

First Community Corporation

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(FCCO:NASDAQ)

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Company Comment

Rating

Outperform 2

Banking

Raising Price Target - Strategic Acquisition Should Boost Profitability

Recommendation: We are reiterating our **Outperform** rating on First Community and raising our price target to \$12 from \$11 following its announced whole bank acquisition of \$160 million asset, Augusta, Georgia-based Savannah River Financial Corporation in a cash and stock transaction that is expected to close at the beginning of 1Q14. This transaction will mark First Community's first acquisition of the current cycle, but is consistent with the company's capital deployment plans. The deal is a contiguous market transaction, extending the bank's footprint into new markets along the I-20 corridor connecting Lexington, SC and Augusta, GA. While these are new markets, we believe they are familiar to management which should help it gain additional market share as it brings a larger lending limit to Savannah River's existing lending team. Additionally, Savannah River has maintained pristine asset quality with low problem asset and charge-off levels throughout the cycle in two states that were hit hard by the economic downturn. This suggests to us that lending cultures are similar which should help avoid the loss of production staff. Given that the transaction was negotiated by the two parties and the similarity in the two cultures, we believe integration risks should be manageable, and we now think \$1.00 in annual EPS could be a realistic goal in the foreseeable future.

◆ **Savannah River acquisition.** First Community will acquire roughly \$110 million in loans, \$130 million in deposits, and two branches located in the markets of Augusta, GA and Aiken, SC. The transaction will grow assets by roughly 25% to over \$800 million. Management expects 30% cost saves from personnel and overhead redundancies and the systems conversion is expected to coincide with the close. While management is not modeling for revenue efficiencies, we expect there could be some benefit from both its mortgage banking and wealth management businesses entering the new markets.

◆ **Attractive deal terms.** According to the terms of the transaction, First Community will acquire Savannah River in a 60% cash/40% stock deal that values Savannah River at \$33.6 million, or \$11 per share (subject to certain collars). This price equates to 1.1x 2Q13 adjusted tangible book value (TBV), in line with the 1.1x median for announced transactions in the Carolinas and Virginia since the beginning of 2012. TBV dilution is estimated at \$0.83 with an expected earn-back period of less than four years, though management has modeled for some loan growth and margin expansion to help drive EPS growth from 2014.

◆ **Estimates:** We are maintaining our 2013 operating EPS estimate of \$0.83 but increasing our 2014 operating EPS estimate to \$0.90 from \$0.75.

Valuation: Our new \$12 price target is based on 1.3x our 2Q14 TBV estimate of \$9.56 and 13.3x our 2014E EPS, basically in line with micro-cap peers at 1.3x and 13.8x, respectively. We believe a peer multiple is fair given that the company is executing on capital deployment plans, but a premium multiple is not likely until the company can demonstrate success at integrating the acquisition and driving EPS growth and profitability above peers.

Non-GAAP EPS	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	Full Year	GAAP EPS Full Year	Revenues (mil.)
2012A	\$0.25	\$0.24	\$0.24	\$0.19	\$0.91	\$0.79	\$26
Old 2013E	0.19A	0.23A	0.21	0.20	0.83	0.83	26
New 2013E	0.19A	0.23A	0.21	0.20	0.83	0.76	26
Old 2014E	0.17	0.19	0.20	0.19	0.75	0.75	25
New 2014E	0.21	0.23	0.24	0.23	0.90	0.76	31

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

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

Current and Target Price

Current Price (Aug-14-13)	\$10.31
Target Price: Old: \$11.00	New: \$12.00
52-Week Range	\$11.16 - \$8.00
Suitability	Aggressive Growth

Market Data

Shares Out. (mil.)	5.3
Market Cap. (mil.)	\$55
Avg. Daily Vol. (10 day)	5,526
Dividend/Yield	\$0.24/2.3%
Book Value (Jun-13)	\$9.98
Tang. BVPS (Jun-13)	\$9.86

Earnings & Valuation Metrics

	2012A	2013E	2014E
P/E Ratios (Non-GAAP)	11.3x	12.4x	11.5x

Company Description

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

Raymond James Revised Earnings Estimates

As displayed in the following table, we are maintaining our 2013 operating EPS estimate of \$0.83 but raising our 2014 operating EPS estimate to \$0.90 from \$0.75. The increase is driven entirely by the assumed accretion related to the Savannah River acquisition. Our GAAP EPS estimates include \$500,000 of pre-tax merger costs in 4Q13 and \$1.3 million in 1Q14.

Earnings Estimates

(\$ in thousands)	2013E			2014E		
	Old	Current	Change	Old	Current	Change
Operating EPS	\$0.83	\$0.83	\$0.00	\$0.75	\$0.90	\$0.15
GAAP EPS	\$0.83	\$0.76	(\$0.07)	\$0.75	\$0.76	\$0.02
Core PTPP* Earnings	7,041	7,041	0%	6,438	9,241	44%
Avg. Earning Assets	585,286	585,286	0%	622,719	771,754	24%
NIM	3.10%	3.10%	0 bps	2.93%	3.08%	15 bps
Net Interest Income	17,668	17,668	0%	17,734	23,249	31%
Provision	530	530	0%	560	560	0%
Operating Fee Income	8,350	8,350	0%	7,374	7,730	5%
Operating Expense	19,404	19,404	0%	18,870	21,939	16%
Operating Efficiency	75%	75%	0 bps	75%	71%	-434 bps
Tax Rate	27.5%	27.4%	-5 bps	30.0%	30.0%	0 bps
Diluted shares	5,308	5,308	0%	5,323	6,593	24%
Dividends per share	\$0.22	\$0.22	\$0.00	\$0.24	\$0.24	\$0.00
Reserves/Loans	1.25%	1.25%	0 bps	1.18%	0.90%	-27 bps
NPAs/Loans	2.52%	2.52%	0 bps	2.06%	1.59%	-47 bps
NCOs/Avg. Loans	0.23%	0.23%	0 bps	0.17%	0.14%	-3 bps

*PTPP = pre-tax, pre-provision

We are increasing our 2014 operating EPS estimate to \$0.90 from \$0.75 solely in consideration of the accretion from the Savannah River acquisition.

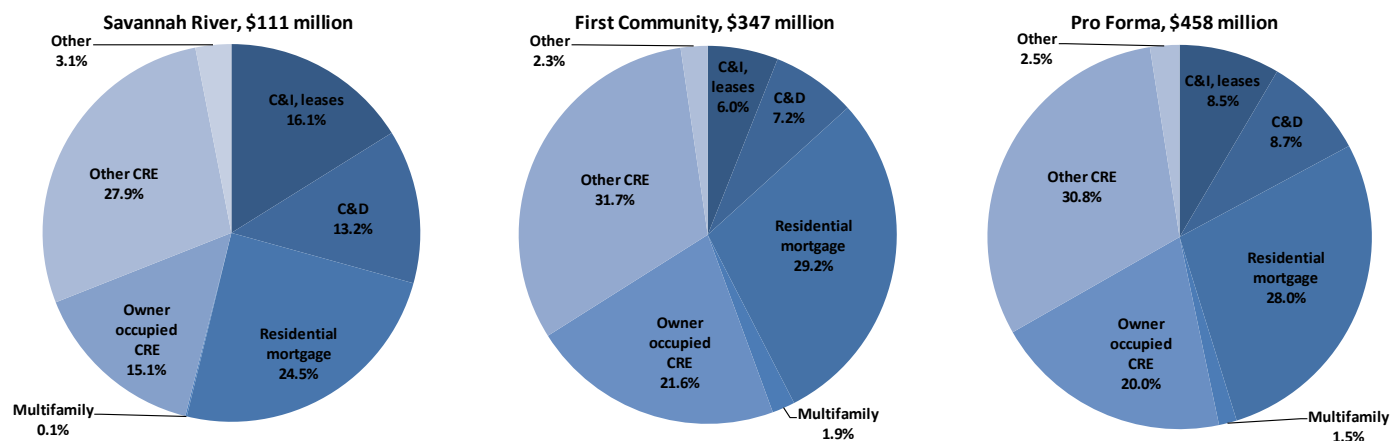
Source: Company documents and Raymond James research

Pro Forma Balance Sheet Analysis

The following chart displays the 2Q13 loan portfolios, based on regulatory data, for Savannah River and First Community as well as on a pro forma basis. The acquired portfolio will increase First Community's loan portfolio by 32% before purchase accounting marks with loan concentrations not significantly changing. The biggest changes to loan concentrations take place in the commercial and industrial (C&I), owner-occupied commercial real estate (CRE), and construction and development (C&D) categories. C&I and C&D loans increase to 8.5% and 8.7% from 6.0% and 7.2%, respectively, while owner-occupied CRE decreases to 20.0% from 21.6%. While the acquired loans provide slightly more diversification to the portfolio, we believe the acquisition is strategically significant from a geographical standpoint. First Community will enter Richmond County in Georgia which is home to the city of Augusta and, importantly, reduces the bank's exposure in the Midlands region of South Carolina. According to US Census data and Environmental Systems Research Institute (ESRI) forecasts, Richmond County's projected population growth rate of 2.9% for the five years ending in 2017 stands below the 8.1% rate of First Community's largest market of Lexington County; however, balance sheet growth and health will not be solely dependent on one economy. Through this diversification, we expect First Community will be able to pursue greater opportunities in healthcare, science, and consumer industries. Major employers in the area include major healthcare consortiums, CareSouth, Savannah River Site (a Department of Energy nuclear power facility), Bridgestone Corporation, and distribution centers for several large companies. While First Community will not have direct banking relationships with these corporations, we believe it stands to benefit from their suppliers and other support businesses. Furthermore, we believe Savannah River's 16.1% C&I loan concentration speaks to the strategic location of its branch footprint along I-20 which connects Columbia,

South Carolina to Atlanta, Georgia. We anticipate the company can gain from economic activity along this economic corridor, but fierce competitive pressures are likely to curb any potential for outsized loan growth.

2Q13 Loan Portfolio Snapshots

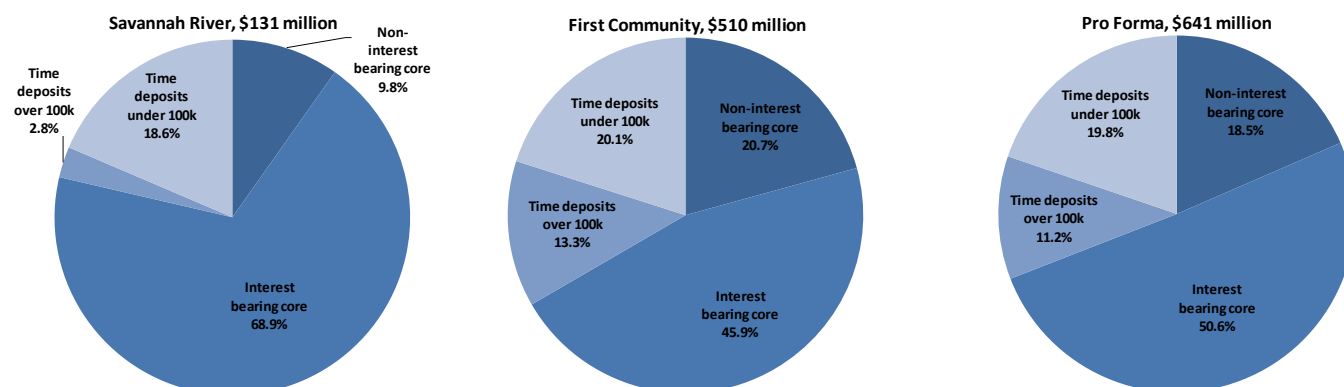


Source: SNL Financial and Raymond James research

From an asset quality perspective, Savannah River is a healthy institution with nonperforming assets (NPAs) exceeding 1.0% of loans and real estate owned (REO) just one quarter since 1Q09, and net charge-offs (NCOs) have totaled only \$366,000 over this same time period. We believe these metrics are of particular importance since the bank is located in a region where lending institutions suffered very high loss rates from deterioration in real estate values. With assistance from an independent third-party loan review company, First Community reviewed 64% of the loan portfolio with a complete review of the bank's \$5.7 million special mention and \$2.1 million substandard credits. As such, we believe the strength of the acquired portfolio, combined with an extensive due diligence process, should assuage concerns over integration risk, especially given an NPA ratio of just 0.9% at 2Q13.

On the right side of the balance sheet, First Community possesses a deposit mix with a 66.6% core deposit concentration based on regulatory filings at 2Q13 as displayed in the following graphs. Pro forma core deposits increase to 69.1% of total deposits given a favorable core deposit mix of 78.7% at Savannah River. By our estimates, First Community's deposit costs would increase by 2 bp to 0.38% given Savannah River's slightly higher cost of deposits; however, we would not be surprised if management allows higher priced CDs to run-off post-closing, which could improve the mix and costs further. From a market share standpoint, the acquisition will provide First Community with the sixth largest deposit market share in Richmond County, GA and the ninth largest in Aiken County, South Carolina.

2Q13 Deposit Portfolio Snapshots

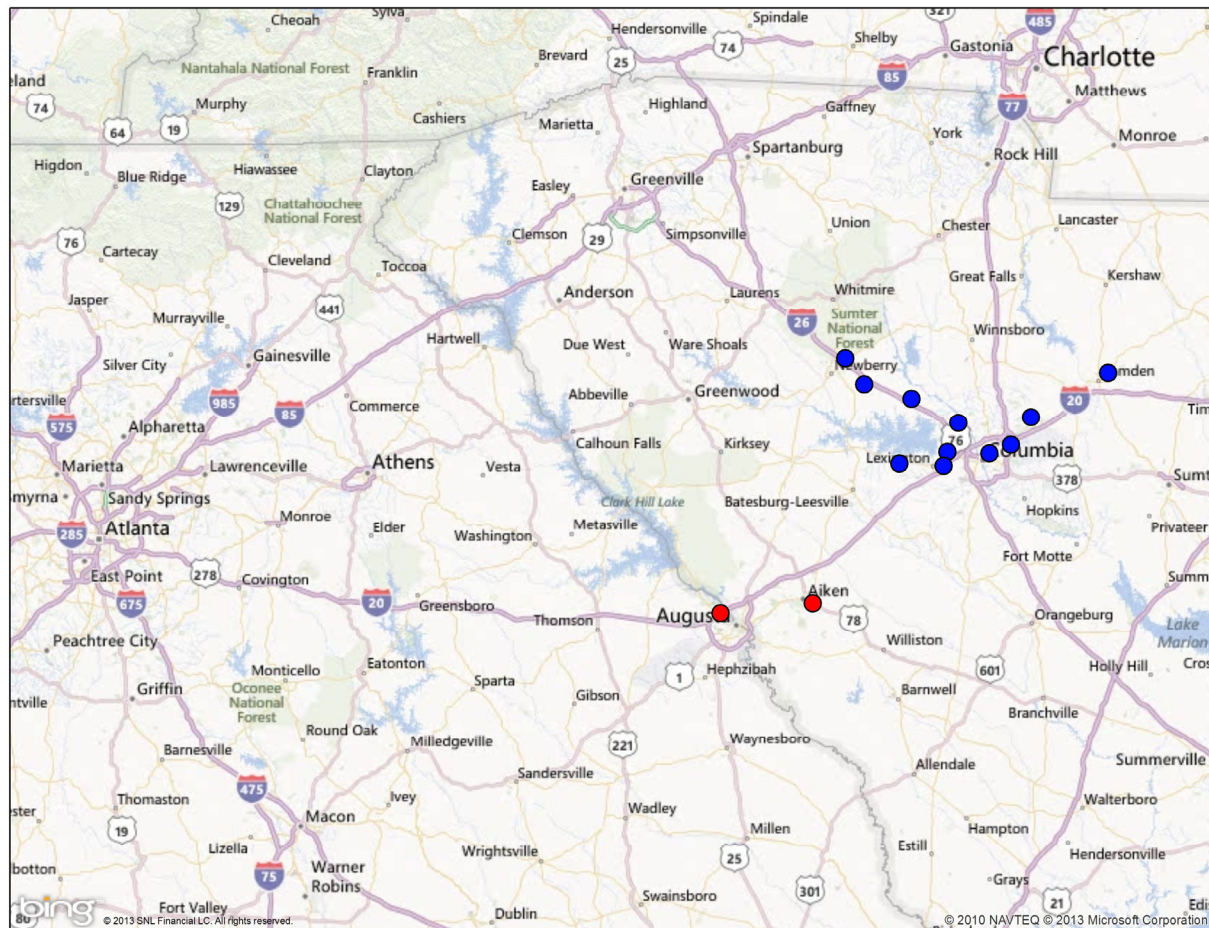


Source: SNL Financial and Raymond James research

Bank Branch Map

The following map illustrates First Community's 11 branch footprint with Savannah River's two brick-and-mortar branches that are located southwest of Columbia, South Carolina, along I-20. We do not anticipate that there will be any branch consolidations as the locations provide established entry into new markets.

Pro Forma Footprint



Note: Blue dots represent First Community branches while red dots constitute Savannah River locations.

Source: SNL Financial

First Community Regional Peer Group Comparison

Company	Ticker	Balance Sheet Ratios				Income Statement Ratios							Credit				Capital		
		Assets (\$M)	Core Deposits	Nonint Deposits	Loans/ Deposits	NIM	Loan Yields	Yield on Earning Assets	Cost of Deposits	Cost of Funds	Fee Income/ Revenue	Efficiency Ratio	NCOs/ Avg. Loans	NPAs/ Loans	Reserves/ Loans	Reserves/ NPAs	TCE ratio	Leverage Ratio	Tier 1 risk-based
Palmetto Bancshares, Inc.	PLMT	\$1,085	74%	20%	77%	3.91%	5.26%	4.12%	0.21%	0.21%	29%	66%	0.50%	6.97%	2.31%	33%	9.1%	10.1%	13.7%
CNB Corporation	CNBW	\$943	56%	18%	58%	3.09%	5.80%	3.35%	0.37%	NA	17%	71%	1.59%	5.61%	2.44%	43%	9.7%	9.7%	17.6%
Security Federal Corporation	SFDL	\$867	59%	NA	NA	2.84%	5.54%	3.71%	NA	NA	20%	75%	1.02%	NA	NA	NA	6.4%	7.8%	16.7%
Southern First Bancshares, Inc.	SFST	\$839	64%	15%	109%	3.69%	5.04%	4.62%	0.47%	NA	11%	66%	0.33%	2.42%	1.39%	57%	5.8%	9.3%	11.3%
Tidelands Bancshares, Inc.	TDBK	\$505	40%	5%	76%	2.65%	4.86%	3.97%	0.94%	NA	10%	106%	0.36%	18.98%	1.93%	10%	-1.5%	2.2%	3.0%
HCSB Financial Corporation	HCFB	\$513	40%	8%	68%	2.90%	5.05%	4.09%	0.83%	1.17%	14%	80%	1.47%	19.76%	6.69%	34%	-3.9%	-2.1%	-2.9%
First Community Corporation	FCCO	\$633	67%	NA	67%	3.10%	5.19%	3.70%	0.37%	0.67%	32%	72%	0.23%	2.58%	1.28%	50%	8.3%	10.6%	17.3%
Peer Group Medians:		\$839	59%	15%	72%	3.09%	5.19%	3.97%	0.42%	0.67%	17%	72%	0.50%	6.29%	2.12%	39%	6.4%	9.3%	13.7%

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

Select Valuation and Profitability Metrics

	Count	Mkt Cap (M)	Assets (M)	Valuation Metrics						Profitability Metrics								
				P/TBV	FY13E P/E	FY14E P/E	FY15E P/E	Deposit Premium	Dividend Yield	ROA (2Q13)	ROE (2Q13)	ROTCE (2Q13)	ROTCE (FY13E)	ROTCE (FY14E)	ROTCE (FY15E)	FY13E EPS Growth	FY14E EPS Growth	FY15E EPS Growth
Industry Medians	432	\$202	\$1,550	1.64x	15.4x	14.3x	13.1x	5%	2.4%	0.87%	8.1%	10.2%	10.6%	10.6%	11.7%	7%	7%	12%
Large Cap (>\$3B)	33	\$5,867	\$44,186	1.77x	14.5x	13.9x	12.8x	9%	2.1%	1.13%	9.9%	12.6%	12.4%	12.4%	12.4%	8%	5%	10%
Mid-Cap (\$750M - \$3B)	63	\$1,559	\$8,594	1.82x	16.1x	15.0x	13.6x	9%	2.3%	1.05%	8.9%	12.1%	11.8%	11.8%	12.3%	7%	7%	11%
Small-Cap (\$300M - \$750M)	73	\$479	\$3,206	1.53x	15.3x	14.3x	13.2x	6%	2.5%	0.91%	9.2%	11.0%	11.0%	11.0%	11.4%	7%	7%	11%
Micro-Cap (<\$300M)	263	\$97	\$949	1.29x	14.9x	13.8x	11.4x	3%	2.5%	0.77%	7.4%	9.0%	8.9%	8.9%	10.1%	3%	8%	16%
Regional Medians																		
Mid-Atlantic	102	\$222	\$1,664	1.38x	15.0x	14.3x	13.1x	6%	2.8%	0.84%	7.9%	10.0%	10.3%	10.9%	11.7%	8%	7%	10%
Midwest	104	\$133	\$1,348	1.17x	13.9x	13.4x	13.2x	4%	2.3%	0.89%	9.2%	11.2%	10.8%	10.6%	11.4%	6%	4%	11%
New England	33	\$148	\$1,343	1.39x	15.4x	14.8x	14.3x	4%	3.1%	0.75%	6.2%	9.9%	10.2%	10.9%	8.9%	19%	11%	9%
Southwest	20	\$892	\$5,102	1.68x	17.0x	15.5x	14.1x	10%	1.5%	0.88%	8.6%	10.2%	10.4%	10.9%	11.6%	0%	8%	10%
West	71	\$227	\$1,463	1.36x	16.5x	14.8x	13.3x	6%	2.1%	1.08%	8.7%	10.2%	9.4%	9.6%	12.4%	3%	7%	13%
Southeast	102	\$191	\$1,537	1.29x	16.1x	14.4x	12.4x	5%	2.1%	0.79%	7.0%	9.2%	10.4%	10.3%	11.5%	11%	8%	15%

Note: Priced as of August 14, 2013. Excludes banks with less than \$500 million in assets, Mutual Holding Companies, and trust banks.

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

First Community Corporation

Income Statement

(\$ in thousands)

	2011 31-Dec	1Q12 31-Mar	2Q12 30-Jun	3Q12 30-Sep	4Q12 31-Dec	2012 31-Dec	1Q13 31-Mar	2Q13 30-Jun	3Q13E 30-Sep	4Q13E 31-Dec	2013E 31-Dec	1Q14E 31-Mar	2Q14E 30-Jun	3Q14E 30-Sep	4Q14E 31-Dec	2014E 31-Dec
Net Interest Income	18,317	4,509	4,451	4,329	4,285	17,574	4,279	4,423	4,441	4,526	17,668	5,717	5,799	5,853	5,879	23,249
Provision for loan losses	1,420	230	71	115	80	496	150	100	140	140	530	140	140	140	140	560
Net Interest Income after Provision	16,897	4,279	4,380	4,214	4,205	17,078	4,129	4,323	4,301	4,386	17,138	5,577	5,659	5,713	5,739	22,689
Deposit service charges	1,810	389	375	395	403	1,562	361	367	405	419	1,552	421	425	438	440	1,724
Mortgage origination fees	1,973	723	877	1,393	1,249	4,242	1,015	1,183	946	757	3,902	659	685	706	635	2,684
Investment advisory fees and commissions	767	147	162	183	159	651	198	218	240	237	893	247	257	267	278	1,048
Gain on sale of securities	575	11	(38)	(35)	88	26	15	133	0	0	148	0	0	0	0	0
Gain (loss) on sale of other assets	(155)	50	(36)	(22)	(81)	(89)	(2)	32	0	0	30	0	0	0	0	0
Fair value gain (loss) adjustment	(166)	(33)	(4)	(20)	(1)	(58)	0	(2)	0	0	(2)	0	0	0	0	0
OTTI	(297)	(200)	0	0	0	(200)	0	0	0	0	0	0	0	0	0	0
Loss on early extinguishment of debt	(188)	(121)	0	0	(96)	(217)	0	(141)	0	0	(141)	0	0	0	0	0
Other	1,908	497	519	508	514	2,038	496	505	500	502	2,003	563	574	568	568	2,273
Noninterest Income	6,227	1,463	1,855	2,402	2,235	7,955	2,083	2,295	2,091	1,916	8,385	1,889	1,941	1,979	1,921	7,730
Non-Operating items	(231)	(293)	(78)	(77)	(90)	(538)	13	22	0	0	35	0	0	0	0	0
Operating Noninterest Income	6,458	1,756	1,933	2,479	2,325	8,493	2,070	2,273	2,091	1,916	8,350	1,889	1,941	1,979	1,921	7,730
Total Revenue	24,544	5,972	6,306	6,731	6,520	25,529	6,362	6,718	6,531	6,442	26,053	7,607	7,740	7,832	7,801	30,979
Total Operating Revenue	24,775	6,265	6,384	6,808	6,610	26,067	6,349	6,696	6,531	6,442	26,018	7,607	7,740	7,832	7,801	30,979
Salaries and employee benefits	9,520	2,558	2,747	2,874	2,973	11,152	2,992	2,994	2,964	2,934	11,884	3,345	3,345	3,345	3,329	13,364
Occupancy	1,289	345	335	352	326	1,358	346	334	341	330	1,351	479	474	477	472	1,902
Equipment	1,147	287	283	307	291	1,168	283	314	317	319	1,233	317	314	314	314	1,259
Marketing and public relations	452	186	108	73	111	478	93	112	101	106	412	132	93	74	96	395
FDIC assessment	889	184	196	117	100	597	99	102	108	103	412	124	133	139	133	530
Other real estate expense	840	119	267	173	451	1,010	112	115	100	100	427	50	50	50	50	200
Amortization of intangibles	517	51	51	51	51	204	51	45	45	45	186	86	86	86	86	342
Other	3,689	882	921	876	799	3,478	831	939	892	1,365	4,027	2,286	986	986	986	5,246
Noninterest Expense	18,343	4,612	4,908	4,823	5,102	19,445	4,807	4,955	4,867	5,303	19,932	6,820	5,481	5,471	5,466	23,239
Non-Operating items	0	0	0	0	0	0	0	28	0	500	528	1,300	0	0	0	1,300
Operating Noninterest Expense	18,343	4,612	4,908	4,823	5,102	19,445	4,807	4,927	4,867	4,803	19,404	5,520	5,481	5,471	5,466	21,939
Income Before Tax	4,781	1,130	1,327	1,793	1,338	5,588	1,405	1,663	1,524	999	5,591	646	2,119	2,221	2,194	7,181
Income tax expense	1,457	331	399	573	317	1,620	367	460	427	280	1,533	194	636	666	658	2,154
GAAP Net Income	3,324	799	928	1,220	1,021	3,968	1,038	1,203	1,097	719	4,057	453	1,483	1,555	1,536	5,027
Dividends on preferred stock	670	169	168	339	0	676	0	0	0	0	0	0	0	0	0	0
GAAP Net Income to Common	2,654	630	760	881	1,021	3,292	1,038	1,203	1,097	719	4,057	453	1,483	1,555	1,536	5,027
Operating Net Income to Common	2,838	827	801	1,139	1,014	3,782	988	1,218	1,097	1,079	4,383	1,363	1,483	1,555	1,536	5,937
Diluted shares	3,289	3,329	3,357	4,726	5,262	4,168	5,292	5,311	5,313	5,315	5,308	6,588	6,591	6,594	6,597	6,593
GAAP EPS - diluted	\$0.81	\$0.19	\$0.23	\$0.19	\$0.19	\$0.79	\$0.20	\$0.23	\$0.21	\$0.14	\$0.76	\$0.07	\$0.23	\$0.24	\$0.23	\$0.76
Operating EPS - diluted	\$0.86	\$0.25	\$0.24	\$0.24	\$0.19	\$0.91	\$0.19	\$0.23	\$0.21	\$0.20	\$0.83	\$0.21	\$0.23	\$0.24	\$0.23	\$0.90

Financial Highlights

TBV/share	\$10.83	\$11.25	\$11.14	\$10.10	\$10.23	\$10.23	\$10.22	\$9.86	\$10.01	\$10.09	\$10.09	\$9.38	\$9.56	\$9.74	\$9.92	\$9.92
TCE/Assets	6.0%	6.2%	6.2%	8.7%	8.9%	8.9%	8.7%	8.3%	8.3%	8.2%	8.2%	7.6%	7.6%	7.6%	7.6%	7.6%
Loans/Deposits	70%	69%	69%	68%	70%	70%	67%	67%	67%	67%	67%	69%	70%	71%	71%	71%
Loan Growth	-1.7%	2.1%	-1.9%	-0.4%	2.7%	2.4%	0.5%	2.2%	1.0%	1.5%	5.3%	1.0%	1.5%	1.0%	1.5%	36.3%
NPAs/Loans	3.85%	3.21%	2.90%	3.19%	2.59%	2.59%	2.59%	2.56%	2.55%	2.52%	2.52%	1.90%	1.84%	1.75%	1.59%	1.59%
NCOs/Avg. Loans	0.49%	0.22%	0.09%	0.20%	0.18%	0.17%	0.28%	0.23%	0.22%	0.20%	0.23%	0.15%	0.15%	0.12%	0.12%	0.14%
Reserves/Loans	1.45%	1.43%	1.46%	1.45%	1.39%	1.39%	1.36%	1.30%	1.27%	1.25%	1.25%	0.95%	0.93%	0.92%	0.90%	0.90%
NIM	3.34%	3.36%	3.30%	3.12%	3.12%	3.23%	3.15%	3.11%	3.08%	3.05%	3.10%	3.15%	3.10%	3.05%	3.00%	3.08%
G&A/Avg. Assets	3.04%	3.11%	3.28%	3.16%	3.38%	3.23%	3.17%	3.37%	3.06%	2.97%	3.14%	3.00%	2.65%	2.60%	2.55%	2.69%
Efficiency Ratio	74%	74%	77%	71%	77%	75%	76%	74%	75%	75%	75%	73%	71%	70%	70%	71%
Effective tax rate	30.5%	29.3%	30.1%	32.0%	23.7%	29.0%	26.1%	27.7%	28.0%	28.0%	27.4%	30.0%	30.0%	30.0%	30.0%	30.0%
ROA (operating)	0.47%	0.56%	0.54%	0.75%	0.67%	0.63%	0.65%	0.83%	0.69%	0.67%	0.71%	0.74%	0.72%	0.74%	0.72%	0.73%
ROE (operating)	6.4%	6.9%	6.5%	7.8%	7.5%	7.2%	7.3%	8.8%	8.2%	8.0%	8.1%	9.0%	8.8%	9.1%	8.8%	8.9%
ROTCE (operating)	8.7%	9.2%	8.6%	8.8%	7.7%	8.5%	7.3%	8.9%	8.3%	8.1%	8.2%	9.5%	9.5%	9.8%	9.5%	9.6%
Dividends per share	\$0.16	\$0.04	\$0.04	\$0.04	\$0.04	\$0.16	\$0.05	\$0.05	\$0.06	\$0.06	\$0.22	\$0.06	\$0.06	\$0.06	\$0.06	\$0.24

Core PTPP earnings

PTPP ROA	6,602	1,603	1,575	1,819	1,959	6,956	1,654	1,884	1,764	1,739	7,041	2,136	2,309	2,411	2,384	9,241
	1.09%	1.08%	1.05%	1.19%	1.30%	1.16%	1.09%	1.29%	1.11%	1.08%	1.14%	1.16%	1.11%	1.14%	1.11%	1.13%

Source: Company reports and Raymond James research

First Community Corporation

Balance Sheet (\$ in thousands)	4Q11 31-Dec	1Q12 31-Mar	2Q12 30-Jun	3Q12 30-Sep	4Q12 31-Dec	1Q13 31-Mar	2Q13 30-Jun	3Q13E 30-Sep	4Q13E 31-Dec	1Q14E 31-Mar	2Q14E 30-Jun	3Q14E 30-Sep	4Q14E 31-Dec
Stated Equity	47,896	49,307	49,296	54,278	54,183	54,770	52,828	53,608	54,009	66,807	67,896	69,056	70,197
Preferred	11,137	11,164	11,191	750	0	0	0	0	0	0	0	0	0
Intangibles	936	884	834	782	731	680	635	590	545	5,160	5,074	4,989	4,903
Tangible Common Equity	35,823	37,259	37,271	52,746	53,452	54,090	52,193	53,018	53,464	61,648	62,822	64,068	65,294
AOCI	1,329	2,192	1,475	2,289	2,358	2,104	(880)						
Book Value	\$11.11	\$11.52	\$11.39	\$10.25	\$10.37	\$10.35	\$9.98	\$10.12	\$10.20	\$10.17	\$10.33	\$10.50	\$10.67
Tangible BV	\$10.83	\$11.25	\$11.14	\$10.10	\$10.23	\$10.22	\$9.86	\$10.01	\$10.09	\$9.38	\$9.56	\$9.74	\$9.92
Shares Outstanding	3,308	3,311	3,346	5,224	5,227	5,290	5,293	5,295	5,297	6,570	6,573	6,576	6,579
Equity/Assets	8.1%	8.2%	8.2%	9.0%	9.0%	8.8%	8.3%	8.4%	8.3%	8.1%	8.1%	8.1%	8.1%
TCE ratio	6.0%	6.2%	6.2%	8.7%	8.9%	8.7%	8.3%	8.3%	8.2%	7.6%	7.6%	7.6%	7.6%
Leverage Ratio	9.40%	9.77%	9.94%	10.56%	10.63%	10.78%	10.61%						
Tier 1 Capital Ratio	15.33%	15.69%	16.64%	17.94%	17.33%	17.59%	17.51%						
Total Capital Ratio	17.25%	17.62%	18.59%	19.88%	18.58%	18.82%	18.68%						
Total Assets	593,887	601,501	598,014	606,339	602,925	625,855	633,185	639,517	652,307	820,269	836,674	849,224	866,209
Other short-term investments	5,893	14,520	18,205	9,894	7,021	23,758	14,560						
Investment securities	206,669	202,699	201,381	210,734	205,972	220,604	225,915						
Loans held for sale	3,725	3,863	4,356	8,685	9,658	4,238	5,789						
Loans	324,311	331,090	324,913	323,534	332,111	333,720	341,089	344,500	349,667	458,164	465,037	469,687	476,732
Allowance for loan losses	(4,699)	(4,745)	(4,742)	(4,695)	(4,621)	(4,534)	(4,439)	(4,390)	(4,357)	(4,345)	(4,312)	(4,312)	(4,310)
Other assets	57,988	54,074	53,901	58,187	52,784	48,069	50,271						
Total Liabilities	545,991	552,194	548,718	552,061	548,742	571,085	580,357						
Total deposits	464,585	476,874	474,019	474,465	474,977	497,024	509,619	514,715	519,862	665,458	662,131	665,442	668,769
Securities sold under repo	13,616	13,479	12,817	15,651	15,900	17,216	15,650						
FHLB advances	43,862	38,857	38,496	38,491	36,344	36,339	34,335						
Junior sub debt	17,913	17,914	17,916	17,917	15,464	15,464	15,464						
Other liabilities	6,015	5,070	5,470	5,537	6,057	5,042	5,289						

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Strong Buy (SB1) Expected to appreciate, produce a total return of at least 15%, and outperform the S&P 500 over the next six to 12 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, a total return of at least 15% is expected to be realized over the next 12 months.

Outperform (MO2) Expected to appreciate and outperform the S&P 500 over the next 12-18 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, an Outperform rating is used for securities where we are comfortable with the relative safety of the dividend and expect a total return modestly exceeding the dividend yield over the next 12-18 months.

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

Underperform (MU4) Expected to underperform the S&P 500 or its sector over the next six to 12 months and should be sold.

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Market Perform (MP3) The stock is expected to perform generally in line with the S&P/TSX Composite Index over the next twelve months and is potentially a source of funds for more highly rated securities.

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.

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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.

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	Coverage Universe Rating Distribution				Investment Banking Distribution			
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Strong Buy and Outperform (Buy)	50%	62%	43%	47%	25%	31%	0%	0%
Market Perform (Hold)	44%	37%	57%	33%	9%	27%	0%	0%
Underperform (Sell)	7%	1%	0%	21%	3%	0%	0%	0%

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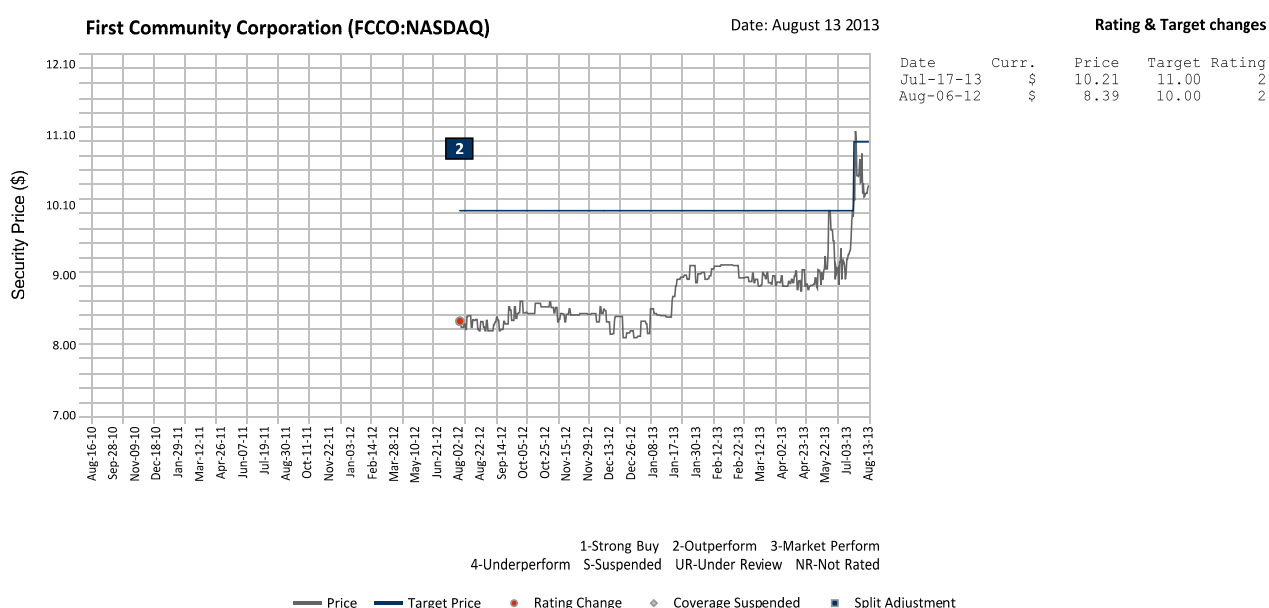
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Company Name	Disclosure
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Target Prices: The information below indicates our target price and rating changes for FCCO stock over the past three years.



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

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Banking Industry Risk Factors

Risks include various geopolitical and macroeconomic variables, including credit quality deterioration, sudden changes in interest rates, M&A risk related to deal announcements, integration risk, and regulatory and mortgage-related concerns. Furthermore, competition for loans and deposits could exert downward pressure on revenue growth.

Company-Specific Risks for First Community Corporation

Interest Rate Risk

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

Credit Risk

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

Macroeconomic Risk

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

Competition

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

Regulatory Reform

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

Acquisition Risk

In August 2013, the company announced the acquisition of Savannah River Financial Corporation. While credit risk is limited from this acquisition, in our view, given credit quality metrics of the acquired loan portfolio, integration risk exists. The Savannah River acquisition poses execution risk, and the ability of management to achieve revenue and expense goals is not a given.

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