FIRST COMMUNITY CORPORATION (FCCO-NASDAQ)

Banking

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COMPANY COMMENT

Tweaking Estimates Higher Following Revenue-Driven Beat

RECOMMENDATION

We are maintaining our **Market Perform** rating on FCCO shares following 3Q19 results that exceeded both our and consensus expectations on strong revenue results. That said, operating results were aided by a $131,000 non-accrual interest recovery (+5 bp to margin, +$0.02 to EPS). To wit, margin was the focal point and came in just below expectations (3.60% ex. the recovery vs. our 3.61% estimate) as earning asset yields fell following recent Fed rate cuts. Importantly, however, management was also able to essentially hold deposit costs (up just 1 bp sequentially) as the core deposit mix improved and the company booked new money market deposits at lower rates. Notably, management believes it may have seen a peak in deposit costs last quarter, even without any additional Fed cuts, which should bode well for margin prospects (we estimate margin bottoms out in 1H20; see below). Aside from spread revenue, fee income was the highlight and beat on a record quarter for mortgage, while provision also beat and operating expenses were in line with our estimate. Moving forward, while we expect the company to ultimately reap the benefits of recent investments in branches/staffing, we believe nearer-term earnings will still be relatively pressured given the rate backdrop (we model an additional 25 bp rate cut in December 2019). That said, we continue to view the risk/reward dynamic as balanced at this time as we believe franchise value is appropriately reflected in current premium valuation levels, juxtaposed with our cautious outlook on margin/lack of a catalyst for meaningful EPS growth.

- **3Q19 results beat:** FCCO reported 3Q19 GAAP and operating EPS of $0.39, well above both our $0.34 estimate and the $0.35 consensus. As noted, a $131,000 non-accrual interest recovery aided results by ~$0.02/share. Additionally, a lower provision expense added ~$0.02/share versus our estimate.
- **Loan growth steady:** After reporting 1.2% loan growth in 2Q19, the company again grew loans 1.2% sequentially in 3Q19, citing weaker production, but also lower payoffs. Moving forward, management believes payoff activity will persist, but remains constructive on loan growth prospects; as a result, we continue to forecast 4-5% loan growth through 2021.
- **Expect margin compression:** Net interest margin contracted 2 bp linked quarter to 3.65%, but included a 5 bp benefit from a non-accrual interest recovery, as a drop in earning asset yields more than offset a slight downtick in funding costs. Moving forward, we expect margin to contract to 3.56% in 4Q19 (given the full impact of recent rate cuts), before contracting to 3.53% by 2Q20 (assumes an additional 25 bp rate cut in December 2019). From there, we expect margin to slightly expand/stabilize in the 3.54-3.56% range through 2021 (assumes a flat Fed).
- **Estimates:** We are increasing our 2019E/2020E EPS from $1.35/$1.30 to $1.40/$1.35. We are also establishing 2021E EPS of $1.35.

Valuation: FCCO trades at 1.4x 3Q19 TBV of $13.84, 13.9x our 2019E EPS, and 14.4x our 2020E EPS, versus micro-cap peers at 1.3x, 12.3x, and 11.5x, respectively. We believe current premium valuations appropriately reflect franchise value, though we do not see much upside given the lack of a catalyst for further EPS growth.

Market Perform 3
Target Price NM

Suitability	High Risk/ Growth

MARKET DATA

Current Price (Oct-17-19)	$19.43
Market Cap (mln)	$144
Current Net Debt (mln)	$22
Enterprise Value (mln)	$166
Shares Outstanding (mln)	7.4
30-Day Avg. Daily Value (mln)	$0.2
Dividend	$0.44
Dividend Yield	2.3%
52-Week Range	$17.08 - $23.96
BVPS	16.03
Tangible BVPS	13.84

KEY FINANCIAL METRICS

	1Q	2Q	3Q	4Q
Non-GAAP EPS ($, Dec FY)				
2018A	0.36	0.37	0.37	0.38
2019E	0.33	0.36	0.34	0.32
new	**0.33 A**	**0.36 A**	**0.39 A**	**0.33**
2020E	0.31	0.33	0.33	0.33
new	**0.32**	**0.35**	**0.36**	**0.32**
2021E	UR	UR	UR	UR

	2018A	2019E	2020E	2021E
Non-GAAP EPS ($, Dec FY)				
old	1.48	1.35	1.30	UR
new	**1.48**	**1.40**	**1.35**	**1.35**
P/E (Non-GAAP)				
	13.1x	13.9x	14.4x	14.4x
GAAP EPS ($, Dec FY)				
old	1.45	1.36	1.30	UR
new	**1.45**	**1.41**	**1.35**	**1.35**
Revenue (mln) ($, Dec FY)				
old	47	48	49	UR
new	**47**	**48**	**50**	**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.

Raising 2019E EPS Following Beat, Raising 2020E EPS on Higher Fee Income, and Establishing 2021E EPS

($ in thousands)	2019E			2020E			2021E
	Old	**Current**	**Change**	**Old**	**Current**	**Change**	**Current**
Operating EPS	**$1.35**	**$1.40**	**$0.05**	**$1.30**	**$1.35**	**$0.05**	**$1.35**
GAAP EPS	**$1.36**	**$1.41**	**$0.05**	**$1.30**	**$1.35**	**$0.05**	**$1.35**
Core PTPP* Earnings	13,456	13,780	2%	13,541	13,697	1%	14,077
Avg. Earning Assets	1,011,250	1,014,649	0%	1,061,944	1,063,734	0%	1,101,446
NIM	3.65%	3.65%	1 bps	3.57%	3.54%	-3 bps	3.55%
Net Interest Income	36,457	36,703	1%	37,433	37,284	0%	38,760
Provision	514	339	-34%	1,125	825	-27%	1,100
Operating Fee Income	11,275	11,463	2%	11,955	12,358	3%	13,018
Operating Expense	34,342	34,473	0%	35,892	35,990	0%	37,746
Operating Efficiency	72%	72%	-38 bps	73%	72%	-17 bps	73%
Tax Rate	20.7%	20.6%	-9 bps	21.0%	21.0%	0 bps	21.0%
Diluted shares	7,593	7,590	0%	7,514	7,508	0%	7,568
Dividends per share	$0.44	$0.44	$0.00	$0.48	$0.48	$0.00	$0.52
Loan Growth	4.7%	4.4%	-36 bps	4.6%	4.3%	-31 bps	4.1%
Reserves/Loans	0.88%	0.89%	1 bps	0.90%	0.91%	1 bps	0.93%
NPAs/Loans	0.58%	0.51%	-7 bps	0.62%	0.55%	-7 bps	0.61%
NCOs/Avg. Loans	0.02%	-0.01%	-3 bps	0.09%	0.05%	-4 bps	0.09%

*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 3Q19 operating EPS of $0.39, well above our $0.34 estimate and the $0.35 consensus. Relative to our model, higher spread revenue (impacted by a non-accrual interest recovery), higher fee income, and lower provision expense drove the beat (operating expenses were in line). The company reported 1.2% sequential loan growth in the quarter, below both our and the consensus 1.5% estimates. The company's reported NIM of 3.65% came in above both our 3.61% estimate and the 3.60% consensus, but was impacted by +5 bp by the aforementioned interest recovery.

Actual vs. Raymond James and Consensus

	Actual	Raymond James	dif (+/-)	Consensus	dif (+/-)	Consensus High	Consensus Low	Consensus # of Estimates
PER SHARE DATA								
Operating EPS	$0.39	$0.34	$0.05	$0.35	$0.04	$0.36	$0.34	4
Book value per share	16.03	16.09	-0.06	15.94	0.10	16.09	15.83	3
Tangible book value	13.84	13.90	-0.06	13.69	0.15	13.90	13.52	4
Dividends per share	0.11	0.11	0.00	0.11	0.00	0.11	0.11	4
Avg. fully diluted shares (mil.)	7.5	7.5	0.0	7.5	-0.1	7.7	7.4	4
INCOME STATEMENT								
Net interest income	9.4	9.1	0.2	9.1	0.2	9.2	9.1	4
Loan loss provision	0.0	0.2	-0.2	0.1	-0.1	0.2	0.1	4
Fee income	3.1	3.0	0.2	3.0	0.1	3.1	2.9	4
Revenue	12.5	12.1	0.4	12.2	0.3	12.4	12.0	3
Non-interest expense	8.8	8.7	0.1	8.7	0.1	8.7	8.6	4
Pre-tax income	3.7	3.2	0.4	3.4	0.3	3.6	3.2	4
Taxes	0.8	0.7	0.1	0.7	0.0	0.8	0.7	4
Net income	2.9	2.6	0.3	2.7	0.2	2.8	2.6	4
BALANCE SHEET								
Loans	735	738	-3	738	-3	738	737	4
Loan growth	1.2%	1.5%	-35 bp	1.5%	-35 bp	1.6%	1.3%	4
Average Deposits	949	951	-3	949	0	951	947	2
FINANCIAL RATIOS								
Net interest margin (NIM)	3.65%	3.61%	4 bp	3.60%	5 bp	3.62%	3.58%	4
Efficiency ratio	70.5%	71.7%	-117 bp	70.9%	-43 bp	72.0%	69.9%	4
Net charge-offs / Avg. loans	-0.09%	0.02%	-11 bp	0.03%	-12 bp	0.05%	0.02%	3
ROA	1.03%	0.92%	11 bp	0.96%	7 bp	1.00%	0.92%	4
ROE	9.9%	8.7%	122 bp	9.1%	83 bp	9.4%	8.7%	4

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: Assets ($M)	Core Deposits	Nonint Deposits	Loans/ Deposits	Income Statement Ratios: NIM	Loan Yields	Yield on Earning Assets	Cost of Deposits	Cost of Funds	Fee Income/ Revenue	Efficiency Ratio	Credit: NCOs/ Avg. Loans	NPAs/ Loans	Reserves/ Loans	Reserves/ NPAs	Capital: TCE ratio	Leverage Ratio	Tier 1 risk-based
South State Corporation	SSB	$15,683	85%	27%	94%	3.81%	4.84%	4.48%	0.59%	0.71%	22%	58%	0.07%	0.38%	0.52%	136%	9.0%	10.0%	12.6%
Carolina Financial Corporation	CARO	$3,888	64%	22%	94%	3.96%	5.55%	5.10%	0.98%	1.22%	20%	56%	-0.03%	0.56%	0.59%	105%	12.4%	13.0%	16.3%
Southern First Bancshares, Inc.	SFST	$2,116	79%	20%	98%	3.42%	4.96%	4.90%	1.37%	NA	20%	55%	0.05%	0.70%	0.88%	125%	9.0%	10.0%	11.4%
Security Federal Corporation	SFDL	$973	68%	NA	57%	3.30%	5.51%	4.17%	0.84%	NA	19%	82%	0.04%	1.34%	1.94%	146%	9.0%	9.6%	16.0%
GrandSouth Bancorporation	GRRB	$864	50%	15%	90%	4.83%	7.31%	NA	1.61%	1.71%	3%	68%	0.25%	NA	1.40%	NA	8.2%	NA	NA
South Atlantic Bancshares, Inc.	SABK	$736	81%	NA	87%	4.16%	5.44%	5.09%	NA	NA	14%	73%	0.00%	0.17%	0.84%	503%	10.7%	8.8%	10.0%
First Reliance Bancshares, Inc.	FSRL	$635	60%	22%	90%	4.31%	5.48%	5.14%	0.94%	NA	34%	79%	0.16%	1.03%	0.59%	57%	8.5%	9.2%	10.6%
Bank of South Carolina Corporation	BKSC	$442	93%	36%	74%	4.26%	6.15%	4.81%	0.26%	NA	11%	51%	-0.01%	0.21%	1.44%	698%	11.2%	11.3%	15.0%
First Community Corporation	**FCCO**	**$1,116**	**81%**	**28%**	**78%**	**3.66%**	**4.83%**	**4.22%**	**0.51%**	**0.61%**	**25%**	**69%**	**0.00%**	**0.88%**	**0.87%**	**98%**	**9.2%**	**10.2%**	**13.5%**
Peer Group Medians:		**$973**	**79%**	**22%**	**90%**	**3.96%**	**5.48%**	**4.86%**	**0.89%**	**0.97%**	**20%**	**68%**	**0.04%**	**0.63%**	**0.87%**	**130%**	**9.0%**	**10.0%**	**13.0%**

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 (2Q19)	ROE (2Q19)	ROTCE (2Q19)	ROTCE (2019E)	ROTCE (2020E)	2019E EPS Growth	2020E EPS Growth
Industry Medians	**521**	**$259**	**$1,854**	**1.52x**	**12.3x**	**11.8x**	**5%**	**2.5%**	**1.17%**	**10.1%**	**12.0%**	**13.0%**	**12.3%**	**6%**	**4%**
Large Cap (>$10B)	17	$30,299	$222,288	1.74x	10.8x	10.8x	8%	3.3%	1.24%	9.9%	15.2%	15.3%	14.5%	7%	2%
Mid-Cap ($2B - $10B)	69	$3,236	$21,309	1.72x	11.5x	11.4x	8%	2.7%	1.38%	10.5%	15.4%	15.0%	14.0%	5%	3%
Small-Cap ($500M - $2B)	109	$789	$5,920	1.64x	13.2x	12.5x	8%	2.6%	1.26%	10.2%	13.0%	13.1%	12.4%	5%	3%
Micro-Cap (<$500M)	326	$146	$1,130	1.34x	12.3x	11.5x	4%	2.4%	1.06%	10.0%	11.0%	11.1%	11.1%	7%	7%
Asset Size Medians															
Over $50B	23	$17,748	$144,545	1.60x	10.8x	10.6x	7%	3.3%	1.16%	9.9%	14.3%	14.9%	14.0%	7%	3%
$10B to $50B	73	$2,898	$17,606	1.73x	11.8x	11.4x	8%	2.8%	1.37%	10.1%	15.2%	14.8%	13.8%	4%	2%
$5B to $10B	60	$992	$6,642	1.58x	13.4x	12.5x	7%	2.4%	1.22%	10.2%	13.1%	13.2%	12.6%	5%	4%
$1B to $5B	231	$240	$1,772	1.42x	12.3x	11.9x	5%	2.4%	1.15%	10.3%	11.6%	11.3%	11.1%	7%	5%
$500M to $1B	134	$84	$709	1.22x	12.2x	12.0x	3%	2.3%	1.01%	9.8%	10.2%	10.3%	10.1%	3%	5%

Priced as of October 16, 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 *($ in thousands)*	1Q18 31-Mar	2Q18 30-Jun	3Q18 30-Sep	4Q18 31-Dec	2018 31-Dec	1Q19 31-Mar	2Q19 30-Jun	3Q19 30-Sep	4Q19E 31-Dec	2019E 31-Dec	1Q20E 31-Mar	2Q20E 30-Jun	3Q20E 30-Sep	4Q20E 31-Dec	2020E 31-Dec	2021E 31-Dec
Net Interest Income	8,534	8,939	8,883	9,392	35,748	9,020	9,116	9,353	9,214	36,703	9,132	9,204	9,429	9,518	37,284	38,760
Provision for loan losses	202	29	21	94	346	105	9	25	200	339	150	150	250	275	825	1,100
Net Interest Income after Provision	**8,332**	**8,910**	**8,862**	**9,298**	**35,402**	**8,915**	**9,107**	**9,328**	**9,014**	**36,364**	**8,982**	**9,054**	**9,179**	**9,243**	**36,459**	**37,660**
Deposit service charges	463	423	434	449	1,769	411	380	421	429	1,641	439	406	429	453	1,727	1,816
Mortgage origination fees	951	1,016	1,159	769	3,895	844	1,238	1,251	876	4,209	919	1,287	1,274	956	4,437	4,571
Investment advisory fees and commissions	383	401	423	476	1,683	438	489	509	534	1,970	556	573	590	601	2,319	2,610
Gain on sale of securities	(102)	94	0	(332)	(340)	(29)	164	0	0	135	0	0	0	0	0	0
Gain (loss) on sale of other assets	15	22	(29)	16	24	0	(3)	0	0	(3)	0	0	0	0	0	0
Loss on early extinguishment of debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	921	955	855	882	3,613	845	918	932	951	3,646	960	989	940	986	3,875	4,021
Noninterest Income	**2,631**	**2,911**	**2,842**	**2,260**	**10,644**	**2,509**	**3,186**	**3,113**	**2,790**	**11,598**	**2,874**	**3,255**	**3,232**	**2,997**	**12,358**	**13,018**
Non-Operating items	(102)	94	0	(332)	(340)	(29)	164	0	0	135	0	0	0	0	0	0
Operating Noninterest Income	**2,733**	**2,817**	**2,842**	**2,592**	**10,984**	**2,538**	**3,022**	**3,113**	**2,790**	**11,463**	**2,874**	**3,255**	**3,232**	**2,997**	**12,358**	**13,018**
Total Revenue	**11,165**	**11,850**	**11,725**	**11,652**	**46,392**	**11,529**	**12,302**	**12,466**	**12,004**	**48,301**	**12,007**	**12,459**	**12,662**	**12,515**	**49,642**	**51,779**
Total Operating Revenue	**11,267**	**11,756**	**11,725**	**11,984**	**46,732**	**11,558**	**12,138**	**12,466**	**12,004**	**48,166**	**12,007**	**12,459**	**12,662**	**12,515**	**49,642**	**51,779**
Salaries and employee benefits	4,577	4,881	5,079	4,978	19,515	5,170	5,210	5,465	5,356	21,201	5,436	5,490	5,573	5,628	22,128	23,255
Occupancy	614	583	611	572	2,380	655	647	703	707	2,712	714	721	728	735	2,897	3,015
Equipment	381	398	388	346	1,513	386	389	365	347	1,487	354	357	359	361	1,431	1,489
Marketing and public relations	89	194	177	459	919	175	430	159	358	1,122	304	334	251	376	1,266	1,331
FDIC assessment	81	83	94	117	375	74	71	0	0	145	0	89	100	91	279	385
Other real estate expense	18	31	37	12	98	29	18	31	10	88	15	10	10	10	45	45
Amortization of intangibles	142	143	142	136	563	132	132	133	132	529	130	129	128	126	514	493
Other	1,692	1,912	1,606	1,550	6,760	1,702	1,743	1,934	1,812	7,191	1,830	1,848	1,867	1,886	7,431	7,732
Noninterest Expense	**7,594**	**8,225**	**8,134**	**8,170**	**32,123**	**8,323**	**8,640**	**8,790**	**8,720**	**34,473**	**8,783**	**8,979**	**9,015**	**9,213**	**35,990**	**37,746**
Non-Operating items	0	164	0	0	164	0	0	0	0	0	0	0	0	0	0	0
Operating Noninterest Expense	**7,594**	**8,061**	**8,134**	**8,170**	**31,959**	**8,323**	**8,640**	**8,790**	**8,720**	**34,473**	**8,783**	**8,979**	**9,015**	**9,213**	**35,990**	**37,746**
Income Before Tax	**3,369**	**3,596**	**3,570**	**3,388**	**13,923**	**3,101**	**3,653**	**3,651**	**3,083**	**13,488**	**3,074**	**3,329**	**3,397**	**3,027**	**12,827**	**12,932**
Income tax expense	660	595	737	702	2,694	606	772	753	647	2,778	645	699	713	636	2,694	2,716
GAAP Net Income	**2,709**	**3,001**	**2,833**	**2,686**	**11,229**	**2,495**	**2,881**	**2,898**	**2,436**	**10,710**	**2,428**	**2,630**	**2,683**	**2,391**	**10,133**	**10,217**
Operating Net Income	**2,791**	**2,896**	**2,833**	**2,949**	**11,469**	**2,518**	**2,752**	**2,898**	**2,436**	**10,604**	**2,428**	**2,630**	**2,683**	**2,391**	**10,133**	**10,217**
Diluted shares	7,713	7,726	7,724	7,732	7,731	7,725	7,704	7,463	7,468	7,590	7,488	7,493	7,523	7,528	7,508	7,568
GAAP EPS - diluted	$0.35	$0.39	$0.37	$0.35	$1.45	$0.32	$0.37	$0.39	$0.33	$1.41	$0.32	$0.35	$0.36	$0.32	$1.35	$1.35
Operating EPS - diluted	**$0.36**	**$0.37**	**$0.37**	**$0.38**	**$1.48**	**$0.33**	**$0.36**	**$0.39**	**$0.33**	**$1.40**	**$0.32**	**$0.35**	**$0.36**	**$0.32**	**$1.35**	**$1.35**
Financial Highlights																
TBV/share	$11.64	$11.85	$11.98	$12.56	$12.56	$13.04	$13.46	$13.84	$14.07	$14.07	$14.25	$14.49	$14.69	$14.90	$14.90	$15.68
TCE/Assets	8.4%	8.4%	8.5%	8.9%	8.9%	9.2%	9.2%	9.2%	9.2%	9.2%	9.3%	9.3%	9.4%	9.5%	9.5%	9.7%
Loans/Deposits	73%	73%	76%	78%	78%	78%	78%	77%	78%	78%	77%	77%	77%	77%	77%	76%
Loan Growth	3.4%	2.4%	1.8%	3.2%	11.1%	0.0%	1.2%	1.2%	2.0%	4.4%	0.5%	1.5%	1.2%	1.0%	4.3%	4.1%
Deposit Growth	3.6%	1.5%	-1.2%	0.4%	4.2%	-0.6%	1.9%	1.2%	1.0%	3.5%	2.5%	1.0%	1.0%	1.0%	5.6%	5.1%
NPAs/Loans	0.75%	0.70%	0.69%	0.56%	0.56%	0.57%	0.56%	0.50%	0.51%	0.51%	0.51%	0.52%	0.54%	0.55%	0.55%	0.61%
NCOs/Avg. Loans	0.01%	-0.04%	-0.06%	0.02%	-0.02%	0.01%	0.00%	-0.09%	0.04%	-0.01%	0.03%	0.03%	0.05%	0.08%	0.05%	0.09%
Reserves/Loans	0.90%	0.89%	0.89%	0.87%	0.87%	0.88%	0.88%	0.89%	0.89%	0.89%	0.90%	0.90%	0.91%	0.91%	0.91%	0.93%
NIM	3.66%	3.71%	3.60%	3.79%	3.69%	3.73%	3.67%	3.65%	3.56%	3.65%	3.54%	3.53%	3.54%	3.54%	3.54%	3.55%
G&A/Avg. Assets	2.88%	3.00%	2.99%	2.99%	2.97%	3.06%	3.13%	3.14%	3.06%	3.10%	3.05%	3.09%	3.07%	3.10%	3.08%	3.11%
Efficiency Ratio	67%	69%	69%	68%	68%	72%	71%	71%	73%	72%	73%	72%	71%	74%	72%	73%
Effective tax rate	19.6%	16.5%	20.6%	20.7%	19.3%	19.5%	21.1%	20.6%	21.0%	20.6%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
ROA (operating)	1.06%	1.08%	1.04%	1.08%	1.07%	0.92%	1.00%	1.03%	0.86%	0.95%	0.84%	0.90%	0.91%	0.81%	0.87%	0.84%
ROE (operating)	10.6%	10.9%	10.5%	10.8%	10.7%	8.9%	9.4%	9.9%	8.1%	9.1%	8.0%	8.6%	8.6%	7.6%	8.2%	7.9%
ROTCE (operating)	12.6%	13.0%	12.4%	12.8%	12.7%	10.4%	10.9%	11.5%	9.4%	10.5%	9.2%	9.8%	9.9%	8.7%	9.4%	8.9%
Dividends per share	$0.10	$0.10	$0.10	$0.10	$0.40	$0.11	$0.11	$0.11	$0.11	$0.44	$0.12	$0.12	$0.12	$0.12	$0.48	$0.52

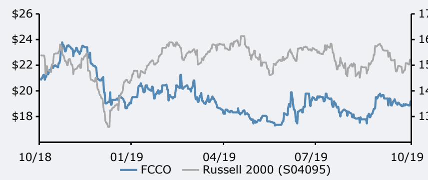
Source: Company reports and Raymond James research

First Community Corporation

Balance Sheet ($ in thousands)	1Q18 31-Mar	2Q18 30-Jun	3Q18 30-Sep	4Q18 31-Dec	1Q19 31-Mar	2Q19 30-Jun	3Q19 30-Sep	4Q19E 31-Dec	1Q20E 31-Mar	2Q20E 30-Jun	3Q20E 30-Sep	4Q20E 31-Dec	4Q21E 31-Dec
Stated Equity	**105,483**	**106,997**	**108,186**	**112,497**	**116,434**	**117,489**	**118,780**	**120,400**	**121,936**	**123,674**	**125,461**	**126,956**	**133,265**
Intangibles	17,016	16,846	16,779	16,643	16,511	16,379	16,246	16,114	15,984	15,855	15,727	15,601	15,107
Tangible Common Equity	**88,467**	**90,151**	**91,407**	**95,854**	**99,923**	**101,110**	**102,534**	**104,286**	**105,952**	**107,819**	**109,734**	**111,355**	**118,158**
Book Value	$13.88	$14.07	$14.18	$14.74	$15.19	$15.64	$16.03	$16.24	$16.40	$16.63	$16.80	$16.99	$17.69
Tangible BV	**$11.64**	**$11.85**	**$11.98**	**$12.56**	**$13.04**	**$13.46**	**$13.84**	**$14.07**	**$14.25**	**$14.49**	**$14.69**	**$14.90**	**$15.68**
Shares Outstanding	7,600	7,605	7,630	7,634	7,665	7,511	7,409	7,414	7,434	7,439	7,469	7,474	7,534
Equity/Assets	9.9%	9.8%	9.9%	10.3%	10.6%	10.5%	10.5%	10.5%	10.5%	10.6%	10.6%	10.6%	10.8%
TCE ratio	**8.4%**	**8.4%**	**8.5%**	**8.9%**	**9.2%**	**9.2%**	**9.2%**	**9.2%**	**9.3%**	**9.3%**	**9.4%**	**9.5%**	**9.7%**
Leverage Ratio	10.18%	10.20%	10.32%	10.47%	10.19%	10.19%	10.38%						
Tier 1 Capital Ratio	13.90%	13.75%	13.76%	13.83%	13.30%	13.47%	13.79%						
Total Capital Ratio	14.69%	14.52%	14.54%	14.60%	14.07%	14.24%	14.58%						
Total Assets	**1,070,539**	**1,092,149**	**1,091,142**	**1,091,595**	**1,097,396**	**1,115,968**	**1,129,990**	**1,146,940**	**1,158,409**	**1,169,993**	**1,181,693**	**1,193,510**	**1,235,823**
Other short-term investments	25,683	28,798	22,709	17,940	22,677	24,989	13,156						
Investment securities	272,637	273,730	269,963	256,022	248,909	252,302	267,060						
Loans held for sale	7,546	6,969	5,528	3,223	7,299	8,730	10,775						
Loans	**668,583**	**684,333**	**696,515**	**718,462**	**718,420**	**726,707**	**735,074**	**749,775**	**753,524**	**764,827**	**774,005**	**781,745**	**813,467**
Allowance for loan losses	(5,986)	(6,087)	(6,212)	(6,263)	(6,354)	(6,362)	(6,560)	(6,686)	(6,779)	(6,872)	(7,026)	(7,146)	(7,566)
Other assets	102,076	104,406	102,639	102,211	106,445	109,602	110,485						
Total Liabilities	**965,056**	**985,152**	**982,956**	**979,098**	**980,962**	**998,479**	**1,011,210**						
Total deposits	919,898	933,368	921,722	925,523	919,773	937,391	948,827	958,315	982,273	992,096	1,002,017	1,012,037	1,063,557
Securities sold under repo	21,959	28,203	33,226	28,022	32,007	33,889	34,321						
FHLB advances	245	241	4,236	231	2,226	221	216						
Junior sub debt	14,964	14,964	14,964	14,964	14,964	14,964	14,964						
Other liabilities	7,990	8,376	8,808	10,358	11,992	12,014	12,882						

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

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Company Name	Disclosure
First Community Corporation	Raymond James & Associates, Inc. makes a market in the shares of First Community Corporation.
First Community Corporation	Raymond James & Associates received non-investment banking securities-related compensation from First Community Corporation within the past 12 months.

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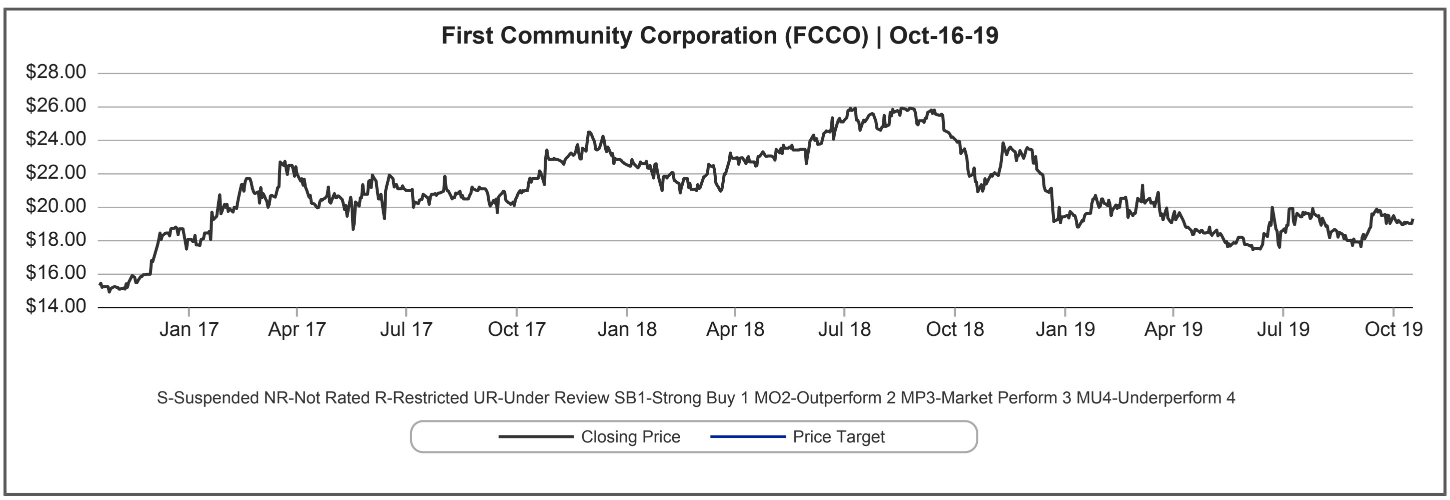

Valuation Methodology

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.

Suitability Rating High Risk/Growth: We have assigned a High Risk/Growth (H/GRW) suitability rating to shares of First Community Corporation due to the highly competitive banking industry and the potentially adverse impact of continued loan growth pressures on the company's net interest income.

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