

First Community Corporation

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(FCCO-NASDAQ)

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Company Comment

Rating

Market Perform 3

Banking

Reiterate Market Perform; Loan Growth Maintains Momentum

Recommendation: We reiterate our **Market Perform** rating on First Community following 1Q16 results that were in line with consensus expectations, though slightly below our forecast. Loan growth remained a highlight, as the company posted a fifth consecutive quarter of at least 1.0% growth. Despite an increased level of pay downs and payoffs, loan balances increased 1.0% sequentially in 1Q, doubling our 0.5% estimate. We believe the pipeline is strengthening and have picked up our loan growth estimates for 2016 and 2017 to 10% and 13% from 8% and 10%, respectively. On the expense front, operating expense missed our estimate, largely on some one-time and seasonal noise. As such, we expect expense levels to normalize in upcoming quarters, though the recent opening of the Greenville office could create some expense pressures. Turning to fee income, mortgage banking revenue declined linked quarter on a combination of seasonal production pressures and some residual headwinds from flooding in the company's markets in 4Q. Moving forward, we expect mortgage banking production to reaccelerate in seasonally stronger quarters, which combined with our expectations for low-double-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.

- ◆ **1Q16 results meet consensus:** First Community reported 1Q16 GAAP and operating EPS of \$0.22, in line with consensus but a penny below our \$0.23 estimate.
- ◆ **Loan growth in focus:** After growing 1.1% in 4Q15, loan balances increased 1.0% sequentially in 1Q16, above our 0.5% estimate. We believe the pipeline remains robust and forecast quarterly loan growth to range between 2.5% and 4.0% through 2017, excluding the seasonally weaker 1Q. We believe this level of growth should largely offset pressures from the low rate environment, as we forecast margin to hold in the 3.32-3.34% range through 2Q17, before expanding in 2H17 when we model rates begin to rise.
- ◆ **Mortgage bank should rebound:** Mortgage revenue declined 12% sequentially to \$665,000 in 1Q16, below our \$791,000 estimate, as production activity was adversely affected by a combination of normal seasonal weakness and some residual headwinds from flooding across the company's footprint in 4Q. That said, we anticipate a meaningful rebound in production in upcoming seasonally strong quarters, which should drive stronger mortgage revenue levels through the remainder of 2016.
- ◆ **Estimates:** We are lowering our 2016E EPS to \$0.96 from \$0.98 but maintaining our 2017E EPS of \$1.05.

Valuation: FCCO trades at 1.3x 1Q16 TBV of \$11.24, 15.1x our 2016E EPS, and 13.8x our 2017E EPS, compared to micro-cap peers at 1.3x, 14.4x, and 12.8x, 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	0.23	0.24	0.26	0.25	0.98	0.98	35
New 2016E	0.22A	0.24	0.25	0.25	0.96	0.96	35
Old 2017E	UR	UR	UR	UR	1.05	1.05	37
New 2017E	0.23	0.25	0.28	0.29	1.05	1.05	37

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

Please read domestic and foreign disclosure/risk information beginning on page 8 and Analyst Certification on page 8.

Current and Target Price

Current Price (Apr-20-16 Close)	\$14.20
Target Price:	NM
52-Week Range	\$15.59 - \$11.15
Suitability	High Risk/Growth

Market Data

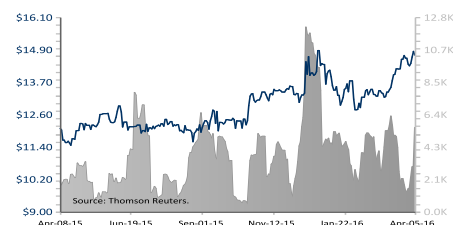
Shares Out. (mil.)	6.7
Market Cap. (mil.)	\$95
Avg. Daily Vol. (10 day)	5,486
Dividend/Yield	\$0.32/2.3%
Book Value (Mar-16)	\$12.19
Tang. BVPS (Mar-16)	\$11.24

Earnings & Valuation Metrics

	2015A	2016E	2017E
P/E Ratios (Non-GAAP)	15.4x	14.8x	13.5x

Company Description

First Community Corporation, headquartered in Lexington, South Carolina, is an \$870 million asset bank holding company that operates 15 branches, primarily in the midlands region of the state, with a small presence in eastern Georgia.



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.
2016Q1 Earnings	NIM	2016Y	—	Management anticipates modest margin expansion through 2016 (assumes one additional rate hike in June).
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.
2015Q3 Earnings	Noninterest Expense	2016Y	—	Marketing expense should normalize around \$200,000.
2016Q1 Earnings	Tax Rate	Long-term	▲	The company anticipates the tax rate will be approximately 26.0-26.5%.

Source: Raymond James research; company reports

Raymond James Revised Earnings Estimates

As illustrated in the following table, we are lowering our 2016 EPS estimates to \$0.96 from \$0.98 but maintaining our 2017 EPS estimates of \$1.05.

Earnings Estimates

(\$ in thousands)	2016E			2017E		
	Old	Current	Change	Old	Current	Change
Operating EPS	\$0.98	\$0.96	(\$0.02)	\$1.05	\$1.05	\$0.00
GAAP EPS	\$0.98	\$0.96	(\$0.02)	\$1.05	\$1.05	\$0.00
Core PTPP* Earnings	10,698	10,180	-5%	11,824	12,008	2%
Avg. Earning Assets	811,256	810,142	0%	859,968	853,538	-1%
NIM	3.31%	3.33%	2 bps	3.30%	3.35%	5 bps
Net Interest Income	26,085	26,180	0%	27,575	27,752	1%
Provision	1,200	1,140	-5%	1,525	1,800	18%
Operating Fee Income	9,175	8,796	-4%	9,596	9,479	-1%
Operating Expense	24,862	25,072	1%	25,648	25,523	0%
Operating Efficiency	71%	72%	117 bps	69%	69%	-45 bps
Tax Rate	28.0%	26.1%	-195 bps	29.0%	28.0%	-100 bps
Diluted shares	6,747	6,757	0%	6,763	6,773	0%
Dividends per share	\$0.32	\$0.32	\$0.00	\$0.32	\$0.32	\$0.00
Loan Growth	8.2%	10.3%	212 bps	9.3%	12.5%	324 bps
Reserves/Loans	0.96%	0.96%	-1 bps	0.98%	0.98%	0 bps
NPAs/Loans	1.27%	1.50%	23 bps	1.21%	1.46%	25 bps
NCOs/Avg. Loans	0.14%	0.11%	-3 bps	0.18%	0.18%	0 bps

*PTPP = pre-tax, pre-provision

We are lowering our 2016 EPS estimates to \$0.96 from \$0.98 but maintaining our 2017 EPS estimates of \$1.05. For 2016, lower fee income and higher operating expense drive our reduction. For 2017, higher spread revenue expectations are fully offset by higher provision expense and lower fee income.

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 1Q16 operating EPS of \$0.22, in line with consensus but below our \$0.23 estimate. Relative to our model, lower-than-expected fee income and higher-than-expected operating expense more than offset a lower-than-expected tax rate. From a loan growth perspective, the company reported a 1.0% linked-quarter increase in loan balances, above both the 0.2% consensus and 0.5% estimate. The company's reported NIM of 3.33% topped both the 3.28% consensus and our 3.32% 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	\$0.22	\$0.23	-\$0.01	\$0.22	\$0.00	\$0.23	\$0.20	2
Book value per share	12.19	11.96	0.23	11.95	0.24	11.96	11.94	2
Tangible book value	11.24	11.00	0.24	10.99	0.26	11.00	10.97	2
Dividends per share	0.08	0.08	0.00	0.08	0.00	0.08	0.08	2
Avg. fully diluted shares (mil.)	6.8	6.7	0.0	6.7	0.0	6.7	6.7	2
INCOME STATEMENT								
Net interest income	6.3	6.3	0.0	6.3	0.0	6.3	6.3	2
Loan loss provision	0.1	0.2	0.0	0.2	-0.1	0.3	0.2	2
Fee income	2.0	2.1	-0.1	2.1	-0.1	2.1	2.1	2
Revenue	8.4	8.5	-0.1	8.5	-0.1	8.5	8.5	1
Non-interest expense	6.3	6.1	0.2	6.2	0.1	6.3	6.1	2
Pre-tax income	1.9	2.2	-0.2	2.0	-0.1	2.2	1.9	2
Taxes	0.5	0.6	-0.1	0.6	-0.1	0.6	0.5	2
Net income	1.5	1.6	-0.1	1.5	0.0	1.6	1.4	2
BALANCE SHEET								
Loans	494	492	2	490	4	492	489	2
Loan growth	1.0%	0.5%	49 bp	0.2%	76 bp	0.5%	0.0%	2
Average Deposits	722	745	-23	725	-3	730	720	2
FINANCIAL RATIOS								
Net interest margin (NIM)	3.33%	3.32%	1 bp	3.28%	5 bp	3.32%	3.23%	2
Efficiency ratio	75.2%	72.2%	307 bp	72.9%	229 bp	73.9%	72.0%	2
Net charge-offs / Avg. loans	0.04%	0.10%	-6 bp	0.10%	-6 bp	0.10%	0.10%	1
ROA	0.67%	0.73%	-6 bp	0.68%	-1 bp	0.73%	0.63%	2
ROE	7.3%	7.9%	-64 bp	7.4%	-11 bp	7.9%	6.8%	2

Source: SNL Financial; Thomson Financial; 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				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	Income/ Revenue	Fee Efficiency Ratio	NCOs/ Avg. Loans	NPAs/ Loans	Reserves/ Loans	Reserves/ NPAs	TCE ratio	Leverage Ratio	Tier 1 risk-based
South State Corporation	SSB	\$8,557	85%	28%	85%	4.31%	5.21%	4.42%	0.10%	NA	27%	60%	0.11%	0.80%	0.62%	78%	8.2%	9.3%	12.7%
Carolina Financial Corporation	CARO	\$1,410	57%	16%	89%	3.59%	4.68%	4.11%	0.58%	NA	37%	69%	-0.11%	0.84%	1.05%	126%	9.7%	11.2%	15.5%
Southern First Bancshares, Inc.	SFST	\$1,217	72%	19%	102%	3.52%	4.57%	4.21%	0.41%	NA	17%	58%	0.17%	1.62%	1.35%	83%	7.7%	8.8%	10.7%
CNB Corporation	CNBW	\$1,052	66%	22%	53%	3.00%	5.46%	3.11%	0.19%	NA	22%	70%	0.28%	2.81%	1.83%	65%	9.6%	9.5%	18.3%
Security Federal Corporation	SFDL	\$800	64%	NA	52%	3.35%	5.70%	3.70%	0.33%	NA	17%	74%	-0.29%	4.89%	2.44%	50%	8.5%	11.0%	22.5%
Southcoast Financial Corporation	SOCB	\$503	69%	16%	115%	3.71%	4.78%	4.49%	0.40%	NA	13%	86%	-0.06%	1.00%	1.23%	122%	10.3%	11.4%	15.5%
Tidelands Bancshares, Inc.	TDBK	\$466	42%	8%	77%	2.90%	4.83%	4.10%	0.86%	NA	10%	104%	1.20%	8.58%	1.24%	15%	-2.7%	5.5%	7.2%
Coastal Banking Company, Inc.	CBCO	\$465	59%	15%	101%	3.90%	5.49%	4.62%	0.53%	NA	78%	87%	0.02%	4.18%	1.63%	39%	7.2%	11.8%	22.0%
Bank of South Carolina Corporation	BKSC	\$404	NA	NA	NA	NA	5.42%	4.09%	NA	NA	NA	NA	-0.03%	NA	NA	NA	9.7%	9.6%	14.2%
Greer Bancshares Incorporated	GRBS	\$376	75%	19%	75%	3.04%	4.55%	3.35%	0.29%	NA	26%	70%	-0.02%	3.59%	1.47%	41%	6.4%	10.5%	14.5%
First Reliance Bancshares, Inc.	FSRL	\$375	80%	22%	85%	4.28%	5.11%	4.76%	0.18%	NA	34%	71%	0.81%	3.33%	1.01%	30%	6.5%	10.9%	12.9%
First Community Corporation	FCCO	\$870	75%	NA	68%	3.31%	4.80%	3.66%	0.25%	0.41%	24%	73%	0.04%	1.72%	0.94%	55%	8.7%	10.2%	15.4%
Peer Group Medians:		\$651	69%	19%	85%	3.52%	4.97%	4.11%	0.33%	0.41%	24%	71%	0.03%	2.81%	1.24%	55%	8.4%	10.3%	15.0%

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: 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	535	\$197	\$1,556	1.49x	14.4x	12.9x	5%	2.4%	0.88%	8.0%	9.4%	10.4%	10.8%	8%	10%
Large Cap (>\$10B)	14	\$32,472	\$271,998	1.33x	11.9x	10.8x	4%	2.4%	0.96%	7.7%	11.5%	11.1%	11.4%	2%	11%
Mid-Cap (\$2B - \$10B)	45	\$3,324	\$23,387	1.82x	15.5x	13.7x	8%	2.3%	0.94%	7.8%	11.0%	11.5%	12.1%	7%	11%
Small-Cap (\$500M - \$2B)	98	\$988	\$6,319	1.71x	14.4x	13.1x	8%	2.4%	1.03%	9.1%	11.7%	12.1%	12.0%	7%	9%
Micro-Cap (<\$500M)	378	\$113	\$1,037	1.31x	14.4x	12.8x	3%	2.4%	0.82%	7.7%	8.6%	9.2%	9.8%	9%	12%
Asset Size Medians															
Over \$50B	18	\$19,286	\$165,950	1.29x	12.0x	10.8x	4%	2.4%	0.91%	7.7%	11.3%	10.5%	11.4%	3%	13%
\$10B to \$50B	50	\$2,657	\$20,790	1.75x	15.3x	13.6x	7%	2.3%	0.93%	7.8%	10.6%	10.8%	11.2%	7%	11%
\$5B to \$10B	58	\$1,152	\$7,390	1.85x	14.7x	13.2x	9%	2.5%	1.07%	9.3%	13.2%	12.9%	12.9%	8%	9%
\$1B to \$5B	231	\$242	\$1,783	1.45x	14.5x	12.9x	5%	2.3%	0.90%	8.6%	9.6%	10.0%	10.6%	9%	11%
\$500M to \$1B	178	\$70	\$681	1.13x	13.3x	12.2x	2%	2.5%	0.69%	6.7%	7.7%	8.5%	9.1%	8%	12%

Priced as of April 19, 2016.

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 One, and Raymond James research

First Community Corporation**Income Statement**

(\$ in thousands)

	2014 31-Dec	1Q15 31-Mar	2Q15 30-Jun	3Q15 30-Sep	4Q15 31-Dec	2015 31-Dec	1Q16 31-Mar	2Q16E 30-Jun	3Q16E 30-Sep	4Q16E 31-Dec	2016E 31-Dec	1Q17E 31-Mar	2Q17E 30-Jun	3Q17E 30-Sep	4Q17E 31-Dec	2017E 31-Dec
Net Interest Income	23,730	6,448	6,204	6,253	6,348	25,253	6,337	6,475	6,645	6,724	26,180	6,592	6,752	7,068	7,339	27,752
Provision for loan losses	880	406	391	193	148	1,138	140	200	400	400	1,140	250	400	550	600	1,800
Net Interest Income after Provision	22,850	6,042	5,813	6,060	6,200	24,115	6,197	6,275	6,245	6,324	25,040	6,342	6,352	6,518	6,739	25,952
Deposit service charges	1,517	347	346	390	386	1,469	347	324	379	368	1,419	374	356	414	399	1,543
Mortgage origination fees	3,186	735	980	964	753	3,432	665	831	914	823	3,234	782	938	985	887	3,592
Investment advisory fees and commissions	1,268	296	407	290	294	1,287	291	300	306	315	1,211	318	328	334	344	1,324
Gain on sale of securities	182	104	167	0	84	355	59	0	0	0	59	0	0	0	0	0
Gain (loss) on sale of other assets	(11)	4	1	19	114	138	3	0	0	0	3	0	0	0	0	0
Loss on early extinguishment of debt	(351)	(103)	0	0	(226)	(329)	0	0	0	0	0	0	0	0	0	0
Other	2,422	598	664	666	686	2,614	724	731	735	742	2,932	746	753	757	765	3,021
Noninterest Income	8,213	1,981	2,565	2,329	2,091	8,966	2,089	2,186	2,334	2,248	8,858	2,220	2,376	2,490	2,395	9,479
Non-Operating items	(180)	5	168	19	(28)	164	62	0	0	0	62	0	0	0	0	0
Operating Noninterest Income	8,393	1,976	2,397	2,310	2,119	8,802	2,027	2,186	2,334	2,248	8,796	2,220	2,376	2,490	2,395	9,479
Total Revenue	31,943	8,429	8,769	8,582	8,439	34,219	8,426	8,661	8,979	8,972	35,038	8,811	9,128	9,558	9,734	37,231
Total Operating Revenue	32,123	8,424	8,601	8,563	8,467	34,055	8,364	8,661	8,979	8,972	34,976	8,811	9,128	9,558	9,734	37,231
Salaries and employee benefits	13,743	3,565	3,658	3,595	3,610	14,428	3,751	3,770	3,807	3,788	15,117	3,845	3,807	3,845	3,864	15,361
Occupancy	1,882	485	500	513	578	2,076	559	514	517	519	2,110	525	527	533	535	2,120
Equipment	1,505	402	394	437	416	1,649	429	425	467	444	1,765	462	457	503	478	1,899
Marketing and public relations	738	226	328	129	165	848	94	99	89	107	388	101	101	91	109	403
FDIC assessment	521	138	138	113	138	527	138	144	131	133	546	149	152	138	138	577
Other real estate expense	553	154	154	126	90	524	51	75	75	75	276	75	75	75	75	300
Amortization of intangibles	280	103	98	98	88	387	83	83	83	83	332	83	83	83	83	332
Other	4,738	1,027	1,119	1,056	1,037	4,239	1,237	1,113	1,119	1,119	4,588	1,124	1,130	1,136	1,141	4,532
Noninterest Expense	23,960	6,100	6,389	6,067	6,122	24,678	6,342	6,223	6,288	6,268	25,121	6,365	6,332	6,403	6,424	25,523
Non-Operating items	503	0	100	0	50	150	49	0	0	0	49	0	0	0	0	0
Operating Noninterest Expense	23,457	6,100	6,289	6,067	6,072	24,528	6,293	6,223	6,288	6,268	25,072	6,365	6,332	6,403	6,424	25,523
Income Before Tax	7,103	1,923	1,989	2,322	2,169	8,403	1,944	2,238	2,291	2,304	8,777	2,197	2,396	2,606	2,710	9,908
Income tax expense	1,982	519	546	643	568	2,276	476	593	607	611	2,287	615	671	730	759	2,774
GAAP Net Income	5,121	1,404	1,443	1,679	1,601	6,127	1,468	1,645	1,684	1,694	6,491	1,582	1,725	1,876	1,951	7,134
Operating Net Income	5,593	1,381	1,394	1,665	1,640	6,080	1,458	1,645	1,684	1,694	6,481	1,582	1,725	1,876	1,951	7,134
Diluted shares	6,607	6,665	6,698	6,712	6,737	6,607	6,751	6,755	6,759	6,763	6,757	6,767	6,771	6,775	6,779	6,773
GAAP EPS - diluted	\$0.78	\$0.21	\$0.22	\$0.25	\$0.24	\$0.93	\$0.22	\$0.24	\$0.25	\$0.25	\$0.96	\$0.23	\$0.25	\$0.28	\$0.29	\$1.05
Operating EPS - diluted	\$0.85	\$0.21	\$0.21	\$0.25	\$0.24	\$0.92	\$0.22	\$0.24	\$0.25	\$0.25	\$0.96	\$0.23	\$0.25	\$0.28	\$0.29	\$1.05

Financial Highlights

TBV/share	\$10.15	\$10.44	\$10.44	\$10.76	\$10.84	\$10.84	\$11.24	\$11.41	\$11.59	\$11.77	\$11.77	\$11.93	\$12.11	\$12.31	\$12.53	\$12.53
TCE/Assets	8.4%	8.4%	8.4%	8.5%	8.5%	8.5%	8.7%	8.7%	8.7%	8.7%	8.7%	8.9%	8.9%	8.8%	8.7%	8.7%
Loans/Deposits	66%	65%	69%	69%	68%	68%	68%	70%	71%	74%	74%	72%	75%	76%	80%	80%
Loan Growth	27.7%	2.4%	4.3%	2.1%	1.1%	10.2%	1.0%	2.5%	3.5%	3.0%	10.3%	1.0%	3.5%	4.0%	3.5%	12.5%
NPAs/Loans	2.13%	1.92%	1.65%	1.55%	1.48%	1.48%	1.51%	1.51%	1.50%	1.50%	1.50%	1.48%	1.46%	1.45%	1.46%	1.46%
NCOs/Avg. Loans	0.22%	0.25%	0.31%	0.00%	0.02%	0.15%	0.04%	0.08%	0.12%	0.20%	0.11%	0.10%	0.15%	0.20%	0.25%	0.18%
Reserves/Loans	0.93%	0.94%	0.90%	0.92%	0.94%	0.94%	0.95%	0.95%	0.96%	0.96%	0.96%	0.97%	0.97%	0.98%	0.98%	0.98%
NIM	3.40%	3.62%	3.34%	3.32%	3.29%	3.39%	3.33%	3.34%	3.34%	3.33%	3.33%	3.33%	3.32%	3.35%	3.39%	3.35%
G&A/Avg. Assets	3.01%	3.00%	3.02%	2.90%	2.83%	2.94%	2.91%	2.84%	2.83%	2.78%	2.84%	2.80%	2.76%	2.74%	2.68%	2.74%
Efficiency Ratio	73%	72%	73%	71%	72%	72%	75%	72%	70%	70%	72%	72%	69%	67%	66%	69%
Effective tax rate	27.9%	27.0%	27.5%	27.7%	26.2%	27.1%	24.5%	26.5%	26.5%	26.5%	26.1%	28.0%	28.0%	28.0%	28.0%	28.0%
ROA (operating)	0.72%	0.68%	0.67%	0.80%	0.76%	0.73%	0.67%	0.75%	0.76%	0.75%	0.73%	0.70%	0.75%	0.80%	0.81%	0.77%
ROE (operating)	8.0%	7.3%	7.2%	8.6%	8.3%	7.9%	7.3%	8.0%	8.1%	8.0%	7.8%	7.4%	8.0%	8.5%	8.7%	8.2%
ROTCE (operating)	8.7%	8.0%	7.9%	9.4%	9.1%	8.6%	7.9%	8.7%	8.7%	8.7%	8.5%	8.0%	8.6%	9.2%	9.4%	8.8%
Dividends per share	\$0.24	\$0.07	\$0.07	\$0.07	\$0.07	\$0.28	\$0.08	\$0.08	\$0.08	\$0.08	\$0.32	\$0.08	\$0.08	\$0.08	\$0.08	\$0.32

Source: Company reports and Raymond James research

First Community Corporation

Balance Sheet (\$ in thousands)	4Q14 31-Dec	1Q15 31-Mar	2Q15 30-Jun	3Q15 30-Sep	4Q15 31-Dec	1Q16 31-Mar	2Q16E 30-Jun	3Q16E 30-Sep	4Q16E 31-Dec	1Q17E 31-Mar	2Q17E 30-Jun	3Q17E 30-Sep	4Q17E 31-Dec
Stated Equity	74,528	76,548	76,411	78,488	79,038	81,611	82,721	83,868	85,025	86,070	87,258	88,597	90,010
Intangibles	6,884	6,782	6,684	6,586	6,497	6,381	6,298	6,215	6,132	6,049	5,966	5,883	5,800
Tangible Common Equity	67,644	69,766	69,727	71,902	72,541	75,230	76,423	77,653	78,893	80,021	81,292	82,714	84,210
Book Value	\$11.18	\$11.45	\$11.44	\$11.74	\$11.81	\$12.19	\$12.35	\$12.52	\$12.68	\$12.83	\$13.00	\$13.19	\$13.39
Tangible BV	\$10.15	\$10.44	\$10.44	\$10.76	\$10.84	\$11.24	\$11.41	\$11.59	\$11.77	\$11.93	\$12.11	\$12.31	\$12.53
Shares Outstanding	6,664	6,684	6,680	6,685	6,691	6,693	6,697	6,701	6,705	6,709	6,713	6,717	6,721
Equity/Assets	9.2%	9.2%	9.1%	9.2%	9.2%	9.4%	9.4%	9.4%	9.3%	9.5%	9.4%	9.4%	9.3%
TCE ratio	8.4%	8.4%	8.4%	8.5%	8.5%	8.7%	8.7%	8.7%	8.7%	8.9%	8.9%	8.8%	8.7%
Leverage Ratio	10.02%	10.26%	10.41%	10.34%	10.19%	10.23%							
Tier 1 Capital Ratio	16.12%	15.95%	15.67%	15.67%	15.40%	15.41%							
Total Capital Ratio	16.94%	16.77%	16.56%	16.48%	16.21%	16.24%							
Total Assets	812,363	835,819	836,406	852,329	862,734	870,409	883,465	896,717	910,168	910,168	923,820	946,916	970,589
Other short-term investments	10,052	32,674	16,265	23,773	11,968	15,835							
Investment securities	282,814	274,094	271,203	273,682	283,841	286,019							
Loans held for sale	4,124	5,446	6,662	3,568	2,962	2,545							
Loans	443,844	454,301	474,016	483,931	489,191	494,021	506,372	524,095	539,817	545,216	564,298	586,870	607,410
Allowance for loan losses	(4,132)	(4,252)	(4,281)	(4,468)	(4,596)	(4,687)	(4,787)	(5,032)	(5,166)	(5,281)	(5,473)	(5,735)	(5,962)
Other assets	75,661	73,556	72,541	71,843	79,368	76,676							
Total Liabilities	737,835	759,271	759,995	773,841	783,696	788,798							
Total deposits	669,583	694,573	684,032	704,370	716,151	722,236	718,625	740,184	732,782	762,093	754,472	777,106	757,679
Securities sold under repo	17,383	16,684	19,460	19,908	21,033	20,697							
FHLB advances	28,807	27,552	35,548	27,543	24,788	24,432							
Junior sub debt	15,464	15,464	15,464	15,464	14,964	14,964							
Other liabilities	6,598	4,998	5,491	6,556	6,760	6,469							

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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.

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

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

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	Coverage Universe Rating Distribution*				Investment Banking Distribution			
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Strong Buy and Outperform (Buy)	56%	66%	59%	47%	19%	43%	0%	0%
Market Perform (Hold)	38%	31%	41%	39%	5%	15%	0%	0%
Underperform (Sell)	6%	3%	0%	15%	7%	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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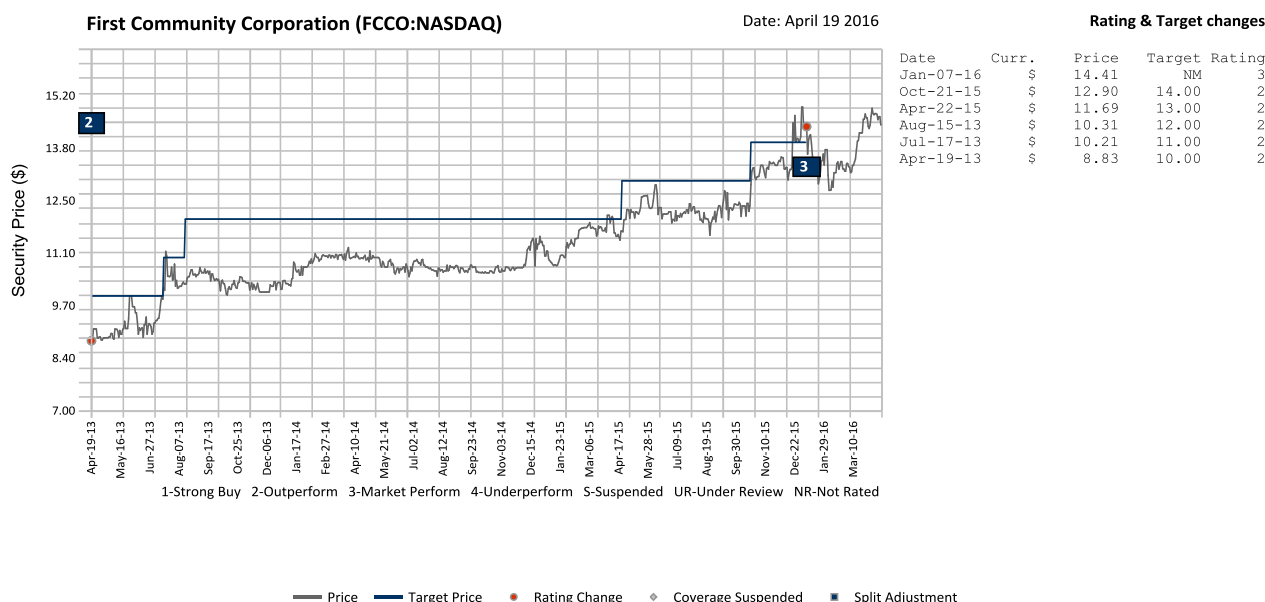
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Company Name	Disclosure
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Risks include various geopolitical and macroeconomic variables, including credit quality deterioration, sudden changes in interest rates, M&A risk related to deal announcements, 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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