First Community Corporation

FCCO - NASDAQ

Institutional Equity Research

January 18, 2023

Not Immune to Funding Pressure – but Likely More Resilient; BUY

*On the heels of FCCO's 4Q22 earnings report, we're lowering our EPS estimates, mainly owing to a higher base of core expenses and a likely sooner/lower peak for NIM. While the stock is coming off a strong run, we view this as warranted given relative strength in funding, liquidity, and credit. Increasing our PT, and reiterate **BUY**.*

Core EPS slightly ahead of the Street: FCCO reported 4Q22 EPS of $0.53. We estimate core EPS of $0.54. This beat consensus by 3 cents, yet missed our estimate by a penny. The core miss vs. our forecast reflected lower than modeled core PPNR, offset by a lower than modeled provision. The core PPNR miss (vs. our forecast) reflected higher than expected core expenses and lower than anticipated core fee revs, partially offset by slightly better than modeled NII. For more details on FCCO's 4Q22 results, please see our earlier First Look note.

Reducing our EPS estimates: After inputting FCCO's core 4Q22 results into our model and fine-tuning our assumptions, we're lowering our 2023E EPS by 14 cents (to $2.09) and our 2024E EPS by 23 cents (to $2.06). Main adjustments include a higher run-rate of core expenses, a lower run-rate of core fee revs, less assumed further NIM upside looking ahead, partially offset by a lower assumed pace of provisioning.

Boosting our PT; reiterate BUY: We're increasing our PT by $3.50 (to $24.50) given a higher assumed multiple and a higher TBV/sh. Our PT assumes the shares will trade at ~162% of our YE23E TBV/sh and 11.7x our 2023E EPS. While admittedly this may seem counterintuitive to be raising our PT while lowering our EPS estimates, we note that the stock has done quite well in recent months, and now commands a stronger multiple – which we view as warranted.

First, we believe FCCO shares have garnered attention for the strength of its funding resiliency, with ~34% of deposits comprised of non-IB deposits, a low reliance on CDs (<8%), and a very low cost of total deposits and cost of funds (0.25% and 0.43%, respectively, albeit up sharply LQ).

Second, FCCO has a very liquid balance sheet, with a loans-to-deposits ratio of ~71%, which likely implies flexibility as the bank weighs strategies in garnering deposits.

Third, we expect FCCO will be able to hold the line on NIM, and even resume expanding it, once the Fed is done with hiking. This stems from the ongoing tailwind of repricing the fixed-rate loan book.

Fourth, the bank operates in an attractive South Carolina footprint that comes with favorable economic strength and demographics, as well as implied scarcity value following years of consolidation of SC-based banks. The recent entry into the attractive Rock Hill, SC market likely implies opportunities for both loan and deposit growth.

Fifth, we believe investors view FCCO as having a proven, and conservative credit culture. While we don't view the current historically low level of NCOs as sustainable over the long term, we don't get the sense that the bank is seeing any alarming or concerning indicators on credit. We expect the bank will have adopted CECL as of January 1st, which likely implies a reported boost to the ACL/loans ratio for 1Q23 via a Day-1 transfer from TCE.

FY (Dec)		2022A	2023E	Previous	Cons.	2024E	Previous	Cons.
EPS	Q1 (Mar)	$0.44	**$0.52E**	$0.54	*$0.50*	**$0.52E**	$0.57	*$0.52*
	Q2 (Jun)	$0.42	**$0.52E**	$0.55	*$0.51*	**$0.51E**	$0.56	*$0.53*
	Q3 (Sep)	$0.52	**$0.52E**	$0.57	*$0.52*	**$0.52E**	$0.57	*$0.55*
	Q4 (Dec)	$0.54	**$0.52E**	$0.57	*$0.53*	**$0.52E**	$0.58	*$0.56*
		$1.92	**$2.09E**	$2.23	*$2.06*	**$2.06E**	$2.29	*$2.16*
Price/EPS		*11.2x*	*10.3x*			*10.4x*		
Revenue ($M)	Q1 (Mar)	$14.1	**$16.0E**	$16.3	*$16.1*	**$16.9E**	$17.5	*$16.9*
	Q2 (Jun)	$14.1	**$16.2E**	$16.6	*$16.4*	**$17.2E**	$17.8	*$17.2*
	Q3 (Sep)	$15.5	**$16.5E**	$17.0	*$16.7*	**$17.4E**	$18.1	*$17.6*
	Q4 (Dec)	$16.0	**$16.7E**	$17.3	*$16.9*	**$17.7E**	$18.5	*$17.7*
		$59.6	**$65.4E**	$67.1	*$66.0*	**$69.2E**	$71.9	*$69.4*

Buy

Price Target	**↑$24.50**
Price (1/18/23)	$21.50
Industry	FINANCIAL INSTITUTIONS

Valuation & Performance

Return on Assets (MRQ)	0.98%
ROTCE (MRQ)	16.3%
Net Interest Margin (MRQ)	3.42%
Efficiency Ratio (MRQ)	65.7%
TBV per Share (12/31/22)	$13.59
TCE/TA (12/31/22)	6.2%
Dividend	$0.56 (2.6%)

Trading Data

Shares Outstanding (M)	7.6
Market Capitalization ($M)	$162,809.1
52-week range	$16.97 - $22.25
Avg. Volume (3-mth.) (K)	11.8

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Company Description

Lexington, SC - First Community Corporation is the parent company of First Community Bank a +$1.6B asset community bank base in the midlands of South Carolina. First Community Bank offers a full suite of banking and financial planning/ investment advisory services to both retail and commercial clients.

Price Performance

NASDAQ: FCCO

Please refer to pages 4 - 5 of this report for detailed disclosure and certification information.

First Community Corp. (FCCO)
($M, except Per Share Data)

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Income Statement	2020A	2021A	2022A	2023E	2024E	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23E	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E
NET INTEREST INCOME (FTE)	$ 40.023	$ 45.387	$ 47.943	$ 54.295	$ 57.205	$ 10.675	$ 11.092	$ 12.456	$ 11.164	$ 10.733	$ 11.051	$ 12.794	$ 13.365	$ 13.370	$ 13.472	$ 13.632	$ 13.821	$ 13.993	$ 14.165	$ 14.387	$ 14.660
PROVISION FOR LOAN LOSSES	$ 3.663	$ 0.335	$ (0.152)	$ 1.455	$ 3.040	$ 0.177	$ 0.168	$ 0.049	$ (0.059)	$ (0.125)	$ (0.070)	$ 0.018	$ 0.025	$ 0.261	$ 0.305	$ 0.387	$ 0.501	$ 0.589	$ 0.713	$ 0.815	$ 0.923
Non-Interest Income					$ -																
Deposit service charges	$ 1.121	$ 0.977	$ 0.960	$ 0.945	$ 1.008	$ 0.246	$ 0.212	$ 0.257	$ 0.262	$ 0.265	$ 0.262	$ 0.243	$ 0.190	$ 0.230	$ 0.236	$ 0.238	$ 0.242	$ 0.245	$ 0.251	$ 0.254	$ 0.258
Mortgage banking income	$ 5.557	$ 4.319	$ 1.900	$ 1.177	$ 1.232	$ 0.990	$ 1.143	$ 1.147	$ 1.039	$ 0.839	$ 0.481	$ 0.290	$ 0.290	$ 0.276	$ 0.298	$ 0.308	$ 0.296	$ 0.284	$ 0.312	$ 0.325	$ 0.312
Invest. Advisory fees & commissions	$ 2.720	$ 3.995	$ 4.479	$ 4.591	$ 5.192	$ 0.877	$ 0.957	$ 1.040	$ 1.121	$ 1.198	$ 1.195	$ 1.053	$ 1.033	$ 1.069	$ 1.123	$ 1.179	$ 1.220	$ 1.250	$ 1.288	$ 1.314	$ 1.340
Gain (loss) on sale of other assets	$ 0.147	$ 0.077	$ -	$ -	$ -	$ 0.077	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other	$ 3.814	$ 4.349	$ 4.342	$ 4.413	$ 4.592	$ 1.106	$ 1.106	$ 1.060	$ 1.077	$ 1.068	$ 1.111	$ 1.087	$ 1.076	$ 1.087	$ 1.098	$ 1.109	$ 1.120	$ 1.131	$ 1.142	$ 1.154	$ 1.165
TOTAL NON-INTEREST INCOME (core)	$ 13.359	$ 13.717	$ 11.681	$ 11.125	$ 12.025	$ 3.296	$ 3.418	$ 3.504	$ 3.499	$ 3.370	$ 3.049	$ 2.673	$ 2.589	$ 2.661	$ 2.753	$ 2.833	$ 2.877	$ 2.910	$ 2.994	$ 3.046	$ 3.075
OPERATING REVENUE	$ 53.382	$ 58.996	$ 59.624	$ 65.420	$ 69.230	$ 13.863	$ 14.510	$ 15.960	$ 14.663	$ 14.103	$ 14.100	$ 15.467	$ 15.954	$ 16.032	$ 16.225	$ 16.465	$ 16.698	$ 16.903	$ 17.159	$ 17.433	$ 17.735
Noninterest Expense																					
Salaries & employee benefits	$ 24.026	$ 24.494	$ 25.357	$ 27.915	$ 29.605	$ 5.964	$ 5.948	$ 6.394	$ 6.188	$ 6.119	$ 6.175	$ 6.373	$ 6.690	$ 6.807	$ 6.960	$ 7.030	$ 7.118	$ 7.214	$ 7.383	$ 7.457	$ 7.550
Occupancy	$ 2.709	$ 2.947	$ 3.002	$ 2.970	$ 3.111	$ 0.730	$ 0.734	$ 0.743	$ 0.740	$ 0.705	$ 0.786	$ 0.786	$ 0.725	$ 0.729	$ 0.738	$ 0.747	$ 0.756	$ 0.766	$ 0.773	$ 0.781	$ 0.791
Equipment	$ 1.237	$ 1.296	$ 1.343	$ 1.443	$ 1.505	$ 0.275	$ 0.338	$ 0.336	$ 0.347	$ 0.332	$ 0.329	$ 0.331	$ 0.351	$ 0.355	$ 0.359	$ 0.363	$ 0.366	$ 0.371	$ 0.374	$ 0.378	$ 0.382
Marketing & public relations	$ 1.043	$ 1.173	$ 1.259	$ 1.200	$ 1.243	$ 0.396	$ 0.313	$ 0.140	$ 0.324	$ 0.361	$ 0.446	$ 0.163	$ 0.289	$ 0.303	$ 0.310	$ 0.288	$ 0.299	$ 0.314	$ 0.321	$ 0.298	$ 0.310
FDIC assessment	$ 0.404	$ 0.618	$ 0.468	$ 0.448	$ 0.448	$ 0.169	$ 0.146	$ 0.189	$ 0.114	$ 0.130	$ 0.105	$ 0.121	$ 0.112	$ 0.112	$ 0.112	$ 0.112	$ 0.112	$ 0.112	$ 0.112	$ 0.112	$ 0.112
Amortization of intangibles	$ 0.363	$ 0.201	$ 0.158	$ 0.156	$ 0.150	$ 0.057	$ 0.052	$ 0.052	$ 0.040	$ 0.039	$ 0.040	$ 0.039	$ 0.040	$ 0.040	$ 0.039	$ 0.039	$ 0.038	$ 0.038	$ 0.038	$ 0.037	$ 0.037
Other operating expenses	$ 7.551	$ 8.367	$ 9.358	$ 9.413	$ 9.941	$ 1.920	$ 2.292	$ 1.993	$ 2.162	$ 2.221	$ 2.278	$ 2.585	$ 2.274	$ 2.308	$ 2.337	$ 2.366	$ 2.402	$ 2.438	$ 2.468	$ 2.499	$ 2.536
Noninterest Expense, Ex-Credit	$ 37.333	$ 39.096	$ 40.945	$ 43.545	$ 46.004	$ 9.511	$ 9.823	$ 9.847	$ 9.915	$ 9.907	$ 10.159	$ 10.398	$ 10.481	$ 10.654	$ 10.855	$ 10.944	$ 11.092	$ 11.252	$ 11.470	$ 11.563	$ 11.719
OREO expense	$ 0.201	$ 0.105	$ 0.308	$ 0.300	$ 0.300	$ 0.029	$ 0.055	$ 0.058	$ (0.037)	$ 0.047	$ 0.029	$ 0.019	$ 0.213	$ 0.075	$ 0.075	$ 0.075	$ 0.075	$ 0.075	$ 0.075	$ 0.075	$ 0.075
Write-down of OREO	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net loss (gain) on sale of OREO	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
NONINTEREST EXPENSE (core)	$ 37.534	$ 39.201	$ 41.253	$ 43.845	$ 46.304	$ 9.540	$ 9.878	$ 9.905	$ 9.878	$ 9.954	$ 10.188	$ 10.417	$ 10.694	$ 10.729	$ 10.930	$ 11.019	$ 11.167	$ 11.327	$ 11.545	$ 11.638	$ 11.794
Pre-Tax Operating Income	$ 12.185	$ 19.460	$ 18.523	$ 20.121	$ 19.886	$ 4.146	$ 4.464	$ 6.006	$ 4.844	$ 4.274	$ 3.982	$ 5.032	$ 5.235	$ 5.041	$ 4.990	$ 5.059	$ 5.030	$ 4.987	$ 4.902	$ 4.980	$ 5.017
Pre-Tax, Pre-Provision Operating Income	$ 15.848	$ 19.795	$ 18.371	$ 21.575	$ 22.926	$ 4.323	$ 4.632	$ 6.055	$ 4.785	$ 4.149	$ 3.912	$ 5.050	$ 5.260	$ 5.302	$ 5.296	$ 5.446	$ 5.531	$ 5.576	$ 5.614	$ 5.795	$ 5.941
Pre-Tax, Pre-Credit Costs Operating Income	$ 16.049	$ 19.900	$ 18.679	$ 21.875	$ 23.226	$ 4.352	$ 4.687	$ 6.113	$ 4.748	$ 4.196	$ 3.941	$ 5.069	$ 5.473	$ 5.377	$ 5.371	$ 5.521	$ 5.606	$ 5.651	$ 5.689	$ 5.870	$ 6.016
Gain (Loss) on sale of securities	$ 0.099	$ -	$ (0.045)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (0.045)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Non-Operating Revenues	$ 0.311	$ 0.187	$ (0.067)	$ -	$ -	$ -	$ -	$ 0.060	$ 0.127	$ 0.004	$ 0.005	$ -	$ (0.076)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Non-Operating Expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Merger Expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pre-Tax Income	$ 12.595	$ 19.647	$ 18.411	$ 20.121	$ 19.886	$ 4.146	$ 4.464	$ 6.066	$ 4.971	$ 4.278	$ 3.942	$ 5.032	$ 5.159	$ 5.041	$ 4.990	$ 5.059	$ 5.030	$ 4.987	$ 4.902	$ 4.980	$ 5.017
Income Taxes	$ 2.496	$ 4.182	$ 3.798	$ 4.225	$ 4.176	$ 0.891	$ 0.921	$ 1.318	$ 1.052	$ 0.789	$ 0.812	$ 1.081	$ 1.116	$ 1.059	$ 1.048	$ 1.062	$ 1.056	$ 1.047	$ 1.029	$ 1.046	$ 1.054
Tax Rate	19.82%	21.29%	20.63%	21.00%	21.00%	21.5%	20.6%	21.7%	21.2%	18.4%	20.6%	21.5%	21.6%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Core Tax Rate	19.66%	21.25%	21.30%	21.00%	21.00%	21.5%	20.6%	21.7%	21.2%	21.5%	20.6%	21.5%	21.6%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Net Income from Continuing Operations	$ 10.099	$ 15.465	$ 14.613	$ 15.895	$ 15.710	$ 3.255	$ 3.543	$ 4.748	$ 3.919	$ 3.489	$ 3.130	$ 3.951	$ 4.043	$ 3.983	$ 3.942	$ 3.997	$ 3.974	$ 3.939	$ 3.872	$ 3.934	$ 3.964
Net Income from Discontinued Operations	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Income	$ 10.099	$ 15.465	$ 14.613	$ 15.895	$ 15.710	$ 3.255	$ 3.543	$ 4.748	$ 3.919	$ 3.489	$ 3.130	$ 3.951	$ 4.043	$ 3.983	$ 3.942	$ 3.997	$ 3.974	$ 3.939	$ 3.872	$ 3.934	$ 3.964
Preferred Dividends	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Gain (Loss) Attributable to Noncontrolling Interes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
NET INCOME AVAILABLE TO COMMON	$ 10.099	$ 15.465	$ 14.613	$ 15.895	$ 15.710	$ 3.255	$ 3.543	$ 4.748	$ 3.919	$ 3.489	$ 3.130	$ 3.951	$ 4.043	$ 3.983	$ 3.942	$ 3.997	$ 3.974	$ 3.939	$ 3.872	$ 3.934	$ 3.964
Shares / Per Share Metrics	2020A	2021A	2022A	2023E	2024E	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23E	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E
Earnings Per Share (EPS) - Reported	$ 1.35	$ 2.05	$ 1.92	$ 2.09	$ 2.06	$ 0.43	$ 0.47	$ 0.63	$ 0.52	$ 0.46	$ 0.41	$ 0.52	$ 0.53	$ 0.52	$ 0.52	$ 0.52	$ 0.52	$ 0.52	$ 0.51	$ 0.52	$ 0.52
Core EPS	**$ 1.30**	**$ 2.03**	**$ 1.92**	**$ 2.09**	**$ 2.06**	**$ 0.43**	**$ 0.47**	**$ 0.62**	**$ 0.50**	**$ 0.44**	**$ 0.42**	**$ 0.52**	**$ 0.54**	**$ 0.52**	**$ 0.52**	**$ 0.52**	**$ 0.52**	**$ 0.52**	**$ 0.51**	**$ 0.52**	**$ 0.52**
Core EPS Growth (Annualized)	-10.8%	55.5%	-5.6%	8.9%	-1.2%	-22.0%	34.5%	129.1%	-75.3%	-50.0%	-23.7%	99.8%	14.7%	-11.7%	-4.0%	5.6%	-2.3%	-3.5%	-6.8%	6.4%	3.0%
PTPP/Avg. Shares	$ 2.12	$ 2.62	$ 2.41	$ 2.83	$ 3.01	$ 0.57	$ 0.61	$ 0.80	$ 0.63	$ 0.55	$ 0.51	$ 0.66	$ 0.69	$ 0.70	$ 0.70	$ 0.71	$ 0.73	$ 0.73	$ 0.74	$ 0.76	$ 0.78
Avg. Diluted Shares o/s	7.480	7.546	7.607	7.620	7.620	7.523	7.537	7.560	7.565	7.595	7.607	7.608	7.620	7.620	7.620	7.620	7.620	7.620	7.620	7.620	7.620
EOP Shares	7.500	7.549	7.578	7.578	7.578	7.525	7.540	7.544	7.549	7.560	7.567	7.573	7.578	7.578	7.578	7.578	7.578	7.578	7.578	7.578	7.578
Dividend per Share	$ 0.48	$ 0.49	$ 0.53	$ 0.56	$ 0.56	$ 0.12	$ 0.12	$ 0.12	$ 0.13	$ 0.13	$ 0.13	$ 0.13	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14
Dividend Payout Ratio	35.6%	23.9%	27.6%	26.8%	27.2%	27.9%	25.5%	19.0%	25.0%	28.3%	31.7%	25.0%	26.4%	26.8%	27.1%	26.7%	26.8%	27.1%	27.5%	27.1%	26.9%
TBV / Share	$ 16.08	$ 16.62	$ 13.59	$ 15.12	$ 16.64	$ 15.55	$ 16.22	$ 16.37	$ 16.62	$ 14.53	$ 13.50	$ 13.03	$ 13.59	$ 13.97	$ 14.35	$ 14.74	$ 15.12	$ 15.50	$ 15.88	$ 16.25	$ 16.64
Profitability Metrics	2020A	2021A	2022A	2023E	2024E	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23E	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E
NIM	3.34%	3.20%	3.11%	3.41%	3.43%	3.23%	3.20%	3.47%	3.01%	2.91%	2.93%	3.29%	3.42%	3.41%	3.41%	3.41%	3.42%	3.43%	3.43%	3.44%	3.44%
Core NIM	3.35%	3.08%	3.14%	3.41%	3.43%	3.16%	3.11%	3.08%	2.95%	2.90%	2.93%	3.29%	3.42%	3.41%	3.41%	3.41%	3.42%	3.43%	3.43%	3.44%	3.44%
Core ROAA	0.76%	1.01%	0.88%	0.93%	0.88%	0.91%	0.94%	1.22%	0.96%	0.83%	0.77%	0.95%	0.98%	0.95%	0.93%	0.93%	0.92%	0.90%	0.88%	0.88%	0.87%
Core PTPP ROAA	1.22%	1.30%	1.11%	1.26%	1.29%	1.20%	1.23%	1.57%	1.20%	1.02%	0.95%	1.21%	1.25%	1.26%	1.25%	1.27%	1.28%	1.28%	1.27%	1.30%	1.31%
Core ROAE	7.60%	11.12%	11.95%	12.80%	11.57%	9.60%	10.48%	13.39%	10.90%	9.78%	10.90%	13.28%	14.21%	13.29%	12.85%	12.73%	12.36%	11.99%	11.53%	11.47%	11.32%
Core ROTCE	8.64%	12.62%	13.72%	14.61%	13.06%	10.96%	11.85%	15.30%	12.27%	11.41%	11.93%	15.74%	16.27%	15.26%	14.69%	14.50%	14.05%	13.58%	13.03%	12.93%	12.72%
Core ROTCE (ex-Reserve Release)	5.83%	12.09%	13.65%	14.62%	13.06%	10.50%	11.65%	14.31%	11.88%	11.09%	11.86%	15.44%	16.21%	15.26%	14.69%	14.50%	14.05%	13.58%	13.03%	12.93%	12.72%
Core Efficiency	70.3%	66.4%	69.2%	67.0%	66.9%	68.6%	67.7%	61.7%	67.6%	70.2%	72.0%	67.2%	65.7%	66.9%	67.4%	66.9%	66.9%	67.0%	67.3%	66.8%	66.5%
Core Fee Income / Operating Revs	25.0%	23.3%	19.6%	17.0%	17.4%	23.8%	23.6%	22.0%	23.9%	23.9%	21.6%	17.3%	16.2%	16.6%	17.0%	17.2%	17.2%	17.2%	17.4%	17.5%	17.3%

First Community Corp. (FCCO)

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($M, except Per Share Data)

Average Balance Sheet	2020A	2021A	2022A	2023E	2024E	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23E	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E
Avg. PPP	35.7	35.0	0.4	0.0	-	52.0	54.5	28.2	5.3	0.9	0.3	0.2	0.2	0.1	-	-	-	-	-	-	-
Avg. Loans (ex-PPP)	799.2	854.0	919.7	1,013.4	1,088.4	834.3	841.1	865.7	874.7	875.5	896.4	938.1	968.8	989.5	1,005.8	1,020.9	1,037.5	1,055.6	1,075.4	1,098.3	1,124.4
Avg. Total Loans	834.8	889.0	920.1	1,013.4	1,088.4	886.4	895.6	893.9	880.0	876.3	896.6	938.3	969.0	989.6	1,005.8	1,020.9	1,037.5	1,055.6	1,075.4	1,098.3	1,124.4
Avg. Securities	300.8	456.3	570.5	562.8	560.3	373.3	430.9	488.5	532.4	571.8	560.4	581.0	568.8	566.0	563.2	561.8	560.3	560.3	560.3	560.3	560.3
Avg. Other Earning Assets	62.8	73.4	50.6	15.8	16.9	79.3	77.8	58.5	78.1	67.2	72.8	37.5	24.9	13.8	12.3	16.9	20.4	16.7	14.4	15.6	20.8
Avg. Earning Assets	1,198.5	1,418.7	1,541.2	1,592.1	1,665.6	1,339.1	1,404.2	1,441.0	1,490.5	1,515.4	1,529.8	1,556.9	1,562.7	1,569.3	1,581.2	1,599.5	1,618.2	1,632.7	1,650.1	1,674.2	1,705.5
Avg. Total Assets	1,295.7	1,519.9	1,652.8	1,706.0	1,778.6	1,435.3	1,507.7	1,542.8	1,593.7	1,622.3	1,643.9	1,667.7	1,677.1	1,683.5	1,695.2	1,713.3	1,731.8	1,746.1	1,763.2	1,787.1	1,818.0
Avg. Deposits	1,087.1	1,292.2	1,417.4	1,415.2	1,468.4	1,208.1	1,285.1	1,312.6	1,363.2	1,374.8	1,428.0	1,450.0	1,416.9	1,399.6	1,406.8	1,420.3	1,434.1	1,443.4	1,455.6	1,474.3	1,500.1
Avg. Total Borrowings	66.8	77.2	100.7	162.5	182.9	78.3	75.4	77.8	77.1	97.5	87.1	86.6	131.5	155.4	160.1	164.9	169.8	174.9	180.2	185.6	191.1
Avg. IB-Liabilities	810.0	946.5	1,048.9	1,101.2	1,163.6	896.5	940.2	959.9	989.6	1,023.0	1,048.8	1,054.1	1,069.7	1,078.7	1,091.8	1,109.0	1,125.2	1,137.3	1,151.2	1,170.4	1,195.6
Avg. Total Liabilities	1,166.8	1,382.0	1,530.8	1,591.0	1,664.6	1,299.7	1,372.5	1,402.4	1,453.5	1,485.0	1,527.8	1,548.7	1,561.6	1,568.2	1,580.2	1,598.4	1,617.1	1,631.6	1,649.0	1,673.2	1,704.4
Avg. Shareholders Equity	128.8	137.8	121.9	124.2	135.7	135.6	135.2	140.4	140.2	137.2	116.1	119.0	115.5	119.8	122.7	125.6	128.6	131.5	134.3	137.1	140.0
Avg. Tangible Common Equity	113.3	121.4	106.2	108.8	120.3	118.8	119.6	122.9	124.5	117.7	106.0	100.4	100.8	104.4	107.3	110.2	113.2	116.1	118.9	121.7	124.6
EOP Balance Sheet	2020A	2021A	2022A	2023E	2024E	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23E	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E
PPP	42.2	1.5	0.2	-	-	61.8	47.2	9.1	1.5	0.3	0.3	0.2	0.2	-	-	-	-	-	-	-	-
Loans (ex-PPP)	801.9	862.2	980.6	1,046.5	1,138.3	807.2	831.1	872.4	862.2	875.5	916.1	950.0	980.6	998.3	1,013.3	1,028.5	1,046.5	1,064.8	1,086.1	1,110.5	1,138.3
Total Loans	844.2	863.7	980.9	1,046.5	1,138.3	869.1	878.3	881.5	863.7	875.8	916.3	950.2	980.9	998.3	1,013.3	1,028.5	1,046.5	1,064.8	1,086.1	1,110.5	1,138.3
Total Assets	1,395.4	1,584.5	1,672.9	1,791.1	1,941.2	1,492.5	1,515.0	1,560.3	1,584.5	1,652.3	1,684.8	1,651.8	1,672.9	1,708.4	1,736.4	1,762.5	1,791.1	1,822.5	1,856.7	1,896.1	1,941.2
Non-IB Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Deposits	1,189.4	1,361.3	1,385.4	1,412.4	1,477.4	1,271.4	1,289.9	1,333.6	1,361.3	1,430.7	1,469.0	1,436.3	1,385.4	1,378.5	1,385.6	1,398.9	1,412.4	1,421.7	1,433.7	1,452.1	1,477.4
Total Liabilities	1,245.3	1,430.5	1,519.1	1,573.1	1,658.0	1,346.7	1,365.3	1,408.4	1,430.5	1,513.8	1,555.7	1,524.9	1,519.1	1,525.5	1,537.1	1,554.9	1,573.1	1,587.2	1,604.1	1,627.6	1,658.0
Liquidity Ratios																					
Loans / Deposits	71.0%	63.4%	70.8%	74.1%	77.0%	68.4%	68.1%	66.1%	63.4%	61.2%	62.4%	66.2%	70.8%	72.4%	73.1%	73.5%	74.1%	74.9%	75.8%	76.5%	77.0%
Avg. Earning Assets / Avg. Assets	92.5%	93.3%	93.3%	93.3%	93.7%	93.3%	93.1%	93.4%	93.5%	93.4%	93.1%	93.4%	93.2%	93.2%	93.3%	93.4%	93.4%	93.5%	93.6%	93.7%	93.8%
Avg. Borrowings / Avg. Liabilities	5.7%	5.6%	6.6%	10.2%	11.0%	6.0%	5.5%	5.6%	5.3%	6.6%	5.7%	5.6%	8.4%	9.9%	10.1%	10.3%	10.5%	10.7%	10.9%	11.1%	11.2%
Capital Analysis	2020A	2021A	2022A	2023E	2024E	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23E	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E
Beginning Total Equity														118.4	121.3	124.2	127.1	130.0	132.9	135.7	138.6
+ Net Income														4.0	3.9	4.0	4.0	3.9	3.9	3.9	4.0
- Dividends														1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
- Cost of Share Repurchases														-	-	-	-	-	-	-	-
+ Shares Issued (M&A less cash paid; raises)														-	-	-	-	-	-	-	-
+ Net Other																					
Ending Shareholders Equity	136.3	141.0	118.4	130.0	141.5	132.7	137.9	139.1	141.0	125.4	117.6	114.1	118.4	121.3	124.2	127.1	130.0	132.9	135.7	138.6	141.5
Less: Intangible Assets	15.8	15.6	15.4	15.4	15.4	15.7	15.6	15.6	15.6	15.5	15.5	15.4	15.4	15.4	15.4	15.4	15.4	15.4	15.4	15.4	15.4
Less: Preferred Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tangible Common Equity	120.6	125.4	103.0	114.6	126.1	117.0	122.3	123.5	125.4	109.9	102.1	98.7	103.0	105.9	108.8	111.7	114.6	117.5	120.3	123.2	126.1
Tangible Assets	1,379.6	1,569.0	1,657.5	1,775.7	1,925.8	1,476.8	1,499.3	1,544.7	1,569.0	1,636.8	1,669.3	1,636.4	1,657.5	1,693.0	1,721.0	1,747.1	1,775.7	1,807.1	1,841.3	1,880.7	1,925.8
Tier 1 Capital						122.9	125.7	129.7	129.7	135.6	137.9	137.9	137.9	140.8	143.7	146.6	149.56	152.4	155.3	158.1	161.03
Total Capital						133.4	136.4	140.8	140.8	146.6	149.1	149.1	149.1	152.1	154.9	157.9	160.78	163.7	166.5	169.3	172.25
CET-1						122.9	125.7	129.7	129.7	135.6	137.9	137.9	137.9	140.8	143.7	146.6	149.56	152.4	155.3	158.1	161.03
Risk Weighted Assets						1,114.2	1,131.0	1,164.8	1,182.9	975.9	1,023.8	1,003.8	1,016.6	1,038.2	1,055.2	1,071.0	1,088.42	1,107.5	1,128.2	1,152.2	1,179.62
TBV / Share (calc)	16.08	16.62	13.59	15.12	16.64	15.55	16.22	16.37	16.62	14.53	13.50	13.03	13.59	13.97	14.35	14.74	15.12	15.50	15.88	16.25	16.64
Shares Repurchased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shares Issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Avg. Share Effect of Shares Issued																					
Capital Ratios																					
Total Capital / Risk Weighted Assets	13.94%	11.90%	14.67%	14.77%	14.60%	14.26%	12.06%	12.08%	11.90%	15.02%	14.57%	14.86%	14.67%	14.65%	14.68%	14.74%	14.77%	14.78%	14.75%	14.70%	14.60%
Tier-1 / Risk Weighted Assets	12.83%	10.97%	13.57%	13.74%	13.65%	13.13%	11.12%	11.14%	10.97%	13.89%	13.47%	13.74%	13.57%	13.57%	13.62%	13.69%	13.74%	13.76%	13.76%	13.72%	13.65%
Leverage Ratio	8.80%	8.22%	8.30%	8.71%	8.93%	8.70%	8.43%	8.51%	8.22%	8.46%	8.34%	8.36%	8.30%	8.44%	8.56%	8.64%	8.71%	8.81%	8.88%	8.93%	8.93%
CET-1 / Risk Weighted Assets	12.83%	10.97%	13.57%	13.74%	13.65%	13.13%	11.12%	11.14%	10.97%	13.89%	13.47%	13.74%	13.57%	13.57%	13.62%	13.69%	13.74%	13.76%	13.76%	13.72%	13.65%
TCE/TA	8.74%	8.00%	6.21%	6.45%	6.55%	7.92%	8.16%	8.00%	8.00%	6.71%	6.12%	6.03%	6.21%	6.25%	6.32%	6.39%	6.45%	6.50%	6.53%	6.55%	6.55%
Asset Quality	2020A	2021A	2022A	2023E	2024E	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23E	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E
Provision / Avg. Loans (ann'l)	0.44%	0.04%	-0.02%	0.14%	0.28%	0.08%	0.08%	0.02%	-0.03%	-0.06%	-0.03%	0.01%	0.01%	0.11%	0.12%	0.15%	0.19%	0.22%	0.27%	0.30%	0.33%
NCOs / Avg. Loans (ann'l %)	-0.01%	-0.05%	-0.02%	0.07%	0.18%	0.00%	0.04%	-0.15%	-0.10%	0.00%	-0.04%	-0.03%	0.00%	0.02%	0.05%	0.08%	0.11%	0.14%	0.17%	0.19%	0.21%
Assumed ALLL for New Loans														1.20%	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%
Assumed Add/Release from ALLL														0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Projected NCOs ($)														0.049	0.126	0.204	0.285	0.369	0.457	0.522	0.590
Provision for New Loans														0.212	0.180	0.182	0.216	0.220	0.256	0.293	0.333
Add/Release from ALLL														-	-	-	-	-	-	-	-
Required Provision														0.261	0.305	0.387	0.501	0.589	0.713	0.815	0.923
Beginning ALLL														11.336	11.548	11.728	11.910	12.126	12.346	12.601	12.894
- NCOs														0.049	0.126	0.204	0.285	0.369	0.457	0.522	0.590
+ Provision														0.261	0.305	0.387	0.501	0.589	0.713	0.815	0.923
Ending ALLL	10.389	11.179	11.336	12.126	13.228	10.563	10.638	11.025	11.179	11.063	11.220	11.315	11.336	11.548	11.728	11.910	12.126	12.346	12.601	12.894	13.228
ALLL / Loans	1.23%	1.29%	1.16%	1.16%	1.16%	1.22%	1.21%	1.25%	1.29%	1.26%	1.22%	1.19%	1.16%	1.16%	1.16%	1.16%	1.16%	1.16%	1.16%	1.16%	1.16%
ALLL / Loans (ex-PPP)	1.30%	1.30%	1.16%	1.16%	1.16%	1.31%	1.28%	1.26%	1.30%	1.26%	1.22%	1.19%	1.16%	1.16%	1.16%	1.16%	1.16%	1.16%	1.16%	1.16%	1.16%
Provision for Loan Losses	3.663	0.335	(0.152)	1.455	3.040	0.177	0.168	0.049	(0.059)	(0.125)	(0.070)	0.018	0.025	0.261	0.305	0.387	0.501	0.589	0.713	0.815	0.923
Net Charge-Offs	(0.120)	(0.456)	(0.174)	0.665	1.939	0.002	0.093	(0.338)	(0.213)	(0.008)	(0.093)	(0.077)	0.004	0.049	0.126	0.204	0.285	0.369	0.457	0.522	0.590
Excess Provision (LLP less NCOs)	3.783	0.791	0.022	0.790	1.102	0.175	0.075	0.387	0.154	(0.117)	0.023	0.095	0.021	0.212	0.180	0.182	0.216	0.220	0.256	0.293	0.333

Potential Risks

- Significant economic deterioration in the bank's core markets
- Unanticipated deterioration in credit quality
- Increasing competitive pressure on loan pricing - implying headwinds for balance sheet growth and NIM
- NIM compression stemming from a flat or inverted yield curve and/or the Fed adopting a less favorable stance on short-term rates
- M&A related risks, including execution or elevated pricing, resulting in a drag on profitability metrics

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BUY: Expected to produce a total return of over 15% on a risk adjusted basis over the next 12-18 months
NEUTRAL: Expected to produce a total return of -15% to +15% on a risk adjusted basis over the next 12-18 months
UNDERPERFORM: Expected to lose value of over 15% on a risk adjusted basis over the next 12-18 months

Rating Distribution (as of 12/31/22)	Coverage Universe Distribution			Investment Banking Distribution		
	IR	WMR	Combined	IR	WMR	Combined
BUY (Buy)	63%	81%	65%	13%	0%	12%
NEUTRAL (Hold)	37%	15%	34%	6%	0%	6%
UNDERPERFORM (Sell)	0%	4%	1%	0%	0%	0%

IR denotes Institutional Research; WMR denotes Wealth Management Research whose rating scale is Buy/Add, Neutral, Sell/Reduce. Investment Banking Distribution denotes companies from whom D.A. Davidson & Co. has received compensation in the last 12 months.

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Other Companies Mentioned in this Report

Company Name	Ticker	Rating	Price
First Community Corporation	FCCO	BUY	$21.50