

FCCO- First Community Corporation

Outlook Remains Favorable; Increase Fwd. Estimates

- **Maintain Market Perform w/ Price Target of \$26 (+\$2) which reflects ~16x '19 EPS & 200% of Fwd. TBV**
- **Increase core 2018 and 2019 EPS to \$1.51 (+\$0.05) and \$1.60 (\$0.05), respectively**
- **Loan growth outlook remains strong and NIM has and upward bias; Deposit Beta expected to remain low**
- **Balance sheet remix and lower tax rate have helped boost profitability over LTM; 1.12% ROAA & 13.7% ROTCE**

We were pleased with 2Q18 results and the continued remix of the balance sheet. Profitability has improved nicely over the LTM (2Q18 ROAA and ROTCE are 1.12% & 13.7%,) though we believe this is reflected in the current stock price. We do not view FCCO as a near term seller as management is focused on driving quality loan growth which should help maximize core earnings and translate into a greater valuation. Over time we expect to see increased interest in FCCO's franchise by large regional banks. In our view, a partnership with another institution is more likely once earnings power improves. FCCO's geographic diversification continues to pay dividends with each area contributing in different ways; both on the lending and deposit gathering front.

Increasing core 2018 & 2019 EPS to \$1.51 and \$1.60, respectively to reflect the 2Q18 beat, a larger balance sheet and higher NIM and its carry through impact on our model and lower credit costs. We made modest changes to Fees, Expenses and the Tax Rate.

FCCO continues to focus on remixing the balance sheet out of lower yielding securities and into higher yielding loans to improve balance sheet efficiency and profitability. Absent an acquisition, we see this remix as a multi-year endeavor given the competitive landscape and the company's credit discipline. Loan growth momentum continued after a strong 1Q18 with balances rising 10% LQA in 2Q18. Geographic diversification and healthy conditions across its footprint are contributing to favorable performance. Solid YTD performance (+6%) along with solid pipeline leave us comfortable our double digit growth forecast is achievable.

NIM continued to expand aided by rate increases, remixing efforts and limited pressure on funding costs (Loan/Deposit 73%). Looking ahead, we are optimistic this trend can continue. Specifically, our forecast calls for one more rate hike in 2018 and two in 2019 with much of the near term loan growth funded by the Securities book (25% of Assets). Assuming a peer like level of 15% implies ~\$110 Mil. in excess investments which could fund ~2 years of double digit loan growth. FCCO is targeting an 80% Loan to Earning Asset ratio over time vs. its current 69% level. Our EPS forecast calls for the ratio to improve to 73% by late 2018 which corresponds to an ROAA of 1.05%. We estimate an additional ~\$0.15 in EPS are possible by shifting the Loan-to-Earning Asset ratio to ~80% with no balance sheet growth. Additionally, FCCO's heightened level of liquidity should allow them to remain disciplined on deposit pricing helping support NIM. LQ core Loan and Deposit Betas were 32% and 10%, respectively.

Please see important disclosures regarding FIG Partners' equity rating system, distribution of ratings, and other report disclosures on the last page of this report.

FCCO: \$25.20

"Market-Perform"// Price Target: \$26

Summary Statistics

Exchange	NASDAQ
Market Cap (\$M)	\$191.6
Avg. Volume	54,829
Annual Dividend	\$0.41
Dividend Yield	1.82%
Tangible Book/Share	\$11.65
Price/Tangible Book	193%
Price/2018 EPS	14.9x
Price/2019 EPS	14.1x
Total Assets (\$M)	\$1,092
TCE/TA	8.39%
ROAA (2018)	1.09%
ROAE (2018)	10.90%

EPS Estimates

	2016	2017	2018	2019
Q1	\$0.21	\$0.24	\$0.35	\$0.35
Q2	\$0.25	\$0.29	\$0.38	\$0.42
Q3	\$0.25	\$0.30	\$0.40	\$0.43
Q4	\$0.27	\$0.29	\$0.38	\$0.39
FY	\$0.98	\$1.12	\$1.51	\$1.60

Industry Type	Bank
Headquarters	Lexington, SC
Offices	19
Date Established	1995
CEO	Michael C. Crapps
CFO	Joseph G. Sawyer

Source (all data): FIG Partners Research, S&P Global Mkt Intelligence



We have trimmed our fee income forecast to reflect slightly lower mortgage revenues which is partially offset by better growth in other areas. Mortgage production was in line with our forecast in 2Q18 though revenues fell short as gain on sale margins were negatively impacted by product mix. We expect a similar level of production in 3Q18 with some rebound in gain on sale margins. For 2019, we are projecting \$120M in production at a ~3.30% margin. Operating expenses are expected to approximate an \$8.0 Mil. run rate in 2H18 with a higher ~\$8.2 level in 2019 impacted by two branch openings (Greenville, SC and Augusta, GA markets). The Efficiency ratio is forecast at ~67% over the next couple quarters. A lower provisioning forecast reflects strength in the portfolio and the large unallocated portion of the reserve (~22%).



Raising Price Target to \$26 (+\$2)

FIG Research Rating: "Market-Perform"

Price Target: \$26.00

Implied Gain/Loss versus Current Price: 3.2%

<u>2019 Outlook</u>			
2019 EPS	\$1.60	16.0x	\$25.55
Cash Dividends	\$0.45	1.0x	<u>\$0.45</u>
			\$26.00
Tangible Book 12/19	\$13.64	1.91x	\$26.00

Source: FIG Partners Research & Forward Estimates

Deposit Premium Analysis

	<u>Current</u>	<u>Dec-18</u>	<u>Dec-19</u>
Market-Cap	191.2	196.9	202.9
TCE in \$\$	90.1	94.5	103.5
Total Deposits	933.4	952.1	985.9
CORE Deposits	773.2	791.9	825.7
Premium - Total	10.8%	10.8%	10.1%
Premium - CORE	13.1%	12.9%	12.0%

Source (all data): FIG Partners Research, S&P Global Mkt Intelligence

We are raising our Price Target to \$26 (+\$2) and maintaining our "Market-Perform" Rating.

Background and Risks

Headquartered in Lexington, South Carolina, First Community (FCCO) is a ~\$1 Billion bank holding company (BHC) and the parent of First Community Bank, NA.

Founded in 1995 by a group of former executives from Republic National Bank (acquired by South Financial Group, Inc.), FCCO provides traditional retail, commercial and mortgage banking services through a network of 14 branches in the Midlands area of South Carolina.

We see primary risks to include (1) integration of acquisitions; (2) negative impact from persistently low or rapidly changing interest rates and/or a flattening yield curve; and (3) potential for rising credit costs in light of further growth in unemployment.



FCCO Peer Comparison

Company Name		Market Cap. (\$M)	Total Assets (\$000) MRQ	CDs % of Total MRQ	Cost of Deposits MRQ	TCE Ratio MRQ	Core Deposit Premium Today	Price-to- T.Book 7/18/18	P/E 2018 EPS Consensus	P/E 2019 EPS Consensus	ROA Forecast (2019) Consensus
FCCO	First Cmnty Corp	\$191	\$1,092,149	21	0.28	8.4	13.7%	216	17.1x	15.5x	1.07
BCBP	BCB Bncp Inc	\$235	\$2,082,313	44	0.89	7.9	7.4%	137	14.5x	11.5x	0.77
BCML	BayCom Corp	\$262	\$1,241,833	20	0.35	8.8	17.6%	168	14.2x	14.1x	1.25
CIVB	Civista Bcshs Inc	\$255	\$1,600,305	11	0.20	9.1	9.7%	178	14.8x	13.0x	1.31
CSTR	CapStar Finl Hlgs	\$232	\$1,382,745	15	0.87	9.7	10.3%	173	16.7x	14.3x	1.11
EBMT	Eagle Bancorp	\$103	\$815,935	27	0.28	9.6	5.6%	135	16.0x	10.1x	0.74
ENFC	Entegra Financial	\$208	\$1,625,444	35	0.47	7.8	10.6%	168	13.0x	12.0x	1.01
ESXB	Cmtly Bnk Trst Corp	\$214	\$1,353,232	50	0.78	9.2	16.3%	171	17.1x	14.7x	0.91
EVBN	Evans Bancorp Inc	\$224	\$1,353,698	18	0.55	8.3	12.1%	201	14.6x	13.0x	1.14
FBIZ	Frst Bus Fnl Svcs	\$221	\$1,878,217	27	0.80	8.6	6.1%	138	13.2x	11.6x	0.87
FCCO	First Cmnty Corp	\$191	\$1,092,149	21	0.28	8.4	13.7%	216	17.1x	15.5x	1.07
FFNW	Frst Finl NW	\$208	\$1,226,358	48	1.07	12.0	13.6%	149	13.3x	16.1x	1.20
HBMD	Howard Bncp Inc	\$329	\$2,124,701	29	0.49	10.1	11.2%	160	18.3x	13.1x	0.74
ICBK	Cnty Bncp Inc	\$178	\$1,460,257	68	1.35	8.9	13.0%	138	12.1x	11.4x	1.03
ISTR	Investar Hldg Corp	\$261	\$1,644,188	41	0.74	9.4	14.9%	169	16.2x	13.7x	0.93
LCNB	LCNB Corp	\$191	\$1,288,791	17	0.31	9.2	8.1%	166	12.5x	10.9x	1.24
MSL	MidSouth Bncp Inc	\$227	\$1,857,755	12	0.33	9.1	4.7%	138	44.2x	20.0x	0.05
NRIM	Northrim BanCorp	\$268	\$1,524,741	8	0.12	11.9	7.6%	150	15.8x	15.3x	1.14
ORRF	Orrstown Finl Svcs	\$219	\$1,635,906	22	0.58	8.7	7.7%	155	16.5x	13.7x	0.80
PMBC	Pacific Merc antile	\$229	\$1,297,767	31	0.88	9.0	14.5%	196	16.8x	16.8x	1.01
PROV	Provident Finl	\$138	\$1,176,602	27	0.38	10.2	2.6%	115	21.6x	17.7x	0.56
RVSF	Riverview Bancorp	\$195	\$1,151,535	12	0.11	7.9	12.2%	220	15.2x	11.0x	0.95
TCFC	Community Finl Cp	\$197	\$1,576,996	37	0.62	8.4	8.1%	149	13.1x	11.3x	0.88
TRCB	Two River	\$159	\$1,042,227	21	0.62	8.9	9.9%	175	14.6x	12.7x	1.04
				27	0.55	11.5	10.3%	166	15.2x	13.1x	1.01

Source: FIG Partners Research, S&P Global Mkt Intelligence

FCCO Snapshot

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	% Change	
											Y/Y	LQ
Earnings Per Share (EPS)	\$0.22	\$0.26	\$0.25	\$0.26	\$0.26	\$0.24	\$0.28	\$0.07	\$0.35	\$0.39	58.8%	10.6%
Tangible Book Value	\$11.24	\$11.62	\$11.63	\$11.28	\$11.50	\$11.79	\$11.87	\$11.66	\$11.65	\$11.87	0.7%	1.9%
Shares Outstanding EOP	\$6.69	\$6.70	\$6.70	\$6.71	\$6.70	\$6.70	\$6.71	\$7.59	\$7.59	\$7.59	13.2%	0.0%
Net Interest Income	\$6.34	\$6.68	\$6.65	\$6.79	\$7.06	\$7.05	\$7.23	\$8.06	\$8.53	\$8.94	26.8%	4.7%
Loan Loss Provision	\$0.14	\$0.22	\$0.18	\$0.24	\$0.12	\$0.08	\$0.17	\$0.17	\$0.20	\$0.03	-62.8%	-85.6%
Non-Interest Income	\$2.030	\$2.200	\$2.368	\$2.200	\$1.982	\$2.696	\$2.463	\$2.544	\$2.733	\$2.817	4.5%	3.1%
Securities Gains	\$59	\$64	\$478	\$0	\$54	\$172	\$124	\$49	(\$102)	\$94	-45.3%	-192.2%
Non-Interest Expense	\$6.34	\$6.33	\$6.58	\$6.52	\$6.72	\$6.97	\$6.67	\$7.76	\$7.59	\$8.23	18.0%	8.3%
Net Income	\$1.47	\$1.75	\$1.68	\$1.79	\$1.76	\$1.66	\$1.89	\$0.50	\$2.71	\$3.00	80.3%	10.8%
Total Core Revenue	\$8,367	\$8,877	\$9,019	\$8,994	\$8,857	\$9,756	\$9,690	\$10,604	\$11,267	\$11,756	20.5%	4.3%
Total Core Fee Income	\$2,030	\$2,200	\$2,368	\$2,200	\$1,982	\$2,708	\$2,463	\$2,544	\$2,733	\$2,817	4.0%	3.1%
Core Expense	\$6,128	\$6,232	\$6,388	\$6,429	\$6,618	\$6,868	\$6,573	\$7,668	\$7,434	\$8,051	17.2%	8.3%
ROAA	0.68%	0.79%	0.74%	0.79%	0.77%	0.73%	0.83%	0.20%	1.03%	1.12%	52.7%	8.8%
ROAE	7.31%	8.48%	7.94%	8.58%	8.51%	7.85%	8.78%	1.98%	10.26%	11.32%	44.2%	10.3%
Net Interest Margin	3.22%	3.32%	3.19%	3.25%	3.42%	3.39%	3.42%	3.45%	3.61%	3.67%	8.3%	1.7%
Core Efficiency Ratio	72.2%	69.3%	69.9%	70.6%	73.9%	69.6%	67.1%	71.2%	64.7%	67.3%	-3.4%	3.9%
Core Exp. / Avg. Assets	2.83%	2.83%	2.84%	2.84%	2.90%	3.02%	2.89%	3.01%	2.82%	3.00%	-0.8%	6.4%
Total Loans	\$494	\$511	\$523	\$547	\$555	\$553	\$568	\$647	\$669	\$684	23.7%	2.4%
Intangibles	\$6.41	\$6.34	\$6.26	\$6.18	\$6.11	\$6.03	\$5.96	\$17.22	\$17.08	\$16.94	180.9%	-0.8%
Total Deposits	\$722	\$730	\$766	\$767	\$776	\$773	\$770	\$888	\$920	\$933	20.7%	1.5%
Total Common Equity	\$82	\$84	\$84	\$82	\$83	\$85	\$86	\$106	\$105	\$107	25.8%	1.4%
Avg Assets	\$865	\$880	\$901	\$906	\$913	\$909	\$911	\$1,018	\$1,055	\$1,073	18.1%	1.8%
Avg Loans	\$492	\$509	\$520	\$537	\$558	\$558	\$569	\$625	\$658	\$678	21.3%	2.9%
Average Earning Assets	\$792	\$809	\$830	\$832	\$839	\$834	\$839	\$926	\$958	\$978	17.2%	2.1%
Avg Deposits	\$717	\$728	\$752	\$761	\$757	\$772	\$765	\$867	\$891	\$921	19.4%	3.4%
Loan / Deposit	68.4%	70.1%	68.3%	71.3%	71.6%	71.6%	73.8%	72.8%	72.7%	73.3%	2.4%	0.9%
TCE Ratio	8.70%	8.82%	8.58%	8.33%	8.48%	8.69%	8.77%	8.56%	8.39%	8.38%	-3.6%	-0.2%
Net Charge-offs	\$0.05	\$0.03	\$0.01	\$0.06	(\$0.06)	(\$0.04)	\$0.00	(\$0.00)	(\$0.02)	(\$0.07)	63.6%	260.0%
NPL's + 90 Days Past	\$7.71	\$6.86	\$7.70	\$6.88	\$5.44	\$4.76	\$4.83	\$5.15	\$4.99	\$6.80	42.8%	36.3%
OREO	\$1.48	\$1.36	\$1.20	\$1.15	\$1.16	\$0.84	\$0.73	\$1.93	\$1.91	\$1.82	117.7%	-4.4%
Total NPA's	\$9.2	\$7.8	\$7.9	\$7.5	\$6.5	\$5.6	\$5.5	\$7.1	\$6.9	\$7.7	36.9%	11.7%
NPA / (Loans + OREO)	1.85%	1.53%	1.51%	1.37%	1.17%	1.01%	0.96%	1.09%	1.02%	1.12%	10.6%	9.2%
Provision / Avg Loans	0.03%	0.04%	0.03%	0.04%	0.02%	0.01%	0.03%	0.03%	0.03%	0.00%	-69.4%	-86.1%
Reserve / NPL + 90	61%	75%	75%	82%	101%	115%	120%	113%	121%	104%	-9.6%	-13.8%

Source: FIG Partners Research, S&P Global Mkt Intelligence

Earnings Model

	Annual			2017 Quarterly				2018 Quarterly				2019 Quarterly			
	2017A	2018E	2019E	1Q17A	2Q17A	3Q17A	4Q17A	1Q18A	2Q18A	3Q18E	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E
<u>Income Data: (\$ in Millions)</u>															
Net Interest Income	\$29.4	\$36.0	\$37.8	\$7.1	\$7.0	\$7.2	\$8.1	\$8.5	\$8.9	\$9.2	\$9.3	\$9.2	\$9.4	\$9.6	\$9.7
Loan Loss Provision	\$0.5	\$0.5	\$0.8	\$0.1	\$0.1	\$0.2	\$0.2	\$0.2	\$0.0	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2
Non-Interest Income	\$9.7	\$11.0	\$11.2	\$2.0	\$2.7	\$2.5	\$2.5	\$2.7	\$2.8	\$2.8	\$2.6	\$2.6	\$3.0	\$3.0	\$2.6
Gain/Loss on Loan Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Gain/Loss on Securities	\$0.4	(\$0.0)	\$0.0	\$0.1	\$0.2	\$0.1	\$0.0	(\$0.1)	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
One-Time Items	(\$1.7)	\$0.0	\$0.0	(\$0.1)	(\$0.6)	(\$0.4)	(\$0.6)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Non-Interest Expense	\$28.1	\$31.9	\$32.8	\$6.7	\$7.0	\$6.7	\$7.8	\$7.6	\$8.2	\$8.0	\$8.1	\$8.2	\$8.1	\$8.2	\$8.3
Pre-Tax Income	\$9.1	\$14.5	\$15.4	\$2.2	\$2.2	\$2.6	\$2.1	\$3.4	\$3.6	\$3.8	\$3.7	\$3.4	\$4.1	\$4.1	\$3.8
Taxes	\$3.3	\$2.8	\$3.1	\$0.4	\$0.6	\$0.7	\$1.6	\$0.7	\$0.6	\$0.8	\$0.7	\$0.7	\$0.8	\$0.8	\$0.8
Extraordinary Items	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Income	\$5.8	\$11.7	\$12.3	\$1.8	\$1.7	\$1.9	\$0.5	\$2.7	\$3.0	\$3.1	\$2.9	\$2.7	\$3.3	\$3.3	\$3.0
Preferred Dividend	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Income Avail. To Common	\$5.8	\$11.7	\$12.3	\$1.8	\$1.7	\$1.9	\$0.5	\$2.7	\$3.0	\$3.1	\$2.9	\$2.7	\$3.3	\$3.3	\$3.0
Avg. Shares O/S	\$7.0	\$7.7	\$7.7	\$6.8	\$6.8	\$6.8	\$7.5	\$7.7	\$7.7	\$7.7	\$7.7	\$7.7	\$7.7	\$7.7	\$7.7
Earnings Per Share (EPS)	\$0.83	\$1.52	\$1.60	\$0.26	\$0.24	\$0.28	\$0.07	\$0.35	\$0.39	\$0.40	\$0.38	\$0.35	\$0.42	\$0.43	\$0.39
<u>Per Share Data:</u>															
Reported Book Value	\$13.93	\$14.68	\$15.85	\$12.41	\$12.69	\$12.76	\$13.93	\$13.90	\$14.10	\$14.40	\$14.68	\$14.93	\$15.25	\$15.57	\$15.85
Tangible Book Value	\$11.66	\$12.46	\$13.64	\$11.50	\$11.79	\$11.87	\$11.66	\$11.65	\$11.87	\$12.18	\$12.46	\$12.71	\$13.03	\$13.36	\$13.64
Dividends	\$0.37	\$0.41	\$0.45	\$0.09	\$0.09	\$0.09	\$0.10	\$0.10	\$0.10	\$0.10	\$0.11	\$0.11	\$0.11	\$0.11	\$0.12
Pre-Tax, Pre-Provision EPS	\$1.57	\$1.95	\$2.10	\$0.34	\$0.35	\$0.41	\$0.29	\$0.48	\$0.46	\$0.52	\$0.50	\$0.47	\$0.56	\$0.57	\$0.52
CORE GAAP EPS	\$1.12	\$1.51	\$1.60	\$0.24	\$0.29	\$0.30	\$0.29	\$0.35	\$0.38	\$0.40	\$0.38	\$0.35	\$0.42	\$0.43	\$0.39
<u>KEY Ratios:</u>															
Net Interest Margin	3.42%	3.68%	3.77%	3.42%	3.39%	3.42%	3.45%	3.61%	3.67%	3.70%	3.73%	3.74%	3.76%	3.77%	3.80%
Return on Avg Assets	0.62%	1.09%	1.12%	0.77%	0.73%	0.83%	0.20%	1.03%	1.12%	1.14%	1.08%	1.00%	1.19%	1.20%	1.09%
Return on Avg Equity	6.54%	10.90%	10.66%	8.51%	7.85%	8.78%	1.98%	10.26%	11.32%	11.37%	10.65%	9.72%	11.39%	11.36%	10.18%
Return on Tang. Comm. Eq.	6.83%	12.80%	12.28%	9.37%	8.67%	9.75%	2.63%	12.68%	13.74%	13.71%	12.83%	11.71%	13.56%	13.46%	12.08%
Pre-Tax Pre-Provision ROA	1.17%	1.40%	1.47%	1.03%	1.06%	1.24%	0.86%	1.40%	1.33%	1.50%	1.43%	1.33%	1.58%	1.59%	1.46%
Efficiency Ratio	71.05%	66.77%	65.71%	71.75%	69.25%	66.59%	70.56%	65.45%	68.09%	65.60%	66.59%	68.28%	64.16%	64.30%	66.25%
Overhead Ratio	3.00%	2.97%	2.97%	2.95%	3.07%	2.93%	3.05%	2.88%	3.07%	2.98%	2.98%	3.00%	2.95%	2.98%	2.98%
TCE/TA	8.56%	8.69%	9.28%	8.48%	8.69%	8.77%	8.56%	8.39%	8.38%	8.55%	8.69%	8.82%	8.98%	9.14%	9.28%
<u>Period-End Balances: (\$ in Millions)</u>															
Earning Assets	\$952	\$1,005	\$1,030	\$840	\$841	\$839	\$952	\$974	\$994	\$999	\$1,005	\$1,010	\$1,017	\$1,025	\$1,030
Total Assets	\$1,051	\$1,104	\$1,132	\$915	\$915	\$914	\$1,051	\$1,071	\$1,092	\$1,098	\$1,104	\$1,110	\$1,118	\$1,126	\$1,132
Gross Loans	\$647	\$719	\$797	\$555	\$553	\$568	\$646.8	\$668.6	\$684.3	\$701	\$719	\$733	\$755	\$778	\$797
Total Deposits	\$888	\$952	\$986	\$776	\$773	\$770	\$888	\$920	\$933	\$943	\$952	\$957	\$966	\$976	\$986
Intangibles	\$17	\$17	\$17	\$6.105	\$6.031	\$6	\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$17
Total Common Equity	\$106	\$111	\$120	\$83.13	\$85.06	\$86	\$106	\$105	\$107	\$109	\$111	\$113.27	\$116	\$118	\$120



FIG Partners LLC Distribution of Ratings

	Buy / Outperform	Hold / Market- Perform	Sell / Underperform
% Rated	46.8%	53.2%	0.0%
IB Client % in Category	25.4%	17.9%	0.0%

Equity Rating System as of July 1, 2003

Buy/Outperform “O” FIG expects that total return of the subject stock will outperform the industry benchmark (BIX) over the next 12 months

Hold/Market-Perform “M-P” FIG expects that total return of the subject stock will perform inline with the industry benchmark (BIX) over the next 12 months

Sell/Underperform “U” FIG expects that total return of the subject stock will under perform the industry benchmark (BIX) over the next 12 months

For purposes of FINRA rule 2711, outperform is classified as a buy, market perform is a hold and underperform is a sell. The industry benchmark that we use is the S&P Bank Index referred to as the BIX.

Ratings Changes for First Community Corporation (FCCO)



Additional Risks to Our Earnings Model Assumptions & Ratings:

Unexpected and/or rapid changes in interest rates may have significant negative impact on the company’s balance sheet. Likewise, persistently low interest rates, and/or a flat yield curve may add downward pressure to revenues and the absolute level of NIM-Net Interest Margin.

Declines in asset quality beyond our estimates due to an economic slowdown in the company’s operating footprint may require increased expenses for loan losses which could decrease profitability. Further, this may cause an increase in Net Charge-offs, Nonperforming loans, and Classified Assets.

New rules set forth by regulatory agencies could reduce future profitability by eliminating certain revenue items, adding additional expenses, or requiring this institution to hold more capital. A similar effect is possible if new legislation (local, state, or federal) is passed.

Any regulatory action or litigation against the company could impact future earnings and also affect the public market perception towards this stock.



Compliance

- Neither the research analyst nor any member of the analyst's household has any financial interest in the subject company.
- At the prior month end, neither FIG Partners LLC nor any of its partners or officers owned more than 1% of the outstanding equity securities of the subject company.
- There are no material conflicts of interest of the analyst or FIG Partners LLC at the time of this report.
- FIG has not been a manager or co-manager of a public offering of any securities of the recommended issuer within the last 12 months.
- FIG has not received investment banking compensation from the subject company in the last 12 months.
- FIG intends to seek investment banking compensation from the subject in the next three months.
- The subject company is a client of FIG.
- Neither the analyst nor anyone at FIG serves as an officer, director, or advisory board member of the subject company.
- FIG will usually make a market in the subject security and was making a market in this security at the time of this report's publication.
- All analysts are compensated based on a number of factors including the overall profits of FIG Partners LLC which includes investment banking revenues, but no analyst receives any compensation which is based on a specific investment banking service or transaction.
- To determine price target, our analysts utilize a variety of valuation techniques including but not limited to: peer analysis, absolute P/E, relative P/E, projected P/E, absolute P/B, relative P/B, projected P/B, deposit premium, and a discounted cash flow model.
- This research report reflects the analyst's actual opinion.
- No research analyst is subject to the supervision or control of any employee of the member's investment banking department.
- No employee of the investment banking department has reviewed or approved this report prior to publication
- The report has not been approved by the subject company, but may have been reviewed for factual accuracy except for the research summary, research rating and price target.
- The subject company has not promised directly or indirectly favorable research, a specific rating or a specific price target nor has the subject company been threatened with a change in research as an inducement for business or compensation.
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