First Community Corporation

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(FCCO-NASDAQ)

Company Comment

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Banking

Maintain Market Perform; Reducing Estimates on Lower Margin Expectations

Recommendation: We are maintaining our **Market Perform** rating on FCCO shares following 3Q18 results that fell short of both our and consensus expectations, driven by a spread revenue shortfall. To wit, margin came in well below expectations, and loan growth was modestly lower than expected (but still solid), where we note the company experienced higher than normal paydowns. Elsewhere, results were largely as expected as fee income matched our estimate given a solid quarter for mortgage. Moving forward, we have decreased our spread revenue estimates on lower margin to reflect this quarter's results. In the nearer term, we expect the company to continue its loan growth momentum from recent quarters as we believe the pipeline remains strong across the footprint. Additionally, we expect the company to focus on the mortgage business as we believe 2019 will pose a challenging environment given the rising rate backdrop. Ultimately, despite our reduced earnings outlook, we continue to view the risk/reward dynamic as balanced at current premium valuation levels as we believe franchise value is appropriately reflected at this time.

- **3Q18 results miss RJ and the Street:** FCCO reported 3Q18 GAAP and operating EPS of $0.37, below both our and the consensus $0.39 estimates.
- **Loan growth slows:** After increasing 2.4% sequentially in 2Q18, organic loan growth momentum slowed a bit, with 1.8% growth in the quarter (affected by higher than normal paydowns). That said, we believe the pipeline across its Augusta/Aiken and upstate South Carolina markets remains strong and expect annual organic growth to hold in the ~10% neighborhood through 2020.
- **Expect gradual margin expansion:** Margin contracted 11 bp linked quarter to 3.60%, well below both our 3.74% estimate and the 3.72% consensus, as an 8 bp sequential increase in total funding costs was coupled with a 4 bp decline in earning asset yields. Moving forward, we expect margin to gradually expand to 3.70% in 2020 given our expectation for two additional Fed Funds rate hikes and modest asset sensitivity.
- **Estimates:** We are decreasing our 2018E/2019E EPS from $1.52/$1.65 to $1.48/$1.55. We are also establishing 2020E EPS of $1.70.

Valuation: FCCO trades at 1.9x 3Q18 TBV of $11.98, 14.5x our 2018E EPS, and 13.9x our 2019E EPS, a premium to micro-cap peers at 1.6x, 12.5x, and 11.4x, respectively. We believe current premium valuations appropriately reflect above-peer ROTCE expectations.

Non-GAAP EPS	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	Full Year	GAAP EPS Full Year	Revenues (mil.)
2017A	$0.24	$0.25	$0.30	$0.27	$1.06	$0.83	$39
Old 2018E	0.36A	0.37A	0.39	0.40	1.52	1.53	47
New 2018E	**0.36A**	**0.37A**	**0.37A**	**0.38**	**1.48**	**1.49**	**47**
Old 2019E	0.38	0.41	0.44	0.42	1.65	1.65	50
New 2019E	**0.36**	**0.38**	**0.40**	**0.41**	**1.55**	**1.55**	**49**
Old 2020E	NA	NA	NA	NA	NA	NA	NA
New 2020E	**UR**	**UR**	**UR**	**UR**	**1.70**	**1.70**	**53**

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 (Oct-17-18 close)	$21.51
Target Price:	NM
52-Week Range	$26.25 - $20.56
Suitability	High Risk/Growth

Market Data

Shares Out. (mil.)	7.6
Market Cap. (mil.)	$163
Avg. Daily Vol. (10 day)	8,719
Dividend/Yield	$0.40/1.9%
Book Value (Sep-18)	$14.18
Tang. BVPS (Sep-18)	$11.98

Earnings & Valuation Metrics

	2017A	2018E	2019E	2020E
P/E Ratios (Non-GAAP)	20.3x	14.5x	13.9x	12.7x

Company Description

First Community Corporation, headquartered in Lexington, South Carolina, is a $1.1 billion asset bank holding company that operates 19 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 9.

Guidance Tracker – First Community Corporation (FCCO)

RAYMOND JAMES®

Source	Category	Target Period	Trending	Guidance
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.
2017Q4 Earnings	Noninterest Income	2018Y	–	Management expects to grow mortgage banking revenue over the coming quarters.
2018Q2 Earnings	Tax Rate	2018Y	–	The company anticipates the tax rate will be approximately 20.5% in 2H18.

Source: Raymond James research; company reports

Lowering 2018E/2019E EPS Primarily on Lower Spread Revenue, Establishing 2020E EPS

($ in thousands)	2018E			2019E			2020E
	Old	Current	Change	Old	Current	Change	Current
Operating EPS	**$1.52**	**$1.48**	**($0.04)**	**$1.65**	**$1.55**	**($0.10)**	**$1.70**
GAAP EPS	**$1.53**	**$1.49**	**($0.04)**	**$1.65**	**$1.55**	**($0.10)**	**$1.70**
Core PTPP* Earnings	15,567	14,903	-4%	17,306	16,201	-6%	18,154
Avg. Earning Assets	985,271	985,261	0%	1,056,301	1,045,919	-1%	1,122,333
NIM	3.72%	3.65%	-6 bps	3.77%	3.69%	-8 bps	3.70%
Net Interest Income	36,181	35,535	-2%	39,383	38,154	-3%	41,048
Provision	681	402	-41%	1,200	1,050	-13%	1,350
Operating Fee Income	11,007	11,135	1%	10,936	11,273	3%	11,496
Operating Expense	31,704	31,868	1%	33,059	33,271	1%	34,434
Operating Efficiency	67%	68%	110 bps	66%	67%	162 bps	66%
Tax Rate	19.3%	19.3%	0 bps	20.5%	20.5%	0 bps	20.5%
Diluted shares	7,726	7,723	0%	7,744	7,761	0%	7,818
Dividends per share	$0.40	$0.40	$0.00	$0.40	$0.44	$0.04	$0.48
Loan Growth	11.7%	10.4%	-132 bps	10.4%	10.4%	0 bps	9.8%
Reserves/Loans	0.90%	0.89%	0 bps	0.91%	0.91%	0 bps	0.93%
NPAs/Loans	0.71%	0.69%	-1 bps	0.72%	0.70%	-1 bps	0.72%
NCOs/Avg. Loans	0.00%	-0.02%	-3 bps	0.05%	0.03%	-2 bps	0.06%

*PTPP = pre-tax, pre-provision

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 3Q18 operating EPS of $0.37, below both our and the consensus $0.39 estimates. Relative to our model, lower spread revenue and slightly higher operating expense more than offset lower provision expense. From a loan growth perspective, the company reported a 1.8% sequential increase in loan balances, below both our 2.5% estimate and the 2.1% consensus. The company's reported NIM of 3.60% came in well below both our 3.74% estimate and the 3.72% 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	$0.37	$0.39	-$0.02	$0.39	-$0.02	$0.40	$0.39	3
Book value per share	14.18	14.36	-0.18	14.37	-0.19	14.40	14.35	3
Tangible book value	11.98	12.17	-0.18	12.17	-0.19	12.18	12.15	3
Dividends per share	0.10	0.10	0.00	0.11	-0.01	0.12	0.10	3
Avg. fully diluted shares (mil.)	7.7	7.7	0.0	7.7	0.0	7.7	7.7	3
INCOME STATEMENT								
Net interest income	8.9	9.2	-0.4	9.3	-0.4	9.3	9.2	3
Loan loss provision	0.0	0.2	-0.2	0.2	-0.2	0.3	0.2	3
Fee income	2.8	2.8	0.0	2.8	0.1	2.8	2.8	3
Revenue	11.7	12.0	-0.3	12.1	-0.3	12.1	12.0	2
Non-interest expense	8.1	8.0	0.1	8.0	0.1	8.0	7.9	3
Pre-tax income	3.6	3.8	-0.2	3.8	-0.3	3.9	3.8	3
Taxes	0.7	0.8	0.0	0.8	-0.1	0.9	0.8	3
Net income	2.8	3.0	-0.2	3.1	-0.2	3.1	3.0	3
BALANCE SHEET								
Loans	697	701	-5	699	-2	701	695	3
Loan growth	1.8%	2.5%	-72 bp	2.1%	-36 bp	2.5%	1.5%	3
Average Deposits	922	943	-21	941	-19	943	938	2
FINANCIAL RATIOS								
Net interest margin (NIM)	3.60%	3.74%	-14 bp	3.72%	-12 bp	3.74%	3.70%	3
Efficiency ratio	69.4%	66.7%	271 bp	66.1%	330 bp	67.0%	65.6%	3
Net charge-offs / Avg. loans	-0.06%	0.01%	-7 bp	0.03%	-9 bp	0.05%	0.01%	2
ROA	1.04%	1.10%	-6 bp	1.12%	-8 bp	1.14%	1.10%	3
ROE	10.5%	11.2%	-72 bp	11.3%	-75 bp	11.4%	11.2%	3

Source: S&P Global; FactSet; Raymond James research; company reports
Note: Dollar amounts in millions, except per share data

First Community Regional Peer Group Comparison

Company	Ticker	Balance Sheet Ratios: Assets ($M)	Balance Sheet Ratios: Core Deposits	Balance Sheet Ratios: Nonint Deposits	Balance Sheet Ratios: Loans/ Deposits	Income Statement Ratios: NIM	Income Statement Ratios: Loan Yields	Income Statement Ratios: Yield on Earning Assets	Income Statement Ratios: Cost of Deposits	Income Statement Ratios: Cost of Funds	Income Statement Ratios: Fee Income/ Revenue	Income Statement Ratios: Efficiency Ratio	Credit: NCOs/ Avg. Loans	Credit: NPAs/ Loans	Credit: Reserves/ Loans	Credit: Reserves/ NPAs	Capital: TCE ratio	Capital: Leverage Ratio	Capital: Tier 1 risk-based
South State Corporation	SSB	$14,566	84%	27%	93%	4.13%	4.83%	4.49%	0.34%	0.40%	23%	55%	0.05%	0.39%	0.48%	122%	9.5%	10.6%	13.0%
Carolina Financial Corporation	CARO	$3,693	67%	21%	90%	4.03%	5.38%	4.83%	0.63%	0.85%	27%	51%	0.05%	0.45%	0.53%	117%	11.5%	12.6%	15.9%
Southern First Bancshares, Inc.	SFST	$1,788	79%	20%	98%	3.48%	4.70%	4.47%	0.91%	0.99%	16%	57%	0.04%	0.99%	1.04%	105%	9.0%	10.0%	11.7%
Security Federal Corporation	SFDL	$894	69%	NA	59%	3.33%	5.30%	3.86%	0.49%	NA	21%	75%	-0.38%	3.14%	1.96%	62%	8.5%	10.0%	16.4%
GrandSouth Bancorporation	GRRB	$728	56%	16%	93%	5.24%	6.99%	6.33%	NA	NA	3%	72%	-0.30%	0.98%	1.40%	143%	7.1%	8.5%	10.2%
South Atlantic Bancshares, Inc.	SABK	$639	87%	NA	92%	4.24%	5.11%	4.74%	NA	NA	14%	75%	-0.01%	0.13%	0.77%	581%	8.7%	8.8%	10.9%
First Reliance Bancshares, Inc.	FSRL	$538	72%	23%	89%	4.33%	5.32%	4.89%	0.55%	NA	30%	89%	0.09%	1.71%	0.58%	34%	9.1%	10.2%	12.3%
Bank of South Carolina Corporation	BKSC	$428	NA	NA	NA	NA	5.69%	4.45%	NA	NA	NA	NA	-0.15%	NA	NA	NA	10.0%	10.5%	15.2%
First Community Corporation	**FCCO**	**$1,092**	**79%**	**26%**	**73%**	**3.70%**	**4.77%**	**4.01%**	**0.28%**	**0.37%**	**24%**	**68%**	**-0.04%**	**0.86%**	**0.88%**	**102%**	**8.4%**	**10.2%**	**13.8%**
Peer Group Medians:		**$894**	**75%**	**22%**	**91%**	**4.08%**	**5.30%**	**4.49%**	**0.52%**	**0.62%**	**22%**	**70%**	**-0.01%**	**0.92%**	**0.83%**	**111%**	**9.0%**	**10.2%**	**13.0%**

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: S&P Global and Raymond James research

Select Valuation and Profitability Metrics

				Valuation Metrics					Profitability Metrics						
	Count	Mkt Cap (M)	Assets (M)	P/TBV	2019E P/E	2020E P/E	Deposit Premium	Dividend Yield	ROA (MRQ)	ROE (MRQ)	ROTCE (MRQ)	ROTCE (2019E)	ROTCE (2020E)	2019E EPS Growth	2020E EPS Growth
Industry Medians	**536**	**$286**	**$1,744**	**1.85x**	**12.2x**	**11.3x**	**7%**	**2.2%**	**1.18%**	**10.7%**	**12.6%**	**13.9%**	**14.0%**	**17%**	**9%**
Large Cap (>$10B)	21	$28,459	$207,505	1.95x	10.5x	9.8x	10%	2.9%	1.30%	11.3%	17.0%	17.2%	18.0%	26%	10%
Mid-Cap ($2B - $10B)	69	$3,543	$20,283	2.08x	11.8x	11.0x	12%	2.4%	1.39%	11.0%	16.1%	15.8%	15.2%	21%	7%
Small-Cap ($500M - $2B)	120	$825	$4,908	1.93x	12.9x	11.7x	11%	2.3%	1.27%	10.8%	13.5%	14.5%	14.2%	16%	8%
Micro-Cap (<$500M)	326	$147	$1,034	1.55x	12.5x	11.4x	6%	2.1%	1.06%	10.6%	11.5%	11.7%	11.9%	15%	10%
Asset Size Medians															
Over $50B	23	$22,824	$155,431	1.94x	10.8x	9.8x	9%	2.9%	1.23%	11.1%	17.0%	17.1%	18.0%	26%	10%
$10B to $50B	73	$3,235	$18,130	1.97x	11.7x	11.0x	10%	2.4%	1.37%	10.3%	15.8%	15.5%	15.0%	21%	7%
$5B to $10B	52	$1,229	$6,915	1.96x	13.0x	12.1x	11%	2.4%	1.22%	11.0%	14.0%	14.9%	14.7%	16%	8%
$1B to $5B	231	$292	$1,822	1.72x	12.6x	11.5x	7%	2.1%	1.19%	10.9%	12.5%	12.6%	12.5%	16%	9%
$500M to $1B	157	$94	$705	1.36x	12.0x	10.8x	5%	2.1%	0.99%	9.9%	10.7%	10.4%	10.2%	5%	11%

Priced as of October 16, 2018.

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

Source: S&P Global, FactSet, and Raymond James research

First Community Corporation

Income Statement ($ in thousands)	1Q17 31-Mar	2Q17 30-Jun	3Q17 30-Sep	4Q17 31-Dec	2017 31-Dec	1Q18 31-Mar	2Q18 30-Jun	3Q18 30-Sep	4Q18E 31-Dec	2018E 31-Dec	1Q19E 31-Mar	2Q19E 30-Jun	3Q19E 30-Sep	4Q19E 31-Dec	2019E 31-Dec	2020E 31-Dec
Net Interest Income	7,061	7,048	7,227	8,058	29,394	8,534	8,939	8,883	9,179	35,535	9,094	9,363	9,712	9,985	38,154	41,048
Provision for loan losses	116	78	166	170	530	202	29	21	150	402	200	200	250	400	1,050	1,350
Net Interest Income after Provision	**6,945**	**6,970**	**7,061**	**7,888**	**28,864**	**8,332**	**8,910**	**8,862**	**9,029**	**35,133**	**8,894**	**9,163**	**9,462**	**9,585**	**37,104**	**39,698**
Deposit service charges	320	348	379	439	1,486	463	423	434	465	1,785	478	469	474	501	1,923	2,080
Mortgage origination fees	670	1,261	1,032	828	3,791	951	1,016	1,159	927	4,053	881	1,013	1,064	904	3,861	3,723
Investment advisory fees and commissions	258	314	336	383	1,291	383	401	423	427	1,634	432	440	449	462	1,783	1,930
Gain on sale of securities	54	172	124	49	399	(102)	94	0	0	(8)	0	0	0	0	0	0
Gain (loss) on sale of other assets	20	68	40	107	235	15	22	(29)	0	8	0	0	0	0	0	0
Loss on early extinguishment of debt	(58)	(223)	(165)	0	(446)	0	0	0	0	0	0	0	0	0	0	0
Other	714	705	676	787	2,882	921	955	855	923	3,654	933	961	884	928	3,705	3,763
Noninterest Income	**1,978**	**2,645**	**2,422**	**2,593**	**9,638**	**2,631**	**2,911**	**2,842**	**2,743**	**11,127**	**2,723**	**2,883**	**2,870**	**2,796**	**11,273**	**11,496**
Non-Operating items	16	17	(1)	156	188	(102)	94	0	0	(8)	0	0	0	0	0	0
Operating Noninterest Income	**1,962**	**2,628**	**2,423**	**2,437**	**9,450**	**2,733**	**2,817**	**2,842**	**2,743**	**11,135**	**2,723**	**2,883**	**2,870**	**2,796**	**11,273**	**11,496**
Total Revenue	**9,039**	**9,693**	**9,649**	**10,651**	**39,032**	**11,165**	**11,850**	**11,725**	**11,923**	**46,663**	**11,817**	**12,246**	**12,582**	**12,781**	**49,427**	**52,544**
Total Operating Revenue	**9,023**	**9,676**	**9,650**	**10,495**	**38,844**	**11,267**	**11,756**	**11,725**	**11,923**	**46,671**	**11,817**	**12,246**	**12,582**	**12,781**	**49,427**	**52,544**
Salaries and employee benefits	4,086	4,313	4,122	4,482	17,003	4,577	4,881	5,079	5,054	19,591	5,104	5,232	5,284	5,258	20,878	21,667
Occupancy	527	539	532	568	2,166	614	583	611	617	2,425	629	648	652	655	2,584	2,685
Equipment	446	506	396	422	1,770	381	398	388	369	1,536	372	369	380	361	1,481	1,484
Marketing and public relations	221	298	96	286	901	89	194	177	195	655	185	194	194	204	777	814
FDIC assessment	78	78	78	78	312	81	83	94	84	342	86	88	99	90	363	393
Other real estate expense	27	29	19	(33)	42	18	31	37	15	101	15	10	10	10	45	45
Amortization of intangibles	75	74	74	120	343	142	143	142	141	568	139	138	136	135	548	527
Other	1,260	1,533	1,577	2,451	6,821	1,692	1,912	1,606	1,606	6,816	1,622	1,655	1,655	1,663	6,594	6,819
Noninterest Expense	**6,720**	**7,370**	**6,894**	**8,374**	**29,358**	**7,594**	**8,225**	**8,134**	**8,079**	**32,032**	**8,153**	**8,333**	**8,409**	**8,375**	**33,271**	**34,434**
Non-Operating items	0	98	228	783	1,109	0	164	0	0	164	0	0	0	0	0	0
Operating Noninterest Expense	**6,720**	**7,272**	**6,666**	**7,591**	**28,249**	**7,594**	**8,061**	**8,134**	**8,079**	**31,868**	**8,153**	**8,333**	**8,409**	**8,375**	**33,271**	**34,434**
Income Before Tax	**2,203**	**2,245**	**2,589**	**2,107**	**9,144**	**3,369**	**3,596**	**3,570**	**3,693**	**14,228**	**3,464**	**3,713**	**3,923**	**4,006**	**15,106**	**16,759**
Income tax expense	447	581	696	1,605	3,329	660	595	737	757	2,749	710	761	804	821	3,097	3,436
GAAP Net Income	**1,756**	**1,664**	**1,893**	**502**	**5,815**	**2,709**	**3,001**	**2,833**	**2,936**	**11,479**	**2,754**	**2,952**	**3,119**	**3,185**	**12,009**	**13,324**
Operating Net Income	**1,618**	**1,724**	**2,060**	**2,023**	**7,426**	**2,791**	**2,896**	**2,833**	**2,936**	**11,456**	**2,754**	**2,952**	**3,119**	**3,185**	**12,009**	**13,324**
Diluted shares	6,813	6,803	6,808	7,521	6,986	7,713	7,726	7,724	7,728	7,723	7,743	7,748	7,773	7,778	7,761	7,818
GAAP EPS - diluted	$0.26	$0.24	$0.28	$0.07	$0.83	$0.35	$0.39	$0.37	$0.38	$1.49	$0.36	$0.38	$0.40	$0.41	$1.55	$1.70
Operating EPS - diluted	**$0.24**	**$0.25**	**$0.30**	**$0.27**	**$1.06**	**$0.36**	**$0.37**	**$0.37**	**$0.38**	**$1.48**	**$0.36**	**$0.38**	**$0.40**	**$0.41**	**$1.55**	**$1.70**
Financial Highlights																
TBV/share	$11.50	$11.79	$12.02	$11.66	$11.66	$11.64	$11.85	$11.98	$12.28	$12.28	$12.52	$12.81	$13.08	$13.39	$13.39	$14.60
TCE/Assets	8.5%	8.7%	8.9%	8.6%	8.6%	8.4%	8.4%	8.5%	8.5%	8.5%	8.7%	8.8%	8.8%	8.8%	8.8%	9.0%
Loans/Deposits	72%	72%	74%	73%	73%	73%	73%	76%	76%	76%	74%	76%	77%	78%	78%	79%
Loan Growth	1.6%	-0.3%	2.7%	13.8%	18.3%	3.4%	2.4%	1.8%	2.5%	10.4%	1.5%	2.5%	3.0%	3.0%	10.4%	9.8%
Deposit Growth	1.2%	-0.3%	-0.4%	15.4%	15.9%	3.6%	1.5%	-1.2%	2.0%	5.8%	3.5%	1.0%	1.0%	2.0%	7.7%	8.2%
NPAs/Loans	0.83%	0.70%	0.64%	0.82%	0.82%	0.75%	0.70%	0.69%	0.69%	0.69%	0.69%	0.70%	0.70%	0.70%	0.70%	0.72%
NCOs/Avg. Loans	-0.03%	-0.03%	0.00%	0.02%	-0.01%	0.01%	-0.04%	-0.06%	0.00%	-0.02%	0.01%	0.03%	0.03%	0.05%	0.03%	0.06%
Reserves/Loans	0.97%	0.99%	0.99%	0.90%	0.90%	0.90%	0.89%	0.89%	0.89%	0.89%	0.90%	0.90%	0.90%	0.91%	0.91%	0.93%
NIM	3.52%	3.49%	3.52%	3.54%	3.52%	3.66%	3.71%	3.60%	3.64%	3.65%	3.67%	3.68%	3.70%	3.71%	3.69%	3.70%
G&A/Avg. Assets	2.95%	3.20%	2.93%	2.98%	3.01%	2.88%	3.00%	2.99%	2.93%	2.95%	2.92%	2.96%	2.93%	2.86%	2.92%	2.81%
Efficiency Ratio	74%	75%	69%	72%	73%	67%	69%	69%	68%	68%	69%	68%	67%	66%	67%	66%
Effective tax rate	20.3%	25.9%	26.9%	76.2%	36.4%	19.6%	16.5%	20.6%	20.5%	19.3%	20.5%	20.5%	20.5%	20.5%	20.5%	20.5%
ROA (operating)	0.71%	0.76%	0.90%	0.80%	0.79%	1.06%	1.08%	1.04%	1.07%	1.06%	0.99%	1.05%	1.09%	1.09%	1.05%	1.09%
ROE (operating)	7.8%	8.1%	9.6%	7.9%	8.4%	10.6%	10.9%	10.5%	10.7%	10.7%	9.9%	10.4%	10.8%	10.8%	10.5%	10.8%
ROTCE (operating)	8.5%	8.8%	10.3%	9.2%	9.2%	12.6%	13.0%	12.4%	12.7%	12.7%	11.6%	12.2%	12.6%	12.5%	12.2%	12.3%
Dividends per share	$0.09	$0.09	$0.09	$0.09	$0.36	$0.10	$0.10	$0.10	$0.10	$0.40	$0.11	$0.11	$0.11	$0.11	$0.44	$0.48

Source: Company reports and Raymond James research

First Community Corporation

Balance Sheet	**1Q17**	**2Q17**	**3Q17**	**4Q17**	**1Q18**	**2Q18**	**3Q18**	**4Q18E**	**1Q19E**	**2Q19E**	**3Q19E**	**4Q19E**	**4Q20E**
($ in thousands)	**31-Mar**	**30-Jun**	**30-Sep**	**31-Dec**	**31-Mar**	**30-Jun**	**30-Sep**	**31-Dec**	**31-Mar**	**30-Jun**	**30-Sep**	**31-Dec**	**31-Dec**
Stated Equity	**83,131**	**85,059**	**86,595**	**105,663**	**105,483**	**106,997**	**108,186**	**110,359**	**112,272**	**114,382**	**116,656**	**118,995**	**128,611**
Intangibles	6,105	6,031	5,956	17,157	17,016	16,846	16,779	16,638	16,499	16,361	16,225	16,090	15,563
Tangible Common Equity	**77,026**	**79,028**	**80,639**	**88,506**	**88,467**	**90,151**	**91,407**	**93,720**	**95,772**	**98,020**	**100,431**	**102,905**	**113,048**
Book Value	$12.41	$12.69	$12.91	$13.93	$13.88	$14.07	$14.18	$14.46	$14.68	$14.94	$15.19	$15.49	$16.61
Tangible BV	**$11.50**	**$11.79**	**$12.02**	**$11.66**	**$11.64**	**$11.85**	**$11.98**	**$12.28**	**$12.52**	**$12.81**	**$13.08**	**$13.39**	**$14.60**
Shares Outstanding	6,697	6,702	6,706	7,588	7,600	7,605	7,630	7,634	7,649	7,654	7,679	7,684	7,744
Equity/Assets	9.1%	9.3%	9.5%	10.1%	9.9%	9.8%	9.9%	9.9%	10.0%	10.1%	10.1%	10.0%	10.2%
TCE ratio	**8.5%**	**8.7%**	**8.9%**	**8.6%**	**8.4%**	**8.4%**	**8.5%**	**8.5%**	**8.7%**	**8.8%**	**8.8%**	**8.8%**	**9.0%**
Leverage Ratio	10.21%	10.41%	10.55%	10.35%	10.18%	10.20%	10.32%						
Tier 1 Capital Ratio	14.66%	15.02%	14.73%	14.25%	13.90%	13.75%	13.76%						
Total Capital Ratio	15.51%	15.89%	15.60%	15.05%	14.69%	14.52%	14.54%						
Total Assets	**914,913**	**915,462**	**914,228**	**1,050,731**	**1,070,539**	**1,092,149**	**1,091,142**	**1,112,965**	**1,118,530**	**1,135,308**	**1,158,014**	**1,186,964**	**1,266,006**
Other short-term investments	18,035	22,356	15,393	15,788	25,683	28,798	22,709						
Investment securities	262,538	259,117	248,672	284,395	272,637	273,730	269,963						
Loans held for sale	4,191	6,590	6,018	5,093	7,546	6,969	5,528						
Loans	**555,298**	**553,420**	**568,488**	**646,805**	**668,583**	**684,333**	**696,515**	**713,928**	**724,637**	**742,753**	**765,035**	**787,986**	**865,505**
Allowance for loan losses	(5,368)	(5,490)	(5,656)	(5,797)	(5,986)	(6,087)	(6,212)	(6,362)	(6,544)	(6,689)	(6,882)	(7,185)	(8,058)
Other assets	80,219	79,469	81,313	104,447	102,076	104,406	102,639						
Total Liabilities	**831,782**	**830,403**	**827,633**	**945,068**	**965,056**	**985,152**	**982,956**						
Total deposits	775,611	773,126	770,082	888,323	919,898	933,368	921,722	940,156	973,062	982,793	992,620	1,012,473	1,095,619
Securities sold under repo	19,388	17,319	17,469	19,270	21,959	28,203	33,226						
FHLB advances	15,548	17,997	17,255	14,250	245	241	4,236						
Junior sub debt	14,964	14,964	14,964	14,964	14,964	14,964	14,964						
Other liabilities	6,271	6,997	7,863	8,261	7,990	8,376	8,808						

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	Coverage Universe Rating Distribution*			Investment Banking Distribution		
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Market Perform (Hold)	39%	26%	35%	11%	9%	0%
Underperform (Sell)	4%	4%	15%	5%	33%	0%

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

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Company Name	Disclosure
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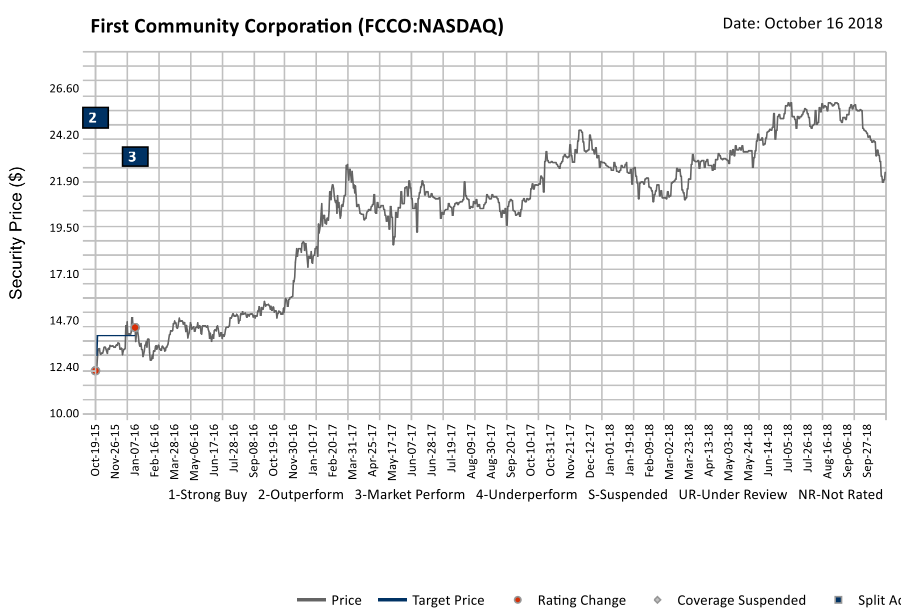

Rating & Target changes

Date	Curr.	Price	Target	Rating
Jan-07-16	$	14.41	NM	3
Oct-21-15	$	12.90	14.00	2
Oct-19-15	$	12.20	13.00	2

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

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Company-Specific Risks for First Community Corporation

Interest Rate Risk
As a commercial bank, First Community's revenue stream is sensitive to changes in interest rates, and earnings estimates could vary based on changes in the slope of the yield curve.

Credit Risk
First Community originates residential, commercial, and consumer loans, which may enter default, especially during times of economic stress. Depending on the health of the economy and the creditworthiness of its borrowers, loans could default more rapidly than anticipated, which could translate into higher losses at the bank.

Macroeconomic Risk
If unemployment levels rise or if the housing market weakens further, credit losses could accelerate more rapidly than anticipated, causing downside to our earnings expectations. Conversely, if unemployment levels decline and the housing market strengthens meaningfully, or if losses in weak markets are less than expected, there could be upside to our estimates.

Competition
Substantial competition exists in all of First Community's primary markets, from domestic banks and thrifts, foreign banks, and specialty finance companies. The level and aggressiveness of competition could lead to adverse pressures on both asset yields and funding costs, which could negatively impact First Community's margins and pressure its profitability.

Regulatory Reform
With the myriad regulatory and legislative changes facing the industry, these amendments will pressure fee income across the industry. First Community's asset size excludes it from the new debit interchange provision in the Durbin amendment under the Dobb-Frank Act; however, competitive industry pressures will likely force the company to charge similar fees in order to compete, which will ultimately impact profitability.

Acquisition Risk
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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