FIRST COMMUNITY CORPORATION (FCCO-NASDAQ)

Banking

William J. Wallace IV | (301) 657-1548 | william.wallace@raymondjames.com
Ammar M. Samma, Sr. Res. Assoc. | (727) 567-2218 | ammar.samma@raymondjames.com

January 16 2019 | 2:21 PM EST
COMPANY COMMENT

Maintain Market Perform; Tweaking Estimates Lower

RECOMMENDATION

Recommendation: We are maintaining our **Market Perform** rating on FCCO shares following 4Q18 results that were in line with both our and consensus expectations. That said, we note the company experienced a $228,000 interest and mark recovery and a $72,000 recovery of related expense for one loan during the quarter; excluding this benefit, operating EPS would have been $0.35; below consensus. Elsewhere, underlying core trends were generally solid, as margin ex. the aforementioned impact was higher-than-expected, and loan growth accelerated/exhibited strong momentum heading into 2019. Moving forward, while we have increased our margin forecast, our spread revenue estimates remain essentially unchanged as we expect the company to continue positively re-mixing its balance sheet (ultimately aiming for an 80% loans-to-earning assets ratio; 72% at 4Q18, up from 70% sequentially). Nearer-term, we expect the company to continue its loan growth momentum from this quarter as we believe the pipeline remains robust across the footprint. Additionally, we expect the company to focus on the mortgage business, where management plans on hiring additional producers, as we believe 2019 may pose a challenging environment should rates continue to rise. Ultimately, despite our slightly reduced earnings outlook, our thesis remains unchanged; we continue to view the risk/reward dynamic as balanced at current premium valuation levels as we believe franchise value is appropriately reflected at this time.

- **4Q18 results meet expectations:** FCCO reported 4Q18 GAAP EPS of $0.35. Excluding $332,000 in losses on the sale of securities, we estimate operating EPS were $0.38, in line with both our and consensus expectations.
- **Loan growth re-accelerates:** After increasing 1.8% sequentially in 3Q18, organic loan growth momentum picked up, with 3.2% growth in the quarter (following a couple of quarters of higher-than-normal paydowns). We believe the pipeline across its South Carolina markets remains strong and expect annual organic growth in the high single-digits through 2020.
- **Margin impacted by recovery, expect normalization/stabilization:** Net interest margin expanded 19 bp linked quarter to 3.79%, well above both our 3.64% estimate and the 3.62% consensus. However, as noted, reported NIM was impacted by a credit mark and nonaccrual interest recovery of $228,000 (or 9 bp, leaving NIM at 3.70%). Moving forward, we expect NIM to stabilize around 3.71% through 2020.
- **Estimates:** We are decreasing our 2019E/2020E EPS from $1.55/$1.65 to $1.50/$1.60.

Valuation: FCCO trades at 1.6x 4Q18 TBV of $12.56, 13.2x our 2019E EPS, and 12.4x our 2020E EPS, a premium to micro-cap peers at 1.4x, 11.2x, and 10.4x, respectively. We believe current premium valuations appropriately reflect above peer ROTCE expectations.

Market Perform 3
Target Price NM

Suitability	High Risk/ Growth

MARKET DATA

Current Price (Jan-16-19)	$19.86
Market Cap (mln)	$151
Current Net Debt (mln)	$38
Enterprise Value (mln)	$223
Shares Outstanding (mln)	7.6
30-Day Avg. Daily Value (mln)	$0.4
Dividend	$0.40
Dividend Yield	2.0%
52-Week Range	$18.54 - $26.25
BVPS	14.74
Tangible BVPS	12.56

KEY FINANCIAL METRICS

	1Q	2Q	3Q	4Q
Non-GAAP EPS ($)				
2017A	0.24	0.25	0.30	0.27
	0.24	**0.25**	**0.30**	**0.27**
2018A	0.36	0.37	0.37	0.38
	0.36	**0.37**	**0.37**	**0.38**
2019E	0.36	0.38	0.40	0.41
new	**0.35**	**0.37**	**0.37**	**0.40**
2020E	UR	UR	UR	UR
new	**UR**	**UR**	**UR**	**UR**

	2017A	2018A	2019E	2020E
Non-GAAP EPS ($)				
old	1.06	1.48	1.55	1.65
new	**1.06**	**1.48**	**1.50**	**1.60**
P/E (Non-GAAP)				
	18.7x	13.4x	13.2x	12.4x
GAAP EPS ($)				
old	0.83	1.49	1.55	1.65
new	**0.83**	**1.45**	**1.50**	**1.60**
Revenue (mln) ($)				
old	39	47	49	52
new	**39**	**47**	**49**	**52**

Source: Thomson One, Raymond James & Associates . Quarterly figures may not add to full year due to rounding.
Non-GAAP EPS is operating earnings and excludes one-time items. UR: Under Review.

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

Guidance Tracker – First Community Corporation (FCCO)

RAYMOND JAMES®

Source	Category	Target Period	Trending	Guidance
2018Q4 Earnings	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.
2018Q4 Earnings	Noninterest Income	2019Y/2020Y	–	Management expects to grow mortgage banking revenue over the coming quarters.
2018Q4 Earnings	Tax Rate	2019Y	–	The company anticipates the tax rate will be approximately 20.5% in 2019.

Source: Raymond James research; company reports

Slightly Lowering 2019E/2020E EPS

($ in thousands)	2019E			2020E		
	Old	**Current**	**Change**	**Old**	**Current**	**Change**
Operating EPS	**$1.55**	**$1.50**	**($0.05)**	**$1.65**	**$1.60**	**($0.05)**
GAAP EPS	**$1.55**	**$1.50**	**($0.05)**	**$1.65**	**$1.60**	**($0.05)**
Core PTPP* Earnings	16,172	15,700	-3%	17,618	17,506	-1%
Avg. Earning Assets	1,052,420	1,033,663	-2%	1,123,751	1,100,940	-2%
NIM	3.67%	3.73%	6 bps	3.65%	3.71%	6 bps
Net Interest Income	38,125	38,047	0%	40,512	40,384	0%
Provision	1,000	1,000	0%	1,300	1,600	23%
Operating Fee Income	11,273	11,032	-2%	11,496	11,707	2%
Operating Expense	33,271	33,423	0%	34,434	34,630	1%
Operating Efficiency	67%	68%	75 bps	66%	66%	27 bps
Tax Rate	20.5%	20.5%	0 bps	20.5%	21.0%	50 bps
Diluted shares	7,761	7,765	0%	7,818	7,822	0%
Dividends per share	$0.44	$0.44	$0.00	$0.48	$0.48	$0.00
Loan Growth	9.8%	8.8%	-107 bps	7.7%	7.2%	-53 bps
Reserves/Loans	0.91%	0.90%	-1 bps	0.94%	0.98%	3 bps
NPAs/Loans	0.71%	0.57%	-13 bps	0.74%	0.60%	-14 bps
NCOs/Avg. Loans	0.03%	0.03%	0 bps	0.06%	0.06%	0 bps

*PTPP = pre-tax, pre-provision

Source: Company documents and Raymond James research.

Comparison of Actual Results to Raymond James and Consensus Estimates

As illustrated in the following table, First Community reported 4Q18 operating EPS of $0.38, in line with both our and the consensus estimate. That said, we note the company experienced a $228,000 credit mark and nonaccrual recovery and recovered/recognized $72,000 in associated expenses/income related to one loan during the quarter; excluding this benefit, operating EPS would have been $0.35. Relative to our model, higher spread revenue and lower provision expense essentially offset lower fee income and higher operating expense. The company reported a 3.2% sequential increase in loan balances, above both our 2.5% estimate and the 2.4% consensus. The company's reported NIM of 3.79% came in well above both our 3.64% estimate and the 3.62% 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	$0.38	$0.38	$0.00	$0.38	$0.00	$0.38	$0.37	3
Book value per share	14.74	14.46	0.28	14.47	0.27	14.51	14.43	3
Tangible book value	12.56	12.28	0.28	12.28	0.28	12.30	12.25	3
Dividends per share	0.11	0.10	0.01	0.11	0.00	0.12	0.10	3
Avg. fully diluted shares (mil.)	7.7	7.7	0.0	7.7	0.0	7.7	7.7	3
INCOME STATEMENT								
Net interest income	9.4	9.2	0.2	9.1	0.3	9.2	9.0	3
Loan loss provision	0.1	0.2	-0.1	0.1	0.0	0.2	0.1	3
Fee income	2.6	2.7	-0.2	2.7	-0.1	2.8	2.7	3
Revenue	12.0	11.9	0.1	12.0	0.0	12.0	11.9	2
Non-interest expense	8.2	8.1	0.1	8.1	0.0	8.2	8.1	3
Pre-tax income	3.4	3.7	-0.3	3.6	-0.2	3.7	3.5	3
Taxes	0.7	0.8	-0.1	0.8	-0.1	0.8	0.7	3
Net income	3.0	2.9	0.0	2.9	0.1	2.9	2.8	3
BALANCE SHEET								
Loans	718	714	5	713	5	714	712	3
Loan growth	3.2%	2.5%	65 bp	2.4%	75 bp	2.5%	2.2%	3
Average Deposits	926	940	-15	931	-5	931	931	2
FINANCIAL RATIOS								
Net interest margin (NIM)	3.79%	3.64%	15 bp	3.62%	17 bp	3.64%	3.58%	3
Efficiency ratio	68.2%	67.8%	41 bp	68.2%	-3 bp	68.4%	68.0%	3
Net charge-offs / Avg. loans	0.02%	0.00%	2 bp	0.03%	-1 bp	0.05%	0.00%	2
ROA	1.08%	1.07%	1 bp	1.04%	4 bp	1.07%	1.02%	3
ROE	10.8%	10.7%	9 bp	10.4%	41 bp	10.7%	10.2%	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

		Balance Sheet Ratios				Income Statement Ratios							Credit				Capital		
Company	**Ticker**	**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	$14,522	84%	27%	94%	4.07%	4.87%	4.54%	0.45%	0.50%	20%	58%	0.05%	0.37%	0.49%	134%	9.7%	10.8%	13.3%
Carolina Financial Corporation	CARO	$3,721	65%	21%	89%	4.11%	5.51%	5.04%	0.74%	0.92%	25%	52%	0.02%	0.52%	0.55%	105%	11.7%	12.9%	16.3%
Southern First Bancshares, Inc.	SFST	$1,858	78%	19%	102%	3.63%	4.77%	4.72%	1.01%	1.09%	14%	56%	0.09%	0.79%	0.99%	126%	9.0%	10.2%	11.5%
Security Federal Corporation	SFDL	$902	68%	NA	58%	3.43%	5.44%	4.03%	0.56%	NA	20%	74%	0.15%	3.29%	1.99%	60%	8.4%	9.9%	16.5%
GrandSouth Bancorporation	GRRB	$740	55%	16%	97%	5.35%	7.14%	6.66%	NA	NA	3%	71%	0.28%	0.89%	1.40%	158%	7.2%	8.7%	9.9%
South Atlantic Bancshares, Inc.	SABK	$618	86%	NA	97%	4.35%	5.16%	4.84%	NA	NA	12%	77%	-0.01%	0.18%	0.80%	453%	9.1%	9.1%	11.3%
First Reliance Bancshares, Inc.	FSRL	$567	68%	23%	86%	4.67%	5.48%	5.00%	0.64%	NA	30%	85%	0.09%	1.65%	0.59%	36%	8.8%	9.8%	11.9%
Bank of South Carolina Corporation	BKSC	$428	89%	34%	72%	4.19%	5.83%	4.53%	0.20%	NA	9%	56%	0.00%	0.23%	1.48%	651%	10.1%	10.3%	15.9%
First Community Corporation	**FCCO**	**$1,091**	**80%**	**28%**	**76%**	**3.63%**	**NA**	**NA**	**0.35%**	**0.45%**	**24%**	**67%**	**-0.06%**	**0.95%**	**0.88%**	**94%**	**8.5%**	**NA**	**NA**
Peer Group Medians:		**$902**	**78%**	**23%**	**89%**	**4.11%**	**5.46%**	**4.78%**	**0.56%**	**0.71%**	**20%**	**67%**	**0.05%**	**0.79%**	**0.88%**	**126%**	**9.0%**	**10.0%**	**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

				Valuation Metrics					Profitability Metrics						
	Count	Mkt Cap (M)	Assets (M)	P/TBV	2019E P/E	2020E P/E	Deposit Premium	Dividend Yield	ROA (3Q18)	ROE (3Q18)	ROTCE (3Q18)	ROTCE (2019E)	ROTCE (2020E)	2019E EPS Growth	2020E EPS Growth
Industry Medians	**522**	**$255**	**$1,834**	**1.59x**	**11.2x**	**10.3x**	**5%**	**2.5%**	**1.23%**	**11.0%**	**12.9%**	**13.5%**	**13.4%**	**9%**	**7%**
Large Cap (>$10B)	18	$23,206	$184,937	1.69x	9.6x	8.9x	8%	3.2%	1.34%	11.3%	17.4%	16.8%	17.2%	10%	8%
Mid-Cap ($2B - $10B)	60	$3,369	$22,131	1.82x	10.9x	10.1x	9%	2.6%	1.46%	11.0%	16.8%	15.8%	15.4%	7%	6%
Small-Cap ($500M - $2B)	118	$824	$5,669	1.73x	11.8x	10.8x	9%	2.6%	1.34%	11.4%	14.8%	14.2%	13.8%	9%	7%
Micro-Cap (<$500M)	326	$142	$1,070	1.39x	11.2x	10.4x	4%	2.3%	1.08%	10.8%	11.7%	11.5%	11.6%	10%	9%
Asset Size Medians															
Over $50B	20	$19,065	$150,142	1.65x	9.6x	9.0x	7%	3.2%	1.29%	10.9%	17.1%	16.1%	17.0%	9%	8%
$10B to $50B	73	$3,013	$18,697	1.75x	10.8x	10.0x	8%	2.6%	1.44%	10.7%	16.0%	15.2%	14.8%	7%	6%
$5B to $10B	56	$1,101	$6,720	1.84x	11.9x	11.1x	10%	2.4%	1.30%	11.5%	15.1%	14.7%	14.2%	9%	7%
$1B to $5B	228	$254	$1,816	1.48x	11.3x	10.7x	5%	2.4%	1.24%	11.2%	12.7%	12.3%	12.4%	9%	8%
$500M to $1B	145	$83	$717	1.25x	11.8x	10.0x	4%	2.4%	0.99%	10.0%	10.9%	10.4%	10.6%	14%	13%

Priced as of January 15, 2019.

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	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18	4Q18	2018	1Q19E	2Q19E	3Q19E	4Q19E	2019E	2020E
($ in thousands)	31-Mar	30-Jun	30-Sep	31-Dec	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Dec	31-Dec
Net Interest Income	7,061	7,048	7,227	8,058	29,394	8,534	8,939	8,883	9,392	35,748	9,134	9,424	9,647	9,842	38,047	40,411
Provision for loan losses	116	78	166	170	530	202	29	21	94	346	200	200	300	300	1,000	1,600
Net Interest Income after Provision	**6,945**	**6,970**	**7,061**	**7,888**	**28,864**	**8,332**	**8,910**	**8,862**	**9,298**	**35,402**	**8,934**	**9,224**	**9,347**	**9,542**	**37,047**	**38,811**
Deposit service charges	320	348	379	439	1,486	463	423	434	449	1,769	470	460	466	491	1,886	2,008
Mortgage origination fees	670	1,261	1,032	828	3,791	951	1,016	1,159	769	3,895	807	888	977	948	3,620	3,955
Investment advisory fees and commissions	258	314	336	383	1,291	383	401	423	476	1,683	481	490	500	515	1,987	2,150
Gain on sale of securities	54	172	124	49	399	(102)	94	0	(332)	(340)	0	0	0	0	0	0
Gain (loss) on sale of other assets	20	68	40	107	235	15	22	(29)	16	24	0	0	0	0	0	0
Loss on early extinguishment of debt	(58)	(223)	(165)	0	(446)	0	0	0	0	0	0	0	0	0	0	0
Other	714	705	676	787	2,882	921	955	855	882	3,613	891	918	844	886	3,539	3,594
Noninterest Income	**1,978**	**2,645**	**2,422**	**2,593**	**9,638**	**2,631**	**2,911**	**2,842**	**2,260**	**10,644**	**2,649**	**2,756**	**2,787**	**2,840**	**11,032**	**11,707**
Non-Operating items	16	17	(1)	156	188	(102)	94	0	(332)	(340)	0	0	0	0	0	0
Operating Noninterest Income	**1,962**	**2,628**	**2,423**	**2,437**	**9,450**	**2,733**	**2,817**	**2,842**	**2,592**	**10,984**	**2,649**	**2,756**	**2,787**	**2,840**	**11,032**	**11,707**
Total Revenue	**9,039**	**9,693**	**9,649**	**10,651**	**39,032**	**11,165**	**11,850**	**11,725**	**11,652**	**46,392**	**11,782**	**12,180**	**12,434**	**12,682**	**49,079**	**52,118**
Total Operating Revenue	**9,023**	**9,676**	**9,650**	**10,495**	**38,844**	**11,267**	**11,756**	**11,725**	**11,984**	**46,732**	**11,782**	**12,180**	**12,434**	**12,682**	**49,079**	**52,118**
Salaries and employee benefits	4,086	4,313	4,122	4,482	17,003	4,577	4,881	5,079	4,978	19,515	5,152	5,333	5,439	5,412	21,336	22,303
Occupancy	527	539	532	568	2,166	614	583	611	572	2,380	589	607	610	613	2,419	2,514
Equipment	446	506	396	422	1,770	381	398	388	346	1,513	349	346	356	339	1,390	1,393
Marketing and public relations	221	298	96	286	901	89	194	177	459	919	252	265	239	227	983	905
FDIC assessment	78	78	78	78	312	81	83	94	117	375	85	86	97	88	356	379
Other real estate expense	27	29	19	(33)	42	18	31	37	12	98	15	10	10	10	45	45
Amortization of intangibles	75	74	74	120	343	142	143	142	136	563	135	133	132	131	531	510
Other	1,260	1,533	1,577	2,451	6,821	1,692	1,912	1,606	1,550	6,760	1,566	1,597	1,597	1,605	6,364	6,581
Noninterest Expense	**6,720**	**7,370**	**6,894**	**8,374**	**29,358**	**7,594**	**8,225**	**8,134**	**8,170**	**32,123**	**8,143**	**8,377**	**8,480**	**8,424**	**33,423**	**34,630**
Non-Operating items	0	98	228	783	1,109	0	164	0	0	164	0	0	0	0	0	0
Operating Noninterest Expense	**6,720**	**7,272**	**6,666**	**7,591**	**28,249**	**7,594**	**8,061**	**8,134**	**8,170**	**31,959**	**8,143**	**8,377**	**8,480**	**8,424**	**33,423**	**34,630**
Income Before Tax	**2,203**	**2,245**	**2,589**	**2,107**	**9,144**	**3,369**	**3,596**	**3,570**	**3,388**	**13,923**	**3,439**	**3,603**	**3,654**	**3,958**	**14,655**	**15,888**
Income tax expense	447	581	696	1,605	3,329	660	595	737	702	2,694	705	739	749	811	3,004	3,336
GAAP Net Income	**1,756**	**1,664**	**1,893**	**502**	**5,815**	**2,709**	**3,001**	**2,833**	**2,686**	**11,229**	**2,734**	**2,865**	**2,905**	**3,147**	**11,651**	**12,551**
Operating Net Income	**1,618**	**1,724**	**2,060**	**2,023**	**7,426**	**2,791**	**2,896**	**2,833**	**2,949**	**11,469**	**2,734**	**2,865**	**2,905**	**3,147**	**11,651**	**12,551**
Diluted shares	6,813	6,803	6,808	7,521	6,986	7,713	7,726	7,724	7,732	7,724	7,747	7,752	7,777	7,782	7,765	7,822
GAAP EPS - diluted	$0.26	$0.24	$0.28	$0.07	$0.83	$0.35	$0.39	$0.37	$0.35	$1.45	$0.35	$0.37	$0.37	$0.40	$1.50	$1.60
Operating EPS - diluted	**$0.24**	**$0.25**	**$0.30**	**$0.27**	**$1.06**	**$0.36**	**$0.37**	**$0.37**	**$0.38**	**$1.48**	**$0.35**	**$0.37**	**$0.37**	**$0.40**	**$1.50**	**$1.60**
Financial Highlights																
TBV/share	$11.50	$11.79	$12.02	$11.66	$11.66	$11.64	$11.85	$11.98	$12.56	$12.56	$12.80	$13.07	$13.31	$13.62	$13.62	$14.72
TCE/Assets	8.5%	8.7%	8.9%	8.6%	8.6%	8.4%	8.4%	8.5%	8.9%	8.9%	9.0%	9.0%	9.1%	9.1%	9.1%	9.4%
Loans/Deposits	72%	72%	74%	73%	73%	73%	73%	76%	78%	78%	76%	78%	78%	79%	79%	80%
Loan Growth	1.6%	-0.3%	2.7%	13.8%	18.3%	3.4%	2.4%	1.8%	3.2%	11.1%	1.5%	2.5%	2.0%	2.5%	8.8%	7.2%
Deposit Growth	1.2%	-0.3%	-0.4%	15.4%	15.9%	3.6%	1.5%	-1.2%	0.4%	4.2%	3.0%	1.0%	1.5%	1.0%	6.6%	6.1%
NPAs/Loans	0.83%	0.70%	0.64%	0.82%	0.82%	0.75%	0.70%	0.69%	0.56%	0.56%	0.55%	0.56%	0.57%	0.57%	0.57%	0.60%
NCOs/Avg. Loans	-0.03%	-0.03%	0.00%	0.02%	-0.01%	0.01%	-0.04%	-0.06%	0.02%	-0.02%	0.01%	0.03%	0.04%	0.08%	0.04%	0.10%
Reserves/Loans	0.97%	0.99%	0.99%	0.90%	0.90%	0.90%	0.89%	0.89%	0.87%	0.87%	0.88%	0.88%	0.89%	0.89%	0.89%	0.93%
NIM	3.52%	3.49%	3.52%	3.54%	3.52%	3.66%	3.71%	3.60%	3.79%	3.69%	3.73%	3.73%	3.72%	3.72%	3.73%	3.71%
G&A/Avg. Assets	2.95%	3.20%	2.93%	2.98%	3.01%	2.88%	3.00%	2.99%	2.99%	2.97%	2.97%	3.01%	2.99%	2.92%	2.97%	2.89%
Efficiency Ratio	74%	75%	69%	72%	73%	67%	69%	69%	68%	68%	69%	69%	68%	66%	68%	66%
Effective tax rate	20.3%	25.9%	26.9%	76.2%	36.4%	19.6%	16.5%	20.6%	20.7%	19.3%	20.5%	20.5%	20.5%	20.5%	20.5%	21.0%
ROA (operating)	0.71%	0.76%	0.90%	0.79%	0.79%	1.06%	1.08%	1.04%	1.08%	1.07%	1.00%	1.03%	1.03%	1.09%	1.04%	1.05%
ROE (operating)	7.8%	8.1%	9.6%	7.9%	8.4%	10.6%	10.9%	10.5%	10.8%	10.7%	9.6%	9.9%	9.9%	10.5%	10.0%	10.0%
ROTCE (operating)	8.5%	8.8%	10.3%	9.2%	9.2%	12.6%	13.0%	12.4%	12.8%	12.7%	11.3%	11.6%	11.5%	12.2%	11.6%	11.5%
Dividends per share	$0.09	$0.09	$0.09	$0.09	$0.36	$0.10	$0.10	$0.10	$0.10	$0.40	$0.11	$0.11	$0.11	$0.11	$0.44	$0.48

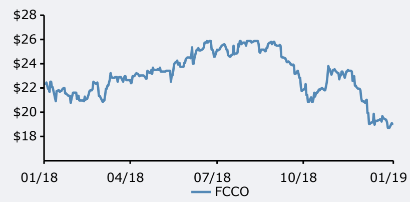
Source: Company reports and Raymond James research

First Community Corporation

Balance Sheet	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19E	2Q19E	3Q19E	4Q19E	4Q20E
($ in thousands)	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Dec
Stated Equity	**83,131**	**85,059**	**86,595**	**105,663**	**105,483**	**106,997**	**108,186**	**112,497**	**114,390**	**116,413**	**118,473**	**120,775**	**129,619**
Intangibles	6,105	6,031	5,956	17,157	17,016	16,846	16,779	16,641	16,506	16,373	16,241	16,111	15,601
Tangible Common Equity	**77,026**	**79,028**	**80,639**	**88,506**	**88,467**	**90,151**	**91,407**	**95,856**	**97,884**	**100,040**	**102,232**	**104,664**	**114,018**
Book Value	$12.41	$12.69	$12.91	$13.93	$13.88	$14.07	$14.18	$14.74	$14.96	$15.21	$15.43	$15.72	$16.74
Tangible BV	**$11.50**	**$11.79**	**$12.02**	**$11.66**	**$11.64**	**$11.85**	**$11.98**	**$12.56**	**$12.80**	**$13.07**	**$13.31**	**$13.62**	**$14.72**
Shares Outstanding	6,697	6,702	6,706	7,588	7,600	7,605	7,630	7,634	7,649	7,654	7,679	7,684	7,744
Equity/Assets	9.1%	9.3%	9.5%	10.1%	9.9%	9.8%	9.9%	10.3%	10.4%	10.4%	10.4%	10.4%	10.6%
TCE ratio	**8.5%**	**8.7%**	**8.9%**	**8.6%**	**8.4%**	**8.4%**	**8.5%**	**8.9%**	**9.0%**	**9.0%**	**9.1%**	**9.1%**	**9.4%**
Leverage Ratio	10.21%	10.41%	10.55%	10.35%	10.18%	10.20%	10.32%	10.47%					
Tier 1 Capital Ratio	14.66%	15.02%	14.73%	14.25%	13.90%	13.75%	13.76%	13.83%					
Total Capital Ratio	15.51%	15.89%	15.60%	15.05%	14.69%	14.52%	14.54%	14.60%					
Total Assets	**914,913**	**915,462**	**914,228**	**1,050,731**	**1,070,539**	**1,092,149**	**1,091,142**	**1,091,595**	**1,102,511**	**1,124,561**	**1,141,430**	**1,164,258**	**1,223,497**
Other short-term investments	18,035	22,356	15,393	15,788	25,683	28,798	22,709	17,940					
Investment securities	262,538	259,117	248,672	284,395	272,637	273,730	269,963	256,022					
Loans held for sale	4,191	6,590	6,018	5,093	7,546	6,969	5,528	3,223					
Loans	**555,298**	**553,420**	**568,488**	**646,805**	**668,583**	**684,333**	**696,515**	**718,462**	**729,239**	**747,470**	**762,419**	**781,480**	**837,606**
Allowance for loan losses	(5,368)	(5,490)	(5,656)	(5,797)	(5,986)	(6,087)	(6,212)	(6,263)	(6,445)	(6,590)	(6,814)	(6,960)	(7,770)
Other assets	80,219	79,469	81,313	104,447	102,076	104,406	102,639	102,211					
Total Liabilities	**831,782**	**830,403**	**827,633**	**945,068**	**965,056**	**985,152**	**982,956**	**979,098**					
Total deposits	775,611	773,126	770,082	888,323	919,898	933,368	921,722	925,523	953,289	962,822	977,264	987,037	1,047,453
Securities sold under repo	19,388	17,319	17,469	19,270	21,959	28,203	33,226	28,022					
FHLB advances	15,548	17,997	17,255	14,250	245	241	4,236	231					
Junior sub debt	14,964	14,964	14,964	14,964	14,964	14,964	14,964	14,964					
Other liabilities	6,271	6,997	7,863	8,261	7,990	8,376	8,808	10,358					

COMPANY DESCRIPTION

First Community Corporation, headquartered in Lexington, South Carolina, is a more than $1 billion asset bank holding company that operates approximately 20 branches, primarily in the midlands region of the state, with a small presence in eastern Georgia.



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Company Name	Disclosure
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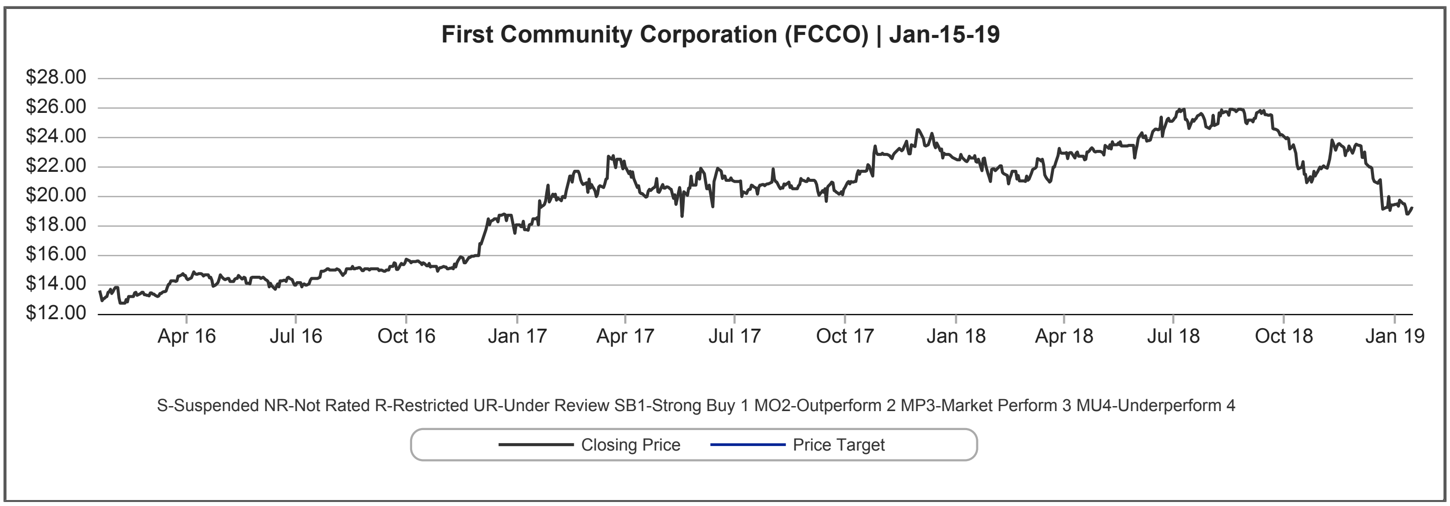

Valuation Methodology

First Community Corporation:
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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Company-Specific Risks

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 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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