First Community Corporation

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Company Comment

(FCCO-NASDAQ)
William J. Wallace IV, (301) 657-1548, William.Wallace@RaymondJames.com
Andrew Manguart, CFA, Sr. Res. Assoc., (727) 567-5584, Andrew.Manguart@RaymondJames.com

Banking

Maintain Market Perform; Results Miss but Loan Growth Accelerates

Recommendation: We maintain our **Market Perform** rating on First Community following 4Q16 results that were slightly below expectations. Despite weaker-than-expected earning asset growth, spread revenue was relatively in line with our estimate, owing to stronger-than-expected loan growth and margin trends. Notably, the company posted a third consecutive quarter of loan growth in excess of 2.0%, as balances climbed 4.4% linked quarter. 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 growth rate through 2018. Operating expense was the lone blemish during the quarter, driving the EPS miss. While we have picked up our operating expense estimates to reflect a greater level of franchise investment, this negative is offset by lower provision expense and slightly higher fee income expectations (on a better mortgage banking outlook), leaving our estimates unchanged. That said, although we continue to expect the company to drive consistent operating leverage moving forward, 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.

- **4Q16 results miss:** FCCO reported 4Q16 GAAP EPS of $0.26. Adjusting the tax rate, we estimate operating EPS of $0.24, just below both our and the consensus estimates of $0.25.
- **Loan growth in focus:** After growing 2.4% in 3Q16, loan balances increased 4.4% sequentially in 4Q, well above our 2.5% estimate. We believe the pipeline remains strong and expect annual growth to hold in the 10-11% range through 2018 with potential upside from greater-than-expected contribution out of the company's Greenville team.
- **Expect continued margin expansion:** Margin expanded 6 bp linked quarter to 3.35%, above our 3.31% estimate, owing largely to a positive shift in the earning asset mix. Moving forward, we forecast margin to gradually expand to 3.43% in 4Q17 and 3.51% in 4Q18 on a combination of strong loan growth and the positive impact of rising rates.
- **Mortgage banking tops our estimate:** Mortgage origination fees declined 7.5% linked quarter to $867,000 (just above our $843,000 estimate), owing to expected seasonal pressures. While we have picked up our mortgage banking revenue estimates slightly to account for an increased level of production from the company's Augusta team, this benefit is partly offset by higher variable compensation expense.
- **Estimates:** We are maintaining our 2017E and 2018E EPS of $1.05 and $1.20, respectively.

Valuation: FCCO trades at 1.6x 4Q16 TBV of $11.28, 17.6x our 2017E EPS, and 15.4x our 2018E EPS, compared to micro-cap peers at 1.6x, 16.9x, and 14.3x, 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.)
2015A	$0.21	$0.21	$0.25	$0.24	$0.92	$0.93	$34
Old 2016E	0.22A	0.26A	0.24A	0.25	0.97	0.98	35
New 2016A	**0.22**	**0.26**	**0.24**	**0.24**	**0.96**	**0.99**	**35**
Old 2017E	0.24	0.25	0.27	0.29	1.05	1.05	37
New 2017E	**0.24**	**0.25**	**0.27**	**0.29**	**1.05**	**1.05**	**37**
Old 2018E	UR	UR	UR	UR	1.20	1.20	40
New 2018E	**UR**	**UR**	**UR**	**UR**	**1.20**	**1.20**	**40**

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 (Jan-18-17 1:40 p.m.)	$18.45
Target Price:	NM
52-Week Range	$18.95 - $12.66
Suitability	High Risk/Growth

Market Data

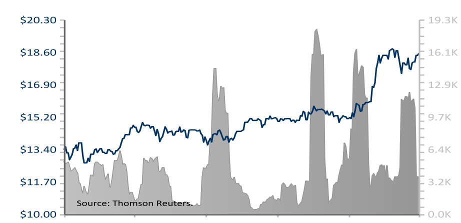
Shares Out. (mil.)	6.7
Market Cap. (mil.)	$124
Avg. Daily Vol. (10 day)	3,751
Dividend/Yield	$0.32/1.7%
Book Value (Dec-16)	$12.20
Tang. BVPS (Dec-16)	$11.28

Earnings & Valuation Metrics

	2015A	2016A	2017E	2018E
P/E Ratios (Non-GAAP)	20.1x	19.2x	17.6x	15.4x

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 9 and Analyst Certification on page 9.

Guidance Tracker – First Community Corporation (FCCO)

Source	Category	Target Period	Trending	Guidance
2016Q4 Earnings	Asset Quality	2017Y		Management anticipates the loans-to-reserves ratio should hold near 4Q16 levels (~0.95%).
2016Q4 Earnings	Loan	2017Y		Management is targeting 10% annual loan growth.
2016Q4 Earnings	NIM	2017Q1		Management expects the Fed's December rate hike to result in 5-6 bp of margin expansion in 1Q17 (assuming prepayment rates hold). All else equal, subsequent rate hikes should result in a similar level of margin expansion.
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.
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.
2016Q4 Earnings	Tax Rate	2017Y		The company anticipates the tax rate will be approximately 27.0-27.5%.

Source: Raymond James research; company reports

Raymond James Revised Earnings Estimates

As illustrated in the following table, we are maintaining our 2017 and 2018 EPS estimates of $1.05 and $1.20, respectively.

Earnings Estimates

($ in thousands)	2017E			2018E		
	Old	Current	Change	Old	Current	Change
Operating EPS	**$1.05**	**$1.05**	**$0.00**	**$1.20**	**$1.20**	**$0.00**
GAAP EPS	**$1.05**	**$1.05**	**$0.00**	**$1.20**	**$1.20**	**$0.00**
Core PTPP* Earnings	11,403	11,053	-3%	13,261	13,015	-2%
Avg. Earning Assets	876,523	866,099	-1%	948,731	937,448	-1%
NIM	3.35%	3.40%	5 bps	3.41%	3.46%	5 bps
Net Interest Income	28,513	28,591	0%	31,484	31,585	0%
Provision	1,250	950	-24%	1,650	1,450	-12%
Operating Fee Income	8,755	8,844	1%	8,681	8,878	2%
Operating Expense	26,165	26,682	2%	27,204	27,748	2%
Operating Efficiency	70%	71%	107 bps	68%	69%	84 bps
Tax Rate	27.5%	27.3%	-23 bps	28.0%	27.5%	-50 bps
Diluted shares	6,776	6,815	1%	6,792	6,831	1%
Dividends per share	$0.36	$0.36	$0.00	$0.40	$0.40	$0.00
Loan Growth	10.4%	10.4%	0 bps	10.4%	10.4%	0 bps
Reserves/Loans	0.98%	0.95%	-3 bps	1.00%	0.96%	-4 bps
NPAs/Loans	0.94%	0.91%	-3 bps	0.95%	0.93%	-3 bps
NCOs/Avg. Loans	0.10%	0.08%	-3 bps	0.15%	0.13%	-3 bps

*PTPP = pre-tax, pre-provision

We are maintaining our 2017 and 2018 EPS estimates of $1.05 and $1.20, respectively. For both periods, higher operating expense is offset by higher fee income and lower provision 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 4Q16 operating EPS of $0.24, below both our and the consensus estimates of $0.25. Relative to our model, the miss was driven by higher-than-expected operating expense, which more than offset lower-than-expected provision expense. From a loan growth perspective, the company reported a 4.4% linked-quarter increase in loan balances, above both the 2.6% consensus and our 2.5% estimate. The company's reported NIM of 3.35% topped both the 3.29% consensus and our 3.31% 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	$0.25	-$0.01	$0.26	$0.25	3
Book value per share	12.20	12.73	-0.53	12.76	-0.55	12.81	12.72	3
Tangible book value	11.28	11.81	-0.53	11.84	-0.56	11.89	11.81	3
Dividends per share	0.08	0.08	0.00	0.05	0.03	0.08	0.00	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	6.8	6.8	0.0	6.9	-0.1	7.0	6.8	3
Loan loss provision	0.2	0.3	-0.1	0.2	0.0	0.3	0.2	3
Fee income	2.2	2.2	-0.1	2.2	0.0	2.3	2.2	3
Revenue	9.0	9.0	-0.1	9.2	-0.2	9.4	9.0	2
Non-interest expense	6.5	6.4	0.1	6.5	0.0	6.6	6.4	3
Pre-tax income	2.2	2.4	-0.1	2.4	-0.2	2.5	2.4	3
Taxes	0.4	0.6	-0.2	0.7	-0.3	0.9	0.6	3
Net income	1.7	1.7	-0.1	1.7	-0.1	1.8	1.7	3
BALANCE SHEET								
Loans	547	537	10	537	10	538	536	3
Loan growth	4.4%	2.5%	195 bp	2.6%	188 bp	2.8%	2.3%	3
Average Deposits	767	758	8	763	4	768	758	2
FINANCIAL RATIOS								
Net interest margin (NIM)	3.35%	3.31%	4 bp	3.29%	6 bp	3.31%	3.25%	3
Efficiency ratio	72.5%	70.6%	190 bp	70.5%	199 bp	70.7%	70.2%	3
Net charge-offs / Avg. loans	0.05%	0.15%	-10 bp	0.09%	-4 bp	0.15%	0.03%	2
ROA	0.73%	0.75%	-2 bp	0.75%	-2 bp	0.77%	0.73%	3
ROE	7.9%	8.1%	-20 bp	8.1%	-18 bp	8.3%	7.9%	3

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

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	$8,797	87%	30%	90%	4.15%	4.76%	4.26%	0.08%	0.11%	30%	60%	0.03%	0.64%	0.62%	96%	8.8%	9.7%	12.3%
Carolina Financial Corporation	CARO	$1,654	62%	20%	86%	3.67%	4.87%	4.32%	0.49%	0.62%	38%	61%	-0.02%	0.64%	0.88%	138%	9.3%	10.4%	14.3%
Southern First Bancshares, Inc.	SFST	$1,290	73%	21%	107%	3.65%	4.53%	4.36%	0.38%	0.71%	21%	56%	0.24%	1.46%	1.29%	89%	8.2%	9.4%	10.9%
CNB Corporation	CNBW	$1,111	71%	24%	52%	3.05%	5.46%	3.17%	0.18%	NA	22%	66%	0.17%	2.11%	1.62%	77%	9.7%	9.8%	17.9%
Security Federal Corporation	SFDL	$824	66%	NA	55%	3.46%	5.65%	3.70%	0.32%	NA	17%	71%	0.33%	3.65%	2.25%	62%	9.0%	11.0%	20.9%
Coastal Banking Company, Inc.	CBCO	$613	63%	18%	95%	3.79%	5.62%	4.59%	0.67%	NA	81%	85%	-0.05%	3.17%	1.14%	36%	7.9%	10.7%	19.7%
Bank of South Carolina Corporation	BKSC	$410	88%	33%	73%	3.78%	4.86%	4.19%	0.10%	NA	15%	56%	-0.03%	1.10%	1.38%	126%	10.3%	9.6%	13.8%
First Reliance Bancshares, Inc.	FSRL	$409	80%	24%	87%	4.42%	4.98%	4.75%	0.22%	NA	47%	76%	-0.07%	2.04%	0.90%	44%	6.3%	9.9%	11.7%
Greer Bancshares Incorporated	GRBS	$381	78%	20%	71%	3.13%	4.67%	3.75%	0.31%	NA	26%	70%	-0.02%	2.82%	1.43%	51%	7.2%	10.3%	14.8%
First Community Corporation	**FCCO**	**$915**	**76%**	**23%**	**68%**	**3.31%**	**4.60%**	**3.60%**	**0.25%**	**0.37%**	**21%**	**72%**	**0.01%**	**1.20%**	**0.96%**	**80%**	**8.6%**	**10.2%**	**15.1%**
Peer Group Medians:		**$870**	**74%**	**23%**	**80%**	**3.66%**	**4.86%**	**4.22%**	**0.28%**	**0.50%**	**24%**	**68%**	**0.00%**	**1.75%**	**1.21%**	**78%**	**8.7%**	**10.0%**	**14.5%**

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 (3Q16)	ROE (3Q16)	ROTCE (3Q16)	ROTCE (2017E)	ROTCE (2018E)	2017E EPS Growth	2018E EPS Growth
Industry Medians	**529**	**$253**	**$1,654**	**1.94x**	**17.4x**	**15.2x**	**7%**	**1.9%**	**0.94%**	**8.7%**	**10.1%**	**10.9%**	**11.5%**	**10%**	**12.5%**
Large Cap (>$10B)	17	$26,444	$205,091	1.66x	14.4x	13.0x	8%	1.9%	0.97%	8.2%	12.1%	11.8%	12.0%	11%	12%
Mid-Cap ($2B - $10B)	59	$3,599	$19,726	2.22x	17.6x	15.6x	13%	1.9%	1.07%	8.5%	11.7%	11.8%	12.2%	9%	11%
Small-Cap ($500M - $2B)	119	$890	$4,811	2.16x	17.6x	15.5x	13%	1.9%	1.08%	9.5%	12.3%	11.9%	12.3%	10%	12%
Micro-Cap (<$500M)	334	$128	$1,012	1.60x	16.9x	14.3x	4%	2.0%	0.85%	8.3%	8.9%	9.3%	9.8%	12%	15%
Asset Size Medians															
Over $50B	18	$25,059	$176,053	1.63x	14.5x	13.1x	8%	1.9%	0.96%	8.2%	12.0%	11.3%	11.7%	11%	13%
$10B to $50B	57	$3,584	$19,726	2.08x	17.4x	15.4x	12%	1.7%	1.04%	8.4%	11.7%	11.5%	12.0%	9%	12%
$5B to $10B	57	$1,462	$7,364	2.42x	17.8x	16.1x	15%	2.0%	1.10%	9.4%	13.2%	12.5%	12.8%	9%	12%
$1B to $5B	233	$301	$1,815	1.84x	17.6x	15.2x	8%	1.9%	0.93%	8.9%	10.0%	10.1%	11.0%	12%	14%
$500M to $1B	164	$81	$699	1.41x	15.0x	13.3x	3%	2.1%	0.83%	7.9%	8.6%	8.5%	8.8%	11%	12%

Priced as of January 17, 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 First Call consensus estimates.

Source: SNL Financial, FactSet, and Raymond James research

First Community Corporation

Income Statement	1Q15	2Q15	3Q15	4Q15	2015	1Q16	2Q16	3Q16	4Q16	2016	1Q17E	2Q17E	3Q17E	4Q17E	2017E	2018E
($ in thousands)	31-Mar	30-Jun	30-Sep	31-Dec	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Dec	31-Dec
Net Interest Income	6,448	6,204	6,253	6,348	25,253	6,337	6,677	6,651	6,794	26,459	6,809	6,995	7,255	7,532	28,591	31,585
Provision for loan losses	406	391	193	148	1,138	140	217	179	238	774	100	250	300	300	950	1,450
Net Interest Income after Provision	**6,042**	**5,813**	**6,060**	**6,200**	**24,115**	**6,197**	**6,460**	**6,472**	**6,556**	**25,685**	**6,709**	**6,745**	**6,955**	**7,232**	**27,641**	**30,135**
Deposit service charges	347	346	390	386	1,469	347	340	377	341	1,405	352	357	401	361	1,471	1,521
Mortgage origination fees	735	980	964	753	3,432	665	913	937	867	3,382	780	858	858	815	3,312	3,115
Investment advisory fees and commissions	296	407	290	294	1,287	291	297	283	264	1,135	267	275	280	289	1,110	1,201
Gain on sale of securities	104	167	0	84	355	59	64	478	0	601	0	0	0	0	0	0
Gain (loss) on sale of other assets	4	3	17	114	138	3	(84)	45	3	(33)	0	0	0	0	0	0
Loss on early extinguishment of debt	(103)	0	0	(226)	(329)	0	0	(459)	0	(459)	0	0	0	0	0	0
Other	598	662	668	686	2,614	724	734	726	725	2,909	729	736	740	747	2,951	3,041
Noninterest Income	**1,981**	**2,565**	**2,329**	**2,091**	**8,966**	**2,089**	**2,264**	**2,387**	**2,200**	**8,940**	**2,127**	**2,226**	**2,279**	**2,212**	**8,844**	**8,878**
Non-Operating items	5	170	17	(28)	164	62	(20)	64	3	109	0	0	0	0	0	0
Operating Noninterest Income	**1,976**	**2,395**	**2,312**	**2,119**	**8,802**	**2,027**	**2,284**	**2,323**	**2,197**	**8,831**	**2,127**	**2,226**	**2,279**	**2,212**	**8,844**	**8,878**
Total Revenue	**8,429**	**8,769**	**8,582**	**8,439**	**34,219**	**8,426**	**8,941**	**9,038**	**8,994**	**35,399**	**8,937**	**9,220**	**9,534**	**9,744**	**37,435**	**40,463**
Total Operating Revenue	**8,424**	**8,599**	**8,565**	**8,467**	**34,055**	**8,364**	**8,961**	**8,974**	**8,991**	**35,290**	**8,937**	**9,220**	**9,534**	**9,744**	**37,435**	**40,463**
Salaries and employee benefits	3,565	3,658	3,595	3,610	14,428	3,751	3,833	3,888	3,851	15,323	3,890	3,967	4,047	4,067	15,970	16,678
Occupancy	485	500	513	578	2,076	559	511	531	566	2,167	566	569	575	577	2,287	2,333
Equipment	402	394	437	416	1,649	429	437	442	420	1,728	437	432	476	452	1,797	1,933
Marketing and public relations	226	328	129	165	848	94	195	240	336	865	252	252	202	222	927	941
FDIC assessment	138	138	113	138	527	138	138	60	76	412	78	79	64	64	286	296
Other real estate expense	154	154	126	90	524	51	21	115	14	201	75	75	75	75	300	300
Amortization of intangibles	103	98	98	88	387	83	80	80	75	318	75	75	75	75	300	300
Other	1,027	1,119	1,056	1,037	4,239	1,237	1,118	1,227	1,180	4,762	1,186	1,198	1,210	1,222	4,815	4,967
Noninterest Expense	**6,100**	**6,389**	**6,067**	**6,122**	**24,678**	**6,342**	**6,333**	**6,583**	**6,518**	**25,776**	**6,558**	**6,648**	**6,722**	**6,754**	**26,682**	**27,748**
Non-Operating items	0	100	0	50	150	49	0	0	0	49	0	0	0	0	0	0
Operating Noninterest Expense	**6,100**	**6,289**	**6,067**	**6,072**	**24,528**	**6,293**	**6,333**	**6,583**	**6,518**	**25,727**	**6,558**	**6,648**	**6,722**	**6,754**	**26,682**	**27,748**
Income Before Tax	**1,923**	**1,989**	**2,322**	**2,169**	**8,403**	**1,944**	**2,391**	**2,276**	**2,238**	**8,849**	**2,278**	**2,323**	**2,511**	**2,690**	**9,803**	**11,265**
Income tax expense	519	546	643	568	2,276	476	646	599	446	2,167	615	627	691	740	2,673	3,098
GAAP Net Income	**1,404**	**1,443**	**1,679**	**1,601**	**6,127**	**1,468**	**1,745**	**1,677**	**1,792**	**6,682**	**1,663**	**1,696**	**1,821**	**1,950**	**7,130**	**8,167**
Operating Net Income	**1,381**	**1,392**	**1,667**	**1,640**	**6,080**	**1,458**	**1,760**	**1,630**	**1,654**	**6,502**	**1,663**	**1,696**	**1,821**	**1,950**	**7,130**	**8,167**
Diluted shares	6,665	6,698	6,712	6,737	6,607	6,751	6,733	6,762	6,805	6,763	6,809	6,813	6,817	6,821	6,815	6,831
GAAP EPS - diluted	$0.21	$0.22	$0.25	$0.24	$0.93	$0.22	$0.26	$0.25	$0.26	$0.99	$0.24	$0.25	$0.27	$0.29	$1.05	$1.20
Operating EPS - diluted	**$0.21**	**$0.21**	**$0.25**	**$0.24**	**$0.92**	**$0.22**	**$0.26**	**$0.24**	**$0.24**	**$0.96**	**$0.24**	**$0.25**	**$0.27**	**$0.29**	**$1.05**	**$1.20**
Financial Highlights																
TBV/share	$10.44	$10.44	$10.76	$10.84	$10.84	$11.23	$11.62	$11.63	$11.28	$11.28	$11.44	$11.61	$11.80	$12.00	$12.00	$12.83
TCE/Assets	8.4%	8.4%	8.5%	8.5%	8.5%	8.7%	8.8%	8.6%	8.3%	8.3%	8.4%	8.4%	8.3%	8.2%	8.2%	8.2%
Loans/Deposits	65%	69%	69%	68%	68%	68%	70%	68%	71%	71%	69%	72%	72%	76%	76%	81%
Loan Growth	2.4%	4.3%	2.1%	1.1%	10.2%	1.0%	3.5%	2.4%	4.4%	11.8%	1.0%	3.5%	3.0%	2.5%	10.4%	10.4%
NPAs/Loans	1.92%	1.65%	1.55%	1.48%	1.48%	1.51%	1.14%	0.97%	0.95%	0.95%	0.94%	0.93%	0.93%	0.91%	0.91%	0.93%
NCOs/Avg. Loans	0.25%	0.31%	0.00%	0.02%	0.15%	0.04%	0.02%	0.01%	0.05%	0.03%	0.05%	0.05%	0.10%	0.10%	0.08%	0.13%
Reserves/Loans	0.94%	0.90%	0.92%	0.94%	0.94%	0.95%	0.95%	0.96%	0.95%	0.95%	0.95%	0.95%	0.95%	0.95%	0.95%	0.96%
NIM	3.62%	3.34%	3.32%	3.29%	3.39%	3.33%	3.43%	3.29%	3.35%	3.35%	3.39%	3.39%	3.39%	3.43%	3.40%	3.46%
G&A/Avg. Assets	3.00%	3.02%	2.90%	2.83%	2.94%	2.91%	2.88%	2.92%	2.88%	2.90%	2.85%	2.86%	2.83%	2.78%	2.83%	2.72%
Efficiency Ratio	72%	73%	71%	72%	72%	75%	71%	73%	72%	73%	73%	72%	71%	69%	71%	69%
Effective tax rate	27.0%	27.5%	27.7%	26.2%	27.1%	24.5%	27.0%	26.3%	19.9%	24.5%	27.0%	27.0%	27.5%	27.5%	27.3%	27.5%
ROA (operating)	0.68%	0.67%	0.80%	0.76%	0.73%	0.67%	0.80%	0.72%	0.73%	0.73%	0.72%	0.73%	0.77%	0.80%	0.76%	0.80%
ROE (operating)	7.3%	7.2%	8.6%	8.3%	7.9%	7.3%	8.6%	7.7%	7.9%	7.9%	8.1%	8.1%	8.6%	9.1%	8.5%	9.2%
ROTCE (operating)	8.0%	7.9%	9.4%	9.1%	8.6%	7.9%	9.3%	8.3%	8.6%	8.5%	8.7%	8.8%	9.3%	9.8%	9.1%	9.8%
Dividends per share	$0.07	$0.07	$0.07	$0.07	$0.28	$0.08	$0.08	$0.08	$0.08	$0.32	$0.09	$0.09	$0.09	$0.09	$0.36	$0.40

Source: Company reports and Raymond James research

First Community Corporation

Balance Sheet *($ in thousands)*	**1Q15 31-Mar**	**2Q15 30-Jun**	**3Q15 30-Sep**	**4Q15 31-Dec**	**1Q16 31-Mar**	**2Q16 30-Jun**	**3Q16 30-Sep**	**4Q16 31-Dec**	**1Q17E 31-Mar**	**2Q17E 30-Jun**	**3Q17E 30-Sep**	**4Q17E 31-Dec**	**4Q18E 31-Dec**
Stated Equity	**76,548**	**76,411**	**78,488**	**79,038**	**81,611**	**84,211**	**84,208**	**81,861**	**82,920**	**84,011**	**85,227**	**86,572**	**92,046**
Intangibles	6,782	6,684	6,586	6,497	6,415	6,335	6,255	6,180	6,105	6,030	5,955	5,880	5,580
Tangible Common Equity	**69,766**	**69,727**	**71,902**	**72,541**	**75,196**	**77,876**	**77,953**	**75,681**	**76,815**	**77,981**	**79,272**	**80,692**	**86,466**
Book Value	$11.45	$11.44	$11.74	$11.81	$12.19	$12.57	$12.56	$12.20	$12.35	$12.51	$12.68	$12.87	$13.66
Tangible BV	**$10.44**	**$10.44**	**$10.76**	**$10.84**	**$11.23**	**$11.62**	**$11.63**	**$11.28**	**$11.44**	**$11.61**	**$11.80**	**$12.00**	**$12.83**
Shares Outstanding	6,684	6,680	6,685	6,691	6,693	6,699	6,703	6,708	6,712	6,716	6,720	6,724	6,740
Equity/Assets	9.2%	9.1%	9.2%	9.2%	9.4%	9.5%	9.2%	8.9%	9.0%	9.0%	8.9%	8.8%	8.6%
TCE ratio	**8.4%**	**8.4%**	**8.5%**	**8.5%**	**8.7%**	**8.8%**	**8.6%**	**8.3%**	**8.4%**	**8.4%**	**8.3%**	**8.2%**	**8.2%**
Leverage Ratio	10.26%	10.41%	10.34%	10.19%	10.23%	10.24%	10.17%	10.23%					
Tier 1 Capital Ratio	15.95%	15.67%	15.67%	15.40%	15.41%	15.30%	15.09%	14.46%					
Total Capital Ratio	16.77%	16.56%	16.48%	16.21%	16.24%	16.14%	15.93%	15.28%					
Total Assets	**835,819**	**836,406**	**852,329**	**862,734**	**870,409**	**888,837**	**915,251**	**914,793**	**923,941**	**937,800**	**961,245**	**985,276**	**1,066,443**
Other short-term investments	32,674	16,265	23,773	11,968	15,835	10,010	24,944	10,074					
Investment securities	274,094	271,203	273,682	283,841	286,019	286,766	288,174	272,396					
Loans held for sale	5,446	6,662	3,568	2,962	2,545	7,707	4,250	5,707					
Loans	**454,301**	**474,016**	**483,931**	**489,191**	**494,021**	**511,303**	**523,441**	**546,709**	**552,176**	**571,502**	**588,647**	**603,364**	**665,889**
Allowance for loan losses	(4,252)	(4,281)	(4,468)	(4,596)	(4,687)	(4,877)	(5,047)	(5,214)	(5,245)	(5,425)	(5,580)	(5,731)	(6,388)
Other assets	73,556	72,541	71,843	79,368	76,676	77,928	79,489	85,121					
Total Liabilities	**759,271**	**759,995**	**773,841**	**783,696**	**788,798**	**804,626**	**831,043**	**832,932**					
Total deposits	694,573	684,032	704,370	716,151	722,236	729,623	765,923	766,622	797,287	789,314	812,993	792,669	819,600
Securities sold under repo	16,684	19,460	19,908	21,033	20,697	21,112	22,232	19,527					
FHLB advances	27,552	35,548	27,543	24,788	24,432	32,445	21,022	24,035					
Junior sub debt	15,464	15,464	15,464	14,964	14,964	14,964	14,964	14,964					
Other liabilities	4,998	5,491	6,556	6,760	6,469	6,482	6,902	7,784					

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	Coverage Universe Rating Distribution*			Investment Banking Distribution		
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Strong Buy and Outperform (Buy)	52%	70%	52%	19%	49%	0%
Market Perform (Hold)	44%	30%	34%	9%	17%	0%
Underperform (Sell)	4%	1%	14%	5%	0%	0%

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

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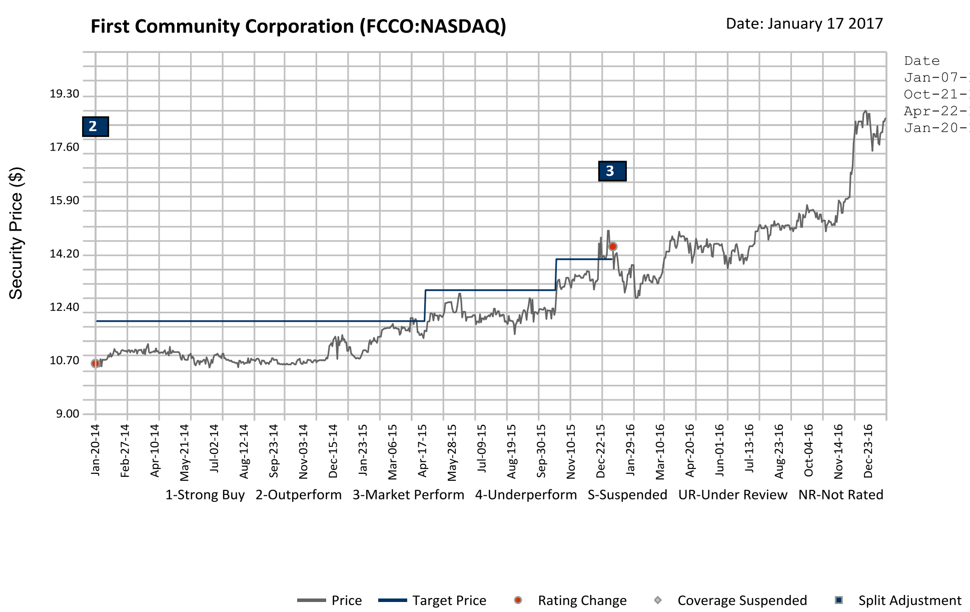

Rating & Target changes

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
Jan-20-14	$	10.63	12.00	2

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

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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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