April 19, 2017

First Community Corporation

(FCCO-NASDAQ)

Company Comment

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Banking

Maintain Market Perform; Raising 2018E EPS on Impact of Cornerstone

Recommendation: We maintain our **Market Perform** rating on First Community following 1Q17 results that exceeded consensus expectations. The quarter was highlighted by strong margin and loan growth trends, driving spread revenue above our estimate (though margin benefitted from the payoff of several nonaccrual loans). Despite an increase in payoff/pay down activity, the company posted a fourth consecutive quarter of loan growth in excess of 1.5%, as balances climbed 1.6% linked quarter (above our 1.0% estimate). With the company's Greenville lending team becoming a meaningful contributor to loan growth, we anticipate the company should be able to maintain a low double-digit annual organic growth rate through 2018. While we have picked up our operating expense estimates to account for a greater level of franchise investment, we are raising our 2018E EPS, as this negative is more than offset by the expected accretion from the company's announced acquisition of Cornerstone Bancorp (CTOT/$10.50/Not Covered). We continue to view the deal favorably (link to our note published on April 12) and expect the company to leverage the acquisition to drive consistent operating leverage moving forward. That said, we view risk/reward as fairly balanced and find it hard to be constructive on shares without a more identifiable catalyst for greater EPS upside than what is already priced into the stock.

- **1Q17 results beat consensus:** FCCO reported 1Q17 GAAP EPS of $0.26. Excluding $16,000 in net gains and adjusting the tax rate, we estimate operating EPS of $0.24, a penny above consensus but below our Street-high $0.25 estimate.
- **Loan growth in focus:** After growing 4.4% in 4Q16, loan balances increased 1.6% sequentially in 1Q, above our 1.0% estimate. We believe the pipeline remains strong and expect annual organic growth to hold in the 10-11% range through 2018.
- **Expect continued margin expansion:** Margin expanded 17 bp linked quarter to 3.52%, above our 3.39% estimate, owing to yield benefits from the payoff of several nonaccrual loans (adds 9 bp), a positive shift in the earning asset mix, and recent Fed rate hikes. Moving forward, we expect margin to contract to 3.46% in 2Q on the absence of one-time benefits from 1Q, before gradually expanding through 2018 (assumes rising rates).
- **Cornerstone Bancorp:** First Community will acquire roughly $73 million in loans, $126 million in deposits, and three branches located in the growth-oriented Greenville, South Carolina market. The company expects a TBV dilution earn back of less than four years (we estimate TBV dilution in the low-single-digit range), mid-single-digit EPS accretion in the first full year, and cost saves of 40.0% (without banking office closures).
- **Estimates:** We are lowering our 2017E operating EPS to $1.06, from $1.09, but raising our 2018E EPS to $1.30, from $1.25.

Valuation: FCCO trades at 1.7x 1Q17 TBV of $11.50, 18.9x our 2017E EPS, and 15.4x our 2018E EPS, compared to micro-cap peers at 1.7x, 17.6x, and 14.9x, respectively. Without better visibility into a stronger EPS growth profile, we believe upside from current levels is limited.

Non-GAAP EPS	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	Full Year	GAAP EPS Full Year	Revenues (mil.)
2016A	$0.22	$0.26	$0.24	$0.24	$0.96	$0.99	$35
Old 2017E	0.25	0.26	0.28	0.30	1.09	1.09	38
New 2017E	**0.24A**	**0.25**	**0.28**	**0.29**	**1.06**	**1.08**	**39**
Old 2018E	UR	UR	UR	UR	1.25	1.25	41
New 2018E	**0.30**	**0.31**	**0.34**	**0.35**	**1.30**	**1.30**	**46**

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

Rating

Market Perform 3

Current and Target Price

Current Price (Apr-19-17 3:00 p.m.)	$20.25
Target Price:	NM
52-Week Range	$23.55 - $13.56
Suitability	High Risk/Growth

Market Data

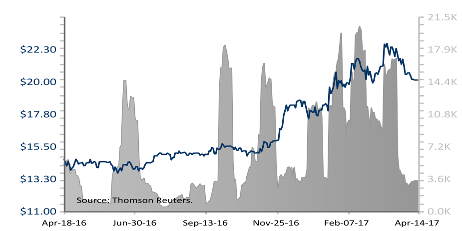
Shares Out. (mil.)	6.7
Market Cap. (mil.)	$136
Avg. Daily Vol. (10 day)	4,395
Dividend/Yield	$0.36/1.8%
Book Value (Mar-17)	$12.41
Tang. BVPS (Mar-17)	$11.50

Earnings & Valuation Metrics

	2016A	2017E	2018E
P/E Ratios (Non-GAAP)	21.1x	19.1x	15.6x

Company Description

First Community Corporation, headquartered in Lexington, South Carolina, is a $915 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 11 and Analyst Certification on page 11.

Guidance Tracker – First Community Corporation (FCCO)

Source	Category	Target Period	Trending	Guidance
2017Q1 Earnings	Asset Quality	2017Y	▬	Management expects its reserve balance to hold relatively flat from 1Q levels.
2016Q4 Earnings	Loan	2017Y	▬	Management is targeting 10% annual loan growth.
Press Release/8-K	M&A	2018Y	▬	From its acquisition of Cornerstone Bancorp, company expects a TBV dilution earn back of less than four years, mid-single digit EPS accretion in the first full year, and cost saves of 40.0% (without banking office closures).
2017Q1 Earnings	NIM	2017Q2	▬	Management expects the Fed's March rate hike to result in roughly 4 bp of margin expansion in 2Q17.
Press Release/8-K	NIM	Long-term	▬	One of First Community's primary strategic initiatives is to re-mix the asset side of its balance sheet, moving toward a goal of an 80% loan-to-earning asset mix; thereby enhancing net interest income and earnings per share.
2017Q1 Earnings	Noninterest Expense	2017Q2	▬	The company's planned operating system conversion will continue to add some pressure to other operating expense until the scheduled conversion in June.
2016Q4 Earnings	Noninterest Income	2017Y	▬	Management expects to grow mortgage banking revenue in a rising rate environment, driven by contributions from the company's recently hired Augusta team.
2017Q1 Earnings	Tax Rate	2017Y	▲	Assuming pre-tax income holds near current levels, the company anticipates the tax rate will be approximately 25.5-26.0%.

Source: Raymond James research; company reports

Raymond James Revised Earnings Estimates

As illustrated in the following table, we are lowering our 2017 operating EPS estimate to $1.06, from $1.09, but raising our 2018 EPS estimates to $1.30, from $1.25.

Earnings Estimates

($ in thousands)	2017E			2018E		
	Old	Current	Change	Old	Current	Change
Operating EPS	**$1.09**	**$1.06**	**($0.03)**	**$1.25**	**$1.30**	**$0.05**
GAAP EPS	**$1.09**	**$1.08**	**($0.01)**	**$1.25**	**$1.30**	**$0.05**
Core PTPP* Earnings	11,463	10,932	-5%	13,553	15,315	13%
Avg. Earning Assets	870,387	896,526	3%	942,089	1,063,237	13%
NIM	3.43%	3.48%	5 bps	3.50%	3.49%	-1 bps
Net Interest Income	29,002	30,317	5%	32,123	36,251	13%
Provision	950	641	-33%	1,450	1,400	-3%
Operating Fee Income	8,844	8,574	-3%	8,878	9,394	6%
Operating Expense	26,682	28,211	6%	27,748	30,630	10%
Operating Efficiency	71%	73%	203 bps	68%	67%	-57 bps
Tax Rate	27.5%	24.6%	-286 bps	27.8%	26.5%	-127 bps
Diluted shares	6,815	7,039	3%	6,831	7,712	13%
Dividends per share	$0.36	$0.36	$0.00	$0.40	$0.40	$0.00
Loan Growth	10.4%	22.2%	1182 bps	10.4%	10.4%	0 bps
Reserves/Loans	0.95%	0.84%	-11 bps	0.96%	0.87%	-9 bps
NPAs/Loans	0.91%	0.73%	-18 bps	0.93%	0.74%	-18 bps
NCOs/Avg. Loans	0.08%	0.04%	-4 bps	0.13%	0.08%	-4 bps

*PTPP = pre-tax, pre-provision

We are lowering our 2017 operating EPS estimate to $1.06 from $1.09 and increasing our 2018 EPS estimates to $1.30 from $1.25. For 2017, the dilutive impact of the Cornerstone acquisition modeled to close at the beginning of 4Q and higher pre-deal operating expense expectations drive our estimates lower. The positive benefit of cost saves for Cornerstone is the primary driver of our 2018 estimate increase.

Source: Company reports, Raymond James research.

Comparison of Actual Results to Raymond James and Consensus Estimates

As illustrated in the following table, First Community reported 1Q17 operating EPS of $0.24, a penny above consensus but below our Street-high $0.25 estimate. Relative to our model, the miss was driven by lower-than-expected fee income and higher-than-expected operating expense, which more than offset higher-than-expected spread revenue and a lower-than-expected tax rate. From a loan growth perspective, the company reported a 1.6% linked-quarter increase in loan balances, above both the 0.6% consensus and our 1.0% estimate. The company's reported NIM of 3.52% topped both the 3.38% consensus and our 3.39% estimate.

Actual vs. Raymond James and Consensus

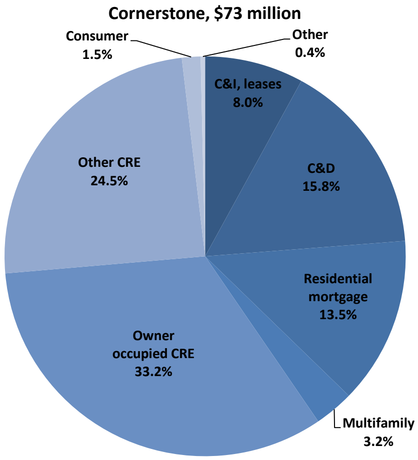
	Actual	Raymond James	dif (+/-)	Consensus	dif (+/-)	Consensus High	Consensus Low	Consensus # of Estimates
PER SHARE DATA								
Operating EPS	$0.24	$0.25	-$0.01	$0.23	$0.01	$0.25	$0.21	3
Book value per share	12.41	12.36	0.06	12.35	0.07	12.36	12.33	3
Tangible book value	11.50	11.45	0.06	11.43	0.07	11.45	11.41	3
Dividends per share	0.09	0.09	0.00	0.09	0.00	0.09	0.09	3
Avg. fully diluted shares (mil.)	6.8	6.8	0.0	6.8	0.0	6.8	6.8	3
INCOME STATEMENT								
Net interest income	7.1	6.8	0.2	6.9	0.1	7.1	6.8	3
Loan loss provision	0.1	0.1	0.0	0.2	-0.1	0.3	0.1	3
Fee income	2.0	2.1	-0.2	2.2	-0.2	2.2	2.1	3
Revenue	9.0	9.0	0.1	9.1	-0.1	9.2	9.0	2
Non-interest expense	6.7	6.6	0.2	6.7	0.0	6.9	6.6	3
Pre-tax income	2.2	2.3	-0.1	2.2	0.0	2.4	1.9	3
Taxes	0.4	0.6	-0.2	0.7	-0.2	0.8	0.5	3
Net income	1.6	1.7	-0.1	1.6	0.1	1.7	1.4	3
BALANCE SHEET								
Loans	555	552	3	550	5	552	547	3
Loan growth	1.6%	1.0%	57 bp	0.6%	92 bp	1.0%	0.0%	3
Average Deposits	776	797	-22	776	0	782	770	2
FINANCIAL RATIOS								
Net interest margin (NIM)	3.52%	3.39%	13 bp	3.38%	14 bp	3.40%	3.35%	3
Efficiency ratio	74.5%	73.1%	138 bp	73.3%	116 bp	75.3%	71.7%	3
Net charge-offs / Avg. loans	-0.03%	0.05%	-8 bp	0.04%	-7 bp	0.05%	0.03%	2
ROA	0.71%	0.73%	-2 bp	0.72%	-1 bp	0.73%	0.71%	2
ROE	7.8%	8.1%	-30 bp	8.0%	-15 bp	8.1%	7.9%	2

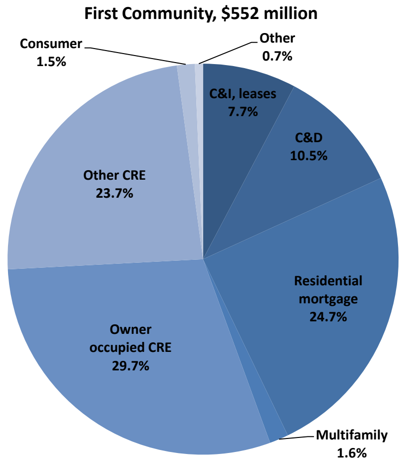
Source: SNL Financial; FactSet; Raymond James research; company reports
Note: Dollar amounts in millions, except per share data

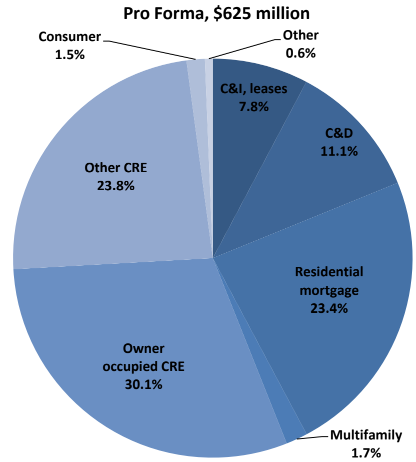
Pro Forma Balance Sheet Analysis

The following charts display the 4Q16 loan portfolios, based on regulatory data, for First Community and Cornerstone as well as on a pro forma basis. The acquired portfolio will increase First Community's loan portfolio by approximately 13% before purchase accounting marks, with the loan portfolio shifting to a slightly higher concentration of construction and commercial real estate (CRE) loans and a lower concentration of residential mortgage loans. To this point, construction and CRE loans increase to 11.1% and 53.9% of total loans pro forma from 10.5% and 53.4%, respectively, while residential mortgage decreases to 23.4% from 24.7%.

4Q16 Loan Portfolio Snapshots



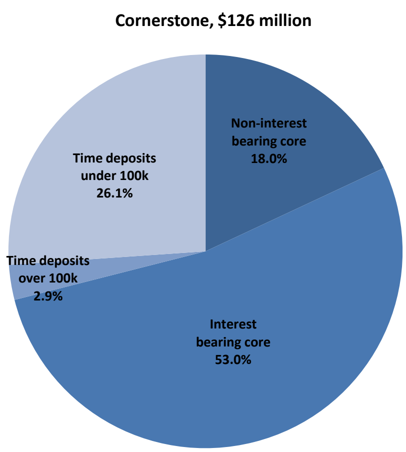


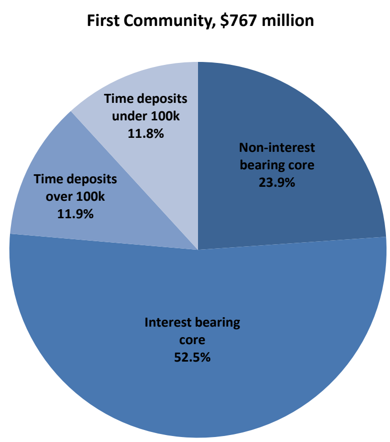


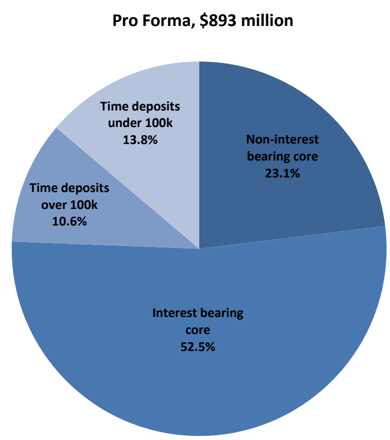
Note: Financials per regulatory filings as of 12/31/16.
Source: SNL Financial and Raymond James research.

With the addition of Cornerstone's deposit base, First Community's core deposit mix decreases 75 bp to 75.6% on a pro forma basis, according to regulatory filings. Given Cornerstone's higher cost of interest bearing deposits (0.39% at 4Q16), we estimate that First Community's total deposit costs would tick up 1 bp to 0.25%. That said, we suspect the company could look to run off a portion of Cornerstone's higher cost CD deposits, which could provide some funding cost relief.

4Q16 Deposit Portfolio Snapshots







Note: Financials per regulatory filings as of 12/31/16.
Source: SNL Financial and Raymond James research.

From a market share standpoint, the transaction will expand First Community's footprint to the Greenville-Anderson-Mauldin metropolitan statistical area (MSA), where the company will enter with the 18th largest deposit market share. As illustrated in the following table, the company adds approximately $129 million in in-market deposits, equating to a 0.84% market share. We believe First Community's bolstered Upstate South Carolina presence provides the company with a strong platform to further build its deposit base and loan portfolio in the region.

Greenville-Anderson-Mauldin, SC MSA Deposit Market Share Breakout

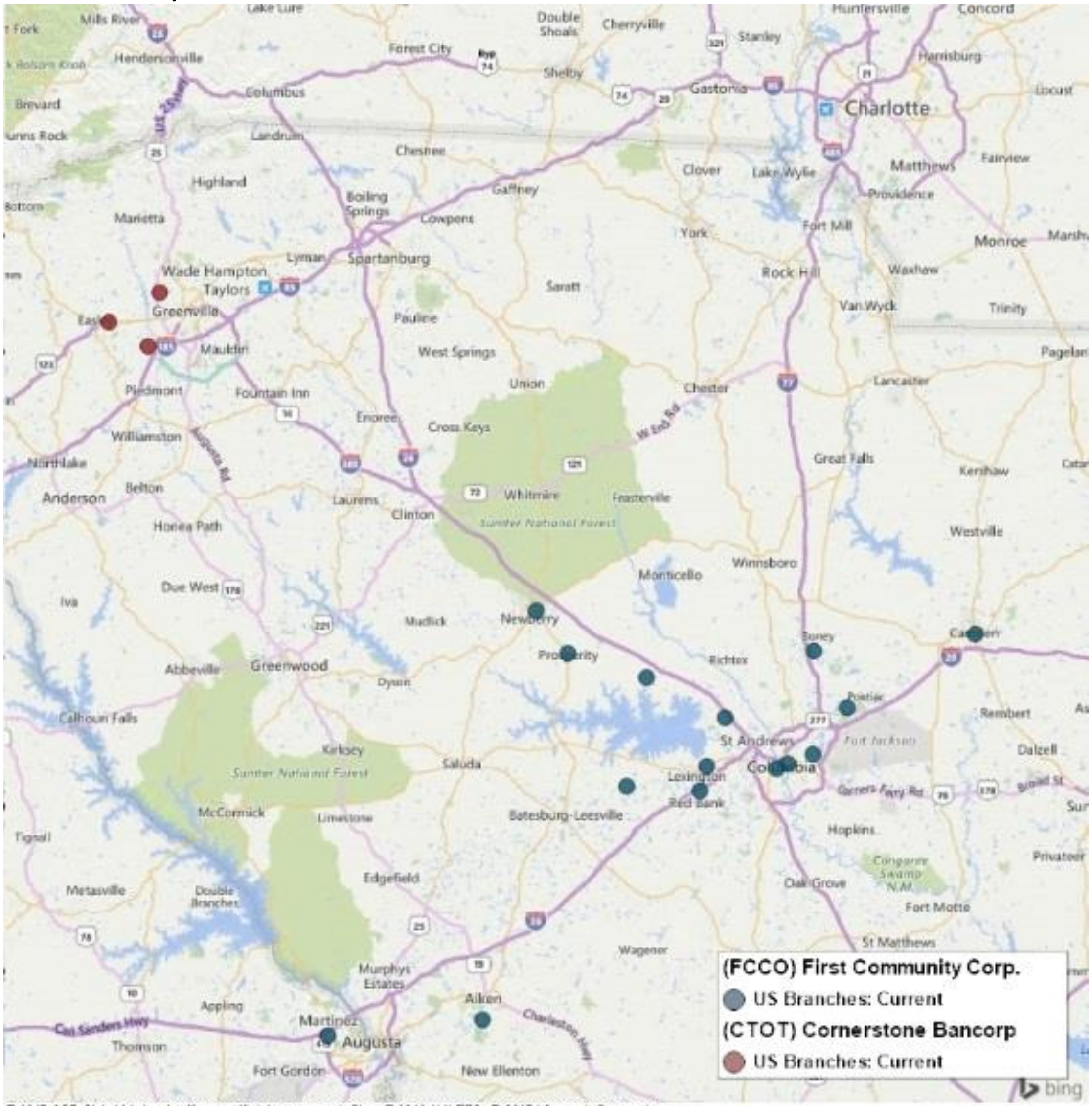
Deposit Rank	Institution	Number of Branches	Total Deposits in Market ($000)	Total Market Share (%)
1	Wells Fargo & Co.	30	2,648,035	17.24
2	Bank of America Corp.	18	2,179,359	14.19
3	BB&T Corp.	27	1,822,437	11.87
4	Toronto-Dominion Bank	20	1,515,039	9.86
5	SunTrust Banks Inc.	19	938,320	6.11
6	First Citizens BancShares Inc.	19	795,455	5.18
7	South State Corporation	9	773,355	5.04
8	United Community Banks Inc.	15	741,125	4.83
9	Southern First Bancshares Inc	4	618,817	4.03
10	Travelers Rest Bancshares Inc.	10	551,644	3.59
18	**First Community Corporation (Pro Forma)**	**3**	**128,621**	**0.84**
18	**Cornerstone Bancorp**	**3**	**128,621**	**0.84**
NA	**First Community Corporation (Current)**	**NA**	**NA**	**NA**

Note: Deposit market share data as of June 30, 2016.
Source: SNL Financial and Raymond James research.

Bank Branch Map

The map on the following page illustrates First Community's 15-branch footprint with Cornerstone's three branches positioned in the Greenville-Anderson-Mauldin MSA. While we anticipate First Community will retain the acquired branches, we expect the company to reap cost efficiencies through terminating back-office redundancies. With an expanded presence in the Upstate South Carolina region, we believe the company is poised to capitalize on the region's strong growth profile.

Pro Forma Footprint



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Source: SNL Financial.

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	$8,901	88%	30%	91%	4.07%	4.63%	4.17%	0.08%	0.11%	29%	60%	0.05%	0.57%	0.60%	106%	8.9%	9.9%	12.4%
Carolina Financial Corporation	CARO	$1,684	61%	18%	94%	3.86%	4.86%	4.40%	0.47%	NA	32%	64%	-0.12%	0.63%	0.88%	140%	9.3%	10.5%	14.1%
Southern First Bancshares, Inc.	SFST	$1,341	76%	22%	107%	3.65%	4.53%	4.36%	0.40%	NA	16%	56%	-0.04%	1.01%	1.27%	125%	8.2%	9.4%	10.9%
CNB Corporation	CNBW	$1,104	73%	25%	52%	3.02%	5.49%	3.14%	0.18%	NA	22%	67%	0.15%	1.87%	1.60%	86%	9.4%	9.6%	18.0%
Security Federal Corporation	SFDL	$813	67%	NA	56%	3.34%	5.32%	3.65%	0.33%	NA	19%	77%	0.28%	3.19%	2.27%	71%	8.6%	10.8%	19.8%
Coastal Banking Company, Inc.	CBCO	$561	64%	19%	98%	3.80%	4.82%	4.74%	0.67%	NA	55%	68%	-0.06%	3.03%	1.20%	39%	9.1%	11.3%	20.9%
Bank of South Carolina Corporation	BKSC	$429	NA	NA	NA	NA	5.32%	4.06%	NA	NA	NA	NA	0.10%	NA	NA	NA	9.7%	9.8%	14.1%
First Reliance Bancshares, Inc.	FSRL	$408	80%	23%	86%	4.37%	4.87%	4.66%	0.23%	NA	43%	87%	0.08%	2.26%	0.90%	40%	6.5%	10.0%	12.2%
First Community Corporation	**FCCO**	**$915**	**76%**	**24%**	**71%**	**3.37%**	**4.54%**	**3.63%**	**0.24%**	**0.35%**	**24%**	**70%**	**0.05%**	**1.17%**	**0.94%**	**81%**	**8.3%**	**10.2%**	**14.5%**
Peer Group Medians:		**$915**	**74%**	**23%**	**88%**	**3.73%**	**4.86%**	**4.17%**	**0.29%**	**0.23%**	**27%**	**68%**	**0.05%**	**1.52%**	**1.07%**	**83%**	**8.9%**	**10.0%**	**14.1%**

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	2017E P/E	2018E P/E	Deposit Premium	Dividend Yield	ROA (MRQ)	ROE (MRQ)	ROTCE (MRQ)	ROTCE (2017E)	ROTCE (2018E)	2017E EPS Growth	2018E EPS Growth
Industry Medians	**542**	**$250**	**$1,626**	**1.91x**	**17.2x**	**15.1x**	**7%**	**2.0%**	**0.94%**	**8.8%**	**10.2%**	**11.0%**	**11.6%**	**10%**	**12.5%**
Large Cap (>$10B)	17	$26,438	$204,875	1.68x	13.8x	12.2x	8%	2.0%	0.93%	8.1%	11.2%	12.0%	12.3%	11%	12%
Mid-Cap ($2B - $10B)	58	$3,602	$20,368	2.12x	17.1x	15.1x	12%	2.1%	1.12%	8.8%	12.6%	12.0%	12.4%	9%	11%
Small-Cap ($500M - $2B)	118	$900	$4,974	2.15x	17.3x	15.4x	12%	2.0%	1.06%	9.3%	11.8%	12.0%	12.3%	10%	12%
Micro-Cap (<$500M)	349	$133	$997	1.68x	17.6x	14.9x	5%	2.0%	0.89%	8.6%	9.4%	9.4%	10.1%	13%	15%
Asset Size Medians															
Over $50B	18	$24,895	$177,198	1.67x	13.9x	12.4x	8%	2.0%	0.91%	8.1%	11.2%	11.5%	11.9%	11%	13%
$10B to $50B	57	$3,459	$20,054	1.99x	16.3x	14.8x	11%	2.0%	1.02%	8.4%	11.8%	11.5%	12.2%	9%	11%
$5B to $10B	60	$1,456	$7,340	2.19x	17.8x	15.8x	13%	2.2%	1.09%	9.7%	13.2%	12.6%	13.1%	9%	12%
$1B to $5B	232	$285	$1,836	1.83x	17.6x	15.2x	8%	1.9%	0.95%	9.2%	10.2%	10.2%	11.2%	12%	14%
$500M to $1B	175	$81	$691	1.41x	16.4x	14.7x	3%	2.2%	0.82%	8.4%	9.0%	8.7%	9.1%	11%	13%

Priced as of April 18, 2017.

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 FactSet consensus estimates.

Source: SNL Financial, FactSet, and Raymond James research

First Community Corporation

Income Statement	**2015**	**1Q16**	**2Q16**	**3Q16**	**4Q16**	**2016**	**1Q17**	**2Q17E**	**3Q17E**	**4Q17E**	**2017E**	**1Q18E**	**2Q18E**	**3Q18E**	**4Q18E**	**2018E**
($ 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	25,253	6,337	6,677	6,651	6,794	26,459	7,061	7,125	7,391	8,740	30,317	8,633	8,866	9,230	9,522	36,251
Provision for loan losses	1,138	140	217	179	238	774	116	150	175	200	641	200	400	400	400	1,400
Net Interest Income after Provision	**24,115**	**6,197**	**6,460**	**6,472**	**6,556**	**25,685**	**6,945**	**6,975**	**7,216**	**8,540**	**29,676**	**8,433**	**8,466**	**8,830**	**9,122**	**34,851**
Deposit service charges	1,469	347	340	377	341	1,405	320	324	366	524	1,534	530	537	589	545	2,201
Mortgage origination fees	3,432	665	913	937	867	3,382	670	804	804	764	3,042	687	756	756	718	2,918
Investment advisory fees and commissions	1,287	291	297	283	264	1,135	258	266	271	279	1,074	282	288	293	299	1,162
Gain on sale of securities	355	59	64	478	0	601	54	0	0	0	54	0	0	0	0	0
Gain (loss) on sale of other assets	138	3	(84)	45	3	(33)	20	0	0	0	20	0	0	0	0	0
Loss on early extinguishment of debt	(329)	0	0	(459)	0	(459)	(58)	0	0	0	(58)	0	0	0	0	0
Other	2,614	724	734	726	725	2,909	714	721	725	765	2,924	768	776	780	788	3,112
Noninterest Income	**8,966**	**2,089**	**2,264**	**2,387**	**2,200**	**8,940**	**1,978**	**2,115**	**2,166**	**2,331**	**8,590**	**2,267**	**2,357**	**2,419**	**2,350**	**9,394**
Non-Operating items	164	62	(20)	64	3	109	16	0	0	0	16	0	0	0	0	0
Operating Noninterest Income	**8,802**	**2,027**	**2,284**	**2,323**	**2,197**	**8,831**	**1,962**	**2,115**	**2,166**	**2,331**	**8,574**	**2,267**	**2,357**	**2,419**	**2,350**	**9,394**
Total Revenue	**34,219**	**8,426**	**8,941**	**9,038**	**8,994**	**35,399**	**9,039**	**9,240**	**9,557**	**11,071**	**38,907**	**10,901**	**11,223**	**11,649**	**11,872**	**45,645**
Total Operating Revenue	**34,055**	**8,364**	**8,961**	**8,974**	**8,991**	**35,290**	**9,023**	**9,240**	**9,557**	**11,071**	**38,891**	**10,901**	**11,223**	**11,649**	**11,872**	**45,645**
Salaries and employee benefits	14,428	3,751	3,833	3,888	3,851	15,323	4,086	4,127	4,106	4,640	16,959	4,362	4,427	4,493	4,516	17,798
Occupancy	2,076	559	511	531	566	2,167	527	530	538	607	2,202	607	611	617	620	2,454
Equipment	1,649	429	437	442	420	1,728	446	442	486	520	1,893	540	535	589	559	2,223
Marketing and public relations	848	94	195	240	336	865	221	221	177	212	831	202	222	222	255	900
FDIC assessment	527	138	138	60	76	412	78	77	62	72	290	91	93	75	75	334
Other real estate expense	524	51	21	115	14	201	27	75	75	75	252	75	75	75	75	300
Amortization of intangibles	387	83	80	80	75	318	75	75	75	135	360	130	128	127	126	511
Other	4,239	1,237	1,118	1,227	1,180	4,762	1,260	1,273	1,285	1,607	5,425	1,510	1,518	1,533	1,548	6,109
Noninterest Expense	**24,678**	**6,342**	**6,333**	**6,583**	**6,518**	**25,776**	**6,720**	**6,819**	**6,804**	**7,868**	**28,211**	**7,517**	**7,608**	**7,730**	**7,774**	**30,630**
Non-Operating items	150	49	0	0	0	49	0	0	0	0	0	0	0	0	0	0
Operating Noninterest Expense	**24,528**	**6,293**	**6,333**	**6,583**	**6,518**	**25,727**	**6,720**	**6,819**	**6,804**	**7,868**	**28,211**	**7,517**	**7,608**	**7,730**	**7,774**	**30,630**
Income Before Tax	**8,403**	**1,944**	**2,391**	**2,276**	**2,238**	**8,849**	**2,203**	**2,272**	**2,578**	**3,003**	**10,055**	**3,183**	**3,215**	**3,519**	**3,698**	**13,615**
Income tax expense	2,276	476	646	599	446	2,167	447	579	670	781	2,477	844	852	932	980	3,608
GAAP Net Income	**6,127**	**1,468**	**1,745**	**1,677**	**1,792**	**6,682**	**1,756**	**1,692**	**1,908**	**2,222**	**7,578**	**2,340**	**2,363**	**2,586**	**2,718**	**10,007**
Operating Net Income	**6,080**	**1,458**	**1,760**	**1,630**	**1,654**	**6,502**	**1,618**	**1,692**	**1,908**	**2,222**	**7,441**	**2,340**	**2,363**	**2,586**	**2,718**	**10,007**
Diluted shares	6,607	6,751	6,733	6,762	6,805	6,763	6,813	6,817	6,821	7,702	7,039	7,706	7,710	7,714	7,718	7,712
GAAP EPS - diluted	$0.93	$0.22	$0.26	$0.25	$0.26	$0.99	$0.26	$0.25	$0.28	$0.29	$1.08	$0.30	$0.31	$0.34	$0.35	$1.30
Operating EPS - diluted	**$0.92**	**$0.22**	**$0.26**	**$0.24**	**$0.24**	**$0.96**	**$0.24**	**$0.25**	**$0.28**	**$0.29**	**$1.06**	**$0.30**	**$0.31**	**$0.34**	**$0.35**	**$1.30**
Financial Highlights																
TBV/share	$10.84	$11.23	$11.62	$11.63	$11.28	$11.28	$11.50	$11.67	$11.87	$11.78	$11.78	$12.00	$12.22	$12.47	$12.74	$12.74
TCE/Assets	8.5%	8.7%	8.8%	8.6%	8.3%	8.3%	8.5%	8.5%	8.4%	8.2%	8.2%	8.2%	8.3%	8.3%	8.2%	8.2%
Loans/Deposits	68%	68%	70%	68%	71%	71%	72%	74%	74%	75%	75%	72%	76%	76%	79%	79%
Loan Growth	10.2%	1.0%	3.5%	2.4%	4.4%	11.8%	1.6%	2.5%	3.0%	2.0%	22.2%	1.0%	3.5%	3.0%	2.5%	10.4%
NPAs/Loans	1.48%	1.51%	1.14%	0.97%	0.95%	0.95%	0.83%	0.83%	0.83%	0.73%	0.73%	0.73%	0.73%	0.74%	0.74%	0.74%
NCOs/Avg. Loans	0.15%	0.04%	0.02%	0.01%	0.05%	0.03%	-0.03%	0.05%	0.05%	0.08%	0.04%	0.05%	0.08%	0.08%	0.12%	0.08%
Reserves/Loans	0.94%	0.95%	0.95%	0.96%	0.95%	0.95%	0.97%	0.96%	0.95%	0.84%	0.84%	0.85%	0.86%	0.87%	0.87%	0.87%
NIM	3.39%	3.33%	3.43%	3.29%	3.35%	3.35%	3.52%	3.46%	3.46%	3.47%	3.48%	3.47%	3.47%	3.50%	3.52%	3.49%
G&A/Avg. Assets	2.94%	2.91%	2.88%	2.92%	2.88%	2.90%	2.95%	2.96%	2.89%	3.05%	2.96%	2.69%	2.69%	2.69%	2.64%	2.68%
Efficiency Ratio	72%	75%	71%	73%	72%	73%	74%	74%	71%	71%	73%	69%	68%	66%	65%	67%
Effective tax rate	27.1%	24.5%	27.0%	26.3%	19.9%	24.5%	20.3%	25.5%	26.0%	26.0%	24.6%	26.5%	26.5%	26.5%	26.5%	26.5%
ROA (operating)	0.73%	0.67%	0.80%	0.72%	0.73%	0.73%	0.71%	0.73%	0.81%	0.86%	0.78%	0.84%	0.84%	0.90%	0.92%	0.88%
ROE (operating)	7.9%	7.3%	8.6%	7.7%	7.9%	7.9%	7.8%	8.1%	9.0%	9.4%	8.6%	8.9%	8.9%	9.6%	9.9%	9.3%
ROTCE (operating)	8.6%	7.9%	9.3%	8.3%	8.6%	8.5%	8.5%	8.7%	9.7%	10.5%	9.4%	10.4%	10.3%	11.0%	11.3%	10.8%
Dividends per share	$0.28	$0.08	$0.08	$0.08	$0.08	$0.32	$0.09	$0.09	$0.09	$0.09	$0.36	$0.10	$0.10	$0.10	$0.10	$0.40

Source: Company reports and Raymond James research

First Community Corporation

Balance Sheet	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17E	3Q17E	4Q17E	1Q18E	2Q18E	3Q18E	4Q18E
($ in thousands)	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec
Stated Equity	**79,038**	**81,611**	**84,211**	**84,208**	**81,861**	**83,131**	**84,220**	**85,524**	**103,854**	**105,435**	**107,038**	**108,865**	**110,823**
Intangibles	6,497	6,415	6,335	6,255	6,180	6,105	6,030	5,955	14,470	14,340	14,212	14,085	13,959
Tangible Common Equity	**72,541**	**75,196**	**77,876**	**77,953**	**75,681**	**77,026**	**78,190**	**79,569**	**89,384**	**91,094**	**92,826**	**94,780**	**96,863**
Book Value	$11.81	$12.19	$12.57	$12.56	$12.20	$12.41	$12.57	$12.76	$13.69	$13.89	$14.09	$14.33	$14.58
Tangible BV	**$10.84**	**$11.23**	**$11.62**	**$11.63**	**$11.28**	**$11.50**	**$11.67**	**$11.87**	**$11.78**	**$12.00**	**$12.22**	**$12.47**	**$12.74**
Shares Outstanding	6,691	6,693	6,699	6,703	6,708	6,697	6,701	6,705	7,586	7,590	7,594	7,598	7,602
Equity/Assets	9.2%	9.4%	9.5%	9.2%	8.9%	9.1%	9.1%	9.0%	9.4%	9.4%	9.4%	9.4%	9.3%
TCE ratio	**8.5%**	**8.7%**	**8.8%**	**8.6%**	**8.3%**	**8.5%**	**8.5%**	**8.4%**	**8.2%**	**8.2%**	**8.3%**	**8.3%**	**8.2%**
Leverage Ratio	10.19%	10.23%	10.24%	10.17%	10.23%	10.21%							
Tier 1 Capital Ratio	15.40%	15.41%	15.30%	15.09%	14.46%	14.66%							
Total Capital Ratio	16.21%	16.24%	16.14%	15.93%	15.28%	15.51%							
Total Assets	**862,734**	**870,409**	**888,837**	**915,251**	**914,793**	**914,913**	**928,637**	**951,853**	**1,110,649**	**1,121,755**	**1,138,582**	**1,161,353**	**1,190,387**
Other short-term investments	11,968	15,835	10,010	24,944	10,074	18,035							
Investment securities	283,841	286,019	286,766	288,174	272,396	262,538							
Loans held for sale	2,962	2,545	7,707	4,250	5,707	4,191							
Loans	**489,191**	**494,021**	**511,303**	**523,441**	**546,709**	**555,298**	**569,180**	**586,256**	**667,981**	**674,661**	**698,274**	**719,222**	**737,203**
Allowance for loan losses	(4,596)	(4,687)	(4,877)	(5,047)	(5,214)	(5,368)	(5,448)	(5,551)	(5,618)	(5,734)	(5,997)	(6,255)	(6,437)
Other assets	79,368	76,676	77,928	79,489	85,121	80,219							
Total Liabilities	**783,696**	**788,798**	**804,626**	**831,043**	**832,932**	**831,782**							
Total deposits	716,151	722,236	729,623	765,923	766,622	775,611	767,855	790,891	895,073	930,876	921,567	949,214	930,230
Securities sold under repo	21,033	20,697	21,112	22,232	19,527	19,388							
FHLB advances	24,788	24,432	32,445	21,022	24,035	15,548							
Junior sub debt	14,964	14,964	14,964	14,964	14,964	14,964							
Other liabilities	6,760	6,469	6,482	6,902	7,784	6,271							

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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.
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.
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	Coverage Universe Rating Distribution*			Investment Banking Distribution		
	RJA	RJL	RJEE/RJFI	RJA	RJL	RJEE/RJFI
Strong Buy and Outperform (Buy)	52%	74%	54%	23%	50%	0%
Market Perform (Hold)	44%	25%	32%	10%	15%	0%
Underperform (Sell)	5%	1%	14%	7%	0%	0%

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

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Company Name	Disclosure
Cornerstone Bancorp/SC	Raymond James & Associates makes a market in shares of CTOT.
First Community Corporation	Raymond James & Associates, Inc. acted as financial advisor to Cornerstone Bancorp in connection to the acquisition by 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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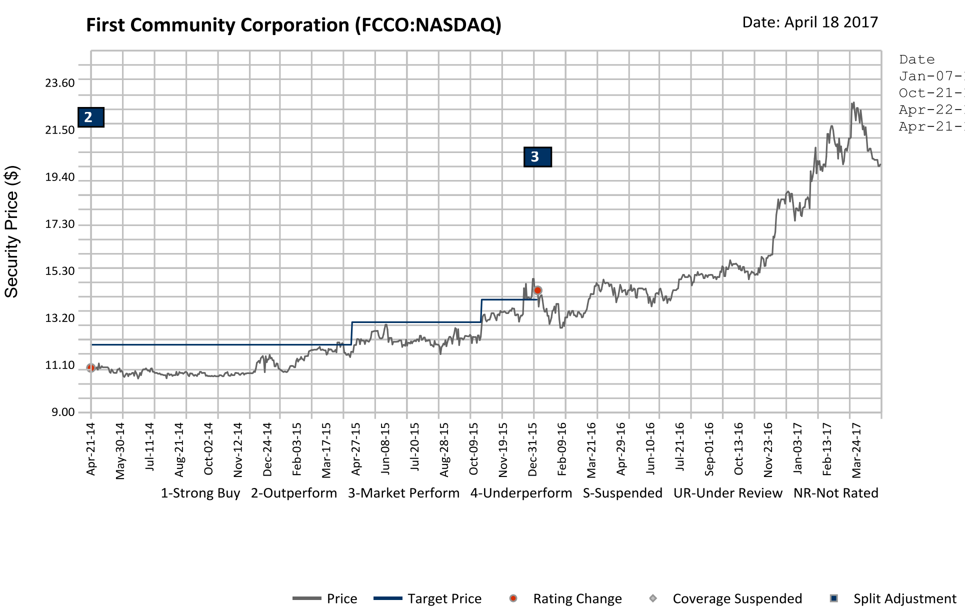
Target Prices: The information below indicates our target price and rating changes for FCCO stock over the past three years.



Rating & Target changes

Date	Curr.	Price	Target	Rating
Jan-07-16	$	14.41	NM	3
Oct-21-15	$	12.90	14.00	2
Apr-22-15	$	11.69	13.00	2
Apr-21-14	$	10.97	12.00	2

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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
First Community recently announced its acquisition of Cornerstone Bancorp (April 2017). Acquiring a financial services company involves a number of risks, including those related to asset quality issues, loss of customers, entering new and unfamiliar markets, and integration of the acquired bank. In particular, integration poses a number of challenges, as the company must expend substantial resources to integrate acquired entities. Such failure to integrate acquired entities may adversely affect the company's results of operations and financial condition.
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