

First Community Corporation

November 7, 2012

(FCCO:NASDAQ)

William J. Wallace IV, (703) 749-1485, William.Wallace@RaymondJames.com

Charles Wohlhuter, Res. Assoc., (404) 442-5832, Charles.Wohlhuter@RaymondJames.com

Company Comment

Rating Outperform 2

Banking

Reiterate Outperform – Cost Saves on Track, TARP Repaid, Growth in Focus

Recommendation: We reiterate our **Outperform** rating and \$10 price target on First Community after better than expected 3Q12 results on strong mortgage banking income. Sustainable loan growth remains a challenge and pricing pressures remain steep, but management has positioned the company to counteract some spread revenue pressures through investments in fee income areas, particularly mortgage banking and wealth management. Furthermore, while margin was below expectations on pressures related to excess liquidity from the July capital raise, the company demonstrated good progress on the expense front with \$300,000 of the \$450,000 plan realized during 3Q. Shorter term, the company has exited TARP as expected, and it will use remaining excess liquidity to repay \$2.5 million in 8.75% sub debt in mid-November which will benefit margin in 4Q12. Longer term, with an 8.7% TCE ratio, we believe the bank has the capability to deploy excess capital through acquisitions which we believe could drive profitability ratios well in excess of peers.

- ◆ **3Q12 results beat.** First Community reported GAAP EPS of \$0.19. Excluding \$77,000 of losses on securities and other assets and \$278,000 of TARP-related expenses, we estimate operating EPS of \$0.24, ahead of both our \$0.20 estimate and the \$0.19 consensus.
- ◆ **Strong mortgage banking.** Fee income remains a key strategic focus for management. With the acquisition of a mortgage company in 3Q11, First Community will likely double its mortgage banking revenue in 2013. In 3Q12, refinance activity registered 67% of total volume, a level that will eventually wane in our view. That said, operating fee income constituted 36% of total operating revenue, and we expect the bank will maintain a 30% level at least as meaningful organic loan growth remains elusive.
- ◆ **Asset quality weakens; No threat to outlook.** Nonperforming assets (NPAs) increased 9.9% sequentially to 3.2% of loans, as three large credits moved into nonaccrual status. All three credits have current appraisals at levels above the unpaid principal balance, so we are not overly concerned that losses will increase in the future as a result of these credits. Net charge-offs (NCOs) remain very low at just 0.20% of average loans, and reserves were flat at 1.5% of loans, a level we believe management will maintain over the next several quarters.
- ◆ **Estimates:** We are increasing our 2012 operating EPS estimate to \$0.93 from \$0.85 on higher fee income; however, we are decreasing our 2013 EPS estimates to \$0.75 from \$0.80 on greater margin pressures. We are also introducing our 2014 EPS estimate of \$0.70.

Valuation: Our \$10 price target is based on 0.9x our 3Q13 tangible book value (TBV) estimate of \$10.73, 13.5x our 2013E EPS and 14.5x our 2014E EPS, a discount to micro-cap peers at 1.1x on a TBV basis, but a premium to peers at 12.1x and 12.5x on a P/E basis. With better capital levels and asset quality than peers, we believe a premium on a P/E basis is warranted, as options for EPS growth are stronger than peers, in our view.

Non-GAAP EPS	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	Full Year	GAAP EPS Full Year	Revenues (mil.)
2011A	\$0.10	\$0.20	\$0.26	\$0.30	\$0.86	\$0.81	\$25
Old2012E	0.25A	0.24A	0.20	0.18	0.85	0.76	26
New2012E	0.25A	0.24A	0.24A	0.21	0.93	0.81	26
Old2013E	0.17	0.20	0.21	0.22	0.80	0.80	25
New2013E	0.17	0.19	0.20	0.19	0.75	0.75	24
Old2014E	NA	NA	NA	NA	NA	NA	NA
New2014E	UR	UR	UR	UR	0.70	0.70	23

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

Current and Target Price
 Current Price (11/6/2012) \$8.59
 Target Price: \$10.00
 52-Week Range \$8.85 - \$5.50
 Suitability Aggressive Growth

Market Data
 Shares Out. (mil.) 3.3
 Market Cap. (mil.) \$28
 Avg. Daily Vol. (10 day) 11,807
 Dividend/Yield \$0.16/1.9%
 Book Value (09/12) \$10.25
 Tang. BVPS (09/12) \$10.10

Earnings & Valuation Metrics

	2011A	2012E	2013E	2014E
P/E Ratios (Non-GAAP)	10.0x	9.2x	11.5x	12.3x

Company Description
 First Community Corporation, headquartered in Lexington, South Carolina, is a \$600 million asset bank holding company that operates 11 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.

Raymond James Revised Earnings Estimates

As displayed in the following table, we are increasing our 2012 operating EPS estimate to \$0.93 from \$0.85, while our 2013 EPS estimates decrease to \$0.75 from \$0.80. For 2012, a greater operating fee income estimate, due mainly to higher mortgage banking expectations, is only partially offset by lower margin and earning asset estimates, which drives the smaller net interest income estimate. For 2013, we believe margin pressures are mounting and will drive greater compression than our previous model considered, and coupled with a lower earning asset base, results in lower net interest income expectations.

Earnings Estimates

(\$ in thousands)	2012E			2013E		
	Old	Current	Change	Old	Current	Change
Operating EPS	\$0.85	\$0.93	\$0.07	\$0.80	\$0.75	(\$0.05)
GAAP EPS	\$0.76	\$0.81	\$0.05	\$0.80	\$0.75	(\$0.05)
Core PTPP* Earnings	6,820	7,017	3%	7,195	6,614	-8%
Avg. Earning Assets	555,169	550,158	-1%	569,639	552,529	-3%
NIM	3.27%	3.23%	-4 bps	3.12%	3.04%	-8 bps
Net Interest Income	18,007	17,580	-2%	17,592	16,185	-8%
Provision	651	616	-5%	600	600	0%
Operating Fee Income	7,620	8,242	8%	7,725	7,911	2%
Operating Expense	18,945	18,974	0%	18,673	17,957	-4%
Operating Efficiency	74%	73%	-45 bps	74%	75%	77 bps
Tax Rate	29.9%	30.6%	74 bps	31.0%	30.0%	-100 bps
Diluted shares	4,161	4,142	0%	5,204	5,158	-1%
Dividends per share	\$0.16	\$0.16	\$0.00	\$0.16	\$0.16	\$0.00
Reserves/Loans	1.47%	1.46%	-2 bps	1.50%	1.48%	-2 bps
NPAs/Loans	2.50%	3.08%	58 bps	1.75%	2.40%	66 bps
NCOs/Avg. Loans	0.17%	0.18%	1 bps	0.13%	0.13%	0 bps

*PTPP = pre-tax, pre-provision

We are increasing our 2012 operating EPS to \$0.93 from \$0.85 but reducing our 2013 EPS estimates to \$0.75 from \$0.80. For 2012, a meaningful increase in our operating fee income estimates, driven by strength in mortgage banking, is only partially offset by slightly lower net interest income estimates on greater margin pressure than expected. For 2013, greater margin pressure and less earning asset growth are the primary drivers of our reduced EPS expectations.

Source: Company reports and Raymond James research

NPA Balances Increase, But Credit Picture Remains Intact

After two quarters of declining NPAs, balances increased 9.9% linked quarter to \$10.5 million or 3.2% of loans and real estate owned (REO). Nonaccrual loans (NALs) ticked up \$283,000, or 6.1%, sequentially to \$4.9 million as a result of three larger credits totaling \$1.6 million that moved into nonaccrual status, while three credits totaling \$1.1 million transferred to REO. While the increase in problem assets is not good news, we are not concerned about elevated losses, given that all three nonaccrual credits have current appraisals above their unpaid principal balances. We believe this quarter's credit movement is an example of later cycle lumpiness in credit trends and we would not be surprised if an occasional quarter exhibits an uptick in NPAs or NCOs as the cycle matures. Generally though, we continue to expect that overall trends will improve. Adding to our comfort level is the low level of NCOs (0.20% of average loans) coupled with strong reserves (1.45% of loans) at 3Q12. We believe these metrics exhibit the strength of the credit picture, despite some minor deterioration in the loan portfolio during the quarter. Also, the appraisal values relative to unpaid principal balance is an example of the bank's conservative underwriting standards, which will help limit the risk of outsized losses given larger credit deterioration. As such, our reserve forecasts hover around 1.5% of loans through 2014, while we expect NCOs will ease to 0.10% of average loans.

Natural Margin Pressures Mounting

The net interest margin (NIM) contracted 18 bp sequentially to 3.12%, below our 3.23% estimate. The low interest rate environment continues to pressure earning asset yields across the industry. As evidence, loan and security yields decreased 11 bp and 33 bp, respectively, on a linked quarter basis. That said, we note that excess liquidity on the balance sheet due to the capital raise in the quarter added 6 bp of compression; therefore, we peg the core margin at 3.18%. On the right side of the balance sheet, funding costs eased 7 bp sequentially to 0.96% given continued success in improving the mix of the deposit portfolio that stands at 59% in 3Q12 on an average balance basis. Some additional benefit will come when First Community retires \$2.5 million of 8.75% subordinated debt in mid-November, which should provide a slight boost to NIM in 4Q, and should help offset some pressure to NIM in 1Q13, before NIM contraction reaccelerates. We anticipate there is additional room to trim funding costs at the bank, mainly from reducing higher cost time deposits; however, the benefit will diminish as costs eventually bottom. While we see these as defensive moves to stave off significant NIM compression, additional focus will be placed on loan pricing to limit meaningful margin contraction until the yield curve steepens once again and strong loan demand returns. We currently model NIM compressing to 2.94% by 4Q13 then 2.74% by 4Q14.

Deposit Mix Improving

(\$ in thousands)	% of Total	3Q11	4Q11	1Q12	2Q12	3Q12	2Q12A-3Q12A	3Q11A-3Q12A
Demand deposits	19.7%	82,252	84,247	86,443	90,168	93,098	3.2%	2.4%
Interest-bearing accounts	19.4%	85,519	89,307	84,989	89,647	91,778	2.4%	4.4%
Money market accounts	11.3%	50,220	48,962	50,143	52,309	53,528	2.3%	-2.5%
Savings deposits	8.4%	32,275	33,733	36,445	38,752	39,955	3.1%	4.5%
Time deposits	41.2%	218,948	213,719	208,565	201,079	195,230	-2.9%	-2.4%
Total Average Deposits	100%	469,214	469,968	466,585	471,955	473,589	0.3%	0.2%
Core Deposit Mix		53%	55%	55%	57%	59%		

Source: Company reports and Raymond James research

First Community Peer Group Comparison

Company	Ticker	Balance Sheet Ratios				Income Statement Ratios							Credit				Capital		
		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
First Financial Holdings, Inc.	FFCH	\$3,245	62%	15%	98%	4.36%	5.53%	5.23%	0.56%	0.92%	30%	68%	1.04%	2.77%	1.76%	64%	6.8%	9.8%	13.9%
Palmetto Bancshares, Inc.	PLMT	\$1,140	66%	17%	72%	3.61%	5.34%	4.03%	0.48%	0.47%	28%	75%	0.29%	9.44%	2.46%	26%	8.2%	8.2%	12.3%
CNB Corporation	CNBW	\$934	54%	18%	61%	3.31%	6.02%	3.62%	0.51%	0.48%	18%	68%	1.05%	6.58%	2.69%	41%	9.7%	9.5%	17.0%
Security Federal Corporation	SFDL	\$904	54%	NA	NA	2.83%	5.45%	3.93%	NA	NA	20%	83%	2.45%	NA	NA	NA	6.6%	7.5%	15.6%
Southern First Bancshares, Inc.	SFST	\$780	65%	15%	111%	3.72%	5.26%	4.82%	NA	NA	16%	60%	0.64%	3.36%	1.45%	43%	6.2%	9.8%	12.1%
Tidelands Bancshares, Inc.	TDBK	\$524	36%	4%	83%	2.77%	5.02%	4.19%	1.17%	1.45%	8%	86%	2.26%	17.29%	2.01%	12%	0.0%	2.8%	3.8%
HCSB Financial Corporation	HCFB	\$531	39%	8%	70%	2.95%	5.02%	4.23%	0.83%	1.17%	14%	83%	4.98%	22.44%	5.48%	24%	-3.2%	-0.7%	-1.0%
Community First Bancorporation	CFOK	\$487	40%	14%	49%	2.74%	6.18%	3.58%	0.79%	NA	17%	137%	1.93%	14.28%	1.98%	14%	7.6%	8.1%	15.3%
First Community Corporation	FCCO	\$606	59%	NA	68%	3.14%	5.51%	4.06%	0.62%	0.97%	36%	66%	0.20%	4.42%	1.41%	32%	8.8%	10.6%	17.9%
Peer Group Medians:		\$780	54%	15%	71%	3.14%	5.45%	4.06%	0.62%	0.94%	18%	75%	1.05%	8.01%	1.99%	29%	6.8%	8.2%	13.9%

Peer group consists of banks based in SC with Assets between \$500 million and \$4 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

First Community Corporation**Income Statement**

(\$ in thousands)

	1Q11 31-Mar	2Q11 30-Jun	3Q11 30-Sep	4Q11 31-Dec	2011 31-Dec	1Q12 31-Mar	2Q12 30-Jun	3Q12 30-Sep	4Q12E 31-Dec	2012E 31-Dec	1Q13E 31-Mar	2Q13E 30-Jun	3Q13E 30-Sep	4Q13E 31-Dec	2013E 31-Dec	2014E 31-Dec
Net Interest Income	4,454	4,619	4,628	4,616	18,317	4,509	4,451	4,329	4,291	17,580	4,078	4,075	4,038	3,994	16,185	15,114
Provision for loan losses	360	390	360	310	1,420	230	71	115	200	616	200	150	125	125	600	400
Net Interest Income after Provision	4,094	4,229	4,268	4,306	16,897	4,279	4,380	4,214	4,091	16,964	3,878	3,925	3,913	3,869	15,585	14,714
Deposit service charges	458	478	440	434	1,810	389	375	395	377	1,536	403	387	414	388	1,592	1,640
Mortgage origination fees	191	263	698	821	1,973	723	877	1,393	1,003	3,996	853	861	870	878	3,462	3,602
Investment advisory fees and non-deposit commi	175	138	218	236	767	147	162	183	187	679	190	194	198	202	785	849
Gain on sale of securities	134	7	133	301	575	11	(38)	(35)	0	(62)	0	0	0	0	0	0
Gain (loss) on sale of other assets	(47)	(44)	(18)	(46)	(155)	50	(36)	(22)	0	(8)	0	0	0	0	0	0
Fair value gain (loss) adjustment	4	(129)	(60)	19	(166)	(33)	(4)	(20)	0	(57)	0	0	0	0	0	0
OTTI	(4)	0	(50)	(243)	(297)	(200)	0	0	0	(200)	0	0	0	0	0	0
Loss on early extinguishment of debt	0	0	(74)	(114)	(188)	(121)	0	0	0	(121)	0	0	0	0	0	0
Other	516	505	401	486	1,908	497	519	508	508	2,032	513	523	518	518	2,073	2,114
Noninterest Income	1,427	1,218	1,688	1,894	6,227	1,463	1,855	2,402	2,074	7,794	1,959	1,966	2,000	1,986	7,911	8,205
Non-Operating items	87	(166)	(69)	(83)	(231)	(293)	(78)	(77)	0	(448)	0	0	0	0	0	0
Operating Noninterest Income	1,340	1,384	1,757	1,977	6,458	1,756	1,933	2,479	2,074	8,242	1,959	1,966	2,000	1,986	7,911	8,205
Total Revenue	5,881	5,837	6,316	6,510	24,544	5,972	6,306	6,731	6,365	25,374	6,037	6,040	6,038	5,980	24,096	23,319
Total Operating Revenue	5,794	6,003	6,385	6,593	24,775	6,265	6,384	6,808	6,365	25,822	6,037	6,040	6,038	5,980	24,096	23,319
Salaries and employee benefits	2,313	2,196	2,493	2,518	9,520	2,558	2,747	2,874	2,773	10,952	2,690	2,636	2,636	2,650	10,613	10,731
Occupancy	309	308	336	336	1,289	345	335	352	350	1,382	348	348	348	350	1,396	1,410
Equipment	281	290	287	289	1,147	287	283	307	309	1,186	307	304	310	312	1,232	1,238
Marketing and public relations	171	126	64	91	452	186	108	73	91	458	155	116	99	109	479	504
FDIC assessment	255	250	176	208	889	184	196	117	118	615	119	121	122	121	483	497
Other real estate expense	346	158	134	202	840	119	267	173	150	709	150	125	100	100	475	200
Amortization of intangibles	155	155	156	51	517	51	51	51	51	204	51	51	51	51	204	204
Other	893	944	912	940	3,689	882	921	876	788	3,467	781	773	765	757	3,076	2,954
Noninterest Expense	4,723	4,427	4,558	4,635	18,343	4,612	4,908	4,823	4,631	18,974	4,601	4,475	4,432	4,450	17,957	17,739
Non-Operating items	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Noninterest Expense	4,723	4,427	4,558	4,635	18,343	4,612	4,908	4,823	4,631	18,974	4,601	4,475	4,432	4,450	17,957	17,739
Income Before Tax	798	1,020	1,398	1,565	4,781	1,130	1,327	1,793	1,535	5,785	1,236	1,416	1,481	1,406	5,539	5,180
Income tax expense	228	294	441	494	1,457	331	399	573	468	1,771	371	425	444	422	1,662	1,554
GAAP Net Income	570	726	957	1,071	3,324	799	928	1,220	1,067	4,014	865	991	1,037	984	3,877	3,626
Dividends on preferred stock	167	168	167	168	670	169	168	339	0	676	0	0	0	0	0	0
GAAP Net Income to Common	403	558	790	903	2,654	630	760	881	1,067	3,338	865	991	1,037	984	3,877	3,626
Operating Net Income to Common	331	662	860	986	2,838	827	801	1,139	1,067	3,834	865	991	1,037	984	3,877	3,626
Diluted shares	3,272	3,276	3,304	3,306	3,289	3,329	3,357	4,726	5,155	4,142	5,156	5,157	5,158	5,159	5,158	5,162
GAAP EPS - diluted	\$0.12	\$0.17	\$0.24	\$0.27	\$0.81	\$0.19	\$0.23	\$0.19	\$0.21	\$0.81	\$0.17	\$0.19	\$0.20	\$0.19	\$0.75	\$0.70
Operating EPS - diluted	\$0.10	\$0.20	\$0.26	\$0.30	\$0.86	\$0.25	\$0.24	\$0.24	\$0.21	\$0.93	\$0.17	\$0.19	\$0.20	\$0.19	\$0.75	\$0.70
Financial Highlights																
TBV/share	\$9.39	\$9.85	\$10.53	\$10.83	\$10.83	\$11.25	\$11.14	\$10.10	\$10.27	\$10.27	\$10.40	\$10.56	\$10.73	\$10.88	\$10.88	\$11.44
TCE/Assets	5.1%	5.3%	5.7%	6.0%	6.0%	6.2%	6.2%	8.7%	8.8%	8.8%	9.1%	9.1%	9.2%	9.3%	9.3%	9.7%
NPAs/Loans	3.78%	3.67%	3.51%	3.85%	3.85%	3.21%	2.90%	3.19%	3.08%	3.08%	2.91%	2.81%	2.63%	2.40%	2.40%	1.66%
NCOs/Avg. Loans	0.74%	0.40%	0.45%	0.39%	0.49%	0.22%	0.09%	0.20%	0.20%	0.18%	0.15%	0.15%	0.10%	0.10%	0.13%	0.10%
Reserves/Loans	1.39%	1.45%	1.45%	1.45%	1.45%	1.43%	1.46%	1.45%	1.46%	1.46%	1.45%	1.48%	1.49%	1.48%	1.48%	1.47%
NIM	3.30%	3.37%	3.37%	3.32%	3.34%	3.36%	3.30%	3.12%	3.15%	3.23%	3.12%	3.07%	3.01%	2.94%	3.04%	2.82%
G&A/Avg. Assets	3.14%	2.94%	3.01%	3.07%	3.04%	3.11%	3.28%	3.16%	3.05%	3.15%	3.04%	2.97%	2.92%	2.91%	2.96%	2.90%
Efficiency Ratio	82%	74%	71%	70%	74%	74%	77%	71%	73%	73%	76%	74%	73%	74%	75%	76%
Effective tax rate	28.6%	28.8%	31.5%	31.6%	30.5%	29.3%	30.1%	32.0%	30.5%	30.6%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
ROA (operating)	0.22%	0.44%	0.57%	0.65%	0.47%	0.56%	0.54%	0.75%	0.70%	0.64%	0.57%	0.66%	0.68%	0.64%	0.64%	0.59%
ROE (operating)	3.2%	6.1%	7.6%	8.4%	6.4%	6.9%	6.5%	7.8%	7.9%	7.3%	6.3%	7.2%	7.4%	6.9%	6.9%	6.2%
ROTCE (operating)	4.4%	8.4%	10.3%	11.2%	8.7%	9.2%	8.6%	8.8%	8.0%	8.6%	6.4%	7.2%	7.5%	7.0%	7.0%	6.2%
Dividends per share	\$0.04	\$0.04	\$0.04	\$0.04	\$0.16	\$0.04	\$0.04	\$0.04	\$0.04	\$0.16	\$0.04	\$0.04	\$0.04	\$0.04	\$0.16	\$0.16
Pre-tax, pre-provision earnings	1,504	1,568	1,892	2,077	7,041	1,479	1,665	2,081	1,885	7,110	1,586	1,691	1,706	1,631	6,614	5,780
Non-core benefits (expense)	87	(166)	(69)	(83)	(231)	(293)	(78)	(77)	(135)	(583)	0	0	0	0	0	0
Preferred dividend	167	168	167	168	670	169	168	339	0	676	0	0	0	0	0	0
Core PTPP earnings	1,250	1,566	1,794	1,992	6,602	1,603	1,575	1,819	2,020	7,017	1,586	1,691	1,706	1,631	6,614	5,780
PTPP ROA	0.83%	1.04%	1.18%	1.32%	1.09%	1.08%	1.05%	1.19%	1.33%	1.16%	1.05%	1.12%	1.12%	1.07%	1.09%	0.94%

Source: Company reports and Raymond James research

First Community Corporation**Balance Sheet**

(\$ in thousands)

Stated Equity

Preferred

Intangibles

Tangible Common Equity

Book Value

Tangible BV

Shares Outstanding

Equity/Assets

TCE ratio

Leverage Ratio

Tier 1 Capital Ratio

Total Capital Ratio

Total Assets

Other short-term investments

Investment securities

Loans held for sale

Loans

Allowance for loan losses

Other assets

Total Liabilities

Total deposits

Securities sold under repo

FHLB advances

Junior sub debt

Other liabilities

1Q11 31-Mar	2Q11 30-Jun	3Q11 30-Sep	4Q11 31-Dec
42,515	43,926	46,700	47,896
11,059	11,086	11,111	11,137
726	571	793	936
30,730	32,269	34,796	35,823
\$9.61	\$10.02	\$10.77	\$11.11
\$9.39	\$9.85	\$10.53	\$10.83
3,274	3,277	3,304	3,308
7.0%	7.3%	7.7%	8.1%
5.1%	5.3%	5.7%	6.0%
8.90%	8.98%	9.10%	9.40%
14.15%	14.57%	14.82%	15.33%
15.20%	15.87%	16.07%	17.25%
607,314	605,179	606,884	593,887
20,396	13,467	8,522	5,893
197,822	210,742	214,884	206,669
0	625	5,195	3,725
334,156	325,671	324,233	324,311
(4,655)	(4,716)	(4,708)	(4,699)
59,595	59,390	58,758	57,988
564,799	561,253	560,184	545,991
465,983	470,917	473,160	464,585
14,342	15,551	16,927	13,616
64,840	54,228	48,824	43,862
15,464	15,464	15,464	17,913
4,170	5,093	5,809	6,015

1Q12 31-Mar	2Q12 30-Jun	3Q12 30-Sep	4Q12E 31-Dec
49,307	49,296	54,278	54,386
11,164	11,191	750	0
884	834	783	732
37,259	37,271	52,745	53,654
\$11.52	\$11.39	\$10.25	\$10.41
\$11.25	\$11.14	\$10.10	\$10.27
3,311	3,346	5,224	5,225
8.2%	8.2%	9.0%	8.9%
6.2%	6.2%	8.7%	8.8%
9.77%	9.94%	10.56%	
15.69%	16.64%	17.94%	
17.62%	18.59%	19.88%	
601,501	598,014	606,339	609,371
14,520	18,205	9,894	
202,699	201,381	210,734	
3,863	4,356	8,685	
331,090	324,913	323,534	325,152
(4,745)	(4,742)	(4,695)	(4,733)
54,074	53,901	58,187	
552,194	548,718	552,061	
476,874	474,019	474,465	467,348
13,479	12,817	15,651	
38,857	38,496	38,491	
17,914	17,916	17,917	
5,070	5,470	5,537	

1Q13E 31-Mar	2Q13E 30-Jun	3Q13E 30-Sep	4Q13E 31-Dec	4Q14E 31-Dec
55,042	55,824	56,652	57,426	60,215
0	0	0	0	0
681	630	579	528	324
54,361	55,194	56,073	56,898	59,891
\$10.53	\$10.68	\$10.84	\$10.98	\$11.51
\$10.40	\$10.56	\$10.73	\$10.88	\$11.44
5,226	5,227	5,228	5,229	5,233
9.2%	9.2%	9.3%	9.4%	9.7%
9.1%	9.1%	9.2%	9.3%	9.7%
600,230	606,232	609,264	612,310	618,386
331,655	326,680	328,313	331,596	338,253
(4,810)	(4,836)	(4,879)	(4,922)	(4,987)
481,368	486,182	488,613	481,284	495,635

Company Citations

Company Name	Ticker	Exchange	Currency	Closing Price	RJ Rating	RJ Entity
First Financial Holdings, Inc.	FFCH	NASDAQ	\$	14.00	3	RJ & Associates

Notes: Prices are as of the most recent close on the indicated exchange and may not be in US\$. See Disclosure section for rating definitions. Stocks that do not trade on a U.S. national exchange may not be approved for sale in all U.S. states. NC=not covered.

Important Investor Disclosures

Raymond James & Associates (RJA) is a FINRA member firm and is responsible for the preparation and distribution of research created in the United States. Raymond James & Associates is located at The Raymond James Financial Center, 880 Carillon Parkway, St. Petersburg, FL 33716, (727) 567-1000. Non-U.S. affiliates, which are not FINRA member firms, include the following entities which are responsible for the creation and distribution of research in their respective areas; In Canada, Raymond James Ltd. (RJL), Suite 2100, 925 West Georgia Street, Vancouver, BC V6C 3L2, (604) 659-8200; In Latin America, Raymond James Latin America (RJLatAm), Ruta 8, km 17, 500, 91600 Montevideo, Uruguay, 00598 2 518 2033; In Europe, Raymond James Euro Equities, SAS (RJEE), 40, rue La Boetie, 75008, Paris, France, +33 1 45 61 64 90.

This document is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of or located in any locality, state, country, or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. The securities discussed in this document may not be eligible for sale in some jurisdictions. This research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. **Investors should consider this report as only a single factor in making their investment decision.**

For clients in the United States: Investing in securities of issuers organized outside of the U.S., including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of, the U.S. Securities and Exchange Commission. There may be limited information available on such securities. Investors who have received this report may be prohibited in certain states or other jurisdictions from purchasing the securities mentioned in this report. Please ask your Financial Advisor for additional details.

The information provided is as of the date above and subject to change, and it should not be deemed a recommendation to buy or sell any security. Certain information has been obtained from third-party sources we consider reliable, but we do not guarantee that such information is accurate or complete. Persons within the Raymond James family of companies may have information that is not available to the contributors of the information contained in this publication. Raymond James, including affiliates and employees, may execute transactions in the securities listed in this publication that may not be consistent with the ratings appearing in this publication.

Additional information is available on request.

Analyst Information

Registration of Non-U.S. Analysts: The analysts listed on the front of this report who are not employees of Raymond James & Associates, Inc., are not registered/qualified as research analysts under FINRA rules, are not associated persons of Raymond James & Associates, Inc., and are not subject to NASD Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public companies, and trading securities held by a research analyst account.

Analyst Holdings and Compensation: Equity analysts and their staffs at Raymond James are compensated based on a salary and bonus system. Several factors enter into the bonus determination including quality and performance of research product, the analyst's success in rating stocks versus an industry index, and support effectiveness to trading and the retail and institutional sales forces. Other factors may include but are not limited to: overall ratings from internal (other than investment banking) or external parties and the general productivity and revenue generated in covered stocks.

The views expressed in this report accurately reflect the personal views of the analyst(s) covering the subject securities. No part of said person's compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report. In addition, said analyst has not received compensation from any subject company in the last 12 months.

Ratings and Definitions

Raymond James & Associates (U.S.) definitions

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.

Outperform (MO2) Expected to appreciate and outperform the S&P 500 over the next 12-18 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, an Outperform rating is used for securities where we are comfortable with the relative safety of the dividend and expect a total return modestly exceeding the dividend yield over the next 12-18 months.

Market Perform (MP3) Expected to perform generally in line with the S&P 500 over the next 12 months.

Underperform (MU4) Expected to underperform the S&P 500 or its sector over the next six to 12 months and should be sold.

Suspended (S) The rating and price target have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be

providing investment banking services to the company. The previous rating and price target are no longer in effect for this security and should not be relied upon.

Raymond James Ltd. (Canada) definitions

Strong Buy (SB1) The stock is expected to appreciate and produce a total return of at least 15% and outperform the S&P/TSX Composite Index over the next six months.

Outperform (MO2) The stock is expected to appreciate and outperform the S&P/TSX Composite Index over the next twelve months.

Market Perform (MP3) The stock is expected to perform generally in line with the S&P/TSX Composite Index over the next twelve months and is potentially a source of funds for more highly rated securities.

Underperform (MU4) The stock is expected to underperform the S&P/TSX Composite Index or its sector over the next six to twelve months and should be sold.

Raymond James Latin American rating definitions

Strong Buy (SB1) Expected to appreciate and produce a total return of at least 25.0% over the next twelve months.

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.

Underperform (MU4) Expected to underperform the underlying country index.

Suspended (S) The rating and price target have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and price target are no longer in effect for this security and should not be relied upon.

Raymond James Euro Equities, SAS rating definitions

Strong Buy (1) Expected to appreciate, produce a total return of at least 15%, and outperform the Stoxx 600 over the next 6 to 12 months.

Outperform (2) Expected to appreciate and outperform the Stoxx 600 over the next 12 months.

Market Perform (3) Expected to perform generally in line with the Stoxx 600 over the next 12 months.

Underperform (4) Expected to underperform the Stoxx 600 or its sector over the next 6 to 12 months.

Suspended (S) The rating and target price have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and target price are no longer in effect for this security and should not be relied upon.

In transacting in any security, investors should be aware that other securities in the Raymond James research coverage universe might carry a higher or lower rating. Investors should feel free to contact their Financial Advisor to discuss the merits of other available investments.

Rating Distributions

	Coverage Universe Rating Distribution				Investment Banking Distribution			
	RJA	RJL	RJ LatAm	RJEE	RJA	RJL	RJ LatAm	RJEE
Strong Buy and Outperform (Buy)	51%	66%	27%	53%	20%	34%	0%	0%
Market Perform (Hold)	41%	32%	61%	36%	8%	17%	2%	0%
Underperform (Sell)	7%	2%	12%	11%	0%	75%	0%	0%

Suitability Categories (SR)

For stocks rated by Raymond James & Associates only, the following Suitability Categories provide an assessment of potential risk factors for investors. Suitability ratings are not assigned to stocks rated Underperform (Sell). Projected 12-month price targets are assigned only to stocks rated Strong Buy or Outperform.

Total Return (TR) Lower risk equities possessing dividend yields above that of the S&P 500 and greater stability of principal.

Growth (G) Low to average risk equities with sound financials, more consistent earnings growth, at least a small dividend, and the potential for long-term price appreciation.

Aggressive Growth (AG) Medium or higher risk equities of companies in fast growing and competitive industries, with less predictable earnings and acceptable, but possibly more leveraged balance sheets.

High Risk (HR) Companies with less predictable earnings (or losses), rapidly changing market dynamics, financial and competitive issues, higher price volatility (beta), and risk of principal.

Venture Risk (VR) Companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, and a substantial risk of principal.

Raymond James Relationship Disclosures

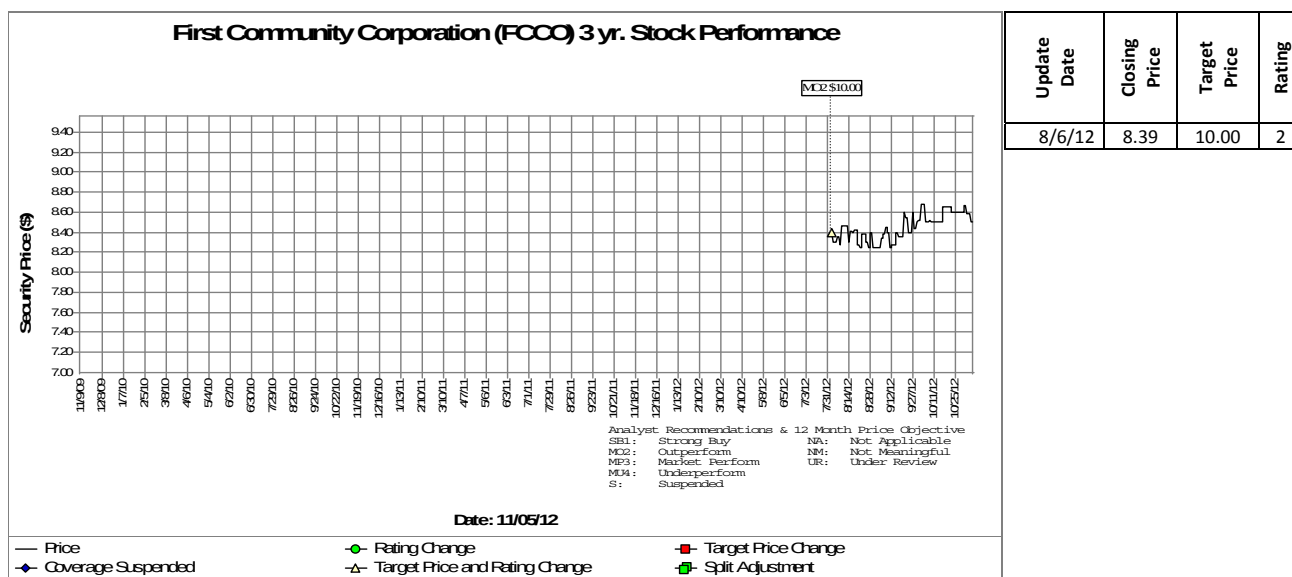
Raymond James expects to receive or intends to seek compensation for investment banking services from the subject companies in the next three months.

Company Name	Disclosure
First Community Corporation	Raymond James & Associates lead-managed a follow-on offering of FCCO shares within the past 12 months. 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.
First Financial Holdings, Inc.	Raymond James & Associates makes a market in shares of FFCH.

Stock Charts, Target Prices, and Valuation Methodologies

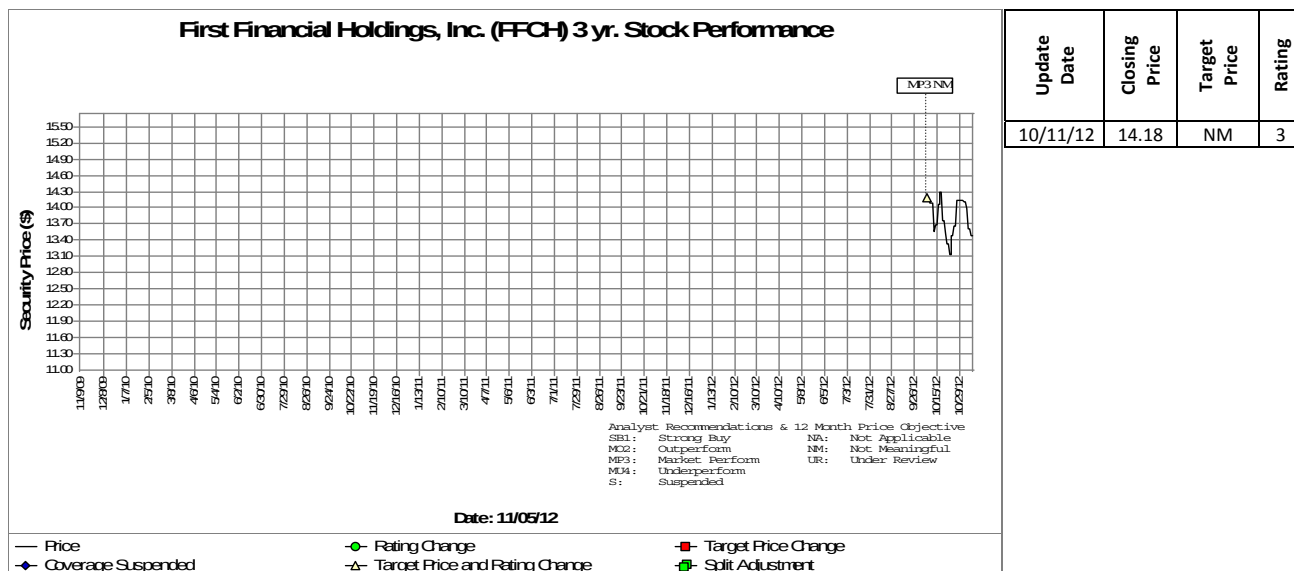
Valuation Methodology: The Raymond James methodology for assigning ratings and target prices includes a number of qualitative and quantitative factors including an assessment of industry size, structure, business trends and overall attractiveness; management effectiveness; competition; visibility; financial condition, and expected total return, among other factors. These factors are subject to change depending on overall economic conditions or industry- or company-specific occurrences. Only stocks rated Strong Buy (SB1) or Outperform (MO2) have target prices and thus valuation methodologies.

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



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.

The information below indicates target price and rating changes for other subject companies included in this research.



Risk Factors

General Risk Factors: Following are some general risk factors that pertain to the projected target prices included on Raymond James research: (1) Industry fundamentals with respect to customer demand or product / service pricing could change and adversely impact expected revenues and earnings; (2) Issues relating to major competitors or market shares or new product expectations could change investor attitudes toward the sector or this stock; (3) Unforeseen developments with respect to the management, financial condition or accounting policies or practices could alter the prospective valuation; or (4) External factors that affect the U.S. economy, interest rates, the U.S. dollar or major segments of the economy could alter investor confidence and investment prospects. International investments involve additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability.

Specific Investment Risks Related to the Industry or Issuer

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.

Additional Risk and Disclosure information, as well as more information on the Raymond James rating system and suitability categories, is available at rjcapitalmarkets.com/Disclosures/index. Copies of research or Raymond James' summary policies relating to research analyst independence can be obtained by contacting any Raymond James & Associates or Raymond James Financial Services office (please see raymondjames.com for office locations) or by calling 727-567-1000, toll free 800-237-5643 or sending a written request to the Equity Research Library, Raymond James & Associates, Inc., Tower 3, 6th Floor, 880 Carillon Parkway, St. Petersburg, FL 33716.

For clients in the United Kingdom:

For clients of Raymond James & Associates (London Branch) and Raymond James Financial International Limited (RJFI): This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in the FSA rules or persons described in Articles 19(5) (Investment professionals) or 49(2) (High net worth companies, unincorporated associations etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) or any other person to whom this promotion may lawfully be directed. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is therefore not intended for private individuals or those who would be classified as Retail Clients.

For clients of Raymond James Investment Services, Ltd.: This report is for the use of professional investment advisers and managers and is not intended for use by clients.

For purposes of the Financial Services Authority requirements, this research report is classified as independent with respect to conflict of interest management. RJA, RJFI, and Raymond James Investment Services, Ltd. are authorised and regulated by the Financial Services Authority in the United Kingdom.

For clients in France:

This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in "Code Monétaire et Financier" and Règlement Général de l'Autorité des Marchés Financiers. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is therefore not intended for private individuals or those who would be classified as Retail Clients.

For institutional clients in the European Economic Area (EEA) outside of the United Kingdom:

This document (and any attachments or exhibits hereto) is intended only for EEA institutional clients or others to whom it may lawfully be submitted.

Raymond James International and Raymond James Euro Equities are authorized by the Autorité de Contrôle Prudentiel in France and regulated by the Autorité de Contrôle Prudentiel and the Autorité des Marchés Financiers.

For Canadian clients:

This report is not prepared subject to Canadian disclosure requirements, unless a Canadian analyst has contributed to the content of the report. In the case where there is Canadian analyst contribution, the report meets all applicable IIROC disclosure requirements.

For Latin American clients:

Registration of Brazil-based Analysts: In accordance with Regulation #483 issued by the Brazil Securities and Exchange Commission (CVM) in October 2010, all lead Brazil-based Research Analysts writing and distributing research are CNPI certified as required by Art. 1 of APIMEC's Code of Conduct (www.apimec.com.br/supervisao/codigodeconduta). They abide by the practices and procedures of this regulation as well as internal procedures in place at Raymond James Brasil S.A. A list of research analysts accredited with the APIMEC can be found on the webpage (www.apimec.com.br/certificacao/Profissionais_Certificados).

Non-Brazil-based analysts writing Brazil research and or making sales efforts with the same are released from these APIMEC requirements as stated in Art. 20 of CVM Instruction #483, but abide by recognized Codes of Conduct, Ethics and Practices that comply with Articles 17, 18, and 19 of CVM Instruction #483.

Proprietary Rights Notice: By accepting a copy of this report, you acknowledge and agree as follows:

This report is provided to clients of Raymond James only for your personal, noncommercial use. Except as expressly authorized by Raymond James, you may not copy, reproduce, transmit, sell, display, distribute, publish, broadcast, circulate, modify, disseminate or commercially exploit the information contained in this report, in printed, electronic or any other form, in any manner, without the prior express written consent of Raymond James. You also agree not to use the information provided in this report for any unlawful purpose.

This report and its contents are the property of Raymond James and are protected by applicable copyright, trade secret or other intellectual property laws (of the United States and other countries). United States law, 17 U.S.C. Sec.501 et seq, provides for civil and criminal penalties for copyright infringement.