First Community Corporation

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Company Comment

(FCCO-NASDAQ)
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Banking

Reiterate Outperform - Results Miss but Loan Growth Impresses

Recommendation: We are reiterating our **Outperform** rating and $13 target price on First Community following 2Q15 results that fell short of expectations on higher provision and operating expense. That said, expense included some front loading of marketing expense and higher variable comp related to strength in the mortgage banking segment. Loan growth was a bright spot for the second consecutive quarter, as balances jumped 4.3% sequentially, well above our 0.5% estimate and a strong acceleration from the 2.4% growth reported in 1Q15. We believe this offers strong evidence that management's focus in 2H14 on spurring lending activity is beginning to pay dividends. Furthermore, mortgage banking and wealth management both beat our expectations and suggest to us that core trends are intact at the organization, giving us comfort in our expectations for 2016 despite the expense-driven miss. With a management team that remains committed to driving shareholder value and a solid deposit franchise that should support longer-term value, we believe current valuation makes an investment in the stock attractive, driving our Outperform rating.

- **2Q15 results miss.** First Community reported GAAP EPS of $0.22. Excluding $168,000 in net gains and a roughly $100,000 write-down related to the potential sale of branch property, we estimate operating EPS of $0.21, below both the $0.22 consensus and our $0.23 estimate.
- **Loan growth in focus.** After growing 2.4% in the seasonally weaker 1Q, loan balances surged 4.3% sequentially in 2Q15, well above our 0.5% estimate. With two strong quarters so far in 2015, we believe it is safe to say management's efforts in 2H14 to drive loan growth are paying off after a somewhat slow start. We believe the pipeline remains strong and have increased our 2015 and 2016 loan growth expectations to 16% and 10%, respectively, from 6% for both periods. We believe continued loan growth could limit margin contraction, though we currently forecast net interest margin to gradually contract to 3.30% in 4Q15 before stabilizing and gradually expanding to 3.34% in 4Q16 in what we expect will be a rising rate environment.
- **Mortgage bank rebounds nicely.** Mortgage revenue jumped 33% sequentially in 2Q15, following a 13% decline in 1Q15. An increase in production to about $30 million from roughly $24 million in 1Q15 was the primary driver of growth. We believe the pipeline remains relatively consistent and currently anticipate flat revenue in 3Q15.
- **Estimates:** We are reducing our 2015E operating EPS estimate to $0.90 from $0.92 and maintaining our 2016E EPS estimate of $1.05.

Valuation: Our $13 target price is based on 1.2x our 2Q16 tangible book value (TBV) estimate of $11.17, 14.4x our 2015E EPS, and 12.4x our 2016E EPS, a slight discount to micro-cap peer medians of 1.3x, 15.4x, and 13.4x, respectively. We believe a slight discount is warranted until the company can better demonstrate its ability to execute capital deployment plans.

Non-GAAP EPS	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	Full Year	GAAP EPS Full Year	Revenues (mil.)
2014A	$0.18	$0.18	$0.23	$0.25	$0.85	$0.78	$32
Old2015E	0.21A	0.23	0.25	0.24	0.92	0.92	34
New2015E	**0.21A**	**0.21A**	**0.25**	**0.24**	**0.90**	**0.91**	**35**
Old2016E	0.23	0.25	0.28	0.29	1.05	1.05	36
New2016E	**0.24**	**0.25**	**0.28**	**0.28**	**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 (Jul-22-15 close)	$12.24
Target Price:	$13.00
52-Week Range	$12.97 - $10.24
Suitability	Aggressive Growth

Market Data

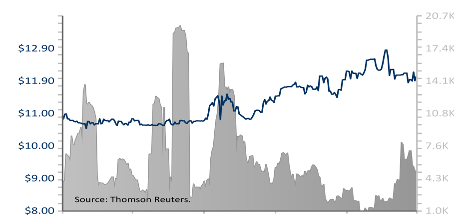
Shares Out. (mil.)	6.7
Market Cap. (mil.)	$82
Avg. Daily Vol. (10 day)	1,024
Dividend/Yield	$0.28/2.3%
Book Value (Jun-15)	$11.44
Tang. BVPS (Jun-15)	$10.44

Earnings & Valuation Metrics

	2014A	2015E	2016E
P/E Ratios (Non-GAAP)	14.4x	13.6x	11.7x

Company Description

First Community Corporation, headquartered in Lexington, South Carolina, is an $836 million asset bank holding company that operates 15 branches, primarily in the midlands region of the state, with a small presence in eastern Georgia.



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

Guidance Tracker – First Community Corporation (FCCO)

Source	Category	Target Period	Trending	Guidance
2015Q2 Earnings	Asset Quality	2015H2	▬	Net charge-offs (NCOs) should drop significantly, driving a reduction in provision expense levels.
2015Q1 Earnings	Loan	2015Y	▲	Management is targeting mid-single digit loan growth in 2015.
2015Q2 Earnings	Noninterest Expense	2015H2	▬	Marketing expense should normalize around $200,000.
2015Q2 Earnings	Noninterest Income	2015Y	▬	Management is targeting mortgage banking production above $100 million in 2015.
2015Q2 Earnings	Tax Rate	Long-term	▬	The company anticipates the tax rate will be approximately 28%.

Source: Raymond James research; company reports

Raymond James Revised Earnings Estimates

As displayed in the following table, we are reducing our 2015 EPS estimates to $0.90 from $0.92 and maintaining our 2016 EPS estimates of $1.05.

Earnings Estimates

($ in thousands)	2015E			2016E		
	Old	Current	Change	Old	Current	Change
Operating EPS	**$0.92**	**$0.90**	**($0.02)**	**$1.05**	**$1.05**	**$0.00**
GAAP EPS	**$0.92**	**$0.91**	**($0.01)**	**$1.05**	**$1.05**	**$0.00**
Core PTPP* Earnings	9,993	10,125	1%	11,187	11,219	0%
Avg. Earning Assets	764,733	770,139	1%	809,566	817,129	1%
NIM	3.43%	3.39%	-4 bps	3.38%	3.32%	-6 bps
Net Interest Income	25,512	25,405	0%	26,661	26,401	-1%
Provision	1,006	1,272	26%	975	1,000	3%
Operating Fee Income	8,441	9,137	8%	9,052	9,868	9%
Operating Expense	24,414	24,925	2%	24,826	25,349	2%
Operating Efficiency	72%	72%	25 bps	70%	70%	38 bps
Tax Rate	27.7%	27.6%	-13 bps	29.0%	29.0%	0 bps
Diluted shares	6,671	6,692	0%	6,687	6,716	0%
Dividends per share	$0.28	$0.28	$0.00	$0.28	$0.28	$0.00
Loan Growth	6.0%	15.5%	954 bps	6.1%	9.8%	369 bps
Reserves/Loans	0.95%	0.86%	-9 bps	0.97%	0.85%	-12 bps
NPAs/Loans	1.71%	1.45%	-26 bps	1.44%	1.19%	-26 bps
NCOs/Avg. Loans	0.15%	0.22%	7 bps	0.13%	0.11%	-2 bps

*PTPP = pre-tax, pre-provision

We are reducing our 2015 operating EPS estimate to $0.90 from $0.92 and maintaining our 2016 EPS estimates of $1.05. For 2015, higher fee income is more than offset by higher provision and operating expense expectations. For 2016, higher fee income fully offsets lower spread revenue and a higher expense base.

Source: Company reports and Raymond James research.

Comparison of Actual Results to Raymond James and Consensus Estimates

As depicted in the following table, First Community reported 2Q15 operating EPS of $0.21, below both our $0.23 estimate and the $0.22 consensus. Relative to our model, the miss was primarily driven by higher provision and operating expense. Notably, from a loan growth perspective, the company reported a 4.3% linked-quarter increase in loan balances, which exceeded both our 0.5% estimate and the 1.2% consensus.

Actual vs. Raymond James and Consensus

	Actual	Raymond James	dif (+/-)	Consensus	dif (+/-)	Consensus High	Consensus Low	Consensus # of Estimates
PER SHARE DATA								
Operating EPS	$0.21	$0.23	-$0.02	$0.22	-$0.01	$0.23	$0.20	3
Book value per share	11.44	11.60	-0.16	11.61	-0.17	11.62	11.60	2
Tangible book value	10.44	10.60	-0.16	10.66	-0.22	10.71	10.60	2
Dividends per share	0.07	0.07	0.00	0.07	0.01	0.07	0.06	2
Avg. fully diluted shares (mil.)	6.7	6.7	0.0	6.7	0.0	6.7	6.7	2
INCOME STATEMENT								
Net interest income	6.2	6.2	0.0	6.2	0.0	6.2	6.1	2
Loan loss provision	0.4	0.2	0.2	0.2	0.2	0.3	0.2	2
Fee income	2.4	2.1	0.3	2.2	0.2	2.2	2.1	2
Revenue	8.6	8.3	0.3	8.3	0.3	8.3	8.3	1
Non-interest expense	6.3	6.1	0.2	6.0	0.2	6.1	6.0	2
Pre-tax income	2.0	2.1	-0.1	2.1	-0.1	2.1	2.1	2
Taxes	0.5	0.6	0.0	0.6	0.0	0.6	0.6	2
Net income	1.4	1.5	-0.1	1.5	-0.1	1.5	1.5	2
BALANCE SHEET								
Loans	474	457	17	460	14	463	457	2
Loan growth	4.3%	0.5%	384 bp	1.2%	313 bp	1.9%	0.5%	2
Average Deposits	684	691	-7	694	-10	696	691	2
FINANCIAL RATIOS								
Net interest margin (NIM)	3.34%	3.38%	-4 bp	3.35%	-1 bp	3.38%	3.32%	2
Efficiency ratio	73.1%	72.9%	25 bp	71.1%	201 bp	73.0%	69.2%	2
Net charge-offs / Avg. loans	0.31%	0.10%	21 bp	0.10%	21 bp	0.10%	0.10%	1
ROA	0.67%	0.71%	-4 bp	0.72%	-5 bp	0.73%	0.71%	2
ROE	7.2%	7.8%	-55 bp	7.8%	-53 bp	7.8%	7.8%	2

Source: SNL Financial, Thomson Financial, company documents, and Raymond James research.

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	$8,022	82%	26%	86%	4.67%	5.47%	4.82%	0.12%	0.17%	25%	63%	0.12%	1.03%	0.66%	64%	8.4%	9.5%	13.2%
Carolina Financial Corporation	CARO	$1,326	61%	18%	84%	3.80%	4.80%	4.06%	0.40%	NA	40%	67%	-0.29%	0.94%	1.11%	118%	7.3%	8.9%	12.3%
Palmetto Bancshares, Inc.	PLMT	$1,173	83%	22%	86%	3.67%	4.45%	3.74%	0.04%	0.05%	26%	66%	0.20%	3.62%	1.55%	43%	11.6%	11.9%	14.4%
Southern First Bancshares, Inc.	SFST	$1,073	66%	18%	107%	3.67%	4.67%	4.36%	0.38%	0.72%	17%	61%	0.06%	1.91%	1.32%	69%	8.0%	9.3%	11.0%
CNB Corporation	CNBW	$994	63%	21%	54%	3.04%	5.49%	3.18%	0.21%	NA	19%	71%	0.09%	3.65%	2.02%	55%	10.0%	9.9%	18.2%
Security Federal Corporation	SFDL	$823	62%	NA	50%	3.09%	5.38%	NA	0.36%	NA	14%	86%	0.64%	NA	2.33%	NA	8.0%	NA	NA
Coastal Banking Company, Inc.	CBCO	$513	52%	12%	83%	3.84%	5.39%	4.43%	0.52%	NA	79%	88%	-0.10%	6.41%	1.54%	24%	5.7%	10.6%	18.7%
Southcoast Financial Corporation	SOCB	$506	65%	17%	106%	3.65%	4.76%	4.64%	NA	NA	13%	70%	-0.12%	2.33%	1.30%	56%	10.0%	11.1%	14.8%
Tidelands Bancshares, Inc.	TDBK	$477	39%	7%	75%	2.85%	4.79%	4.02%	0.90%	1.09%	9%	106%	-0.06%	10.18%	1.49%	15%	-1.9%	5.7%	7.5%
First Reliance Bancshares, Inc.	FSRL	$376	76%	23%	88%	4.42%	5.23%	4.65%	0.23%	NA	25%	87%	0.49%	3.43%	1.06%	31%	5.6%	11.6%	14.2%
Bank of South Carolina Corporation	BKSC	$370	NA	NA	NA	NA	5.36%	4.26%	NA	NA	NA	NA	0.01%	NA	NA	NA	10.0%	9.8%	13.4%
Greer Bancshares Incorporated	GRBS	NA	74%	NA	NA	NA	4.56%	3.66%	NA	NA	NA	NA	-0.02%	NA	NA	NA	10.7%	10.3%	15.0%
First Community Corporation	**FCCO**	**$836**	**72%**	**20%**	**65%**	**3.57%**	**5.21%**	**3.93%**	**0.25%**	**0.46%**	**22%**	**68%**	**0.25%**	**2.22%**	**0.92%**	**42%**	**8.4%**	**10.4%**	**16.1%**
	Peer Group Medians:	**$668**	**66%**	**19%**	**83%**	**3.65%**	**5.21%**	**4.14%**	**0.31%**	**0.59%**	**19%**	**71%**	**0.06%**	**3.52%**	**1.49%**	**42%**	**8.4%**	**10.3%**	**14.6%**

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 Valuation and Profitability Metrics

				Valuation Metrics					Profitability Metrics						
	Count	Mkt Cap (M)	Assets (M)	P/TBV	FY15E P/E	FY16E P/E	Deposit Premium	Dividend Yield	ROA (MRQ)	ROE (MRQ)	ROTCE (MRQ)	ROTCE (FY15E)	ROTCE (FY16E)	FY15E EPS Growth	FY16E EPS Growth
Industry Medians	**525**	**$189**	**$1,473**	**1.57x**	**16.0x**	**14.0x**	**5%**	**2.2%**	**0.89%**	**8.0%**	**9.3%**	**10.3%**	**11.0%**	**10%**	**12%**
Large Cap (>$10B)	14	$40,192	$248,621	1.52x	13.5x	12.4x	6%	2.1%	0.98%	8.4%	12.2%	11.4%	11.5%	3%	10%
Mid-Cap ($2B - $10B)	50	$3,389	$20,762	1.93x	17.7x	15.8x	10%	1.9%	0.94%	8.2%	11.3%	11.3%	11.7%	5%	13%
Small-Cap ($500M - $2B)	95	$864	$5,531	1.81x	15.9x	14.5x	9%	2.1%	1.01%	8.8%	11.5%	11.6%	12.0%	11%	10%
Micro-Cap (<$500M)	366	$114	$1,003	1.29x	15.4x	13.4x	3%	2.4%	0.81%	7.6%	8.4%	8.7%	9.6%	12%	14%
Regional Medians															
Mid-Atlantic	121	$148	$1,256	1.29x	15.7x	14.0x	5%	2.8%	0.84%	7.7%	8.8%	10.0%	10.4%	6%	10%
Midwest	132	$169	$1,370	1.24x	15.0x	13.6x	5%	2.2%	0.92%	8.3%	9.9%	10.6%	11.2%	6%	10%
New England	33	$208	$1,665	1.37x	16.8x	14.8x	5%	2.8%	0.72%	7.1%	9.5%	9.9%	10.0%	6%	16%
Southwest	24	$763	$4,862	1.73x	17.3x	14.8x	8%	1.8%	0.98%	8.6%	10.7%	11.0%	11.4%	4%	16%
West	86	$242	$1,725	1.36x	16.5x	14.5x	6%	2.2%	0.93%	8.0%	9.4%	10.8%	11.2%	15%	14%
Southeast	129	$167	$1,364	1.35x	16.1x	13.8x	5%	2.0%	0.84%	7.7%	9.0%	10.0%	10.9%	17%	16%

Priced as of July 21, 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	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15E	4Q15E	2015E	1Q16E	2Q16E	3Q16E	4Q16E	2016E
($ in thousands)	31-Dec	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
Net Interest Income	18,049	5,496	5,947	6,096	6,191	23,730	6,448	6,204	6,335	6,419	25,405	6,360	6,512	6,675	6,853	26,401
Provision for loan losses	528	150	400	152	178	880	406	391	200	275	1,272	175	250	225	350	1,000
Net Interest Income after Provision	**17,521**	**5,346**	**5,547**	**5,944**	**6,013**	**22,850**	**6,042**	**5,813**	**6,135**	**6,144**	**24,133**	**6,185**	**6,262**	**6,450**	**6,503**	**25,401**
Deposit service charges	1,507	366	379	400	372	1,517	347	346	357	339	1,389	356	348	362	344	1,409
Mortgage origination fees	3,767	619	702	1,016	849	3,186	735	980	980	882	3,577	838	964	1,060	954	3,815
Investment advisory fees and commissions	972	257	198	267	546	1,268	296	407	427	440	1,571	453	476	500	515	1,944
Gain on sale of securities	73	8	78	16	80	182	104	167	0	0	271	0	0	0	0	0
Gain (loss) on sale of other assets	(1)	12	(24)	10	(9)	(11)	4	1	0	0	5	0	0	0	0	0
Fair value gain (loss) adjustment	(2)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loss on early extinguishment of debt	(141)	0	(67)	0	(284)	(351)	(103)	0	0	0	(103)	0	0	0	0	0
Other	2,016	613	633	591	585	2,422	598	664	667	671	2,600	671	674	677	677	2,699
Noninterest Income	**8,191**	**1,875**	**1,899**	**2,300**	**2,139**	**8,213**	**1,981**	**2,565**	**2,431**	**2,332**	**9,310**	**2,317**	**2,461**	**2,599**	**2,490**	**9,868**
Non-Operating items	(71)	20	(13)	26	(213)	(180)	5	168	0	0	173	0	0	0	0	0
Operating Noninterest Income	**8,262**	**1,855**	**1,912**	**2,274**	**2,352**	**8,393**	**1,976**	**2,397**	**2,431**	**2,332**	**9,137**	**2,317**	**2,461**	**2,599**	**2,490**	**9,868**
Total Revenue	**26,240**	**7,371**	**7,846**	**8,396**	**8,330**	**31,943**	**8,429**	**8,769**	**8,766**	**8,751**	**34,715**	**8,677**	**8,974**	**9,274**	**9,344**	**36,268**
Total Operating Revenue	**26,311**	**7,351**	**7,859**	**8,370**	**8,543**	**32,123**	**8,424**	**8,601**	**8,766**	**8,751**	**34,542**	**8,677**	**8,974**	**9,274**	**9,344**	**36,268**
Salaries and employee benefits	12,013	3,424	3,272	3,502	3,545	13,743	3,565	3,658	3,695	3,676	14,594	3,658	3,749	3,805	3,786	14,999
Occupancy	1,384	413	465	489	515	1,882	485	500	503	505	1,993	508	510	513	515	2,045
Equipment	1,206	339	375	414	377	1,505	402	394	396	398	1,590	400	402	404	406	1,612
Marketing and public relations	541	161	212	218	147	738	226	328	213	213	980	256	205	174	209	843
FDIC assessment	417	124	131	138	128	521	138	138	151	136	563	144	146	153	138	580
Other real estate expense	529	138	117	105	193	553	154	154	100	100	508	75	75	75	75	300
Amortization of intangibles	160	42	63	64	111	280	103	98	98	98	397	98	98	98	98	392
Other	4,172	1,385	1,150	1,130	1,073	4,738	1,027	1,119	1,125	1,130	4,401	1,136	1,142	1,147	1,153	4,578
Noninterest Expense	**20,422**	**6,026**	**5,785**	**6,060**	**6,089**	**23,960**	**6,100**	**6,389**	**6,280**	**6,256**	**25,025**	**6,273**	**6,326**	**6,369**	**6,380**	**25,349**
Non-Operating items	567	420	15	39	29	503	0	100	0	0	100	0	0	0	0	0
Operating Noninterest Expense	**19,855**	**5,606**	**5,770**	**6,021**	**6,060**	**23,457**	**6,100**	**6,289**	**6,280**	**6,256**	**24,925**	**6,273**	**6,326**	**6,369**	**6,380**	**25,349**
Income Before Tax	**5,290**	**1,195**	**1,661**	**2,184**	**2,063**	**7,103**	**1,923**	**1,989**	**2,286**	**2,220**	**8,418**	**2,229**	**2,397**	**2,680**	**2,614**	**9,919**
Income tax expense	1,153	333	460	632	557	1,982	516	546	640	622	2,324	646	695	777	758	2,877
GAAP Net Income	**4,137**	**862**	**1,201**	**1,552**	**1,506**	**5,121**	**1,407**	**1,443**	**1,646**	**1,598**	**6,094**	**1,582**	**1,702**	**1,903**	**1,856**	**7,043**
Operating Net Income	**4,286**	**1,151**	**1,221**	**1,561**	**1,660**	**5,593**	**1,381**	**1,394**	**1,646**	**1,598**	**6,019**	**1,582**	**1,702**	**1,903**	**1,856**	**7,043**
Diluted shares	5,317	6,229	6,719	6,727	6,734	6,607	6,665	6,698	6,702	6,706	6,692	6,710	6,714	6,718	6,722	6,716
GAAP EPS - diluted	$0.78	$0.14	$0.18	$0.23	$0.22	$0.78	$0.21	$0.22	$0.25	$0.24	$0.91	$0.24	$0.25	$0.28	$0.28	$1.05
Operating EPS - diluted	**$0.81**	**$0.18**	**$0.18**	**$0.23**	**$0.25**	**$0.85**	**$0.21**	**$0.21**	**$0.25**	**$0.24**	**$0.90**	**$0.24**	**$0.25**	**$0.28**	**$0.28**	**$1.05**
Financial Highlights																
TBV/share	$9.83	$9.40	$9.84	$9.95	$10.15	$10.15	$10.44	$10.44	$10.62	$10.80	$10.80	$10.97	$11.17	$11.39	$11.60	$11.60
TCE/Assets	8.2%	7.9%	8.4%	8.0%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.5%	8.5%	8.6%	8.6%	8.6%
Loans/Deposits	70%	68%	69%	65%	66%	66%	65%	69%	72%	76%	76%	74%	77%	78%	83%	83%
Loan Growth	4.7%	27.7%	0.2%	0.9%	-1.1%	27.7%	2.4%	4.3%	4.0%	4.0%	15.5%	0.5%	3.0%	2.5%	3.5%	9.8%
NPAs/Loans	2.50%	2.46%	2.56%	2.17%	2.13%	2.13%	1.92%	1.65%	1.54%	1.45%	1.45%	1.42%	1.34%	1.25%	1.19%	1.19%
NCOs/Avg. Loans	0.27%	0.20%	0.45%	0.05%	0.18%	0.22%	0.25%	0.31%	0.15%	0.15%	0.22%	0.10%	0.10%	0.12%	0.12%	0.11%
Reserves/Loans	1.21%	0.94%	0.91%	0.93%	0.93%	0.93%	0.94%	0.90%	0.87%	0.86%	0.86%	0.86%	0.86%	0.85%	0.85%	0.85%
NIM	3.18%	3.40%	3.38%	3.48%	3.36%	3.40%	3.62%	3.34%	3.32%	3.30%	3.39%	3.30%	3.31%	3.32%	3.34%	3.32%
G&A/Avg. Assets	3.23%	3.06%	2.93%	3.08%	2.95%	3.01%	3.00%	3.02%	2.98%	2.92%	2.98%	2.89%	2.88%	2.86%	2.82%	2.86%
Efficiency Ratio	75%	76%	73%	72%	71%	73%	72%	73%	72%	71%	72%	72%	70%	69%	68%	70%
Effective tax rate	21.8%	27.9%	27.7%	28.9%	27.0%	27.9%	26.8%	27.5%	28.0%	28.0%	27.6%	29.0%	29.0%	29.0%	29.0%	29.0%
ROA (operating)	0.70%	0.63%	0.62%	0.80%	0.81%	0.72%	0.68%	0.67%	0.78%	0.75%	0.72%	0.73%	0.77%	0.85%	0.82%	0.79%
ROE (operating)	8.0%	7.2%	7.0%	8.7%	9.0%	8.0%	7.3%	7.2%	8.6%	8.2%	7.8%	8.0%	8.5%	9.3%	8.9%	8.7%
ROTCE (operating)	8.1%	7.6%	7.6%	9.5%	9.9%	8.7%	8.0%	7.9%	9.4%	8.9%	8.6%	8.7%	9.2%	10.1%	9.6%	9.4%
Dividends per share	$0.22	$0.06	$0.06	$0.06	$0.06	$0.24	$0.07	$0.07	$0.07	$0.07	$0.28	$0.07	$0.07	$0.07	$0.07	$0.28

Source: Company reports and Raymond James research

First Community Corporation

Balance Sheet ($ in thousands)	4Q13 31-Dec	1Q14 31-Mar	2Q14 30-Jun	3Q14 30-Sep	4Q14 31-Dec	1Q15 31-Mar	2Q15 30-Jun	3Q15E 30-Sep	4Q15E 31-Dec	1Q16E 31-Mar	2Q16E 30-Jun	3Q16E 30-Sep	4Q16E 31-Dec
Stated Equity	**52,671**	**68,765**	**70,992**	**72,563**	**74,528**	**76,548**	**76,411**	**77,589**	**78,719**	**79,833**	**81,066**	**82,500**	**83,887**
Intangibles	571	6,218	5,467	6,308	6,884	6,782	6,684	6,586	6,488	6,390	6,292	6,194	6,096
Tangible Common Equity	**52,100**	**62,547**	**65,525**	**66,255**	**67,644**	**69,766**	**69,727**	**71,003**	**72,231**	**73,443**	**74,774**	**76,306**	**77,791**
Book Value	$9.93	$10.34	$10.67	$10.89	$11.18	$11.45	$11.44	$11.61	$11.77	$11.93	$12.11	$12.31	$12.51
Tangible BV	**$9.83**	**$9.40**	**$9.84**	**$9.95**	**$10.15**	**$10.44**	**$10.44**	**$10.62**	**$10.80**	**$10.97**	**$11.17**	**$11.39**	**$11.60**
Shares Outstanding	5,303	6,652	6,656	6,660	6,664	6,684	6,680	6,684	6,688	6,692	6,696	6,700	6,704
Equity/Assets	8.3%	8.6%	9.0%	8.7%	9.2%	9.2%	9.1%	9.1%	9.1%	9.2%	9.1%	9.2%	9.2%
TCE ratio	**8.2%**	**7.9%**	**8.4%**	**8.0%**	**8.4%**	**8.4%**	**8.4%**	**8.4%**	**8.4%**	**8.5%**	**8.5%**	**8.6%**	**8.6%**
Leverage Ratio	10.77%	10.67%	10.10%	10.33%	10.02%	10.26%	10.41%						
Tier 1 Capital Ratio	17.60%	15.67%	15.79%	15.78%	16.09%	15.95%	15.67%						
Total Capital Ratio	18.68%	16.51%	16.61%	16.61%	16.91%	16.77%	16.56%						
Total Assets	**633,309**	**797,873**	**786,687**	**830,917**	**812,363**	**835,819**	**836,406**	**848,952**	**865,931**	**870,261**	**887,666**	**896,543**	**914,474**
Other short-term investments	5,927	24,055	14,741	43,654	10,052	32,674	16,265						
Investment securities	227,030	255,484	250,775	263,924	282,814	274,094	271,203						
Loans held for sale	3,790	3,837	2,990	3,404	4,124	5,446	6,662						
Loans	**347,597**	**443,868**	**444,670**	**448,556**	**443,844**	**454,301**	**474,016**	**492,977**	**512,696**	**515,259**	**530,717**	**543,985**	**563,024**
Allowance for loan losses	(4,219)	(4,161)	(4,066)	(4,156)	(4,132)	(4,252)	(4,281)	(4,300)	(4,386)	(4,433)	(4,552)	(4,616)	(4,800)
Other assets	53,184	74,790	77,577	75,535	75,661	73,556	72,541						
Total Liabilities	**580,638**	**729,108**	**715,695**	**758,354**	**737,835**	**759,271**	**759,995**						
Total deposits	497,071	654,438	640,057	686,971	669,583	694,573	684,032	687,452	670,266	697,076	693,591	697,059	679,633
Securities sold under repo	18,634	19,492	16,374	17,650	17,383	16,684	19,460						
FHLB advances	43,325	34,321	37,916	32,312	28,807	27,552	35,548						
Junior sub debt	15,464	15,464	15,464	15,464	15,464	15,464	15,464						
Other liabilities	6,144	5,393	5,884	5,957	6,598	4,998	5,491						

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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	RJ Europe	RJA	RJL	RJ LatAm	RJ Europe
Strong Buy and Outperform (Buy)	56%	66%	64%	42%	22%	45%	0%	0%
Market Perform (Hold)	40%	32%	36%	36%	9%	23%	0%	0%
Underperform (Sell)	5%	2%	0%	22%	2%	0%	0%	0%

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

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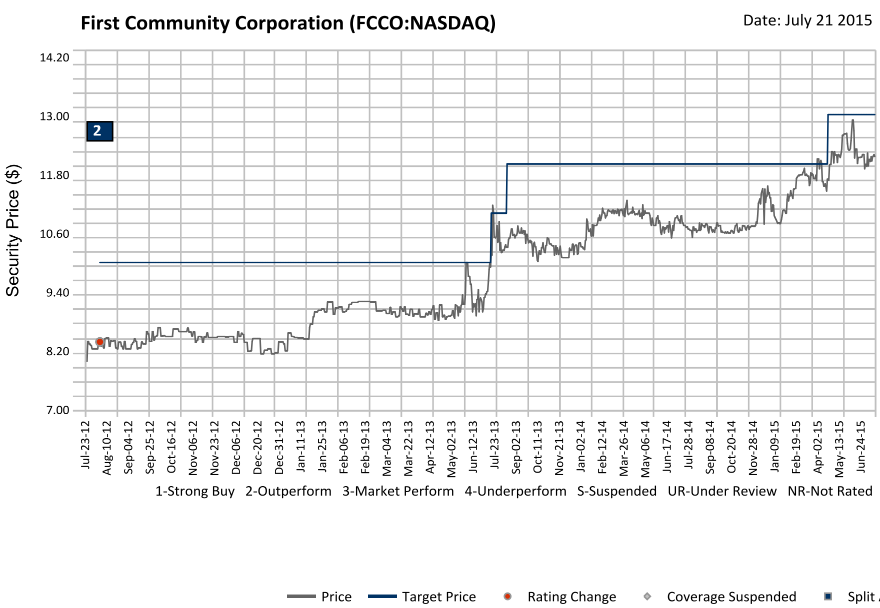

Rating & Target changes

Date	Curr.	Price	Target	Rating
Apr-22-15	$	11.69	13.00	2
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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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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