

First Community Corporation

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(FCCO-NASDAQ)

William J. Wallace IV, (301) 657-1548, William.Wallace@RaymondJames.comAndrew Manguart, CFA, Sr. Res. Assoc., (727) 567-5584, Andrew.Manguart@RaymondJames.com

Company Comment

Rating

Market Perform 3

Banking

Maintain Market Perform; Raise EPS Estimates on Stronger Margin Outlook

Recommendation: We reiterate our **Market Perform** rating on First Community following 2Q16 results that exceeded expectations on higher-than-expected operating revenue (spread revenue and fee income). Loan growth remained a highlight, as the company posted a sixth consecutive quarter of at least 1.0% growth with balances increasing 3.5% sequentially, above our 2.5% estimate. We believe the pipeline remains robust and forecast annual loan growth of 10% and 13% in 2016 and 2017, respectively. Margin was also a highlight during the quarter as the company benefitted from a combination of strong loan growth and the positive impact of a called investment. While we expect margin to compress in 3Q16, we now expect that strong loan growth should more than offset rate pressures into 2017 and have picked up our margin forecast, which drives our EPS estimates higher. Turning to fee income, mortgage banking revenue rebounded during the quarter, topping our estimate. Moving forward, we expect mortgage production to remain relatively strong through 2017, which combined with our expectations for low-double-digit annual loan growth, should allow the company to drive consistent operating leverage through 2017. That said, at current levels, we see risk/reward as fairly balanced and find it hard to be constructive on shares without a more identifiable catalyst for greater upside to EPS levels than what is already priced into the stock.

- ◆ **2Q16 results beat:** First Community reported 2Q16 GAAP and operating EPS of \$0.26, above both our and consensus estimates of \$0.24.
- ◆ **Loan growth in focus:** After growing 1.0% in 1Q16, loan balances increased 3.5% sequentially in 2Q16, above our 2.5% estimate. We believe the pipeline remains robust and forecast quarterly loan growth to range between 2.5% and 4.0% through 2017, excluding the seasonally weaker 1Q. Moving forward, we forecast margin to contract to 3.37% in 3Q16 on the absence of one-time benefits from 2Q, before gradually expanding to 3.39% in 2Q17 as strong loan growth more than offsets pressures from the low rate environment, and then expanding more rapidly to 3.48% in 4Q17 when we model rates begin to rise.
- ◆ **Mortgage bank rebounds:** Following two relatively weak quarters prompted by flooding across the company's footprint, mortgage revenue jumped 37% sequentially to \$913,000 in 2Q16, above our \$831,000 estimate, on a combination of strong production activity and wider gain-on-sale margins. We believe the mortgage pipeline remains robust and anticipate production should remain relatively elevated through 2017, which should drive annual fee income growth of 2.8% in 2016 and 8.5% in 2017.
- ◆ **Estimates:** We are raising our 2016E and 2017E EPS to \$0.98 and \$1.10 from \$0.96 and \$1.05, respectively.

Valuation: FCCO trades at 1.3x 2Q16 TBV of \$11.62, 15.2x our 2016E EPS, and 13.5x our 2017E EPS, compared to micro-cap peers at 1.4x, 15.1x, and 13.4x, respectively. Without better visibility into a stronger EPS growth profile, we believe upside from current levels is limited.

Non-GAAP EPS	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	Full Year	GAAP EPS Full Year	Revenues (mil.)
2015A	\$0.21	\$0.21	\$0.25	\$0.24	\$0.92	\$0.93	\$34
Old 2016E	0.22A	0.24	0.25	0.25	0.96	0.96	35
New 2016E	0.22A	0.26A	0.25	0.25	0.98	0.98	36
Old 2017E	0.23	0.25	0.28	0.29	1.05	1.05	37
New 2017E	0.24	0.26	0.29	0.31	1.10	1.10	38

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 (Jul-21-16 2:40 p.m.)	\$14.90
Target Price:	NM
52-Week Range	\$15.59 - \$11.53
Suitability	High Risk/Growth

Market Data

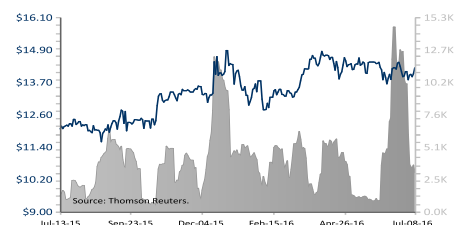
Shares Out. (mil.)	6.7
Market Cap. (mil.)	\$100
Avg. Daily Vol. (10 day)	2,156
Dividend/Yield	\$0.32/2.2%
Book Value (Jun-16)	\$12.57
Tang. BVPS (Jun-16)	\$11.62

Earnings & Valuation Metrics

	2015A	2016E	2017E
P/E Ratios (Non-GAAP)	16.2x	15.2x	13.5x

Company Description

First Community Corporation, headquartered in Lexington, South Carolina, is an \$889 million asset bank holding company that operates 15 branches, primarily in the midlands region of the state, with a small presence in eastern Georgia.



Please read domestic and foreign disclosure/risk information beginning on page 9 and Analyst Certification on page 10.

Guidance Tracker – First Community Corporation (FCCO)

RAYMOND JAMES®

Source	Category	Target Period	Trending	Guidance
2016Q2 Earnings	Loan	2016Y	▲	Management is optimistic it can exceed its high-single digit loan growth target.
2016Q2 Earnings	NIM	2016Y	—	Management anticipates modest margin expansion through 2016 (assumes flat rates).
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.
2016Q2 Earnings	Tax Rate	Long-term	▼	The company anticipates the tax rate will be approximately 27%.

Source: Raymond James research; company reports

Raymond James Revised Earnings Estimates

As illustrated in the following table, we are raising our 2016 and 2017 EPS estimates to \$0.98 and \$1.10, from \$0.96 and \$1.05, respectively.

Earnings Estimates

(\$ in thousands)	2016E			2017E		
	Old	Current	Change	Old	Current	Change
Operating EPS	\$0.96	\$0.98	\$0.02	\$1.05	\$1.10	\$0.04
GAAP EPS	\$0.96	\$0.98	\$0.02	\$1.05	\$1.10	\$0.04
Core PTPP* Earnings	10,180	10,365	2%	12,008	12,395	3%
Avg. Earning Assets	810,142	813,739	0%	853,538	858,554	1%
NIM	3.33%	3.38%	4 bps	3.35%	3.42%	7 bps
Net Interest Income	26,180	26,625	2%	27,752	28,508	3%
Provision	1,140	1,157	1%	1,800	1,800	0%
Operating Fee Income	8,796	9,046	3%	9,479	9,819	4%
Operating Expense	25,072	25,528	2%	25,523	26,231	3%
Operating Efficiency	72%	72%	-12 bps	69%	68%	-11 bps
Tax Rate	26.1%	26.5%	41 bps	28.0%	28.0%	0 bps
Diluted shares	6,757	6,740	0%	6,773	6,751	0%
Dividends per share	\$0.32	\$0.32	\$0.00	\$0.32	\$0.32	\$0.00
Loan Growth	10.3%	10.3%	0 bps	12.5%	12.5%	0 bps
Reserves/Loans	0.96%	0.97%	2 bps	0.98%	1.00%	1 bps
NPAs/Loans	1.50%	1.15%	-35 bps	1.46%	1.12%	-34 bps
NCOs/Avg. Loans	0.11%	0.10%	-1 bps	0.18%	0.18%	0 bps

*PTPP = pre-tax, pre-provision

We are raising our 2016 and 2017 EPS estimates to \$0.98 and \$1.10 from \$0.96 and \$1.05, respectively. For both periods, higher spread revenue (on a stronger margin outlook) and fee income expectations drive our increase.

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 2Q16 operating EPS of \$0.26, above both our and consensus estimates of \$0.24. Relative to our model, the beat was driven by higher-than-expected operating revenue (spread revenue and fee income), which more than offset slightly higher-than-expected operating expense. From a loan growth perspective, the company reported a 3.5% linked-quarter increase in loan balances, above both the 2.7% consensus and 2.5% estimate. The company's reported NIM of 3.43% topped both the 3.31% consensus and our 3.34% estimate.

Actual vs. Raymond James and Consensus

	Actual	Raymond James	dif (+/-)	Consensus	dif (+/-)	Consensus High	Consensus Low	Consensus # of Estimates
PER SHARE DATA								
Operating EPS	\$0.26	\$0.24	\$0.02	\$0.24	\$0.02	\$0.24	\$0.23	2
Book value per share	12.57	12.35	0.22	12.35	0.22	12.35	12.35	2
Tangible book value	11.62	11.41	0.21	11.07	0.56	11.41	10.72	2
Dividends per share	0.08	0.08	0.00	0.08	0.00	0.08	0.08	2
Avg. fully diluted shares (mil.)	6.7	6.8	0.0	6.8	0.0	6.8	6.8	2
INCOME STATEMENT								
Net interest income	6.7	6.5	0.2	6.5	0.1	6.6	6.5	2
Loan loss provision	0.2	0.2	0.0	0.3	0.0	0.3	0.2	2
Fee income	2.3	2.2	0.1	2.3	0.0	2.4	2.2	2
Revenue	9.0	8.7	0.3	8.7	0.3	8.7	8.7	1
Non-interest expense	6.3	6.2	0.1	6.4	-0.1	6.6	6.2	2
Pre-tax income	2.4	2.2	0.2	2.2	0.2	2.2	2.1	2
Taxes	0.6	0.6	0.1	0.6	0.0	0.6	0.6	2
Net income	1.8	1.6	0.1	1.6	0.1	1.6	1.6	2
BALANCE SHEET								
Loans	511	506	5	507	4	508	506	2
Loan growth	3.5%	2.5%	100 bp	2.7%	84 bp	2.8%	2.5%	2
Average Deposits	730	719	11	721	8	724	719	2
FINANCIAL RATIOS								
Net interest margin (NIM)	3.43%	3.34%	9 bp	3.31%	12 bp	3.34%	3.27%	2
Efficiency ratio	70.7%	71.8%	-118 bp	72.2%	-152 bp	72.4%	72.0%	2
Net charge-offs / Avg. loans	0.02%	0.08%	-6 bp	0.08%	-6 bp	0.08%	0.08%	1
ROA	0.80%	0.75%	5 bp	0.74%	6 bp	0.75%	0.72%	2
ROE	8.6%	8.0%	54 bp	7.8%	73 bp	8.0%	7.6%	2

Source: SNL Financial; Thomson Financial; Raymond James research; company reports

Note: Dollar amounts in millions, except per share data

First Community Regional Peer Group Comparison

Company	Ticker	Balance Sheet Ratios				Income Statement Ratios							Credit				Capital		
		Assets (\$M)	Core Deposits	Nonint Deposits	Loans/ Deposits	NIM	Loan Yields	Yield on Earning Assets	Cost of Deposits	Cost of Funds	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	\$8,671	86%	28%	86%	4.30%	5.10%	4.41%	0.09%	0.12%	27%	61%	0.08%	0.73%	0.63%	86%	8.4%	9.4%	12.4%
Carolina Financial Corporation	CARO	\$1,453	57%	18%	85%	3.40%	4.57%	4.12%	0.51%	0.66%	33%	70%	-0.04%	0.62%	1.03%	165%	9.6%	11.1%	15.4%
Southern First Bancshares, Inc.	SFST	\$1,239	73%	19%	104%	3.62%	4.59%	4.37%	0.41%	0.73%	18%	57%	0.14%	1.52%	1.32%	87%	7.9%	9.2%	10.6%
CNB Corporation	CNBW	\$1,039	69%	24%	54%	3.09%	5.45%	3.21%	0.19%	NA	20%	65%	0.36%	2.59%	1.70%	66%	10.0%	9.9%	18.5%
Security Federal Corporation	SFDL	\$811	64%	NA	51%	3.36%	5.56%	3.67%	0.32%	NA	17%	82%	0.00%	4.33%	2.43%	56%	8.7%	11.0%	22.3%
Coastal Banking Company, Inc.	CBCO	\$475	55%	14%	93%	3.88%	5.52%	4.65%	0.55%	NA	77%	88%	1.06%	3.79%	1.33%	35%	7.3%	11.7%	22.3%
Bank of South Carolina Corporation	BKSC	\$425	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Greer Bancshares Incorporated	GRBS	\$378	76%	NA	72%	NA	4.42%	3.59%	NA	NA	NA	NA	0.01%	3.14%	NA	NA	11.1%	10.6%	15.2%
First Reliance Bancshares, Inc.	FSRL	\$380	79%	24%	86%	4.46%	5.07%	4.77%	0.19%	NA	33%	84%	-0.03%	3.19%	0.99%	31%	6.4%	11.4%	12.9%
First Community Corporation	FCCO	\$889	76%	NA	70%	3.41%	4.62%	3.63%	0.24%	0.40%	25%	69%	0.02%	1.78%	0.94%	53%	8.8%	10.2%	15.4%
Peer Group Medians:		\$850	73%	22%	85%	3.51%	5.07%	4.12%	0.28%	0.53%	26%	69%	0.02%	2.59%	1.17%	61%	8.7%	10.6%	15.4%

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

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

Source: SNL Financial and Raymond James research

Select Valuation and Profitability Metrics

	Count	Mkt Cap (M)	Assets (M)	Valuation Metrics					Profitability Metrics						
				P/TBV	FY16E P/E	FY17E P/E	Deposit Premium	Dividend Yield	ROA (MRQ)	ROE (MRQ)	ROTCE (MRQ)	ROTCE (FY16E)	ROTCE (FY17E)	FY16E EPS Growth	FY17E EPS Growth
Industry Medians	527	\$205	\$1,583	1.51x	15.0x	13.4x	5%	2.3%	0.87%	7.9%	9.3%	10.4%	10.9%	8%	10.3%
Large Cap (>\$10B)	14	\$31,566	\$271,376	1.28x	11.9x	11.1x	6%	2.4%	0.93%	7.5%	11.4%	11.0%	11.0%	1%	9%
Mid-Cap (\$2B - \$10B)	50	\$3,092	\$21,524	1.68x	15.3x	13.9x	7%	2.3%	0.93%	7.9%	10.4%	11.2%	11.7%	7%	11%
Small-Cap (\$500M - \$2B)	96	\$892	\$6,156	1.72x	14.9x	13.8x	8%	2.4%	1.03%	8.9%	11.3%	11.9%	12.1%	8%	9%
Micro-Cap (<\$500M)	367	\$113	\$1,021	1.35x	15.1x	13.4x	3%	2.3%	0.80%	7.7%	8.6%	9.1%	9.5%	10%	11%
Asset Size Medians															
Over \$50B	18	\$19,828	\$168,294	1.21x	11.9x	11.1x	4%	2.4%	0.90%	7.4%	10.7%	10.6%	11.0%	-1%	10%
\$10B to \$50B	49	\$2,804	\$21,147	1.64x	15.3x	13.7x	7%	2.3%	0.89%	7.7%	10.2%	10.7%	11.0%	6%	10%
\$5B to \$10B	60	\$1,245	\$7,508	1.87x	15.5x	14.0x	10%	2.4%	1.05%	8.8%	12.1%	12.4%	12.8%	9%	9%
\$1B to \$5B	223	\$250	\$1,797	1.46x	15.2x	13.5x	5%	2.2%	0.88%	8.1%	9.2%	9.7%	10.3%	9%	11%
\$500M to \$1B	177	\$72	\$700	1.16x	13.7x	12.0x	2%	2.4%	0.72%	7.1%	7.9%	8.2%	8.8%	6%	16%

Priced as of July 20, 2016.

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 First Call consensus estimates.

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

First Community Corporation**Income Statement**

(\$ in thousands)

	2014 31-Dec	1Q15 31-Mar	2Q15 30-Jun	3Q15 30-Sep	4Q15 31-Dec	2015 31-Dec	1Q16 31-Mar	2Q16 30-Jun	3Q16E 30-Sep	4Q16E 31-Dec	2016E 31-Dec	1Q17E 31-Mar	2Q17E 30-Jun	3Q17E 30-Sep	4Q17E 31-Dec	2017E 31-Dec
Net Interest Income	23,730	6,448	6,204	6,253	6,348	25,253	6,337	6,677	6,744	6,866	26,625	6,731	6,936	7,261	7,581	28,508
Provision for loan losses	880	406	391	193	148	1,138	140	217	400	400	1,157	250	400	550	600	1,800
Net Interest Income after Provision	22,850	6,042	5,813	6,060	6,200	24,115	6,197	6,460	6,344	6,466	25,468	6,481	6,536	6,711	6,981	26,708
Deposit service charges	1,517	347	346	390	386	1,469	347	340	385	374	1,446	379	362	420	405	1,566
Mortgage origination fees	3,186	735	980	964	753	3,432	665	913	1,004	874	3,456	830	996	1,096	986	3,908
Investment advisory fees and commissions	1,268	296	407	290	294	1,287	291	297	303	312	1,203	315	325	331	341	1,312
Gain on sale of securities	182	104	167	0	84	355	59	64	0	0	123	0	0	0	0	0
Gain (loss) on sale of other assets	(11)	4	3	19	114	140	3	(84)	0	0	(81)	0	0	0	0	0
Loss on early extinguishment of debt	(351)	(103)	0	0	(226)	(329)	0	0	0	0	0	0	0	0	0	0
Other	2,422	598	662	666	686	2,612	724	734	738	745	2,941	749	756	760	768	3,033
Noninterest Income	8,213	1,981	2,565	2,329	2,091	8,966	2,089	2,264	2,430	2,305	9,088	2,273	2,439	2,607	2,500	9,819
Non-Operating items	(180)	5	170	19	(28)	166	62	(20)	0	0	42	0	0	0	0	0
Operating Noninterest Income	8,393	1,976	2,395	2,310	2,119	8,800	2,027	2,284	2,430	2,305	9,046	2,273	2,439	2,607	2,500	9,819
Total Revenue	31,943	8,429	8,769	8,582	8,439	34,219	8,426	8,941	9,174	9,171	35,712	9,004	9,375	9,867	10,081	38,327
Total Operating Revenue	32,123	8,424	8,599	8,563	8,467	34,053	8,364	8,961	9,174	9,171	35,670	9,004	9,375	9,867	10,081	38,327
Salaries and employee benefits	13,743	3,565	3,658	3,595	3,610	14,428	3,751	3,833	3,871	3,852	15,307	3,910	3,871	3,909	3,929	15,619
Occupancy	1,882	485	500	513	578	2,076	559	511	514	516	2,100	521	524	529	532	2,106
Equipment	1,505	402	394	437	416	1,649	429	437	481	457	1,803	475	470	517	491	1,954
Marketing and public relations	738	226	328	129	165	848	94	195	176	211	675	200	200	180	216	796
FDIC assessment	521	138	138	113	138	527	138	138	133	135	544	152	154	140	140	586
Other real estate expense	553	154	154	126	90	524	51	21	75	75	222	75	75	75	75	300
Amortization of intangibles	280	103	98	98	88	387	83	80	80	80	323	80	80	80	80	320
Other	4,738	1,027	1,119	1,056	1,037	4,239	1,237	1,118	1,124	1,124	4,602	1,129	1,135	1,141	1,146	4,551
Noninterest Expense	23,960	6,100	6,389	6,067	6,122	24,678	6,342	6,333	6,453	6,449	25,577	6,542	6,509	6,571	6,610	26,231
Non-Operating items	503	0	100	0	50	150	49	0	0	0	49	0	0	0	0	0
Operating Noninterest Expense	23,457	6,100	6,289	6,067	6,072	24,528	6,293	6,333	6,453	6,449	25,528	6,542	6,509	6,571	6,610	26,231
Income Before Tax	7,103	1,923	1,989	2,322	2,169	8,403	1,944	2,391	2,321	2,322	8,979	2,212	2,466	2,746	2,871	10,295
Income tax expense	1,982	519	546	643	568	2,276	476	646	627	627	2,376	619	690	769	804	2,883
GAAP Net Income	5,121	1,404	1,443	1,679	1,601	6,127	1,468	1,745	1,695	1,695	6,603	1,593	1,775	1,977	2,067	7,413
Operating Net Income	5,593	1,381	1,392	1,665	1,640	6,079	1,458	1,760	1,695	1,695	6,608	1,593	1,775	1,977	2,067	7,413
Diluted shares	6,607	6,665	6,698	6,712	6,737	6,607	6,751	6,733	6,737	6,741	6,740	6,745	6,749	6,753	6,757	6,751
GAAP EPS - diluted	\$0.78	\$0.21	\$0.22	\$0.25	\$0.24	\$0.93	\$0.22	\$0.26	\$0.25	\$0.25	\$0.98	\$0.24	\$0.26	\$0.29	\$0.31	\$1.10
Operating EPS - diluted	\$0.85	\$0.21	\$0.21	\$0.25	\$0.24	\$0.92	\$0.22	\$0.26	\$0.25	\$0.25	\$0.98	\$0.24	\$0.26	\$0.29	\$0.31	\$1.10
Financial Highlights																
TBV/share	\$10.15	\$10.44	\$10.44	\$10.76	\$10.84	\$10.84	\$11.23	\$11.62	\$11.80	\$11.98	\$11.98	\$12.14	\$12.33	\$12.55	\$12.78	\$12.78
TCE/Assets	8.4%	8.4%	8.4%	8.5%	8.5%	8.5%	8.7%	8.8%	8.8%	8.8%	8.8%	9.0%	9.0%	8.9%	8.9%	8.9%
Loans/Deposits	66%	65%	69%	69%	68%	68%	68%	70%	70%	73%	73%	70%	74%	74%	79%	79%
Loan Growth	27.7%	2.4%	4.3%	2.1%	1.1%	10.2%	1.0%	3.5%	3.0%	2.5%	10.3%	1.0%	3.5%	4.0%	3.5%	12.5%
NPA's/Loans	2.13%	1.92%	1.65%	1.55%	1.48%	1.48%	1.51%	1.14%	1.14%	1.15%	1.15%	1.14%	1.12%	1.11%	1.12%	1.12%
NCOs/Avg. Loans	0.22%	0.25%	0.31%	0.00%	0.02%	0.15%	0.04%	0.02%	0.12%	0.20%	0.10%	0.10%	0.15%	0.20%	0.25%	0.18%
Reserves/Loans	0.93%	0.94%	0.90%	0.92%	0.94%	0.94%	0.95%	0.95%	0.97%	0.97%	0.97%	0.98%	0.99%	0.99%	1.00%	1.00%
NIM	3.40%	3.62%	3.34%	3.32%	3.29%	3.39%	3.33%	3.43%	3.37%	3.38%	3.38%	3.38%	3.39%	3.42%	3.48%	3.42%
G&A/Avg. Assets	3.01%	3.00%	3.02%	2.90%	2.83%	2.94%	2.91%	2.88%	2.88%	2.84%	2.88%	2.86%	2.82%	2.79%	2.74%	2.80%
Efficiency Ratio	73%	72%	73%	71%	72%	72%	75%	71%	70%	70%	72%	73%	69%	67%	66%	68%
Effective tax rate	27.9%	27.0%	27.5%	27.7%	26.2%	27.1%	24.5%	27.0%	27.0%	27.0%	26.5%	28.0%	28.0%	28.0%	28.0%	28.0%
ROA (operating)	0.72%	0.68%	0.67%	0.80%	0.76%	0.73%	0.67%	0.80%	0.76%	0.75%	0.74%	0.70%	0.77%	0.84%	0.86%	0.79%
ROE (operating)	8.0%	7.3%	7.2%	8.6%	8.3%	7.9%	7.3%	8.6%	8.0%	7.9%	7.9%	7.3%	8.1%	8.8%	9.1%	8.3%
ROTCE (operating)	8.7%	8.0%	7.9%	9.4%	9.1%	8.6%	7.9%	9.3%	8.6%	8.5%	8.6%	7.9%	8.6%	9.5%	9.7%	8.9%
Dividends per share	\$0.24	\$0.07	\$0.07	\$0.07	\$0.07	\$0.28	\$0.08	\$0.08	\$0.08	\$0.08	\$0.32	\$0.08	\$0.08	\$0.08	\$0.08	\$0.32

Source: Company reports and Raymond James research

First Community Corporation

Balance Sheet (\$ in thousands)	4Q14 31-Dec	1Q15 31-Mar	2Q15 30-Jun	3Q15 30-Sep	4Q15 31-Dec	1Q16 31-Mar	2Q16 30-Jun	3Q16E 30-Sep	4Q16E 31-Dec	1Q17E 31-Mar	2Q17E 30-Jun	3Q17E 30-Sep	4Q17E 31-Dec
Stated Equity	74,528	76,548	76,411	78,488	79,038	81,611	84,211	85,369	86,528	87,584	88,822	90,262	91,791
Intangibles	6,884	6,782	6,684	6,586	6,497	6,415	6,335	6,255	6,175	6,095	6,015	5,935	5,855
Tangible Common Equity	67,644	69,766	69,727	71,902	72,541	75,196	77,876	79,114	80,353	81,489	82,807	84,327	85,936
Book Value	\$11.18	\$11.45	\$11.44	\$11.74	\$11.81	\$12.19	\$12.57	\$12.74	\$12.90	\$13.05	\$13.23	\$13.43	\$13.65
Tangible BV	\$10.15	\$10.44	\$10.44	\$10.76	\$10.84	\$11.23	\$11.62	\$11.80	\$11.98	\$12.14	\$12.33	\$12.55	\$12.78
Shares Outstanding	6,664	6,684	6,680	6,685	6,691	6,693	6,699	6,703	6,707	6,711	6,715	6,719	6,723
Equity/Assets	9.2%	9.2%	9.1%	9.2%	9.2%	9.4%	9.5%	9.5%	9.4%	9.6%	9.6%	9.5%	9.4%
TCE ratio	8.4%	8.4%	8.4%	8.5%	8.5%	8.7%	8.8%	8.8%	8.8%	9.0%	9.0%	8.9%	8.9%
Leverage Ratio	10.02%	10.26%	10.41%	10.34%	10.19%	10.23%	10.24%						
Tier 1 Capital Ratio	16.12%	15.95%	15.67%	15.67%	15.40%	15.41%	15.30%						
Total Capital Ratio	16.94%	16.77%	16.56%	16.48%	16.21%	16.24%	16.14%						
Total Assets	812,363	835,819	836,406	852,329	862,734	870,409	888,837	902,170	915,702	915,702	929,438	952,674	976,490
Other short-term investments	10,052	32,674	16,265	23,773	11,968	15,835	10,010						
Investment securities	282,814	274,094	271,203	273,682	283,841	286,019	286,766						
Loans held for sale	4,124	5,446	6,662	3,568	2,962	2,545	7,707						
Loans	443,844	454,301	474,016	483,931	489,191	494,021	511,303	526,642	539,808	545,206	564,288	586,860	607,400
Allowance for loan losses	(4,132)	(4,252)	(4,281)	(4,468)	(4,596)	(4,687)	(4,877)	(5,121)	(5,255)	(5,369)	(5,561)	(5,823)	(6,050)
Other assets	75,661	73,556	72,541	71,843	79,368	76,676	77,928						
Total Liabilities	737,835	759,271	759,995	773,841	783,696	788,798	804,626						
Total deposits	669,583	694,573	684,032	704,370	716,151	722,236	729,623	751,512	743,997	773,756	766,019	788,999	769,274
Securities sold under repo	17,383	16,684	19,460	19,908	21,033	20,697	21,112						
FHLB advances	28,807	27,552	35,548	27,543	24,788	24,432	32,445						
Junior sub debt	15,464	15,464	15,464	15,464	14,964	14,964	14,964						
Other liabilities	6,598	4,998	5,491	6,556	6,760	6,469	6,482						

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

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

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.

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

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Market Perform (3) Expected to perform generally in line with the Stoxx 600 over the next 12 months.

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	Coverage Universe Rating Distribution*				Investment Banking Distribution			
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Strong Buy and Outperform (Buy)	55%	69%	56%	51%	19%	39%	10%	0%

Market Perform (Hold)	40%	30%	44%	36%	6%	15%	0%	0%
Underperform (Sell)	5%	2%	0%	14%	2%	0%	0%	0%

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

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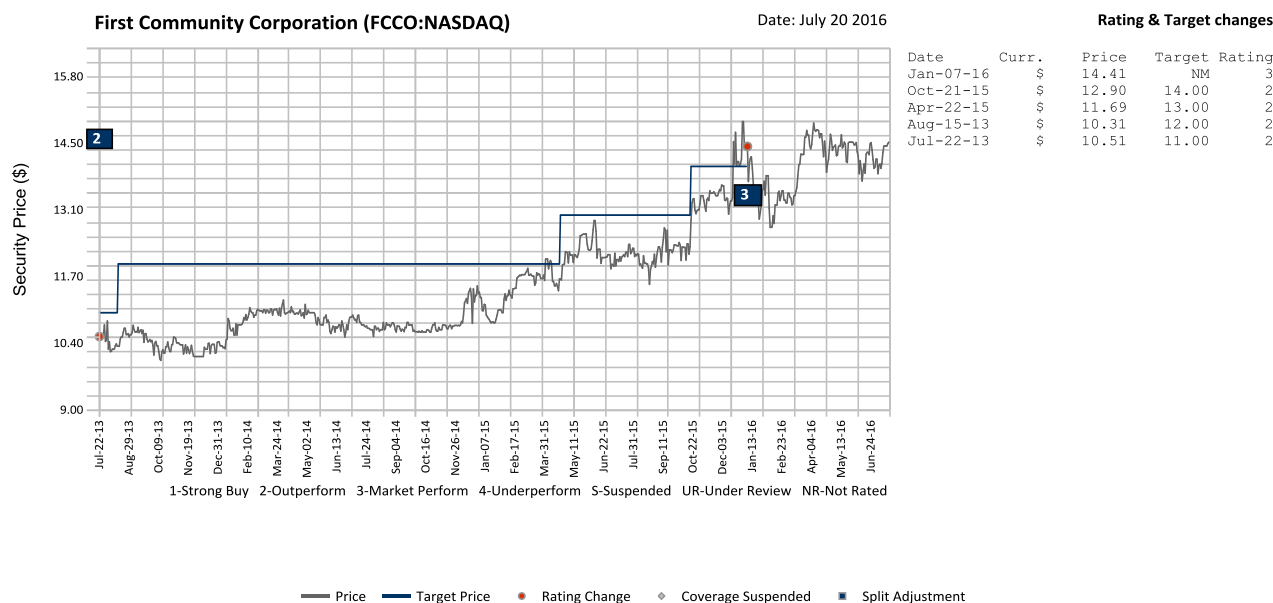
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Company Name	Disclosure
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Target Prices: The information below indicates our target price and rating changes for FCCO stock over the past three years.



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

Company-Specific Risks for First Community Corporation

Interest Rate Risk

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

Credit Risk

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

Macroeconomic Risk

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

Competition

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

Regulatory Reform

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

Acquisition Risk

First Community recently completed its acquisition of Savannah River Financial Corporation (February 2014). Acquiring a financial services company involves a number of risks, including those related to asset quality issues, loss of customers, entering new and unfamiliar markets, and integration of the acquired bank. In particular, integration poses a number of challenges, as the company must expend substantial resources to integrate acquired entities. Such failure to integrate acquired entities may adversely affect the company's results of operations and financial condition.

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