

First Community Corporation

(FCCO-NASDAQ)

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Company Comment

Rating _____ Market Perform 3

Banking

Reiterate Market Perform; Strong Quarter Highlighted by Spread Revenue Trends

Recommendation: We are maintaining our **Market Perform** rating on FCCO shares following 1Q18 results that exceeded expectations. The quarter was highlighted by particularly strong operating trends, as spread revenue, fee income, and operating expenses all bested our expectations. Importantly, the company generated meaningful operating leverage in the quarter with the Cornerstone conversion process in the rearview mirror, as the efficiency ratio improved to 67% from 72% in 4Q17. Notably, from a loan growth perspective, the company reported 3%+ organic growth for the second consecutive quarter. Moving forward, we have increased our EPS estimates following this quarter's strong spread revenue results (higher loan growth and margin expectations). In the near term, we expect the company to continue its recent loan growth momentum as we believe the pipeline remains robust, and to look to extract further revenue/expense efficiencies from the Cornerstone acquisition. Ultimately, however, we continue to view the risk/reward dynamic as balanced at current premium levels as favorable profitability metrics appear to be priced in.

- ◆ **1Q18 results beat:** FCCO reported 1Q18 GAAP EPS of \$0.35. Excluding \$102,000 in losses on the sale of securities we estimate operating EPS were \$0.36, above both our Street-high \$0.33 estimate and the \$0.31 consensus.
- ◆ **Loan growth a highlight:** After increasing 3.2% sequentially in 3Q, organic loan growth momentum continued, accelerating to 3.4%. Moving forward, we believe the pipeline across its Augusta/Aiken and upstate South Carolina markets remains solid and expect annual organic growth to hold in the 10-12% range through 2019.
- ◆ **Expect gradual margin expansion:** Net interest margin expanded 12 bp linked quarter to 3.66%, above both our 3.58% estimate and the 3.55% consensus, as a 21 bp sequential increase in earning asset yields more than offset a 4 bp sequential increase in funding costs. Moving forward, we expect margin to gradually expand to 3.73% in 4Q19.
- ◆ **Estimates:** We are increasing our 2018E/2019E EPS from \$1.40/\$1.55 to \$1.50/\$1.65, respectively.

Valuation: FCCO trades at 1.9x 1Q18 TBV of \$11.64, 15.2x our 2018E EPS, and 13.8x our 2019E EPS, a premium to micro-cap peers at 1.7x, 14.5x, and 12.7x, respectively. We believe current premium valuation appropriately reflects above peer ROTCE expectations with in line EPS growth expectations.

Non-GAAP EPS	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	Full Year	GAAP EPS Full Year	Revenues (mil.)
2017A	\$0.24	\$0.25	\$0.30	\$0.27	\$1.06	\$0.83	\$39
Old 2018E	0.33	0.35	0.36	0.36	1.40	1.40	46
New 2018E	0.36A	0.37	0.39	0.38	1.50	1.49	47
Old 2019E	UR	UR	UR	UR	1.55	1.55	49
New 2019E	0.37	0.40	0.44	0.44	1.65	1.65	50

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

Current and Target Price
 Current Price (Apr-18-18 2:30 p.m.) \$22.75
 Target Price: NM
 52-Week Range \$24.87 - \$18.50
 Suitability High Risk/Growth

Market Data
 Shares Out. (mil.) 7.6
 Market Cap. (mil.) \$173
 Avg. Daily Vol. (10 day) 14,467
 Dividend/Yield \$0.40/1.8%
 Book Value (Mar-18) \$13.88
 Tang. BVPS (Mar-18) \$11.64

Earnings & Valuation Metrics

	2017A	2018E	2019E
P/E Ratios (Non-GAAP)	21.5x	15.2x	13.8x

Company Description
 First Community Corporation, headquartered in Lexington, South Carolina, is a \$1.1 billion asset bank holding company that operates 19 branches in South Carolina and Georgia.

Please read domestic and foreign disclosure/risk information beginning on page 8 and Analyst Certification on page 9.

Guidance Tracker – First Community Corporation (FCCO)

RAYMOND JAMES®

Source	Category	Target Period	Trending	Guidance
2017Q4 Earnings	M&A	2017Q4	—	The company noted it closed its Cornerstone acquisition and completed the conversion process in 4Q17.
Press Release/8-K	NIM	Long-term	—	One of First Community's primary strategic initiatives is to re-mix the asset side of its balance sheet, moving toward a goal of an 80% loan-to-earning asset mix; thereby enhancing net interest income and earnings per share.
2017Q4 Earnings	Noninterest Income	2018Y	—	Management expects to grow mortgage banking revenue over the coming quarters.
2017Q4 Earnings	Tax Rate	2018Y	—	The company anticipates the tax rate will be approximately 19% in 2018.

Source: Raymond James research; company reports

Raising EPS Primarily on Higher Spread Revenue Estimates

(\$ in thousands)	2018E			2019E		
	Old	Current	Change	Old	Current	Change
Operating EPS	\$1.40	\$1.50	\$0.10	\$1.55	\$1.65	\$0.10
GAAP EPS	\$1.40	\$1.49	\$0.09	\$1.55	\$1.65	\$0.10
Core PTPP* Earnings	14,383	15,531	8%	16,227	17,210	6%
Avg. Earning Assets	991,302	980,915	-1%	1,058,714	1,050,177	-1%
NIM	3.58%	3.69%	11 bps	3.60%	3.72%	11 bps
Net Interest Income	34,613	35,497	3%	37,294	38,327	3%
Provision	750	1,102	47%	1,150	1,250	9%
Operating Fee Income	11,157	11,327	2%	11,766	11,624	-1%
Operating Expense	31,686	31,367	-1%	33,133	32,786	-1%
Operating Efficiency	69%	67%	-224 bps	68%	66%	-190 bps
Tax Rate	19.0%	19.5%	52 bps	19.0%	20.0%	100 bps
Diluted shares	7,724	7,719	0%	7,740	7,735	0%
Dividends per share	\$0.40	\$0.40	\$0.00	\$0.40	\$0.40	\$0.00
Loan Growth	8.8%	11.9%	309 bps	9.3%	10.4%	107 bps
Reserves/Loans	0.91%	0.93%	2 bps	0.93%	0.95%	2 bps
NPA's/Loans	0.84%	0.77%	-7 bps	0.86%	0.78%	-8 bps
NCO's/Avg. Loans	0.02%	0.02%	0 bps	0.05%	0.05%	0 bps

*PTPP = pre-tax, pre-provision

Source: Company reports, Raymond James research.

Comparison of Actual Results to Raymond James and Consensus Estimates

As illustrated in the following table, First Community reported 1Q18 operating EPS of \$0.36, above both our \$0.33 estimate and the \$0.31 consensus. We note sequential comparisons are skewed as the quarter represents the full run rate impact of the Cornerstone Bancorp acquisition (closed 10/23/17). Relative to our model, the beat was driven by higher revenue (spread and fee income) and lower operating expenses, only partially offset by slightly higher provision expense. From a loan growth perspective, the company reported a 3.4% sequential increase in loan balances, above both our 1.0% estimate and the 1.1% consensus. The company's reported NIM of 3.66% came in above both our 3.58% estimate and the 3.55% consensus.

Actual vs. Raymond James and Consensus

	Actual	Raymond James	dif (+/-)	Consensus	dif (+/-)	Consensus High	Consensus Low	Consensus # of Estimates
PER SHARE DATA								
Operating EPS	\$0.36	\$0.33	\$0.03	\$0.31	\$0.05	\$0.33	\$0.29	3
Book value per share	13.88	14.15	-0.27	14.12	-0.24	14.15	14.09	3
Tangible book value	11.64	11.91	-0.27	11.87	-0.23	11.91	11.84	3
Dividends per share	0.10	0.10	0.00	0.10	0.00	0.10	0.10	3
Avg. fully diluted shares (mil.)	7.7	7.7	0.0	7.6	0.1	7.7	7.5	3
INCOME STATEMENT								
Net interest income	8.5	8.4	0.2	8.4	0.1	8.6	8.3	3
Loan loss provision	0.2	0.1	0.1	0.2	0.0	0.2	0.1	3
Fee income	2.7	2.6	0.1	2.5	0.3	2.6	2.4	3
Revenue	11.3	11.0	0.3	11.0	0.3	11.0	11.0	2
Non-interest expense	7.6	7.7	-0.2	7.8	-0.2	7.9	7.7	3
Pre-tax income	3.4	3.1	0.3	2.8	0.6	3.1	2.5	3
Taxes	0.7	0.6	0.1	0.5	0.1	0.6	0.5	3
Net income	2.8	2.5	0.3	2.2	0.6	2.5	2.0	3
BALANCE SHEET								
Loans	669	653	15	654	14	656	653	3
Loan growth	3.4%	1.0%	237 bp	1.1%	224 bp	1.4%	1.0%	3
Average Deposits	920	924	-4	906	14	924	888	2
FINANCIAL RATIOS								
Net interest margin (NIM)	3.66%	3.58%	8 bp	3.55%	11 bp	3.58%	3.52%	3
Efficiency ratio	67.4%	70.7%	-331 bp	71.4%	-399 bp	71.7%	71.0%	3
Net charge-offs / Avg. loans	0.01%	0.00%	1 bp	0.03%	-2 bp	0.05%	0.00%	2
ROA	1.07%	0.95%	12 bp	0.89%	18 bp	0.95%	0.84%	3
ROE	10.7%	9.5%	120 bp	8.9%	171 bp	9.5%	8.4%	3

Source: S&P Global; FactSet; Raymond James research; company reports

Note: Dollar amounts in millions, except per share data

First Community Regional Peer Group Comparison

Company	Ticker	Balance Sheet Ratios				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
South State Corporation	SSB	\$14,467	85%	26%	92%	4.21%	4.75%	4.36%	0.17%	0.21%	26%	55%	0.03%	0.34%	0.45%	131%	9.2%	10.4%	12.6%
Carolina Financial Corporation	CARO	\$3,519	67%	20%	89%	4.19%	5.31%	4.77%	0.54%	NA	26%	51%	-0.01%	0.33%	0.49%	146%	9.7%	12.4%	13.6%
Southern First Bancshares, Inc.	SFST	\$1,625	79%	21%	100%	3.61%	4.59%	4.39%	0.67%	NA	14%	53%	0.16%	0.91%	1.11%	121%	9.2%	10.3%	12.1%
Security Federal Corporation	SFDL	\$869	67%	NA	56%	3.31%	5.34%	3.73%	0.39%	NA	20%	72%	0.15%	2.51%	2.06%	82%	8.8%	10.2%	17.7%
GrandSouth Bancorporation	GRRB	\$654	58%	16%	97%	5.66%	7.22%	6.57%	NA	NA	3%	74%	0.27%	1.44%	1.34%	93%	7.4%	9.1%	10.4%
South Atlantic Bancshares, Inc.	SABK	\$519	84%	15%	99%	4.07%	4.72%	4.44%	NA	NA	13%	80%	0.00%	0.09%	0.86%	938%	11.7%	8.6%	10.6%
Bank of South Carolina Corporation	BKSC	\$447	90%	35%	67%	3.86%	5.23%	4.16%	0.11%	NA	11%	56%	0.02%	0.48%	1.42%	296%	9.6%	9.8%	14.4%
First Reliance Bancshares, Inc.	FSRL	\$458	78%	24%	95%	4.29%	5.09%	5.05%	0.37%	NA	32%	94%	0.13%	1.17%	0.72%	62%	10.3%	9.5%	11.6%
First Community Corporation	FCCO	\$1,051	78%	26%	73%	3.57%	4.47%	3.67%	0.22%	0.30%	23%	72%	0.02%	0.99%	0.89%	89%	8.6%	10.1%	14.0%
Peer Group Medians:		\$869	78%	23%	92%	4.07%	5.09%	4.39%	0.37%	0.26%	20%	72%	0.03%	0.91%	0.89%	121%	9.2%	10.1%	12.6%

Peer group consists of banks based in SC with assets between roughly \$500 million and \$10 billion and excludes Mutual Holding Companies. Data as of most recent quarter. Core deposits exclude all time deposits.

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

Source: S&P Global and Raymond James research

Select Valuation and Profitability Metrics

	Count	Mkt Cap (M)	Assets (M)	Valuation Metrics					Profitability Metrics						
				P/TBV	2018E P/E	2019E P/E	Deposit Premium	Dividend Yield	ROA (4Q17)	ROE (4Q17)	ROTCE (4Q17)	ROTCE (2018E)	ROTCE (2019E)	2018E EPS Growth	2019E EPS Growth
Industry Medians	542	\$261	\$1,635	1.95x	14.3x	12.8x	8%	2.1%	0.58%	5.3%	6.2%	13.0%	13.5%	28%	10.9%
Large Cap (>\$10B)	19	\$26,047	\$152,336	1.96x	13.0x	11.8x	10%	2.1%	0.95%	8.4%	11.3%	14.5%	15.7%	31%	11%
Mid-Cap (\$2B - \$10B)	67	\$3,611	\$20,037	2.20x	14.3x	12.8x	13%	2.0%	0.88%	6.6%	9.7%	14.9%	15.0%	29%	10%
Small-Cap (\$500M - \$2B)	115	\$851	\$4,728	2.09x	14.6x	13.1x	12%	2.2%	0.66%	5.7%	7.2%	13.5%	14.2%	26%	11%
Micro-Cap (<\$500M)	341	\$140	\$983	1.69x	14.5x	12.7x	6%	2.0%	0.45%	4.5%	4.7%	11.2%	11.7%	28%	13%
Asset Size Medians															
Over \$50B	19	\$26,047	\$152,336	1.96x	13.0x	11.8x	10%	2.1%	0.95%	8.4%	11.3%	14.5%	15.7%	31%	11%
\$10B to \$50B	60	\$3,856	\$20,492	2.14x	14.0x	12.6x	12%	2.1%	0.77%	5.9%	9.2%	14.2%	14.5%	29%	10%
\$5B to \$10B	58	\$1,456	\$7,189	2.30x	14.6x	13.1x	15%	2.1%	0.72%	6.1%	8.1%	14.8%	14.9%	25%	10%
\$1B to \$5B	228	\$310	\$1,810	1.86x	14.5x	12.9x	9%	2.0%	0.49%	4.6%	5.0%	12.2%	12.5%	28%	11%
\$500M to \$1B	177	\$92	\$707	1.40x	14.3x	12.2x	5%	2.2%	0.45%	4.7%	5.2%	10.3%	11.1%	26%	18%

Priced as of April 17, 2018.

Note: Excludes banks with less than \$500 million in assets, Mutual Holding Companies, and trust banks. Forward P/E and ROTE metrics are based on FactSet

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

First Community Corporation

Income Statement

(\$ in thousands)

	2016 31-Dec	1Q17 31-Mar	2Q17 30-Jun	3Q17 30-Sep	4Q17 31-Dec	2017 31-Dec	1Q18 31-Mar	2Q18E 30-Jun	3Q18E 30-Sep	4Q18E 31-Dec	2018E 31-Dec	1Q19E 31-Mar	2Q19E 30-Jun	3Q19E 30-Sep	4Q19E 31-Dec	2019E 31-Dec
Net Interest Income	26,459	7,061	7,048	7,227	8,058	29,394	8,534	8,706	9,020	9,236	35,497	9,180	9,387	9,742	10,019	38,327
Provision for loan losses	774	116	78	166	170	530	202	250	300	350	1,102	200	300	350	400	1,250
Net Interest Income after Provision	25,685	6,945	6,970	7,061	7,888	28,864	8,332	8,456	8,720	8,886	34,395	8,980	9,087	9,392	9,619	37,077
Deposit service charges	1,405	320	348	379	439	1,486	463	507	557	516	2,044	529	542	597	556	2,224
Mortgage origination fees	3,382	670	1,261	1,032	828	3,791	951	1,141	1,141	1,027	4,260	976	1,122	1,178	1,060	4,336
Investment advisory fees and commissions	1,135	258	314	336	383	1,291	383	387	395	406	1,571	410	419	427	440	1,696
Gain on sale of securities	601	54	172	124	49	399	(102)	0	0	0	(102)	0	0	0	0	0
Gain (loss) on sale of other assets	(33)	20	68	40	107	235	15	0	0	0	15	0	0	0	0	0
Loss on early extinguishment of debt	(459)	(58)	(223)	(165)	0	(446)	0	0	0	0	0	0	0	0	0	0
Other	2,909	714	705	676	787	2,882	921	847	830	839	3,437	847	843	834	843	3,367
Noninterest Income	8,940	1,978	2,645	2,422	2,593	9,638	2,631	2,883	2,924	2,788	11,225	2,762	2,926	3,037	2,899	11,624
Non-Operating items	109	16	17	(1)	156	188	(102)	0	0	0	(102)	0	0	0	0	0
Operating Noninterest Income	8,831	1,962	2,628	2,423	2,437	9,450	2,733	2,883	2,924	2,788	11,327	2,762	2,926	3,037	2,899	11,624
Total Revenue	35,399	9,039	9,693	9,649	10,651	39,032	11,165	11,589	11,944	12,025	46,723	11,942	12,313	12,779	12,917	49,951
Total Operating Revenue	35,290	9,023	9,676	9,650	10,495	38,844	11,267	11,589	11,944	12,025	46,825	11,942	12,313	12,779	12,917	49,951
Salaries and employee benefits	15,323	4,086	4,313	4,122	4,482	17,003	4,577	4,646	4,715	4,786	18,724	4,882	4,857	4,882	4,930	19,551
Occupancy	2,167	527	539	532	568	2,166	614	626	633	639	2,512	645	648	655	658	2,607
Equipment	1,728	446	506	396	422	1,770	381	377	415	394	1,567	398	394	434	412	1,638
Marketing and public relations	865	221	298	96	286	901	89	200	200	230	720	207	218	218	250	893
FDIC assessment	412	78	78	78	78	312	81	92	84	84	341	87	99	90	91	366
Other real estate expense	201	27	29	19	(33)	42	18	20	20	15	73	15	10	10	10	45
Amortization of intangibles	318	75	74	74	120	343	142	141	139	138	560	136	135	134	132	537
Other	4,762	1,260	1,533	1,577	2,451	6,821	1,692	1,709	1,726	1,743	6,870	1,761	1,778	1,796	1,814	7,149
Noninterest Expense	25,776	6,720	7,370	6,894	8,374	29,358	7,594	7,811	7,932	8,030	31,367	8,131	8,140	8,217	8,298	32,786
Non-Operating items	49	0	98	228	783	1,109	0	0	0	0	0	0	0	0	0	0
Operating Noninterest Expense	25,727	6,720	7,272	6,666	7,591	28,249	7,594	7,811	7,932	8,030	31,367	8,131	8,140	8,217	8,298	32,786
Income Before Tax	8,849	2,203	2,245	2,589	2,107	9,144	3,369	3,528	3,712	3,645	14,254	3,611	3,873	4,211	4,219	15,915
Income tax expense	2,167	447	581	696	1,605	3,329	660	688	724	711	2,783	722	775	842	844	3,183
GAAP Net Income	6,682	1,756	1,664	1,893	502	5,815	2,709	2,840	2,988	2,934	11,471	2,889	3,099	3,369	3,375	12,732
Operating Net Income	6,502	1,618	1,724	2,060	2,023	7,426	2,812	2,840	2,988	2,934	11,574	2,889	3,099	3,369	3,375	12,732
Diluted shares	6,763	6,813	6,803	6,808	7,521	6,986	7,713	7,717	7,721	7,725	7,719	7,729	7,733	7,737	7,741	7,735
GAAP EPS - diluted	\$0.99	\$0.26	\$0.24	\$0.28	\$0.07	\$0.83	\$0.35	\$0.37	\$0.39	\$0.38	\$1.49	\$0.37	\$0.40	\$0.44	\$0.44	\$1.65
Operating EPS - diluted	\$0.96	\$0.24	\$0.25	\$0.30	\$0.27	\$1.06	\$0.36	\$0.37	\$0.39	\$0.38	\$1.50	\$0.37	\$0.40	\$0.44	\$0.44	\$1.65
Financial Highlights																
TBV/share	\$11.28	\$11.50	\$11.79	\$12.02	\$11.66	\$11.66	\$11.64	\$11.93	\$12.23	\$12.53	\$12.53	\$12.82	\$13.14	\$13.49	\$13.84	\$13.84
TCE/Assets	8.3%	8.5%	8.7%	8.9%	8.6%	8.6%	8.4%	8.5%	8.6%	8.6%	8.6%	8.7%	8.8%	8.8%	8.8%	8.8%
Loans/Deposits	71%	72%	72%	74%	73%	73%	73%	74%	75%	77%	77%	75%	76%	77%	78%	78%
Loan Growth	11.8%	1.6%	-0.3%	2.7%	13.8%	18.3%	3.4%	2.5%	2.5%	3.0%	11.9%	1.5%	2.5%	3.0%	3.0%	10.4%
Deposit Growth	7.0%	1.2%	-0.3%	-0.4%	15.4%	15.9%	3.6%	0.5%	1.0%	1.0%	6.2%	4.0%	1.0%	1.0%	2.0%	8.2%
NPAs/Loans	0.95%	0.83%	0.70%	0.64%	0.82%	0.82%	0.75%	0.76%	0.77%	0.77%	0.77%	0.77%	0.77%	0.78%	0.78%	0.78%
NCOs/Avg. Loans	0.03%	-0.03%	-0.03%	0.00%	0.02%	-0.01%	0.01%	0.02%	0.02%	0.05%	0.02%	0.03%	0.05%	0.05%	0.08%	0.05%
Reserves/Loans	0.95%	0.97%	0.99%	0.99%	0.90%	0.90%	0.90%	0.91%	0.92%	0.93%	0.93%	0.94%	0.94%	0.95%	0.95%	0.95%
NIM	3.35%	3.52%	3.49%	3.52%	3.54%	3.52%	3.66%	3.67%	3.70%	3.71%	3.69%	3.71%	3.70%	3.72%	3.73%	3.72%
G&A/Avg. Assets	2.90%	2.95%	3.20%	2.93%	2.98%	3.01%	2.88%	2.90%	2.90%	2.88%	2.89%	2.87%	2.83%	2.81%	2.77%	2.82%
Efficiency Ratio	73%	74%	75%	69%	72%	73%	67%	67%	66%	67%	67%	68%	66%	64%	64%	66%
Effective tax rate	24.5%	20.3%	25.9%	26.9%	76.2%	36.4%	19.6%	19.5%	19.5%	19.5%	19.5%	20.0%	20.0%	20.0%	20.0%	20.0%
ROA (operating)	0.73%	0.71%	0.76%	0.90%	0.80%	0.79%	1.07%	1.05%	1.09%	1.05%	1.07%	1.02%	1.08%	1.15%	1.13%	1.09%
ROE (operating)	7.9%	7.8%	12.6%	9.6%	7.9%	9.1%	10.7%	10.7%	11.0%	10.6%	10.7%	10.2%	10.8%	11.4%	11.2%	10.9%
ROTCE (operating)	8.5%	8.5%	14.2%	10.3%	9.2%	10.1%	12.7%	12.7%	13.0%	12.5%	12.7%	12.0%	12.5%	13.3%	13.0%	12.7%
Dividends per share	\$0.32	\$0.09	\$0.09	\$0.09	\$0.09	\$0.36	\$0.10	\$0.10	\$0.10	\$0.10	\$0.40	\$0.10	\$0.10	\$0.10	\$0.10	\$0.40

Source: Company reports and Raymond James research

First Community Corporation**Balance Sheet**

(\$ in thousands)

	4Q16 31-Dec	1Q17 31-Mar	2Q17 30-Jun	3Q17 30-Sep	4Q17 31-Dec	1Q18 31-Mar	2Q18E 30-Jun	3Q18E 30-Sep	4Q18E 31-Dec	1Q19E 31-Mar	2Q19E 30-Jun	3Q19E 30-Sep	4Q19E 31-Dec
Stated Equity	81,861	83,131	85,059	86,595	105,663	105,483	107,563	109,790	111,963	114,090	116,426	119,033	121,645
Intangibles	6,180	6,105	6,031	5,956	17,157	17,015	16,874	16,735	16,597	16,461	16,326	16,192	16,060
Tangible Common Equity	75,681	77,026	79,028	80,639	88,506	88,468	90,688	93,055	95,365	97,629	100,100	102,841	105,585
Book Value	\$12.20	\$12.41	\$12.69	\$12.91	\$13.93	\$13.88	\$14.14	\$14.43	\$14.71	\$14.98	\$15.28	\$15.61	\$15.95
Tangible BV	\$11.28	\$11.50	\$11.79	\$12.02	\$11.66	\$11.64	\$11.93	\$12.23	\$12.53	\$12.82	\$13.14	\$13.49	\$13.84
Shares Outstanding	6,708	6,697	6,702	6,706	7,588	7,600	7,604	7,608	7,612	7,616	7,620	7,624	7,628
Equity/Assets	8.9%	9.1%	9.3%	9.5%	10.1%	9.9%	9.9%	10.0%	10.0%	10.0%	10.0%	10.1%	10.0%
TCE ratio	8.3%	8.5%	8.7%	8.9%	8.6%	8.4%	8.5%	8.6%	8.6%	8.7%	8.8%	8.8%	8.8%
Leverage Ratio	10.23%	10.21%	10.41%	10.55%	10.35%	10.18%							
Tier 1 Capital Ratio	14.46%	14.66%	15.02%	14.73%	14.25%	13.90%							
Total Capital Ratio	15.28%	15.51%	15.89%	15.60%	15.05%	14.69%							
Total Assets	914,793	914,913	915,462	914,228	1,050,731	1,070,539	1,086,597	1,102,896	1,124,954	1,141,828	1,158,956	1,182,135	1,211,688
Other short-term investments	10,074	18,035	22,356	15,393	15,788	25,683							
Investment securities	272,396	262,538	259,117	248,672	284,395	272,637							
Loans held for sale	5,707	4,191	6,590	6,018	5,093	7,546							
Loans	546,709	555,298	553,420	568,488	646,805	668,583	685,298	702,430	723,503	734,355	752,714	775,296	798,555
Allowance for loan losses	(5,214)	(5,368)	(5,490)	(5,656)	(5,797)	(5,986)	(6,202)	(6,467)	(6,728)	(6,874)	(7,081)	(7,335)	(7,578)
Other assets	85,121	80,219	79,469	81,313	104,447	102,076							
Total Liabilities	832,932	831,782	830,403	827,633	945,068	965,056							
Total deposits	766,622	775,611	773,126	770,082	888,323	919,898	924,497	933,742	943,080	980,803	990,611	1,000,517	1,020,528
Securities sold under repo	19,527	19,388	17,319	17,469	19,270	21,959							
FHLB advances	24,035	15,548	17,997	17,255	14,250	245							
Junior sub debt	14,964	14,964	14,964	14,964	14,964	14,964							
Other liabilities	7,784	6,271	6,997	7,863	8,261	7,990							

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Underperform (Sell)	5%	4%	15%	7%	0%	0%

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

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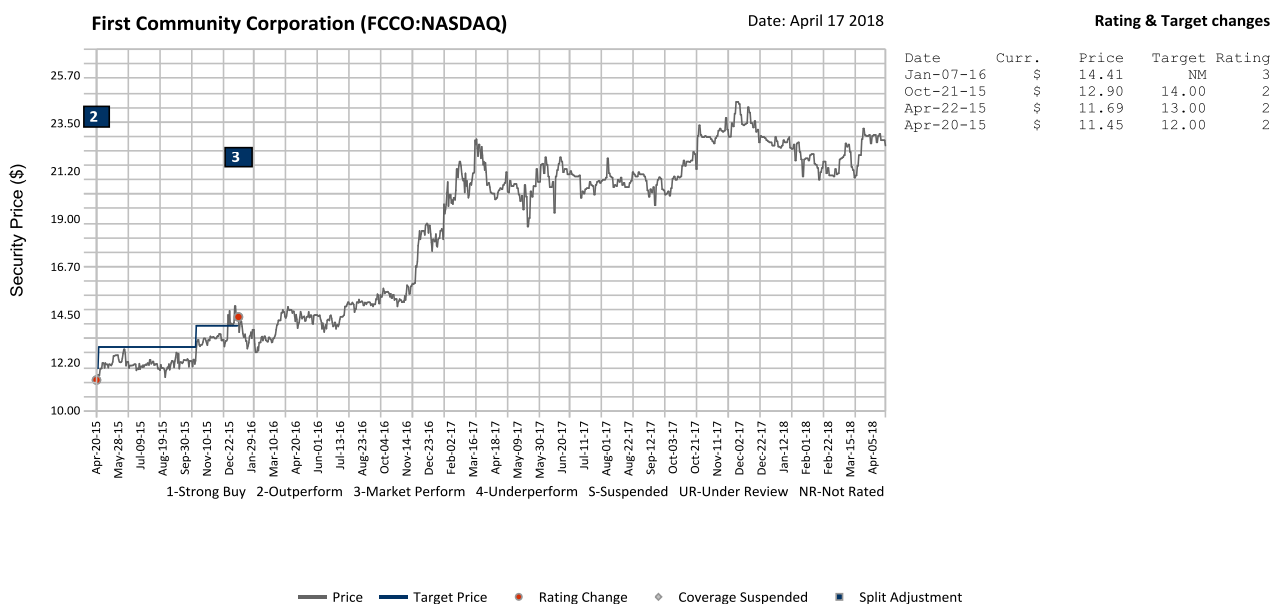
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Company Name	Disclosure
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Valuation Methodology: For First Community Corporation, our valuation methodology utilizes a 12-month estimate of intrinsic value and also takes into consideration the company's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

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

Company-Specific Risks for First Community Corporation

Interest Rate Risk

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

Credit Risk

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

Macroeconomic Risk

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

Competition

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

Regulatory Reform

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

Acquisition Risk

First Community recently announced its acquisition of Cornerstone Bancorp (April 2017). Acquiring a financial services company involves a number of risks, including those related to asset quality issues, loss of customers, entering new and unfamiliar markets, and integration of the acquired bank. In particular, integration poses a number of challenges, as the company must expend substantial resources to integrate acquired entities. Such failure to integrate acquired entities may adversely affect the company's results of operations and financial condition.

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