

FIRST COMMUNITY CORP /SC/  
Form 10-Q  
November 10, 2016

**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 September 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

57-1010751

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

or organization)

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 November 10, 2016, 6,703,317 shares of the issuer’s common stock, par value \$1.00 per share, were issued and outstanding.

**TABLE OF CONTENTS**

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

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

(Dollars in thousands, except par value)	September 30, 2016 (Unaudited)	December 31, 2015
<b>ASSETS</b>		
Cash and due from banks	\$ 13,751	\$ 10,973
Interest-bearing bank balances	24,345	11,375
Federal funds sold and securities purchased under agreements to resell	599	593
Investment securities - held to maturity	17,238	17,371
Investment securities - available for sale	269,255	264,687
Other investments, at cost	1,681	1,783
Loans held for sale	4,250	2,962
Loans	523,441	489,191
Less, allowance for loan losses	5,047	4,596
Net loans	518,394	484,595
Property, furniture and equipment - net	29,951	29,929
Land held for sale	1,055	1,080
Bank owned life insurance	20,755	20,301
Other real estate owned	1,198	2,458
Intangible assets	1,177	1,419
Goodwill	5,078	5,078
Other assets	6,525	8,130
Total assets	\$ 915,252	\$ 862,734
<b>LIABILITIES</b>		
Deposits:		
Non-interest bearing	\$ 177,267	\$ 156,247
Interest bearing	588,656	559,904
Total deposits	765,923	716,151
Securities sold under agreements to repurchase	22,232	21,033
Federal Home Loan Bank advances	21,022	24,788
Junior subordinated debt	14,964	14,964
Other liabilities	6,903	6,760
Total liabilities	831,044	783,696
<b>SHAREHOLDERS' EQUITY</b>		
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 6,703,317 at September 30, 2016 6,690,551 at December 31, 2015	6,703	6,690
Common stock warrants issued	46	46

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Non-vested restricted stock	(313	)	(297	)
Additional paid in capital	75,921		75,761	
Accumulated deficit	(688	)	(3,992	)
Accumulated other comprehensive income	2,539		830	
Total shareholders' equity	84,208		79,038	
Total liabilities and shareholders' equity	\$ 915,252		\$ 862,734	

See Notes to Consolidated Financial Statements

3

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

	Nine Months Ended September 30, 2016 (Unaudited)	Nine Months Ended September 30, 2015 (Unaudited)
(Dollars in thousands, except per share data)		
Interest income:		
Loans, including fees	\$ 17,582	\$ 17,373
Taxable securities	2,903	2,771
Non taxable securities	1,428	1,216
Federal funds sold and securities purchased under resale agreements	56	22
Other	27	64
Total interest income	21,996	21,446
Interest expense:		
Deposits	1,358	1,304
Federal funds sold and securities sold under agreement to repurchase	32	26
Other borrowed money	941	1,211
Total interest expense	2,331	2,541
Net interest income	19,665	18,905
Provision for loan losses	536	990
Net interest income after provision for loan losses	19,129	17,915
Non-interest income:		
Deposit service charges	1,064	1,083
Mortgage banking income	2,515	2,679
Investment advisory fees and non-deposit commissions	871	993
Gain on sale of securities	601	271
Gain (loss) on sale of other assets	(36)	) 24
Loss on early extinguishment of debt	(459)	) (103)
Other	2,184	1,928
Total non-interest income	6,740	6,875
Non-interest expense:		
Salaries and employee benefits	11,472	10,818
Occupancy	1,601	1,498
Equipment	1,308	1,233
Marketing and public relations	529	683
FDIC assessments	336	389
Other real estate expense	187	434
Amortization of intangibles	243	299
Other	3,582	3,202
Total non-interest expense	19,258	18,556
Net income before tax	6,611	6,234
Income taxes	1,721	1,708
Net income	\$ 4,890	\$ 4,526
Basic earnings per common share	\$ 0.74	\$ 0.69
Diluted earnings per common share	\$ 0.72	\$ 0.68
See Notes to Consolidated Financial Statements		



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

	Three Months Ended September 30, 2016 (Unaudited)	Three Months Ended September 30, 2015 (Unaudited)
(Dollars in thousands, except per share data)		
Interest income:		
Loans, including fees	\$ 5,977	\$ 5,795
Taxable securities	944	860
Non taxable securities	445	430
Federal funds sold and securities purchased under resale agreements	24	8
Other	10	21
Total interest income	7,400	7,114
Interest expense:		
Deposits	465	443
Federal funds sold and securities sold under agreement to repurchase	12	11
Other borrowed money	272	407
Total interest expense	749	861
Net interest income	6,651	6,253
Provision for loan losses	179	193
Net interest income after provision for loan losses	6,472	6,060
Non-interest income:		
Deposit service charges	377	390
Mortgage banking income	937	964
Investment advisory fees and non-deposit commissions	283	290
Gain on sale of securities	478	—
Gain on sale of other assets	45	17
Loss on early extinguishment of debt	(459)	—
Other	726	668
Total non-interest income	2,387	2,329
Non-interest expense:		
Salaries and employee benefits	3,888	3,595
Occupancy	531	513
Equipment	442	437
Marketing and public relations	240	129
FDIC assessment	60	113
Other real estate expense	115	126
Amortization of intangibles	80	98
Other	1,227	1,056
Total non-interest expense	6,583	6,067
Net income before tax	2,276	2,322
Income taxes	599	643
Net income	\$ 1,677	\$ 1,679
Basic earnings per common share	\$ 0.26	\$ 0.26
Diluted earnings per common share	\$ 0.25	\$ 0.25



See Notes to Consolidated Financial Statements

5

**FIRST  
COMMUNITY  
CORPORATION**

**CONSOLIDATED  
STATEMENTS OF  
COMPREHENSIVE  
INCOME**

**(Unaudited)**

<b>(Dollars in thousands)</b>	Nine months ended September 30,	
	2016	2015
Net income	\$ 4,890	\$ 4,526
Other comprehensive income:		
Unrealized gain during the period on available-for-sale securities, net of taxes of \$1,085 and \$275, respectively	2,106	532
Less: Reclassification adjustment for gain included in net income, net of taxes of \$204 and \$92, respectively	(397 )	(179 )
Other comprehensive income	1,709	353
Comprehensive income	\$ 6,599	\$ 4,879

<b>(Dollars in thousands)</b>	Three months ended September 30,	
	2016	2015
Net income	\$ 1,677	\$ 1,679
Other comprehensive income:		
Unrealized gain (loss) during the period on available-for-sale securities, net of taxes of \$509 and \$357, respectively	(989 )	672
Less: Reclassification adjustment for gain included in net income, net of taxes of \$163 and \$0, respectively	(315 )	—
Other comprehensive income (loss)	(1,304 )	672
Comprehensive income	\$ 373	\$ 2,351

See Notes to Consolidated Financial Statements

**FIRST COMMUNITY CORPORATION**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**Nine Months ended September 30, 2016 and September 30, 2015**  
**(Unaudited)**

(Dollars and shares in thousands)

	Shares Issued	Common Stock	Common Stock Warrants	Additional Paid-in Capital	Nonvested Restricted Stock	Accumulated Deficit	Other Comprehensive Income (Loss)	Accumulated Comprehensive Total
Balance, December 31, 2014	6,664	\$ 6,664	\$ 48	\$ 75,504	\$ (673 )	\$ (8,286 )	\$ 1,271	\$ 74,528
Net income						4,526		4,526
Other comprehensive income net of tax of \$183							353	353
Issuance of restricted stock	13	13		137	(150 )			—
Restricted shares surrendered	(8 )	(8 )		(90 )				(98 )
Amortization compensation restricted stock					397			397
Exercise of stock warrants	2	2	(2 )					—
Dividends: Common (\$0.21 per share)						(1,371 )		(1,371 )
Dividend reinvestment plan	14	14		139				153
Balance, September 30, 2015	6,685	\$ 6,685	\$ 46	\$ 75,690	\$ (426 )	\$ (5,131 )	\$ 1,624	\$ 78,488
Balance, December 31, 2015	6,690	\$ 6,690	\$ 46	\$ 75,761	\$ (297 )	\$ (3,992 )		