

FIRST COMMUNITY CORP /SC/
Form 10-Q
August 16, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

for the quarterly period ended June 30, 2010

o 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)

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 11, 2010, 3,262,158 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, 2010 (Unaudited)	December 31, 2009
ASSETS		
Cash and due from banks	\$ 7,957	\$ 6,752
Interest-bearing bank balances	26,878	13,635
Federal funds sold and securities purchased under agreements to resell	3,278	457
Investment securities - available for sale	132,891	131,836
Investment securities - held to maturity (market value of \$42,381 and \$49,092 at June 30, 2010 and December 31, 2009, respectively)	46,179	56,104
Other investments, at cost	7,390	7,904
Loans	337,507	344,187
Less, allowance for loan losses	4,838	4,854
Net loans	332,669	339,333
Property, furniture and equipment - net	18,307	18,666
Bank owned life insurance	10,701	10,551
Other real estate owned	4,726	3,167
Intangible assets	1,191	1,502
Other assets	14,912	15,920
Total assets	\$ 607,079	\$ 605,827
LIABILITIES		
Deposits:		
Non-interest bearing demand	\$ 79,778	\$ 72,656
NOW and money market accounts	114,927	104,659
Savings	29,644	25,757
Time deposits less than \$100,000	154,583	156,422
Time deposits \$100,000 and over	80,553	90,082
Total deposits	459,485	449,576
Securities sold under agreements to repurchase	14,811	20,676
Federal Home Loan Bank advances	68,960	73,326
Junior subordinated debt	15,464	15,464
Other borrowed money	33	164
Other liabilities	5,383	5,181
Total liabilities	564,136	564,387
SHAREHOLDERS' EQUITY		
Preferred stock, par value \$1.00 per share, 10,000,000 shares authorized; 11,350 issued and outstanding	10,987	10,939
Common stock, par value \$1.00 per share; 10,000,000 shares authorized; issued and outstanding 3,262,158 at June 30, 2010 3,252,358 at December 31, 2009	3,262	3,252
Common stock warrants issued	509	509
Nonvested restricted stock	(27)	(79)
Additional paid in capital	48,923	48,873
Retained earnings (deficit)	(19,929)	(20,401)

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Accumulated other comprehensive income (loss)		(782)		(1,653)
Total shareholders' equity		42,943		41,440
Total liabilities and shareholders' equity	\$	607,079	\$	605,827

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FIRST COMMUNITY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands)	Six Months Ended June 30, 2010 (Unaudited)	Six Months Ended June 30, 2009 (Unaudited)
Interest income:		
Loans, including fees	\$ 10,025	\$ 9,927
Taxable securities	3,877	5,440
Non taxable securities	77	168
Federal funds sold and securities purchased under resale agreements	26	28
Other	19	18
Total interest income	14,024	15,581
Interest expense:		
Deposits	3,305	4,704
Federal funds sold and securities sold under agreement to repurchase	36	55
Other borrowed money	1,511	2,190
Total interest expense	4,852	6,949
Net interest income	9,172	8,632
Provision for loan losses	1,130	1,392
Net interest income after provision for loan losses	8,042	7,240
Non-interest income:		
Deposit service charges	963	1,132
Mortgage origination fees	349	463
Investment advisory fees and non-deposit commissions	334	252
Gain on sale of securities	106	363
Fair value gain (loss) adjustments	(443)	251
Other-than-temporary-impairment write-down on securities	(359)	(742)
Other	801	831
Total non-interest income	1,751	2,550
Non-interest expense:		
Salaries and employee benefits	4,305	4,140
Occupancy	606	589
Equipment	583	623
Marketing and public relations	196	162
FDIC assessments	413	687
Other real estate expense	293	115
Amortization of intangibles	310	310
Other	1,685	1,827
Total non-interest expense	8,391	8,453
Net income before tax	1,402	1,337
Income taxes	338	351
Net income	\$ 1,064	\$ 986
Preferred stock dividends, including discount accretion	332	328
Net income available to common shareholders	\$ 732	\$ 658
Basic earnings per common share	\$ 0.23	\$ 0.20
Diluted earnings per common share	\$ 0.23	\$ 0.20

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FIRST COMMUNITY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands)	Three Months Ended June 30, 2010 (Unaudited)	Three Months Ended June 30, 2009 (Unaudited)
Interest income:		
Loans, including fees	\$ 4,975	\$ 4,964
Taxable securities	1,861	2,589
Non taxable securities	6	78
Federal funds sold and securities purchased under resale agreements	17	23
Other	10	8
Total interest income	6,869	7,662
Interest expense:		
Deposits	1,634	2,228
Federal funds sold and securities sold under agreement to repurchase	15	26
Other borrowed money	755	1,086
Total interest expense	2,404	3,340
Net interest income	4,465	4,322
Provision for loan losses	580	941
Net interest income after provision for loan losses	3,885	3,381
Non-interest income:		
Deposit service charges	478	576
Mortgage origination fees	225	246
Commission on sale of non deposit investment products	160	103
Gain on sale of securities	104	9
Fair value gain (loss) adjustments	(247)	230
Other-than-temporary-impairment write-down on securities	(216)	(94)
Other	425	432
Total non-interest income	929	1,502
Non-interest expense:		
Salaries and employee benefits	2,178	2,127
Occupancy	292	289
Equipment	295	304
Marketing and public relations	105	55
FDIC assessment	209	566
Other real estate expense	103	30
Amortization of intangibles	155	155
Other	868	903
Total non-interest expense	4,205	4,429
Net income before tax	609	454
Income taxes	134	40
Net income	\$ 475	\$ 414
Preferred stock dividends, including discount accretion	166	165
Net income available to shareholders	\$ 309	\$ 249
Basic earnings per common share	\$ 0.10	\$ 0.08
Diluted earnings per common share	\$ 0.10	\$ 0.08

Table of Contents**FIRST COMMUNITY CORPORATION****Consolidated Statement of Changes in Shareholder's Equity and Comprehensive Income (Loss)****Six Months ended June 30, 2010 and June 30, 2009**

(Dollars in thousands)	Preferred Stock	Shares Issued	Common Stock	Common Stock Warrants	Additional Paid-in Capital	Nonvested Restricted Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2008	\$ 10,850	3,227	\$ 3,227	\$ 509	\$ 48,732	\$ (186)	\$ 6,263	\$ (1,239)	\$ 68,156
Comprehensive Income:									
Net income							986		986
Other comprehensive income:									
Unrealized gain during period on available-for-sale securities net of tax of \$145								282	
Unrealized market loss on held-to- maturity securities net of tax benefit of \$697								(1,316)	
Less: reclassification adjustment for gain included in net income, net of tax \$65								(125)	
Other comprehensive loss								(1,159)	(1,159)
Comprehensive loss:									(173)
Amortization of compensation on restricted stock						53			53
Dividends: Common (\$0.16 per share)							(517)		(517)
Preferred	45						(328)		(283)
Exercise of stock options					1				1
Dividend reinvestment plan		16	16		92				108
Balance, June 30, 2009	\$ 10,895	3,243	\$ 3,243	\$ 509	\$ 48,825	\$ (133)	\$ 6,404	\$ (2,398)	\$ 67,345
Balance, December 31, 2009	\$ 10,939	3,252	\$ 3,252	\$ 509	\$ 48,873	\$ (79)	\$ (20,401)	\$ (1,653)	\$ 41,440
Comprehensive Income:									
Net income							1,064		1,064
Other comprehensive income (loss)									
Unrealized gain during period on available-for-sale securities net of tax of \$381								707	
Less: reclassification adjustment for gain									
Included in net income, net of tax \$37								(69)	
Reclassification adjustment for Other-than-temporary-Impairment included in income net of tax of \$126								233	
Other comprehensive income								871	871
Comprehensive income (loss)									1,935
Amortization of compensation on restricted stock						52			52
Dividends: Common (\$0.08 per share)							(260)		(260)
Preferred	48						(332)		(284)
Dividend reinvestment plan		10	10		50				60
Balance, June 30, 2010	\$ 10,987	3,262	\$ 3,262	\$ 509	\$ 48,923	\$ (27)	\$ (19,929)	\$ (782)	\$ 42,943

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FIRST COMMUNITY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Six months ended June 30,	
	2010	2009
Cash flows from operating activities:		
Net income	\$ 1,064	\$ 986
Adjustments to reconcile net income to net cash provided in operating activities:		
Depreciation	454	495
Premium amortization (discount accretion)	583	(9)
Provision for loan losses	1,130	1,392
Amortization of intangibles	310	310
Gain on sale of securities	(106)	(363)
Other-than-temporary-impairment on securities	359	742
Net (increase) decrease in fair value option instruments and derivatives	443	(251)
(Increase) decrease in other assets	1,192	1,391
Increase (decrease) in other liabilities	202	432
Net cash provided in operating activities	5,631	5,125
Cash flows from investing activities:		
Purchase of investment securities available-for-sale	(68,089)	(32,895)
Maturity of investment securities available-for-sale	21,271	31,478
Proceeds from sale of securities available-for-sale	51,933	11,213
Purchase of investment securities held-to-maturity		(2,123)
Maturity of investment securities held-to-maturity	4,895	7,960
Maturity of securities held-for-trading		423
Decrease (Increase) in loans	2,740	(1,563)
Purchase of property and equipment	(95)	(310)
Net cash provided in investing activities	12,655	14,183
Cash flows from financing activities:		
Increase in deposit accounts	9,877	9,725
Decrease in securities sold under agreements to repurchase	(5,865)	(2,931)
Decrease in other borrowings	(131)	(26)
Advances from the FHLB		4,000
Repayment of advances FHLB	(4,366)	(9,866)
Proceeds from exercise of stock options		
Dividends paid: Common Stock	(260)	(517)
Preferred Stock	(332)	(274)
Dividend reinvestment plan	60	108
Net cash provided from financing activities	(1,017)	219
Net increase in cash and cash equivalents	17,269	19,527
Cash and cash equivalents at beginning of period	20,844	12,367
Cash and cash equivalents at end of period	38,113	31,894
Supplemental disclosure:		
Cash paid during the period for:		
Interest	\$ 4,700	