

Southern**First**



**2024**  
*Corporate  
Impact Report*

# A Letter From Our CEO

Dear Fellow Shareholders:

As I reflect on the past 24 years, I am incredibly grateful for our Board of Directors, the first shareholders who invested \$11.5 million, and the courage of our original 14-member team, who believed in a humble dream. Built on relationships and a family culture that serves, cares, and loves, Southern First is now a \$4 billion bank operating in eight growing markets.

During a challenging environment in 2023, I am exceptionally proud of our Southern First team for the performance we generated as well as the many lives we impacted. Our commitment to forming enduring client relationships creates substantial value and has far-reaching effects.

In 2023, we opened our Dream Mortgage Center in Columbia, South Carolina. This was a momentous occasion and perhaps one of the most exciting strategic initiatives in the history of our company. Buying a home can be challenging for many members of our communities, and the Dream Mortgage Center was created to reduce the burdens of the mortgage process and enable the dreams of homeownership.

We have been able to attract and retain the very best bankers thanks to our incredible culture and dedication to providing an exceptional associate experience. In 2023, we substantially increased our talent development initiatives, further enhanced our Diversity, Equity, and Inclusion initiatives and health and well-being support, and provided base salary increases or variable compensation to all associates.

To support our mission of impacting lives, we invested over \$587,000 in the community through monetary donations, sponsorships, and direct investments. Our team also performed over 1,000 hours of volunteering and completed over 11,200 hours of community outreach activities.



Through our purchasing standards and promotion of technology and digital banking, we continue to prioritize sustainability in both client and associate experiences.

We are incredibly grateful for our clients who trust us to provide a unique banking experience and a superior level of professional service. We are excited to continue the momentum in 2024 and beyond.

**R. Arthur Seaver, Jr.**  
Chief Executive Officer

## By The Numbers

**\$13.4M** NET INCOME

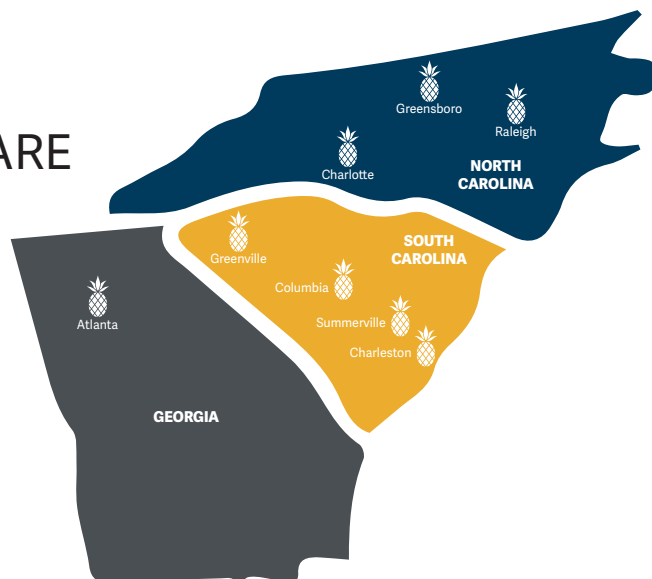
**\$38.63** BOOK VALUE PER SHARE

**\$329M** YOY LOAN GROWTH

**296** ASSOCIATES

**13** LOCATIONS

**8** MARKETS





# Governance

## Our Philosophy



### Our Mission

Our mission is to impact lives in the communities we serve.



### Our Purpose

We exist to enable dreams, earn trust, and exceed expectations.



### Our Culture

We focus on the things that matter most: family, community, and teamwork.

## Strategy and Principled Governance

Southern First's mission, purpose, and culture are the foundation of the Company's strategy and decision-making. Our corporate philosophy is essential in our ability to serve our clients, communities, employees, and shareholders. The Board plays an active role in the oversight and guidance of the executive management team and our strategy.

## Board Level - Governing Bodies

### Board of Directors

We believe governance of the Company and our ESG strategies start at the top with our Board of Directors. The Board is committed to long-term sustainability and value creation for our clients and shareholders while promoting responsible business practices and adherence to Southern First policies and standards.

### Board Diversity Highlights

- 8% of Board members are ethnically diverse
- 23% of Board members are female
- Average tenure of 17 years
- 85% of Directors are independent
- 99% Director attendance at Board & Committee meetings

### Nominating & Corporate Governance Committee

The Nominating & Corporate Governance Committee of the Board is responsible for direct oversight of Corporate Sustainability. Our committee charter underscores the committee's leadership role in Corporate Sustainability related initiatives, policies, and strategy.

### Audit Committee

The Audit Committee of the Board is responsible for oversight of the audit function, financial reporting, and succession management planning. In addition, the Audit committee reviews the audit plans and results, including those focused on cyber security and client privacy.

### Compensation Committee

The Compensation Committee of the Board is responsible for ensuring that compensation programs are designed to reward executive officers for the achievement of strategic and operational goals and the achievement of increased shareholder value, while at the same time avoiding the encouragement of unnecessary or excessive risk-taking. Toward that end, the Committee is responsible for reviewing and approving all compensation to executive officers.



## Risk Committee

The Risk Committee of the Board is responsible for overseeing the Company's risk management function, consistent with its strategy and risk appetite, including oversight of its policies and infrastructure for monitoring various risk categories, including Corporate Sustainability related risks.

## Management Level - Governing Bodies

### Executive Project Technology and Risk Committee ("EPTRC")

EPTRC is responsible for oversight of the Company's Enterprise Risk Management. The Committee meets monthly to monitor and review emerging and current risks to the Company, including those related to Corporate Sustainability. The committee is comprised of executive and business line management and reports to the Risk Committee of the Board.

### Credit Approval and Support Team ("CAST")

CAST is responsible for oversight of the Company's credit function, including setting overall credit policy and processes. CAST meets weekly to discuss items related to the credit portfolio of the Company and decision loans to borrowers with large credit exposures. Committee membership includes members of executive and credit management and reports to the Risk Committee of the Board.

### Fair Lending and Community Reinvestment Act Strategy Committee ("FLCRA")

FLCRA is responsible for setting and overseeing the effective execution of the Company's Fair Lending and Community Reinvestment strategies. The Committee meets quarterly to review lending performance, donations, services, and investments, and deploys strategies to ensure we are serving the needs of everyone in our community. The committee is comprised of executive management, risk management, and business line management and reports to the Audit Committee of the Board.

## Stakeholder Engagement

With a commitment to transparency, we engage our stakeholders through an open communication process to seek out viewpoints on strategies and opportunities. Below are methods we use to engage our stakeholders:

<b>Shareholders</b> <ul style="list-style-type: none"><li>• Board presentations from shareholders</li><li>• Sell-side sponsored conferences</li><li>• Roadshows</li><li>• Annual shareholder meeting</li><li>• Virtual and in-person meetings</li><li>• Outreach calls</li></ul>	<b>Clients</b> <ul style="list-style-type: none"><li>• Personal banking relationships</li><li>• Digital banking channel</li><li>• Social media</li><li>• Meetings with Board off-site</li><li>• Selected quarterly client events</li><li>• Open and inclusive environment</li></ul>
<b>Employees</b> <ul style="list-style-type: none"><li>• Intranet Site</li><li>• Internal Social Media Site</li><li>• Monthly open discussion meetings with managers and team members</li><li>• Company-wide meetings led by our CEO</li><li>• Charitable giving campaigns</li><li>• Meetings with Board off-site</li></ul>	<b>Regulators and Related Agencies</b> <ul style="list-style-type: none"><li>• Management meetings and briefings</li><li>• Management and committee reports</li><li>• Targeted exams</li><li>• Responding to proposed rules through the comment making process</li><li>• Participation in events hosted or led by regulators</li></ul>

## Ethical Behavior

We have designed rules to provide a safe, equitable, and productive environment for all concerned. Southern First has established written conduct guidelines to alleviate misunderstandings of conduct expectations, including the following:

- Ethics Policy
- Anti-Competitive Behavior Policy
- No Retaliation Policy
- Whistleblower Policy
- Anti-Bribery and Anti-Corruption Policy
- Compliance Management Policy and Program
- Fair Lending Policy and Program
- Community Reinvestment Act Policy and Program
- Privacy and Information Security Policy and Program



## Our Culture

We focus on the things that matter most: family, community, and teamwork. Our people are the driving force behind our success, and they are committed to helping our clients and communities thrive. Just as service to our clients is vital to the success of the Company, a similar value is important within the Company's daily operations. We refer to this as a partnership among all associates of the Company. As partners we have respect for each individual, accept diversity of ideas, encourage innovation, display openness and trust in our relationships, and recognize quality achievements. As each associate displays these values, we create the kind of teamwork necessary for our continued success.



## Recruitment and Career Development

Southern First strives to recruit performance-driven individuals who share our values, mission, and purpose. Once on board, we support those eager to push beyond their boundaries and excel in their careers through internal trainings and programs such as our New Leader Development Workshop series we launched in 2023 as well as external opportunities like banker school and local leadership development seminars. We pride ourselves on fostering individual career growth through quality education and mentorship.



**33**  
internal associate promotions



**99%**  
of associates received base salary increase



**13**  
college student interns



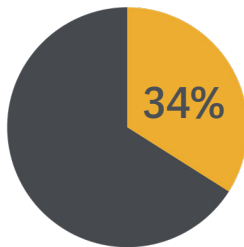
**84%**  
increase in talent development initiatives



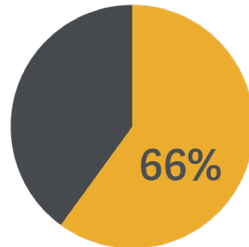
## Building a Diverse Workforce

The Company recognizes that a diverse, equitable and inclusive work environment is essential to our success. We prioritize hiring from a diverse candidate pool through our recruiting initiatives as well as providing growth and development opportunities to diverse associates once on board.

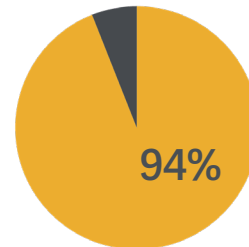
Our Diversity, Equity, and Inclusion Council consists of team members across departments, locations, and seniority levels. In their monthly meetings, they hold group discussions on DEI-related topics and how they impact associates, clients, and the communities we serve. The Council provides recommendations to the leadership team, and in 2023, the Council helped develop a Conscious Inclusion training and coordinated two donation drives.



of new hires were ethnically diverse



of new hires were female



of associates participated in DEI training

## Human Rights Statement

At Southern First, honoring and affirming protections for human rights is consistent with our founding mission, purpose, and core values. Specifically, *impacting lives in the communities we serve* and *cherishing our family culture* serve as our internal compass in ethical decision making and policies related to human rights, labor, environment, and anti-corruption efforts. We believe that all human beings are born free and equal in dignity and rights. As such, we have developed a Human Rights Statement outlining our commitment to human rights initiatives.

## Health & Well-Being

People are the essence of our organization, and we keep their individual health, safety, mental, physical, and social well-being in mind in all we do. We continue to evaluate and enhance health and well-being initiatives offered to our employees including:

- Providing mental health support to associates with 12 free counseling sessions per year; In 2023, usage increased to 23%
- Promoting and enabling adequate rest through generous paid time off and paid holidays
- Providing access to paid leave for births and caretakers
- Maintaining medical premium costs - minimum increase in cost to associates
- Providing \$300 to associates with a Health Savings Account
- Connecting the associate community through internal social media channels and celebrations
- Providing security and emergency action training to all associates



# Environment

## Our Approach

We are committed to building a better environment through sustainability initiatives and strive to be positive environmental stewards by practicing responsible consumption and production.

## Energy and Emissions

Our standards for construction and renovation of our offices focus on energy efficiency, water conservation, and adoption of other sustainable and green building practices. We use LED lighting and automatic shut off settings in our office locations.

## Use of Digital Offerings

To further reduce our energy and emissions impact on the environment, we prioritize educating our clients on digital banking services to ensure a seamless online experience for clients, while also reducing paper usage, emissions, and our carbon footprint. As a result of using e-signature technology and eliminating the creation of paper documents, Southern First's environmental savings included:



**29,419**

**pounds carbon emissions**



**36,905**

**gallons of water**



**12,533**

**pounds of wood**



**2,036**

**pounds of waste**

The promotion of technology, in lieu of paper, extends to our associates. We have eliminated the majority of desktop printers and deployed a shared printer approach. If paper is produced in our daily operations, we use shredding and recycling for disposal, resulting in the saving of 573 trees in 2023.

## Responsible Consumption & Production

To lesson our impact on the environment, we encourage the use of re-usable items and routinely evaluate our purchasing standards, aiming to buy sustainable products. Examples of our sustainable product purchases in 2023 include:

- Compostable coffee pods produced using 100% green energy and packaged in recyclable material
- Compostable paper plates and bowls sourced from a certified managed forest
- Paper cups made from plant-based material
- Silverware made from 70% renewable resources

In an effort to reduce waste, each of our locations include filtered water devices to discourage bottled water usage. At our headquarters alone, use of the devices resulted in the reduction of 42,212 water bottles from landfills in 2023.

We also reuse and recycle equipment and furniture through various means. On an annual basis, we recycle e-waste including workstation computers, laptops, monitors, shredders, printers, and other appliances that require electricity to operate. In 2023, Southern First recycled 1,253 pounds/0.63 tons of e-waste.





## Our Approach

We encourage our associates to actively support our community by volunteering their time, contributing monetarily, and utilizing our banking services and financial expertise to empower our community members. We also vow to keep our client's information safe and secure through proper privacy measures and safeguards.

## Investments in the Community

To support our mission of impacting lives, we invest in the community through various means, including monetary donations and sponsorships, direct investments, community outreach, and volunteer efforts.

## Monetary Donations & Sponsorship Highlights



**\$587K**

**Philanthropic & Community Gifts**



**\$239K**

**Donations to Support Low to Moderate Income Individuals**



**\$90K**

**Event & Sponsorships within Minority Communities**

## Investments

We directly invest funds to further develop our community, and to assist individuals and businesses in meeting their financial goals. At the end of 2023, the Company held investments of \$17MM in affordable housing initiatives, \$12MM in economic development initiatives, \$654k in community service initiatives, and \$6MM in revitalization initiatives within low-to-moderate income, distressed, or underserved areas within our community and state-wide. Investments have been made in Community Development Corporations, Small Business Investment Companies, Community Development Financial Institutions, minority-owned financial institutions and affordable housing funds within our local communities.

In addition to direct investments, the bank originated \$85MM in loans with a purpose of Community Development. This includes loans to create affordable housing, loans to organizations serving the low-to-moderate income community, loans with a purpose of attracting or retaining businesses in low-to-moderate income areas, and loans used to revitalize and redevelop underserved geographies or opportunity zones.

## Community Outreach

In 2023, we executed a purpose-led initiative to invest additional resources into minority communities in an effort to promote economic empowerment and home ownership. This included the hosting of events with minority community leaders, organizations, and churches, forming partnerships with realtors within the community, conducting educational events on home ownership, launching targeted social media campaigns to promote our lending products, and hosting luncheons featuring minority and women-owned businesses. In 2023, our associates recorded the completion of 1,233 outreach activities within the minority communities we serve, a 169% increase from the prior year.





## Products

Our core values center around relationship banking, “client first” service, and impacting lives. We are committed to offering products that align with our core values and that positively impact our clients and our communities. In addition to our traditional banking products, we offer loan programs to meet all community needs, including:

### Government Loans

#### Federal Housing Administration Loans (“FHA”)

FHA loans provide affordable home ownership opportunities to low and moderate income families.

#### Veterans Administration Loans (“VA”)

VA loans provide affordable home ownership opportunities to low and moderate income veterans.

#### United States Department of Agriculture (“USDA”)

USDA loans provide affordable home ownership opportunities to low and moderate income borrowers, offering 100% financing with reduced mortgage insurance premiums and below market rates.

### Habitat for Humanity Loan Program

In partnership with Habitat for Humanity, we offer a low interest loan to borrowers who qualify for the Habitat program. The program includes sweat equity, education classes, budgeting, and personal finance education.

### Down Payment Assistance Programs

We participate with various partners and local non-profits to offer affordable housing assistance to first time and non-first time homebuyers, including down payment and closing costs assistance.

### SBA 504 Loan Program

The Company participates in the SBA 504 Loan Program to provide long-term, fixed rate financing up to \$5 million for major fixed assets that promote business growth and job creation within our communities.

### NC Rural Center Program

We participate in the North Carolina Rural Center Loan Program, a uniquely tailored small-business lending program that provides access to capital and promotes small business growth.

### State Small Business Credit Initiative (SSBCI)

The SSBCI loan participation program enables small businesses in SC to obtain short and long-term financing to help them grow and expand, ultimately creating and retaining jobs in SC. By partnering with financial institutions, the Business Development Corporation (“BDC”) is able to provide small business loans at competitive terms while reducing the risk for the lender and allowing borrowers to receive financing with terms that otherwise may not have been available.

### Special Purpose Credit Program - Dream Mortgage

In 2023, the Company developed a special purpose credit program called the Dream Mortgage Program. The Program is designed to expand access to credit for residents of high minority, majority minority, majority Black, and low-and moderate-income census tracts. The product provides the opportunity for 100% financing, allows for a higher debt-to-income ratio, lower credit score, and allows applicants to use rental history in lieu of trade lines from a credit report.

### Protecting Client Information

To protect the personal information of our clients from unauthorized access and use, we use security measures that comply with Federal and state laws. Southern First has a designated Information Security Officer to oversee the privacy of client information through the execution of our Information Security Program. The Company undergoes extensive third-party audits and internal monitoring to evaluate the design and operating effectiveness of our information security practices, including oversight functions, the management and controlling of IT related risks, and protecting client privacy. To stay abreast of privacy industry topics and trends the Company receives publications, e-newsletters, resources, and educational materials through its membership with the International Association of Privacy Professionals.