FIRST COMMUNITY CORP /SC/
Form 10-Q
May 14, 2013
Table of Contents

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 March 31, 2013

o 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	**57-1010751**
(State or other jurisdiction of incorporation or organization)	(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)

(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 x No o

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). x Yes o 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 o	Accelerated filer o
Non-accelerated filer o	Smaller reporting company x

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: On May 14, 2013, 5,290,452 shares of the issuer s common stock, par value $1.00 per share, were issued and outstanding.

Table of Contents

TABLE OF CONTENTS

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Table of Contents

FIRST COMMUNITY CORPORATION

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par value)	**March 31, 2013 (Unaudited)**	**December 31, 2012**
ASSETS		
Cash and due from banks	$ 8,081	$ 11,517
Interest-bearing bank balances	23,024	6,779
Federal funds sold and securities purchased under agreements to resell	734	412
Investment securities - available for sale	218,244	203,445
Other investments, at cost	2,360	2,527
Loans held for sale	4,238	9,658
Loans	333,720	332,111
Less, allowance for loan losses	4,534	4,621
Net loans	329,186	327,490
Property, furniture and equipment - net	17,197	17,258
Bank owned life insurance	10,944	10,868
Other real estate owned	3,317	3,987
Intangible assets	109	160
Goodwill	571	571
Other assets	7,850	8,253
Total assets	$ 625,855	$ 602,925
LIABILITIES		
Deposits:		
Non-interest bearing demand	$ 99,029	$ 97,526
NOW and money market accounts	175,214	150,874
Savings	44,631	41,100
Time deposits less than $100,000	107,434	111,182
Time deposits $100,000 and over	70,716	74,295
Total deposits	497,024	474,977
Securities sold under agreements to repurchase	17,216	15,900
Federal Home Loan Bank advances	36,339	36,344
Junior subordinated debt	15,464	15,464
Other liabilities	5,042	6,057
Total liabilities	571,085	548,742
Commitments and contingencies		
SHAREHOLDERS EQUITY		
Preferred stock, par value $1.00 per share; 10,000,000 shares authorized, none issued		
Common stock, par value $1.00 per share; 10,000,000 shares authorized; issued and outstanding 5,290,452 at March 31, 2013 5,227,300 at December 31, 2012	5,290	5,227
Common stock warrants issued	50	50
Nonvested restricted stock	(668)	(152)
Additional paid in capital	62,130	61,615
Accumulated deficit	(14,136)	(14,915)
Accumulated other comprehensive income	2,104	2,358
Total shareholders equity	54,770	54,183
Total liabilities and shareholders equity	$ 625,855	$ 602,925

See Notes to Consolidated Financial Statements

4

Table of Contents

FIRST COMMUNITY CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Dollars in thousands, except per share amounts)	**Three Months ended March 31, 2013**	**2012**
Interest and dividend income:		
Loans, including fees	$ 4,361	$ 4,627
Taxable securities	680	1,315
Non-taxable securities	227	86
Federal funds sold and securities purchased under resale agreements	6	6
Other	9	10
Total interest income	5,283	6,044
Interest expense:		
Deposits	513	927
Federal funds sold and securities sold under agreement to repurchase	9	9
Other borrowed money	482	599
Total interest expense	1,004	1,535
Net interest income	4,279	4,509
Provision for loan losses	150	230
Net interest income after provision for loan losses	4,129	4,279
Non-interest income:		
Deposit service charges	361	389
Mortgage origination fees	1,015	723
Commissions on sale of non-deposit investment products	198	147
Gain on sale of securities	15	11
Gain (loss) on sale of other assets	(2)	50
Other-than-temporary-impairment write-down on securities		(200)
Fair value adjustment losses		(33)
Loss on early extinguishment of debt		(121)
Other	496	497
Total non-interest income	2,083	1,463
Non-interest expense:		
Salaries and employee benefits	2,992	2,558
Occupancy	346	345
Equipment	283	287
Marketing and public relations	93	186
FDIC Assessment	99	184
Other real estate expense	112	144
Amortization of intangibles	51	51
Other	831	857
Total non-interest expense	4,807	4,612
Net income before tax	1,405	1,130
Income taxes	367	331
Net income	$ 1,038	$ 799
Preferred stock dividends, including discount accretion		169
Net income available to common shareholders	$ 1,038	$ 630
Basic earnings per common share	$ 0.20	$ 0.19
Diluted earnings per common share	$ 0.20	$ 0.19

See Notes to Consolidated Financial Statements

Table of Contents

FIRST COMMUNITY CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(Dollars in thousands)	**Three months ended March 31, 2013**	**2012**
Net income	$ 1,038	$ 799
Other comprehensive income (loss):		
Unrealized gain (loss) during the period on available-for-sale securities, net of tax of $125 and $379, respectively	(244)	741
Less: Reclassification adjustment for gain on available-for-sale securities included in net income, net of tax expense of $5 and $4, respectively	(10)	(7)
Reclassification adjustment for other-than-temporary-impairment on securities net of tax benefit of $71		129
Other comprehensive income (loss)	(254)	863
Comprehensive income	$ 784	$ 1,662

See Notes to Consolidated Financial Statements

Table of Contents

FIRST COMMUNITY CORPORATION

Consolidated Statements of Changes in Shareholders Equity

Three Months ended March 31, 2013 and March 31, 2012

(Unaudited)

(Dollars in thousands)	Preferred Stock	Common Shares Issued	Common Stock	Common Stock Warrants	Additional Paid-in Capital	Nonvested Restricted Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (loss)	Total
Balance December 31, 2011	$ 11,137	3,308	$ 3,308	$ 560	$ 49,165	$	$ (17,603)	$ 1,329	$ 47,896
Net income							799		799
Other comprehensive income net of tax expense of $325								863	863
Dividends: Common ($0.04 per share)							(131)		(131)
Preferred							(169)		(169)
Accretion	27								27
Dividend reinvestment plan		3	3		19				22
Balance, March 31, 2012	$ 11,164	3,311	$ 3,311	$ 560	$ 49,184	$	$ (17,104)	$ 2,192	$ 49,307
Balance December 31, 2012	$	5,227	$ 5,227	$ 50	$ 61,615	$ (152)	$ (14,915)	$ 2,358	$ 54,183
Net income							1,038		1,038
Other comprehensive loss net of tax expense of $130								(254)	(254)
Issuance of restricted stock		60	60		493	(553)			
Amortization of compensation on restricted stock						37			37
Dividends: Common ($0.05 per share)							(259)		(259)
Dividend reinvestment plan		3	3		22				25
Balance, March 31, 2013	$	5,290	$ 5,290	$ 50	$ 62,130	$ (668)	$ (14,136)	$ 2,104	$ 54,770

See Notes to Consolidated Financial Statements

Table of Contents

FIRST COMMUNITY CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three months ended March 31,	
(Dollars in thousands)	**2013**	**2012**
Cash flows from operating activities:		
Net income	$ 1,038	$ 799
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation	220	203
Premium amortization	980	580
Provision for loan losses	150	230
Write-down s of other real estate owned	21	24
(Gain) loss on sale of other real estate owned	2	(50)
Origination of loans held-for-sale	(36,059)	(23,581)
Sale of loans held-for-sale	41,479	23,443
Amortization of intangibles	51	51
Gain on sale of securities	(15)	(11)
Other-than-temporary-impairment on securities		200
Net decrease in fair value of option instruments and derivatives		33
Loss on early extinguishment of debt		121
Decrease in other assets	556	402
Decrease in other liabilities	(1,015)	(943)
Net cash provided from operating activities	7,408	1,501
Cash flows from investing activities:		
Purchase of investment securities available-for-sale	(31,739)	(8,022)
Maturity/call of investment securities available-for-sale	13,837	8,322
Proceeds from sale of securities available-for-sale	1,957	4,239
Increase in loans	(1,969)	(7,377)
Proceeds from sale of other real estate owned	673	2,407
Purchase of property and equipment	(159)	(84)
Net cash used in investing activities	(17,400)	(515)
Cash flows from financing activities:		
Increase in deposit accounts	22,046	12,288
Increase (decrease) in securities sold under agreements to repurchase	1,316	(137)
Advances from the Federal Home Loan Bank	8,500	1,500
Repayment of advances from FHLB	(8,505)	(6,626)
Dividends paid: Common Stock	(259)	(131)
Preferred Stock		(169)
Dividend reinvestment plan	25	22
Net cash provided from financing activities	23,123	6,747
Net increase in cash and cash equivalents	13,131	7,733
Cash and cash equivalents at beginning of period	18,708	16,492
Cash and cash equivalents at end of period	$ 31,839	$ 24,227
Supplemental disclosure:		
Cash paid during the period for:		
Interest	$ 1,220	$ 1,821
Income taxes	$	$
Non-cash investing and financing activities:		
Unrealized gain on securities	$ 254	$ 863
Transfer of loans to foreclosed property	$ 46	$ 413

See Notes to Consolidated Financial Statements

Table of Contents

Notes to Consolidated Financial Statements (Unaudited)

Note 1 Basis of Presentation

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 cash flows of First Community Corporation (the Company), present fairly in all material respects the Company s financial position at March 31, 2013 and December 31, 2012, and the Company s results of operations and cash flows for the three months ended March 31, 2013 and 2012. The results of operations for the three months ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

The following table summarizes the changes in accumulated other comprehensive income (loss) by component, net of tax impact, at the dates and for the periods indicated (in thousands). All amounts are net of income taxes.

	Three months ended March 31, 2013	2012
Beginning Balance	$ 2,358	$ 1,329
Other comprehensive income (loss) before reclassifications(a)	(244)	741
Amounts reclassified from accumulated other comprehensive income (loss)(a)	(10)	122
Net current-period other comprehensive income (loss)	(254)	863
Ending Balance	$ 2,104	$ 2,192

(a) All other comprehensive income (loss) and reclassifications are related to available-for-sale securities.

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 2012 Annual Report on Form 10-K should be referred to in connection with these unaudited interim financial statements.

Table of Contents

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 average market price)

[redacted]				
Numerator (Net income available to common shareholders)	$	1,038	$	630
Denominator				
Weighted average common shares outstanding for:				
Basic earnings per share		5,255		3,308
Dilutive securities:				
Warrants Treasury stock method		37		21
Diluted earnings per share		5,292		3,329
The average market price used in calculating assumed number of shares	$	8.93	$	7.29

At March 31, 2013, there were 75,022 outstanding options at an average exercise price of $19.69. None of these options has an exercise price below the average market price of $8.93 for the three-month period ended March 31, 2013, and, therefore they are not deemed to be dilutive. In the fourth quarter of 2011, we issued $2.5 million in 8.75% subordinated notes maturing December 16, 2019. On November 15, 2012, the subordinated notes were redeemed in full at par. Warrants for 107,500 shares of common stock at $5.90 per share were issued in connection with the issuance of the subordinated debt. These warrants expire December 16, 2019 and are included in dilutive securities in the table above.

Table of Contents

Note 3 Investment Securities

The amortized cost and estimated fair values of investment securities are summarized below:

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2013:				
Government sponsored enterprises	$ 1,520	$ 6	$	$ 1,526
Mortgage-backed securities	120,740	2,258	514	122,484
Small Business Administration pools	55,547	916	126	56,337
State and local government	34,954	633	141	35,446
Corporate and other securities	2,349	103	1	2,451
	$ 215,110	$ 3,916	$ 782	$ 218,244
December 31, 2012:				
Government sponsored enterprises	$ 1,522	$ 12	$	$ 1,534
Mortgage-backed securities	110,425	2,343	624	112,144
Small Business Administration pools	54,148	1,008	163	54,993
State and local government	31,483	936	46	32,373
Corporate and other securities	2,349	53	1	2,401
	$ 199,927	$ 4,352	$ 834	$ 203,445

During the three months ended March 31, 2013 and March 31, 2012, the Company received proceeds of $2.0 million and $4.2 million, respectively, from the sale of investment securities available-for-sale, amounting to gross gains of $15.4 thousand and $190.6 thousand in earnings for each respective period. Gross losses from the sale of investments for the three months ended March 31, 2012 amounted to $179.9 thousand. There were no gross losses from the sale of investment securities for the three months ended March 31, 2013. As prescribed by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 320-10-35, for the quarter ended March 31, 2012, the Company recognized the credit component of an OTTI of its debt securities in earnings and the non-credit component in other comprehensive income (OCI) for those securities in which the Company does not intend to sell the security and it is more likely than not the Company will not be required to sell the securities prior to recovery. There was no OTTI recorded in earnings for the quarter ended March 31, 2013.

At March 31, 2013, corporate and other securities available-for-sale included the following at fair value: corporate bonds at $1.0 million, mutual funds at $877.4 thousand, foreign debt of $59.5 thousand, Federal Home Loan Mortgage Corporation preferred stock of $59.4 thousand and Corporate preferred stock in the amount of $416.8 thousand. At December 31, 2012, corporate and other securities available-for-sale included the following at fair value: corporate bonds at $1.0 million, mutual funds at $884.5 thousand, foreign debt of $59.7 thousand, Federal Home Loan Mortgage Corporation preferred stock of $30.0 thousand and Corporate preferred stock in the amount of $416.7 thousand.

Other investments, at cost, include Federal Home Loan Bank (FHLB) stock in the amount of $2.4 million and $2.5 million at March 31, 2013 and December 31, 2012 respectively.

Table of Contents

Note 3 Investment Securities continued

There were no OTTI losses recorded on available-for-sale securities for the quarter ended March 31, 2013. During the three months ended March 31, 2012, the Company recorded OTTI losses on available-for-sale securities as follows.

(Dollars in thousands)	**Three months ended March 31, 2013 Available-for-sale securities**	**Three months ended March 31, 2012 Available-for-sale securities**
Total OTTI charge realized and unrealized	$	$ 415
OTTI recognized in other comprehensive income (non-credit component)		215
Net impairment losses recognized in earnings (credit component)	$	$ 200

During the first quarter 2012, an OTTI occurred of which only a portion was attributed to credit loss and recognized in earnings. The remainder was reported in other comprehensive income. The following is an analysis of amounts relating to credit losses on debt securities recognized in earnings during the three months ended March 31, 2013 and March 31, 2012.

[redacted]

Balance at beginning of period	$ 271	$ 930
Other-than-temporary-impairment not previously recognized		173
Additional increase for which an other-than-temporary impairment was previously recognized related to credit losses		27
Other-than-temporary-impairment previously recognized on securities sold		(50)
Realized losses during the period	(26)	(77)
Balance related to credit losses on debt securities at end of period	$ 245	$ 1,003

Table of Contents

Note 3 Investment Securities - continued

In evaluating the non-agency mortgage-backed securities, relevant assumptions, such as prepayment rate, default rate and loss severity on a loan level basis, are used in determining the expected recovery of the contractual cash flows. The balance of the underlying portfolio cash flows are evaluated using ongoing assumptions for loss severities, prepayment rates and default rates. The ongoing assumptions for average prepayment rate, default rate and severity used in the valuations were approximately 13.7%, 8.0%, and 50.4%, respectively. The underlying collateral on substantially all of these securities is fixed rate residential first mortgages located throughout the United States. The underlying collateral includes various percentages of owner-occupied as well as investment related single-family, 2-4 family and condominium residential properties. The securities were purchased at various discounts to par value. Based on the assumptions used in valuing the securities, the Company believes the existing discount and remaining subordinated collateral provide coverage against future credit losses on the downgraded securities for which no OTTI has been recognized.

Table of Contents

Note 3 Investment Securities - continued

The following tables show gross unrealized losses and fair values, aggregated by investment category and length of time that individual securities have been in a continuous loss position at March 31, 2013 and December 31, 2012.

March 31, 2013 (Dollars in thousands)	Less than 12 months Fair Value	Less than 12 months Unrealized Loss	12 months or more Fair Value	12 months or more Unrealized Loss	Total Fair Value	Total Unrealized Loss
Available-for-sale securities:						
Government Sponsored Enterprise mortgage-backed securities	$ 25,164	$ 209	$ 2,051	$ 11	$ 27,215	$ 220
Small Business Administration pools	12,555	122	2,300	4	14,855	126
Non-agency mortgage-backed securities			1,928	294	1,928	294
State and local government	10,414	141			10,414	141
Corporate bonds and other			49	1	49	1
Total	$ 48,133	$ 472	$ 6,328	$ 310	$ 54,461	$ 782

December 31, 2012 (Dollars in thousands)	Less than 12 months Fair Value	Less than 12 months Unrealized Loss	12 months or more Fair Value	12 months or more Unrealized Loss	Total Fair Value	Total Unrealized Loss
Available-for-sale securities:						
Government Sponsored Enterprise mortgage-backed securities	$ 22,662	$ 233	$ 4,583	$ 13	$ 27,245	$ 246
Small Business Administration pools	11,013	158	2,447	5	13,460	163
Non-agency mortgage-backed securities			2,363	378	2,363	378
State and local government	2,599	46			2,599	46
Corporate bonds and other			50	1	50	1
Total	$ 36,274	$ 437	$ 9,443	$ 397	$ 45,717	$ 834

Government Sponsored Enterprise, Mortgage-Backed Securities: Throughout 2008 and continuing into 2013, the bond markets and many institutional holders of bonds have come under a great deal of stress partially as a result of increasing delinquencies in the mortgage lending market. At March 31, 2013, the Company owns mortgage-backed securities (MBSs), including collateralized mortgage obligations (CMOs), with an amortized cost of $117.9 million and approximate fair value of $119.9 million issued by government sponsored enterprises (GSEs). Current economic conditions have impacted MBSs issued by GSEs such as the Federal Home Loan Mortgage Corporation (the FHLMC) and the Federal National Mortgage Association (the FNMA). These entities have experienced increasing delinquencies in the underlying loans that make up the MBSs and CMOs. As of March 31, 2013 and December 31, 2012, all of the MBSs issued by GSEs are classified as Available for Sale. Unrealized losses on certain of these investments are not considered to be other than temporary, and we have the intent and ability to hold these until they mature or recover the current book value. The contractual cash flows of the investments are guaranteed by the GSE. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of the Company s investment. Because the Company does not intend to sell these securities and it is more likely than not the Company will not be required sell these securities before a recovery of its amortized cost, which may be maturity, the Company does not consider the investments to be other-than-temporarily impaired at March 31, 2013.

Table of Contents

Note 3 Investment Securities - continued

Non-agency Mortgage-Backed Securities: The Company also holds private label mortgage-backed securities (PLMBSs), including CMOs, at March 31, 2013 with an amortized cost of $2.9 million and approximate fair value of $2.6 million. Management monitors each of these securities on a quarterly basis to identify any deterioration in the credit quality, collateral values and credit support underlying the investments.

During the quarter ended March 31, 2013, no OTTI charges were recorded in earnings for the PLMBS portfolio. During the quarter ended March 31, 2012, the Company identified two PLMBS with a fair value of $2.5 million that it considered other-than-temporarily-impaired. As prescribed by FASB ASC 320-10-65, the Company recognized an impairment charge in earnings of $199.8 thousand (credit component) during the first quarter of 2012. The $199.8 thousand represents the estimated credit losses on these securities for the quarter ended March 31, 2012. The credit losses were estimated by projecting the expected cash flows estimating prepayment speeds, increasing defaults and collateral loss severities. The credit loss portion of the impairment charge represents the difference between the present value of the expected cash flows and the amortized cost basis of the securities.

As prescribed by FASB ASC 320-10-35 for the three months ended March 31, 2012, the Company recognized the credit component of OTTI on debt securities in earnings and the non-credit component in other comprehensive income (OCI) for those securities in which the Company does not intend to sell the security and it is more likely than not the Company will not be required to sell the securities prior to recovery.

Corporate Bonds: Corporate bonds held by the Company are reviewed on a quarterly basis to identify downgrades by rating agencies as well as deterioration of the underlying collateral or the issuer s ability to service the debt obligation. As of March 31, 2013, the Company owns one corporate bond which is rated above investment grade. The Company does not consider this investment to be OTTI.

State and Local Governments and Other: Management monitors these securities on a quarterly basis to identify any deterioration in the credit quality. Included in the monitoring is a review of the credit rating, a financial analysis and certain demographic data on the underlying issuer. The Company does not consider these securities to be OTTI at March 31, 2013.

The following table summarizes as of March 31, 2013 the number of CUSIPs, par value, carrying value and fair value of the non-agency mortgage-backed/CMOs securities by credit rating. The credit rating reflects the lowest credit rating by any major rating agency. All non-agency mortgage-backed/CMO securities are in the super senior or senior tranche.

(Dollars in thousands)

Credit Rating	**Number of CUSIPs**	**Par Value**	**Amortized Cost**	**Fair Value**
AA	2	$ 228	$ 228	$ 233
A1	1	353	353	368

A3	1		302		302		301
A	2		68		68		67
BBB	1		210		210		208
Baa1	1		66		66		68
Baa2	1		51		51		50
Below Investment Grade	4		1,936		1,603		1,313
Total	13	$	3,214	$	2,881	$	2,608

Table of Contents

Note 3 Investment Securities - continued

The following sets forth the amortized cost and fair value of investment securities at March 31, 2013 by contractual maturity. Expected maturities differ from contractual maturities because borrowers may have the right to call or prepay the obligations with or without prepayment penalties. MBSs are based on average life at estimated prepayment speeds.

	Available-for-sale	
(Dollars in thousands)	**Amortized Cost**	**Fair Value**
Due in one year or less	$ 21,792	$ 21,912
Due after one year through five years	84,217	86,032
Due after five years through ten years	72,108	72,903
Due after ten years	36,993	37,397
	$ 215,110	$ 218,244

Note 4 Loans

Loans summarized by category as of March 31, 2013, December 31, 2012 and March 31, 2012 are as follows:

(Dollars in thousands)	**March 31, 2013**	**December 31, 2012**	**March 31, 2012**
Commercial, financial and agricultural	$ 20,981	$ 20,924	$ 20,786
Real estate:			
Construction	12,138	13,052	14,796
Mortgage-residential	38,301	38,892	38,986
Mortgage-commercial	230,644	226,575	224,372
Consumer:			
Home equity	26,316	27,173	27,119
Other	5,340	5,495	5,031
Total	$ 333,720	$ 332,111	$ 331,090

Activity in the allowance for loan losses for the quarter ended March 31, 2013, the year ended December 31, 2012, and the quarter ended March 31, 2012 was as follows:

(Dollars in thousands)	**March 31, 2013**	**December 31, 2012**	**March 31, 2012**
Balance at the beginning of period	$ 4,621	$ 4,699	$ 4,699
Provision for loan losses	150	496	230
Charged off loans	(314)	(742)	(212)
Recoveries	77	168	28
Balance at end of period	$ 4,534	$ 4,621	$ 4,745

Table of Contents

Note 4 Loans-continued

The detailed activity in the allowance for loan losses and the recorded investment in loans receivable as of and for the three months ended March 31, 2013 and March 31, 2012 and for the year ended December 31, 2012 is as follows:

(Dollars in thousands)	**Commercial**	**Real estate Construction**	**Real estate Mortgage Residential**	**Real estate Mortgage Commercial**	**Consumer Home equity**	**Consumer Other**	**Unallocated**	**Total**
2013								
Allowance for loan losses:								
Beginning balance December 31, 2012	$ 338	$	$ 235	$ 1,322	$ 400	$ 17	$ 2,309	$ 4,621
Charge-offs	7		4	235	42	26		314
Recoveries	11		61			5		77
Provisions	67	21	(93)	(12)	(122)	82	207	150
Ending balance March 31, 2013	$ 409	$ 21	$ 199	$ 1,075	$ 236	$ 78	$ 2,516	$ 4,534
Ending balances:								
Individually evaluated for impairment	$ 11	$	$	$	$	$	$	$ 11
Collectively evaluated for impairment	398	21	199	1,075	236	78	2,516	4,523
Loans receivable:								
Ending balance-total	$ 20,981	$ 12,138	$ 38,301	$ 230,644	$ 26,316	$ 5,340	$	$ 333,720
Ending balances:								
Individually evaluated for impairment	992		352	4,944		8		6,296
Collectively evaluated for impairment	$ 19,989	$ 12,138	$ 37,949	$ 225,700	$ 26,316	$ 5,332	$	$ 327,424

Table of Contents

Note 4 Loans-continued

(Dollars in thousands)	Commercial	Real estate Construction	Real estate Mortgage Residential	Real estate Mortgage Commercial	Consumer Home equity	Consumer Other	Unallocated	Total
2012								
Allowance for loan losses:								
Beginning balance December 31, 2011	$ 331	$	$ 514	$ 1,475	$ 521	$ 57	$ 1,801	$ 4,699
Charge-offs			13	178		21		212
Recoveries	12		7		2	7		28
Provisions	(36)		(8)	133	43	10	88	230
Ending balance March 31, 2012	$ 307	$	$ 500	$ 1,430	$ 566	$ 53	$ 1,889	$ 4,745
Ending balances:								
Individually evaluated for impairment	$ 1	$	$	$	$	$	$	$ 1
Collectively evaluated for impairment	306		500	1,430	566	53	1,889	4,744
Loans receivable:								
Ending balance-total	$ 20,786	$ 14,796	$ 38,986	$ 224,372	$ 27,119	$ 5,031	$	$ 331,090
Ending balances:								
Individually evaluated for impairment	43		605	8,923		32		9,603
Collectively evaluated for impairment	$ 20,743	$ 14,796	$ 38,381	$ 215,449	$ 27,119	$ 4,999	$	$ 321,487

Table of Contents

Note 4 Loans-continued

(Dollars in thousands)	Commercial	Real estate Construction	Real estate Mortgage Residential	Real estate Mortgage Commercial	Consumer Home equity	Consumer Other	Unallocated	Total
2012								
Allowance for loan losses:								
Beginning balance December 31, 2011	$ 331	$	$ 514	$ 1,475	$ 521	$ 57	$ 1,801	$ 4,699
Charge-offs	258		112	293		79		742
Recoveries	42		86		3	37		168
Provisions	223		(253)	140	(124)	2	508	496
Ending balance December 31, 2012	$ 338	$	$ 235	$ 1,322	$ 400	$ 17	$ 2,309	$ 4,621
Ending balances:								
Individually evaluated for impairment	$	$	$	$	$	$	$	$
Collectively evaluated for impairment	338		235	1,322	400	17	2,309	4,621
Loans receivable:								
Ending balance-total	$ 20,924	$ 13,052	$ 38,892	$ 226,575	$ 27,173	$ 5,495	$	$ 332,111
Ending balances:								
Individually evaluated for impairment	37		357	5,772		10		6,176
Collectively evaluated for impairment	$ 20,887	$ 13,052	$ 38,535	$ 220,803	$ 27,173	$ 5,485	$	$ 325,935

Loans outstanding and available lines of credit to bank directors, executive officers and their related business interests amounted to $10.8 million and $11.3 million at March 31, 2013 and March 31, 2012, respectively. During the three months ended March 31, 2013, repayments on these loans were $128.0 thousand and there were no new loans made. Repayments on these loans during the three months ended March 31, 2012 were $749.3 thousand and loans made amounted to $390.0 thousand. Related party loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and generally do not involve more than the normal risk of collectability.

Table of Contents

Note 4 Loans-continued

The following table presents at March 31, 2013 and December 31, 2012 loans individually evaluated and considered impaired under FASB ASC 310 Accounting by Creditors for Impairment of a Loan. Impairment includes performing troubled debt restructurings.

(Dollars in thousands)	**March 31,**	**December 31,**