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)

South Carolina	**57-1010751**
(State of Incorporation)	(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 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). o 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 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.

Table of Contents

TABLE OF CONTENTS

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FIRST COMMUNITY CORPORATION

CONSOLIDATED BALANCE SHEETS

(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)

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

Table of Contents

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

Table of Contents

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	Additionl 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

Table of Contents

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	$	6,512
Income taxes	$		$	350
Non-cash investing and financing activities:				
Unrealized gain (loss) on securities	$	871	$	(1,755)
Transfer of loans to foreclosed property	$	2,799	$	996
Transfer of HTM securities with OTTI to AFS securities	$	4,164	$	

Table of Contents

Notes to Consolidated Financial Statements

Note 1 Basis of Presentation

In the opinion of management, the accompanying unaudited consolidated balance sheets, the consolidated statements of income, the consolidated statements of 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, 2010 and December 31, 2009, the Company s results of operations for the six and three months ended June 30, 2010 and 2009, and the Company s cash flows for the six months ended June 30, 2010 and 2009. The results of operations for the six and three months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010.

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 2009 Annual Report on Form 10-K should be referred to in connection with these unaudited interim financial statements.

Note 2 Earnings Per Share

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

(In thousands, except price per share)	Six months Ended June 30, 2010	Six months Ended June 30, 2009	Three months ended June 30, 2010	Three months ended June 30, 2009
Numerator (Net income available to common shareholders)	$ 732	$ 658	$ 309	$ 249
Denominator				
Weighted average common shares outstanding for:				
Basic earnings per share	3,241	3,236	3,244	3,240
Dilutive securities:				
Stock options Treasury stock method				
Diluted earnings per share	3,241	3,236	3,244	3,240
The average market price used in calculating assumed number of shares	$ 6.26	$ 6.83	$ 6.32	$ 7.12

At June 30, 2010 there were 190,256 outstanding options at an average exercise price of $13.28 and warrants for 196,000 shares at $8.69. None of the options or warrants has an exercise price below the average market price of $6.26 and $6.32 for the six and three-month periods ended June 30, 2010, respectively, and therefore are not deemed to be dilutive.

Note 3 Assets and Liabilities Measured at Fair Value

In connection with the adoption of the Fair Value Option, the Company adopted the requirements of the FASB ASC Fair Value Measurement Topic which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Fair Value Measurement Topic also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Table of Contents

Note 3 Assets and Liabilities Measured at Fair Value - continued

Level l Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value on a recurring basis:

Investment Securities Available for Sale: Measurement is on a recurring basis based upon quoted market prices, if available. If quoted market prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for prepayment assumptions, projected credit losses, and liquidity. Level 1 securities include those traded on an active exchange or by dealers or brokers in active over-the-counter markets. Level 2 securities include mortgage-backed securities issued both issued by government sponsored enterprises and private label mortgage-backed securities. Generally these fair values are priced from established pricing models. Level 3 securities include corporate debt obligations and asset backed securities that are less liquid or for which there is an inactive market.

Investment Securities Held-to-Maturity: Investment securities that are held-to-maturity and considered other-than-temporarily-impaired are recorded at fair value in accordance with the FASB ASC Topic on Investments- Debt and Equity Securities on a non recurring basis. If the Company does not expect to recover the entire amortized cost basis of the security, other-than-temporary-impairment (OTTI) is considered to have occurred. See Note 4 for determining allocation between current earnings and comprehensive income. Measurement is based upon quoted market prices, if available. If quoted market prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for prepayment assumptions, projected credit losses, and liquidity. Level 2 securities include private label mortgage-backed securities. Generally these fair values are priced from established pricing models.

Loans: Loans that are considered impaired are recorded at fair value on a non-recurring basis. Once a loan is considered impaired measurement is based upon FASB ASC 310-10-35 Loan Impairment . The fair value is estimated using one of several methods, including collateral liquidation value, market value of similar debt and discounted cash flows. Those impaired loans not requiring a specific charge against the allowance represent loans for which the fair value of the expected repayments or collateral meet or exceed the recorded investment in the loan. At June 30, 2010, substantially all of the total impaired loans were evaluated based on the fair value of the underlying collateral. When the Company records the fair value based upon a current appraisal the fair value measurement is considered when a current appraisal is not available or there is estimated further impairment the measurement is considered a Level 3 measurement.

Other Real Estate Owned (OREO): OREO is carried at the lower of carrying value or fair value on a non-recurring basis. Fair value is based upon independent appraisals or management s estimation of the collateral. When the OREO value is based upon a current appraisal or when a current appraisal is not available or there is estimated further impairment the measurement is considered a Level 3 measurement.

Derivative Financial Instruments: Interest rate swaps and interest rate caps are carried at fair value and measured on a recurring basis. The measurement is based on valuation techniques including discounted cash flows analysis for each derivative. The analysis reflects the contractual remaining term of derivative, interest rates, volatility and expected cash payments. The measurement of the interest rate swap and cap are considered to be a Level 3 measurement.

Table of Contents

Note 3 Assets and Liabilities Measured at Fair Value continued

Goodwill and Other Intangible Assets: Goodwill and other intangible assets are measured for impairment on an annual basis, as of September 30, or more frequently if there is a change in circumstances. If the goodwill or other intangibles exceed the fair value, an impairment charge is recorded in an amount equal to the excess. Impairment is tested utilizing accepted valuation techniques utilizing discounted cash flows of the business unit, and implied fair value based on a multiple of earnings and tangible book value for merger transactions. The measurement of these fair values is considered a Level 3 measurement. The goodwill impairment test as of September 30, 2009 reflected impairment in the amount of $27.8 million, and, as a result, the balance of goodwill was written off as of that date.

Federal Home Loan Bank Advances: The fair value is calculated on a recurring basis using a discounted cash flow model based on current rate for advances with similar remaining terms. The measurement of these advances is considered Level 3 measurement.

The following tables reflect the changes in fair values for the six and three-month periods ended June 30, 2010 and 2009 and where these changes are included in the income statement:

(Dollars in thousands)

	Six months ended June 30,		Three months ended June 30,	
Description	**2010 Non-interest income: Fair value adjustment gain (loss)**	**2009 Non-interest income: Fair value adjustment gain (loss)**	**2010 Non-interest income: Fair value adjustment gain (loss)**	**2009 Non-interest income: Fair value adjustment gain (loss)**
Trading securities	$ 0	$ 26	$ 0	$ 6
Interest rate cap/swap	(443)	219	(247)	228
Federal Home Loan Bank Advance	0	6	0	(4)
Total	$ (443)	$ 251	$ (247)	$ 230

The following table summarizes quantitative disclosures about the fair value for each category of assets carried at fair value as of June 30, 2010 and December 31, 2009 that are measured on a recurring basis.

(Dollars in thousands)

Description	**June 30, 2010**	**Quoted Prices in Active Markets for**	**Significant Other Observable**	**Significant Unobservable Inputs**

		Identical Assets (Level 1)	Inputs (Level 2)	(Level 3)
Available for sale securities				
Government sponsored enterprises	7,357		7,357	
Mortgage backed securities	62,388		62,388	
Small Business Administration securities	43,078		43,078	
State and local government	12,860		12,860	
Corporate and other securities	7,208	1,078	4,373	1,757
	132,891	1,078	130,056	1,757
Interest rate cap/swap	(807)			(807)
Total	$ 132,084	$ 1,078	$ 130,056	$ 950

Table of Contents

Note 3 Assets and Liabilities Measured at Fair Value continued

(Dollars in thousands)

Description	December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available for sale securities				
Government sponsored enterprises	7,718		7,718	
Mortgage backed securities	94,124		94,124	
Small Business Administration securities	9,408		9,408	
State and local government	8,179		8,179	
Corporate and other securities	12,407	1,215	5,412	5,780
	131,836	1,215	124,841	5,780
Interest rate cap/floor	(535)			(535)
Total	$ 131,301	$ 1,215	$ 124,841	$ 5,245

The following tables reconcile the changes in Level 3 financial instruments for the six and three months ended June 30, 2010, that are measured on a recurring basis.

	Available for Sale securities	Interest rate Cap/Floor
Beginning Balance, December 31, 2009	$ 5,780	$ (535)
Gain (loss) recognized	(823)	(443)
Payments made (received)	(3,200)	171
Ending Balance, June 30, 2010	$ 1,757	$ (807)

	Available for Sale securities	Interest rate Cap/Floor
Beginning Balance, March 31, 2010	$ 5,780	$ (643)
Gain (loss) recognized	(823)	(247)
Payment made (received)	(3,200)	83
Ending Balance, June 30, 2010	$ 1,757	$ (807)

The following tables summarize quantitative disclosures about the fair value for each category of assets carried at fair value as of June 30, 2010 and December 31, 2009 that are measured on a non-recurring basis. Goodwill and other intangible assets are measured on a non-recurring basis at least annually. The valuation is performed at September 30 of each year.

(Dollars in thousands)

Description		June 30, 2010		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
Impaired loans	$	10,697	$		$	10,697	$	
Other real estate owned		4,726				4,726		
Total	$	15,423	$		$	15,423	$	

Table of Contents

Note 3 Assets and Liabilities Measured at Fair Value continued

Description		December 31, 2009		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
Impaired loans	$	5,687	$		$	5,687	$	
Held-to-maturity securities (OTTI)		2,277				2,277		
Other real estate owned		3,167				3,167		
Total	$	11,131	$		$	11,131	$	

Note 4 INVESTMENT SECURITIES

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

HELD-TO-MATURITY:

(Dollars in thousands)		Amortized Cost		OTTI Recognized In AOCI		Gross Unrealized Gains		Gross Unrealized Losses		Fair Value
June 30, 2010:										
State and local government	$	2,667	$		$	89	$		$	2,756
Mortgage-backed securities		43,452				427		4,313		39,566
Other		60						1		59
	$	46,179	$		$	516	$	4,314	$	42,381
December 31, 2009:										
State and local government	$	2,711	$		$	94	$		$	2,805
Mortgage-backed securities		53,333		1,676		389		5,816		46,230
Other		60						3		57
	$	56,104	$	1,676	$	483	$	5,819	$	49,092

AVAILABLE-FOR-SALE:

(Dollars in thousands)		Amortized Cost		Gross Unrealized Gains		Gross Unrealized Losses		Fair Value
June 30, 2010:								
Government sponsored enterprises	$	7,297	$	60	$		$	7,357
Mortgage-backed securities		63,792		945		2,349		62,388

Small Business Administration pools		42,790		300		12		43,078
State and local government		12,145		715				12,860
Corporate and other securities		8,176		253		1,221		7,208
	$	134,200	$	2,273	$	3,582	$	132,891
December 31, 2009:								
Government sponsored enterprises		7,682		50		14		7,718
Mortgage-backed securities		93,131		2,096		1,103		94,124
Small Business Administration pools		9,354		74		20		9,408
State and local government		8,106		123		50		8,179
Corporate and other securities		14,495		361		2,449		12,407
	$	132,768	$	2,704	$	3,636	$	131,836

Table of Contents

Note 4 Investment Securities - continued

During the six months ended June 30, 2010 and June 30, 2009, the Company received proceeds of $51.9 million and $11.2 million, respectively from the sale of investment securities available-for-sale. Gross realized gains amounted to $1.8 million and gross realized losses amounted to $1.7 million for the six months ended June 30, 2010. For the six months ended June 30, 2009 gross realized gains amounted to $363,000 and there were no gross unrealized losses. As prescribed by FASB ASC 320-10-35 for the quarter ended June 30, 2010, the Company recognized the credit component of an other-than-temporary impairment (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.

At June 30, 2010 corporate and other securities available-for-sale included the following at fair value: corporate bonds at $5.2 million, CDOs of $905,000, mutual funds at $901,000 and Federal Home Loan Mortgage Corporation preferred stock of $177,000.

At December 31, 2009 corporate and other securities available-for-sale included the following at fair value: corporate bonds at $6.3 million, CDOs of $4.9 million, mutual funds at $865,000 and Federal Home Loan Mortgage Corporation preferred stock of $348,000.

During the six and three months ended June 30, 2010 and 2009, the Company recorded other-than-temporary impairment losses on held-to-maturity and available-for-sale securities as follows:

(Dollars in thousands)

	Six months ended June 30, 2010			Three months ended June 30, 2010		
	Held-to-maturity mortgage-backed securities	**Available-for-sale securities**	**Total**	**Held-to-maturity mortgage-backed securities**	**Available-for-sale securities**	**Total**
Total OTTI charge realized and unrealized	$	$ 1,059	$ 1,059	$	$ 916	$ 916
OTTI recognized in other comprehensive income (non-credit component)		700	700		700	700
Net impairment losses recognized in earnings (credit component)	$	$ 359	$ 359	$	$ 216	$ 216

(Dollars in thousands)

	Six months ended June 30, 2009		Three months ended June 30, 2009	
		Total		**Total**

	Held-to-maturity mortgage-backed securities	Available-for-sale securities		Held-to-maturity mortgage-backed securities	Available-for-sale securities	
Total OTTI charge realized and unrealized	$ 2,217	$ 755	$ 2,972	$ 916	$ 254	$ 1,170
OTTI recognized in other comprehensive income (non-credit component)	2,013	217	2,230	859	217	1,076
Net impairment losses recognized in earnings (credit component)	$ 204	$ 538	$ 742	$ 57	$ 37	$ 94

Table of Contents

Note 4 Investment Securities - continued

During 2010 and 2009, other than temporary impairments occurred for which only a portion is 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 six months ended June 30, 2010 and June 30, 2009.

(Dollars in thousands)

	2010 Available for Sale	2010 Held to maturity	2009 Held to maturity
Balance at beginning of period	$ 165	$ 326	
Other-than-temporary-impairment not previously recognized	115	98	147
Additional increase for which an other-than-temporary impairment was previously recognized related to credit losses	118	28	
Realized losses during the period	(89)		
Transfer to available-for-sale	452	(452)	
Balance related to credit losses on debt securities at end of period	$ 761	$	$ 147

As of June 30, 2010, those debt securities with OTTI in which only the amount of loss related to credit was recognized in earnings included four non-agency mortgage-backed securities. The Company uses a third party to obtain information about the structure in order to determine how the underlying cash flows will be distributed to each security. 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 remaining unrealized losses. The average prepayment rate, default rate and severity used in the valuations were approximately 8%, 13%, and 41%, respectively.

The following table shows 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 June 30, 2010 and December 31, 2009.

June 30,2010 (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:						
US Treasury and Government sponsored enterprises	$	$	$	$	$	$
Small Business Administration pools	16,464	12			16,464	12
Government Sponsored Enterprise mortgage-backed securities	2,467	13			2,467	13
Non-agency mortgage-backed securities			10,799	2,336	10,799	2,336

Corporate bonds and other		849		149		3,204		1,072		4,053		1,221
State and local government												
		19,780		174		14,003		3,408		33,783		3,582
Held-to-maturity securities:												
State and local government	$		$		$		$		$		$	
Non-agency mortgage-backed securities		2,151		182		34,614		4,131		36,765		4,313
Other		50		1						50		1
		2,201		183		34,614		4,131		36,815		4,314
Total	$	21,981	$	357	$	48,617	$	7,539	$	70,598	$	7,896

Table of Contents

Note 4 Investment Securities - continued

December 31, 2009

(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:						
US Treasury and Government sponsored enterprises	$ 1,486	$ 14	$	$	$ 1,486	$ 14
Small Business Administration pools	3,430	20			3,430	20
Government Sponsored Enterprise mortgage-backed securities	16,577	142			16,577	142
Non-agency mortgage-backed securities	472	130	7,880	831	8,352	961
Corporate bonds and other	2,033	247	8,191	2,202	10,224	2,449
State and local government	3,626	50			3,626	50
	27,624	603	16,071	3,033	43,695	3,636
Held-to-maturity securities:						
Non-agency mortgage-backed securities	5,135	1,364	35,882	6,128	41,017	7,492
Other	57	3			57	3
	5,192	1,367	35,882	6,128	41,074	7,495
Total	$ 32,816	$ 1,970	$ 51,953	$ 9,161	$ 84,769	$ 11,131

Government Sponsored Enterprise, Mortgage-Backed Securities: Beginning in 2008 and continuing through 2009 and into the first half of 2010, 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 sub-prime mortgage lending market. At June 30, 2010, the Company s wholly-owned subsidiary, First Community Bank, N.A. (the Bank), owns mortgage-backed securities (MBSs) including collateralized mortgage obligations (CMOs) with a book value of $48.1 million and approximate fair value of $48.9 million issued by government sponsored entities (GSEs). Current economic conditions have impacted MBSs issued by GSEs such as GNMA, FHLMC and FNMA. These entities have experienced increasing delinquencies in the underlying loans that make up the MBSs and CMOs. As of June 30, 2010 and December 31, 2009, all of the MBSs issued by GSEs are classified as Available for Sale . Unrealized losses on 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 has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, the Company does not consider the investments to be other-than-temporarily impaired at June 30, 2010.

Non-agency mortgage backed securities: The Company also holds private label mortgage-backed securities (PLMBSs) including CMOs at June 30, 2010 with an amortized cost of $59.1 million and approximate fair value of $53.0 million. Although these are not classified as sub-prime obligations or considered the high risk tranches, the majority of structured investments within all credit markets have been impacted by volatility and credit concerns and economic stresses throughout 2008 and continuing through 2009 and into the first half of 2010. The result has been that the market for these investments has become less liquid and the spread as compared to alternative investments has widened dramatically. During the second quarter of 2008, the Company implemented a leverage strategy whereby we acquired approximately $63.2 million in certain non-agency MBSs and CMOs. All of the mortgage assets acquired in this transaction were classified as prime or ALT-A securities and represented the senior or super senior tranches of the securities. The assets acquired as part of this strategy were classified as held-to-maturity in the investment portfolio. Due to the significant spreads on these securities, they were all purchased at discounts. A detailed analysis of each of the CMO pools included in this leverage transaction as well as privately held CMOs held previously in the available-for-sale portfolio have been analyzed by reviewing underlying loan delinquencies, collateral value and resulting credit support. These securities have continued to experience increasing delinquencies in the underlying loans that make up the MBSs and CMOs. Management monitors each of these pools on a quarterly basis to identify any deterioration in the credit quality, collateral values and credit support underlying the investments.

Table of Contents

Note 4 Investment Securities - continued

As of June 30, 2010 the Company has identified eight PLMBS with a fair value of $6.9 million that it considers other-than-temporarily-impaired. As prescribed by FASB ASC 320-10-65, the Company has recognized impairmen