

First Community Corporation

(FCCO:NASDAQ)

William J. Wallace IV, (703) 749-1485, William.Wallace@RaymondJames.com

Charles Wohlhuter, Res. Assoc., (312) 655-2847, Charles.Wohlhuter@RaymondJames.com

August 6, 2012

Initiation of Coverage

Banking

Rating

Outperform 2

Initiating at Outperform; Strong Franchise Well Positioned for Growth

Recommendation: We are initiating coverage of First Community Corporation with an **Outperform** rating and \$10 price target. The company has remained profitable on an operating basis throughout the credit cycle given emphasis on fee income coupled with a conservative underwriting culture that has kept the bank's asset quality intact. While economic conditions in the bank's South Carolina footprint have presented challenges for sustainable loan growth in recent years, we believe the company's diversified revenue stream hedges against revenue pressures from both tepid loan demand and the low interest rate environment. Additionally, First Community recently raised \$15 million in common equity that strengthens its tangible common equity (TCE) ratio to 8.4% on a pro forma basis from 6.2% at 2Q12. We expect the proceeds will be used to pay off its \$11.4 million of TARP preferred equity with remaining funds used for offensive purposes. With regulatory matters now resolved, the company will have greater flexibility in deploying excess capital to fund organic and acquisitive growth initiatives, which we believe could drive profitability ratios well in excess of peer levels. As such, we see the risk/reward proposition as favorable at current levels.

- ◆ **Positioned for growth across all business lines.** First Community's capital position grew meaningfully following a common equity raise in 3Q12, which should enable the company to grow both organically and through acquisitions. That said, we believe the company will target organic opportunities through de novo branching with small whole-bank deals in the \$100 million to \$150 million range also a consideration. We also see the company making additional investments in fee income businesses, specifically asset management and mortgage banking business lines, to push profitability higher and offset tepid net interest income expectations.
- ◆ **Credit picture poses no real threats.** Many banks in the Carolinas have faced elevated credit pressures in recent periods due to significant declines in real estate values. While property values may weaken further, we believe favorable demographics in First Community's markets relative to state trends, combined with management's strong underwriting standards through the cycle, will limit future risk of loan portfolio deterioration.

Valuation: Our \$10 price target is based roughly on 1.0x our 2Q13 tangible book value (TBV) estimate of \$10.46 and 12.5x our 2013 EPS estimate, in line with micro-cap peers at 1.0x on a TBV basis but a premium to peers at 11.5x on a P/E basis. We believe shares should trade at least in line with peers given better asset quality and, following the recent equity raise, higher capital.

Non-GAAP EPS	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	Full Year	GAAP EPS Full Year	Revenues (mil.)
2011A	\$0.10	\$0.20	\$0.26	\$0.30	\$0.86	\$0.81	\$25
2012E	0.25A	0.24A	0.20	0.18	0.85	0.76	26
2013E	0.17	0.20	0.21	0.22	0.80	0.80	25

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

Current and Target Price

Current Price (8/2/2012)	\$8.25
Target Price:	\$10.00
52-Week Range	\$8.85 - \$4.69
Suitability	Aggressive Growth

Market Data

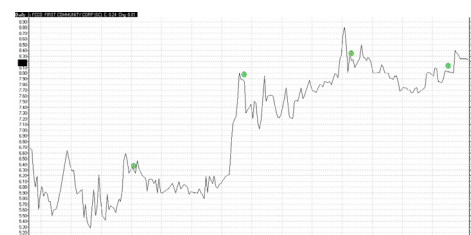
Shares Out. (mil.)	3.3
Market Cap. (mil.)	\$27
Avg. Daily Vol. (10 day)	8,327
Dividend/Yield	\$0.16/1.9%
Book Value (06/12)	\$11.39
Tang. BVPS (06/12)	\$11.14

Earnings & Valuation Metrics

	2011A	2012E	2013E
P/E Ratios (Non-GAAP)	9.6x	9.7x	10.3x

Company Description

First Community Corporation, headquartered in Lexington, South Carolina, is a \$600 million asset bank holding company that operates 11 branches in the central part of the state.



Source: Thomson Reuters.

Please read domestic and foreign disclosure/risk information beginning on page 20 and Analyst Certification on page 20.

Contents

Investment Thesis	1
Investment Risks	2
Recent Results	3
Earnings Estimates	4
Credit Analysis	5
Balance Sheet Analysis	8
Macroeconomic Environment	12
Comparables Analysis	13
Valuation	15
Management Team	16
Conclusion	17
Income Statement	18
Balance Sheet	19

Investment Thesis

Focus on Fee Income Growth Could Offset Margin Pressures

Most community banks rely heavily on spread income as the predominant source of revenue. Lending institutions are facing myriad challenges to earnings, as muted loan growth and mounting margin pressures are placing significant pressure on spread income. On top of those pressures, an increased regulatory burden and the potential for greater capital requirements serve as pressures to earnings. First Community is not immune to these industry challenges; however, management's decision to diversify its revenue stream earlier than most community banks will serve as a significant counterbalance to the mounting industry pressures in our view. The company acquired two financial advisory firms and a mortgage lending business in 2008 and 2011, respectively. While the timing of the advisory firm acquisitions was not ideal given the downturn in the markets that year, we applaud management's decision to focus on fee income growth early in the cycle. Since 1Q10, First Community has increased its operating fee income from 20% of total operating revenue to 30% in 2Q12. We do not anticipate this level of contribution to increase materially through organic growth; however, we would not be surprised if the company pursues non-bank acquisitions, which could be a further boon to fee income and, ultimately, earnings.

Capital Levels Strengthen after Capital Raise; TARP Repayment to Follow

At 2Q12, First Community's TCE ratio was 6.2%, well below the micro-cap peer median of 8.1%; however, from a regulatory perspective, tier 1 and total risk-based capital ratios stood at 16.6% and 18.6%, which are both above the peer median levels of 13.6% and 15.0%, respectively. The company recently raised \$15 million in common equity, with net proceeds of approximately \$14.1 million, through a follow-on offering, which, by our calculations, brings the TCE ratio to 8.4% on a pro forma basis. We expect most of the proceeds will be used to repay the company's \$11.4 million of TARP preferred equity. This move will allow the company to have greater flexibility in future capital deployment decisions like funding organic growth and acquisitions or possibly even increased dividends or share buybacks. Regardless, we believe management will deploy capital in a prudent manner to increase profitability and maximize shareholder value.

Capital Deployment Could Boost Profitability and Support Higher Valuations

As a result of the capital raise and expected subsequent repayment of TARP preferred equity, we anticipate First Community will turn its focus toward capital deployment efforts in order to boost profitability metrics. We believe management will focus on deploying excess capital through four areas, which include de novo branching, fee income growth, whole-bank acquisitions, and dividend increases. De novo branching remains front of mind, in our view, as management has cited potential markets that fit its strategic focus of targeting small businesses and retail customers. We believe this opportunity will enable the bank to expand into new markets while maintaining its conservative credit culture. Secondly, we expect the company will continue to grow its wealth management and mortgage banking business lines. While organic efforts are underway through new hires, potential acquisitions could also present opportunities for accelerated and established growth in new markets. Whole-bank acquisitions are another potential focus for growth as First Community looks to expand its footprint into contiguous markets. To this end, management has identified over 30 banks with total assets less than \$200 million located in South Carolina that could be potential targets. Finally, we believe a dividend hike is not out of the question, though we would expect focus on the prior three options would be a priority before making the decision to increase the dividend. Regardless of the capital deployment methods First Community chooses, we expect it will pursue a route to optimize shareholder value, consistent with its long-term goals.

Credit Pressures Should Remain Manageable

We view First Community as one of the more conservative underwriters among its South Carolina peers, a view supported by the fact that the company has maintained operating profitability throughout the current cycle as credit metrics have remained generally better than peers. That said, the company is not immune to macroeconomic pressures, and it could experience some minor credit deterioration in its portfolio, mainly from depressed real estate values given the large reliance on real estate-based lending. As the cycle matures, we expect there could be some lumpiness in credit metrics, as larger credits have the potential for deterioration, which could lead to a spike in credit costs in any one quarter. As a case in point, in 4Q11, a \$2 million credit moved from restructured to nonaccrual loan (NAL) status, and while it did not drive a surge in the provision expense or net charge-offs (NCOs), it did push NALs higher, which could adversely affect credit costs in future periods. Ultimately, we expect continued improvement in NPA levels and credit costs moving forward despite the potential for lumpiness, which will help support EPS levels around current levels in our view.

Regulatory Matters Resolved; Immediate Cost Reduction Opportunities

First Community recently completed its annual safety and soundness exam, which resulted in regulators eliminating written agreements with the bank. These agreements centered around rating agency downgrades to below investment grade on non-agency mortgage backed securities (MBS) that the bank invested in as part of an investment strategy earlier in the cycle. Given the decline in real estate values across the nation, credit risk in these securities grew and forced multiple agency downgrades on a large portion of MBS from investment grade to below investment grade. These downgrades put material pressure on the bank's regulatory capital ratios and drew increased scrutiny from regulators that ultimately led to the written agreements. Presently, the balance of the below investment grade MBS pool is just \$1.7 million on the balance sheet, and these securities no longer pose any material threat. The company estimates that the regulatory burden of these agreements was roughly \$450,000 of annual expense that it will no longer incur, which we estimate supports EPS by roughly \$0.06. While the elimination of this expense will provide an immediate impact to earnings going forward, we also believe management will target other expense areas for cost save opportunities to drive the efficiency ratio to around 70% from 77% in 2Q12. As such, additional cost save opportunities have the potential to further enhance earnings and could drive upside to our estimates.

Investment Risks

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 sizes 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.

Recent Results

First Community reported 2Q12 GAAP EPS of \$0.23. Excluding securities losses, fair value adjustments, and losses on sale of other assets, we calculate operating EPS of \$0.24.

Asset Quality Poses Little Threat

Nonperforming assets (NPAs) decreased 11.6% linked quarter to \$9.5 million, or 2.9% of loans and real estate owned (REO), as both nonaccrual loan (NAL) and REO balances declined. The sequential drop in NPAs is the second consecutive quarter in which NPA balances fell by at least 10%, and current levels

indicate asset quality should not pose any issues going forward, in our view. As such, we expect declines to generally continue as NAL inflow rates slow and the company continues to dispose of REO properties. We believe credit costs will fall but do not discount the likelihood of one-time spikes as larger problem credits are addressed and removed from the balance sheet. NCOs decreased \$109,000 linked quarter to \$75,000, or 0.09% of average loans, marking the lowest amount through the cycle to date. We expect NCOs will remain at very low levels given management's proven steadfast approach to asset quality, and we forecast reserves will hover at 1.5% of loans through 2013, which provides an ample buffer if credit performance deviates meaningfully from current trends, in our opinion.

Low Rate Environment Provides Headwinds

The net interest margin (NIM) contracted 6 bp sequentially to 3.30% as declines on earnings assets yields outpaced lower funding costs. All earning asset classes witnessed drops in yields due to challenges from the low interest rate environment. We believe pressures will mount as loans reprice and cash flows are re-invested into lower-yielding earning assets; however, we believe the company can offset some compression by trimming costs on the right side of the balance sheet and improving the core deposit mix. That said, funding costs decreased 11 bp linked quarter to 1.03% as the bank successfully lowered interest bearing liability costs and increased its core deposit base. With funding costs at already low levels, we believe the incremental improvement will be minimal and expect asset yields to dictate the level of margin expansion in coming quarters.

Earnings Estimates

First Community has remained profitable on an operating basis through the current cycle, as its conservative credit culture and strong core franchise have allowed it to successfully navigate the credit pressures facing many of its peers. To date in 2012, earnings have benefitted from improved core metrics, as provision expense has declined while operating income has increased on the heels of strong mortgage banking and investment advisory fee income. Until strong loan demand returns or interest rates rise, we expect net interest income will be pressured with greater emphasis placed on fee income.

We are initiating coverage of FCCO with 3Q12, 2012, and 2013 operating EPS estimates of \$0.20, \$0.85, and \$0.80, respectively. The table below highlights our estimates versus consensus expectations. For 2012, our operating estimate is basically in line with consensus given relatively equal revenue and expense expectations. For 2013, our NIM expectations are lower than consensus given our view that persistently low interest rates will pressure earning asset yields and, in turn, decrease net interest income. We believe consensus will revisit its margin estimates going forward, as First Community is finding it harder to offset declining earning asset yields through continued funding cost cuts, in our view.

Raymond James and Consensus Estimates

(\$ in thousands)	3Q12		2012E		2013E	
	RJ	Consensus	RJ	Consensus	RJ	Consensus
Operating EPS	\$0.20	\$0.13	\$0.85	\$0.87	\$0.80	\$0.91
GAAP EPS	\$0.20	\$0.13	\$0.76	\$0.87	\$0.80	\$0.91
Core PTPP* Earnings	1,835	NA	6,820	NA	7,195	NA
Avg. Earning Assets	561,917	NA	555,169	NA	569,639	NA
NIM	3.23%	3.28%	3.27%	3.31%	3.12%	3.26%
Net Interest Income	4,536	4,500	18,007	18,000	17,592	18,200
Provision	150	300	651	800	600	1,000
Operating Fee Income	1,971	1,800	7,620	7,300	7,725	7,600
Operating Expense	4,729	4,700	18,945	18,900	18,673	18,500
Operating Efficiency	73%	75%	74%	75%	74%	72%
Tax Rate	30.0%	NA	29.9%	NA	31.0%	NA
Diluted shares	4,763	4,800	4,161	4,200	5,204	5,200
Dividends per share	\$0.04	\$0.04	\$0.16	\$0.16	\$0.16	\$0.16
Reserves/Loans	1.47%	NA	1.47%	NA	1.50%	NA
NPAs/Loans	2.67%	NA	2.50%	NA	1.75%	NA
NCOs/Avg. Loans	0.15%	NA	0.17%	NA	0.13%	NA

Our 2012 operating EPS estimate is about in line with consensus, while our 2013 EPS estimates are below. For 2012, we believe our lower net interest margin estimate is likely offset by higher average earning asset expectations, which drives in line net interest income estimates. For 2013, we expect consensus NIM estimates will trend down as interest rate expectations are revisited going forward, resulting in lower net interest income.

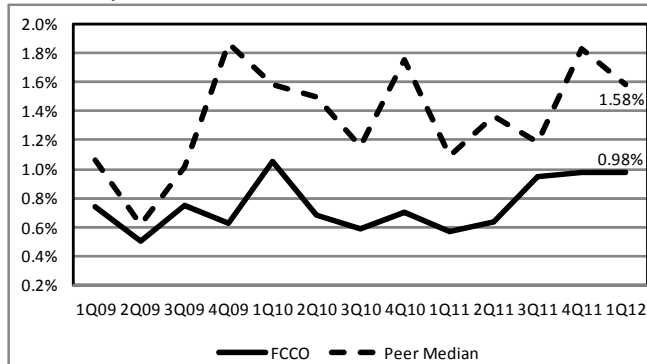
Source: Thomson Financial, SNL Financial, and Raymond James research.

Credit Analysis

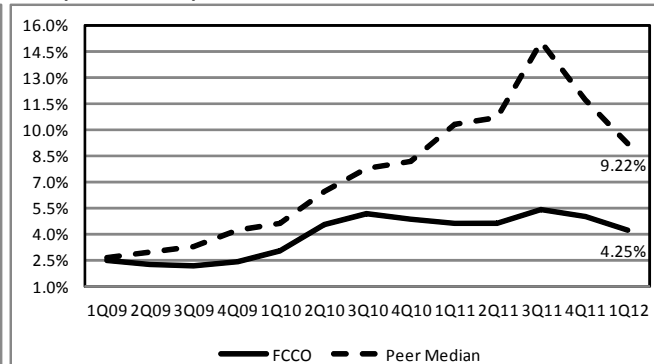
Asset Quality Markedly Better than Peers

In the following graphs, we display First Community's delinquencies, NPAs, NCOs, reserves, and coverage ratios relative to its peers, which we define as publicly traded banks based in South Carolina with assets from \$500 million to \$4 billion. The company entered the credit cycle with NPAs in line with its peers, but as the cycle progressed, the loan portfolio did not experience the same degree of deterioration as peers given management's conservative underwriting standards, in our view. NPAs have remained range bound, fluctuating between 4.0% and 5.5% of loans beginning at 2Q10 through the present. The recent downward trend, combined with very low NCO and delinquency rates relative to peers, indicates that management has prudently navigated the cycle and the risk of wholesale deterioration is low, in our opinion. As a result, we believe reserves as a percentage of loans lie at adequate levels despite resting well below peers. Furthermore, we forecast modest reserve builds on a dollar basis with the ratio staying at 1.5% of loans through 2013 given our outlook for modest loan growth. With a belief that the severity of the cycle is in the rear view mirror, we expect credit costs will decline moving forward, as management has a firm grasp on existing or potential issues in the loan portfolio. Conversely, if problem loans do arise, particularly among larger credits, we may witness spikes in credit costs and NCO rates, though we remain confident that any spikes would be more than manageable.

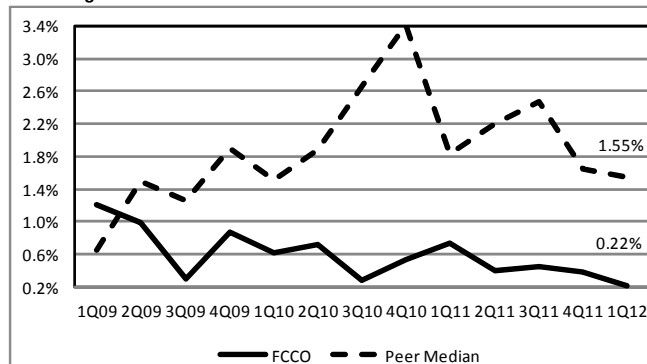
30-89 Delinquencies/Loans



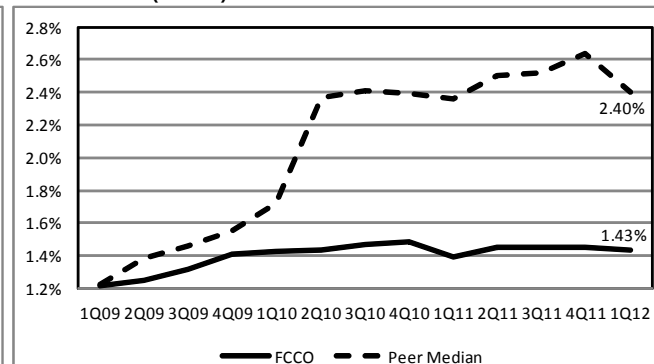
NPAs/(Loans + OREO)



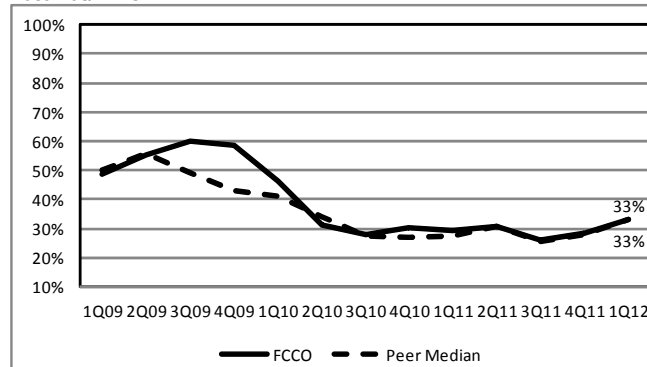
NCOs/Avg. Loans



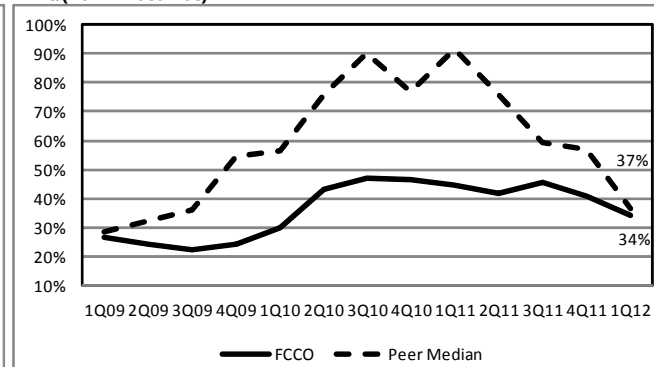
Reserves/Loans (ex HFS)



Reserves/NPAs



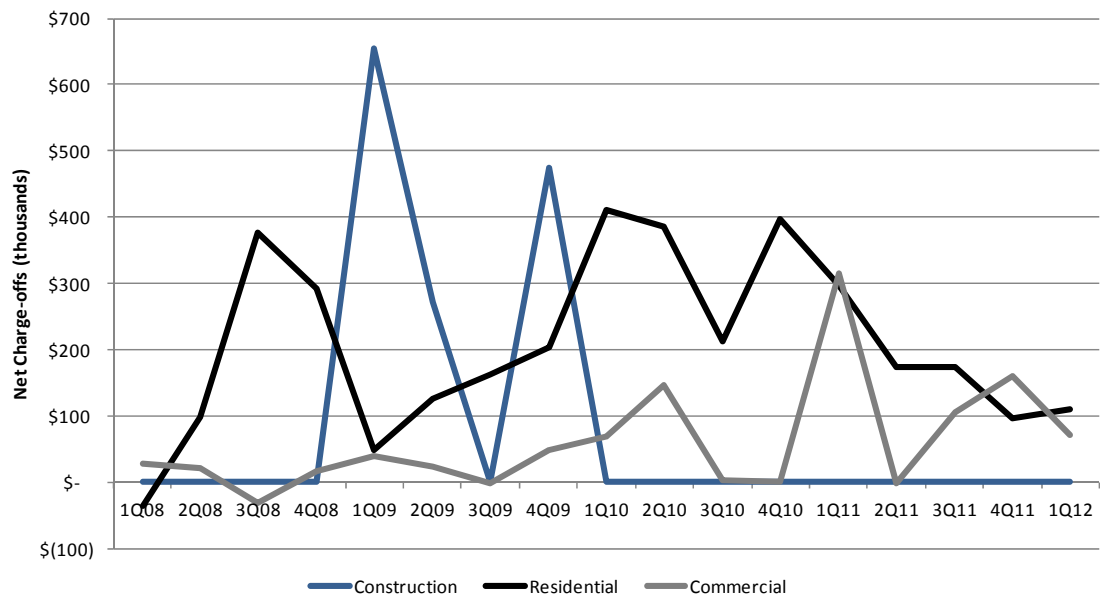
NPAs/(TCE + Reserves)



Note: NPAs are calculated using SNL Financial's definition, which includes accruing TDRs, while GAAP presentations of NPAs often exclude accruing TDRs.
Source: SNL Financial and Raymond James research.

Given better-than-peer credit quality as a result of prudent lending standards and a footprint in the more favorable markets of South Carolina, we do not believe any areas of outsized risk exist, and therefore, we anticipate credit losses to diminish as the credit cycle matures. As displayed in the following graph, not surprisingly, real estate construction loans drove sizeable credit losses in the cycle, while commercial and residential real estate loan notes have fared slightly better. We believe construction credit losses will not be an issue through 2012 and 2013 given the early-cycle nature of credit pressures and management's proven ability to manage credit pressures in this portfolio given zero losses in each of the past nine quarters. We see commercial real estate credits, on the other hand, as a more likely area of potential pressures, which could drive continued lumpiness in loss rates given the generally large size of these credits. The greatest threat to the health of the residential book is a double-dip scenario in which unemployment levels rise and collateral values decline further. First Community has experienced some credit issues in its residential book, mainly from its 1-4 family first lien mortgages. We will monitor these loans carefully but do not believe there is any major threat of wholesale deterioration or a double-dip scenario. That said, we do not discount the likelihood of occasional upticks in NCO rates.

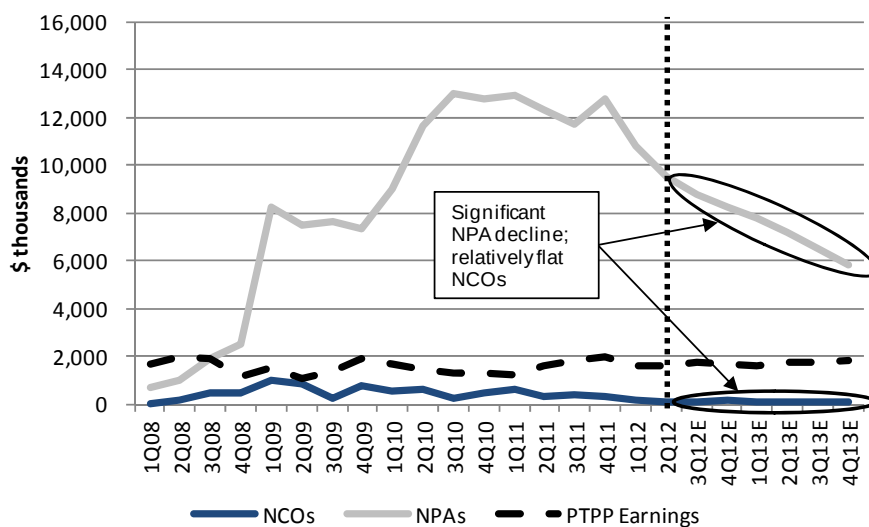
Real Estate Net Charge-offs by Category



Source: SNL Financial and Raymond James research

The following graph displays First Community's problem asset levels relative to PTPP earnings and portrays our view of the company's credit picture going forward. We believe NPAs peaked in 4Q11 at \$12.8 million, or 3.9% of loans. We expect balances will decline further while NCOs will remain at their already relatively low levels. That said, we do not discount the risk of larger credit deterioration, which may spike charge-offs in future quarters; however, as the credit cycle continues to mature, the likelihood of such an event diminishes, in our view. Our current expectation is for NPAs to decline through 2012 and 2013 to 2.5% of loans by 4Q12 and 1.8% by 4Q13 with NCOs rates not exceeding 0.2% of average loans over that time period.

Expect Gradual Decline in NCOs Despite More Meaningful NPA Declines



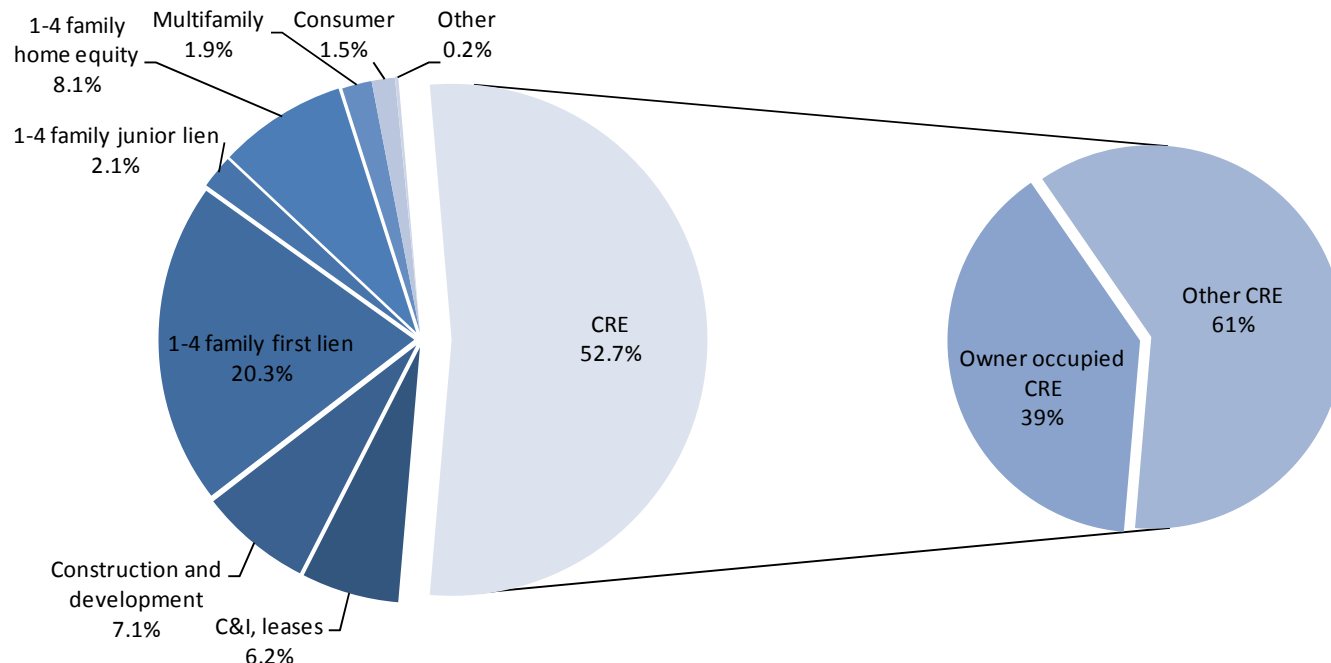
Source: Company documents and Raymond James research

Balance Sheet Analysis

Credit Metrics Support Loan Portfolio Strength

At 2Q12, First Community's loan portfolio totaled \$325 million. As displayed in the following graph based on regulatory filings as of 1Q12 (not yet available for 2Q12), the company's loan portfolio is heavily weighted with real estate secured credits; however, the mix is relatively granular. By exposure, commercial real estate (CRE) comprises the largest concentration at 53% and boasts a good combination of owner-occupied credits compared to investor CRE loans. 1-4 family first mortgages represent the next largest loan category at 20% of total loans followed by home equity, construction and development (C&D), and commercial and industrial (C&I) loans at 8%, 7%, and 6%, respectively. Given the company's strong credit metrics during the cycle, we do not see any significant areas of systemic risk that will place a drag on the portfolio going forward; however, we expect meaningful organic loan growth to be a longer-term event until macroeconomic trends gain positive momentum and improve borrower sentiment.

Heavy Real Estate Exposure



Note: Loan portfolio breakout presented using regulatory filings, not GAAP, as of 1Q12. Regulatory data not available for 2Q12; however, we do not foresee any significant variances.

Source: SNL Financial and Raymond James research.

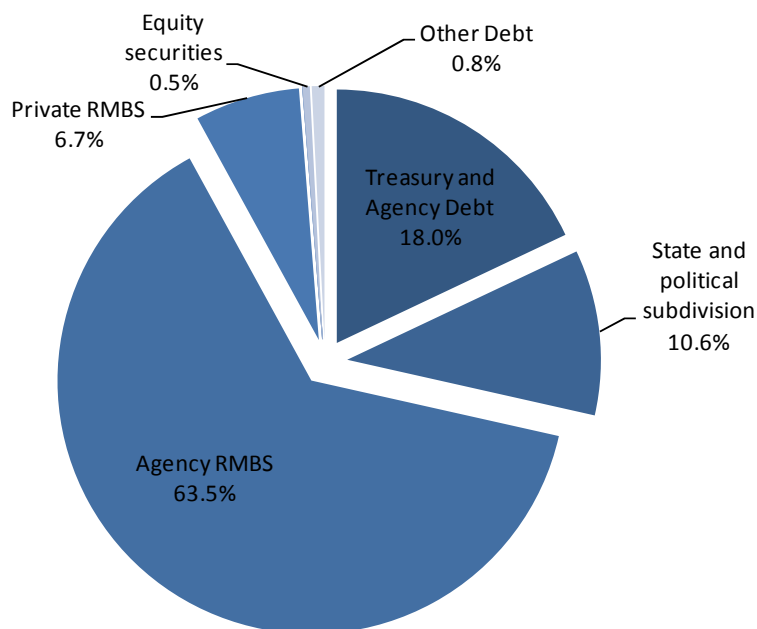
We believe First Community's strong credit metrics are a result of management's conservative lending culture. One of the key components that has served the company well throughout the cycle has been avoiding concentration risk. By example, construction and development (C&D) loans have not comprised more than 13% of the portfolio dating back to the beginning of 2005, unlike at some banks where these credits once were a large portion of lending activity. As detailed before, management quickly right-sized problem C&D loans when the credit cycle began impacting balance sheets across the industry, and with these loans only comprising 7% of the portfolio, we are not concerned about any significant issues arising. Rather, we are more acutely focused on loan pricing and the effects the prolonged low interest rate environment will have on yields. The pressure on yields from the low rate environment is only compounded by a tepid demand environment where pricing and structure competition is very fierce and, arguably, irrational in some cases. With loans yields falling the past three quarters, we expect continued downward movement below the current level of 5.59% in 2Q12 and believe maintaining a lean funding profile will be the greatest factor in staving off margin compression. We are also cognizant of labor statistics and the effect they have on the bank's residential exposure. About 30% of loans at First Community are comprised of first lien, junior lien, and HELOC credits, which would come under additional pressure in the event of a double-dip recession in which employment levels dropped again. At present, we believe the economic environment is stabilizing throughout the company's markets, evidenced by employment trends that compare favorably to the state level. According to the Bureau of Labor Statistics, the Columbia, South Carolina metropolitan statistical area's (First Community's largest market) unemployment rate stood at 9.1% in May 2010 and has fallen to 8.4% as of May 2012 compared to South Carolina's rates of 10.8% and 9.3% in the same time periods. In our view, this trend should help quell fears of significant deterioration in the residential portfolio; therefore, we are not materially concerned about systemic portfolio deterioration, though we note that the economic picture certainly remains stressed relative to pre-cycle levels.

Interest Rate Risk Present

Based upon the most recent available regulatory data as of 1Q12, the company held \$197 million in securities, which equated to 36% of earnings assets. Displayed in the following graph, agency RMBS and treasury and agency debt comprise 82% of the portfolio, which greatly reduces the likelihood of meaningful credit issues, in our view. Municipal securities constitute the next largest concentration at 11% and carry a slightly higher risk profile, but we do not believe the concentration warrants concern given the low probability of high default rates among these investments.

The greater risk, in our view, stems from interest rate pressures. We believe there are potential capital implications related to the securities portfolio given where interest rates lie combined with the fact that the entire portfolio is classified as available-for-sale. According to our calculations using a 35% tax rate, a 3% decline in the portfolio's value at 1Q12 equates to a 59 bp impact to TCE. This impact would certainly be significant even following the recent capital raise; however, recent Fed commentary has indicated that interest rates will stay low through 2014 at least, and we would expect the company to hedge against rising rate pressures by shortening duration further as visibility into rising rates improves. Therefore, the interest rate risk does not warrant great concern nearer term, in our view.

Credit Risk Remains Benign



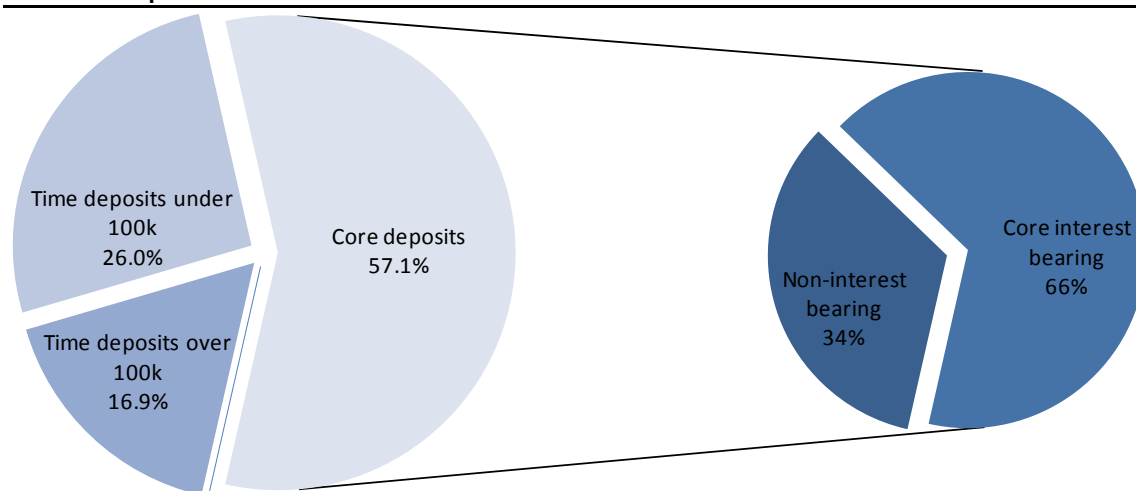
Note: Securities portfolio breakout presented using regulatory filings, not GAAP, as of 1Q12. Regulatory data not available for 2Q12; however, we do not foresee any significant variances. Source: SNL Financial and Raymond James research.

Core Deposit Base Expected to Grow

On a regulatory basis at 1Q12, First Community's deposit portfolio totaled \$478 million. The regulatory deposit balance equates to a loan to deposit ratio of 70% at 1Q12. It is clear that the company has additional room to fund loan growth; however, while loan demand remains tepid, we believe emphasis will be placed on trimming funding costs to limit significant margin compression. As such, the company has focused on growing its core deposits. Since the end of 2009 through 1Q12, core balances have increased \$69.5 million compared to \$27.9 million of total deposit growth, resulting in core deposits increasing from

45.2% to 57.1% of total deposits over the same time period. This trend demonstrates that the bank is committed to improving its deposit mix as a way to offset declining earning asset yields, and we believe investors will focus on the company's ability to continue growing low-cost core deposits in order to combat meaningful margin compression while interest rates remain at historically low levels. That said, the cost of funds has trended down as the company has increased its core deposits and repriced higher-cost CD balances over the past couple of years. In 2Q10, funding costs were 1.71% and have since declined to 1.34% and 1.03% in 2Q11 and 2Q12, respectively. While the company has continued to successfully cut funding costs, we expect these costs will eventually bottom and additional focus will be placed on loan pricing to limit meaningful margin contraction until the yield curve steepens once again.

Favorable Deposit Mix



Note: Deposit portfolio breakout presented using regulatory filings, not GAAP, as of 1Q12. Regulatory data not available for 2Q12; however, we do not foresee any significant variances.

Source: SNL Financial and Raymond James research

First Community ranks 20th among depository institutions in South Carolina as displayed in the table below. We believe the bank will continue gathering deposits in Lexington County, where it holds 7% of the market share, and surrounding counties.

Top Five Depositor in Two Markets

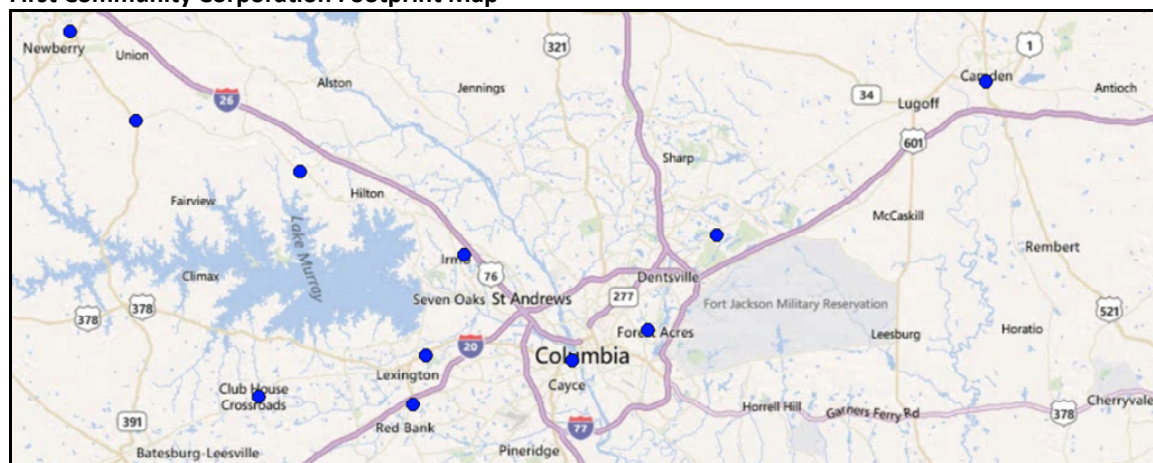
County	Total Deposits	Deposit Mix	Market Share	Market Position
Lexington	235,015	49.7%	7.3%	4
Newberry	134,553	28.5%	33.1%	1
Richland	78,550	16.6%	0.8%	11
Kershaw	24,737	5.2%	4.5%	7
South Carolina	472,855	100.0%	0.7%	20

Note: Data as of June 30, 2011 based on the FDIC's Summary of Deposits report.

Source: SNL Financial.

First Community operates from 11 branches, with six located in Lexington County and the remaining in neighboring counties located around the state's capital, Columbia. The Columbia MSA is one of the better markets in South Carolina, boasting strong payroll growth and lower unemployment rates compared to statewide statistics.

First Community Corporation Footprint Map



● 11 Branches

Source: SNL Financial.

Macroeconomic Environment

As displayed in the following table, First Community's markets have grown at a near equal rate compared to South Carolina's population rate on a weighted average basis from 2000 to 2010. This also holds true for the projected population growth rate for the five years ending in 2016; however, projected income growth of 13.5% lags both statewide and national rates. Despite over 70% of the company's deposits being located within the Columbia MSA, we anticipate management will continue to concentrate growth efforts in this market, as there are additional market share opportunities given its ninth deposit ranking. That said, we also expect management will build its presence in the more rural areas outside of its main market as it looks to grow its presence. Aside from the large government presence, which comes with being a state capital, Columbia possesses large health care, higher education, and manufacturing industry exposure, which we believe provides solid loan and deposit growth prospects. We expect management will continue organic growth efforts in its footprint to boost market share and also target contiguous regions to increase growth opportunities.

Demographic Profile

MSA	Deposit Rank	% of Total Deposits	Population			Income	
			2011 Actual	2010-2011 Growth Rate	2011-2016 Projected Growth Rate	2011 Median	2011-2016 Projected Growth Rate
Columbia, SC	9	72%	778,046	1.4%	7.2%	46,718	14.6%
Newberry, SC	1	28%	37,728	0.6%	2.1%	35,850	10.6%
Weighted Average				1.1%	5.7%	\$43,625	13.5%
Totals			815,774				
South Carolina			4,682,632	1.2%	6.0%	\$41,607	18.6%
United States			310,704,322	0.6%	3.4%	\$50,227	14.6%

Note: Demographic data uses U.S. Census data and Environmental Systems Research Institute projections.

Source: SNL Financial, U.S. Bureau of Labor Statistics, Environmental Systems Research Institute, and Raymond James research.

While not all of First Community's markets are located in MSAs, 72% of the company's deposits fall within metropolitan areas that, we believe, accurately depict the health of the company's footprint. It is evident that the economic downturn has impacted productivity in South Carolina, exhibited by elevated unemployment rates and lower nonfarm payrolls changes compared to national averages. In our analysis, we prefer to focus on payroll growth, as unemployment levels may be biased due to some individuals halting their search process. That said, Columbia has exhibited recent payroll strength, as the rate of growth is nearly double the state and national rates for the year ending May 2012. As previously mentioned, we believe Columbia not only serves as a growth market but also demonstrates defensive characteristics that would serve the company well should a double dip occur. While payroll growth was subdued the two previous years, we expect the bank will remain choosy among loan opportunities and adhere to its conservative lending approach. In sum, we believe management will seek organic growth throughout its existing footprint.

Labor Statistics

MSA	Deposit Rank	Total Deposits	Unemployment Rates			Nonfarm Payrolls, Annual Changes		
			May-10	May-11	May-12	May-10	May-11	May-12
Columbia, SC	9	72%	9.1%	8.9%	8.4%	-0.2%	0.0%	2.2%
Newberry, SC	1	28%	NA	NA	NA	NA	NA	NA
South Carolina			10.8%	10.1%	9.3%	0.1%	0.7%	1.2%
United States			9.3%	8.7%	7.9%	-0.6%	0.8%	1.4%

Note: Statistics are based on non-seasonally adjusted data. Seasonally adjusted data is not available at the MSA level.

Source: SNL Financial, U.S. Bureau of Labor Statistics, and Raymond James research.

Comparables Analysis

First Community compares favorably to its regional peer group in several categories. Generally stable economic trends in its markets, coupled with relatively strong credit metrics, have kept the company profitable on an operating basis during the cycle. While NIM is in line with the peer group median at 3.28%, we expect the company will continue focusing on fee income as a way to stave off natural margin pressures. We note that, since 1Q10, operating fee income has increased from 20% of total operating revenue to 30% at 2Q12. We believe this focus on fee income growth will not only provide downside protection given the persistent low interest rate and tepid loan demand environment, but also better support sustainable profitability compared to peers who are more exposed to spread revenue given their 15% median level of fee income to total revenue. Additionally, the company can stave off some margin pressure by improving its 57% core deposit mix, which would lower funding costs further. Regulatory capital ratios rank ahead of peers, supported by the fact that the company has TARP. However, given our expectations that management will repay TARP with the proceeds from the capital raise, the tangible common equity (TCE) ratio will improve to 8.4% on a pro forma basis, well better than peers. Overall, we expect the bank will focus on growing its loan portfolio in a prudent manner and anticipate that management will keep an eye toward acquisition opportunities, particularly on the fee income side.

Company	Ticker	Balance Sheet Ratios					Income Statement Ratios							Credit				Capital		
		Assets (\$M)	Core Deposits	Nonint Deposits	Loans/Deposits		NIM	Loan Yields	Yield on Assets	Earning Assets	Cost of Deposits	Cost of Funds	Fee Income/Revenue	Efficiency Ratio	NCOs/ Avg. Loans	NPAs/ Loans	Reserves/ Loans	TCE ratio	Leverage Ratio	Tier 1 risk-based
FFCH	FFCH	\$3,304	59%	13%	97%		4.07%	5.46%	5.09%	0.61%	1.01%	29%	84%	1.02%	2.11%	1.80%	86%	6.5%	10.2%	14.8%
Palmetto Bancshares, Inc.	PLMT	\$1,181	64%	17%	68%		3.56%	5.27%	4.18%	0.50%	NA	8%	84%	7.13%	14.72%	2.46%	17%	7.6%	8.8%	12.3%
CNB Corporation	CNBW	\$930	53%	17%	63%		3.42%	6.06%	3.84%	0.55%	0.51%	15%	65%	1.55%	6.49%	2.69%	41%	9.6%	9.5%	16.9%
Security Federal Corporation	SFDL	\$910	53%	NA	NA		2.81%	5.70%	4.14%	NA	NA	17%	75%	1.43%	NA	NA	NA	6.4%	7.4%	14.9%
Southern First Bancshares, Inc.	SFST	\$760	63%	17%	112%		3.61%	5.28%	4.82%	NA	NA	10%	63%	0.87%	3.28%	1.48%	45%	6.2%	9.8%	12.1%
Tidelands Bancshares, Inc.	TDBK	\$548	34%	3%	81%		3.07%	5.55%	4.67%	1.23%	1.50%	7%	77%	1.65%	19.40%	2.40%	12%	-0.1%	3.5%	4.6%
HCSB Financial Corporation	HCFB	\$537	44%	8%	72%		3.12%	5.26%	4.23%	0.87%	1.21%	17%	72%	2.02%	21.56%	5.90%	27%	-3.1%	0.4%	0.5%
Community First Bancorporation	CFOK	\$507	39%	14%	47%		2.77%	6.16%	3.63%	0.87%	0.92%	11%	65%	0.79%	15.09%	2.25%	15%	7.4%	8.0%	15.7%
First Community Corporation	FCCO	\$598	57%	NA	69%		3.28%	5.64%	4.51%	0.68%	1.02%	30%	76%	0.09%	4.33%	1.44%	33%	6.2%	9.8%	15.7%
Peer Group Medians:		\$760	53%	14%	70%		3.28%	5.55%	4.23%	0.68%	1.02%	15%	75%	1.43%	10.60%	2.33%	30%	6.4%	8.8%	14.8%

Peer group consists of banks based in SC with Assets between \$500 million and \$4 billion and excludes Mutual Holding Companies. Data as of most recent quarter. Core deposits exclude all time deposits.

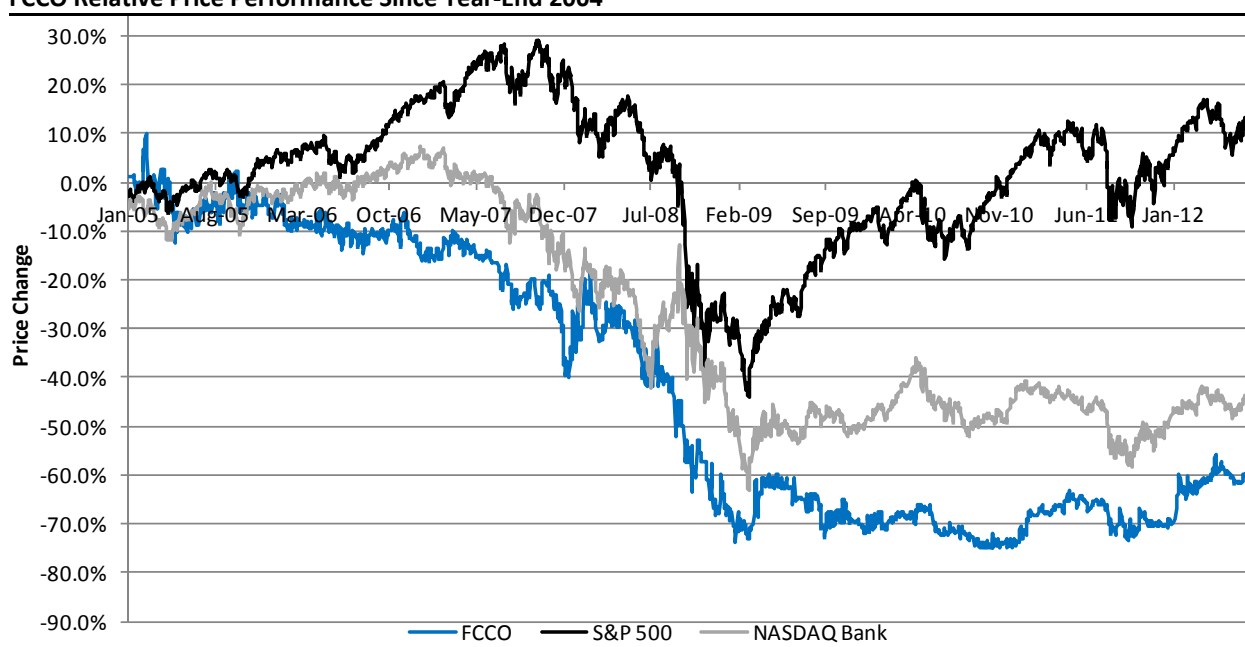
Note: Peer comparisons can be skewed during earnings reporting season due to the timing of reports. Credit metrics include covered NPA and Loan balances for banks that have acquired institutions with FDIC loss share arrangements which can skew credit metrics negatively. SNL calculates certain metrics differently than individual companies in some cases which can cause variance from our models.

Source: SNL Financial and Raymond James research

Valuation

With the onslaught of the credit cycle, bank stocks have dramatically underperformed the S&P 500 given the multitude of earnings headwinds that have plagued the industry. As displayed in the graph below, FCCO has underperformed both the S&P 500 and the NASDAQ Bank index beginning at the end of 2005, driven mostly by lack of liquidity in shares, in our view. For a brief period in mid-2008, shares traded at parity with the NASDAQ Bank index as credit metrics were strong, but then as the cycle began to take hold, the market dipped significantly. We believe shares have remained range-bound between 60% and 70% below December 31, 2004's closing price given the bank's location in the Southeastern region of the country. The economic downturn severely affected these markets and has led to a high number of bank failures relative to other parts of the nation. Though, given better-than-peer credit metrics and strong capital ratios going forward, we believe there is upside potential to shares.

FCCO Relative Price Performance Since Year-End 2004



Note: Priced through August 2, 2012

Source: SNL Financial and Raymond James research

Our \$10 price target is based on roughly 1.0x our 2Q13 tangible book value (TBV) estimate of \$10.46 and 12.5x our 2013 EPS estimate, in line with micro-cap peers at 1.0x on a TBV basis but a premium to peers at 11.5x on a P/E basis. We believe shares should trade at least in line with peers given better asset quality and, following the recent equity raise, higher capital.

Industry and Regional Peer Comparisons

	Count	Mkt Cap (M)	Assets (M)	Valuation Metrics					Profitability Metrics				
				P/TBV	FY12E P/E	FY13E P/E	Deposit Premium	Dividend Yield	ROA (MRQ)	ROE (MRQ)	ROTC (MRQ)	ROTC (FY12E)	ROTC (FY13E)
Industry Medians	525	\$112	\$1,222	1.12x	12.5x	11.8x	3%	2.9%	0.74%	6.9%	8.8%	9.4%	9.5%
Large Cap (>\$3B)	24	\$8,496	\$83,665	1.33x	11.4x	10.2x	7%	2.4%	1.04%	9.3%	12.3%	12.7%	11.9%
Mid-Cap (\$750M - \$3B)	56	\$1,327	\$11,636	1.41x	13.1x	12.5x	5%	2.6%	0.98%	8.6%	11.3%	11.4%	11.4%
Small-Cap (\$300M - \$750M)	59	\$442	\$4,192	1.35x	12.7x	11.9x	4%	3.1%	0.93%	9.1%	10.6%	10.6%	10.2%
Micro-Cap (<\$300M)	386	\$71	\$947	0.96x	12.5x	11.5x	2%	3.0%	0.61%	6.0%	7.9%	7.1%	7.7%
Regional Medians													
Mid-Atlantic	118	\$115	\$1,140	1.09x	12.7x	11.8x	3%	3.5%	0.81%	7.7%	9.6%	10.0%	10.1%
Midwest	137	\$76	\$1,208	0.91x	11.5x	11.4x	3%	2.6%	0.79%	7.9%	9.6%	10.5%	10.1%
New England	37	\$115	\$1,159	1.20x	14.6x	12.1x	4%	3.0%	0.72%	6.1%	9.1%	9.7%	10.5%
Southwest	19	\$612	\$3,693	1.46x	14.2x	12.9x	6%	2.7%	0.90%	8.7%	10.5%	10.3%	9.7%
West	77	\$162	\$1,338	1.09x	12.9x	12.2x	4%	2.5%	0.87%	6.8%	8.6%	9.4%	9.1%
Southeast	137	\$88	\$1,100	0.88x	13.1x	11.6x	4%	2.4%	0.52%	5.2%	6.1%	7.9%	8.8%
Initiation of Coverage													
First Community Corporation	FCCO	\$43	\$598	0.74x	9.5x	9.1x	NA	1.9%	0.86%	10.5%	8.9%	8.5%	8.8%

Priced as of August 2, 2012.

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.

Management Team

Michael C. Crapps, Chief Executive Officer

Mr. Crapps is a founding member of First Community Corporation and was named the chief executive officer, president of the bank, and a director at the company's formation. Prior to First Community, Mr. Crapps was employed at Republic National Bank in Columbia, South Carolina where he advanced to chief executive officer of the bank. His commercial banking career spans over 30 years with responsibilities in all capacities, which include lending, credit administration, and operations, among others. Mr. Crapps holds a bachelor's degree from Clemson University, masters of business administration from the University of South Carolina, and is a graduate of the Louisiana State University Banking School of the South.

Joseph G. Sawyer, Chief Financial Officer

Mr. Sawyer has served as chief financial officer since the company's beginning. Previously, he was general auditor at the National Bank of South Carolina, and other experiences include working in public accounting firms for over 10 years. Mr. Sawyer is a graduate of The Citadel and holds the certified public accountant designation.

Conclusion

We are initiating coverage of First Community Corporation with an **Outperform** rating and \$10 price target. The company has remained profitable on an operating basis throughout the credit cycle given emphasis on fee income coupled with a conservative underwriting culture that has kept asset quality intact. While economic conditions in the bank's South Carolina footprint have presented challenges for sustainable loan growth in recent years, we believe the company's diversified revenue stream hedges against revenue pressures from both tepid loan demand and the low interest rate environment. Additionally, First Community recently raised \$15 million in common equity that strengthens its tangible common equity (TCE) ratio to 8.4% on a pro forma basis from 6.2% at 2Q12. We expect the proceeds will be used to pay off its \$11.4 million of TARP preferred equity with remaining funds used for offensive purposes. With regulatory matters now resolved, the company will have greater flexibility in deploying excess capital to fund organic and acquisitive growth initiatives, which we believe could drive profitability ratios well in excess of peer levels. As such, we see the risk/reward proposition as favorable at current levels.

First Community Corporation

Income Statement

(\$ in thousands)

	2010 31-Dec	2011 31-Mar	2011 30-Jun	2011 30-Sep	2011 31-Dec	2011 31-Dec	2012 31-Mar	2012 30-Jun	2012 30-Sep	2012 31-Dec	2012 31-Dec	2013E 31-Mar	2013E 30-Jun	2013E 30-Sep	2013E 31-Dec	2013E 31-Dec
Net interest income	18,137	4,454	4,619	4,628	4,616	18,317	4,509	4,451	4,536	4,511	18,007	4,332	4,402	4,444	4,414	17,592
Provision for loan losses	1,878	360	390	360	310	1,420	230	71	150	200	651	200	150	125	125	600
Net interest income after provision	16,259	4,094	4,229	4,268	4,306	16,897	4,279	4,380	4,386	4,311	17,356	4,132	4,252	4,319	4,289	16,992
Deposit service charges	1,876	468	478	440	434	1,810	389	375	357	356	1,478	383	391	369	391	1,534
Mortgage origination fees	1,034	191	263	698	821	1,973	723	877	921	902	3,423	812	820	829	837	3,298
Investment advisory fees and non-deposit comm	501	175	138	218	236	767	147	162	168	172	649	175	179	182	186	722
Gain on sale of securities	827	134	7	133	301	575	11	(38)	0	0	(27)	0	0	0	0	0
Gain (loss) on sale of other assets	13	(47)	(44)	(18)	(46)	(155)	50	(36)	0	0	14	0	0	0	0	0
Fair value gain (loss) adjustment	(581)	4	(129)	(60)	19	(166)	(33)	(4)	0	0	(37)	0	0	0	0	0
OTTI	(1,560)	(4)	0	(74)	(243)	(297)	(200)	0	0	0	(200)	0	0	0	0	0
Loss on early extinguishment of debt	0	0	0	(74)	(114)	(188)	(121)	0	0	0	(121)	0	0	0	0	0
Other	1,732	516	505	401	486	1,908	487	519	524	529	2,070	535	540	545	551	2,171
Noninterest income	3,842	1,427	1,218	1,688	1,894	6,227	1,463	1,855	1,971	1,960	7,249	1,905	1,930	1,925	1,965	7,725
Operating Noninterest Income	5,143	1,340	1,384	1,757	1,977	6,458	1,756	1,933	1,971	1,960	7,620	1,905	1,930	1,925	1,965	7,725
Total Revenue	21,979	5,881	5,837	6,316	6,510	24,544	5,972	6,306	6,507	6,471	25,256	6,237	6,332	6,369	6,379	25,317
Total Operating Revenue	23,280	5,794	6,003	6,385	6,593	24,775	6,265	6,384	6,507	6,471	25,627	6,237	6,332	6,369	6,379	25,317
Salaries and employee benefits	8,942	2,313	2,196	2,493	2,518	9,520	2,558	2,747	2,692	2,692	10,689	2,719	2,692	2,705	2,719	10,835
Occupancy	1,229	309	308	336	336	1,289	345	335	335	333	1,348	332	332	332	333	1,328
Equipment	1,162	281	290	287	289	1,147	287	283	284	286	1,140	287	289	290	292	1,158
Marketing and public relations	402	171	126	64	91	452	186	108	109	110	513	183	125	127	128	573
FDC assessment	1,004	255	250	176	208	889	184	196	167	166	713	168	171	172	171	682
Other real estate expense	823	346	158	134	202	840	119	267	225	200	811	175	150	125	100	550
Amortization of intangibles	620	155	155	156	51	517	51	51	51	51	204	51	51	51	51	204
Other	3,500	893	944	912	940	3,689	882	921	866	857	3,526	849	840	832	823	3,343
Noninterest expense	17,682	4,723	4,427	4,558	4,635	18,343	4,612	4,908	4,729	4,696	18,945	4,773	4,649	4,633	4,617	18,673
Operating Noninterest Expense	17,682	4,723	4,427	4,558	4,635	18,343	4,612	4,908	4,729	4,696	18,945	4,773	4,649	4,633	4,617	18,673
Income Before Tax	2,419	798	1,020	1,398	1,565	4,781	1,130	1,327	1,628	1,575	5,660	1,264	1,532	1,611	1,637	6,045
Income tax expense	564	228	294	441	494	1,457	331	399	488	473	1,691	392	475	499	508	1,874
GAAP Net Income	1,855	570	726	957	1,071	3,324	799	928	1,139	1,102	3,969	872	1,057	1,112	1,130	4,171
Dividends on preferred stock	665	167	168	167	168	670	169	168	168	303	808	0	0	0	0	0
GAAP Net Income to Common	1,190	403	558	790	903	2,654	630	760	971	800	3,161	872	1,057	1,112	1,130	4,171
Operating Net Income to Common	2,125	331	662	860	986	2,838	827	816	971	935	3,549	872	1,057	1,112	1,130	4,171
Diluted shares	3,253	3,272	3,276	3,304	3,306	3,289	3,329	3,357	4,763	5,194	4,161	5,198	5,202	5,206	5,210	5,204
GAAP EPS - diluted	\$0.37	\$0.12	\$0.17	\$0.24	\$0.27	\$0.81	\$0.19	\$0.23	\$0.20	\$0.15	\$0.76	\$0.17	\$0.20	\$0.21	\$0.22	\$0.80
Operating EPS - diluted	\$0.65	\$0.10	\$0.20	\$0.26	\$0.30	\$0.86	\$0.25	\$0.24	\$0.20	\$0.18	\$0.85	\$0.17	\$0.20	\$0.21	\$0.22	\$0.80

Financial Highlights

TBV/share	\$9.14	\$9.39	\$9.85	\$10.53	\$10.83	\$10.83	\$11.25	\$11.14	\$10.02	\$10.17	\$10.17	\$10.30	\$10.46	\$10.64	\$10.82	\$10.82
TCE/Assets	5.0%	5.1%	5.3%	5.7%	6.0%	6.0%	6.2%	6.2%	8.6%	8.7%	8.7%	8.9%	8.9%	9.0%	9.0%	9.0%
NPA/Assets	3.80%	3.78%	3.67%	3.51%	3.85%	3.85%	3.21%	2.90%	2.67%	2.50%	2.50%	2.31%	2.18%	1.96%	1.75%	1.75%
NCOs/Ag. Loans	0.54%	0.74%	0.40%	0.45%	0.39%	0.48%	0.22%	0.08%	0.15%	0.20%	0.17%	0.15%	0.19%	0.10%	0.10%	0.13%
Reserves/Loans	1.49%	1.39%	1.45%	1.45%	1.45%	1.45%	1.43%	1.46%	1.47%	1.47%	1.47%	1.47%	1.50%	1.50%	1.50%	1.50%
NIM	3.28%	3.30%	3.37%	3.37%	3.32%	3.34%	3.36%	3.30%	3.23%	3.20%	3.27%	3.17%	3.14%	3.10%	3.05%	3.12%
G&A/Ag. Assets	2.90%	3.14%	2.94%	3.01%	3.07%	3.04%	3.11%	3.28%	3.13%	3.07%	3.15%	3.13%	3.04%	2.99%	2.95%	3.03%
Efficiency Ratio	76%	82%	74%	71%	70%	74%	74%	77%	73%	73%	74%	77%	73%	73%	72%	74%
Effective tax rate	23.3%	28.6%	28.8%	31.5%	31.6%	30.5%	29.3%	30.1%	30.0%	30.0%	29.9%	31.0%	31.0%	31.0%	31.0%	31.0%
ROA (operating)	0.35%	0.22%	0.44%	0.57%	0.65%	0.47%	0.56%	0.55%	0.64%	0.61%	0.59%	0.57%	0.69%	0.72%	0.72%	0.68%
ROE (operating)	5.0%	3.2%	6.1%	7.6%	8.4%	6.4%	6.9%	6.6%	6.8%	7.1%	6.7%	6.4%	7.7%	8.0%	8.0%	7.5%
ROTE (operating)	6.9%	4.4%	8.4%	10.3%	11.2%	8.7%	9.2%	8.8%	8.7%	7.1%	6.3%	6.5%	7.8%	8.1%	8.0%	7.6%
Dividends per share	\$0.16	\$0.04	\$0.04	\$0.04	\$0.04	\$0.16	\$0.04	\$0.04	\$0.04	\$0.04	\$0.16	\$0.04	\$0.04	\$0.04	\$0.04	\$0.16

Pre-tax, pre-provision earnings

Non-core benefits (expense)	5,120	1,504	1,568	1,892	2,077	7,041	1,479	1,665	2,003	1,975	7,122	1,639	1,832	1,861	1,862	7,195
Preferred dividend	(1,301)	87	(166)	(69)	(83)	(231)	(293)	(78)	0	(135)	(506)	0	0	0	0	0
Core PPP earnings	5,756	1,657	1,668	1,927	1,960	6,810	1,689	1,743	1,973	1,840	6,616	1,639	1,832	1,861	1,862	7,195
PTPP ROA	0.95%	0.83%	1.04%	1.18%	1.32%	1.09%	1.06%	1.05%	1.22%	1.18%	1.13%	1.07%	1.20%	1.20%	1.19%	1.17%

Source: Company reports and Raymond James research

First Community Corporation

Balance Sheet (\$ in thousands)	4Q10 31-Dec	1Q11 31-Mar	2Q11 30-Jun	3Q11 30-Sep	4Q11 31-Dec	1Q12 31-Mar	2Q12 30-Jun	3Q12 30-Sep	4Q12 31-Dec	1Q13E 31-Mar	2Q13E 30-Jun	3Q13E 30-Sep	4Q13E 31-Dec
Stated Equity	41,797	42,515	43,926	46,700	47,896	49,307	49,296	64,327	53,870	54,533	55,381	56,284	57,204
Preferred	11,035	11,059	11,086	11,111	11,137	11,164	11,191	11,217	0	0	0	0	0
Intangibles	881	726	571	793	936	884	834	783	732	681	630	579	528
Tangible Common Equity	29,881	30,730	32,269	34,796	35,823	37,259	37,271	52,327	53,138	53,852	54,751	55,705	56,676
Book Value	\$9.41	\$9.61	\$10.02	\$10.77	\$11.11	\$11.52	\$11.39	\$10.17	\$10.31	\$10.43	\$10.58	\$10.75	\$10.92
Tangible BV	\$9.14	\$9.39	\$9.85	\$10.53	\$10.83	\$11.25	\$11.14	\$10.02	\$10.17	\$10.30	\$10.46	\$10.64	\$10.82
Shares Outstanding	3,270	3,274	3,277	3,304	3,308	3,311	3,346	5,221	5,224	5,228	5,232	5,236	5,240
Equity/Assets	7.0%	7.0%	7.3%	7.7%	8.1%	8.2%	8.2%	10.5%	8.8%	9.0%	9.0%	9.0%	9.1%
TCE ratio	5.0%	5.1%	5.3%	5.7%	6.0%	6.2%	6.2%	8.6%	8.7%	8.9%	8.9%	9.0%	9.0%
Leverage Ratio	8.79%	8.90%	8.98%	9.10%	9.40%	9.77%	9.94%						
Tier 1 Capital Ratio	13.73%	14.15%	14.57%	14.82%	15.33%	15.69%	16.64%						
Total Capital Ratio	14.99%	15.20%	15.87%	16.07%	17.25%	17.62%	18.59%						
Total Assets	599,023	607,314	605,179	606,884	593,887	601,501	598,014	609,974	613,024	606,894	615,997	622,157	628,379
Other short-term investments	18,738	20,396	13,467	8,522	5,893	14,520	18,205						
Investment securities	196,150	197,822	210,742	214,884	206,669	202,699	201,381						
Loans held for sale	0	0	625	5,195	3,725	3,863	4,356						
Loans	329,954	334,156	325,671	324,233	324,311	331,090	324,913	324,913	326,538	333,068	328,072	329,713	333,010
Allowance for loan losses	(4,911)	(4,655)	(4,716)	(4,708)	(4,699)	(4,745)	(4,742)	(4,770)	(4,807)	(4,884)	(4,910)	(4,952)	(4,995)
Other assets	59,092	59,595	59,390	58,758	57,988	54,074	53,901						
Total Liabilities	557,226	564,799	561,253	560,184	545,991	552,194	548,718						
Total deposits	455,344	465,983	470,917	473,160	464,585	476,874	474,019	478,759	471,578	485,725	490,582	493,035	485,640
Securities sold under repo	12,686	14,342	15,551	16,927	13,616	13,479	12,817						
FHLB advances	68,094	64,840	54,228	48,824	43,862	38,857	38,496						
Junior sub debt	15,464	15,464	15,464	15,464	17,913	17,914	17,916						
Other liabilities	5,638	4,170	5,093	5,809	6,015	5,070	5,470						

Important Investor Disclosures

Raymond James & Associates (RJA) is a FINRA member firm and is responsible for the preparation and distribution of research created in the United States. Raymond James & Associates is located at The Raymond James Financial Center, 880 Carillon Parkway, St. Petersburg, FL 33716, (727) 567-1000. Non-U.S. affiliates, which are not FINRA member firms, include the following entities which are responsible for the creation and distribution of research in their respective areas; In Canada, Raymond James Ltd. (RJA), Suite 2100, 925 West Georgia Street, Vancouver, BC V6C 3L2, (604) 659-8200; In Latin America, Raymond James Latin America (RJA LatAm), Ruta 8, km 17, 500, 91600 Montevideo, Uruguay, 00598 2 518 2033; In Europe, Raymond James Euro Equities, SAS (RJE), 40, rue La Boetie, 75008, Paris, France, +33 1 45 61 64 90.

This document is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of or located in any locality, state, country, or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. The securities discussed in this document may not be eligible for sale in some jurisdictions. This research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. **Investors should consider this report as only a single factor in making their investment decision.**

For clients in the United States: Investing in securities of issuers organized outside of the U.S., including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of, the U.S. Securities and Exchange Commission. There may be limited information available on such securities. Investors who have received this report may be prohibited in certain states or other jurisdictions from purchasing the securities mentioned in this report. Please ask your Financial Advisor for additional details.

The information provided is as of the date above and subject to change, and it should not be deemed a recommendation to buy or sell any security. Certain information has been obtained from third-party sources we consider reliable, but we do not guarantee that such information is accurate or complete. Persons within the Raymond James family of companies may have information that is not available to the contributors of the information contained in this publication. Raymond James, including affiliates and employees, may execute transactions in the securities listed in this publication that may not be consistent with the ratings appearing in this publication.

Additional information is available on request.

Analyst Information

Registration of Non-U.S. Analysts: The analysts listed on the front of this report who are not employees of Raymond James & Associates, Inc., are not registered/qualified as research analysts under FINRA rules, are not associated persons of Raymond James & Associates, Inc., and are not subject to NASD Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public companies, and trading securities held by a research analyst account.

Analyst Holdings and Compensation: Equity analysts and their staffs at Raymond James are compensated based on a salary and bonus system. Several factors enter into the bonus determination including quality and performance of research product, the analyst's success in rating stocks versus an industry index, and support effectiveness to trading and the retail and institutional sales forces. Other factors may include but are not limited to: overall ratings from internal (other than investment banking) or external parties and the general productivity and revenue generated in covered stocks.

The views expressed in this report accurately reflect the personal views of the analyst(s) covering the subject securities. No part of said person's compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report. In addition, said analyst has not received compensation from any subject company in the last 12 months.

Ratings and Definitions

Raymond James & Associates (U.S.) definitions

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.

Suspended (S) The rating and price target have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and price target are no longer in effect for this security and should not be relied upon.

Raymond James Ltd. (Canada) definitions

Strong Buy (SB1) The stock is expected to appreciate and produce a total return of at least 15% and outperform the S&P/TSX Composite Index over the next six months.

Outperform (MO2) The stock is expected to appreciate and outperform the S&P/TSX Composite Index over the next twelve months.

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.

Underperform (MU4) The stock is expected to underperform the S&P/TSX Composite Index or its sector over the next six to twelve months and should be sold.

Raymond James Latin American rating definitions

Strong Buy (SB1) Expected to appreciate and produce a total return of at least 25.0% over the next twelve months.

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.

Underperform (MU4) Expected to underperform the underlying country index.

Suspended (S) The rating and price target have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and price target are no longer in effect for this security and should not be relied upon.

Raymond James Euro Equities, SAS rating definitions

Strong Buy (1) Expected to appreciate, produce a total return of at least 15%, and outperform the Stoxx 600 over the next 6 to 12 months.

Outperform (2) Expected to appreciate and outperform the Stoxx 600 over the next 12 months.

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.

Suspended (S) The rating and target price have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and target price are no longer in effect for this security and should not be relied upon.

In transacting in any security, investors should be aware that other securities in the Raymond James research coverage universe might carry a higher or lower rating. Investors should feel free to contact their Financial Advisor to discuss the merits of other available investments.

Rating Distributions

	Coverage Universe Rating Distribution				Investment Banking Distribution			
	RJA	RJL	RJ LatAm	RJEE	RJA	RJL	RJ LatAm	RJEE
Strong Buy and Outperform (Buy)	54%	64%	32%	53%	16%	34%	0%	0%
Market Perform (Hold)	39%	33%	58%	31%	8%	22%	2%	0%
Underperform (Sell)	7%	3%	9%	16%	0%	33%	0%	0%

Suitability Categories (SR)

For stocks rated by Raymond James & Associates only, the following Suitability Categories provide an assessment of potential risk factors for investors. Suitability ratings are not assigned to stocks rated Underperform (Sell). Projected 12-month price targets are assigned only to stocks rated Strong Buy or Outperform.

Total Return (TR) Lower risk equities possessing dividend yields above that of the S&P 500 and greater stability of principal.

Growth (G) Low to average risk equities with sound financials, more consistent earnings growth, possibly a small dividend, and the potential for long-term price appreciation.

Aggressive Growth (AG) Medium or higher risk equities of companies in fast growing and competitive industries, with less predictable earnings and acceptable, but possibly more leveraged balance sheets.

High Risk (HR) Companies with less predictable earnings (or losses), rapidly changing market dynamics, financial and competitive issues, higher price volatility (beta), and risk of principal.

Venture Risk (VR) Companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, and a substantial risk of principal.

Raymond James Relationship Disclosures

Raymond James expects to receive or intends to seek compensation for investment banking services from the subject companies in the next three months.

Company Name	Disclosure
First Community Corporation	Raymond James & Associates lead-managed a follow-on offering of FCCO shares within the past 12 months. Raymond James & Associates makes a market in shares of FCCO.

Stock Charts, Target Prices, and Valuation Methodologies

Valuation Methodology: The Raymond James methodology for assigning ratings and target prices includes a number of qualitative and quantitative factors including an assessment of industry size, structure, business trends and overall attractiveness; management effectiveness; competition; visibility; financial condition, and expected total return, among other factors. These factors are subject to change depending on overall economic conditions or industry- or company-specific occurrences. Only stocks rated Strong Buy (SB1) or Outperform (MO2) have target prices and thus valuation methodologies.

Risk Factors

General Risk Factors: Following are some general risk factors that pertain to the projected target prices included on Raymond James research: (1) Industry fundamentals with respect to customer demand or product / service pricing could change and adversely impact expected revenues and earnings; (2) Issues relating to major competitors or market shares or new product expectations could change investor attitudes toward the sector or this stock; (3) Unforeseen developments with respect to the management, financial condition or accounting policies or practices could alter the prospective valuation; or (4) External factors that affect the U.S. economy, interest rates, the U.S. dollar or major segments of the economy could alter investor confidence and investment prospects. International investments involve additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability.

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.

Additional Risk and Disclosure information, as well as more information on the Raymond James rating system and suitability categories, is available at rjcapitalmarkets.com/SearchForDisclosures_main.asp. Copies of research or Raymond James' summary policies relating to research analyst independence can be obtained by contacting any Raymond James & Associates or Raymond James Financial Services office (please see raymondjames.com for office locations) or by calling 727-567-1000, toll free 800-237-5643 or sending a written request to the Equity Research Library, Raymond James & Associates, Inc., Tower 3, 6th Floor, 880 Carillon Parkway, St. Petersburg, FL 33716.

For clients in the United Kingdom:

For clients of Raymond James & Associates (London Branch) and Raymond James Financial International Limited (RJFI): This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in the FSA rules or persons described in Articles 19(5) (Investment professionals) or 49(2) (High net worth companies, unincorporated associations etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) or any other person to whom this promotion may lawfully be directed. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is therefore not intended for private individuals or those who would be classified as Retail Clients.

For clients of Raymond James Investment Services, Ltd.: This report is for the use of professional investment advisers and managers and is not intended for use by clients.

For purposes of the Financial Services Authority requirements, this research report is classified as independent with respect to conflict of interest management. RJA, RJFI, and Raymond James Investment Services, Ltd. are authorised and regulated by the Financial Services Authority in the United Kingdom.

For clients in France:

This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in "Code Monétaire et Financier" and Règlement Général de l'Autorité des Marchés Financiers. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is therefore not intended for private individuals or those who would be classified as Retail Clients.

For institutional clients in the European Economic Area (EEA) outside of the United Kingdom:

This document (and any attachments or exhibits hereto) is intended only for EEA institutional clients or others to whom it may lawfully be submitted.

For Canadian clients:

Review of Material Operations: The Analyst and/or Associate is required to conduct due diligence on, and where deemed appropriate visit, the material operations of a subject company before initiating research coverage. The scope of the review may vary depending on the complexity of the subject company's business operations.

This report is not prepared subject to Canadian disclosure requirements.

For Latin American clients:

Registration of Brazil-based Analysts: In accordance with Regulation #483 issued by the Brazil Securities and Exchange Commission (CVM) in October 2010, all lead Brazil-based Research Analysts writing and distributing research are CNPI certified as required by Art. 1 of APIMEC's Code of Conduct (www.apimec.com.br/supervisao/codigodeconduta). They abide by the practices and procedures of this regulation as well as internal procedures in place at Raymond James Brasil S.A. A list of research analysts accredited with the APIMEC can be found on the webpage ([www.apimec.com.br/certificacao/Profissionais Certificados](http://www.apimec.com.br/certificacao/Profissionais%20Certificados)).

Non-Brazil-based analysts writing Brazil research and or making sales efforts with the same are released from these APIMEC requirements as stated in Art. 20 of CVM Instruction #483, but abide by recognized Codes of Conduct, Ethics and Practices that comply with Articles 17, 18, and 19 of CVM Instruction #483.

Proprietary Rights Notice: By accepting a copy of this report, you acknowledge and agree as follows:

This report is provided to clients of Raymond James only for your personal, noncommercial use. Except as expressly authorized by Raymond James, you may not copy, reproduce, transmit, sell, display, distribute, publish, broadcast, circulate, modify, disseminate or commercially exploit the information contained in this report, in printed, electronic or any other form, in any manner, without the prior express written consent of Raymond James. You also agree not to use the information provided in this report for any unlawful purpose.

This report and its contents are the property of Raymond James and are protected by applicable copyright, trade secret or other intellectual property laws (of the United States and other countries). United States law, 17 U.S.C. Sec.501 et seq, provides for civil and criminal penalties for copyright infringement.

The Raymond James Financial Services Research Team

Daniel E. Cardenas, Banking

Robert Dodd, Ph.D., Specialty Finance

David J. Long, CFA, Banking

Patrick O'Shaughnessy, CFA, Brokerages and Exchanges

C. Gregory Peters, Insurance

Anthony Polini, Banking

Michael Rose, Banking

Steven D. Schwartz, CFA, Asset Management/Insurance

William J. Wallace IV, Banking

Donald A. Worthington, Banking

Miranda Davidson, Sr. Research Associate

Laura Dickson, Sr. Research Associate

Cory Dlugozima, Sr. Research Associate

Nicole Gulino, Sr. Research Associate

Ben Hier, CFA, Sr. Research Associate

Gary Klein, Sr. Research Associate

Robert Ladyman, Sr. Research Associate

Kyle Oliver, Sr. Research Associate

Daniel Marchon, Research Associate

Daniel Tamayo, CFA, Research Associate

Charles Wohlhuter, Research Associate