

FIRST COMMUNITY CORP /SC/  
Form 10-Q  
August 10, 2012  
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**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 30, 2012

**Transition report pursuant to Section 13 or 15(d) of the Exchange Act**

for the transition period from        to

Commission File No. 000-28344

**FIRST COMMUNITY CORPORATION**

(Exact name of registrant as specified in its charter)

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**South Carolina**  
(State of Incorporation)

**57-1010751**  
(I.R.S. Employer Identification No.)

**5455 Sunset Boulevard, Lexington, South Carolina 29072**

(Address of Principal Executive Offices)

**(803) 951-2265**

(Registrant's Telephone Number, Including Area Code)

(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 equity, as of the latest practicable date: On August 10, 2012, 5,221,365 shares of the issuer's common stock, par value \$1.00 per share, were issued and outstanding.



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(Dollars in thousands, except par value)	June 30, 2012 (Unaudited)	December 31, 2011
<b>ASSETS</b>		
Cash and due from banks	\$ 10,345	\$ 10,599
Interest-bearing bank balances	17,946	5,512
Federal funds sold and securities purchased under agreements to resell	259	381
Investment securities - available for sale	196,581	201,032
Other investments, at cost	4,800	5,637
Loans held for sale	4,356	3,725
Loans	324,913	324,311
Less, allowance for loan losses	4,742	4,699
Net loans	320,171	319,612
Property, furniture and equipment - net	17,451	17,483
Bank owned life insurance	10,689	10,974
Other real estate owned	4,909	7,351
Intangible assets	263	365
Goodwill	571	571
Other assets	9,673	10,645
Total assets	\$ 598,014	\$ 593,887
<b>LIABILITIES</b>		
Deposits:		
Non-interest bearing demand	\$ 90,557	\$ 83,572
NOW and money market accounts	146,347	136,483
Savings	39,321	34,048
Time deposits less than \$100,000	120,882	128,616
Time deposits \$100,000 and over	76,912	81,866
Total deposits	474,019	464,585
Securities sold under agreements to repurchase	12,817	13,616
Federal Home Loan Bank advances	38,496	43,862
Junior subordinated debt	17,916	17,913
Other liabilities	5,470	6,015
Total liabilities	548,718	545,991
Commitments and contingencies		
<b>SHAREHOLDERS EQUITY</b>		
Preferred stock, par value \$1.00 per share, 10,000,000 shares authorized; 11,350 issued and outstanding	11,191	11,137
Common stock, par value \$1.00 per share; 10,000,000 shares authorized; issued and outstanding 3,346,365 at June 30, 2012 3,307,531 at December 31, 2011	3,346	3,308
Common stock warrants issued	560	560
Additional paid in capital	49,443	49,165
Restricted stock	(242)	
Accumulated deficit	(16,477)	(17,603)

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Accumulated other comprehensive income	1,475	1,329
Total shareholders' equity	49,296	47,896
Total liabilities and shareholders' equity	\$ 598,014	\$ 593,887

See Notes to Consolidated Financial Statements

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**FIRST COMMUNITY CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**

	Six Months Ended June 30, 2012 (Unaudited)	Six Months Ended June 30, 2011 (Unaudited)
<b>(Dollars in thousands, except per share data)</b>		
<b>Interest income:</b>		
Loans, including fees	\$ 9,256	\$ 9,629
Taxable securities	2,341	3,203
Non taxable securities	249	33
Federal funds sold and securities purchased under resale agreements	17	21
Other	21	20
Total interest income	11,884	12,906
<b>Interest expense:</b>		
Deposits	1,735	2,443
Federal funds sold and securities sold under agreement to repurchase	18	18
Other borrowed money	1,171	1,372
Total interest expense	2,924	3,833
<b>Net interest income</b>	<b>8,960</b>	<b>9,073</b>
Provision for loan losses	301	750
Net interest income after provision for loan losses	8,659	8,323
<b>Non-interest income:</b>		
Deposit service charges	764	936
Mortgage origination fees	1,600	454
Investment advisory fees and non-deposit commissions	309	313
Gain (loss) on sale of securities	(27)	141
Gain (loss) on sale of other assets	14	(91)
Fair value loss adjustments	(37)	(125)
Other-than-temporary-impairment write-down on securities	(200)	(4)
Loss on early extinguishment of debt	(121)	
Other	1,016	974
Total non-interest income	3,318	2,598
<b>Non-interest expense:</b>		
Salaries and employee benefits	5,305	4,509
Occupancy	680	617
Equipment	570	571
Marketing and public relations	294	297
FDIC assessments	380	505
Other real estate expense	386	504
Amortization of intangibles	102	310
Other	1,803	1,790
Total non-interest expense	9,520	9,103
Net income before tax	2,457	1,818
Income taxes	730	522
<b>Net income</b>	<b>\$ 1,727</b>	<b>\$ 1,296</b>
Preferred stock dividends, including discount accretion	337	335
<b>Net income available to common shareholders</b>	<b>\$ 1,390</b>	<b>\$ 961</b>
Basic earnings per common share	\$ 0.42	\$ 0.29
Diluted earnings per common share	\$ 0.42	\$ 0.29





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**FIRST COMMUNITY CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**

	<b>Three Months Ended June 30, 2012 (Unaudited)</b>	<b>Three Months Ended June 30, 2011 (Unaudited)</b>
<b>(Dollars in thousands, except per share data)</b>		
<b>Interest income:</b>		
Loans, including fees	\$ 4,629	\$ 4,821
Taxable securities	1,026	1,611
Non taxable securities	163	14
Federal funds sold and securities purchased under resale agreements	11	10
Other	11	10
<b>Total interest income</b>	<b>5,840</b>	<b>6,466</b>
<b>Interest expense:</b>		
Deposits	808	1,185
Federal funds sold and securities sold under agreement to repurchase	9	10
Other borrowed money	572	652
<b>Total interest expense</b>	<b>1,389</b>	<b>1,847</b>
<b>Net interest income</b>	<b>4,451</b>	<b>4,619</b>
Provision for loan losses	71	390
<b>Net interest income after provision for loan losses</b>	<b>4,380</b>	<b>4,229</b>
<b>Non-interest income:</b>		
Deposit service charges	375	478
Mortgage origination fees	877	263
Investment advisory fees and non-deposit commissions	162	138
Gain (loss) on sale of securities	(38)	7
Loss on sale of other assets	(36)	(44)
Fair value loss adjustments	(4)	(129)
Other	519	505
<b>Total non-interest income</b>	<b>1,855</b>	<b>1,218</b>
<b>Non-interest expense:</b>		
Salaries and employee benefits	2,747	2,196
Occupancy	335	308
Equipment	283	290
Marketing and public relations	108	126
FDIC assessment	196	250
Other real estate expense	267	158
Amortization of intangibles	51	155
Other	921	944
<b>Total non-interest expense</b>	<b>4,908</b>	<b>4,427</b>
<b>Net income before tax</b>	<b>1,327</b>	<b>1,020</b>
Income taxes	399	294
<b>Net income</b>	<b>\$ 928</b>	<b>\$ 726</b>
Preferred stock dividends, including discount accretion	168	168
<b>Net income available to common shareholders</b>	<b>\$ 760</b>	<b>\$ 558</b>
Basic earnings per common share	\$ 0.23	\$ 0.17
Diluted earnings per common share	\$ 0.23	\$ 0.17

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,	
	2012	2011
Net income	\$ 1,727	\$ 1,296
Other comprehensive income:		
Unrealized gain(loss) during the period on available-for-sale securities, net of tax expense(benefit) of \$2 and \$771, respectively	(4)	1,420
Less: Reclassification adjustment for (gain)loss included in net income, net of tax (expense)benefit of \$9 and \$49, respectively	18	(92)
Reclassification adjustment for other-than-temporary-impairment on securities net of tax benefit of \$68 and \$1, respectively	132	3
Other comprehensive income	146	1,331
Comprehensive income	\$ 1,873	\$ 2,627

(Dollars in thousands)	Three months ended June 30,	
	2012	2011
Net income	\$ 928	\$ 726
Other comprehensive income (loss):		
Unrealized gain(loss) during the period on available-for-sale securities, net of tax expense(benefit) of \$394 and \$510, respectively.	(742)	937
Less: Reclassification adjustment for (gain)loss included in net income, net of tax (expense)benefit of \$13 and \$2, respectively.	25	(5)
Other comprehensive income (loss)	(717)	932
Comprehensive income	\$ 211	\$ 1,658

See Notes to Consolidated Financial Statements

Table of Contents**FIRST COMMUNITY CORPORATION****Consolidated Statements of Changes in Shareholders Equity****Six Months ended June 30, 2012 and June 30, 2011****(Unaudited)**

(Dollars and shares in thousands)	Preferred	Shares	Common	Common	Additional	Nonvested	Accumulated	Accumulated	Total
	Stock	Issued	Stock	Stock Warrants	Paid-in Capital	Restricted Stock	Deficit	Other Comprehensive Income (Loss)	
Balance, December 31, 2010	\$ 11,035	3,270	\$ 3,270	\$ 509	\$ 48,956	\$	\$ (19,732)	\$ (2,241)	\$ 41,797
Net income							1,296		1,296
Other comprehensive income net of tax expense of \$723								1,331	1,331
Dividends: Common (\$0.08 per share)							(262)		(262)
Preferred							(335)		(335)
Accretion	51								51
Dividend reinvestment plan		7	7		41				48
<b>Balance, June 30, 2011</b>	<b>\$ 11,086</b>	<b>3,277</b>	<b>\$ 3,277</b>	<b>\$ 509</b>	<b>\$ 48,997</b>	<b>\$</b>	<b>\$ (19,033)</b>	<b>\$ (910)</b>	<b>\$ 43,926</b>
Balance, December 31, 2011	\$ 11,137	3,308	\$ 3,308	\$ 560	\$ 49,165	\$	\$ (17,603)	\$ 1,329	\$ 47,896
Net income							1,727		1,727
Other comprehensive income net of tax benefit of \$75								146	146
Issuance of restricted stock		33	33		239	(272)			
Amortization compensation restricted stock						30			30
Dividends: Common (\$0.08 per share)							(264)		(264)
Preferred							(337)		(337)
Accretion	54								54
Dividend reinvestment plan		5	5		39				44
<b>Balance, June 30, 2012</b>	<b>\$ 11,191</b>	<b>3,346</b>	<b>\$ 3,346</b>	<b>\$ 560</b>	<b>\$ 49,443</b>	<b>\$ (242)</b>	<b>\$ (16,477)</b>	<b>\$ 1,475</b>	<b>\$ 49,296</b>

See Notes to Consolidated Financial Statements

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**FIRST COMMUNITY CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

(Dollars in thousands)	Six months ended June 30,	
	2012	2011
<b>Cash flows from operating activities:</b>		
Net income	\$ 1,727	\$ 1,296
Adjustments to reconcile net income to net cash provided in operating activities:		
Depreciation	417	425
Premium amortization (discount accretion)	1,298	874
Provision for loan losses	301	750
Writedowns of other real estate owned	206	202
(Gain) loss on sale of other real estate owned	(14)	91
Amortization of intangibles	102	310
(Gain) loss on sale of securities	27	(141)
Other-than-temporary-impairment on securities	200	4
Net decrease in fair value option instruments and derivatives	37	125
Loss on early extinguishment of debt	121	
Decrease in other assets	1,217	612
Decrease in other liabilities	(543)	(525)
Net cash provided from operating activities	5,096	4,023
<b>Cash flows from investing activities:</b>		
Purchase of investment securities available-for-sale and other investments	(63,384)	(67,467)
Maturity of investment securities available-for-sale	17,443	17,425
Proceeds from sale of securities available-for-sale and other investments	50,012	36,817
Increase in loans	(2,445)	(941)
Proceeds from sale of other real estate owned	3,130	1,408
Purchase of property and equipment	(385)	(119)
Proceeds from sale of land		9
Net cash provided (used) in investing activities	4,371	(12,868)
<b>Cash flows from financing activities:</b>		
Increase in deposit accounts	9,434	15,573
Increase (decrease) in securities sold under agreements to repurchase	(799)	2,865
Decrease in other borrowings		(20)
Advances from the Federal Home Loan Bank	1,500	
Repayment of advances from FHLB	(6,987)	(13,866)
Dividends paid:		
Common Stock	(264)	(262)
Preferred Stock	(337)	(335)
Dividend reinvestment plan	44	48
Net cash provided from financing activities	2,591	4,003
Net increase (decrease) in cash and cash equivalents	12,058	(4,842)
Cash and cash equivalents at beginning of period	16,492	26,461
<b>Cash and cash equivalents at end of period</b>	<b>\$ 28,550</b>	<b>\$ 21,619</b>
<b>Supplemental disclosure:</b>		
Cash paid during the period for:		
Interest	\$ 3,351	\$ 4,165
Income taxes	\$	\$
Non-cash investing and financing activities:		
Unrealized gain on securities	\$ 146	\$ 1,331
Transfer of loans to foreclosed property	\$ 904	\$ 3,655



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In the opinion of management, the accompanying unaudited consolidated balance sheets, and the consolidated statements of income, comprehensive income, changes in shareholders' equity, and the consolidated statements of cash flows of First Community Corporation (the Company), present fairly in all material respects the Company's financial position at June 30, 2012 and December 31, 2011, the Company's results of operations and cash flows for the six months ended June 30, 2012 and 2011. The results of operations for the six months ended June 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012.

In the opinion of management, all adjustments necessary to fairly present the consolidated financial position and consolidated results of operations have been made. All such adjustments are of a normal, recurring nature. All significant intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements and notes thereto are presented in accordance with the instructions for Form 10-Q. The information included in the Company's 2011 Annual Report on Form 10-K should be referred to in connection with these unaudited interim financial statements.

***Note 2 Earnings Per Common Share***

The following reconciles the numerator and denominator of the basic and diluted earnings per common share computation:

(In thousands, except price per share)	Six months Ended June 30,		Three months Ended June 30,	
	2012	2011	2012	2011
Numerator (Net income available to common shareholders)	\$ 1,390	\$ 961	\$ 760	\$ 558
Denominator				
Weighted average common shares outstanding for:				
Basic earnings per share	3,319	3,274		