

FIRST COMMUNITY CORP /SC/
Form 10-Q
August 12, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

- ☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June
- ☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____

Commission File No. 000-28344

FIRST COMMUNITY CORPORATION

(Exact name of registrant as specified in its charter)

South Carolina

(State or other jurisdiction of incorporation or organization)

57-1010751

(I.R.S. Employer Identification No.)

5455 Sunset Boulevard, Lexington, South Carolina 29072

(Address of principal executive offices) (Zip Code)

(803) 951-2265

(Registrant's telephone number, including area code)

Edgar Filing: FIRST COMMUNITY CORP /SC/ - Form 10-Q

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒

Indicate by check mark whether the registrant is shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: On August 12, 2015, 6,679,938 shares of the issuer's common stock, par value \$1.00 per share, were issued and outstanding.

TABLE OF CONTENTS

<u>PART I - FINANCIAL INFORMATION</u>	3
<u>Item 1. Financial Statements</u>	3
<u>Consolidated Balance Sheets</u>	3
<u>Consolidated Statements of Income</u>	4
<u>Consolidated Statements of Comprehensive Income (Loss)</u>	6
<u>Consolidated Statements of Changes in Shareholders' Equity</u>	7
<u>Consolidated Statements of Cash Flows</u>	8
<u>Notes to Consolidated Financial Statements</u>	9
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	40
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	57
<u>Item 4. Controls and Procedures</u>	57
<u>PART II – OTHER INFORMATION</u>	58
<u>Item 1. Legal Proceedings</u>	58
<u>Item 1A. Risk Factors</u>	58
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	58
<u>Item 3. Defaults Upon Senior Securities</u>	58
<u>Item 4. Mine Safety Disclosures</u>	58
<u>Item 5. Other Information</u>	58
<u>Item 6. Exhibits</u>	58
<u>SIGNATURES</u>	59
<u>INDEX TO EXHIBITS</u>	60
EX-31.1 RULE 13A-14(A) CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER	
EX-31.2 RULE 13A-14(A) CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER	
EX-32 SECTION 1350 CERTIFICATIONS	

PART I - FINANCIAL INFORMATION**Item 1. Financial Statements****FIRST COMMUNITY CORPORATION****CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands, except par value)	June 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Cash and due from banks	\$ 9,611	\$ 12,480
Interest-bearing bank balances	15,585	9,454
Federal funds sold and securities purchased under agreements to resell	680	598
Investment securities - held-to-maturity	16,641	10,647
Investment securities – available-for-sale	252,322	270,164
Other investments, at cost	2,240	2,003
Loans held for sale	6,662	4,124
Loans	474,016	443,844
Less, allowance for loan losses	4,281	4,132
Net loans	469,735	439,712
Property, furniture and equipment - net	29,716	28,510
Land held for sale	1,100	1,200
Bank owned life insurance	14,848	14,642
Other real estate owned	2,523	2,943
Intangible assets	1,606	1,806
Goodwill	5,078	5,078
Other assets	8,059	9,002
Total assets	\$ 836,406	\$ 812,363
LIABILITIES		
Deposits:		
Non-interest bearing demand	\$ 147,046	\$ 133,004
NOW and money market accounts	294,113	287,982
Savings	57,369	53,583
Time deposits less than \$100,000	102,616	108,048
Time deposits \$100,000 and over	82,888	86,966
Total deposits	684,032	669,583
Securities sold under agreements to repurchase	19,460	17,383
Federal Home Loan Bank advances	35,548	28,807
Junior subordinated debt	15,464	15,464
Other liabilities	5,491	6,598
Total liabilities	759,995	737,835
SHAREHOLDERS' EQUITY		

Edgar Filing: FIRST COMMUNITY CORP /SC/ - Form 10-Q

Preferred stock, par value \$1.00 per share, 10,000,000 shares authorized; none issued and outstanding	—	—
Common stock, par value \$1.00 per share; 10,000,000 shares authorized; issued and outstanding 6,679,938 at June 30, 2015 6,664,391 at December 31, 2014	6,679	6,664
Common stock warrants issued	46	48
Nonvested restricted stock	(555)	(673)
Additional paid in capital	75,641	75,504
Accumulated deficit	(6,352)	(8,286)
Accumulated other comprehensive income	952	1,271
Total shareholders' equity	76,411	74,528
Total liabilities and shareholders' equity	\$ 836,406	\$ 812,363

See Notes to Consolidated Financial Statements

FIRST COMMUNITY CORPORATION**CONSOLIDATED STATEMENTS OF INCOME**

	Six Months Ended June 30, 2015 (Unaudited)	Six Months Ended June 30, 2014 (Unaudited)
(Dollars in thousands)		
Interest income:		
Loans, including fees	\$ 11,578	\$ 10,662
Taxable securities	1,911	1,949
Nontaxable securities	786	594
Federal funds sold and securities purchased under resale agreements	14	17
Other	43	30
Total interest income	14,332	13,252
Interest expense:		
Deposits	861	857
Federal funds sold and securities sold under agreement to repurchase	15	19
Other borrowed money	804	933
Total interest expense	1,680	1,809
Net interest income	12,652	11,443
Provision for loan losses	797	550
Net interest income after provision for loan losses	11,855	10,893
Non-interest income:		
Deposit service charges	693	745
Mortgage banking income	1,715	1,321
Investment advisory fees and non-deposit commissions	703	455
Gain on sale of securities	271	86
Gain (loss) on sale of other assets	7	(12)
Loss on early extinguishment of debt	(103)	(67)
Other	1,260	1,246
Total non-interest income	4,546	3,774
Non-interest expense:		
Salaries and employee benefits	7,223	6,696
Occupancy	985	878
Equipment	796	714
Marketing and public relations	554	373
FDIC assessments	276	255
Other real estate expense	308	255
Amortization of intangibles	201	105
Merger and acquisition expense	—	435
Other	2,146	2,100
Total non-interest expense	12,489	11,811
Net income before tax	3,912	2,856
Income taxes	1,065	793
Net income	\$ 2,847	\$ 2,063
Basic earnings per common share	\$ 0.44	\$ 0.32

Diluted earnings per common share	\$ 0.43	\$ 0.32
-----------------------------------	---------	---------

See Notes to Consolidated Financial Statements

FIRST COMMUNITY CORPORATION**CONSOLIDATED STATEMENTS OF INCOME**

	Three Months Ended June 30, 2015 (Unaudited)	Three Months Ended June 30, 2014 (Unaudited)
(Dollars in thousands)		
Interest income:		
Loans, including fees	\$ 5,704	\$ 5,582
Taxable securities	909	966
Nontaxable securities	406	277
Federal funds sold and securities purchased under resale agreements	8	7
Other	22	17
Total interest income	7,049	6,849
Interest expense:		
Deposits	435	428
Federal funds sold and securities sold under agreement to repurchase	7	9
Other borrowed money	403	465
Total interest expense	845	902
Net interest income	6,204	5,947
Provision for loan losses	391	400
Net interest income after provision for loan losses	5,813	5,547
Non-interest income:		
Deposit service charges	346	379
Mortgage banking income	980	702
Investment advisory fees and non-deposit commissions	407	198
Gain on sale of securities	167	78
Gain (loss) on sale of other assets	3	(24)
Loss on early extinguishment of debt	—	(67)
Other	662	633
Total non-interest income	2,565	1,899
Non-interest expense:		
Salaries and employee benefits	3,658	3,272
Occupancy	500	465
Equipment	394	375
Marketing and public relations	328	212
FDIC assessment	138	131
Other real estate expense	154	117
Amortization of intangibles	98	63
Merger and acquisition expense	—	15
Other	1,119	1,135
Total non-interest expense	6,389	5,785
Net income before tax	1,989	1,661
Income taxes	546	460
Net income	\$ 1,443	\$ 1,201

Edgar Filing: FIRST COMMUNITY CORP /SC/ - Form 10-Q

Basic earnings per common share	\$ 0.22	\$ 0.18
Diluted earnings per common share	\$ 0.22	\$ 0.18

See Notes to Consolidated Financial Statements

FIRST COMMUNITY CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(Dollars in thousands)	Six months ended June 30, 2015 2014	
Net income	\$2,847	\$2,063
Other comprehensive income (loss):		
Unrealized gain (loss) during the period on available-for-sale securities, net of tax of \$32 and \$1,533, respectively	(179)	2,973
Less: Reclassification adjustment for gain included in net income, net of tax benefit of \$131 and \$30, respectively	(140)	(56)
Other comprehensive income (loss)	(319)	2,917
Comprehensive income	\$2,528	\$4,980

(Dollars in thousands)	Three months ended June 30, 2015 2014	
Net income	\$1,443	\$1,201
Other comprehensive income (loss):		
Unrealized gain (loss) during the period on available-for-sale securities, net of tax \$567 and \$659, respectively.	(1,101)	1,278
Less: Reclassification adjustment for gain included in net income, net of tax of \$56 and \$27 respectively.	(111)	(51)
Other comprehensive income (loss)	(1,212)	1,227
Comprehensive income	\$231	\$2,428

See Notes to Consolidated Financial Statements

FIRST COMMUNITY CORPORATION**Consolidated Statements of Changes in Shareholders' Equity****Six Months ended June 30, 2015 and June 30, 2014****(Unaudited)**

(Dollars and shares in thousands)

	Shares	Common	Common	Additional	Nonvested	Accumulated	Other	Accumulated
	Issued	Stock	Stock	Paid-in	Restricted	Accumulated	Comprehensive	
			Warrant	Capital	Stock	Deficit	Income	Total
							(Loss)	
Balance, December 31, 2013	5,303	\$ 5,303	\$ 48	\$ 62,214	\$ (444)	\$ (11,923)	\$ (2,527)	\$ 52,671
Net income						2,063		2,063
Other comprehensive income net of tax of \$1,503							2,917	2,917
Issuance of restricted stock	71	71		697	(768)			—
Amortization compensation restricted stock					246			246
Issuance of common stock	1,274	1,274		12,436				