

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-KSB

(Mark One)

X Annual Report under Section 13 or 15(d) of the Securities Exchange Act of 1934
(No fee required)

For the fiscal year ended December 31, 2003

Or
Transition Report under Section 13 or 15(d) of the Securities Exchange Act of 1934
(No fee required)

For the transition period from _____ to _____
Commission file no. 33-86258

First Community Corporation

(Name of Small Business Issuer in Its Charter)

South Carolina

57-1010751

(State or Other Jurisdiction
of Incorporation or Organization)

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

5455 Sunset Blvd., Lexington, South
Carolina

29072

(Address of Principal Executive
Offices)

(Zip Code)

(803) 951-2265
Issuer's Telephone Number, Including Area Code

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 past 90 days. Yes No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

The aggregate market value of the voting stock as of March 15, 2004, held by non-affiliates of the registrant based on the closing price as of March 15, 2004, was \$31,246,252

The issuer's revenues for its most recent fiscal year were \$11,468,000. 1,598,401 shares of the issuer's common stock were issued and outstanding as of March 15, 2004.

Documents Incorporated by Reference

Portions of the Registrants definitive Proxy Statement for its May 19, 2004 Annual Meeting of Shareholders, are incorporated by reference into Part III thereof.

Transitional Small Business Disclosure Format. (Check one): Yes No

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PART I

Item 1. Business.

General

First Community Corporation was incorporated as a South Carolina corporation on November 2, 1994, primarily to own and control all of the capital stock of First Community Bank, N.A. The company presently engages in no business other than owning and managing the bank. The bank is a national banking association, which engages in a commercial banking business from its main office in Lexington, South Carolina and five branch offices in Richland and Lexington counties of South Carolina. The bank's deposits are insured by the Federal Deposit Insurance Corporation (the "FDIC"), and it is a member of the Federal Reserve System.

In July 1995, the Company completed its initial public offering of 688,077 shares of its common stock, at a price of \$10.00 per share. On August 17, 1995, the bank opened for business. On July 10, 1998 the company closed a secondary offering in which it issued 517,500 shares of common stock. The net proceeds received in the secondary offering were approximately \$6.6 million after deducting issuance costs. The proceeds were used to purchase properties and construct and outfit three branches over an 18 month period. The estimated cost for the three branches was approximately \$3.0 million. The remaining proceeds are being used to support the growth of the three new branch offices, as well as the company's two existing branches, and for other general corporate purposes. On February 9, 2001 the company acquired a sixth office when it purchased certain assets and assumed certain liabilities associated with the Chapin, South Carolina branch of Newberry Federal Savings Bank.

Location and Service Area

The bank is engaged in a general commercial and retail banking business, emphasizing the needs of small-to-medium sized businesses, professional concerns and individuals, primarily in Richland and Lexington counties of South Carolina and the surrounding area. The bank has its main office located in the city of Lexington, South Carolina in Lexington County and five branch offices located in Forest Acres, Irmo, West Columbia, Gilbert and Chapin all of which are located in Lexington and Richland Counties. See Item II, "Description of Properties.

Lexington County and Richland County are located in the geographic center of the state of South Carolina. Columbia, the capital of South Carolina, is located within and divided between these two counties. Columbia can be reached via three interstate highways: I-20, I-26, and I-77. Columbia is served by several airlines as well as by passenger and freight rail service. According to the U. S. Census Bureau, Richland and Lexington Counties, which include the primary service areas for the existing six sites of the bank, had an estimated population in 2000 of 536,691. Lexington County had a population of 216,014 and Richland County had a population of 320,677. The principal components of the economy within the company's market areas are service industries, government, and wholesale and retail trade. The largest employers in the area each of which employs in excess of 3,000 people in the Midlands area, include Fort Jackson Army Base, the University of South Carolina, Palmetto Health Alliance, Blue Cross Blue Shield and SCANA Corporation. The area has experienced steady growth over the past 10 years and the company expects the area, as well as the service industry needed to support it, will to continue to grow. Both Richland and Lexington Counties have one of the highest per capita personal incomes in the state, at \$29,211 and \$27,645 respectively in 2001 compared to \$24,840 for South Carolina as a whole.

Banking Services

The bank offers a full range of deposit services that are typically available in most banks and savings and loan associations, including checking accounts, NOW accounts, savings accounts and other time deposits of various types, ranging from daily money market accounts to longer-term certificates of deposit. The transaction accounts and time certificates are tailored to the bank's principal market area at rates competitive to those offered in the area. In addition, the bank offers certain retirement account services, such as Individual Retirement Accounts (IRAs). All deposit accounts are insured by the FDIC up to the maximum amount allowed by law (generally, \$100,000 per depositor subject to aggregation rules). The bank solicits these accounts from individuals, businesses, associations and organizations, and governmental authorities.

The bank also offers a full range of commercial and personal loans. Commercial loans include both secured and unsecured loans for working capital (including inventory and receivables), business expansion (including acquisition of real estate and improvements), and purchase of equipment and machinery. Consumer loans include secured and unsecured loans for financing automobiles, home improvements, education and personal investments. The bank also makes real estate construction and acquisition loans. The bank originates fixed and variable rate mortgage loans in the name of a third party which, are sold into the secondary market. The bank's lending activities are subject to a variety of lending limits imposed by federal law. While differing limits apply in certain circumstances based on the type of loan or the nature of the borrower (including the borrower's relationship to the bank), in general the bank is subject to a loan-to-one-borrower limit of an amount equal to 15% of the bank's unimpaired capital and surplus, or 25% of the unimpaired capital and surplus if the excess over 15% is approved by the board of directors of the bank and is fully secured by readily marketable collateral. The bank may not make any loans to any director, officer, employee or 10% shareholder of the company or the bank unless the loan is approved by the Board of Directors of the bank and is made on terms not more favorable to such person than would be available to a person not affiliated with the bank.

Other bank services include internet banking, cash management services, safe deposit boxes, travelers checks, direct deposit of payroll and social security checks, and automatic drafts for various accounts. The bank offers non-deposit investment products and other investment brokerage services through a registered representative with an affiliation through GAA Securities, Inc. The bank is associated with Jeannie, Star and Plus networks of automated teller machines and Mastermoney debit cards that may be used by bank customers throughout South Carolina and other regions. The bank also offers VISA and Mastercard credit card services through a correspondent bank as an agent for the bank.

The bank does not currently exercise trust powers, but can begin to do so with the prior approval of the OCC.

Competition

The banking business is highly competitive. The bank competes as a financial intermediary with other commercial banks, savings and loan associations, credit unions and money market mutual funds operating in the Columbia area and elsewhere. As of June 30, 2003, there were 16 commercial banks operating approximately 146 offices and two thrifts with a total of seven offices in the Lexington and Richland county area.

The company faces increased competition from both federally chartered and state chartered financial institutions, as well as credit unions, consumer finance companies, insurance companies and other institutions in the company's market area. A number of these competitors are well established in the Lexington and Richland County area. Many of them have substantially greater resources and lending limits than the bank and offer certain services, such as extensive branch networks and established trust services that the bank does not currently provide. The company believes that the community bank focus of the bank with its emphasis on service to small and medium size businesses, individual and professional concerns, gives it an advantage in this market.

Employees

The bank presently has 70 full-time employees and three part-time employees. The company does not have any employees other than its officers, none whom receive any additional remuneration for their services to the company.

Supervision and Regulation

We are subject to extensive state and federal banking laws and regulations which impose specific requirements or restrictions on, and provide for general regulatory oversight of, virtually all aspects of our operations. These laws and regulations are generally intended to protect depositors, not shareholders. The following summary is qualified by reference to the statutory and regulatory provisions discussed. Changes in applicable laws or regulations may have a material effect on our business and prospects. Our operations may be affected by legislative changes and the policies of various regulatory authorities. We cannot predict the effect that fiscal or monetary policies, economic control, or new federal or state legislation may have on our business and earnings in the future.

The following discussion is not intended to be a complete list of all the activities regulated by the banking laws or of the impact of such laws and regulations on our operations. It is intended only to briefly summarize some material provisions.

Check 21

On October 28, 2003, President Bush signed into law the Check Clearing for the 21st Century Act, also known as Check 21. The new law, which is not effective until October 28, 2004, gives "substitute checks," such as a digital image of a check and copies made from that image, the same legal standing as the original paper check. Some of the major provisions include:

- Allows check truncation without making it mandatory;
- Demands that every financial institution communicate to accountholders in writing a description of its substitute check processing program and their rights under the law;
- Legalizes substitutions for and replacements of paper checks without agreement from consumers;
- Keeps in place the previously mandated electronic collection and return of checks between financial institutions only when individual agreements are in place;
- Cautions that when accountholder's request verification, financial institutions must produce the original check (or a copy that accurately represents the original) and demonstrate that the account debit was accurate and valid; and
- Requires recrediting of funds to an individual's account on the next business day after a consumer proves the financial institution has erred.

This new legislation will likely have a dramatic impact on bank capital spending as many financial institutes assess whether technological or operational changes are necessary to stay competitive and take advantage of the new opportunities presented by Check 21.

First Community Corporation

Because our holding company, First Community Corporation, owns the outstanding capital stock of our bank, our holding company is a bank holding company under the federal Bank Holding Company Act of 1956 and the South Carolina Banking and Branching Efficiency Act.

The Bank Holding Company Act. Under the Bank Holding Company Act, our holding company is subject to periodic examination by the Federal Reserve and required to file periodic reports of its operations and any additional information that the Federal Reserve may require. Our activities at the holding company level are limited to:

- banking and managing or controlling banks;
- furnishing services to or performing services for our subsidiaries; and
- engaging in other activities that the Federal Reserve determines to be so closely related to banking and managing or controlling banks as to be a proper incident thereto.

Investments, Control, and Activities. With certain limited exceptions, the Bank Holding Company Act requires every bank holding company to obtain the prior approval of the Federal Reserve before:

- acquiring substantially all the assets of any bank;
- acquiring direct or indirect ownership or control of any voting shares of any bank if after the acquisition it would own or control more than 5% of the voting shares of such bank (unless it already owns or controls the majority of such shares); or
- merging or consolidating with another bank holding company.

In addition, and subject to certain exceptions, the Bank Holding Company Act and the Change in Bank Control Act require Federal Reserve approval prior to any person or company acquiring “control” of a bank holding company. Control is conclusively presumed to exist if an individual or company acquires 25% or more of any class of voting securities of a bank holding company. Control is rebuttably presumed to exist if a person acquires 10% or more, but less than 25%, of any class of voting securities and either the company has registered securities under Section 12 of the Securities Exchange Act of 1934 or no other person owns a greater percentage of that class of voting securities immediately after the transaction. Our common stock is registered under the Securities Exchange Act of 1934. The regulations provide a procedure for challenge of the rebuttable control presumption.

Under the Bank Holding Company Act, a bank holding company is generally prohibited from engaging in, or acquiring direct or indirect control of more than 5% of the voting shares of any company engaged in, nonbanking activities unless the Federal Reserve Board has found those activities to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Some of the activities that the Federal Reserve Board has determined by regulation to be proper incidents to the business of a bank holding company include:

- making or servicing loans and certain types of leases;

- engaging in certain insurance and discount brokerage activities;
- performing certain data processing services;
- acting in certain circumstances as a fiduciary or investment or financial adviser;
- owning savings associations; and
- making investments in certain corporations or projects designed primarily to promote community welfare.

The Federal Reserve Board imposes certain capital requirements on our holding company under the Bank Holding Company Act, including a minimum leverage ratio and a minimum ratio of “qualifying” capital to risk-weighted assets. These requirements are described below under “Capital Regulations.” Subject to capital requirements and certain other restrictions, our holding company is able to borrow money to make a capital contribution to our bank, and these loans may be repaid from dividends paid from our bank to our company. Our ability to pay dividends is subject to regulatory restrictions as described below in “First Community Bank, N.A. – Dividends.” Our holding company is also able to raise capital for contribution to our bank by issuing securities without having to receive regulatory approval, subject to compliance with federal and state securities laws.

Source of Strength; Cross-Guarantee. In accordance with Federal Reserve Board policy, our holding company is expected to act as a source of financial strength to our bank and to commit resources to support our bank in circumstances in which our holding company might not otherwise do so. Under the Bank Holding Company Act, the Federal Reserve Board may require a bank holding company to terminate any activity or relinquish control of a nonbank subsidiary, other than a nonbank subsidiary of a bank, upon the Federal Reserve Board’s determination that such activity or control constitutes a serious risk to the financial soundness or stability of any subsidiary depository institution of the bank’s holding company. Further, federal bank regulatory authorities have additional discretion to require a bank holding company to divest itself of any bank or nonbank subsidiary if the agency determines that divestiture may aid the depository institution’s financial condition.

The Gramm-Leach-Bliley Act. The Gramm-Leach-Bliley Act, previously known as the Financial Services Modernization Act of 1999, was signed into law on November 12, 1999. Among other things, the Act repeals the restrictions on banks affiliating with securities firms contained in sections 20 and 32 of the Glass-Steagall Act. The Act also permits bank holding companies that become financial holding companies to engage in a statutorily provided list of financial activities, including insurance and securities underwriting and agency activities, merchant banking, and insurance company portfolio investment activities. The Act also authorizes activities that are “complementary” to financial activities.

The Act is intended, in part, to grant to community banks certain powers as a matter of right that larger institutions have accumulated on an ad hoc basis. Nevertheless, the Act may have the result of increasing the amount of competition that we face from larger institutions and other types of companies. In fact, it is not possible to predict the full effect that the Act will have on us.

South Carolina State Regulation. As a South Carolina bank holding company under the South Carolina Banking and Branching Efficiency Act, we are subject to limitations on sale or merger and to regulation by the South Carolina Board of Financial Institutions. Prior to acquiring the capital stock of a national bank, we are not required to obtain the approval of the Board, but we must notify them at least 15 days prior to doing so. We must receive the Board’s approval prior to engaging in the acquisition of a South Carolina state chartered bank or another South Carolina bank holding company.

First Community Bank, N.A.

Our bank, First Community Bank, N.A., operates as a national banking association incorporated under the laws of the United States and subject to examination by the Office of the Comptroller of the Currency. Deposits in the bank are insured by the FDIC up to a maximum amount, which is generally \$100,000 per depositor subject to aggregation rules.

The Office of the Comptroller of the Currency and the FDIC regulate or monitor virtually all areas of our bank's operations, including:

- security devices and procedures;
- adequacy of capitalization and loss reserves;
- loans;
- investments;
- borrowings;
- deposits;
- mergers;
- issuances of securities;
- payment of dividends;
- interest rates payable on deposits;
- interest rates or fees chargeable on loans;
- establishment of branches;
- corporate reorganizations;
- maintenance of books and records; and
- adequacy of staff training to carry on safe lending and deposit gathering practices.

The Office of the Comptroller of the Currency requires banks to maintain specified capital ratios and imposes limitations on banks' aggregate investment in real estate, bank premises, and furniture and fixtures. The Office of the Comptroller of the Currency also requires banks to prepare annual reports on their financial condition and to conduct annual audits of their financial affairs in compliance with its minimum standards and procedures.

Under the FDIC Improvement Act, all insured institutions must undergo regular on-site examinations by their appropriate banking agency. The cost of examinations of insured depository institutions and any affiliates may be assessed by the appropriate agency against each institution or affiliate as it deems necessary or appropriate. Insured institutions are required to submit annual reports to the FDIC, their federal regulatory agency, and their state supervisor when applicable. The FDIC Improvement Act directs the FDIC to develop a method for insured depository institutions to provide supplemental disclosure of the estimated fair market value of assets and liabilities, to the extent feasible and practicable, in any balance

sheet, financial statement, report of condition or any other report of any insured depository institution. The FDIC Improvement Act also requires the federal banking regulatory agencies to prescribe, by regulation, standards for all insured depository institutions and depository institution holding companies relating, among other things, to the following:

- internal controls;
- information systems and audit systems;
- loan documentation;
- credit underwriting;
- interest rate risk exposure; and
- asset quality.

National banks and their holding companies which have been chartered or registered or have undergone a change in control within the past two years or which have been deemed by the Office of the Comptroller of the Currency or the Federal Reserve Board to be troubled institutions must give the Office of the Comptroller of the Currency or the Federal Reserve Board 30 days' prior notice of the appointment of any senior executive officer or director. Within the 30 day period, the Office of the Comptroller of the Currency or the Federal Reserve Board, as the case may be, may approve or disapprove any such appointment.

Deposit Insurance. The FDIC has adopted a risk-based assessment system for determining an insured depository institutions' insurance assessment rate. The system that takes into account the risks attributable to different categories and concentrations of assets and liabilities. An institution is placed into one of three capital categories: (1) well capitalized; (2) adequately capitalized; or (3) undercapitalized. The FDIC also assigns an institution to one of three supervisory subgroups, based on the FDIC's determination of the institution's financial condition and the risk posed to the deposit insurance funds. Assessments range from 0 to 27 cents per \$100 of deposits, depending on the institution's capital group and supervisory subgroup. In addition, the FDIC imposes assessments to help pay off the \$780 million in annual interest payments on the \$8 billion Financing Corporation bonds issued in the late 1980s as part of the government rescue of the thrift industry. The FDIC assessment rate on our bank deposits currently is zero, but may change in the future. The FDIC may increase or decrease the assessment rate schedule on a semiannual basis. An increase in the BIF assessment rate could have a material adverse effect on our earnings, depending on the amount of the increase.

The FDIC may terminate its insurance of deposits if it finds that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order, or condition imposed by the FDIC.

Transactions With Affiliates and Insiders. Our bank is subject to the provisions of Section 23A of the Federal Reserve Act, which places limits on the amount of loans or extensions of credit to, or investments in, or certain other transactions with, affiliates and on the amount of advances to third parties collateralized by the securities or obligations of affiliates. The aggregate of all covered transactions is limited in amount, as to any one affiliate, to 10% of our bank's capital and surplus and, as to all affiliates combined, to 20% of the bank's capital and surplus. Furthermore, within the foregoing limitations as to amount, each covered transaction must meet specified collateral requirements. Compliance is also required with certain provisions designed to avoid the taking of low quality assets.

Our bank is also subject to the provisions of Section 23B of the Federal Reserve Act which, among other things, prohibits an institution from engaging in certain transactions with certain affiliates

unless the transactions are on terms substantially the same, or at least as favorable to such institution or its subsidiaries, as those prevailing at the time for comparable transactions with nonaffiliated companies. Our bank is subject to certain restrictions on extensions of credit to executive officers, directors, certain principal shareholders, and their related interests. Such extensions of credit (i) must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with third parties and (ii) must not involve more than the normal risk of repayment or present other unfavorable features.

The Federal Reserve Board has recently issued Regulation W, which codifies prior regulations under Sections 23A and 23B of the Federal Reserve Act and interpretative guidance with respect to affiliate transactions. Regulation W incorporates the exemption from the affiliate transaction rules but expands the exemption to cover the purchase of any type of loan or extension of credit from an affiliate. In addition, under Regulation W:

- a bank and its subsidiaries may not purchase a low-quality asset from an affiliate;
- covered transactions and other specified transactions between a bank or its subsidiaries and an affiliate must be on terms and conditions that are consistent with safe and sound banking practices; and
- with some exceptions, each loan or extension of credit by a bank to an affiliate must be secured by collateral with a market value ranging from 100% to 130%, depending on the type of collateral, of the amount of the loan or extension of credit.

Regulation W generally excludes all non-bank and non-savings association subsidiaries of banks from treatment as affiliates, except to the extent that the Federal Reserve Board decides to treat these subsidiaries as affiliates. Concurrently with the adoption of Regulation W, the Federal Reserve Board has proposed a regulation which would further limit the amount of loans that could be purchased by a bank from an affiliate to not more than 100% of the bank's capital and surplus.

Dividends. A national bank may not pay dividends from its capital. All dividends must be paid out of undivided profits then on hand, after deducting expenses, including reserves for losses and bad debts. In addition, a national bank is prohibited from declaring a dividend on its shares of common stock until its surplus equals its stated capital, unless there has been transferred to surplus no less than one-tenth of the bank's net profits of the preceding two consecutive half-year periods (in the case of an annual dividend). The approval of the Office of the Comptroller of the Currency is required if the total of all dividends declared by a national bank in any calendar year exceeds the total of its net profits for that year combined with its retained net profits for the preceding two years, less any required transfers to surplus.

Branching. National banks are required by the National Bank Act to adhere to branch office banking laws applicable to state banks in the states in which they are located. Under current South Carolina law, the bank may open branch offices throughout South Carolina with the prior approval of the Office of the Comptroller of the Currency. In addition, with prior regulatory approval, the bank will be able to acquire existing banking operations in South Carolina. Furthermore, federal legislation permits interstate branching, including out-of-state acquisitions by bank holding companies, interstate branching by banks if allowed by state law, and interstate merging by banks. South Carolina law, with limited exceptions, currently permits branching across state lines through interstate mergers.

Community Reinvestment Act. The Community Reinvestment Act requires that, in connection with examinations of financial institutions within their respective jurisdictions, the Federal Reserve, the FDIC, or the Office of the Comptroller of the Currency shall evaluate the record of each financial institution in meeting the credit needs of its local community, including low and moderate income neighborhoods. These factors are also considered in evaluating mergers, acquisitions, and applications to open a branch or facility. Failure to adequately meet these criteria could impose additional requirements and limitations on our bank. Under the Gramm-Leach-Bliley Act, banks with aggregate assets of not more than \$250 million will be subject to a Community Reinvestment Act examination only once every 60 months if the bank receives an

outstanding rating, once every 48 months if it receives a satisfactory rating, and as needed if the rating is less than satisfactory. Additionally, under the Gramm-Leach-Bliley Act, banks are required to publicly disclose the terms of various Community Reinvestment Act-related agreements.

The Gramm-Leach-Bliley Act. Under the Gramm-Leach-Bliley Act, subject to certain conditions imposed by their respective banking regulators, national and state-chartered banks are permitted to form “financial subsidiaries” that may conduct financial or incidental activities, thereby permitting bank subsidiaries to engage in certain activities that previously were impermissible. The Gramm-Leach-Bliley Act imposes several safeguards and restrictions on financial subsidiaries, including that the parent bank’s equity investment in the financial subsidiary be deducted from the bank’s assets and tangible equity for purposes of calculating the bank’s capital adequacy. In addition, the Gramm-Leach-Bliley Act imposes new restrictions on transactions between a bank and its financial subsidiaries similar to restrictions applicable to transactions between banks and nonbank affiliates.

The Gramm-Leach-Bliley Act also contains provisions regarding consumer privacy. These provisions require financial institutions to disclose their policy for collecting and protecting confidential information. Customers generally may prevent financial institutions from sharing personal financial information with nonaffiliated third parties except for third parties that market an institution’s own products and services. Additionally, financial institutions generally may not disclose consumer account numbers to any nonaffiliated third party for use in telemarketing, direct mail marketing, or other marketing to the consumer.

Other Regulations. Interest and other charges collected or contracted for by the bank are subject to state usury laws and federal laws concerning interest rates. The bank’s loan operations are also subject to federal laws applicable to credit transactions, such as:

- the federal Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- the Home Mortgage Disclosure Act of 1975, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- the Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- the Fair Credit Reporting Act of 1978, governing the use and provision of information to credit reporting agencies;
- the Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies; and
- the rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

The deposit operations of the bank also are subject to:

- the Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records; and
- the Electronic Funds Transfer Act and Regulation E issued by the Federal Reserve Board to implement that act, which governs automatic deposits to and withdrawals from deposit accounts and customers’ rights and liabilities arising from the use of automated teller machines and other electronic banking

services.

Capital Regulations. The federal bank regulatory authorities have adopted risk-based capital guidelines for banks and bank holding companies that are designed to make regulatory capital requirements more sensitive to differences in risk profiles among banks and bank holding companies and account for off-balance sheet items. The guidelines are minimums, and the federal regulators have noted that banks and bank holding companies contemplating significant expansion programs should not allow expansion to diminish their capital ratios and should maintain ratios in excess of the minimums. We have not received any notice indicating that either our holding company or our bank is subject to higher capital requirements. The current guidelines require all bank holding companies and federally-regulated banks to maintain a minimum risk-based total capital ratio equal to 8%, of which at least 4% must be Tier 1 capital. Tier 1 capital includes common shareholders' equity, qualifying perpetual preferred stock, and minority interests in equity accounts of consolidated subsidiaries, but excludes goodwill and most other intangibles and excludes the allowance for loan and lease losses. Tier 2 capital includes the excess of any preferred stock not included in Tier 1 capital, mandatory convertible securities, hybrid capital instruments, subordinated debt and intermediate term-preferred stock, and general reserves for loan and lease losses up to 1.25% of risk-weighted assets.

Under these guidelines, banks' and bank holding companies' assets are given risk-weights of 0%, 20%, 50%, or 100%. In addition, certain off-balance sheet items are given credit conversion factors to convert them to asset equivalent amounts to which an appropriate risk-weight applies. These computations result in the total risk-weighted assets. Most loans are assigned to the 100% risk category, except for first mortgage loans fully secured by residential property and, under certain circumstances, residential construction loans, both of which carry a 50% rating. Most investment securities are assigned to the 20% category, except for municipal or state revenue bonds, which have a 50% rating, and direct obligations of or obligations guaranteed by the United States Treasury or United States Government agencies, which have a 0% rating.

The federal bank regulatory authorities have also implemented a leverage ratio, which is equal to Tier 1 capital as a percentage of average total assets less intangibles, to be used as a supplement to the risk-based guidelines. The principal objective of the leverage ratio is to place a constraint on the maximum degree to which a bank holding company may leverage its equity capital base. The minimum required leverage ratio for top-rated institutions is 4%, but most institutions are required to maintain an additional cushion of at least 100 to 200 basis points.

The FDIC Improvement Act established a new capital-based regulatory scheme designed to promote early intervention for troubled banks which requires the FDIC to choose the least expensive resolution of bank failures. The new capital-based regulatory framework contains five categories of compliance with regulatory capital requirements, including "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized." To qualify as a "well capitalized" institution, a bank must have a leverage ratio of no less than 5%, a Tier 1 risk-based ratio of no less than 6%, and a total risk-based capital ratio of no less than 10%, and the bank must not be under any order or directive from the appropriate regulatory agency to meet and maintain a specific capital level. Currently, we qualify as "well capitalized."

Under the FDIC Improvement Act regulations, the applicable agency can treat an institution as if it were in the next lower category if the agency determines (after notice and an opportunity for hearing) that the institution is in an unsafe or unsound condition or is engaging in an unsafe or unsound practice. The degree of regulatory scrutiny of a financial institution increases, and the permissible activities of the institution decreases, as it moves downward through the capital categories. Institutions that fall into one of the three undercapitalized categories may be required to do some or all of the following:

- submit a capital restoration plan;
- Raise additional capital;

- restrict their growth, deposit interest rates, and other activities;
- improve their management;
- eliminate management fees; or
- divest themselves of all or a part of their operations.

These capital guidelines can affect us in several ways. If we grow at a rapid pace, our capital may be depleted too quickly, and a capital infusion from our holding company may be necessary which could impact our ability to pay dividends. Our capital levels currently are adequate; however, rapid growth, poor loan portfolio performance, poor earnings performance, or a combination of these factors could change our capital position in a relatively short period of time. If we fail to meet these capital requirements, our bank would be required to develop and file a plan with the Office of the Comptroller of the Currency describing the means and a schedule for achieving the minimum capital requirements. In addition, our bank would generally not receive regulatory approval of any application that requires the consideration of capital adequacy, such as a branch or merger application, unless our bank could demonstrate a reasonable plan to meet the capital requirement within a reasonable period of time. A bank that is not “well capitalized” is also subject to certain limitations relating to so-called “brokered” deposits. Bank holding companies controlling financial institutions can be called upon to boost the institutions’ capital and to partially guarantee the institutions’ performance under their capital restoration plans.

Enforcement Powers. The Financial Institutions Reform, Recovery and Enforcement Act expanded and increased civil and criminal penalties available for use by the federal regulatory agencies against depository institutions and certain “institution-affiliated parties.” Institution-affiliated parties primarily include management, employees, and agents of a financial institution, as well as independent contractors and consultants such as attorneys and accountants and others who participate in the conduct of the financial institution’s affairs. These practices can include the failure of an institution to timely file required reports or the filing of false or misleading information or the submission of inaccurate reports. Civil penalties may be as high as \$1,000,000 a day for such violations. Criminal penalties for some financial institution crimes have been increased to 20 years. In addition, regulators are provided with greater flexibility to commence enforcement actions against institutions and institution-affiliated parties. Possible enforcement actions include the termination of deposit insurance. Furthermore, banking agencies’ power to issue cease-and-desist orders were expanded. Such orders may, among other things, require affirmative action to correct any harm resulting from a violation or practice, including restitution, reimbursement, indemnification or guarantees against loss. A financial institution may also be ordered to restrict its growth, dispose of certain assets, rescind agreements or contracts, or take other actions as determined by the ordering agency to be appropriate.

Effect of Governmental Monetary Policies. Our earnings are affected by domestic economic conditions and the monetary and fiscal policies of the United States government and its agencies. The Federal Reserve Bank’s monetary policies have had, and are likely to continue to have, an important impact on the operating results of commercial banks through its power to implement national monetary policy in order, among other things, to curb inflation or combat a recession. The monetary policies of the Federal Reserve Board have major effects upon the levels of bank loans, investments and deposits through its open market operations in United States government securities and through its regulation of the discount rate on borrowings of member banks and the reserve requirements against member bank deposits. It is not possible to predict the nature or impact of future changes in monetary and fiscal policies.

Proposed Legislation and Regulatory Action. New regulations and statutes are regularly proposed that contain wide-ranging proposals for altering the structures, regulations, and competitive relationships of the nation’s financial institutions. We cannot predict whether or in what form any proposed regulation or

statute will be adopted or the extent to which our business may be affected by any new regulation or statute.

Item 2. Description of Property.

Lexington Property. The principal place of business of both the company and our main office is located at 5455 Sunset Boulevard, Lexington, South Carolina 29072. The site of the bank's main office is a 2.29 acre plot of land. The site was purchased for \$576,000. The company and the bank are operating in an 8,500 square foot facility located on this site. In October 2000 the bank acquired an additional 2.0 acres adjacent to the existing facility for approximately \$300,000 for future expansion. This site is designed to allow the addition of 12,000 to 18,000 square feet to the facility at some future date and as needed.

Forest Acres Property. The bank operates a branch office facility at 4404 Forest Drive, Columbia, South Carolina 29206. The Forest Acres site is a .71 acre plot of land which was acquired at a cost of \$376,000. The banking facility is approximately 4,000 square feet with a total cost of construction of approximately \$545,000 including paving and landscaping.

Irmo Property. The bank operates a branch office facility at 1030 Lake Murray Boulevard, Irmo, South Carolina 29063. The Irmo site is approximately a 1.00 acre plot of land which was acquired at a cost of \$449,000. The banking facility is approximately 3,200 square feet with a total cost of construction of approximately \$630,000 including paving and landscaping.

Cayce/West Columbia Property. The bank operates a branch office facility at 506 Meeting Street, West Columbia, South Carolina, 29169. The Cayce/West Columbia site is approximately a 1.25 acre plot of land which was acquired at a cost of \$300,000. The banking facility is approximately 3,800 square feet with a total cost of construction of approximately \$635,000 including paving and landscaping.

Gilbert Property. The company operates a branch office at 4325 Augusta Highway Gilbert, South Carolina 29054. The facility is an approximate 700 square foot modular unit located on an approximate one acre lot. The total cost of the land and construction was approximately \$205,000.

Chapin Office. The company operates a branch office facility at 137 Amicks Ferry Rd., Chapin, South Carolina 29036. The facility is approximately 2200 square feet and is located on three acres of land. The total cost of the facility and land was approximately \$695,000.

Northeast Columbia. The company has acquired a 1.0 acre lot located at 9822 Two Notch Rd, Columbia, South Carolina 29223 and is constructing a branch office. The opening of the branch is scheduled for April 2004. The cost of the land was \$525,000 and total cost of construction is approximately \$649,000.

Item 3. Legal Proceedings.

Neither the company nor the bank is a party to, nor is any of their property the subject of, any material pending legal proceedings related to the business of the company or the bank.

Item 4. Submission of Matters to a Vote of Security Holders.

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters.

The Company's articles of incorporation authorize it to issue up to 10,000,000 shares of common stock, par value \$1.00 per share (the "Common Stock"). As of March 15, 2004, 1,598,401 were issued and outstanding, held by approximately 1,531 shareholders of record. On January 24, 2002 the board of directors approved a 5-for-4 stock split in the form of a stock dividend payable on February 28, 2002 to stockholders of record on January 31, 2002. On January 15, 2003 the Company stock began trading on the Nasdaq Small Cap market under the trading symbol of FCCO. Prior to January 15, 2003 the stock was quoted on the OTC Bulletin Board under the trading symbol FCCO.OB.

On May 20, 2002, August 15, 2002 and November 15, 2002, the company paid cash dividends to its shareholders of record as of May 6, 2002, July 31, 2002 and October 31, 2002, respectively at \$0.04 per share. Prior to such dividends the company had not declared or distributed any cash dividends to its shareholders since inception.

On February 14, 2003, the company paid a cash dividend to its shareholders of record as of January 31, 2003 at \$0.04 per share. On May 15, 2003, August 15, 2003 and November 14, 2003 the company paid cash dividends to its shareholders of record as of April 30, 2003, July 31, 2003 and October 31, 2003, respectively, at \$0.05 per share.

The company expects comparable dividends to be paid to the shareholders for the foreseeable future. Notwithstanding the foregoing, the future dividend policy of the company is subject to the discretion of the board of directors and will depend upon a number of factors, including future earnings, financial condition, cash requirements and general business conditions. As a national bank, First Community Bank may only pay dividends out of its net profits then on hand, after deducting expenses, including losses and bad debts. In addition, the bank is prohibited from declaring a dividend on its shares of common stock until its surplus equals its stated capital, unless there has been transferred to surplus no less than one-tenth of the bank's net profits of the preceding two consecutive half-year periods (in the case of an annual dividend). The approval of the OCC will be required if the total of all dividends declared in any calendar year by the bank exceeds the bank's net profits to date, as defined, for that year combined with its retained net profits for the preceding two years less any required transfers to surplus. At December 31, 2003, the bank had \$3,873,000 free of these restrictions. The OCC also has the authority under federal law to enjoin a national bank from engaging in what in its opinion constitutes an unsafe or unsound practice in conducting its business, including the payment of a dividend under certain circumstances.

The following table sets forth the high and low sales price information as reported by Nasdaq in 2003 and the high and low bid information as reported by the OTC in 2002. The prices have been adjusted for all periods to reflect the effects of the June 30, 2001, 5% stock dividend and the February 28, 2002, 5-for-4 stock split.

	2003		2002	
	High	Low	High	Low
First Quarter	\$17.09	\$14.00	\$14.00	\$ 9.57
Second Quarter	\$19.47	\$16.35	\$14.50	\$13.00
Third Quarter	\$18.30	\$20.16	\$14.50	\$12.25
Fourth Quarter	\$19.60	\$22.30	\$13.30	\$12.50

The price listed above are quotations, which reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

Item 6. Management's Discussion and Analysis.

**First Community Corporation
Selected Financial Data**

(Amounts in thousands, except per share data)

	Year ended December 31,				
	2003	2002	2001	2000	1999
Operations Statement Data:					
Net interest income	\$ 7,648	\$ 7,044	\$ 5,523	\$ 4,376	\$ 3,652
Provision for loan losses	167	677	407	161	210
Non-interest income	1,440	1,232	938	594	481
Non-interest expense	6,158	5,377	4,381	3,306	2,669
Income taxes	965	758	569	519	436
Net income	\$ 1,797	\$ 1,464	\$ 1,104	\$ 984	\$ 818
Per Share Data:					
Net income diluted (1)	\$ 1.08	\$ 0.90	\$ 0.68	\$ 0.61	\$ 0.50
Cash dividends	0.19	0.12	—	—	—
Book value at period end (1)	12.21	11.61	10.56	9.70	8.86
Tangible book value at period end (1)	11.74	11.02	9.85	9.70	8.86
Balance Sheet Data:					
Total assets	\$ 215,029	\$ 195,201	\$156,555	\$111,986	\$94,889
Loans, net	119,304	98,466	86,518	67,110	51,593
Securities	58,954	69,785	46,366	28,735	30,722
Deposits	185,259	168,062	134,402	92,755	76,971
Shareholders' equity	19,509	18,439	16,776	15,369	14,041
Average shares outstanding (1)	1,590	1,588	1,585	1,584	1,584
Performance Ratios:					
Return on average assets	0.88%	0.82%	0.77%	0.94%	0.90%
Return on average equity	9.49%	8.35%	8.00%	6.76%	5.90%
Net interest margin	4.02%	4.26%	4.19%	4.59%	4.33%
Asset Quality Ratios:					
Allowance for loan losses to period end total loans	1.41%	1.53%	1.14%	1.28%	1.35%
Allowance for loan losses to non-performing assets	2,123.60%	1,059.24%	247.52%	N/A	N/A
Non-performing assets to total assets	.04%	.07%	0.26%	N/A	N/A
Net charge-offs (recoveries) to average loans	(.01%)	.16%	0.35%	(0.02%)	0.08%

Year ended December 31,

	2003	2002	2001	2000	1999
Capital and Liquidity Ratios:					
Tier 1 risk-based capital	13.21%	14.03%	14.90%	19.30%	22.80%
Total risk-based capital	14.42%	15.28%	15.90%	20.40%	24.00%
Leverage ratio	8.87%	8.77%	10.00%	13.80%	15.00%
Equity to assets	9.07%	9.45%	10.72%	13.72%	14.80%
Dividend payout ratio	16.81%	13.04%	—	—	—
Average loans to average deposits	63.33%	60.71%	68.66%	67.14%	61.80%

(1) Adjusted for the June 30, 2001 5% stock dividend and the February 28, 2002 5-for-4 stock split.

Management's Discussion and Analysis.

This Report contains statements, which constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and the Securities Exchange Act of 1934. These statements are based on many assumptions and estimates and are not guarantees of future performance. Our actual results may differ materially from those projected in any forward-looking statements, as they will depend on many factors about which we are unsure, including many factors, which are beyond our control. The words "may," "would," "could," "will," "expect," "anticipate," "believe," "intend," "plan," and "estimate," as well as similar expressions, are meant to identify such forward-looking statements. Potential risks and uncertainties include, but are not limited to:

- significant increases in competitive pressure in the banking and financial services industries;
- changes in the interest rate environment which could reduce anticipated or actual margins;
- changes in political conditions or the legislative or regulatory environment;
- the level of allowance for loan loss;
- the rate of delinquencies and amounts of charge-offs;
- the rates of loan growth;
- adverse changes in asset quality and resulting credit risk-related losses and expenses;
- general economic conditions, either nationally or regionally and especially in primary service area, becoming less favorable than expected resulting in, among other things, a deterioration in credit quality;
- changes occurring in business conditions and inflation;
- changes in technology;
- changes in monetary and tax policies;
- changes in the securities markets; and
- other risks and uncertainties detailed from time to time in our filings with the Securities and Exchange Commission.

Overview

First Community Corporation is a one bank holding company. The company commenced operations on November 2, 1994. The bank, the company's only subsidiary, began operations on August 17, 1995 from its first office located in Lexington, South Carolina. On September 14, 1995 the company opened its second office located in Forest Acres, South Carolina. The bank now has six offices, all of which are located in either Lexington County or Richland County, South Carolina. The company engages in a general commercial and retail banking business characterized by personalized service and local decision making, emphasizing the banking needs of small to medium-sized businesses, professional concerns and individuals.

The company experienced asset growth during 2003 with assets totaling \$215.0 million at December 31, 2003, increasing by 10.2% or \$19.8 million from December 31, 2002. The asset growth was primarily funded by deposit growth of \$17.2 million or 10.2%. Deposits totaled \$185.3 million at December 31, 2003 compared to \$168.1 million at December 31, 2002.

The company's net income increased \$333,000 in 2003, or 22.7%, over the year ended December 31, 2002. Net income was \$1.8 million, or \$1.08 diluted earnings per share, in 2003, compared to \$1.5 million, or \$.90 diluted earnings per share, in 2002. On January 24, 2002 the board of directors approved a 5-for-4 stock split payable February 28, 2002. Per share data has been adjusted for all periods to reflect the stock split.

The following discussion describes further our results of operations for 2003 as compared to 2002 and 2002 compared to 2001 and also analyzes our financial condition as of December 31, 2003 as compared to December 31, 2002. Like most community banks, we derive most of our income from interest we receive on our loans and investments. Our primary source of funds for making these loans and investments is our deposits, on which we pay interest. Consequently, one of the key measures of our success is our amount of net interest income, or the difference between the income on our interest-earning assets, such as loans and investments, and the expense on our interest-bearing liabilities, such as deposits. Another key measure is the spread between the yield we earn on these interest-earning assets and the rate we pay on our interest-bearing liabilities.

We have included a number of tables to assist in our description of these measures. For example, the "Average Balances" table shows the average balance during 2003, 2002, and 2001 of each category of our assets and liabilities, as well as the yield we earned or the rate we paid with respect to each category. A review of this table shows that our loans typically provide higher interest yields than do other types of interest earning assets, which is why we intend to channel a substantial percentage of our earning assets into our loan portfolio. Similarly, the "Rate/Volume Analysis" table helps demonstrate the impact of changing interest rates and changing volume of assets and liabilities during the years shown. We also track the sensitivity of our various categories of assets and liabilities to changes in interest rates, and we have included a "Sensitivity Analysis Table" to help explain this. Finally, we have included a number of tables that provide detail about our investment securities, our loans, and our deposits and other borrowings.

There are risks inherent in all loans, so we maintain an allowance for loan losses to absorb probable losses on existing loans that may become uncollectible. We establish and maintain this allowance by charging a provision for loan losses against our operating earnings. In the following section we have included a detailed discussion of this process, as well as several tables describing our allowance for loan losses and the allocation of this allowance among our various categories of loans.

In addition to earning interest on our loans and investments, we earn income through fees and other expenses we charge to our customers. We describe the various components of this noninterest income, as well as our noninterest expense, in the following discussion.

The following discussion and analysis also identifies significant factors that have affected our financial position and operating results during the periods included in the accompanying financial statements. We encourage you to read this discussion and analysis in conjunction with the financial statements and the related notes and the other statistical information also included in this report.

Results of Operations

The company's net income was \$1.8 million, or \$1.08 diluted earnings per share, for the year ended December 31, 2003, as compared to net income of \$1.5 million, or \$0.90 diluted earnings per share, for the year ended December 31, 2002, and \$1.1 million, or \$0.68 diluted earnings per share, for the year ended December 31, 2001. The increase in net income for 2003 as compared to 2002 resulted primarily from an increase in the level of average earning assets of \$24.8 million. The effects of the increase in earning assets was somewhat offset by a decrease in the net interest margin from 4.26% in 2002 as compared to 4.02% during 2003. Net interest income increased from \$7.0 million in 2002 to \$7.6 million in the year ended December 31, 2003. A lower provision for loan losses during 2003 of \$167,000 in 2003 as compared to \$677,000 in 2002 also contributed to the increase in net income for 2003 as compared to 2002. The lower provision for loan losses was possible as a result of the company realizing a substantial recovery on a loan charged off in a previous period. Non-interest income increased from \$1.2 million in 2002 to \$1.4 million in 2003 due primarily to increased deposit service charges resulting from higher average deposit account balances as well as increased fees on the sale of non-deposit investment products. Non-interest expense increased to \$6.2 million in 2003 as compared to \$5.4 million in 2002. This increase is attributable to increases in all expense categories required to support the continued growth of the bank over the last several years.

The increase in net income from 2002 to 2001 resulted primarily from two factors, which included an increase in the level of average earning assets of \$33.7 million as well as an increase of 7 basis points in the net interest margin. Earning assets averaged \$131.8 million in 2001 as compared to \$165.5 million in 2002. Non-interest income increased from \$938,000 in 2001 to \$1.2 million in 2002 due to increased deposit service charges and increases in mortgage origination fees. Non-interest expense increased to \$5.4 million in 2002 as compared to \$4.4 million in 2001. This increase was primarily due to the cost associated with expansion of three branch offices during 1999 through 2001, and expansion of the support infrastructure necessary to support the operation of these new offices.

Net Interest Income

The largest component of operating earnings for the company is net interest income, which is the difference between income earned on assets and interest paid on deposits and borrowings used to support such assets. Net interest income is determined by the rates earned on the company's interest-earning assets and the rates paid on its interest-bearing liabilities, the relative amounts of interest-earning assets and interest-bearing liabilities, and the degree of mismatch and the maturity and repricing characteristics of its interest-earning assets and interest-bearing liabilities.

Net interest income totaled \$7.6 million in 2003, \$7.0 million in 2002 and \$5.5 million in 2001. Net interest spread, the difference between the yield on earning assets and the rate paid on interest-bearing liabilities, was 3.71% in 2003 as compared to 3.91% in 2002 and 3.50% in 2001. The reason for the increase in net interest income between 2003 and 2002 was due to the \$24.8 million increase in the level of earning assets between the two periods offset by a decrease of 24 basis point in the net interest margin. The increase in net interest income between 2002 and 2001 was due to the \$33.7 million increase in the level of earning assets between the two periods as well as a 7 basis point increase in the net interest margin. In 2003 loans represented 58.8% of average earning assets as compared to 56.8% and 60.3% in 2002 and 2001, respectively. Loans typically provide a higher yield than other types of earning assets and thus one of the company's goals continues to be to grow the loan portfolio as a percentage of earning assets. The yield on earning assets decreased from 5.95% in 2002 to 5.27% in 2003. The yield on earning assets was 7.29% in 2001. In 2001 the yield on earning assets was 7.29%. The decrease was a result of the historically low market interest rates that began in 2002 and existed throughout 2003. This decrease in yield on average earning assets was offset partially offset by a decrease in the rate paid on interest-bearing liabilities to 1.56% in 2003 from 2.04% and 3.79% in 2002 and 2001, respectively.

Average Balances, Income Expenses and Rates. The following tables depict, for the periods indicated, certain information related to the company's average balance sheet and its average yields on assets and average costs of liabilities. Such yields are derived by dividing income or expense by the average balance of the corresponding assets or liabilities. Average balances have been derived from daily averages.

Average Balances, Income, Expenses and Rates

(In thousands)

	Year ended December 31,								
	2003			2002			2001		
	Average Balance	Income/Expense	Yield/Rate	Average Balance	Income/Expense	Yield/Rate	Average Balance	Income/Expense	Yield/Rate
Assets									
Earning assets									
Loans	\$111,928	\$ 7,582	6.77%	\$ 93,992	\$7,025	7.47%	\$ 79,466	\$6,855	8.63%
Securities	60,261	2,267	3.76%	58,462	2,614	4.47%	40,766	2,310	5.67%
Other short-term investments (2)	18,089	179	.99%	13,074	208	1.59%	11,548	446	3.86%
Total earning assets	190,278	10,028	5.27%	165,528	9,847	5.95%	131,780	9,611	7.29%
Cash and due from banks	6,626			5,359			3,808		
Premises and equipment	7,440			6,644			6,564		
Other assets	2,195			2,362			2,186		
Allowance for loan losses	(1,744)			(1,245)			(1,005)		
Total assets	\$204,795			\$178,648			\$143,333		
Liabilities									
Interest-bearing liabilities									
Interest-bearing transaction accounts	\$ 31,892	66	0.21%	\$ 27,509	80	0.29%	\$ 15,475	118	0.76%
Money market accounts	25,122	231	.92%	27,848	413	1.48%	22,158	716	3.23%
Savings deposits	12,041	84	.70%	8,917	82	.92%	7,155	142	1.98%
Time deposits	75,391	1,927	2.56%	67,500	2,185	3.24%	59,173	2,990	5.05%
Other short term borrowings	7,855	72	.92%	5,305	43	.81%	4,003	122	3.05%
Total interest-bearing liabilities	152,301	2,380	1.56%	137,079	2,803	2.04%	107,964	4,088	3.79%
Demand deposits	32,304			23,045			18,149		
Other liabilities	1,243			983			1,121		
Shareholders' equity	18,947			17,541			16,099		
Total liabilities and shareholders' equity	\$204,795			\$178,648			\$143,333		
Net interest spread			3.71%			3.91%			3.50%
Net interest income/margin		\$ 7,648	4.02%		\$7,044	4.26%		\$5,523	4.19%

(1) All loans and deposits are domestic. Average loan balance includes non-accrual loans.

(2) The computation includes federal funds sold, securities purchased under agreement to resell and interest bearing deposits.

The following table presents the dollar amount of changes in interest income and interest expense attributable to changes in volume and the amount attributable to changes in rate. The combined effect in both volume and rate, which cannot be separately identified has been allocated proportionately to the change due to volume and due to rate.

(In thousands)

	2003 versus 2002 Increase (decrease) due to			2002 versus 2001 Increase (decrease) due to		
	Volume	Rate	Net	Volume	Rate	Net
Assets						
Earning assets						
Loans	\$1,256	\$ (700)	\$ 556	\$ 631	\$ (461)	\$ 170
Investment securities	78	(425)	(347)	591	(287)	304
Other short-term investments (1)	64	(92)	(28)	69	(307)	(238)
Total earning assets	1,377	(1,196)	181	842	(606)	236
Interest-bearing liabilities						
Interest-bearing transaction accounts	(11)	25	(14)	(194)	155	(39)
Money market accounts	(37)	(144)	(181)	274	(577)	(303)
Savings deposits	25	(23)	2	51	(111)	(60)
Time deposits	236	(495)	(259)	518	(1,322)	(804)
Other short term borrowings	23	7	30	63	(142)	(79)
Total interest-bearing liabilities	288	(710)	(422)	1,821	(3,106)	(1,285)
Net interest income			\$ 603			\$ 1,521

Interest Sensitivity. The company monitors and manages the pricing and maturity of its assets and liabilities in order to diminish the potential adverse impact that changes in interest rates could have on its net interest income. A monitoring technique employed by the company is the measurement of the company's interest sensitivity "gap," which is the positive or negative dollar difference between assets and liabilities that are subject to interest rate repricing within a given period of time. Also, asset/liability modeling is performed by the company to assess the impact varying interest rates and balance sheet mix assumptions will have on net interest income. Interest rate sensitivity can be managed by repricing

assets or liabilities, selling securities available-for-sale, replacing an asset or liability at maturity or by adjusting the interest rate during the life of an asset or liability. Managing the amount of assets and liabilities repricing in the same time interval helps to hedge the risk and minimize the impact on net interest income of rising or falling interest rates. The company evaluates interest sensitivity risk and then formulates guidelines regarding asset generation and repricing, funding sources and pricing, and off-balance sheet commitments in order to decrease interest sensitivity risk. Neither the "gap" analysis or asset/liability modeling are precise indicators of the interest sensitivity position of the company due to the many factors that affect net interest income, including changes in the volume and mix of earning assets and interest-bearing liabilities. Due to the fact that market interest rates are at their lowest levels in many years, further declines in interest rates would likely not result in the same magnitude of change in asset and liability repricing and would result in adverse pressure on the company's net interest margin. Certain core deposits may have already repriced to floor levels, making it unlikely that the company could adjust these liability rates by the same magnitude of any further rate declines.

The following table illustrates the company's interest rate sensitivity at December 31, 2003.

Interest Sensitivity Analysis

(In thousands)

	December 31, 2003					
	Within Three Months	After Three Through Six Months	After Six Through Twelve Months	One Year through Five Years	Over Five Years or Nonsensitive	Total
Assets						
Earning assets						
Loans (1)	\$49,867	\$ 5,551	\$ 7,462	\$57,869	\$ 179	\$120,928
Securities	500	6,000	530	30,104	21,820	58,954
Federal funds sold, securities purchased under agreements to resell and other earning assets	19,557					19,557
Total earning assets	69,924	11,551	7,992	87,973	21,999	199,439
Liabilities						
Interest bearing liabilities						
Interest bearing deposits						
NOW accounts	4,250	4,202	8,403	16,806		33,661
Money market accounts	23,355					23,355
Savings deposits	1,403	1,403	2,806	5,611		11,223
Time deposits	26,419	15,668	20,294	17,595		79,976
Total interest-bearing deposits	55,427	21,273	31,503	40,012		148,215
Other short term borrowings	4,101		1,000	4,000		9,101
Total interest-bearing liabilities	59,528	21,273	32,503	44,012		157,316
Period gap	\$10,396	\$ (9,722)	\$(24,511)	\$43,961	\$21,999	\$ 42,123
Cumulative gap	\$10,396	\$ 674	\$(23,837)	\$20,124	\$42,123	
Ratio of cumulative gap to total earning assets	5.2%	.3%	(11.9%)	10.1%	21.1%	

(1) Loan balances do not include non-accrual loans in the amount of \$80,000 at December 31, 2003.

The company generally would benefit from increasing market rates of interest when it has an asset-sensitive gap and generally would benefit from decreasing market rates of interest when it is liability sensitive. The company currently is liability sensitive within one year. However, the company's gap analysis is not a precise indicator of its interest sensitivity position. The analysis presents only a static view of the timing of maturities and repricing opportunities, without taking into consideration that changes in interest rates do not affect all assets and liabilities equally. Net interest income is also impacted by other significant factors, including changes in the volume and mix of earning assets and interest-bearing liabilities.

Provision and Allowance for Loan Losses

The company has developed policies and procedures for evaluating the overall quality of its credit portfolio and the timely identification of potential problem credits. Management's judgment as to the adequacy of the allowance is based upon a number of assumptions about future events, which it believes to be reasonable, but which may or may not prove to be accurate. Thus, there can be no assurance that charge-offs in future periods will not exceed the allowance for loan losses or that additional increases in the loan loss allowance will not be required.

Additions to the allowance for loan losses, which are expensed as the provision for loan losses on the company's income statement, are made periodically to maintain the allowance at an appropriate level based on management's analysis of the potential risk in the loan portfolio. As of December 31, 2003 management has implemented a system allocating the allowance for loan losses to specific components of the loan portfolio. Prior to December 31, 2003 the allowance was allocated on an overall portfolio basis. Allocation of the allowance to specific loan components is not necessarily indicative of future losses or future allocations. The entire allowance is available to absorb losses in the loan portfolio. The objective of management has been to fund the allowance for loan losses at approximately 1.1% to 1.5% of total loans until a tested historical loss experience has been established. During 2002 management began to build the allowance to the mid to upper range of this objective due to declining economic conditions and increased charge-offs in 2001 and 2002. During the first six months of 2003 the company recovered certain of these charge-offs and had slightly exceeded its target for the allowance for loan losses. As a result, the provision for loan losses was funded at a lower amount throughout 2003 as compared to 2002 and 2001. The amount of the provision is a function of the level of loans outstanding, the level of nonperforming loans, historical loan loss experience, the amount of loan losses actually charged against the reserve during a given period, and current and anticipated economic conditions. Management has also established a loan review process to ensure that its loan loss allowance is adequate. This process includes a review by the management senior credit committee of all loans originated for \$100,000 or more. In addition all loan relationships with aggregate credit of \$500,000 or more are reviewed annually and loans regardless of amount criticized or classified by management in accordance with regulatory guidelines are reviewed quarterly.

At December 31, 2003 and 2002, the allowance for loan losses amounted to \$1.7 million and \$1.5 million, respectively. This represents 1.41% and 1.52% of outstanding loans at December 31, 2003 and 2002, respectively. At December 31, 2003, 2002 and 2001 the company had non-accrual loans in the amount of \$80,000, \$144,000 and \$404,000 respectively. There was \$96,000, \$340,000 and \$421,000 in loans delinquent greater than 30 days at December 31, 2003, 2002 and 2001, respectively. There were \$109,000 and \$24,000 in loans greater than 90 days delinquent at December 31, 2003 and 2002 and none as of December 31, 2001. The provision for loan losses was \$167,000, \$677,000 and \$407,000 for the years ended December 31, 2003, 2002 and 2001, respectively .

Allowance For Loan Losses

(Dollars in thousands)

	December 31,				
	2003	2002	2001	2000	1999
Average loans outstanding	\$111,928	\$ 93,992	\$79,466	\$60,001	\$46,064
Loans outstanding at period end	\$121,009	\$ 99,991	\$87,519	\$67,984	\$52,297
Total non-performing loans	\$ 80	\$ 144	\$ 404	—	—
Beginning balance of allowance	\$ 1,525	\$ 1,000	\$ 873	\$ 704	\$ 532
Loans charged-off:					
1-4 family residential mortgage	27	—	7	—	—
Home equity	—	—	—	5	—
Commercial	157	156	270	—	26
Installment & credit card	51	16	7	2	15
Total loans charged-off	235	172	284	7	41
Recoveries:					
1-4 family residential mortgage	—	—	—	—	—
Home equity	—	19	—	—	—
Commercial	247	1	4	14	3
Installment & credit card	1	—	—	1	—
Total recoveries	248	20	4	15	3
Net loans charged off (recovered)	(13)	152	280	(8)	38
Provision for loan losses	167	677	407	161	210
Balance at period end	\$ 1,705	\$ 1,525	\$ 1,000	\$ 873	\$ 704
Net charge -offs to average loans	(0.01%)	0.16%	0.35%	(0.02%)	0.08%
Allowance as percent of total loans	1.41%	1.53%	1.14%	1.28%	1.35%
Non-performing loans as % of total loans	0.07%	0.14%	0.46%	—	—
Allowance as % of non-performing loans	2123.60%	1059.03%	247.52%	—	—

Composition of the Allowance For Loan Losses

(In thousands)

	December 31, 2003	% of loans in category
Commercial, financial and agricultural	\$ 167	9.5%
Real estate - construction	214	6.4%
Real estate mortgage:		
Commercial	792	60.1%
Residential	293	9.8%
Consumer	85	14.2%
Unallocated	36	N/A
Total	\$1,705	100.0%

Accrual of interest is discontinued on loans when management believes, after considering economic and business conditions and collection efforts that a borrower's financial condition is such that the collection of interest is doubtful. A delinquent loan is generally placed in nonaccrual status when it becomes 90 days or more past due. At the time a loan is placed in nonaccrual status, all interest, which has been accrued on the loan but remains unpaid is reversed and deducted from earnings as a reduction of reported interest income. Interest income is subsequently recognized only to the extent cash payments are received first to principal and then to interest income.

Potential Problem Loans. A potential problem loan is one in which management has serious doubts about the borrower's future performance under the terms of the loan contract. These loans are current as to principal and interest and, accordingly, they are not included in nonperforming assets categories. At December 31, 2003, the company had no loans considered by management to be potential problem loans. The level of potential problem loans is one factor to be used in the determination of the adequacy of the allowance for loan losses.

Noninterest Income and Expense

Noninterest Income. The company's primary source of noninterest income is service charges on deposit accounts. In addition, the company originates mortgage loans that are closed in the name of a third party for which the company receives a fee. Other sources of noninterest income are derived from commissions on sale of non-deposit investment products, bankcard fees, commissions on check sales, safe deposit box rent, wire transfer and official check fees. Noninterest income for the year ended December 31, 2003 was \$1.4 million as compared to \$1.2 million for 2002, an increase of \$208,000, or 16.8%. This increase is primarily a result of the growth in deposit account balances and the related deposit account fees. Deposit account fees amounted to \$700,000 in 2003 as compared to \$587,000 in 2002. Mortgage loan fee income increased to \$343,000 for the year ended December 31, 2003 as compared to \$300,000 in 2002. This increase was attributable to the continued low market interest rates throughout 2003 which resulted in more new home sales and significant mortgage refinancings. Commissions on the sale of non-deposit investment products increased \$84,000 from \$116,000 in 2002 to \$200,000 in 2003. The company continues to place emphasis on sources of noninterest income by attempting to increase mortgage loan fee income and commissions on the sale of non-deposit investment products.

Noninterest income amounted to \$938,000 in 2001. The increase in 2002 of \$294,000, or 31.4%, as compared to 2001 is also primarily attributable to increased deposit account balances and the related deposit account fees. Deposit account fees increased \$112,000, or 23.5%, in 2002 as compared to 2001. In addition, mortgage loan fees increased \$83,000 from \$217,000 in 2001 to \$300,000 in 2002. As mentioned previously record low market interest rates contributing significantly to increased new home sales and home refinancings throughout 2002.

Noninterest Expense. In the very competitive financial services industry, management recognizes the need to place a great deal of emphasis on expense management and continually evaluates and monitors growth in discretionary expense categories in order to control future increases. The company has expanded its branch network over the last four years and has announced the opening of its seventh office in the second quarter of 2004. Along with this branch expansion the company has continued to improve the support infrastructure to enable the company to effectively manage the growth experienced over the last four years. As a result of management's expansion strategy, all categories of noninterest expense have continued to increase over the last four years. Management anticipates that they will continue to seek de novo branch expansion opportunities in key markets within the midlands of South Carolina.

Noninterest expense increased to \$6.2 million for the year ended December 31, 2003 from \$5.4 million for the year ended December 31, 2002. Salary and employee benefits increased \$566,000 in 2003 as compared to 2002. This increase resulted from an increase of 12 full time equivalent employees from 58 at December 31, 2002 to 70 at December 31, 2003. In addition, during 2002 the company added six new positions. All of these positions have been added to support the continued growth of the bank both in operation areas and branch offices. Equipment expense increased by \$174,000, or 27.7%, in 2003, as compared to 2002. This is primarily attributable to increased depreciation and maintenance contract expense related to equipment purchased to upgrade and improve existing technology. During 2003 the company introduced an internet banking product, upgraded the teller and new account platform systems and upgraded the ATM and debit card processing system. In addition, the company installed ATMs at three branch locations that previously did not provide this service. The company continues to evaluate its technology systems in order to enhance its delivery of services. Noninterest expense in 2003, 2002 and 2001 includes amortization of the deposit premium intangible of \$79,000, \$185,000 and \$124,000, respectively related to the acquisition of the Chapin office in February 2001. The deposit premium of \$1.2 million is being amortized over a period of seven years. Marketing and public relations expense for 2003 increased by \$29,000 as a result of planned increases in advertising to include the continued use of television media in our markets which was started in 2002.

Noninterest expense increased to \$5.4 million for the year ended December 2002 from \$4.4 million for the year ended December 31, 2001. Salary and employee benefit expense increased \$384,000 in 2002 as compared to 2001. This increase resulted from an increase of six full time equivalent employees from 52 at December 31, 2001 to 58 at December 31, 2002. Equipment expense increased by \$103,000 in 2002 as compared to 2001. During 2002 the company introduced check imaging and upgraded its telecommunications and data network systems. Marketing and public relations expense increased by \$97,000 in 2002 as compared to 2001. This increase is attributable to planned increases in advertising to include the use of television media in our markets.

The following table sets forth for the periods indicated the primary components of non-interest expense:

(In thousands)

	Year ended December 31,		
	2003	2002	2001
Salary and employee benefits	\$3,307	\$2,740	\$2,356
Occupancy	395	340	294
Equipment	803	629	526

	Year ended December 31,		
	2003	2002	2001
Marketing and public relations	273	244	147
Data processing	87	86	77
Supplies	126	161	110
Telephone	147	128	103
Correspondent services	78	72	78
Insurance	141	113	86
Professional fees	194	176	94
Postage	85	75	78
Amortization of intangibles	179	185	124
Other	343	428	308
	\$6,158	\$5,377	\$4,381

Income Tax Expense

Income tax expenses for the year ended December 31, 2003 were \$965,000, or 34.9%, of income before taxes as compared to \$758,000, or 34.1%, of income before taxes for the year ended December 31, 2002. Income taxes for 2001 were \$569,000, or 34.0%, of income before taxes. The company recognizes deferred tax assets for future deductible amounts resulting from differences in the financial statement and tax bases of assets and liabilities and operating loss carry forwards. A valuation allowance is then established to reduce the deferred tax asset to the level that it is more likely than not that the tax benefit will be realized. At current established federal and state statutory income tax rates it is anticipated that income tax expense for the company will remain approximately 34.0% to 35.0% of income before taxes in the future.

Financial Position

Total assets at December 31, 2003 were \$215.0 million as compared to \$195.2 million at December 31, 2002. Average earning assets increased to \$190.3 million during 2003 as compared to \$165.5 million during 2002. Asset growth included a net increase in loans of \$20.8 million from \$98.5 million at December 31, 2002 to \$119.3 million at December 31, 2003. Investment securities decreased \$10.8 million from \$69.8 million at yearend 2002 to \$59.0 million at December 31, 2003. The growth in assets was primarily funded by an increase in deposit account balances of \$17.2 million from \$168.1 million at December 31, 2002 to \$185.3 million at December 31, 2003. During August 2003 the company borrowed \$5.0 million in advances from the Federal Home Loan Bank of Atlanta (FHLB). The advances are collateralized by investment securities held in safekeeping at the FHLB. Shareholders' equity totaled \$19.5 million at December 31, 2003 as compared to \$18.4 million at December 31, 2002. This increase was a result of retained earnings of \$1.5 million offset by a decrease of the unrealized gain on available for sale securities \$526,000 during 2003.

Earning Assets

Loans. Loans typically provide higher yields than the other types of earning assets, and thus one of the bank's goals is to have loans be the largest category of the bank's earning assets. At December 31, 2003 loans accounted for 60.6% of earning assets as compared to 58.6% of earning assets at December 31, 2002. Associated with the higher loan yields are the inherent credit and liquidity risks which management attempts to control and counterbalance. Management is committed to achieving its asset mix goals management without sacrificing asset quality. Loans averaged \$111.9 million during 2003, as compared to \$100.0 million in 2002.

The following table shows the composition of the loan portfolio by category:

(in thousands)

	December 31,									
	2003		2002		2001		2000		1999	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Commercial, financial and agricultural	\$ 11,518	9.5%	\$10,688	10.7%	\$12,408	14.2%	\$12,414	18.3%	\$10,833	9.5%
Real estate:										
Construction	7,782	6.4%	7,533	7.5%	10,126	11.6%	3,879	5.7%	4,943	6.4%
Mortgage - residential	11,804	9.8%	11,055	11.1%	9,272	10.6%	8,327	12.2%	7,849	9.8%
Mortgage - commercial	72,668	60.1%	55,290	55.3%	41,744	47.7%	31,525	46.4%	20,140	60.1%
Consumer	17,237	14.2%	15,425	15.4%	13,968	15.9%	11,839	17.4%	8,532	14.2%
Total gross loans	121,009	100.0%	99,991	100.0%	87,518	100.0%	67,984	100.0%	52,297	100.0%
Allowance for loan losses	(1,705)		(1,525)		(1,000)		(873)		(704)	
Total net loans	\$119,303		\$98,466		\$86,518		\$67,111		\$51,593	

In the context of this discussion, a real estate mortgage loan is defined as any loan, other than loans for construction purposes, secured by real estate, regardless of the purpose of the loan. The company follows the common practice of financial institutions in the company's market area of obtaining a security interest in real estate whenever possible, in addition to any other available collateral. This collateral is taken to reinforce the likelihood of the ultimate repayment of the loan and tends to increase the magnitude of the real estate loan components. Generally the company limits the loan-to-value ratio to 80%. The principal components of the company's loan portfolio, at year-end 2003 and 2002, were commercial mortgage loans in the amount of \$72.7 million and \$55.3 million, representing 60.1% and 55.3% of the portfolio, respectively. Significant portions of these commercial mortgage loans are made to finance owner-occupied real estate. Management strives to maintain a conservative philosophy regarding its underwriting guidelines, and believes it will reduce the risk elements of its loan portfolio through strategies that diversify the lending mix.

The repayment of loans in the loan portfolio as they mature is a source of liquidity for the company. The following table sets forth the company's loans maturing within specified intervals at December 31, 2003.

Loan Maturity Schedule and Sensitivity to Changes in Interest Rates

(In thousands)

	December 31, 2003			
	One Year or Less	Over One Year Through Five Years	Over Five Years	Total
Commercial, financial & agricultural	\$ 4,408	\$ 7,056	\$ 54	\$ 11,518
Real estate - construction	7,462	320	—	7,782
All other loan	13,245	77,908	10,556	101,709
	\$25,115	\$85,284	\$10,610	\$121,009
Loans maturing after one year with:				
Fixed interest rates				\$ 67,620
Floating interest rates				28,274
				\$ 95,894

The information presented in the above table is based on the contractual maturities of the individual loans including loans, which may be subject to renewal at their contractual maturity. Renewal of such loans is subject to review and credit approval, as well as modification of terms upon their maturity.

Investment Securities. The investment securities portfolio is a significant component of the company's total earning assets. Total securities averaged \$60.3 million in 2003, as compared to \$58.5 million in 2002. This represents 31.7% and 35.3% of the average earning assets for the year ended December 31, 2003 and 2002, respectively. The objective of the company in its management of the investment portfolio is to maintain a portfolio of high quality, highly liquid investments with returns competitive with short term U.S. Treasury or agency obligations. This policy is particularly important as the company continues to emphasize increasing the percentage of the loan portfolio to total earning assets. At December 31, 2003, the weighted average life of the portfolio was 2.9 years and the weighted average tax equivalent yield was 4.0%. The company primarily invests in U.S. Treasury securities and securities of other U. S. Government agencies with maturities up to five years.

The following table shows the investment portfolio composition:

(In thousands)

	December 31,		
	2003	2002	2001
Securities available for sale at fair value:			
U.S. Treasury	\$ 3,027	\$ 4,338	\$ 6,357
U. S. Government agencies	35,596	45,919	24,282
Mortgage-backed securities	14,395	13,812	11,039
Other	941	699	589
	<u>53,959</u>	<u>64,768</u>	<u>42,267</u>
Securities held to maturity At amortized cost:			
State and local government	4,985	5,007	4,088
Other	10	10	10
	<u>4,995</u>	<u>5,117</u>	<u>4,089</u>
Total	<u>\$58,954</u>	<u>\$69,885</u>	<u>\$46,356</u>

The following table shows, at carrying value, the scheduled maturities and average yields of securities held.

Investment Securities Maturity Distribution and Yields (1)

(In thousands)

	December 31, 2003							
	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Held-to-maturity:								
State and local government	\$		\$ 951	3.79%	\$ 2,779	3.95%	\$ 1,255	4.06%
Other					10	5.85%		
Total investment securities held-to maturity			951	3.79%	2,789	3.96%	1,255	4.06%
Available-for-sale:								
U.S. treasury	3,027	2.70%						
U.S. government agencies	3,501	2.57%	21,003	3.75%	11,083	4.33%		
Mortgage-backed securities	—		524	5.73%	5,178	3.99%	8,702	4.39%
Other	—						941	5.25%
Total investment securities available-for-sale	6,528	2.63%	21,527	3.75%	16,261	4.22%	9,643	4.47%
Total investment securities	\$6,528	2.63%	\$22,478	3.75%	\$19,050	4.18%	\$10,898	4.42%

(1) Investments with a call feature are shown as of the contractual maturity date.

Short-Term Investments. Short-term investments, which consist of federal funds sold, securities purchased under agreements to resell and interest bearing deposits, averaged \$18.1 million in 2003, as compared to \$13.1 million in 2002 and \$11.5 million in 2001. At December 31, 2003, short-term investments totaled \$19.6 million. These funds are a primary source of the company's liquidity and are generally invested in an earning capacity on an overnight basis.

Deposits and Other Interest-Bearing Liabilities

Deposits. Average deposits were \$176.8 million during 2003, compared to \$154.8 million during 2002. Average interest-bearing deposits were \$144.4 million in 2003, as compared to \$131.7 million in 2002.

The following table sets forth the deposits of the company by category.

(In thousands)

	December 31,					
	2003		2002		2001	
	Amount	% of Deposits	Amount	% of Deposits	Amount	% of Deposits
Demand deposit accounts	\$ 37,045	20.0%	\$ 27,124	16.1%	\$ 19,687	14.7%
NOW accounts	33,660	18.2%	30,207	18.0%	15,415	11.5%
Money market accounts	23,355	12.6%	27,920	16.6%	24,050	17.9%
Savings accounts	11,223	6.0%	9,818	5.8%	7,774	5.8%
Time deposits less than \$100,000	45,125	24.4%	46,647	27.8%	40,906	30.4%
Time deposits more than \$100,000	34,850	18.8%	26,346	15.7%	26,570	19.7%
	\$185,258	100.0%	\$168,062	100.0%	\$134,402	100.0%

Core deposits, which exclude certificates of deposit of \$100,000 or more, provide a relatively stable funding source for the company's loan portfolio and other earning assets. The company's core deposits were \$150.4 million, \$141.7 million and \$107.8 million at December 31, 2003, 2002 and 2001, respectively. A stable base of deposits are expected to be the company's primary source of funding to meet both its short-term and long-term liquidity needs in the future.

The maturity distribution of the company's time deposits is shown in the following table.

Maturities of Certificates of Deposit and Other Time Deposit of \$100,000 or more

(In thousands)

	December 31, 2003				Total
	Within Three Months	After Three Through Six Months	After Six Through Twelve Months	After Twelve Months	
Certificates of deposit of \$100,000 or more	\$15,696	\$4,806	\$8,722	\$5,626	\$34,850

There were no Other Time Deposits of \$100,000 or more at December 31, 2003.

Large certificate of deposit customers tend to be extremely sensitive to interest rate levels, making these deposits less reliable sources of funding for liquidity planning purposes than core deposits. Some financial institutions partially fund their balance sheets using large certificates of deposit obtained through brokers. These brokered deposits are generally expensive and can be unreliable as long-term funding sources. Accordingly, the company does not currently accept brokered deposits.

Borrowed funds. Borrowed funds consist primarily of short-term borrowings in the form of securities sold under agreements to repurchase, and Federal Home Loan Bank advances. Short term borrowings averaged \$6.0 million and \$5.2 million during 2003 and 2002, respectively. The repurchase agreements are generally originated with customers that have other relationships with the company and tend to provide a stable and predictable source of funding. Repurchase agreements averaged \$6.0 million and \$5.2 million during 2003 and 2002, respectively. As a member of the Federal Home Loan Bank of Atlanta (FHLB Atlanta) the bank has access to advances from the FHLB Atlanta for various terms and amounts. During 2003 the average outstanding advances amounted to \$1.9 million. There were no advances in 2002.

The following is a schedule of the maturities for Federal Home Loan Bank Advances as of December 31, 2003:

(In thousands) Maturing	Amount	Rate
2004	\$1,000	1.60%
2005	2,500	2.08%
2006	1,500	2.83%
	\$5,000	2.24%

Capital

Total shareholders' equity as of December 31, 2003 was \$19.5 million, an increase of \$1.1 million or approximately 6.0% compared with shareholders' equity of \$18.4 million as of December 31, 2002. This increase was attributable to net income for the year ended December 31, 2003 of \$1.8 million offset by a decrease in the net unrealized gain of \$526,000 net of tax effect in the market value of investment securities available-for-sale. During the second quarter of 2002 the company paid its first quarterly cash dividend of \$0.04 per share. Subsequent to this first cash dividend the company paid a \$0.04 per share dividend in the third and fourth quarter of 2002. The company paid \$0.04 per share dividend in the first quarter of 2003 and a \$0.05 per share dividend for the second through the fourth quarter of 2003. Total dividends paid in 2003 and 2002 amounted to \$302,000 and \$191,000, respectively. The company

introduced a dividend reinvestment plan in the third quarter of 2003. The plan allows existing shareholders the option of reinvesting cash dividends as well as making optional purchases of up to \$5,000 in the purchase of common stock per quarter.

Under the capital guidelines of the Federal Reserve and the OCC, the company and the bank are currently required to maintain a minimum risk-based total capital ratio of 8%, with at least 4% being Tier 1 capital. Tier 1 capital consists of common shareholders' equity, qualifying perpetual preferred stock, and minority interests in equity accounts of consolidated subsidiaries, less goodwill. In addition, the bank must maintain a minimum Tier 1 leverage ratio (Tier 1 capital to total assets) of at least 4%, but this minimum ratio is increased by 100 to 200 basis points for other than the highest-rated institutions.

The company and the bank exceeded their regulatory capital ratios, as set forth in the following table.

Analysis of Capital

(In thousands)

	<u>Required Amount</u>	<u>%</u>	<u>Actual Amount</u>	<u>%</u>	<u>Excess Amount</u>	<u>%</u>
The Bank:						
December 31, 2003						
Risk Based Capital						
Tier 1	\$ 5,613	4.0%	\$15,295	10.9%	\$ 9,682	6.9%
Total Capital	11,225	8.0%	17,000	12.1%	5,775	4.1%
Tier 1 Leverage	8,280	4.0%	15,295	7.4%	7,015	3.4%
December 31, 2002						
Risk Based Capital						
Tier 1	\$ 4,775	4.0%	\$13,559	11.4%	\$ 8,748	7.4%
Total Capital	9,551	8.0%	15,052	12.6%	5,501	4.6%
Tier 1 Leverage	7,576	4.0%	13,559	7.2%	5,983	3.2%
The Company:						
December 31, 2003						
Risk Based Capital						
Tier 1	\$ 5,635	4.0%	\$18,607	13.2%	\$12,972	9.2%
Total Capital	11,269	8.0%	20,312	14.4%	9,043	6.4%
Tier 1 Leverage	8,395	4.0%	18,607	8.9%	11,072	4.9%
December 31, 2002						
Risk Based Capital						
Tier 1	\$ 4,797	4.0%	\$16,831	14.0%	\$11,834	10.0%
Total Capital	9,594	8.0%	18,330	15.3%	8,736	7.3%
Tier 1 Leverage	7,679	4.0%	16,831	8.8%	9,152	4.8%

On July 10, 1998 the Company closed a secondary offering in which 679,218 additional shares (adjusted for the June 30, 2001 5% stock dividend and the February 28, 2002 5-for-4 stock split) were issued with proceeds after offering expenses of approximately \$6.6 million. Approximately \$4.1 million of the proceeds from this offering were used to provide additional capital to the bank. The company is using the proceeds of the secondary offering to support its continued growth and believe that its capital resources are adequate to meet its operating needs.

Liquidity Management

Liquidity management involves monitoring the company's sources and uses of funds in order to meet its day-to-day cash flow requirements while maximizing profits. Liquidity represents the ability of a company to convert assets into cash or cash equivalents without significant loss and to raise additional funds by increasing liabilities. Liquidity management is made more complicated because different balance sheet components are subject to varying degrees of management control. For example, the timing of maturities of the investment portfolio is very predictable and subject to a high degree of control at the time investment decisions are made. However, net deposit inflows and outflows are far less predictable and are not subject to nearly the same degree of control. Asset liquidity is provided by cash and assets which are readily marketable, or which can be pledged, or which will mature in the near future. Liability liquidity is provided by access to core funding sources, principally the ability to generate customer deposits in the company's market area. In addition, liability liquidity is provided through the ability to borrow against approved lines of credit (federal funds purchased) from correspondent banks and to borrow on a secured basis through securities sold under agreements to repurchase. The bank is a member of the FHLB Atlanta and has the ability to obtain advances for various periods of time. These advances will be secured by securities pledged by the bank or assignment of specific loans within the bank's portfolio.

With the successful completion of the common stock offering in 1995 and the secondary offering completed in July 1998, the company has maintained a high level of liquidity that has been adequate to meet planned capital expenditures, as well as providing the necessary cash requirements of the company and the bank needed for operations. The company's funds sold and short term interest bearing deposits position, its primary source of liquidity, averaged \$18.1 million during the year ended December 31, 2003, and was \$19.6 million at December 31, 2003. The company also maintains federal funds purchased lines, in the amount of \$6.5 million with several financial institutions, although these have not been utilized in 2003. The FHLB Atlanta has approved a line of credit of up to 15% of the bank assets which would be collateralized by a pledge against specific investment securities. Management regularly reviews the liquidity position of the company and has implemented internal policies establishing guidelines for sources of asset based liquidity and limit the total amount of purchased funds used to support the balance sheet and funding from non core sources. Management believes that its existing stable base of core deposits along with continued growth in this deposit base will enable the company to meet its long term liquidity needs successfully.

Impact of Inflation

Unlike most industrial companies, the assets and liabilities of financial institutions such as the company and the bank are primarily monetary in nature. Therefore, interest rates have a more significant effect on the company's performance than do the effects of changes in the general rate of inflation and change in prices. In addition, interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services. As discussed previously, management seeks to manage the relationships between interest sensitive assets and liabilities in order to protect against wide interest rate fluctuations, including those resulting from inflation.

Item 7. Financial Statements

REPORT OF INDEPENDENT AUDITOR

The Board of Directors
First Community Corporation
Lexington, South Carolina

I have audited the accompanying balance sheets of First Community Corporation as of December 31, 2003 and 2002, and the related statements of operations, changes in shareholders' equity and comprehensive income and cash flows for the three years ended December 31, 2003. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted the audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Community Corporation at December 31, 2003 and 2002 and the results of its operations and its cash flows for the three years ended December 31, 2003, in conformity with generally accepted accounting principles in the United States of America.

/s/Clifton D. Bodiford
Certified Public Accountant
Columbia, SC
January 16, 2004

FIRST COMMUNITY CORPORATION
Consolidated Balance Sheets

	2003	December 31, 2002
ASSETS		
Cash and due from banks	\$ 6,926,341	\$ 7,698,671
Interest-bearing bank balances	2,221,397	935,536
Federal funds sold and securities purchased under agreements to resell	17,335,461	9,209,069
Investment securities - available for sale	53,958,799	64,767,700
Investment securities - held to maturity (market value of \$5,169,282 and \$5,160,669 at December 31, 2003 and 2002, respectively)	4,994,896	5,016,990
Loans	121,008,673	99,991,248
Less, allowance for loan losses	1,705,082	1,525,308
Net loans	119,303,591	98,465,940
Property, furniture and equipment - net	7,981,611	6,811,540
Intangible assets	763,585	942,295
Other assets	1,543,008	1,352,974
Total assets	\$215,028,689	\$195,200,715
LIABILITIES		
Deposits:		
Non-interest bearing demand	\$ 37,043,600	\$ 27,124,475
NOW and money market accounts	57,015,473	58,127,157
Savings	11,222,761	9,818,007
Time deposits less than \$100,000	45,125,843	46,646,739
Time deposits \$100,000 and over	34,850,195	26,346,095
Total deposits	185,257,872	168,062,473
Federal Home Loan Bank advances	5,000,000	—
Securities sold under agreements to repurchase	3,941,000	7,306,064
Other borrowed money	160,076	164,287
Other liabilities	1,160,927	1,229,168
Total liabilities	195,519,875	176,761,992
SHAREHOLDERS' EQUITY		
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 1,597,224 in 2003 and 1,587,970 in 2002	1,597,224	1,587,970
Additional paid in capital	12,862,715	12,771,383
Retained earnings	4,909,742	3,414,234
Accumulated other comprehensive income	139,133	665,136
Total shareholders' equity	19,508,814	18,438,723
Total liabilities and shareholders' equity	\$215,028,689	\$195,200,715

See Notes to Consolidated Financial Statements

FIRST COMMUNITY CORPORATION
Consolidated Statements of Income

	Year Ended December 31,		
	2003	2002	2001
Interest income:			
Loans, including fees	\$ 7,581,751	\$7,025,363	\$6,855,382
Investment securities - available-for-sale	2,069,345	2,427,970	2,183,435
Investment securities - held-to-maturity	198,234	186,206	126,961
Other short term investments	179,030	207,577	445,469
Total interest income	10,028,360	9,847,116	9,611,247
Interest expense:			
Deposits	2,307,974	2,759,818	3,966,442
Securities sold under agreement to repurchase	29,704	41,601	118,796
Other borrowed money	42,934	1,380	3,066
Total interest expense	2,380,612	2,802,799	4,088,304
Net interest income	7,647,748	7,044,317	5,522,943
Provision for loan losses	167,000	677,000	407,300
Net interest income after provision for loan losses	7,480,748	6,367,317	5,115,643
Non-interest income:			
Deposit service charges	700,359	586,918	475,331
Mortgage origination fees	343,472	300,363	217,074
Gain on sale of securities	—	60,616	—
Other	395,973	284,359	245,680
Total non-interest income	1,439,804	1,232,256	938,085
Non-interest expense:			
Salaries and employee benefits	3,306,714	2,740,255	2,356,126
Occupancy	395,380	340,269	294,438
Equipment	803,482	629,119	526,251
Marketing and public relations	273,257	244,334	147,138
Amortization of intangibles	178,710	185,280	123,520
Other	1,200,638	1,238,255	933,180
Total non-interest expense	6,158,181	5,377,512	4,380,653
Net income before tax	2,762,371	2,222,061	1,673,075
Income taxes	964,890	757,701	569,421
Net income	\$ 1,797,481	\$1,464,360	\$1,103,654
Basic earnings per common share	\$ 1.13	\$ 0.92	\$ 0.69
Diluted earnings per common share	\$ 1.08	\$ 0.90	\$ 0.68

See Notes to Consolidated Financial Statements

FIRST COMMUNITY CORPORATION

Consolidated Statement of Changes in Shareholders' Equity and Comprehensive Income

	Shares Issued	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance December 31, 2000	1,207,177	\$1,207,177	\$12,248,087	\$1,916,237	\$ (2,737)	\$15,368,764
Comprehensive income:						
Net income				1,103,654		1,103,654
Accumulated other comprehensive income, net of income tax of \$141,041					274,975	274,975
Total comprehensive income						1,378,629
5% stock dividend	60,282	60,282	813,807	(875,280)		(1,191)
Stock options exercised	3,150	3,150	26,850			30,000
Balance December 31, 2001	1,270,609	1,270,609	13,088,744	2,144,611	272,238	16,776,202
Comprehensive income:						
Net income				1,464,360		1,464,360
Accumulated other comprehensive income, net of income tax of \$217,860					392,898	392,898
Total comprehensive income						1,857,258
5-for-4 stock split	317,361	317,361	(317,361)	(4,181)		(4,181)
Cash dividend (\$0.12 per share)				(190,556)		(190,556)
Balance December 31, 2002	1,587,970	1,587,970	12,771,383	3,414,234	665,136	18,438,723
Comprehensive income:						
Net income				1,797,481		1,797,481
Accumulated other comprehensive loss, net of income tax benefit of \$299,069					(526,003)	(526,003)
Total comprehensive income						1,271,478
Cash dividend (\$0.19 per share)				(301,973)		(301,973)
Exercise of stock options	6,923	6,923	45,909			52,832
Dividend reinvestment plan	2,331	2,331	45,423			47,754
Balance December 31, 2003	1,597,224	\$1,597,224	\$12,862,715	\$4,909,742	\$ 139,133	\$19,508,814

See Notes to Consolidated Financial Statements

FIRST COMMUNITY CORPORATION

Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2003	2002	2001
Cash flows from operating activities:			
Net income	\$ 1,797,481	\$ 1,464,360	\$ 1,103,654
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation	631,356	502,666	469,479
Premium amortization (Discount accretion)	225,564	146,623	(124,558)
Provision for loan losses	167,000	677,000	407,300
Amortization of intangibles	178,710	185,280	161,445
Gain on sale of securities	—	(60,616)	—
Increase in other assets	109,035	(382,533)	(294,670)
Increase (decrease) in accounts payable	(68,241)	64,884	375,716
Net cash provided in operating activities	<u>3,040,905</u>	<u>2,597,664</u>	<u>2,098,366</u>
Cash flows form investing activities:			
Purchase of investment securities available-for-sale	(39,509,065)	(55,130,066)	(56,263,765)
Maturity/call of investment securities available-for-sale	49,297,109	33,207,257	40,263,667
Purchase of investment securities held-to-maturity	(767,685)	(951,762)	(2,590,493)
Maturity/call of investment securities held-to-maturity	760,000	—	1,500,000
Increase in loans	(21,004,651)	(12,624,773)	(19,794,785)
Acquisition of branch	—	—	11,899,144
Purchase of property and equipment	(1,801,427)	(817,231)	(896,268)
Net cash used in investing activities	<u>(13,025,719)</u>	<u>(36,316,575)</u>	<u>(25,882,500)</u>
Cash flows from financing activities:			
Increase in deposit accounts	17,195,399	33,660,817	28,469,970
Advances from the Federal Home Loan Bank	5,000,000	—	—
Increase (decrease) in securities sold under agreements to repurchase	(3,365,064)	3,255,364	1,101,300
Increase (decrease) in other borrowings	(4,211)	1,938	38,269
Proceeds from exercise of stock options	52,832	—	30,000
Dividend reinvestment plan	47,754	—	—
Cash in lieu of fractional shares	—	(4,181)	(1,191)
Cash dividends paid	(301,973)	(190,556)	—
Net cash provided from financing activities	<u>18,624,737</u>	<u>36,723,382</u>	<u>29,638,348</u>
Net increase in cash and cash equivalents	8,639,923	3,004,471	5,854,214
Cash and cash equivalents at beginning of period	17,843,276	14,838,805	8,984,591
Cash and cash equivalents at end of period	<u>\$ 26,483,199</u>	<u>\$ 17,843,276</u>	<u>\$ 14,838,805</u>
Supplemental disclosure:			
Cash paid during the period for:			
Interest	\$ 2,431,318	\$ 2,754,208	\$ 3,938,716
Taxes	\$ 1,000,000	\$ 818,000	\$ 526,534
Non-cash investing and financing activities:			
Unrealized (loss) gain on securities available-for-sale	\$ (825,072)	\$ 610,758	\$ 416,016

See Notes to Consolidated Financial Statements

FIRST COMMUNITY CORPORATION
Notes to Consolidated Financial Statements

Note 1 - ORGANIZATION AND BASIS OF PRESENTATION

The consolidated financial statements include the accounts of First Community Corporation (the company) and its wholly owned subsidiary First Community Bank, N.A (the bank). All material intercompany transactions are eliminated in consolidation. The Company was organized on November 2, 1994, as a South Carolina corporation, and was formed to become a bank holding company. The bank opened for business on August 17, 1995.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. These principles require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the reserve for loan losses. The estimation process includes management's judgment as to future losses on existing loans based on an internal review of the loan portfolio, including an analysis of the borrowers current financial position, the consideration of current and anticipated economic conditions and the effect on specific borrowers. In determining the collectibility of loans management also considers the fair value of underlying collateral. Various regulatory agencies, as an integral part of their examination process, review the bank's allowance for loan losses. Such agencies may require the bank to recognize additions to the allowance based on their judgments about information available to them at the time of their examination. Because of these factors it is possible that the allowance for loan losses could change materially.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, due from banks, federal funds sold and securities purchased under agreements to resell. Generally federal funds are sold for a one-day period and securities purchased under agreements to resell mature in less than 90 days.

Investment Securities

Investment securities are classified as either held-to-maturity or available-for-sale. In determining such classification, securities that the company has the positive intent and ability to hold to maturity are classified as held-to maturity and are carried at amortized cost. All other securities are classified as available-for-sale and carried at estimated fair values with unrealized gains and losses included in shareholders' equity on an after tax basis.

Gains and losses on the sale of available-for-sale securities are determined using the specific identification method. Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are judged to be other than temporary are written down to fair value and charged to income in the Consolidated Statement of Income.

Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

Loans and Allowance for Loan Losses

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal balance adjusted for any charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest is recognized over the term of the loan based on the loan balance outstanding. Fees charged for originating loans, if any, are deferred and offset by the deferral of certain direct expenses associated with loans originated. The net deferred fees are recognized as yield adjustments by applying the interest method.

The allowance for loan losses is maintained at a level believed to be adequate by management to absorb potential losses in the loan portfolio. Management's determination of the adequacy of the allowance is based on an evaluation of the portfolio, past loss experience, economic conditions and volume, growth and composition of the portfolio.

The company considers a loan to be impaired when, based upon current information and events, it is believed that the company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans that are considered impaired are accounted for at fair value. The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due, generally when a loan becomes 90 days past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received first to principal and then to interest income.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the asset's estimated useful life. Estimated lives range up to 39 years for buildings and up to 10 years for furniture, fixtures and equipment.

Intangible Assets

Intangible assets consist primarily of core deposit premiums and goodwill resulting from the Company's acquisition of a branch office during 2001. Core deposit intangibles are being amortized over 7 years on a straight-line basis. Goodwill is not amortized but tested annually for impairment.

Comprehensive Income

The Company reports comprehensive income in accordance with SFAS 130, "Reporting Comprehensive Income." SFAS 130 requires that all items that are required to be reported under accounting standards as comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The disclosure requirements have been included in the Company's consolidated statements of shareholders' equity and comprehensive income.

Marketing and Public Relations Expense

The company expenses marketing and public relations expense as incurred

Income Taxes

A deferred income tax liability or asset is recognized for the estimated future effects attributable to differences in the tax bases of assets or liabilities and their reported amounts in the financial statements as well as operating loss and tax credit carryforwards. The deferred tax asset or liability is measured using the enacted tax rate expected to apply to taxable income in the period in which the deferred tax asset or liability is expected to be realized or liquidated.

Stock Based Compensation Cost

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". Accordingly, compensation cost for stock options is measured as the excess, if any, of the market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock. Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123) was issued in October 1995, and encourages but does not require, adoption of a fair value method of accounting for employee stock based compensation plans. The company has adopted the disclosure-only provisions of SFAS 123 and has disclosed in the footnotes pro-forma net income and earnings per share information as if the fair value method had been applied.

Earnings Per Share

Basic earnings per share (“EPS”) excludes dilution and is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income by the weighted number of average shares of common stock and common stock equivalents. Common stock equivalents consist of stock options and are computed using the treasury stock method.

Segment Information

Statement of Financial Accounting Standards (SFAS) No. 131 “Disclosures about Segments of an Enterprise and Related Information” requires selected segment information of operating segments based on a management approach. The company operates as one business segment.

Note 3 - PURCHASE OF BRANCH OFFICE

On February 9, 2001, the bank purchased certain assets and assumed certain liabilities associated with the Chapin, South Carolina branch of Newberry Federal Savings Bank. The acquisition was accounted for as a purchase. The premium paid for deposit liabilities and other intangible assets recorded as a result of this transaction are being amortized on a straight-line basis over a period of seven years. Summarized below are the assets and liabilities recorded as a result of the purchase.

Cash and cash equivalents	\$11,343,432
Loans	20,254
Premises and equipment	692,456
Other assets, including deposit premium	1,239,448
Total assets	\$13,295,590
Deposits	\$13,171,607
Accrued interest and other liabilities	123,983
Total liabilities	\$13,295,590

Note 4 - INVESTMENT SECURITIES

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

HELD-TO-MATURITY:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
December 31, 2003:				
State and local government	\$4,984,896	\$193,254	\$18,868	\$5,159,282
Other	10,000	—	—	10,000
	<u>\$4,994,896</u>	<u>\$193,254</u>	<u>\$18,868</u>	<u>\$5,169,282</u>
December 31, 2002:				
State and local government	\$5,006,990	\$166,981	\$23,302	\$5,150,669
Other	10,000	—	—	10,000
	<u>\$5,016,990</u>	<u>\$166,981</u>	<u>\$23,302</u>	<u>\$5,160,669</u>

AVAILABLE-FOR-SALE:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
December 31, 2003:				
US Treasury securities	\$ 3,004,510	\$ 22,389	\$ —	\$ 3,026,899
US Government agency securities	35,519,237	197,131	120,055	35,596,313
Mortgage-backed securities	14,280,293	140,250	25,663	14,394,880
Other	940,707	—	—	940,707
	<u>\$53,744,747</u>	<u>\$ 359,770</u>	<u>\$145,718</u>	<u>\$53,958,799</u>
December 31, 2002:				
US Treasury securities	\$ 4,273,006	\$ 64,818	\$ —	\$ 4,337,824
US Government agency securities	45,282,395	639,734	2,975	45,919,154
Mortgage-backed securities	13,473,976	337,546	—	13,811,522
Other	699,200	—	—	699,200
	<u>\$63,728,577</u>	<u>\$1,042,098</u>	<u>\$ 2,975</u>	<u>\$64,767,700</u>

For the year ended December 31, 2002, proceeds from the sales of securities available-for-sale amounted to \$2,590,782. Gross realized gains amounted to \$60,616. There were no gross realized losses. The tax provision applicable to the realized gain was approximately \$20,700. There were no sales of securities in 2003 or 2001.

The amortized cost and fair value of investment securities at December 31, 2003, by contractual maturity, follow. Expected maturities differ from contractual maturities because borrowers may have the right to call or prepay the obligations with or without prepayment penalties.

	Held-to-maturity		Available-for-sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ —	\$ —	\$ 6,498,632	\$ 6,528,099
Due after one year through five years	942,047	975,126	21,451,358	21,526,956
Due after five years through ten years	2,798,298	2,909,411	16,216,544	16,259,884
Due after ten years	1,254,551	1,284,745	9,578,204	9,643,860
	<u>\$4,994,896</u>	<u>\$5,169,282</u>	<u>\$53,744,738</u>	<u>\$53,958,799</u>

Securities with an amortized cost of \$13,463,000 and fair value of \$13,482,000 at December 31, 2003, were pledged to secure public deposits, demand notes due the U.S. Treasury and securities sold under agreements to repurchase.

Note 5 - LOANS

Loans summarized by category are as follows:

	December 31,	
	2003	2002
Commercial, financial and agricultural	\$ 11,517,891	\$10,688,366
Real estate - construction	7,781,620	7,533,065
Real estate - mortgage		
Commercial	72,668,233	55,289,732
Residential	11,803,875	11,054,830
Consumer	17,237,054	15,425,255
	<u>\$121,008,673</u>	<u>\$99,991,248</u>

Activity in the allowance for loan losses was as follows:

	2003	December 31, 2002	2001
Balance at the beginning of year	\$1,525,308	\$1,000,412	\$ 873,356
Provision for loan losses	167,000	677,000	407,300
Charged off loans	(235,183)	(171,735)	(283,578)
Recoveries	247,957	19,631	3,334
Balance at end of year	<u>\$1,705,082</u>	<u>\$1,525,308</u>	<u>\$1,000,412</u>

At December 31, 2003, the Bank had loans on non accrual in the amount of \$80,292. If these loans had been current in accordance with their original terms interest income during the year would have been recognized in the amount of \$4,990. Recorded interest on these loans amounted to \$800. Loans classified as impaired at December 31, 2003 and 2002 totaled \$80,292 and \$143,915. These loans were recorded at or below fair value. The average recorded investment in loans classified as impaired for the years ended December 31, 2003 and 2002 amounted to \$170,178 and \$184,250, respectively.

Loans outstanding to Bank directors, executive officers and their related business interests amounted to \$2,419,324 and \$2,467,539 at December 31, 2003 and 2002, respectively. Repayments on these loans during the year ended December 31, 2003 were \$248,214 and loans made amounted to \$200,000. 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 an unrelated persons and do not involve more than the normal risk of collectibility.

Note 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	December 31,	
	2003	2002
Land	\$ 2,806,306	\$2,806,306
Premises	3,859,107	3,248,851
Equipment	3,034,271	2,659,045
Construction in progress	801,694	—
	<u>10,501,378</u>	<u>8,714,202</u>
Accumulated depreciation	2,519,767	1,902,662
	<u>\$ 7,981,611</u>	<u>\$6,811,540</u>

Provision for depreciation included in operating expenses for the years ended December 31, 2003, 2002 and 2001 amounted to \$631,356, \$502,665 and \$469,479, respectively.

Note 7 - DEPOSITS

At December 31, 2003, the scheduled maturities of Certificates of Deposits are as follows:

2004	\$62,419,914
2005	5,631,792
2006	1,359,160
2007	6,477,184
2008	4,087,988
	\$79,976,038

Note 8 - ADVANCES FROM FEDERAL HOME LOAN BANK

Advances from the Federal Home Loan Bank of Atlanta at December 31, 2003 consisted of the following:

Maturing	Weighted Average Rate	Amount
2004	1.60%	\$1,000,000
2005	2.08%	2,500,000
2006	2.83%	1,500,000
	2.24%	5,000,000

As collateral for its advances, the Company has pledged securities with a fair value of \$5,214,730. In addition, all of the Company's Federal Home Loan Bank Stock is pledged for these advances. Advances are subject to prepayment penalties. The average advances during 2003 were \$1,904,000. The average interest rate was 2.24% and the maximum outstanding amount at any month end was \$5,000,000. There were no advances outstanding during 2002.

Note 9 - SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE AND OTHER BORROWED MONEY

Securities sold under agreements to repurchase generally mature within one to four days from the transaction date. The weighted average interest rate at December 31, 2003 and 2002, was 0.51% and 0.51%, respectively. The maximum month-end balance during 2003 and 2002 was \$8,155,100 and \$7,306,000 respectively.

Other borrowed money at December 31, 2003 and 2002 consisted of \$160,076 and \$164,287, respectively which was due under the treasury tax and loan note program.

Note 10 - INCOME TAXES

Income tax expense for the years ended December 31, 2003, 2002 and 2001 consists of the following:

	2003	Year ended December 31 2002	2001
Current			
Federal	\$869,508	\$ 917,475	\$ 660,111
State	97,727	91,064	61,589
	967,235	1,008,539	721,700
Deferred			
Federal	6,749	(229,816)	(139,518)
State	(9,094)	(21,022)	(12,761)
	(2,345)	(250,838)	(152,279)
Change in valuation allowance	—	—	—
Income tax expense	\$964,890	\$ 757,701	\$ 569,421

A reconciliation from expected federal tax expense to effective income tax expense for the periods indicated are as follows:

	Year ended December 31		
	2003	2002	2001
Expected federal income tax expense	\$939,206	\$755,500	\$568,845
State income tax net of federal benefit	64,600	60,100	40,649
Tax exempt interest	(61,300)	(58,700)	(35,588)
Other	22,384	801	(4,485)
	<u>\$964,890</u>	<u>\$757,701</u>	<u>\$569,421</u>

The following is a summary of the tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities:

	December 31,	
	2003	2002
Assets:		
Provision for bad debts	\$613,671	\$548,969
Excess basis of intangible assets	98,005	64,436
	<u>711,676</u>	<u>613,405</u>
Liabilities:		
Tax depreciation in excess of book depreciation	157,672	61,746
Unrealized gain on securities available-for-sale	77,038	373,987
	<u>234,710</u>	<u>435,733</u>
Total deferred tax liabilities	234,710	435,733
Net deferred tax asset recognized	<u>\$476,966</u>	<u>\$177,672</u>

There was no valuation allowance for deferred tax assets at either December 31, 2003 or 2002. No valuation allowance has been established as it is management's belief that realization of the deferred tax asset is more likely than not. The net deferred asset is included in other assets on the consolidated balance sheets.

A portion of the change in the net deferred tax asset relates to unrealized gains and losses on securities available-for-sale. The related tax benefit of \$299,069 has been recorded directly to shareholders' equity. The balance of the change in the net deferred tax asset results from current period deferred tax benefit of \$2,345.

Note 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, "Disclosure about Fair Value of Financial Instruments" (SFAS 107), requires the Company to disclose estimated fair values for its financial instruments. Fair value estimates, methods, and assumptions are set forth below.

Cash and short term investments - The carrying amount of these financial instruments (cash and due from banks, federal funds sold and securities purchased under agreements to resell) approximate fair value. All mature within 90 days and do not present unanticipated credit concerns.

Investment Securities - Fair values are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans - For certain categories of loans, such as variable rate loans and other lines of credit, the carrying amount, is a reasonable estimate of fair value as the Company has the ability to reprice the loan as interest rate changes occur. The fair value of other loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. As discount rates are based on current loan rates as well as management estimates, the fair values presented may not be indicative of the value negotiated in an actual sale.

Accrued Interest Receivable- The fair value approximates the carrying value.

Deposits - The fair value of demand deposits, savings accounts, and money market accounts is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposits is estimated by discounting the future cash flows using rates currently offered for deposits of similar remaining maturities.

Federal Home Loan Bank Advances - Fair value is estimated based on discounted cash flows using current market rates for borrowings with similar terms.

Short Term Borrowings - The carrying value of short term borrowings (securities sold under agreements to repurchase and demand notes to the U.S. Treasury) approximates fair value.

Accrued Interest Payable - The fair value approximates the carrying value.

Commitments to Extend Credit - The fair value of these commitments is immaterial because their underlying interest rates approximate market.

The carrying amount and estimated fair value of the Company's financial instruments are as follows:

	December 31, 2003		December 31, 2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and short term investments	\$ 26,483,199	\$ 26,483,199	\$ 17,843,276	\$ 17,843,276
Investment securities:				
Held-to-maturity	\$ 4,994,896	\$ 5,169,282	\$ 5,016,990	\$ 5,160,669
Available-for-sale	53,958,799	53,958,799	64,767,700	64,767,700
Total investment securities	\$ 58,953,695	\$ 59,128,081	\$ 69,784,690	\$ 69,928,369
Loans				
Adjustable rate	\$ 41,585,884	\$ 41,585,884	\$ 27,625,376	\$ 27,625,376
Fixed rate	79,422,789	80,968,033	72,365,872	72,780,214
Total loans	121,008,673	122,553,917	99,991,248	100,405,590
Allowance for loan losses	1,705,082	—	1,525,308	—
Net loans	\$119,303,591	\$122,553,917	\$ 98,465,940	\$100,405,590
Accrued interest receivable	\$ 876,895	\$ 876,895	\$ 976,296	\$ 976,296
Financial liabilities:				
Deposits				
Non-interest bearing demand	\$ 37,043,600	\$ 37,043,600	\$ 27,124,475	\$ 27,124,475
NOW and money market accounts	57,015,473	57,015,473	58,127,157	58,127,157
Savings	11,222,761	11,222,761	9,818,007	9,818,007
Certificates of deposit	79,976,038	81,399,845	72,992,834	74,292,406
Total deposits	\$185,257,872	\$186,681,679	\$168,062,473	\$169,362,045
Federal Home Loan Bank Advances	\$ 5,000,000	\$ 5,020,371	—	—
Short term borrowings	\$ 4,101,076	\$ 4,101,076	\$ 7,470,351	\$ 7,470,351
Accrued interest payable	\$ 581,779	\$ 581,779	\$ 609,466	\$ 609,466

Note 12 - OFF-BALANCE SHEET FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK

The Bank is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of these instruments. The Bank uses the same credit policies in making commitments as for on-balance sheet instruments. At December 31, 2003, the Bank had commitments to extend credit including unused lines of credit of \$24,266,000.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require a payment of a fee. Since commitments may expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the party. Collateral held varies but may include inventory, property and equipment, residential real estate and income producing commercial properties.

The primary market area served by the Bank is Lexington and Richland Counties within the Midlands of South Carolina. Management closely monitors its credit concentrations and attempts to diversify the portfolio within its primary market area. At December 31, 2003, management does not consider there to be any significant credit concentration within the portfolio. Although, the Bank's loan portfolio as well as existing commitments reflect the diversity of its primary market area, a substantial portion of its debtors ability to honor their contracts is dependent upon the economic stability of the area.

Note 13 - OTHER EXPENSES

A summary of the components of other non-interest expense is as follows:

	2003	December 31, 2002	2001
Data processing	\$ 87,161	\$ 85,876	\$ 77,286
Supplies	126,063	161,063	109,889
Telephone	146,940	127,670	102,875
Correspondent services	75,931	71,690	77,863
Insurance	113,064	89,491	85,413
Postage	84,512	75,341	78,247
Professional fees	194,380	175,600	93,753
Other	372,587	451,524	307,854
	<u>\$1,200,638</u>	<u>\$1,238,255</u>	<u>\$933,180</u>

Note 14 - STOCK OPTIONS

The Company has adopted a Stock Option Plan under which an aggregate of 190,050 shares have been reserved for issuance by the Company upon the grant of stock options or restricted stock awards. The number of shares and average exercise price have been adjusted for the June 30, 2001 5 % stock dividend and the February 28, 2002 5-for-4 stock split. The plan provides for the grant of options to key employees and Directors as determined by a Stock Option Committee made up of at least two members of the Board of Directors. Options are exercisable for a period of ten years from date of grant.

Stock option transactions for the years ended December 31, 2003, 2002 and 2001 are summarized as follows:

	Shares	Weighted Average Exercise Price
Outstanding January 1, 2001	168,657	\$ 9.64
Exercised	3,937	7.63
Forfeited	6,890	10.35
Outstanding December 31, 2001	157,830	9.66
Granted	1,000	13.75
Forfeited	329	13.99
Outstanding December 31, 2002	158,501	9.68
Exercised	9,388	8.54
Granted	3,500	18.84
Forfeited	1,850	11.78
Outstanding December 31, 2003	150,763	\$ 9.91
Exercisable at December 31, 2003	<u>138,369</u>	<u>\$ 9.34</u>

In October 1995, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 123, “Accounting for Stock Based Compensation” (SFAS 123) The statement defines a fair value based method of accounting for employee stock options granted after December 31, 1994. However, SFAS 123 allows an entity to account for these plans according to Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” (“APB 25”), provided pro forma disclosure of net income and earnings per share are made as if SFAS 123 had been applied. The Company has elected to use APB 25 and provide the required pro-forma disclosures. Accordingly, no compensation cost has been recognized in the financial statements for the Company’s stock option plan.

The following summarizes pro-forma data in accordance with SFAS 123:

	Year ended December 31,		
	2003	2002	2001
Net income, pro-forma	\$1,772,921	\$1,441,026	\$1,083,736
Basic earnings/loss per common share, pro-forma	\$ 1.11	\$ 0.91	\$ 0.68
Diluted earnings loss per common share, pro-forma	\$ 1.07	\$ 0.88	\$ 0.67

The fair value of each grant is estimated on the date of grant using the Black-Scholes option pricing model. The weighted average fair value of options granted during 2003 and 2002 was \$5.62 and \$4.90.

In calculating the pro-forma disclosures, the fair value of options granted is estimated as of the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2003	2002
Dividend yield	0.9%	1.5%
Expected volatility	25.4%	25.3%
Risk-free interest rate	3.0%	4.8%
Expected life	7 Years	10 Years

There were no options granted in 2001.

Note 15 - EMPLOYEE BENEFIT PLAN

The Company maintains a 401 (k) plan which covers substantially all employees. Participants may contribute up to the maximum allowed by the regulation. During the year ended December 31, 2003, 2002 and 2001 the plan expense amounted to \$106,398, \$93,130 and \$78,365 respectively. The Company matches 50% of an employees contribution up to 6.00% of the participants contribution.

Note 16 - EARNINGS PER SHARE

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

	2003	Year ended December 31, 2002	2001
Numerator (Included in basic and diluted earnings per share)	\$1,797,481	\$1,464,360	\$1,103,654
Denominator Weighted average common shares outstanding for:			
Basic earnings per share	1,590,052	1,587,970	1,587,970
Dilutive securities:			
Stock options - Treasury stock method	70,925	42,867	32,044
Diluted earnings per share	1,660,977	1,630,837	1,620,014

The average market price used in calculating the assumed number of shares issued for the years ended December 31, 2003, 2002 and 2001 was \$18.71, \$12.83 and \$11.10, respectively.

Note 17 - CAPITAL REQUIREMENTS AND DIVIDEND RESTRICTIONS

The Company and Bank are subject to various federal and state regulatory requirements, including regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and Bank must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's and Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weighting, and other factors. The Company and Bank are required to maintain minimum Tier 1 capital, total risk based capital and Tier 1 leverage ratios of 4%, 8% and 4%, respectively.

At December 31, 2003, the most recent notification from the Comptroller of the Currency categorized the bank as well capitalized under the regulatory framework for prompt corrective action. To be well capitalized the bank must maintain minimum Tier 1 capital, Total risk-based capital and Tier 1 leverage ratios of 6%, 10% and 5%, respectively. There are no conditions or events since that notification that management believes have changed the bank's well capitalized status.

The actual capital amounts and ratios as well as minimum amounts for each regulatory defined category for the Bank and the Company are as follows:

	Actual		Required to be Categorized Adequately Capitalized		Required to be Categorized Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2003						
First Community Corporation						
Tier 1 Capital	\$18,607,000	13.21%	\$ 5,635,000	4.00%	N/A	N/A
Total Risked Based Capital	20,312,000	14.42%	11,269,000	8.00%	N/A	N/A
Tier 1 Leverage	18,607,000	8.87%	8,395,000	4.00%	N/A	N/A
First Community Bank, NA						
Tier 1 Capital	\$15,295,000	10.90%	\$ 5,613,000	4.00%	\$ 8,419,000	6.00%
Total Risked Based Capital	17,000,000	12.12%	11,225,000	8.00%	14,031,000	10.00%
Tier 1 Leverage	15,295,000	7.39%	8,280,000	4.00%	10,351,000	5.00%
December 31, 2002						
First Community Corporation						
Tier 1 Capital	\$16,831,000	14.03%	\$ 4,797,000	4.00%	N/A	N/A
Total Risked Based Capital	18,330,000	15.28%	9,594,000	8.00%	N/A	N/A
Tier 1 Leverage	16,831,000	8.77%	7,679,000	4.00%	N/A	N/A
First Community Bank, NA						
Tier 1 Capital	\$13,559,000	11.36%	\$ 4,775,000	4.00%	\$ 7,163,000	6.00%
Total Risked Based Capital	15,052,000	12.61%	9,551,000	8.00%	11,939,000	10.00%
Tier 1 Leverage	13,559,000	7.16%	7,576,000	4.00%	9,470,000	5.00%

Under applicable federal law, the Comptroller of the Currency restricts a national bank's total dividend payments in any calendar year to net profits of that year combined with retained net profits for the two preceding years. At December 31, 2003, there was \$3,873,000 in retained net profits free of such restriction.

Note 18 - PARENT COMPANY FINANCIAL INFORMATION

The balance sheets, statements of operations and cash flows for First Community Corporation (Parent Only) follow:

Condensed Balance Sheets

	At December 31,	
	2003	2002
Assets:		
Cash on deposit	\$ 169,125	\$ 181,237
Interest-bearing deposits with the bank	504,817	581,778
Securities purchased under agreement to resell	1,402,615	828,490
Investment securities available-for-sale	1,250,000	1,768,510
Investment in bank subsidiary	16,058,187	14,501,250
Other	20,756	21,671
Total assets	\$19,405,500	\$17,882,936
Liabilities:		
Other	\$ 35,819	\$ 97,319
Shareholders' equity	19,369,681	17,785,617
Total liabilities and shareholders' equity	\$19,405,500	\$17,882,936

Condensed Statements of Operations

	Year ended December 31,		
	2003	2002	2001
Income:			
Interest income	\$ 75,711	\$ 120,358	\$ 162,867
Dividend income from bank subsidiary	\$ 225,160		
Equity in undistributed earnings of subsidiary	1,556,937	1,475,434	1,045,390
Expenses:			
Other	60,327	131,432	94,203
Income before taxes	1,797,481	1,464,360	1,114,054
Income taxes	—	—	10,400
Net Income	\$1,797,481	\$1,464,360	\$1,103,654

Condensed Statements of Cash Flows

	Year ended December 31,		
	2003	2002	2001
Cash flows from operating activities:			
Net Income	\$ 1,797,481	\$ 1,464,360	\$ 1,103,654
Adjustments to reconcile net income to net cash used by operating activities			
Increase in equity in undistributed earnings of subsidiary	(1,556,937)	(1,475,434)	(1,045,390)
Other-net	(54,105)	67,962	4,482
Net cash provided (used) by operating activities	186,439	56,888	62,746
Cash flows from investing activities:			
Purchase of investment security available-for-sale	(1,250,000)	(750,000)	—
Maturity of investment security available-for-sale	1,750,000	750,000	—
Net cash provided (used) by investing activities	500,000	—	—
Cash flows from financing activities:			
Cash in lieu of fractional shares	—	(4,181)	(1,191)
Dividends paid	(301,973)	(190,555)	—
Proceeds from issuance of common stock	100,586	—	30,000
Net cash provided by financing activities	(201,387)	(194,736)	28,809
Increase in cash and cash equivalents	485,052	(137,848)	91,555
Cash and cash equivalent, beginning of period	1,591,505	1,729,353	1,637,798
Cash and cash equivalent, end of period	\$ 2,076,557	\$ 1,591,505	\$ 1,729,353

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not Applicable.

Item 8A. Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our current disclosure controls and procedures are effective as of December 31, 2003.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

PART III

Item 9. Directors and Executive Officers of the Registrant.

In response to this Item, additional information is contained on page 3 of the company's Proxy Statement for the Annual Meeting of Shareholders to be held on May 19, 2004 is incorporated herein by reference.

Item 10. Executive Compensation.

The information required by this item is set forth under "Compensation of Directors and Executive Officers" on pages 6 through 8 of the 2004 Proxy Statement, which information is incorporated herein by reference.

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item is set forth under "Security Ownership of Certain Beneficial Owners and Management" on page 9 of the 2004 Proxy Statement, which information is incorporated herein by reference.

Item 12. Certain Relationships and Related Transactions.

The information required by this item is set forth under "Certain Relationships and Related Transactions" on page 12 of the 2004 Proxy Statement, which information is incorporated herein by reference.

Item 13. Exhibits, List and Reports on Form 8-K.

(a) The following documents are filed as part of this report:

- 3.1 Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the company's Registration Statement No. 33-86258 on Form S-1).
- 3.2 Bylaws (incorporated by reference to Exhibit 3.2 to the company's Registration Statement No. 33-86258 on Form S-1).
- 4.1 Provisions in the company's Articles of Incorporation and Bylaws defining the rights of holders of the company's Common Stock (incorporated by reference to Exhibit 4.1 to the company's Registration Statement No. 33-86258 on Form S-1).
- 10.1 Employment Agreement dated June 1, 1994, by and between Michael C. Crapps and the Company (incorporated by reference to Exhibit 10.1 to the company's Registration Statement No. 33-86258 on Form S-1)*
- 10.2 Employment Agreement dated June 1, 1994, by and between James C. Leventis and the Company (incorporated by reference to Exhibit 10.2 to the company's Registration Statement No. 33-86258 on Form S-1).*
- 10.3 First Community Corporation 1999 Stock Incentive Plan (Incorporated by reference to the Company's 1998 Annual Report and Form 10 KSB).
- 10.4 Employment Agreement dated September 2, 2002 by and between David K. Proctor and the Company. (incorporated by reference to Exhibit 10.4 to the company's 2002 annual report and form 10KSB).*
- 10.5 Employment Agreement dated June 12, 2002 by and between Joseph G. Sawyer and the Company (incorporated by reference to Exhibit 10.5 to the company's 2002 annual report and form 10KSB).*
- 21.1 Subsidiaries of the company.
- 24 Power of Attorney (contained on signature page).
- 31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This exhibit is not "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 but is instead furnished as provided by applicable rules of the Securities and Exchange Commission.

- Denotes executive compensation contract or arrangement.

(Reports on Form 8-K

On October 24, 2003 the company filed a form 8-K referencing a press release announcing its financial results for the third quarter ended September 30, 2003 and announcing a \$0.05 per share cash dividend payable November 14, 2003 to shareholders of record October 31, 2003.

Item 14 Principal Accountant Fees and Services

The information required by this item is set forth under "Audit Fees" on pages 11 through 12 of the 2004 Proxy Statement, which information is incorporated herein by reference.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

First Community Corporation
Date: March 23, 2004

By: /s/ Michael C. Crapps

Michael C. Crapps
President and Chief Executive Officer

By: /s/ Joseph G. Sawyer

Joseph G. Sawyer
Senior Vice President
Chief Financial and Accounting Officer

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Michael C. Crapps, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Registration Statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Richard K. Bogan</u> Richard K. Bogan	Director	March 23, 2004
<u>/s/ Thomas C. Brown</u> Thomas C. Brown	Director	March 23, 2004
<u>/s/ Chimin J. Chao</u> Chimin J. Chao	Director	March 23, 2004
<u>/s/ Michael C. Crapps</u> Michael C. Crapps	Director, President and Chief Executive Officer	March 23, 2004

Signature	Title	Date
<u>/s/ Anita B. Easter</u> Anita B. Easter	Director	March 23, 2004
<u>/s/ O.A. Ethridge</u> O.A. Ethridge	Director	March 23, 2004
<u>/s/ George H. Fann, Jr.</u> George H. Fann, Jr.	Director	March 23 , 2004
<u>/s/ W. James Kitchens, Jr.</u> W. James Kitchens, Jr.	Director	March 23 , 2004
<u>/s/ James C. Leventis</u> James C. Leventis	Director, Chairman of the Board and Secretary	March 23, 2004
<u>/s/ Angelo L. Tsiantis</u> Angelo L. Tsiantis	Director	March 23, 2004
<u>/s/Loretta R. Whitehead</u> Loretta R. Whitehead	Director	March 23, 2004
<u>/s/Mitchell M. Willoughby</u> Mitchell M. Willoughby	Director	March 23, 2004

Exhibit List

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- 21.1 Subsidiaries of the company.
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- 31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This exhibit is not "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 but is instead furnished as provided by applicable rules of the Securities and Exchange Commission.

Subsidiaries of First Community Corporation:

First Community Bank, N.A.

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael C. Crapps, Chief Executive Officer and President, certify that:

1. I have reviewed this annual report on Form 10-KSB of First Community Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: March 23, 2004

/s/ Michael C. Crapps

Michael C. Crapps President and Chief Executive Officer

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph G. Sawyer, Chief Financial Officer and Senior Vice President, certify that:

1. I have reviewed this annual report on Form 10-KSB of First Community Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: March 23, 2004

/s/Joseph G. Sawyer

Joseph G. Sawyer, Chief Financial Officer and SVP

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, the Chief Executive Officer and the Chief Financial Officer of First Community Corporation (the "Company"), each certify that, to his or her knowledge on the date of this certification:

1. The annual report of the Company for the period ending December 31, 2003 as filed with the Securities and Exchange Commission on this date (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael C. Crapps

Michael C. Crapps Chief Executive Officer
March 23, 2004

/s/ Joseph G. Sawyer

Joseph G. Sawyer Chief Financial Officer
March 23, 2004