

FIRST COMMUNITY CORP /SC/
Form 10-Q
August 11, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

rk One)
Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2016
Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ____ to ____

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)

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(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 11, 2016, 6,699,030 shares of the issuer’s common stock, par value \$1.00 per share, were issued and outstanding.

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

(Dollars in thousands, except par value)	June 30, 2016 (Unaudited)	December 31, 2015
ASSETS		
Cash and due from banks	\$ 12,285	\$ 10,973
Interest-bearing bank balances	9,412	11,375
Federal funds sold and securities purchased under agreements to resell	598	593
Investment securities - held-to-maturity	17,283	17,371
Investment securities - available for sale	267,315	264,687
Other investments, at cost	2,168	1,783
Loans held for sale	7,707	2,962
Loans	511,303	489,191
Less, allowance for loan losses	4,877	4,596
Net loans	506,426	484,595
Property, furniture and equipment - net	30,129	29,929
Land held for sale	1,080	1,080
Bank owned life insurance	20,603	20,301
Other real estate owned	1,355	2,458
Intangible assets	1,257	1,419
Goodwill	5,078	5,078
Other assets	6,141	8,130
Total assets	\$ 888,837	\$ 862,734
LIABILITIES		
Deposits:		
Non-interest bearing	\$ 170,976	\$ 156,247
Interest bearing	558,647	559,904
Total deposits	729,623	716,151
Securities sold under agreements to repurchase	21,112	21,033
Federal Home Loan Bank advances	32,445	24,788
Junior subordinated debt	14,964	14,964
Other liabilities	6,482	6,760
Total liabilities	804,626	783,696
SHAREHOLDERS' EQUITY		
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 6,699,030 at June 30, 2016 6,690,551 at December 31, 2015	6,699	6,690
Common stock warrants issued	46	46
Nonvested restricted stock	(405)	(297)

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Additional paid in capital	75,863	75,761
Accumulated deficit	(1,835)	(3,992)
Accumulated other comprehensive income	3,843	830
Total shareholders equity	84,211	79,038
Total liabilities and shareholders' equity	\$ 888,837	\$ 862,734

See Notes to Consolidated Financial Statements

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FIRST COMMUNITY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Six Months Ended June 30, 2016 (Unaudited)	Six Months Ended June 30, 2015 (Unaudited)
(Dollars in thousands, except per share amounts)		
Interest income:		
Loans, including fees	\$ 11,605	\$ 11,578
Taxable securities	1,959	1,911
Non taxable securities	983	786
Federal funds sold and securities purchased under resale agreements	32	14
Other	17	43
Total interest income	14,596	14,332
Interest expense:		
Deposits	893	861
Federal funds sold and securities sold under agreement to repurchase	20	15
Other borrowed money	669	804
Total interest expense	1,582	1,680
Net interest income	13,014	12,652
Provision for loan losses	357	797
Net interest income after provision for loan losses	12,657	11,855
Non-interest income:		
Deposit service charges	687	693
Mortgage banking income	1,578	1,715
Investment advisory fees and non-deposit commissions	588	703
Gain on sale of securities	123	271
Gain (loss) on sale of other assets	(81) 5
Loss on early extinguishment of debt	—	(103
Other	1,458	1,262
Total non-interest income	4,353	4,546
Non-interest expense:		
Salaries and employee benefits	7,584	7,223
Occupancy	1,070	985
Equipment	866	796
Marketing and public relations	289	554
FDIC assessments	276	276
Other real estate expense	72	308
Amortization of intangibles	163	201
Other	2,355	2,146
Total non-interest expense	12,675	12,489
Net income before tax	4,335	3,912
Income taxes	1,122	1,065
Net income	\$ 3,213	\$ 2,847
Basic earnings per common share	\$ 0.49	\$ 0.44
Diluted earnings per common share	\$ 0.47	\$ 0.43

See Notes to Consolidated Financial Statements

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FIRST COMMUNITY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30, 2016 (Unaudited)	Three Months Ended June 30, 2015 (Unaudited)
(Dollars in thousands, except per share amounts)		
Interest income:		
Loans, including fees	\$ 5,924	\$ 5,704
Taxable securities	1,011	909
Non taxable securities	498	406
Federal funds sold and securities purchased under resale agreements	18	8
Other	8	22
Total interest income	7,459	7,049
Interest expense:		
Deposits	445	435
Federal funds sold and securities sold under agreement to repurchase	10	7
Other borrowed money	327	403
Total interest expense	782	845
Net interest income	6,677	6,204
Provision for loan losses	217	391
Net interest income after provision for loan losses	6,460	5,813
Non-interest income:		
Deposit service charges	340	346
Mortgage banking income	913	980
Investment advisory fees and non-deposit commissions	297	407
Gain on sale of securities	64	167
Gain (loss) on sale of other assets	(84) 1
Other	734	664
Total non-interest income	2,264	2,565
Non-interest expense:		
Salaries and employee benefits	3,833	3,658
Occupancy	511	500
Equipment	437	394
Marketing and public relations	195	328
FDIC assessment	138	138
Other real estate expense	21	154
Amortization of intangibles	80	98
Other	1,118	1,119
Total non-interest expense	6,333	6,389
Net income before tax	2,391	1,989
Income taxes	646	546
Net income	\$ 1,745	\$ 1,443
Basic earnings per common share	\$ 0.27	\$ 0.22
Diluted earnings per common share	\$ 0.26	\$ 0.22

See Notes to Consolidated Financial Statements

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**FIRST
COMMUNITY
CORPORATION**

**CONSOLIDATED
STATEMENTS OF
COMPREHENSIVE
INCOME**

(Unaudited)

(Dollars in thousands)	Six months ended June 30,	
	2016	2015
Net income	\$ 3,213	\$ 2,847
Other comprehensive income:		
Unrealized gain (loss) during the period on available-for-sale securities, net of tax of \$1,594 and \$32, respectively	3,095	(179)
Less: Reclassification adjustment for gain included in net income, net of tax benefit of \$41 and \$131, respectively	(82)	(140)
Other comprehensive income (loss)	3,013	(319)
Comprehensive income	\$ 6,226	\$ 2,528
(Dollars in thousands)	Three months ended June 30,	
	2016	2015
Net income	\$ 1,745	\$ 1,443
Other comprehensive income (loss):		
Unrealized gain (loss) during the period on available-for-sale securities, net of tax \$649 and \$567, respectively.	1,259	(1,101)
Less: Reclassification adjustment for gain included in net income, net of tax of \$21 and \$56 respectively.	(43)	(111)
Other comprehensive income (loss)	1,216	(1,212)
Comprehensive income	\$ 2,961	\$ 231

See Notes to Consolidated Financial Statements

FIRST COMMUNITY CORPORATION

Consolidated Statements of Changes in Shareholders' Equity

Six Months ended June 30, 2016 and June 30, 2015

(Unaudited)

(Dollars and shares in thousands)

	Shares Issued	Common Stock	Common Stock Warrants	Additional Paid-in Capital	Nonvested Restricted Stock	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balance December 31, 2014	6,664	\$ 6,664	\$ 48	\$ 75,504	\$ (673)	\$ (8,286)	\$ 1,271	\$ 74,528
Net income						2,847		2,847
Other comprehensive loss net of tax of \$164							(319)	(319)
Issuance of restricted stock	13	13		137	(150)			—
Restricted shares surrendered	(8)	(8)		(90)				(98)
Amortization compensation restricted stock					268			268
Exercise of stock warrants	2	2	(2)					—
Dividends: Common (\$0.14 per share)						(913)		(913)
Dividend reinvestment plan	8	8		90				98
Balance, June 30, 2015	6,679	\$ 6,679	\$ 46	\$ 75,641	\$ (555)	\$ (6,352)	\$ 952	