans originated during the evaluation period:

Calendar Year 2015

- Renewal of three loans totaling \$268,662 to a non-profit affordable housing organization, whose primary mission is to revitalize low- and moderate- income neighborhoods in the Greenville, SC area (Greenville Assessment Area). The organization is a certified Community Development Corporation (CDC) that offers several affordable housing programs that are targeted exclusively to low- and moderate-income individuals and families.
- Working capital line of credit totaling \$50,000 to a non-profit organization to fund the operations of a free medical clinic operating in Greenville, SC. The medical clinic provides free medical and dental services to the uninsured populace in the Greenville area (Greenville Assessment Area), subject to income restrictions, as well as to low- and moderate-income individuals and families in the area that are otherwise unable to afford necessary medical care.

- Renewal of a \$20,000 line of credit to a subsidiary of a national non-profit affordable housing organization. The subsidiary organization offers several affordable housing-related service programs in the Charleston, SC area (Charleston Assessment Area) that are targeted to the low- and moderate-income populace. The programs include prevention of homelessness and rental/emergency financial assistance to qualifying individuals and families.
- Renewal of three loans totaling \$492,318 to a non-profit affordable housing organization. The loans originally funded the construction of various affordable housing rental duplexes located in Greenville, SC (Greenville Assessment Area). Income restrictions imposed by the organization require the duplexes be rented by individuals or families having an annual income at or below 80.0 percent of the median area income level.
- Renewal of a loan totaling \$300,000 to a non-profit organization serving the Greenville area (Greenville Assessment Area) that provides a variety of social services exclusively to low- and moderate-income individuals and families residing in the area. These services include food assistance, homeless services, emergency financial assistance, and rent/utility assistance.

Calendar Year 2016

- Working capital loan totaling \$500,000 to a non-profit organization serving the Columbia, SC area (Columbia Assessment Area). Proceeds from the loan were used for various business related purposes during the construction of a new homeless shelter in Columbia, SC. The primary mission of this non-profit organization is to provide transitional housing assistance and meals to the homeless populace in the Columbia area.
- Line of credit totaling \$20,000 to a subsidiary of a national non-profit affordable housing organization. The subsidiary offers several affordable housing-related programs in the Charleston, SC area (Charleston Assessment Area) that are targeted to the low- and moderate- income populace. The programs focus on the prevention of homelessness and include rental/emergency financial assistance to qualifying individuals and families.
- Renewal of a working capital line of credit totaling \$100,000 to help fund the operations of a free medical clinic operating in the Greenville, SC area. The medical clinic provides free medical and dental services to the uninsured populace in the Greenville area (Greenville Assessment Area), subject to income restrictions, as well as to low- and moderate-income individuals and families in the area who are unable to otherwise afford necessary medical care.
- Working capital line of credit totaling \$50,000 to a non-profit affordable housing organization whose primary mission is to revitalize low- and moderate- income neighborhoods in the Greenville, SC area (Greenville Assessment Area). The organization is a certified CDC that offers several affordable housing programs exclusively for low- and moderate-income families and individuals to rent and own properties.

- Renewal of a working capital line of credit totaling \$75,000 to a non-profit organization that provides affordable housing for rent and ownership, and specializes in providing affordable rental housing for seniors in the Greenville, SC area (Greenville Assessment Area). The organization has partnered with many other organizations in the area that provide affordable housing and support housing activities that are for qualifying families and individuals.
- Construction loan totaling \$190,400 to a non-profit affordable housing organization. The loan funded the construction of three affordable housing duplexes located in Greenville, SC (Greenville Assessment Area). Income restrictions imposed by the organization require the duplexes be occupied by individuals or families having an annual income at or below 80.0 percent of the median area income level.
- Renewal of a working capital loan totaling \$96,644 to a non-profit organization headquartered in Greenville, SC. In partnership with other local entities, the organization arranges transitional housing for homeless individuals and families in the Greenville area (Greenville Assessment Area).
- Renewal of a loan totaling \$470,806 to a non-profit organization that provides affordable housing for rent and ownership, as well as specializes in providing affordable rental housing for senior citizens in the Greenville, SC area (Greenville Assessment Area). The loan is secured by 27 residential affordable housing units with rents ranging from 70.0 to 85.0 percent of the median area's rent in the Greenville area. The organization has partnered with many other organizations in the Greenville area to provide affordable housing and supports affordable housing activities for qualifying families and individuals.

Calendar Year 2017

- Renewal of a working capital loan totaling \$500,000 to a non-profit organization serving the Columbia, SC area (Columbia Assessment Area). Proceeds from the loan were used for business purposes during the construction of a new homeless shelter in Columbia, SC. The primary mission of the non-profit entity is to provide transitional housing assistance and meals to the homeless populace in the Columbia area.
- Working capital line of credit totaling \$250,000 to a non-profit developer who builds affordable housing for the Charleston, SC area (Charleston Assessment Area). This entity builds affordable housing for rent and homeownership. The entity also operates a rent assistance program to benefit the local populace facing financial hardship. All of the services and activities provided are targeted to low- and moderate-income individuals including the area homeless.
- Renewal of a \$20,000 line of credit to a subsidiary of a national non-profit affordable housing organization. The subsidiary operates several affordable housing-related programs in the Charleston, SC area (Charleston Assessment Area) that are targeted to the low- and moderate-income populace. The programs include financial assistance for the prevention of homelessness and rental/emergency to qualifying individuals and families.

- Renewal of a working capital line of credit totaling \$50,000 to a non-profit affordable housing organization whose primary mission is to revitalize low- and moderate-income neighborhoods in the Greenville, SC area (Greenville Assessment Area). The organization is a certified CDC, which offers several affordable housing programs that allow individuals to rent or own properties. These programs are targeted exclusively to low- and moderate-income individuals and families.
- Renewal of a working capital line of credit totaling \$75,000 to a non-profit organization that provides affordable housing that allows individuals to rent and own properties. It also specializes in providing affordable housing for rent to seniors in the Greenville, SC area (Greenville Assessment Area). The organization partners with many other organizations in the Greenville, SC area to provide affordable housing and support housing activities for qualifying families and individuals.
- Construction loan totaling \$80,000 to a non-profit affordable housing organization whose primary mission is to revitalize low- and moderate-income neighborhoods in the Greenville, SC area (Greenville Assessment Area). The organization is a certified CDC that offers affordable housing exclusively to low- and moderate-income individuals and families.
- Renewal of a working capital loan totaling \$76,446 to a non-profit organization headquartered in Greenville, SC. The organization arranges transitional housing for homeless individuals and families in the Greenville area (Greenville Assessment Area).
- Refinance of a construction loan totaling \$205,672 to a non-profit affordable housing organization. The loan was used to fund the construction of three affordable housing duplexes located in Greenville, SC (Greenville Assessment Area). Income restrictions imposed by the organization require the duplexes be rented by individuals or families having an annual income at or below 80.0 percent of the median area income.
- Working capital line of credit totaling \$25,000 to a non-profit organization that provides free, year round academic support, as well as a variety of other out-of-school social programs to disadvantaged children, specifically children from low- and moderate-income families in the Greenville, SC area (Greenville Assessment Area).

Qualified Investments

Southern First Bank has purchased and maintained an adequate level of CRA qualified investments during the evaluation period. Qualified investments made since the previous evaluation consists of deposit investments in a CDFI, mortgage-backed securities (MBS), and donations to community development organizations.

The bank invested in 72 qualified investments totaling \$2,725,846, which included three deposit investments with a CDFI totaling \$325,906, two Government National Mortgage Association (GNMA) MBS totaling \$2,295,260, and 67 donations totaling \$104,680. Total qualified investments equate to 0.2 percent of total assets, 4.0 percent of total securities, and 1.7 percent of

tier one capital, as of December 31, 2017. This level of investment activity increased in terms of dollar volume and percent of total assets and securities compared to the previous evaluation. At the previous evaluation, qualified investments totaled \$302,698 and the percentages were 0.03 percent of total assets and 0.6 percent of total securities.

In terms of dollar volume, approximately 53.7 percent of the bank's CRA qualified donations made during the evaluation period benefitted the Greenville Assessment Area, while 31.3 percent benefitted the Columbia Assessment Area, and 15.0 percent benefitted the Charleston Assessment Area. Excluding donations, the pro-rata benefit based on dollar volume relative to total CRA qualified investment activity among the bank's assessment areas is as follows: Greenville Assessment Area (\$1,279,712 - 48.8 percent); Columbia Assessment Area (\$774,424 - 29.6 percent); Charleston Assessment Area (\$479,952 - 18.3 percent); and Raleigh Assessment Area (\$87,078 - 3.3 percent). There was no investment activity within the Atlanta Assessment Area. The following table details the bank's investment activities since the previous evaluation by year and type of activity.

| Qualified Investments | | | | | | | | | | | | |
|--------------------------------|--------------------|--------------|--------------------|------------|----------------------|-----------|-------------------------|----------|----------------------------|----------|-----------|--------------|
| Activity Year | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Neighborhood Stabilization | | Totals | |
| | # | \$ (000) | # | \$ (000) | # | \$ (000) | # | \$ (000) | # | \$ (000) | # | \$ (000) |
| Prior Period | - | - | - | - | - | - | - | - | - | - | - | - |
| 2015 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2016 | 1 | 1,064 | 1 | 108 | - | - | - | - | - | - | 2 | 1,172 |
| 2017 | 1 | 1,231 | 1 | 109 | - | - | - | - | - | - | 2 | 1,340 |
| YTD 2018 | - | - | 1 | 109 | - | - | - | - | - | - | 1 | 109 |
| Subtotal | 2 | 2,295 | 3 | 326 | - | - | - | - | - | - | 5 | 2,621 |
| Qualified Grants and Donations | 18 | 34 | 35 | 47 | 14 | 24 | - | - | - | - | 67 | 105 |
| Total | 20 | 2,329 | 38 | 373 | 14 | 24 | - | - | - | - | 72 | 2,726 |
| <i>Source: Bank Records.</i> | | | | | | | | | | | | |

Below is a brief summary of the bank's qualified investments made since the previous evaluation:

- Three renewals of a Certificates of Deposit (CD) totaling \$325,906, including interest, which occurred in 2016 (\$108,193), 2017 (\$108,627), and 2018 (\$109,086). The original CD in the amount of \$99,000 was purchased by Southern First Bank in 2007 from a Minority-Owned CDFI headquartered in SC. The CD has renewed annually since inception.
- Two GNMA MBS totaling \$2,295,260 secured solely by residential mortgage loans to low- and moderate-income borrowers. One of the MBS was purchased on November 15, 2016, in the amount of \$1,064,048. The other MBS was purchased on November 15, 2017, in the amount of \$1,231,212.

Southern First Bank made 67 CRA qualified donations totaling \$104,680 during the evaluation period. Qualified donations represent 63.2 percent of all donations made by the bank based on number of donations, and 70.1 percent based on dollar volume of donations. The CRA qualified donations have supported organizations that promote economic development and provide services to low- and moderate-income individuals, including affordable housing, homeless shelters, medical care, food banks, and other social services. The donations also provide support to various programs for at-risk youth from low- and moderate-income families.

Community Development Services

Southern First Bank has provided an adequate level of community development services that have helped to address the needs within the assessment areas. The bank's qualified community development services have been primarily in SC, with an emphasis on the Greenville Assessment Area. These services meet the definition of community development and also relate to the provision of financial services as required by the regulation for consideration under the CRA. Several of the institution's directors, officers, and other employees have served in various financial capacities providing financial expertise to community organizations that provide services and promote affordable housing for low- and moderate-income families. During the evaluation period, these individuals provided more than 577 hours of financial expertise or technical assistance to 13 organizations within the assessment areas.

The following table details the bank's involvement in community development services during the evaluation period.

| Community Development Services | | | | |
|--|-------------------------------|--|---|-------------------------|
| Brief Service Description | Community Development Purpose | Bank Sponsored Event, Program or Seminar | Technical Assistance or Direct Involvement by Bank Employee | Bank Product or Service |
| <i>Institution-Wide Assessment Area</i> | | | | |
| The bank offers a free checking account (non-interest bearing) that has no minimum balance requirements and no monthly maintenance or check charge fees. The account is beneficial to the low- and moderate-income populace within the assessment areas. | Community Service | | | 2015 - 2018 |
| The bank offers a free Community FIRST checking account to non-profit 501(c)(3) organizations. The account is interest bearing, has no minimum balance requirements, and offers many account features (i.e. online banking, bill pay, and debit cards) free of charge. | Community Service | | | 2015 - 2018 |

| | | | | |
|---|--------------------|--|-------------|------------|
| The bank offers Interest on Lawyers Trust Accounts (IOLTAs). The interest earned by law firms on the IOLTAs is used to fund pro bono legal services for low- and moderate-income individuals who cannot afford to pay for legal services. | Community Service | | | 2015 -2018 |
| Greenville Assessment Area | | | | |
| Bank employees participated in the Junior Achievement Program in which they taught five financial literacy classes at three Title 1 schools and/or schools where greater than 50.0 percent of students qualified for free or reduced meals. | Community Service | | 2016 - 2017 | |
| Bank employee worked with United Way School Tools to lead an oral presentation on financial literacy and provided the parents of Greenville students backpacks filled with school supplies. All of the students qualified for free or reduced meals. | Community Service | | 2017 | |
| Bank employee conducted a financial literacy training presentation to students for Bridges to A Brighter Future, an organization that works with Greenville County school guidance counselors to identify at-risk youth. All of the students served by this organization come from low- and moderate-income families. | Community Service | | 2017 | |
| Bank officer serves on the Board of Directors (Board) of the Genesis Homes, a certified CDC that builds affordable housing for low- and moderate-income families. | Affordable Housing | | 2015 - 2017 | |
| Bank employees' serves on the Board of Meals-on-Wheels, an organization dedicated to ensuring senior citizens are appropriately fed, regardless of income and other hardships. The employees also assist the organization by volunteering time to deliver meals to home bound seniors. | Community Service | | 2015 - 2017 | |
| Bank employee serves on the Board of the Greenville Housing Futures. This is a private, non-profit organization that provides affordable housing for ownership and rent within the Greenville Assessment Area. The organization also specializes in making affordable rental units to senior citizens. | Affordable Housing | | 2015 - 2017 | |

| | | | | |
|--|---|--|-------------|--|
| Bank employee served on the Board of the Family Effect organization, whose mission is to reduce addiction, which is a leading cause of family collapse and harm to children in Upstate SC. This goal is achieved by raising funds and recruiting volunteers for effective research-based programs for low- and moderate-income families and children in the assessment area. | Community Service | | 2015 | |
| Bank employee serves on the Board of the Miracle Hill, a leading provider of shelter and food for homeless children and adults in Upstate SC. This organization maintains nine facility locations and transitional housing throughout Greenville County and surrounding areas. | Affordable Housing and Community Services | | 2015 - 2017 | |
| Bank employee served as a volunteer for the Frazee Center's Mentor Greenville Program. The organization targets children from low- and moderate-income families and mentors the children in a variety of areas including financial education. The employee provided financial advice to the organization. | Community Service | | 2016 | |
| Bank employee served as the Treasury Officer of the All In Foundation and provided financial advice in that role. The Foundation's mission is to raise awareness of critical education and health issues to change lives of people across SC. This organization targets low- and moderate-income families in the Greenville Assessment Area. | Community Service | | 2015 | |
| Bank employees participated in the Angel Tree Program, whose mission is to provide opportunities for area churches, businesses, and individuals to adopt and donate personalized or necessity gifts to underprivileged children throughout the Greenville Assessment Area. The employee provided financial advice to the organization. | Community Service | | 2015 - 2017 | |
| Columbia Assessment Area | | | | |
| Bank employee presented a financial literacy class for the <i>Junior Achievement</i> Program at a Title 1 school where greater than 50.0 percent of the students qualified for free or reduced meals. | Community Service | | 2016 | |
| Bank employee served as the Treasury Officer of the All in Foundation and provided financial advice in that role. The foundation's mission is to raise awareness of critical education and health issues to | Community Service | | 2015 | |

| | | | | |
|---|--------------------|--|-------------|--|
| change lives of people across SC. This outreach event was targeted to low- and moderate-income families in the Columbia Assessment Area. | | | | |
| Bank employees serve in the <i>Angel Tree</i> Program, whose mission is to provide opportunities for area churches, businesses, and individuals to adopt and donate personalized or necessity gifts to underprivileged children throughout the Columbia Assessment Area. | Community Service | | 2015 - 2017 | |
| Bank employee conducted financial literacy training for high school students on behalf of the Department of Social Services/Department of Juvenile Justice (DSS) on two occasions. All of the students were in DSS foster care. | Community Services | | 2016 | |
| <i>Charleston Assessment Area</i> | | | | |
| Bank employee served as the Treasury Officer of the All In Foundation and provided financial advice in that role. The foundation's mission is to raise awareness of critical education and health issues to change lives of people across South Carolina. This outreach event targeted low- and moderate-income families in the Charleston Assessment Area. | Community Service | | 2015 | |
| Bank employees participated in the Angel Tree Program, whose mission is to provide opportunities for area churches, businesses, and individuals to adopt and donate personalized or necessity gifts to underprivileged children throughout the Charleston Assessment Area. | Community Service | | 2015 - 2017 | |
| <i>Raleigh Assessment Area</i> | | | | |
| Bank employee participates with the North Carolina Bankers in Schools organization to teach a financial literacy class at a Title 1 high school. | Community Service | | 2017 | |
| <i>Source: Bank Records.</i> | | | | |

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners evaluated Southern First Bank for compliance with the antidiscrimination laws and regulations, as well as other consumer protection laws and regulations. The FDIC identified a violation of the Equal Credit Opportunity Act and its implementing Regulation B in connection with the bank's secondary market lending activities. The violation pertained to the bank's policy and practice of charging different credit report fees based on one of the prohibited factors. Management promptly ceased the practice and enhanced fair lending policies and procedures during the examination. Management also agreed to provide restitution to consumers harmed by

the violation, train employees on regulatory requirements, and enhance monitoring and audit procedures to effectively address the violation. Based on these factors, as well as the non-willful nature of the violation, the bank's CRA rating was not impacted.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms;
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income

groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as

measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Family Income: Includes the income of all members of a family that are age 15 and older.

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area: All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.