# Southern First Reports Results for Second Quarter of 2018

**Greenville, South Carolina, July 24, 2018** – Southern First Bancshares, Inc. **(NASDAQ: SFST)**, holding company for Southern First Bank, today reported net income available to common shareholders of $5.5 million, or $0.71 per diluted share, for the second quarter of 2018. In comparison, net income available to common shareholders was $3.6 million, or $0.49 per diluted share, for the second quarter of 2017. For the six months ended June 30, 2018, net income available to common shareholders was $10.7 million, or $1.39 per diluted share. In comparison, net income to common shareholders for the six months ended June 30, 2017 was $6.7 million, or $0.95 per diluted share.

## 2018 Second Quarter Highlights

- **Net income available to common shareholders increased 53% to $5.5 million for Q2 2018 compared to $3.6 million for Q2 2017**
- **Total loans increased 18% to $1.53 billion at Q2 2018, compared to $1.30 billion at Q2 2017**
- **Total deposits increased 21% to $1.57 billion at Q2 2018, compared to $1.30 billion at Q2 2017**
- **Total core deposits increased 28% to $1.39 billion at Q2 2018, compared to $1.09 billion at Q2 2017**
- **Efficiency ratio improved to 57.4% for Q2 2018, compared to 58.8% for Q2 2017**

"I am incredibly proud of the talent and unique culture of our team as we generated record earnings of $5.5 million in the second quarter of 2018," stated Art Seaver, the company's Chief Executive Officer. "We continue to see strong momentum in terms of core deposits, loans, and mortgage income."

| | Quarter Ended | | | | |
|---|---|---|---|---|---|
| | June 30 2018 | March 31 2018 | December 31 2017 | September 30 2017 | June 30 2017 |
| **Earnings** ($ in thousands, except per share data): | | | | | |
| Net income available to common shareholders | $ 5,510 | 5,214 | 2,080 | 4,250 | 3,604 |
| Earnings per common share, diluted | 0.71 | 0.67 | 0.27 | 0.55 | 0.49 |
| Total revenue[1] | 17,383 | 16,462 | 15,789 | 15,851 | 14,915 |
| Net interest margin (tax-equivalent)[2] | 3.49% | 3.63% | 3.59% | 3.60% | 3.49% |
| Return on average assets[3] | 1.26% | 1.28% | 0.52% | 1.09% | 0.97% |
| Return on average equity[3] | 14.03% | 13.88% | 5.50% | 11.60% | 10.92% |
| Efficiency ratio[4] | 57.41% | 55.92% | 54.61% | 55.55% | 58.75% |
| **Balance Sheet** ($ in thousands): | | | | | |
| Total loans[5] | $ 1,533,447 | 1,459,382 | 1,387,070 | 1,327,739 | 1,299,827 |
| Total deposits | 1,567,982 | 1,520,523 | 1,381,123 | 1,342,577 | 1,297,911 |
| Core deposits[6] | 1,387,928 | 1,336,363 | 1,221,363 | 1,160,906 | 1,085,687 |
| Total assets | 1,787,784 | 1,729,299 | 1,624,625 | 1,557,684 | 1,539,226 |
| **Holding Company Capital Ratios[7]:** | | | | | |
| Total risk-based capital ratio | 12.77% | 13.01% | 13.27% | 13.58% | 13.42% |
| Tier 1 risk-based capital ratio | 11.70% | 11.90% | 12.11% | 12.38% | 12.21% |
| Leverage ratio | 9.96% | 10.27% | 10.26% | 10.36% | 10.43% |
| Common equity tier 1 ratio[8] | 10.83% | 10.98% | 11.15% | 11.37% | 11.19% |
| Tangible common equity[9] | 9.00% | 8.95% | 9.21% | 9.47% | 9.27% |
| **Asset Quality Ratios:** | | | | | |
| Nonperforming assets as a percentage of total assets | 0.44% | 0.43% | 0.46% | 0.39% | 0.37% |
| Net charge-offs as a percentage of average loans[5] (YTD annualized) | 0.04% | 0.05% | 0.10% | 0.08% | 0.07% |
| Allowance for loan losses as a percentage of loans[5] | 1.05% | 1.09% | 1.12% | 1.17% | 1.19% |
| Allowance for loan losses as a percentage of nonaccrual loans | 208.52% | 217.92% | 212.60% | 278.05% | 293.75% |

[Footnotes to table located on page 3]

**Operating Results**

Net interest margin was 3.49% for both three-month periods ending June 30, 2018 and 2017. During the second quarter of 2018, our average interest-earning assets increased by $252.9 million, compared to the second quarter of 2017, while the yield on our interest-earning assets increased by 21 basis points. In comparison, our average interest-bearing liabilities increased by $186.8 million during the second quarter of 2018, compared to the second quarter of 2017, with the respective cost increasing by 28 basis points.

Noninterest income was $2.8 million and $2.6 million for the three months ended June 30, 2018 and 2017, respectively. For the six months ended June 30, 2018 and 2017, noninterest income was $5.2 million and $4.6 million, respectively. The increase in noninterest income during the three-month period ended June 30, 2018 relates primarily to an increase in ATM and debit card income, income derived from bank owned life insurance, and other income. The increase in noninterest income during the six-month period ended June 30, 2018 was driven by increases in mortgage banking income, ATM and debit card income and income derived from bank owned life insurance. Mortgage banking revenue comprises a significant portion of our noninterest income and totaled $1.6 million and $3.0 million for the three and six months ended June 30, 2018, respectively, and $1.6 million and $2.7 million for the three and six months ended June 30, 2017, respectively.

Noninterest expense was $10.0 million and $8.8 million for the three months ended June 30, 2018 and 2017, respectively, and $19.2 million and $17.1 million for the six months ended June 30, 2018 and 2017, respectively. The increase in noninterest expense during the three and six-month periods ended June 30, 2018 was driven primarily by increases in compensation and benefits, occupancy, and professional fees. Included in noninterest expense are mortgage banking expenses of $1.2 million and $2.1 million for the three and six months ended June 30, 2018, respectively, and $1.0 million and $1.9 million for the three and six months ended June 30, 2017, respectively.

During the three months ended June 30, 2018, we recorded total credit costs of $388 thousand, including a $400 thousand provision for loan losses and a net $12 thousand gain related to the sale and management of other real estate owned. In addition, we had net charge-offs for the second quarter of 2018 of $152 thousand, or 0.04% of average loans, annualized. During the three months ended June 30, 2017, our total credit costs were $497 thousand, including a $500 thousand provision for loan losses and a net $3 thousand gain related to the sale and management of other real estate owned. Net loan charge-offs for the second quarter of 2017 were $343 thousand, or 0.11% of average loans, annualized. For the six months ended June 30, 2018 and 2017, total credit costs were $894 thousand million and $1.0 million, respectively. Our allowance for loan losses was $16.1 million, or 1.05% of loans, at June 30, 2018, which provides approximately 209% coverage of nonaccrual loans, compared to $15.4 million, or 1.19% of loans, and approximately 294% coverage of nonaccrual loans at June 30, 2017.

Nonperforming assets were $7.8 million, or 0.44% of total assets, as of June 30, 2018. Comparatively, nonperforming assets were $5.7 million, or 0.37% of total assets, at June 30, 2017. Of the $7.8 million in total nonperforming assets as of June 30, 2018, nonperforming loans represent $7.7 million and other real estate owned represents $117 thousand. Classified assets improved to 9% of tier 1 capital plus the allowance for loan losses at June 30, 2018, compared to 10% at June 30, 2017.

Gross loans were $1.53 billion, excluding mortgage loans held for sale, as of June 30, 2018, compared to $1.30 billion at June 30, 2017. Core deposits, which exclude out-of-market deposits and time deposits of $250,000 or more, increased to $1.34 billion at June 30, 2018 compared to $1.09 billion at June, 2017.

Shareholders' equity totaled $160.9 million as of June 30, 2018, compared to $149.7 million at December 31, 2017, and $142.7 million at June 30, 2017. As of June 30, 2018, our capital ratios continue to exceed the regulatory requirements for a "well capitalized" institution.

## FINANCIAL HIGHLIGHTS - Unaudited

| (in thousands, except per share data) | Quarter Ended June 30 2018 | 2017 | 2nd Qtr 2018-2017 % Change | Six Months Ended June 30 2018 | 2017 | YTD 2018-2017 % Change |
|---|---|---|---|---|---|---|
| **Earnings Summary** | | | | | | |
| Interest income | $ 18,535 | 14,931 | 24.1 % | 35,713 | 28,890 | 23.6 % |
| Interest expense | 3,923 | 2,579 | 52.1 % | 7,060 | 4,931 | 43.2 % |
| Net interest income | 14,612 | 12,352 | 18.3 % | 28,653 | 23,959 | 19.6 % |
| Provision for loan losses | 400 | 500 | (20.0)% | 900 | 1,000 | (10.0)% |
| Noninterest income | 2,771 | 2,562 | 8.1 % | 5,192 | 4,614 | 12.5 % |
| Noninterest expense | 9,979 | 8,762 | 13.9 % | 19,184 | 17,123 | 12.0 % |
| Income before provision for income taxes | 7,004 | 5,652 | 23.9 % | 13,761 | 10,450 | 31.7 % |
| Income tax expense | 1,494 | 2,048 | (27.1)% | 3,037 | 3,734 | (18.7)% |
| Net income available to common shareholders | $ 5,510 | 3,604 | 52.9 % | 10,724 | 6,716 | 59.7 % |
| Basic weighted average common shares | 7,371 | 6,987 | 5.5 % | 7,354 | 6,714 | 9.5 % |
| Diluted weighted average common shares | 7,751 | 7,366 | 5.2 % | 7,739 | 7,099 | 9.0 % |
| Earnings per common share – Basic | $ 0.75 | 0.52 | 44.2 % | 1.46 | 1.00 | 46.0 % |
| Earnings per common share – Diluted | 0.71 | 0.49 | 44.9 % | 1.39 | 0.95 | 46.3 % |

| (in thousands, except per share data) | Quarter Ended June 30 2018 | 2017 | 2nd Qtr 2018-2017 % Change | Quarter Ended March 31 2018 | December 31 2017 | September 30 2017 |
|---|---|---|---|---|---|---|
| **Balance Sheet Highlights** | | | | | | |
| Assets | $ 1,787,784 | 1,539,226 | 16.1 % | 1,729,299 | 1,624,625 | 1,557,684 |
| Investment securities | 73,126 | 85,410 | (14.4)% | 61,562 | 72,065 | 81,504 |
| Mortgage loans held for sale | 8,075 | 11,480 | (29.7)% | 10,885 | 11,790 | 9,124 |
| Loans | 1,533,447 | 1,299,829 | 18.0 % | 1,459,382 | 1,387,070 | 1,327,739 |
| Allowance for loan losses | 16,100 | 15,444 | 4.2 % | 15,852 | 15,523 | 15,579 |
| Other real estate owned | 117 | 428 | (72.7)% | 242 | 242 | 420 |
| Noninterest bearing deposits | 310,709 | 271,669 | 14.4 % | 297,892 | 295,680 | 272,758 |
| Interest bearing deposits | 1,257,273 | 1,026,242 | 22.5 % | 1,222,631 | 1,085,443 | 1,069,819 |
| Total deposits | 1,567,982 | 1,297,911 | 20.8 % | 1,520,523 | 1,381,123 | 1,342,577 |
| Other borrowings | 28,600 | 73,200 | (60.9)% | 28,600 | 67,200 | 39,200 |
| Junior subordinated debentures | 13,403 | 13,403 | - | 13,403 | 13,403 | 13,403 |
| Tangible common equity | 160,856 | 142,736 | 12.7 % | 154,739 | 149,686 | 147,449 |
| Total shareholders' equity | 160,856 | 142,736 | 12.7 % | 154,739 | 149,686 | 147,449 |
| **Common Stock** | | | | | | |
| Book value per common share | $ 21.66 | 19.52 | 11.0 % | 20.96 | 20.37 | 20.15 |
| Stock price: | | | | | | |
| High | 48.35 | 37.05 | 30.5 % | 46.55 | 42.90 | 37.45 |
| Low | 44.20 | 31.75 | 39.2 % | 41.00 | 36.75 | 33.50 |
| Period end | 44.20 | 37.05 | 19.3 % | 44.50 | 41.25 | 36.35 |
| Common shares outstanding | 7,426 | 7,314 | 1.5 % | 7,382 | 7,348 | 7,319 |
| **Other** | | | | | | |
| Loans to deposits | 97.80% | 100.15% | (2.3)% | 95.98% | 100.43% | 98.89% |
| Team members | 224 | 205 | 9.3 % | 211 | 198 | 198 |
| **Average Balances** ($ in thousands)**:** | | | | | | |
| Loans[5] | $ 1,491,246 | 1,250,077 | 20.0 % | 1,444,343 | 1,351,355 | 1,314,061 |
| Deposits | 1,543,045 | 1,263,844 | 22.1 % | 1,431,967 | 1,369,547 | 1,328,481 |
| Assets | 1,757,155 | 1,495,312 | 17.5 % | 1,645,846 | 1,589,206 | 1,549,875 |
| Equity | 157,575 | 132,380 | 19.0 % | 152,374 | 149,928 | 145,294 |

Footnotes to tables:

(1) Total revenue is the sum of net interest income and noninterest income.
(2) The tax-equivalent adjustment to net interest income adjusts the yield for assets earning tax-exempt income to a comparable yield on a taxable basis.
(3) Annualized for the respective three and six month periods.
(4) Noninterest expense divided by the sum of net interest income and noninterest income.
(5) Excludes mortgage loans held for sale.
(6) Excludes out of market deposits and time deposits greater than $250,000.
(7) June 30, 2018 ratios are preliminary.
(8) The common equity tier 1 ratio is calculated as the sum of common equity divided by risk-weighted assets.
(9) The tangible common equity ratio is calculated as total equity less preferred stock divided by total assets.
(10) Includes loans held for sale.

**ASSET QUALITY MEASURES - Unaudited**

| (dollars in thousands) | | Quarter Ended June 30 2018 | March 31 2018 | December 31 2017 | September 30 2017 | June 30 2017 |
|---|---|---|---|---|---|---|
| **Nonperforming Assets** | | | | | | |
| **Commercial** | | | | | | |
| Owner occupied RE | $ | - | - | - | 244 | 245 |
| Non-owner occupied RE | | 1,689 | 1,525 | 1,581 | 2,049 | 2,205 |
| Construction | | - | - | - | - | - |
| Commercial business | | 94 | 102 | 910 | 1,116 | 1,324 |
| **Consumer** | | | | | | |
| Real estate | | 1,174 | 1,091 | 992 | 1,267 | 534 |
| Home equity | | 1,598 | 1,730 | 1,145 | 195 | 197 |
| Construction | | - | - | - | - | - |
| Other | | - | - | 1 | 2 | 4 |
| Nonaccruing troubled debt restructurings | | 3,166 | 2,826 | 2,673 | 730 | 749 |
| Total nonaccrual loans | | 7,721 | 7,274 | 7,302 | 5,603 | 5,258 |
| Other real estate owned | | 117 | 242 | 242 | 420 | 428 |
| Total nonperforming assets | $ | 7,838 | 7,516 | 7,544 | 6,023 | 5,686 |
| Nonperforming assets as a percentage of: | | | | | | |
| Total assets | | 0.44% | 0.43% | 0.46 % | 0.39 % | 0.37 % |
| Total loans | | 0.51% | 0.52% | 0.54 % | 0.45 % | 0.44 % |
| Accruing troubled debt restructurings | $ | 7,397 | 5,649 | 5,145 | 6,954 | 6,010 |

| (dollars in thousands) | | Quarter Ended June 30 2018 | March 31 2018 | December 31 2017 | September 30 2017 | June 30 2017 |
|---|---|---|---|---|---|---|
| **Allowance for Loan Losses** | | | | | | |
| Balance, beginning of period | $ | 15,852 | 15,523 | 15,579 | 15,444 | 15,287 |
| Loans charged-off | | (311) | (293) | (676) | (399) | (373) |
| Recoveries of loans previously charged-off | | 159 | 122 | 120 | 34 | 30 |
| Net loans charged-off | | (152) | (171) | (556) | (365) | (343) |
| Provision for loan losses | | 400 | 500 | 500 | 500 | 500 |
| Balance, end of period | $ | 16,100 | 15,852 | 15,523 | 15,579 | 15,444 |
| Allowance for loan losses to gross loans | | 1.05 % | 1.09 % | 1.12 % | 1.17 % | 1.19 % |
| Allowance for loan losses to nonaccrual loans | | 208.52 % | 217.92 % | 212.60 % | 278.05 % | 293.75 % |
| Net charge-offs to average loans QTD (annualized) | | 0.04 % | 0.05 % | 0.17 % | 0.11 % | 0.11 % |

**LOAN COMPOSITION**

| (dollars in thousands) | | Quarter Ended June 30 2018 | March 31 2018 | December 31 2017 | September 30 2017 | June 30 2017 |
|---|---|---|---|---|---|---|
| **Commercial** | | | | | | |
| Owner occupied RE | $ | 358,169 | 339,444 | 316,818 | 317,262 | 310,696 |
| Non-owner occupied RE | | 355,309 | 339,231 | 312,798 | 301,360 | 292,001 |
| Construction | | 73,655 | 56,210 | 51,179 | 32,332 | 42,447 |
| Business | | 238,402 | 234,820 | 226,158 | 214,898 | 212,703 |
| Total commercial loans | | 1,025,535 | 969,705 | 906,953 | 865,852 | 857,847 |
| **Consumer** | | | | | | |
| Real estate | | 290,433 | 275,731 | 273,050 | 250,483 | 233,401 |
| Home equity | | 156,630 | 155,507 | 156,141 | 150,371 | 147,091 |
| Construction | | 38,400 | 35,017 | 28,351 | 38,766 | 39,758 |
| Other | | 22,449 | 23,422 | 22,575 | 22,267 | 21,732 |
| Total consumer loans | | 507,912 | 489,677 | 480,117 | 461,887 | 441,982 |
| Total gross loans, net of deferred fees | | 1,533,447 | 1,459,382 | 1,387,070 | 1,327,739 | 1,299,829 |
| Less—allowance for loan losses | | (16,100) | (15,852) | (15,523) | (15,579) | (15,444) |
| Total loans, net | $ | 1,517,347 | 1,443,530 | 1,371,547 | 1,312,160 | 1,284,385 |

**DEPOSIT COMPOSITION**

| (dollars in thousands) | | Quarter Ended June 30 2018 | March 31 2018 | December 31 2017 | September 30 2017 | June 30 2017 |
|---|---|---|---|---|---|---|
| Non-interest bearing | $ | 310,709 | 297,892 | 295,680 | 272,758 | 271,669 |
| Interest bearing: | | | | | | |
| NOW accounts | | 251,511 | 243,418 | 229,945 | 209,607 | 226,724 |
| Money market accounts | | 659,353 | 642,333 | 545,029 | 533,575 | 452,385 |
| Savings | | 15,913 | 15,952 | 16,298 | 15,659 | 15,345 |
| Time, less than $100,000 | | 60,632 | 56,778 | 55,461 | 54,133 | 51,328 |
| Time and out-of-market deposits, $100,000 and over | | 269,864 | 264,150 | 238,710 | 256,845 | 280,460 |
| Total deposits | $ | 1,567,982 | 1,520,523 | 1,381,123 | 1,342,577 | 1,297,911 |

**NONINTEREST INCOME & EXPENSE - Unaudited**

| (dollars in thousands) | | Quarter Ended June 30 2018 | 2017 | 2nd Qtr 2018-2017 % Change | Six Months Ended June 30 2018 | 2017 | YTD 2018-2017 % Change |
|---|---|---|---|---|---|---|---|
| **Noninterest income** | | | | | | | |
| Mortgage banking income | $ | 1,629 | 1,603 | 1.6 % | 2,957 | 2,660 | 11.2 % |
| Service fees on deposit accounts | | 256 | 284 | (9.9)% | 512 | 561 | (8.7)% |
| ATM and debit card income | | 371 | 290 | 28.4 % | 705 | 552 | 27.7 % |
| Income from bank owned life insurance | | 220 | 183 | 20.2 % | 441 | 366 | 20.5% |
| Other income | | 295 | 202 | 44.6 % | 577 | 475 | 21.5 % |
| Total noninterest income | $ | 2,771 | 2,562 | 8.1 % | 5,192 | 4,614 | 12.5 % |
| Noninterest income to average assets [3] | | 0.63 % | 0.69 % | (8.7)% | 0.62 % | 0.65 % | (5.0)% |
| **Noninterest expense** | | | | | | | |
| Compensation and benefits | $ | 6,365 | 5,524 | 15.2 % | 12,208 | 10,798 | 13.1 % |
| Occupancy | | 1,276 | 1,033 | 23.5 % | 2,413 | 1,999 | 20.7 % |
| Data processing and related costs | | 824 | 823 | 0.1 % | 1,560 | 1,568 | (0.5)% |
| Insurance | | 297 | 297 | - | 610 | 587 | 3.9 % |
| Professional fees | | 457 | 382 | 19.6 % | 933 | 695 | 34.2 % |
| Marketing | | 229 | 196 | 16.8 % | 438 | 407 | 7.6 % |
| Other | | 531 | 507 | 6.5 % | 1,022 | 1,069 | (4.4)% |
| Total noninterest expenses | $ | 9,979 | 8,762 | 13.9 % | 19,184 | 17,123 | 12.0 % |
| Noninterest expense to average assets [3] | | 2.28 % | 2.35 % | (3.0)% | 2.27 % | 2.40 % | (5.4)% |

**AVERAGE YIELD/RATE - Unaudited**

| | Quarter Ended June 30 2018 | March 31 2018 | December 31 2017 | September 30 2017 | June 30 2017 |
|---|---|---|---|---|---|
| | Yield/Rate[3] | | | | |
| **Interest-earning assets** | | | | | |
| Federal funds sold | 1.82% | 1.62% | 1.29% | 1.31% | 1.10% |
| Investment securities, taxable | 2.49% | 2.18% | 1.95% | 2.05% | 2.02% |
| Investment securities, nontaxable | 3.68% | 4.19% | 3.91% | 3.67% | 3.94% |
| Loans[10] | 4.70% | 4.65% | 4.59% | 4.59% | 4.55% |
| Total interest-earning assets | 4.42% | 4.44% | 4.31% | 4.31% | 4.21% |
| **Interest-bearing liabilities** | | | | | |
| NOW accounts | 0.17% | 0.15% | 0.16% | 0.18% | 0.19% |
| Savings & money market | 1.25% | 1.07% | 0.90% | 0.84% | 0.74% |
| Time deposits | 1.61% | 1.38% | 1.21% | 1.08% | 0.99% |
| Total interest-bearing deposits | 1.14% | 0.97% | 0.84% | 0.78% | 0.70% |
| FHLB advances and other borrowings | 3.35% | 3.25% | 3.36% | 3.50% | 3.87% |
| Junior subordinated debentures | 4.79% | 3.48% | 3.49% | 3.43% | 3.32% |
| Total interest-bearing liabilities | 1.23% | 1.06% | 0.96% | 0.93% | 0.95% |
| Net interest spread | 3.19% | 3.38% | 3.35% | 3.38% | 3.26% |
| Net interest income (tax equivalent) / margin | 3.49% | 3.63% | 3.59% | 3.60% | 3.49% |

**ABOUT SOUTHERN FIRST BANCSHARES**

Southern First Bancshares, Inc., Greenville, South Carolina is a registered bank holding company incorporated under the laws of South Carolina. The Company's wholly-owned subsidiary, Southern First Bank, is the third largest bank headquartered in South Carolina. Southern First Bancshares has been providing financial services since 1999 and now operates in 13 locations in the Greenville, Columbia, and Charleston markets of South Carolina, as well as the Triangle and Triad regions of North Carolina and Atlanta, Georgia. Southern First Bancshares has assets of approximately $1.8 billion and its common stock is traded in the NASDAQ Global Market under the symbol "SFST." More information can be found at www.southernfirst.com.

**FORWARD-LOOKING STATEMENTS**

Certain statements in this news release contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, such as statements relating to future plans and expectations, and are thus prospective. Such forward-looking statements are identified by words such as "believes," "expects," "continues," "anticipates," "estimates," "intends," "plans," "targets," and "projects," as well as similar expressions. Such statements are subject to risks, uncertainties, and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Although we believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove to be inaccurate. Therefore, we can give no assurance that the results contemplated in the forward-looking statements will be realized. The inclusion of this forward-looking information should not be construed as a representation by our company or any person that the future events, plans, or expectations contemplated by our company will be achieved.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements: (1) competitive pressures among depository and other financial institutions may increase significantly and have an effect on pricing, spending, third-party relationships and revenues; (2) the strength of the United States economy in general and the strength of the local economies in which we conduct operations may be different than expected resulting in, among other things, a deterioration in the credit quality or a reduced demand for credit, including the resultant effect on the company's loan portfolio and allowance for loan losses; (3) the rate of delinquencies and amounts of charge-offs, the level of allowance for loan loss, the rates of loan growth, or adverse changes in asset quality in our loan portfolio, which may result in increased credit risk-related losses and expenses; (4) changes in the United States legal and regulatory framework; and (5) adverse conditions in the stock market, the public debt market and other capital markets (including changes in interest rate conditions) could have a negative impact on the company. Additional factors that could cause our results to differ materially from those described in the forward-looking statements can be found in our reports (such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K) filed with the SEC and available at the SEC's Internet site (http://www.sec.gov). All subsequent written and oral forward-looking statements concerning the company or any person acting on its behalf is expressly qualified in its entirety by the cautionary statements above. We do not undertake any obligation to update any forward-looking statement to reflect circumstances or events that occur after the date the forward-looking statements are made.

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