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First Community Corporation

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(FCCO-NASDAQ)

Company Comment

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Banking

Reiterate MO2; Loan Growth a Challenge, but Deposit Franchise Adds Value

Recommendation: We are reiterating our **Outperform** rating and $12 price target on shares of First Community following 4Q14 results that exceeded expectations, primarily on higher fee income. Unfortunately, strong fee income is overshadowed by lower loan balances, margin pressures, and the disclosure of a pending regulatory consent order related to Bank Secrecy Act (BSA) compliance. We believe the consent order will prove manageable, but continued weakness on the loan growth front is making it hard for the company to unlock the earnings power of the institution, which limits the long-term upside potential of the stock. Despite a strong increase in 2H14 loan production, we believe management is very frustrated with its ability to drive sustainable portfolio loan growth, and we believe it is willing to consider alternatives that would drive the most shareholder value if loan growth remains weak. With a management team that remains committed to driving shareholder value, and with a strong deposit franchise that should support longer-term value, we believe valuation makes an investment in the stock attractive at current levels, driving our **Outperform** rating.

- **4Q14 results beat expectations.** First Community reported GAAP EPS of $0.22. Excluding $213,000 in net loss on debt extinguishment and $29,000 in merger expense, we calculate operating EPS of $0.25, above both our and consensus estimates of $0.23.
- **Loan growth in focus.** 4Q loans shrank 1.1% linked quarter, well below our 0.5% growth expectation. While 2H14 production was up 16% over 1H14 after management changed its pricing policy, paydowns and payoffs continue to outpace production. Management is clearly frustrated and remains highly focused on additional activities to spur loan growth, including bolstering its production staff. We have tempered our 2015 loan growth expectations to 1.5%, and remain hopeful that production levels will accelerate.
- **Consent order should prove manageable.** Following the unanticipated departure of both its BSA officer and BSA specialist, the company was notified that it will be entering a regulatory consent order related to BSA compliance as it had no BSA staff for a brief period. New staffing requirements have already been addressed, and we believe the expense impact should be fully represented in the 4Q14 run rate. Additionally, the company will be required to improve internal controls related to BSA compliance, which should be achievable with minimal incremental expense. As such, we are comfortable that this issue will prove a speedbump rather than a roadblock to future earnings.
- **Estimates:** We are maintaining our 2015E and 2016E EPS of $0.95 and $1.05, respectively.

Valuation: Our $12 price target is based on 1.1x our 4Q15 tangible book value (TBV) estimate of $11.07, 12.6x our 2015E EPS, and 11.4x our 2016E EPS, a slight discount to micro-cap peer medians of 1.2x, 14.1x, and 12.6x, respectively. We believe a slight discount is warranted until the company can better demonstrate its ability to execute on capital deployment plans.

Non-GAAP EPS	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	Full Year	GAAP EPS Full Year	Revenues (mil.)
2013A	$0.19	$0.23	$0.20	$0.19	$0.81	$0.78	$26
Old2014E	0.18A	0.18A	0.23A	0.23	0.83	0.79	32
New2014A	**0.18**	**0.18**	**0.23**	**0.25**	**0.85**	**0.78**	**32**
Old2015E	0.21	0.24	0.25	0.25	0.95	0.95	34
New2015E	**0.22**	**0.23**	**0.25**	**0.25**	**0.95**	**0.95**	**34**
Old2016E	NA	NA	NA	NA	1.05	1.05	36
New2016E	**UR**	**UR**	**UR**	**UR**	**1.05**	**1.05**	**36**

Rows may not add due to rounding. Non-GAAP EPS is operating earnings and excludes one-time items.

Rating

Outperform 2

Current and Target Price

Current Price (Jan-21-15 3:10 p.m.)	$10.80
Target Price:	$12.00
52-Week Range	$11.75 - $10.24
Suitability	Aggressive Growth

Market Data

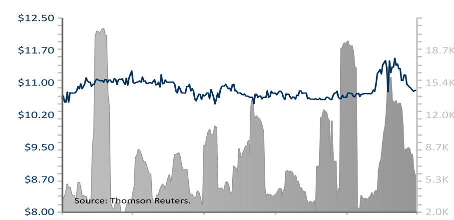
Shares Out. (mil.)	6.7
Market Cap. (mil.)	$72
Avg. Daily Vol. (10 day)	6,501
Dividend/Yield	$0.28/2.6%
Book Value (Dec-14)	$11.18
Tang. BVPS (Dec-14)	$10.35

Earnings & Valuation Metrics

	2013A	2014A	2015E	2016E
P/E Ratios (Non-GAAP)	13.3x	12.7x	11.4x	10.3x

Company Description

First Community Corporation, headquartered in Lexington, South Carolina, is an $812 million asset bank holding company that operates 14 branches in the midlands region of the state.



Please read domestic and foreign disclosure/risk information beginning on page 8 and Analyst Certification on page 8.

Guidance Tracker – First Community Corporation (FCCO)

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Source	Category	Target Period	Trending	Guidance
2014Q3 Earnings	Loan	2015Y	–	Management is targeting at least 4% loan growth in 2015.
2014Q4 Earnings	Noninterest Expense	2015Y	–	Hires related to BSA compliance are fully reflected in 4Q14 expense base.
2014Q3 Earnings	Noninterest Income	2015Y	–	Management is targeting mortgage banking production of roughly $100 million in 2015.
2014Q2 Earnings	Tax Rate	Long-term	▼	The company anticipates the tax rate will range between 28% and 29%.

Source: Raymond James research; company reports

Raymond James Revised Earnings Estimates

As displayed in the following table, we are maintaining our 2015 and 2016 EPS estimates of $0.95 and $1.05, respectively.

Earnings Estimates

($ in thousands)	2015E			2016E		
	Old	Current	Change	Old	Current	Change
Operating EPS	**$0.95**	**$0.95**	**$0.00**	**$1.05**	**$1.05**	**$0.00**
GAAP EPS	**$0.95**	**$0.95**	**$0.00**	**$1.05**	**$1.05**	**$0.00**
Core PTPP* Earnings	10,517	10,275	-2%	11,634	11,465	-1%
Avg. Earning Assets	753,876	751,921	0%	770,019	768,022	0%
NIM	3.43%	3.41%	-2 bps	3.52%	3.50%	-2 bps
Net Interest Income	25,317	25,051	-1%	26,546	26,269	-1%
Provision	950	850	-11%	1,000	1,000	0%
Operating Fee Income	8,935	9,247	3%	9,572	9,947	4%
Operating Expense	24,036	24,423	2%	24,684	25,051	1%
Operating Efficiency	70%	71%	104 bps	68%	69%	83 bps
Tax Rate	31.0%	29.0%	-200 bps	32.0%	30.0%	-200 bps
Diluted shares	6,737	6,744	0%	6,749	6,760	0%
Dividends per share	$0.24	$0.28	$0.04	$0.24	$0.28	$0.04
Loan Growth	3.5%	1.5%	-204 bps	5.6%	2.0%	-360 bps
Reserves/Loans	0.95%	0.96%	1 bps	0.97%	1.03%	6 bps
NPAs/Loans	1.93%	2.02%	9 bps	1.54%	1.67%	13 bps
NCOs/Avg. Loans	0.15%	0.15%	0 bps	0.14%	0.14%	0 bps

*PTPP = pre-tax, pre-provision

We are maintaining our 2015 and 2016 operating EPS estimates of $0.95 and $1.05, respectively. For both periods, higher fee income is fully offset by higher operating expense.

Source: Company reports and Raymond James research

Margin Contracts on Added Liquidity From Deposit Purchase

Net interest margin (NIM) contracted 12 bp linked quarter to 3.36%, just below our 3.38% estimate, owing primarily to the full-quarter impact of excess liquidity from the purchase of $40 million in deposits at the end of 3Q14. As a result of the purchase, average securities and other fund balances increased 9.8% and 41.6% linked quarter, respectively, as depicted in the following table. In turn, the concentration of average loans shrunk to 60% from 62% in 3Q14, resulting in a 15 bp sequential dip in the average earning asset yield to 3.73%. Further compounding the increases in average securities and other funds balances was a 1.1% sequential decrease in end of period loan balances, combined with continued pressure on loan yields which compressed 6 bp linked quarter. While paydowns and payoffs remain a challenge, we believe that the company is exploring additional activities and adjustments to support increased loan volume, which could materialize during 2015. We maintain that deploying liquidity into loan growth out of the securities portfolio will be the key to staving off pressures from lower loan yields. If the concentration of average loans to earning assets can meaningfully improve from 60.0% in 4Q14, we would expect margin expansion to be a real possibility. That said, the overall environment remains competitive for grade-A credits and will, therefore, likely limit any outsized growth opportunities at present.

Loan Concentration Shrinks on Increased Liquidity From Deposit Purchase

($ in thousands)	% of Total	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	3Q14A-4Q14A	4Q13A-4Q14A
Loans	60.0%	335,010	337,923	344,009	344,544	349,830	415,785	444,060	445,060	451,334	1.4%	29.0%
Securities	36.8%	206,768	208,204	229,845	225,922	228,988	234,966	261,673	251,893	276,625	9.8%	20.8%
Other funds	3.2%	15,026	15,970	11,320	14,953	12,544	20,832	13,371	16,937	23,976	41.6%	91.1%
Total Average Earning Assets	**100%**	**556,804**	**562,097**	**585,174**	**585,419**	**591,362**	**671,583**	**719,104**	**713,890**	**751,935**	**5.3%**	**27.2%**
Concentration of Loans		**60%**	**60%**	**59%**	**59%**	**59%**	**62%**	**62%**	**62%**	**60%**		

Source: Company reports and Raymond James research

Turning to the right side of the balance sheet, average funding costs trickled down 2 bp sequentially to 0.47% despite a negative shift in the core deposit mix. As illustrated in the following table, the core deposit mix decreased 242 bp to 70.8% from 73.2% in the previous quarter, reflecting a 15.5% linked-quarter increase in average time deposit balances stemming from the aforementioned deposit purchase. While the deposit purchase drove the negative shift in the core deposit mix, the addition of these lower cost time deposits drove a 6 bp decrease in average time deposit costs and served as the primary driver of the sequential decrease in average funding costs. Despite this benefit, costs will eventually bottom, which will likely place even more focus on loan pricing, loan growth, and the earning asset mix as levers to limit meaningful margin contraction until short-term interest rates rise and sustainable, strong loan demand returns. Taking all of these factors into account, we expect NIM to gradually expand to 3.44% by 4Q15 and 3.54% by 4Q16.

Funding Costs Improve Despite Negative Shift in Core Deposit Mix

($ in thousands)	% of Total	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	3Q14A-4Q14A	4Q13A-4Q14A
Demand deposits	20.4%	97,163	95,777	100,967	104,944	111,984	121,060	131,762	133,891	138,263	3.3%	23.5%
Interest-bearing accounts	20.0%	92,466	95,237	101,247	104,146	102,087	124,029	135,875	133,554	135,492	1.5%	32.7%
Money market accounts	22.4%	54,493	60,976	76,272	80,839	80,094	116,326	145,973	147,916	151,382	2.3%	89.0%
Savings deposits	8.0%	40,898	42,589	46,355	48,490	51,638	50,191	50,593	52,346	53,893	3.0%	4.4%
Time deposits	29.2%	188,837	182,116	173,879	167,516	162,489	174,384	174,712	170,889	197,385	15.5%	21.5%
Total Average Deposits	**100%**	**473,857**	**476,695**	**498,720**	**505,935**	**508,292**	**585,990**	**638,915**	**638,596**	**676,415**	**5.9%**	**33.1%**
Core Deposit Mix		**60.1%**	**61.8%**	**65.1%**	**66.9%**	**68.0%**	**70.2%**	**72.7%**	**73.2%**	**70.8%**		

Source: Company reports and Raymond James research

Asset Quality Picture Remains Intact

After dropping 14.3% in 3Q14, nonperforming assets (NPAs) decreased 2.9% linked quarter to $9.5 million, or 2.1% of loans and real estate owned (REO). Dissecting NPA balances, nonaccrual loans decreased to $6.6 million from $6.8 million at 3Q14, while REO decreased to $2.9 million from $3.0 million over the same period. While net charge-offs (NCOs) increased $147,000 from the prior quarter to $202,000, or 0.18% of average loans, we continue to believe that the credit health of the loan portfolio remains favorable, and we expect reserve levels will remain in the mid-0.90% to low-1.00% range through 4Q16.

First Community Regional Peer Group Comparison

		Balance Sheet Ratios				Income Statement Ratios							Credit				Capital		
Company	**Ticker**	**Assets ($M)**	**Core Deposits**	**Nonint Deposits**	**Loans/ Deposits**	**NIM**	**Loan Yields**	**Yield on Earning Assets**	**Cost of Deposits**	**Cost of Funds**	**Fee Income/ Revenue**	**Efficiency Ratio**	**NCOs/ Avg. Loans**	**NPAs/ Loans**	**Reserves/ Loans**	**Reserves/ NPAs**	**TCE ratio**	**Leverage Ratio**	**Tier 1 risk-based**
South State Corporation	SSB	$7,880	80%	25%	87%	4.64%	5.49%	4.89%	0.15%	0.23%	23%	63%	0.31%	1.19%	0.75%	63%	8.0%	9.2%	13.3%
Palmetto Bancshares, Inc.	PLMT	$1,097	81%	23%	83%	3.80%	4.65%	3.89%	0.05%	0.05%	26%	73%	-0.14%	4.80%	1.98%	41%	12.0%	12.0%	15.4%
Carolina Financial Corporation	CARO	$1,039	62%	14%	84%	3.44%	4.70%	4.13%	0.45%	0.63%	39%	75%	-0.14%	1.87%	1.28%	68%	8.8%	10.5%	14.5%
CNB Corporation	CNBW	$1,009	62%	21%	53%	3.04%	5.67%	3.19%	0.24%	NA	18%	67%	0.51%	4.12%	2.12%	51%	9.6%	9.8%	18.5%
Southern First Bancshares, Inc.	SFST	$1,008	64%	17%	108%	3.69%	4.71%	4.60%	0.38%	0.78%	16%	59%	0.54%	2.24%	1.34%	60%	6.2%	8.8%	10.6%
Security Federal Corporation	SFDL	$829	62%	NA	54%	3.15%	5.59%	3.70%	0.38%	NA	16%	70%	0.54%	7.04%	2.45%	35%	7.5%	9.2%	19.8%
Tidelands Bancshares, Inc.	TDBK	$482	38%	7%	74%	2.89%	4.91%	4.10%	0.92%	1.12%	10%	98%	0.00%	10.90%	1.59%	15%	-1.9%	2.0%	2.7%
Southcoast Financial Corporation	SOCB	$464	59%	16%	110%	3.69%	4.95%	4.54%	0.49%	NA	12%	65%	0.12%	3.41%	1.67%	49%	9.8%	10.8%	14.7%
Coastal Banking Company, Inc.	CBCO	$445	56%	14%	91%	3.99%	6.00%	4.72%	0.60%	NA	70%	88%	0.34%	5.91%	1.56%	26%	6.1%	9.8%	20.1%
Bank of South Carolina Corporation	BKSC	$377	80%	33%	70%	3.69%	4.86%	4.29%	0.13%	NA	16%	57%	0.01%	0.76%	1.43%	188%	9.5%	9.5%	13.6%
First Reliance Bancshares, Inc.	FSRL	$368	74%	24%	86%	4.45%	5.54%	4.77%	0.25%	0.30%	25%	89%	0.01%	4.00%	1.14%	28%	5.5%	12.4%	15.2%
Greer Bancshares Incorporated	GRBS	$360	69%	18%	73%	2.95%	4.86%	3.84%	0.31%	NA	20%	78%	0.00%	1.74%	1.56%	90%	5.5%	9.7%	15.3%
First Community Corporation	**FCCO**	**$831**	**71%**	**21%**	**65%**	**3.50%**	**5.05%**	**3.92%**	**0.26%**	**0.50%**	**27%**	**68%**	**0.06%**	**2.18%**	**0.92%**	**42%**	**8.0%**	**10.3%**	**15.8%**
Peer Group Medians:		**$655**	**63%**	**18%**	**79%**	**3.59%**	**4.93%**	**4.12%**	**0.34%**	**0.56%**	**19%**	**71%**	**0.03%**	**3.70%**	**1.56%**	**46%**	**7.8%**	**9.8%**	**15.3%**

Peer group consists of banks based in SC with assets between roughly $500 million and $10 billion and excludes Mutual Holding Companies. Data as of most recent quarter. Core deposits exclude all time deposits.

Note: Peer comparisons can be skewed during earnings reporting season due to the timing of reports. Credit metrics include covered NPA and Loan balances for banks that have acquired institutions with FDIC loss share arrangements which can skew credit metrics negatively. SNL calculates certain metrics differently than individual companies in some cases which can cause variance from our models.

Source: SNL Financial and Raymond James research

Select Profitability and Valuation Metrics

	Count	Mkt Cap (M)	Assets (M)	Valuation Metrics: P/TBV	FY15E P/E	FY16E P/E	Deposit Premium	Dividend Yield	Profitability Metrics: ROA (3Q14)	ROE (3Q14)	ROTCE (3Q14)	ROTCE (FY15E)	ROTCE (FY16E)	FY15E EPS Growth	FY16E EPS Growth
Industry Medians	**530**	**$174**	**$1,428**	**1.45x**	**13.6x**	**12.2x**	**4%**	**2.3%**	**0.89%**	**8.3%**	**9.8%**	**10.5%**	**11.0%**	**10%**	**11%**
Large Cap (>$3B)	33	$6,799	$55,459	1.53x	13.2x	11.5x	7%	2.3%	1.06%	8.4%	12.4%	11.6%	12.1%	5%	11%
Mid-Cap ($750M - $3B)	77	$1,459	$8,419	1.63x	13.6x	12.1x	7%	2.5%	1.10%	9.0%	12.0%	11.9%	12.2%	7%	11%
Small-Cap ($300M - $750M)	90	$471	$3,203	1.48x	13.2x	12.3x	6%	2.3%	1.07%	9.5%	11.1%	11.1%	11.3%	12%	11%
Micro-Cap (<$300M)	330	$96	$900	1.23x	14.1x	12.6x	3%	2.3%	0.80%	7.7%	8.6%	8.4%	9.1%	13%	11%
Regional Medians															
Mid-Atlantic	125	$139	$1,204	1.29x	13.5x	12.4x	4%	2.8%	0.83%	8.1%	9.3%	10.2%	10.3%	10%	10%
Midwest	137	$148	$1,298	1.19x	13.0x	12.0x	4%	2.2%	0.90%	8.5%	10.2%	10.9%	11.6%	7%	9%
New England	36	$175	$1,497	1.31x	15.0x	13.6x	4%	2.9%	0.77%	7.4%	10.4%	9.5%	9.8%	8%	13%
Southwest	23	$729	$3,951	1.63x	14.1x	11.7x	7%	2.3%	1.12%	9.8%	11.7%	10.8%	11.0%	10%	14%
West	83	$238	$1,656	1.28x	14.2x	12.4x	5%	2.3%	1.04%	8.4%	10.2%	11.0%	11.6%	12%	11%
Southeast	126	$164	$1,309	1.28x	13.7x	11.8x	5%	2.0%	0.82%	8.0%	9.6%	10.3%	11.0%	19%	14%

Priced as of January 20, 2015.

Note: Excludes banks with less than $500 million in assets, Mutual Holding Companies, and trust banks. Forward P/E and ROTE metrics are based on First Call consensus estimates.

Source: SNL Financial, Thomson One, and Raymond James research

First Community Corporation

Income Statement	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15E	2Q15E	3Q15E	4Q15E	2015E	2016E
($ in thousands)	31-Mar	30-Jun	30-Sep	31-Dec	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Dec	31-Dec
Net Interest Income	4,279	4,423	4,570	4,777	18,049	5,496	5,947	6,096	6,191	23,730	6,091	6,229	6,331	6,400	25,051	26,269
Provision for loan losses	150	100	129	149	528	150	400	152	178	880	200	200	225	225	850	1,000
Net Interest Income after Provision	**4,129**	**4,323**	**4,441**	**4,628**	**17,521**	**5,346**	**5,547**	**5,944**	**6,013**	**22,850**	**5,891**	**6,029**	**6,106**	**6,175**	**24,201**	**25,269**
Deposit service charges	361	367	387	392	1,507	366	379	400	372	1,517	389	382	396	378	1,545	1,567
Mortgage origination fees	1,015	1,183	770	799	3,767	619	702	1,016	849	3,186	807	928	1,020	939	3,693	4,060
Investment advisory fees and commissions	198	218	279	277	972	257	198	267	546	1,268	382	401	421	434	1,639	1,917
Gain on sale of securities	15	133	4	(79)	73	8	78	16	80	182	0	0	0	0	0	0
Gain (loss) on sale of other assets	(2)	32	(23)	(8)	(1)	12	(24)	10	(9)	(11)	0	0	0	0	0	0
Fair value gain (loss) adjustment	0	(2)	0	0	(2)	0	0	0	0	0	0	0	0	0	0	0
Loss on early extinguishment of debt	0	(141)	0	0	(141)	0	(67)	0	(284)	(351)	0	0	0	0	0	0
Other	496	505	524	491	2,016	613	633	591	585	2,422	588	591	594	597	2,369	2,402
Noninterest Income	**2,083**	**2,295**	**1,941**	**1,872**	**8,191**	**1,875**	**1,899**	**2,300**	**2,139**	**8,213**	**2,166**	**2,302**	**2,431**	**2,348**	**9,247**	**9,947**
Non-Operating items	13	22	(19)	(87)	(71)	20	(13)	26	(213)	(180)	0	0	0	0	0	0
Operating Noninterest Income	**2,070**	**2,273**	**1,960**	**1,959**	**8,262**	**1,855**	**1,912**	**2,274**	**2,352**	**8,393**	**2,166**	**2,302**	**2,431**	**2,348**	**9,247**	**9,947**
Total Revenue	**6,362**	**6,718**	**6,511**	**6,649**	**26,240**	**7,371**	**7,846**	**8,396**	**8,330**	**31,943**	**8,257**	**8,531**	**8,762**	**8,748**	**34,298**	**36,216**
Total Operating Revenue	**6,349**	**6,696**	**6,530**	**6,736**	**26,311**	**7,351**	**7,859**	**8,370**	**8,543**	**32,123**	**8,257**	**8,531**	**8,762**	**8,748**	**34,298**	**36,216**
Salaries and employee benefits	2,992	2,994	2,948	3,079	12,013	3,424	3,272	3,502	3,545	13,743	3,510	3,597	3,651	3,633	14,391	14,877
Occupancy	346	334	343	361	1,384	413	465	489	515	1,882	518	531	533	536	2,117	2,170
Equipment	283	314	310	299	1,206	339	375	414	377	1,505	379	388	390	392	1,550	1,589
Marketing and public relations	93	112	106	230	541	161	212	218	147	738	206	185	157	205	753	810
FDIC assessment	99	102	108	108	417	124	131	138	128	521	137	139	139	138	552	560
Other real estate expense	112	115	189	113	529	138	117	105	193	553	100	100	100	100	400	300
Amortization of intangibles	51	45	32	32	160	42	63	64	111	280	111	111	111	111	444	444
Other	831	939	921	1,481	4,172	1,385	1,150	1,130	1,073	4,738	1,046	1,051	1,057	1,062	4,216	4,301
Noninterest Expense	**4,807**	**4,955**	**4,957**	**5,703**	**20,422**	**6,026**	**5,785**	**6,060**	**6,089**	**23,960**	**6,006**	**6,103**	**6,139**	**6,176**	**24,423**	**25,051**
Non-Operating items	0	28	33	506	567	420	15	39	29	503	0	0	0	0	0	0
Operating Noninterest Expense	**4,807**	**4,927**	**4,924**	**5,197**	**19,855**	**5,606**	**5,770**	**6,021**	**6,060**	**23,457**	**6,006**	**6,103**	**6,139**	**6,176**	**24,423**	**25,051**
Income Before Tax	**1,405**	**1,663**	**1,425**	**797**	**5,290**	**1,195**	**1,661**	**2,184**	**2,063**	**7,103**	**2,052**	**2,228**	**2,398**	**2,346**	**9,025**	**10,165**
Income tax expense	367	460	379	(53)	1,153	333	460	632	557	1,982	595	646	695	680	2,617	3,050
GAAP Net Income	**1,038**	**1,203**	**1,046**	**850**	**4,137**	**862**	**1,201**	**1,552**	**1,506**	**5,121**	**1,457**	**1,582**	**1,703**	**1,666**	**6,407**	**7,116**
Operating Net Income	**988**	**1,218**	**1,078**	**1,001**	**4,286**	**1,151**	**1,221**	**1,561**	**1,660**	**5,593**	**1,457**	**1,582**	**1,703**	**1,666**	**6,407**	**7,116**
Diluted shares	5,292	5,311	5,309	5,354	5,317	6,229	6,719	6,727	6,734	6,607	6,738	6,742	6,746	6,750	6,744	6,760
GAAP EPS - diluted	$0.20	$0.23	$0.20	$0.16	$0.78	$0.14	$0.18	$0.23	$0.22	$0.78	$0.22	$0.23	$0.25	$0.25	$0.95	$1.05
Operating EPS - diluted	**$0.19**	**$0.23**	**$0.20**	**$0.19**	**$0.81**	**$0.18**	**$0.18**	**$0.23**	**$0.25**	**$0.85**	**$0.22**	**$0.23**	**$0.25**	**$0.25**	**$0.95**	**$1.05**
Financial Highlights																
TBV/share	$10.22	$9.86	$9.87	$9.83	$9.83	$9.40	$9.84	$9.95	$10.35	$10.35	$10.51	$10.69	$10.88	$11.07	$11.07	$11.89
TCE/Assets	8.7%	8.3%	8.2%	8.2%	8.2%	7.9%	8.4%	8.0%	8.5%	8.5%	8.7%	8.8%	9.0%	9.1%	9.1%	9.5%
Loans/Deposits	67%	67%	68%	70%	70%	68%	69%	65%	66%	66%	63%	64%	64%	66%	66%	67%
Loan Growth	0.5%	2.2%	1.2%	0.7%	4.7%	27.7%	0.2%	0.9%	-1.1%	27.7%	-0.5%	0.5%	0.5%	1.0%	1.5%	2.0%
NPAs/Loans	2.59%	2.56%	2.48%	2.50%	2.50%	2.46%	2.56%	2.17%	2.13%	2.13%	2.12%	2.09%	2.06%	2.02%	2.02%	1.67%
NCOs/Avg. Loans	0.28%	0.23%	0.28%	0.29%	0.27%	0.20%	0.45%	0.05%	0.18%	0.22%	0.15%	0.15%	0.14%	0.14%	0.15%	0.14%
Reserves/Loans	1.36%	1.30%	1.25%	1.21%	1.21%	0.94%	0.91%	0.93%	0.93%	0.93%	0.94%	0.95%	0.96%	0.96%	0.96%	1.03%
NIM	3.15%	3.11%	3.18%	3.29%	3.18%	3.40%	3.38%	3.48%	3.36%	3.41%	3.38%	3.40%	3.42%	3.44%	3.41%	3.50%
G&A/Avg. Assets	3.17%	3.37%	3.12%	3.26%	3.23%	3.06%	3.21%	3.08%	2.95%	3.07%	2.96%	3.01%	3.02%	3.03%	3.01%	3.03%
Efficiency Ratio	76%	74%	75%	77%	75%	76%	73%	72%	71%	73%	73%	72%	70%	71%	71%	69%
Effective tax rate	26.1%	27.7%	26.6%	-6.6%	21.8%	27.9%	27.7%	28.9%	27.0%	27.9%	29.0%	29.0%	29.0%	29.0%	29.0%	30.0%
ROA (operating)	0.65%	0.83%	0.68%	0.63%	0.70%	0.63%	0.68%	0.80%	0.81%	0.73%	0.72%	0.78%	0.84%	0.82%	0.79%	0.86%
ROE (operating)	7.3%	8.8%	8.2%	7.5%	8.0%	7.2%	7.0%	8.7%	9.0%	8.0%	7.8%	8.3%	8.8%	8.5%	8.4%	8.7%
ROTCE (operating)	7.3%	8.9%	8.3%	7.6%	8.1%	7.6%	7.6%	9.5%	9.8%	8.7%	8.4%	9.0%	9.5%	9.1%	9.0%	9.3%
Dividends per share	$0.05	$0.05	$0.06	$0.06	$0.22	$0.06	$0.06	$0.06	$0.06	$0.24	$0.07	$0.07	$0.07	$0.07	$0.28	$0.28
Core PTPP earnings	**1,654**	**1,884**	**1,795**	**1,652**	**6,985**	**1,883**	**2,206**	**2,454**	**2,676**	**9,219**	**2,352**	**2,528**	**2,723**	**2,671**	**10,275**	**11,465**
PTPP ROA	*1.09%*	*1.29%*	*1.14%*	*1.04%*	*1.14%*	*1.03%*	*1.23%*	*1.26%*	*1.30%*	*1.21%*	*1.16%*	*1.25%*	*1.34%*	*1.31%*	*1.27%*	*1.39%*

Source: Company reports and Raymond James research

First Community Corporation

Balance Sheet *($ in thousands)*	**1Q13 31-Mar**	**2Q13 30-Jun**	**3Q13 30-Sep**	**4Q13 31-Dec**	**1Q14 31-Mar**	**2Q14 30-Jun**	**3Q14 30-Sep**	**4Q14 31-Dec**	**1Q15E 31-Mar**	**2Q15E 30-Jun**	**3Q15E 30-Sep**	**4Q15E 31-Dec**	**4Q16E 31-Dec**
Stated Equity	**54,770**	**52,828**	**52,862**	**52,671**	**68,765**	**70,992**	**72,563**	**74,528**	**75,518**	**76,633**	**77,868**	**79,067**	**84,309**
Preferred	0	0	0	0	0	0	0	0	0	0	0	0	0
Intangibles	680	635	603	571	6,218	5,467	6,308	5,554	5,443	5,332	5,221	5,110	4,666
Tangible Common Equity	**54,090**	**52,193**	**52,259**	**52,100**	**62,547**	**65,525**	**66,255**	**68,974**	**70,075**	**71,301**	**72,647**	**73,957**	**79,643**
Book Value	$10.35	$9.98	$9.98	$9.93	$10.34	$10.67	$10.89	$11.18	$11.32	$11.49	$11.66	$11.84	$12.59
Tangible BV	**$10.22**	**$9.86**	**$9.87**	**$9.83**	**$9.40**	**$9.84**	**$9.95**	**$10.35**	**$10.51**	**$10.69**	**$10.88**	**$11.07**	**$11.89**
Shares Outstanding	5,290	5,293	5,296	5,303	6,652	6,656	6,660	6,664	6,668	6,672	6,676	6,680	6,696
Equity/Assets	8.8%	8.3%	8.3%	8.3%	8.6%	9.0%	8.7%	9.2%	9.3%	9.4%	9.6%	9.7%	10.0%
TCE ratio	**8.7%**	**8.3%**	**8.2%**	**8.2%**	**7.9%**	**8.4%**	**8.0%**	**8.5%**	**8.7%**	**8.8%**	**9.0%**	**9.1%**	**9.5%**
Leverage Ratio	10.78%	10.61%	10.64%	10.77%	10.67%	10.10%	10.33%	10.02%					
Tier 1 Capital Ratio	17.59%	17.51%	17.29%	17.60%	15.67%	15.79%	15.78%	16.09%					
Total Capital Ratio	18.82%	18.68%	18.40%	18.68%	16.51%	16.61%	16.61%	16.91%					
Total Assets	**625,855**	**633,185**	**635,927**	**633,309**	**797,873**	**786,687**	**830,917**	**812,363**	**808,301**	**812,343**	**812,343**	**816,404**	**841,122**
Other short-term investments	23,758	14,560	9,958	5,927	24,055	14,741	43,654	10,052					
Investment securities	220,604	225,915	230,712	227,030	255,484	250,775	263,924	282,814					
Loans held for sale	4,238	5,789	2,529	3,790	3,837	2,990	3,404	4,124					
Loans	**333,720**	**341,089**	**345,064**	**347,597**	**443,868**	**444,670**	**448,556**	**443,844**	**441,625**	**443,833**	**446,052**	**450,513**	**459,579**
Allowance for loan losses	(4,534)	(4,439)	(4,323)	(4,219)	(4,161)	(4,066)	(4,156)	(4,132)	(4,166)	(4,200)	(4,269)	(4,337)	(4,725)
Other assets	48,069	50,271	51,987	53,184	74,790	77,577	75,535	75,661					
Total Liabilities	**571,085**	**580,357**	**583,065**	**580,638**	**729,108**	**715,695**	**758,354**	**737,835**					
Total deposits	497,024	509,619	508,592	497,071	654,438	640,057	686,971	669,583	696,366	692,884	696,349	678,940	688,428
Securities sold under repo	17,216	15,650	17,076	18,634	19,492	16,374	17,650	17,383					
FHLB advances	36,339	34,335	34,330	43,325	34,321	37,916	32,312	28,807					
Junior sub debt	15,464	15,464	15,464	15,464	15,464	15,464	15,464	15,464					
Other liabilities	5,042	5,289	7,603	6,144	5,393	5,884	5,957	6,598					

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Strong Buy (SB1) Expected to appreciate, produce a total return of at least 15%, and outperform the S&P 500 over the next six to 12 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, a total return of at least 15% is expected to be realized over the next 12 months.
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Underperform (MU4) Expected to underperform the S&P 500 or its sector over the next six to 12 months and should be sold.

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Outperform (MO2) Expected to appreciate and produce a total return of between 15.0% and 25.0% over the next twelve months.
Market Perform (MP3) Expected to perform in line with the underlying country index.
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	Coverage Universe Rating Distribution*				Investment Banking Distribution			
	RJA	RJL	RJ LatAm	RJEE	RJA	RJL	RJ LatAm	RJEE
Strong Buy and Outperform (Buy)	55%	64%	50%	47%	25%	37%	0%	0%
Market Perform (Hold)	40%	34%	50%	38%	9%	20%	0%	0%
Underperform (Sell)	6%	2%	0%	15%	4%	0%	0%	0%

* Columns may not add to 100% due to rounding.

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Company Name	Disclosure
First Community Corporation	Raymond James & Associates makes a market in shares of FCCO. Raymond James & Associates received non-investment banking securities-related compensation from FCCO within the past 12 months.

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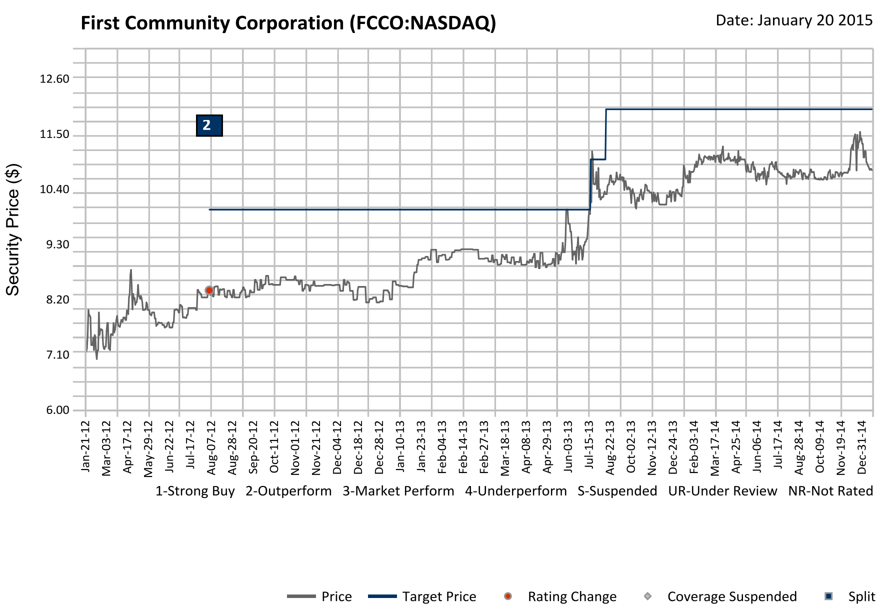
Target Prices: The information below indicates our target price and rating changes for FCCO stock over the past three years.



Rating & Target changes

Date	Curr.	Price	Target	Rating
Aug-15-13	$	10.31	12.00	2
Jul-17-13	$	10.21	11.00	2
Aug-06-12	$	8.39	10.00	2

Valuation Methodology: For First Community Corporation, our valuation methodology utilizes a 12-month estimate of intrinsic value and also takes into consideration the company's price/tangible book value and P/E ratio in comparison to its return on tangible equity and its peer group.

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Banking Industry Risk Factors

Risks include various geopolitical and macroeconomic variables, including credit quality deterioration, sudden changes in interest rates, M&A risk related to deal announcements, integration risk, and regulatory and mortgage-related concerns. Furthermore, competition for loans and deposits could exert downward pressure on revenue growth.

Company-Specific Risks for First Community Corporation

Interest Rate Risk
As a commercial bank, First Community's revenue stream is sensitive to changes in interest rates, and earnings estimates could vary based on changes in the slope of the yield curve.

Credit Risk
First Community originates residential, commercial, and consumer loans, which may enter default, especially during times of economic stress. Depending on the health of the economy and the creditworthiness of its borrowers, loans could default more rapidly than anticipated, which could translate into higher losses at the bank.

Macroeconomic Risk
If unemployment levels rise or if the housing market weakens further, credit losses could accelerate more rapidly than anticipated, causing downside to our earnings expectations. Conversely, if unemployment levels decline and the housing market strengthens meaningfully, or if losses in weak markets are less than expected, there could be upside to our estimates.

Competition
Substantial competition exists in all of First Community's primary markets, from domestic banks and thrifts, foreign banks, and specialty finance companies. The level and aggressiveness of competition could lead to adverse pressures on both asset yields and funding costs, which could negatively impact First Community's margins and pressure its profitability.

Regulatory Reform
With the myriad regulatory and legislative changes facing the industry, these amendments will pressure fee income across the industry. First Community's asset size excludes it from the new debit interchange provision in the Durbin amendment under the Dobb-Frank Act; however, competitive industry pressures will likely force the company to charge similar fees in order to compete, which will ultimately impact profitability.

Acquisition Risk
In August 2013, the company announced the acquisition of Savannah River Financial Corporation. While credit risk is limited from this acquisition, in our view, given credit quality metrics of the acquired loan portfolio, integration risk exists. The Savannah River acquisition poses execution risk, and the ability of management to achieve revenue and expense goals is not a given.

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