

Southern First Bancshares: When to Use the Buyback Authorization?

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Industry: Regional Banks

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Case overview

- **Audience:** MBA / executive strategy and finance
- **Company / industry / geography:** Southern First Bancshares, Inc.; community banking; South Carolina, North Carolina and Georgia
- **Decision scope:** Hypothetical management policy for pacing an existing discretionary repurchase authorization
- **Information cutoff:** October 2, 2026, end of day ET
- **Decision owner:** For this exercise, assume you advise Southern First's executive management. This is not a disclosed company process or scheduled meeting.

A choice after authorization

On August 27, Southern First Bancshares' board authorized the company to repurchase up to \$10 million of common stock, described as approximately 2% of shares. The authorization did not require purchases. Management would control whether and when to act, how many shares to buy, the method and price, subject to legal and regulatory limits. Management could pause, discontinue or restart the plan. Purchases after August 23, 2027 would require new Board and Federal Reserve approval. [S3]

That left an implementation choice, not an approval question. For this exercise, you are asked to recommend a policy for whether to use any of the authorization, what conditions should govern its pace, and what information should trigger a pause or review. The company did not disclose an internal repurchase hurdle, a plan to use the full amount, or a formal capital-allocation committee. The public record also does not show that a dollar spent on repurchases would otherwise fund a particular loan.

A growth-oriented bank with competing claims on capital

Southern First is a bank holding company whose principal operating subsidiary, Southern First Bank, serves clients in South Carolina, North Carolina and Georgia. The company describes its ClientFIRST model as relationship banking: a client has a named banker and support team. It says its strategy emphasizes profitable growth, commercial lending, core deposits, service and technology. These are management descriptions, not independently measured advantages. [S1, S5]

The competitive field is broad. In its 2025 Form 10-K, the company said it competes with banks, credit unions, mortgage and consumer-finance companies, securities firms and other financial providers. The latest market-count data it cited were as of June 30, 2025: 40 financial institutions in Greenville County, 27 in Columbia, 49 in Charlotte and 80 in Atlanta, among other markets. Those figures describe counts, not market share, current pricing or Southern First's relative performance. [S5, printed p.12; company description and ClientFIRST model, pp.5-6]

In the second quarter of 2026, Southern First reported \$11.2 million of net income and diluted EPS of \$1.20. Net interest margin was 2.87% on a tax-equivalent basis, compared with 2.50% a year earlier. The company attributed 28% year-over-year net interest income growth primarily to new loan volume. It also reported that retail deposits rose \$184 million during the quarter, a 22% annualized rate, while the loan portfolio grew at a 9% annualized rate. These quarterly annualizations are not forecasts. [S2]

The six-month balance-sheet picture adds a different dimension. Loans were \$4.03 billion and deposits \$3.94 billion at June 30. The company reported a 102% loan-to-deposit ratio. Retail deposits totaled \$3.56 billion, or 90.4% of deposits; brokered deposits were \$379.4 million, or 9.6%. During the first half, retail deposits rose \$392.1 million and brokered deposits fell \$173.5 million. The company also had \$926.5 million of unfunded loan commitments at June 30, including \$826.0 million variable-rate and \$100.5 million fixed-rate commitments. Not every commitment will necessarily fund. [S1]

The Bank's June 30 regulatory ratios were 11.61% common equity Tier 1, 12.84% total risk-based capital, and 8.89% Tier 1 leverage. The 10-Q described the Bank as "well capitalized" under prompt corrective action standards. This is a dated Bank-level regulatory status, not evidence that the parent had excess distributable capital. Separately, Southern First reported \$361.6 million of consolidated cash and cash equivalents and unused secured or contingent facilities. Consolidated cash is not the same as parent-only cash, and secured borrowing capacity is not unrestricted capital. [S1]

Capital actions in 2026

In April, Southern First issued 1,207,500 shares for gross proceeds of about \$65.2 million and net proceeds of \$61.3 million. It said the proceeds could support general corporate purposes, including organic growth initiatives, capital at the Bank, debt redemption or repurchase, and working capital. On June 30, it used a portion to redeem the remaining \$11.5 million of subordinated debt. The filing does not allocate the remaining proceeds among the listed uses. [S1, S4]

The new August repurchase authorization came after that offering and debt redemption. The sequence invites questions about capital allocation, but it does not establish inconsistency: the company did not say the offering funded the new authorization, that all proceeds remained available, or that the repurchase plan would crowd out lending. The company's previous \$5 million authorization, announced in 2025, expired with no purchases in the three months ended June 30, 2026. It is a separate, expired plan. [S1, S3]

A policy to recommend

The board's authorization gave management flexibility. It did not prescribe an execution calendar, a share-price threshold, a capital buffer, or a trade-off against new loans. A recommendation therefore needs to explain which observable conditions should govern management's choice rather than assume facts the filings do not reveal.

Illustrative policy	How it could work	Main benefit	Main question or risk
Opportunistic execution	Use portions of the authorization only when management concludes price, capital, liquidity and growth conditions support a purchase.	Preserves discretion and may allow action when management sees attractive value.	The market-price and internal buffer tests are undisclosed; students must define them as proposed policy.
Periodic, conditional pacing	Review a limited tranche at regular intervals against updated capital, deposit, credit and loan-pipeline evidence; retain the option to pause.	Makes the decision observable and revisitable as conditions change.	A schedule could become a target that management feels compelled to meet even when conditions weaken.
Preserve the authorization unused for now	Keep the authority available while waiting for updated results, capital, funding and pipeline information.	Retains flexibility and avoids a premature capital distribution.	Waiting has an opportunity cost if management believes shares are attractively priced; public evidence does not quantify that cost.

These are student-designed policy choices, not plans announced by Southern First. They are not mutually exclusive: a management team could combine periodic reviews with opportunistic execution or leave all or part unused.

Exhibit 1. Operating and capital evidence at the cutoff

Measure	Reported value	Scope / period
Net income; diluted EPS	\$11.2m; \$1.20	Q2 2026, company release
Net interest margin	2.87% tax-equivalent	Q2 2026, company release
Loans; deposits	\$4.030bn; \$3.935bn	June 30, 2026, consolidated balance sheet
Loan-to-deposit ratio	102%	June 30, company-reported ratio
Retail / brokered deposits	\$3.556bn / \$379.4m	June 30; 90.4% / 9.6% of deposits
Bank CET1 / total risk-based / Tier 1 leverage	11.61% / 12.84% / 8.89%	June 30, Bank regulatory ratios
Unfunded loan commitments	\$926.5m	June 30; \$826.0m variable-rate, \$100.5m fixed-rate
Consolidated cash and cash equivalents	\$361.6m	June 30; not parent-only cash

Sources: [S1] Q2 2026 Form 10-Q, printed pp.3, 39, 41-44; [S2] Q2 2026 earnings release, results and financial tables. Figures are not a current October snapshot. Holding-company and Bank regulatory ratios are not interchangeable.

Exhibit 2. Capital decisions disclosed in 2026

Date	Action	Disclosed terms / limitation
April 17	Public common-stock offering	1,207,500 shares; \$61.3m net proceeds. Uses described broadly, not allocated among categories.
June 30	Redeemed subordinated debt	\$11.5m remaining principal redeemed using a portion of offering proceeds.
June 30	Prior repurchase plan snapshot	No shares purchased during Q2 under the prior \$5m plan; prior plan later expired.
August 27	New repurchase authorization	Up to \$10m, issuer-described as approximately 2%; no obligation; management controls execution within stated limits.

Sources: [S1] Q2 Form 10-Q, printed pp.41-42 and 47; [S3] Aug. 27 Form 8-K, lines 98-104; [S4] April 15 offering document. The prior and new repurchase plans are separate.

Assignment

Prepare a one-page management recommendation. State whether and how to use the existing authority; propose a small set of measurable gates and pause conditions; address the strongest counterargument; and identify what additional internal data management should review. Distinguish facts from proposed thresholds. Do not assume there is a binding capital ceiling, excess capital, an optimal share price, or a dollar-for-dollar lending trade-off.

Discussion questions

1. What decision remains after the Board has authorized the program, and what has management retained discretion to do?
2. Which June 30 measures are relevant to capital resilience, funding, credit exposure and growth capacity? What can each measure not establish?
3. What conditions would justify using some of the authorization, and which would trigger a hold or review?
4. How should the team weigh signaling and shareholder-value arguments against capital retention, future loan demand and the option to wait?

Sources

- **S1.** Southern First Bancshares, Q2 2026 Form 10-Q, filed Aug. 3, 2026. [SEC filing](#).
- **S2.** Southern First Bancshares, Q2 2026 results, July 21, 2026. [SEC Exhibit 99.1](#).
- **S3.** Southern First Bancshares, Aug. 27, 2026 Form 8-K, filed Aug. 28. [SEC filing](#).
- **S4.** Southern First Bancshares, Apr. 15, 2026 free-writing prospectus. [SEC filing](#).
- **S5.** Southern First Bancshares, 2025 Form 10-K, filed Feb. 24, 2026. [SEC filing](#), Item 1, printed pp.5-6 and p.12; market counts use June 30, 2025 data.