

First Community Corporation

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(FCCO-NASDAQ)

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Company Comment

Rating

Market Perform 3

Banking

Reiterate Market Perform; Maintain Estimates Following In-Line Quarter

Recommendation: We reiterate our **Market Perform** rating on First Community following 4Q15 results that were in line with expectations. While loan growth missed our estimate, the company posted a fourth consecutive quarter of growth in excess of 1.0%, further evidencing that management's focus in 2H14 on spurring lending activity is paying dividends. We expect this trend to hold moving forward as we model loan balances to increase 8% in 2016 and 9% in 2017. Operating expense was a bright spot during the quarter as the company held the line on expense, despite pressure from one-time costs associated with flooding in the company's markets. On the fee income side, mortgage banking revenue declined linked quarter on a combination of seasonal production pressures and closing delays from the aforementioned flooding, as we anticipated. Moving forward, we expect mortgage banking revenue growth to reaccelerate in seasonally stronger quarters, which combined with our expectations for high-single-digit annual loan growth, should allow the company to drive consistent operating leverage through 2017. That said, at current levels, we see risk/reward as fairly balanced and find it hard to be constructive on shares without a more identifiable catalyst for greater upside to EPS levels than what is already priced into the stock.

- ◆ **4Q15 results in line:** First Community reported 4Q15 GAAP and operating EPS of \$0.24, in line with our and consensus expectations.
- ◆ **Loan growth in focus:** After growing 2.1% in 3Q15, loan balances increased 1.1% sequentially in 4Q15, below our 2.0% estimate. We believe the pipeline remains robust and forecast quarterly loan growth to range between 2.0% and 3.0% through 2017, excluding the seasonally weaker 1Q. We believe this level of growth, coupled with lower funding costs from the prepayment of higher cost debt in 4Q, will help drive gradual net interest margin expansion to 3.38% in 4Q16 and 3.46% in 4Q17.
- ◆ **Mortgage bank should rebound in 2016:** Mortgage revenue declined 22% sequentially to \$753,000 in 4Q15, relatively in line with our estimate, as production activity was adversely affected by a combination of normal seasonal weakness and recent flooding across the company's footprint. That said, we anticipate a meaningful rebound in production in upcoming seasonally strong quarters, and currently forecast mortgage banking revenue to increase 5% in 2016 and 2017.
- ◆ **Estimates:** We maintain our 2016E and 2017E EPS of \$1.00 and \$1.15, respectively.

Valuation: FCCO trades at 1.2x 4Q15 TBV of \$10.84, 13.3x our 2016E EPS, and 11.5x our 2017E EPS, in line with micro-cap peers at 1.3x, 13.7x, and 12.3x, 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.)
2014A	\$0.18	\$0.18	\$0.23	\$0.25	\$0.85	\$0.78	\$32
Old 2015E	0.21A	0.21A	0.25A	0.24	0.90	0.91	34
New 2015A	0.21	0.21	0.25	0.24	0.92	0.93	34
Old 2016E	0.23	0.24	0.26	0.27	1.00	1.00	35
New 2016E	0.23	0.24	0.27	0.26	1.00	1.00	35
Old 2017E	NA	NA	NA	NA	1.15	1.15	38
New 2017E	UR	UR	UR	UR	1.15	1.15	38

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

Current and Target Price

Current Price (Jan-20-16 close)	\$13.28
Target Price:	NM
52-Week Range	\$15.59 - \$10.75
Suitability	High Risk/Growth

Market Data

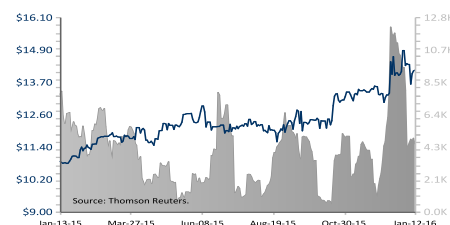
Shares Out. (mil.)	6.7
Market Cap. (mil.)	\$89
Avg. Daily Vol. (10 day)	5,016
Dividend/Yield	\$0.28/2.1%
Book Value (Dec-15)	\$11.81
Tang. BVPS (Dec-15)	\$10.84

Earnings & Valuation Metrics

	2014A	2015A	2016E	2017E
P/E Ratios (Non-GAAP)	15.6x	14.4x	13.3x	11.5x

Company Description

First Community Corporation, headquartered in Lexington, South Carolina, is an \$863 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)**RAYMOND JAMES®**

Source	Category	Target Period	Trending	Guidance
2015Q4 Earnings	Loan	2016Y	—	Management is targeting high-single digit loan growth in 2016.
2015Q4 Earnings	NIM	2016Y	▲	Following debt prepayment and fed funds rate hike in 4Q15, management now anticipates margin expansion through 2016 (assumes one additional rate hike).
2015Q3 Earnings	Noninterest Expense	2016Y	—	Marketing expense should normalize around \$200,000.
2015Q2 Earnings	Tax Rate	Long-term	—	The company anticipates the tax rate will be approximately 28%.

Source: Company reports, Raymond James research.

Raymond James Revised Earnings Estimates

As illustrated in the following table, we maintain our 2016 and 2017 EPS estimates of \$1.00 and \$1.15, respectively.

Earnings Estimates

(\$ in thousands)	2016E			2017E		
	Old	Current	Change	Old	Current	Change
Operating EPS	\$1.00	\$1.00	\$0.00	\$1.15	\$1.15	\$0.00
GAAP EPS	\$1.00	\$1.00	\$0.00	\$1.15	\$1.15	\$0.00
Core PTPP* Earnings	10,535	10,899	3%	12,460	12,821	3%
Avg. Earning Assets	803,754	809,226	1%	858,245	855,731	0%
NIM	3.31%	3.35%	4 bps	3.36%	3.43%	8 bps
Net Interest Income	25,860	26,286	2%	28,055	28,572	2%
Provision	900	1,200	33%	1,250	1,525	22%
Operating Fee Income	9,150	9,175	0%	9,557	9,596	0%
Operating Expense	24,775	24,862	0%	25,451	25,648	1%
Operating Efficiency	71%	70%	-65 bps	68%	67%	-47 bps
Tax Rate	28.0%	28.0%	0 bps	29.0%	29.0%	0 bps
Diluted shares	6,726	6,747	0%	6,742	6,763	0%
Dividends per share	\$0.28	\$0.32	\$0.04	\$0.28	\$0.32	\$0.04
Loan Growth	8.2%	8.2%	0 bps	9.3%	9.3%	0 bps
Reserves/Loans	0.90%	0.96%	6 bps	0.89%	0.98%	8 bps
NPAs/Loans	1.27%	1.27%	0 bps	1.21%	1.21%	0 bps
NCOs/Avg. Loans	0.13%	0.14%	1 bps	0.15%	0.18%	3 bps

*PTPP = pre-tax, pre-provision

We are maintaining our 2016 and 2017 EPS estimates of \$1.00 and \$1.15, respectively. For both periods, higher spread revenue expectations fully offset higher expense expectations.

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 4Q15 operating EPS of \$0.24, in line with our and consensus estimates. The in-line quarter reflects operating expense and operating revenue (spread revenue and fee income) that were consistent with expectations. From a loan growth perspective, the company reported a 1.1% linked-quarter increase in loan balances, below our 2.0% estimate and the 2.1% consensus. The company's reported NIM of 3.29% was just below our 3.31% estimate but above the 3.26% 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	\$0.24	\$0.24	\$0.00	\$0.24	\$0.00	\$0.24	\$0.24	2
Book value per share	11.81	11.90	-0.09	11.91	-0.09	11.91	11.90	2
Tangible book value	10.84	10.93	-0.09	10.93	-0.09	10.93	10.93	2
Dividends per share	0.07	0.07	0.00	0.07	0.00	0.07	0.07	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	6.3	6.4	0.0	6.4	0.0	6.4	6.3	2
Loan loss provision	0.1	0.2	-0.1	0.2	-0.1	0.2	0.2	2
Fee income	2.1	2.1	0.0	2.0	0.1	2.1	1.9	2
Revenue	8.5	8.5	0.0	8.5	0.0	8.5	8.5	1
Non-interest expense	6.1	6.1	0.0	6.0	0.1	6.1	5.9	2
Pre-tax income	2.2	2.2	0.0	2.2	0.0	2.2	2.2	2
Taxes	0.6	0.6	0.0	0.6	0.0	0.6	0.6	2
Net income	1.6	1.6	0.1	1.6	0.0	1.6	1.6	2
BALANCE SHEET								
Loans	489	494	-4	494	-5	494	494	2
Loan growth	1.1%	2.0%	-91 bp	2.1%	-99 bp	2.1%	2.1%	2
Average Deposits	716	690	26	698	18	706	690	2
FINANCIAL RATIOS								
Net interest margin (NIM)	3.29%	3.31%	-2 bp	3.26%	3 bp	3.31%	3.21%	2
Efficiency ratio	71.7%	71.7%	4 bp	70.9%	80 bp	71.7%	70.1%	2
Net charge-offs / Avg. loans	0.02%	0.10%	-8 bp	0.10%	-8 bp	0.10%	0.10%	1
ROA	0.76%	0.73%	3 bp	0.74%	2 bp	0.74%	0.73%	2
ROE	8.3%	8.0%	33 bp	8.0%	34 bp	8.0%	8.0%	2

Source: Company reports, SNL Financial, Thomson Reuters, Raymond James research.

\$ in millions except per share data

First Community Regional 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
South State Corporation	SSB	\$8,500	84%	27%	83%	4.51%	5.42%	4.63%	0.11%	0.14%	26%	60%	0.05%	0.94%	0.67%	71%	8.1%	9.3%	12.7%
Carolina Financial Corporation	CARO	\$1,330	59%	18%	83%	3.56%	4.62%	4.09%	0.44%	0.54%	35%	71%	0.06%	1.04%	1.11%	107%	7.6%	8.8%	12.3%
Southern First Bancshares, Inc.	SFST	\$1,174	69%	18%	105%	3.65%	4.61%	4.33%	0.41%	0.74%	18%	56%	0.18%	1.71%	1.33%	78%	7.8%	9.1%	10.7%
CNB Corporation	CNBW	\$1,063	66%	23%	53%	3.03%	5.52%	3.15%	0.20%	NA	22%	67%	0.13%	2.87%	1.88%	65%	9.7%	9.6%	18.5%
Security Federal Corporation	SFDL	\$801	64%	NA	50%	3.27%	5.67%	3.72%	0.34%	NA	18%	70%	-0.43%	5.79%	2.42%	42%	8.4%	11.0%	23.2%
Southcoast Financial Corporation	SOCB	\$482	66%	17%	110%	3.75%	4.89%	4.52%	0.41%	NA	13%	69%	0.22%	2.09%	1.23%	59%	10.7%	11.2%	15.3%
Tidelands Bancshares, Inc.	TDBK	\$479	43%	7%	75%	2.83%	4.90%	4.01%	0.88%	1.10%	10%	107%	0.48%	9.34%	1.56%	17%	-2.4%	5.4%	7.3%
Coastal Banking Company, Inc.	CBCO	\$439	59%	15%	95%	4.02%	5.71%	4.60%	0.54%	NA	76%	82%	0.01%	5.24%	1.63%	31%	7.3%	10.5%	22.5%
Bank of South Carolina Corporation	BKSC	\$399	NA	NA	NA	NA	5.83%	4.48%	NA	NA	NA	NA	0.21%	NA	NA	NA	10.1%	9.9%	14.0%
First Reliance Bancshares, Inc.	FSRL	\$387	80%	25%	89%	4.38%	5.18%	4.76%	0.15%	NA	35%	82%	-0.11%	3.82%	0.97%	25%	6.2%	10.8%	12.9%
Greer Bancshares Incorporated	GRBS	\$372	74%	18%	73%	3.02%	4.54%	3.62%	0.28%	NA	26%	72%	-0.20%	3.77%	1.51%	40%	6.4%	10.5%	14.5%
First Community Corporation	FCCO	\$852	74%	22%	69%	3.35%	4.81%	3.71%	0.26%	0.46%	27%	66%	0.00%	1.80%	0.92%	51%	8.5%	10.3%	15.6%
Peer Group Medians:		\$641	66%	18%	83%	3.56%	5.04%	4.21%	0.34%	0.54%	26%	70%	0.05%	2.87%	1.33%	51%	7.9%	10.1%	14.2%

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

	Count	Mkt Cap (M)	Assets (M)	Valuation Metrics					Profitability Metrics						
				P/TBV	FY16E P/E	FY17E P/E	Deposit Premium	Dividend Yield	ROA (MRQ)	ROE (MRQ)	ROTC (MRQ)	ROTC (FY16E)	ROTC (FY17E)	FY16E EPS Growth	FY17E EPS Growth
Industry Medians	533	\$192	\$1,554	1.42x	13.2x	11.9x	4%	2.4%	0.91%	8.3%	9.9%	10.7%	11.2%	11%	11%
Large Cap (>\$10B)	16	\$29,385	\$280,487	1.29x	10.6x	9.6x	6%	2.6%	0.96%	8.5%	12.3%	12.2%	12.6%	8%	11%
Mid-Cap (\$2B - \$10B)	41	\$3,001	\$23,162	1.56x	13.2x	11.6x	6%	2.6%	0.95%	8.3%	11.6%	11.5%	12.4%	11%	12%
Small-Cap (\$500M - \$2B)	100	\$955	\$6,322	1.58x	13.1x	12.0x	7%	2.5%	1.07%	9.0%	11.7%	12.1%	12.1%	10%	9%
Micro-Cap (<\$500M)	376	\$114	\$1,037	1.31x	13.7x	12.3x	3%	2.4%	0.87%	8.2%	9.1%	9.3%	10.1%	12%	12%
Regional Medians															
Mid-Atlantic	118	\$162	\$1,287	1.24x	13.5x	12.1x	4%	3.0%	0.83%	7.9%	9.3%	9.7%	10.9%	7%	11%
Midwest	136	\$175	\$1,445	1.20x	12.5x	11.3x	3%	2.3%	0.94%	8.6%	10.4%	11.0%	11.2%	8%	8%
New England	36	\$191	\$1,730	1.24x	12.6x	11.6x	5%	2.9%	0.80%	7.3%	10.6%	10.3%	10.9%	12%	9%
Southwest	26	\$526	\$4,633	1.35x	11.3x	9.8x	5%	2.5%	1.07%	8.9%	10.5%	10.7%	11.0%	12%	12%
West	89	\$226	\$1,784	1.27x	13.1x	12.0x	5%	2.4%	0.98%	8.6%	9.9%	11.5%	12.0%	12%	9%
Southeast	128	\$194	\$1,378	1.30x	13.7x	12.1x	4%	2.0%	0.90%	8.2%	9.7%	10.6%	10.9%	13%	13%

Note: Excludes banks with less than \$500 million in assets, mutual holding companies, and trust banks. Forward P/E and ROTC metrics are based on First Call consensus estimates.

Source: SNL Financial, Thomson Reuters, Raymond James research.

Priced as of January 19, 2016

First Community Corporation**Income Statement**

(\$ in thousands)

	1Q14 31-Mar	2Q14 30-Jun	3Q14 30-Sep	4Q14 31-Dec	2014 31-Dec	1Q15 31-Mar	2Q15 30-Jun	3Q15 30-Sep	4Q15 31-Dec	2015 31-Dec	1Q16E 31-Mar	2Q16E 30-Jun	3Q16E 30-Sep	4Q16E 31-Dec	2016E 31-Dec	2017E 31-Dec
Net Interest Income	5,496	5,947	6,096	6,191	23,730	6,448	6,204	6,253	6,348	25,253	6,330	6,478	6,657	6,821	26,286	28,572
Provision for loan losses	150	400	152	178	880	406	391	193	148	1,138	175	275	350	400	1,200	1,525
Net Interest Income after Provision	5,346	5,547	5,944	6,013	22,850	6,042	5,813	6,060	6,200	24,115	6,155	6,203	6,307	6,421	25,086	27,047
Deposit service charges	366	379	400	372	1,517	347	346	390	386	1,469	380	371	449	412	1,612	1,667
Mortgage origination fees	619	702	1,016	849	3,186	735	980	964	753	3,432	791	909	1,000	900	3,600	3,782
Investment advisory fees and commissions	257	198	267	546	1,268	296	407	290	294	1,287	285	294	300	306	1,184	1,285
Gain on sale of securities	8	78	16	80	182	104	167	0	84	355	0	0	0	0	0	0
Gain (loss) on sale of other assets	12	(24)	10	(9)	(11)	4	1	19	114	138	0	0	0	0	0	0
Loss on early extinguishment of debt	0	(67)	0	(284)	(351)	(103)	0	0	(226)	(329)	0	0	0	0	0	0
<u>Other</u>	<u>613</u>	<u>633</u>	<u>591</u>	<u>585</u>	<u>2,422</u>	<u>598</u>	<u>664</u>	<u>666</u>	<u>686</u>	<u>2,614</u>	<u>686</u>	<u>693</u>	<u>696</u>	<u>703</u>	<u>2,778</u>	<u>2,863</u>
Noninterest Income	1,875	1,899	2,300	2,139	8,213	1,981	2,565	2,329	2,091	8,966	2,142	2,266	2,445	2,322	9,175	9,596
Non-Operating items	20	(13)	26	(213)	(180)	5	168	19	(28)	164	0	0	0	0	0	0
Operating Noninterest Income	1,855	1,912	2,274	2,352	8,393	1,976	2,397	2,310	2,119	8,802	2,142	2,266	2,445	2,322	9,175	9,596
Total Revenue	7,371	7,846	8,396	8,330	31,943	8,429	8,769	8,582	8,439	34,219	8,471	8,745	9,102	9,143	35,461	38,168
Total Operating Revenue	7,351	7,859	8,370	8,543	32,123	8,424	8,601	8,563	8,467	34,055	8,471	8,745	9,102	9,143	35,461	38,168
Salaries and employee benefits	3,424	3,272	3,502	3,545	13,743	3,565	3,658	3,595	3,610	14,428	3,592	3,682	3,719	3,700	14,692	15,115
Occupancy	413	465	489	515	1,882	485	500	513	578	2,076	532	534	537	540	2,143	2,203
Equipment	339	375	414	377	1,505	402	394	437	416	1,649	433	428	471	448	1,780	1,915
Marketing and public relations	161	212	218	147	738	226	328	129	165	848	206	217	195	234	852	884
FDIC assessment	124	131	138	128	521	138	138	113	138	527	146	148	135	135	564	583
Other real estate expense	138	117	105	193	553	154	154	126	90	524	75	75	75	75	300	300
Amortization of intangibles	42	63	64	111	280	103	98	98	88	387	88	88	88	88	352	352
<u>Other</u>	<u>1,385</u>	<u>1,150</u>	<u>1,130</u>	<u>1,073</u>	<u>4,738</u>	<u>1,027</u>	<u>1,119</u>	<u>1,056</u>	<u>1,037</u>	<u>4,239</u>	<u>1,042</u>	<u>1,042</u>	<u>1,047</u>	<u>1,047</u>	<u>4,179</u>	<u>4,295</u>
Noninterest Expense	6,026	5,785	6,060	6,089	23,960	6,100	6,389	6,067	6,122	24,678	6,114	6,214	6,267	6,267	24,862	25,648
Non-Operating items	420	15	39	29	503	0	100	0	50	150	0	0	0	0	0	0
Operating Noninterest Expense	5,606	5,770	6,021	6,060	23,457	6,100	6,289	6,067	6,072	24,528	6,114	6,214	6,267	6,267	24,862	25,648
Income Before Tax	1,195	1,661	2,184	2,063	7,103	1,923	1,989	2,322	2,169	8,403	2,182	2,255	2,485	2,476	9,399	10,996
Income tax expense	333	460	632	557	1,982	516	546	643	568	2,273	611	631	696	693	2,632	3,189
GAAP Net Income	862	1,201	1,552	1,506	5,121	1,407	1,443	1,679	1,601	6,130	1,571	1,624	1,789	1,783	6,767	7,807
Operating Net Income	1,151	1,221	1,561	1,660	5,593	1,381	1,394	1,665	1,640	6,080	1,571	1,624	1,789	1,783	6,767	7,807
Diluted shares	6,229	6,719	6,727	6,734	6,607	6,665	6,698	6,712	6,737	6,607	6,741	6,745	6,749	6,753	6,747	6,763
GAAP EPS - diluted	\$0.14	\$0.18	\$0.23	\$0.22	\$0.78	\$0.21	\$0.22	\$0.25	\$0.24	\$0.93	\$0.23	\$0.24	\$0.27	\$0.26	\$1.00	\$1.15
Operating EPS - diluted	\$0.18	\$0.18	\$0.23	\$0.25	\$0.85	\$0.21	\$0.21	\$0.25	\$0.24	\$0.92	\$0.23	\$0.24	\$0.27	\$0.26	\$1.00	\$1.15
Financial Highlights																
TBV/share	\$9.40	\$9.84	\$9.95	\$10.15	\$10.15	\$10.44	\$10.44	\$10.76	\$10.84	\$10.84	\$11.00	\$11.17	\$11.37	\$11.56	\$11.56	\$12.42
TCE/Assets	7.9%	8.4%	8.0%	8.4%	8.4%	8.4%	8.4%	8.5%	8.5%	8.5%	8.6%	8.6%	8.6%	8.7%	8.7%	8.7%
Loans/Deposits	68%	69%	65%	66%	66%	65%	69%	69%	68%	68%	66%	69%	68%	71%	71%	76%
Loan Growth	27.7%	0.2%	0.9%	-1.1%	27.7%	2.4%	4.3%	2.1%	1.1%	10.2%	0.5%	3.0%	2.0%	2.5%	8.2%	9.3%
NPA's/Loans	2.46%	2.56%	2.17%	2.13%	2.13%	1.92%	1.65%	1.55%	1.48%	1.48%	1.45%	1.36%	1.31%	1.27%	1.27%	1.21%
NCO's/Avg. Loans	0.20%	0.45%	0.05%	0.18%	0.22%	0.25%	0.31%	0.00%	0.02%	0.15%	0.10%	0.10%	0.15%	0.20%	0.14%	0.18%
Reserves/Loans	0.94%	0.91%	0.93%	0.93%	0.93%	0.94%	0.90%	0.92%	0.94%	0.94%	0.95%	0.95%	0.96%	0.96%	0.96%	0.98%
NIM	3.40%	3.38%	3.48%	3.36%	3.40%	3.62%	3.34%	3.32%	3.29%	3.39%	3.32%	3.33%	3.35%	3.38%	3.35%	3.43%
G&A/Avg. Assets	3.06%	2.93%	3.08%	2.95%	3.01%	3.00%	3.02%	2.90%	2.83%	2.94%	2.83%	2.85%	2.83%	2.80%	2.83%	2.77%
Efficiency Ratio	76%	73%	72%	71%	73%	72%	73%	71%	72%	72%	72%	71%	69%	69%	70%	67%
Effective tax rate	27.9%	27.7%	28.9%	27.0%	27.9%	26.8%	27.5%	27.7%	26.2%	27.0%	28.0%	28.0%	28.0%	28.0%	28.0%	29.0%
ROA (operating)	0.63%	0.62%	0.80%	0.81%	0.72%	0.68%	0.67%	0.80%	0.76%	0.73%	0.73%	0.75%	0.81%	0.80%	0.77%	0.84%
ROE (operating)	7.2%	7.0%	8.7%	9.0%	8.0%	7.3%	7.2%	8.6%	8.3%	7.9%	7.9%	8.1%	8.8%	8.6%	8.3%	9.0%
ROTCE (operating)	7.6%	7.6%	9.5%	9.9%	8.7%	8.0%	7.9%	9.4%	9.1%	8.6%	8.6%	8.7%	9.5%	9.3%	9.0%	9.7%
Dividends per share	\$0.06	\$0.06	\$0.06	\$0.06	\$0.24	\$0.07	\$0.07	\$0.07	\$0.07	\$0.28	\$0.08	\$0.08	\$0.08	\$0.08	\$0.32	\$0.32

First Community Corporation**Balance Sheet**

(\$ in thousands)

Stated Equity

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

1Q14 31-Mar	2Q14 30-Jun	3Q14 30-Sep	4Q14 31-Dec
68,765	70,992	72,563	74,528
6,218	5,467	6,308	6,884
62,547	65,525	66,255	67,644
\$10.34	\$10.67	\$10.89	\$11.18
\$9.40	\$9.84	\$9.95	\$10.15
6,652	6,656	6,660	6,664
8.6%	9.0%	8.7%	9.2%
7.9%	8.4%	8.0%	8.4%
10.67%	10.10%	10.33%	10.02%
15.67%	15.79%	15.80%	16.12%
16.51%	16.61%	16.62%	16.94%
797,873	786,687	830,917	812,363
24,055	14,741	43,654	10,052
255,484	250,775	263,924	282,814
3,837	2,990	3,404	4,124
443,868	444,670	448,556	443,844
(4,161)	(4,066)	(4,156)	(4,132)
74,790	77,577	75,535	75,661
729,108	715,695	758,354	737,835
654,438	640,057	686,971	669,583
19,492	16,374	17,650	17,383
34,321	37,916	32,312	28,807
15,464	15,464	15,464	15,464
5,393	5,884	5,957	6,598

1Q15 31-Mar	2Q15 30-Jun	3Q15 30-Sep	4Q15 31-Dec
76,548	76,411	78,488	79,038
6,782	6,684	6,586	6,498
69,766	69,727	71,902	72,540
\$11.45	\$11.44	\$11.74	\$11.81
\$10.44	\$10.44	\$10.76	\$10.84
6,684	6,680	6,685	6,691
9.2%	9.1%	9.2%	9.2%
8.4%	8.4%	8.5%	8.5%
10.26%	10.41%	10.34%	10.19%
15.95%	15.67%	15.67%	15.40%
16.77%	16.56%	16.48%	16.21%
835,819	836,406	852,329	862,734
32,674	16,265	23,773	11,968
274,094	271,203	273,682	283,841
5,446	6,662	3,568	2,962
454,301	474,016	483,931	489,191
(4,252)	(4,281)	(4,468)	(4,596)
73,556	72,541	71,843	79,368
759,271	759,995	773,841	783,696
694,573	684,032	704,370	716,151
16,684	19,460	19,908	21,033
27,552	35,548	27,543	24,788
15,464	15,464	15,464	14,964
4,998	5,491	6,556	6,760

1Q16E 31-Mar	2Q16E 30-Jun	3Q16E 30-Sep	4Q16E 31-Dec	4Q17E 31-Dec
80,074	81,162	82,415	83,661	89,319
6,410	6,322	6,234	6,146	5,794
73,664	74,840	76,181	77,515	83,525
\$11.96	\$12.12	\$12.30	\$12.47	\$13.29
\$11.00	\$11.17	\$11.37	\$11.56	\$12.42
6,695	6,699	6,703	6,707	6,723
9.3%	9.2%	9.3%	9.3%	9.2%
8.6%	8.6%	8.6%	8.7%	8.7%
862,734	879,989	888,789	902,120	966,746
491,637	506,386	516,514	529,427	578,589
(4,648)	(4,799)	(4,957)	(5,095)	(5,656)
744,797	737,349	759,470	740,483	765,641

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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.

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.

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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.

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Outperform (MO2) Expected to appreciate and produce a total return of between 15.0% and 25.0% over the next twelve months.

Market Perform (MP3) Expected to perform in line with the underlying country index.

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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.

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	Coverage Universe Rating Distribution*				Investment Banking Distribution			
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Strong Buy and Outperform (Buy)	55%	68%	59%	47%	22%	38%	0%	0%
Market Perform (Hold)	40%	32%	41%	38%	7%	14%	0%	0%
Underperform (Sell)	5%	1%	0%	15%	6%	0%	0%	0%

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

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High Risk/Growth (H/GRW) Medium to higher risk equities of companies in fast growing and competitive industries, with less predictable earnings (or losses), more leveraged balance sheets, rapidly changing market dynamics, financial or legal issues, higher price volatility (beta), and potential risk of principal.

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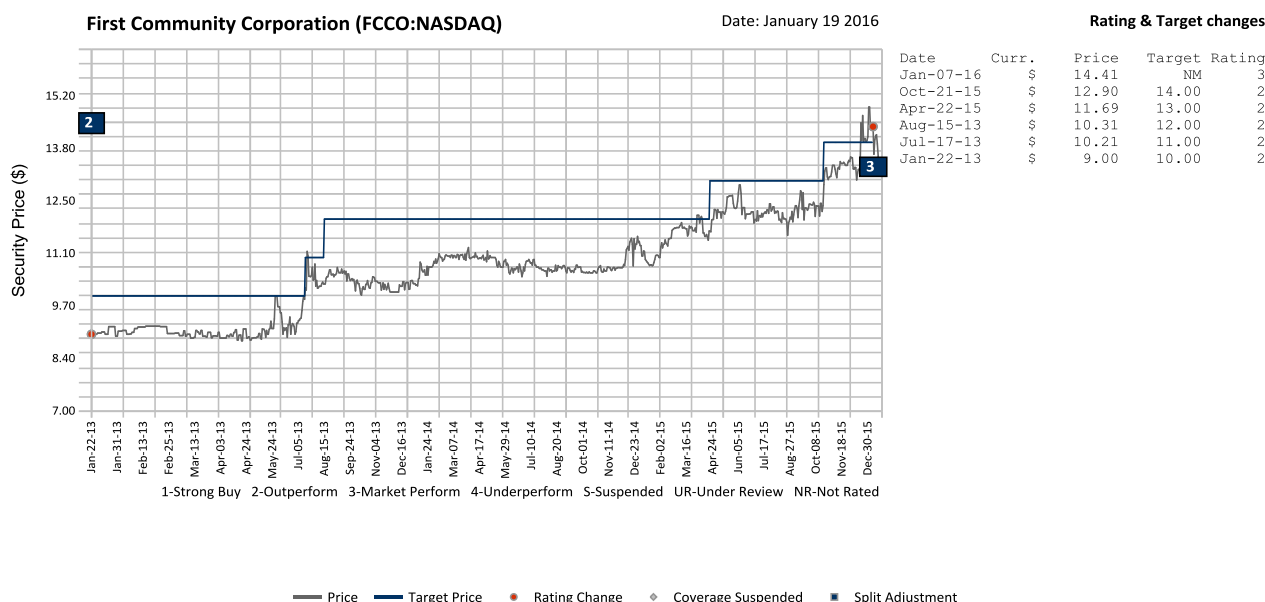
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Company Name	Disclosure
First Community Corporation	Raymond James & Associates makes a market in shares of FCCO.
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Target Prices: The information below indicates our target price and rating changes 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.

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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.

Acquisition Risk

First Community recently completed its acquisition of Savannah River Financial Corporation (February 2014). 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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